Good Food, Good Life

NESTLÉ FINANCE INTERNATIONAL LTD.

Half-Yearly Financial Report

Management Report

and

Financial Statements

January-June 2014

(Unaudited)

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Nestlé Finance International Ltd.

Nestlé Finance International Ltd. ("NFI") presents its half-yearly financial report for the six-month period ended 30 June 2014. NFI is a public limited company (*société anonyme*) organised under the laws of Luxembourg and is a wholly-owned subsidiary of Nestlé S.A. which is the holding company of the Nestlé group of companies (the "Nestlé Group" or the "Group"). NFI, which was formerly a public limited company (*société anonyme*) organised under the laws of France formed on 18 March 1930, changed its domicile, and moved its registered office from France, to Luxembourg on 29 February 2008. NFI is established for an unlimited duration. The Nestlé Group manufactures food and beverages as well as products related to the nutrition, health and wellness industries. Its products, distributed throughout the world, include: soluble coffee, chocolate and malt-based drinks, water, dairy products, infant nutrition, healthcare nutrition, performance nutrition, ice cream, frozen and chilled food, culinary aids, chocolate and confectionary, as well as products for pet care and pharmaceutical products.

The principal business activity of NFI is the financing of members of the Nestlé Group including by the sale, exchange, issue, transfer or otherwise, as well as the acquisition by purchase, subscription or in any other manner, of stock, bonds, debentures, notes, debt instruments or other securities or any kind of instrument and contracts thereon or relative thereto. NFI may further assist the members of the Nestlé Group, in particular by granting them loans, facilities or guarantees in any form and for any term whatsoever and provide any of them with advice and assistance in any form whatsoever.

On 1 June 2013, NFI moved its seat from 69, rue de Merl L-2146 Luxembourg to 7, rue Nicolas Bové L-1253 Luxembourg, Grand Duchy of Luxembourg.

Management Report

(A) Important events that have occurred during the six-month period January – June 2014, and their impact on the financial statements:

At 30 June 2014, a total equivalent of EUR 10 088 million of loans and advances had been made to Nestlé Group companies compared to EUR 9 204 million as at 31 December 2013 and EUR 12 326 million as at 30 June 2013. These were financed mainly through the issuance of commercial paper and loans received from Nestlé Group companies during the six-month period January-June 2014. Other assets and liabilities comprise derivatives, cash and cash equivalents (consisting of, for example, cash balances, deposits at banks and other short term investments with original maturities of three months or less), and short-term investments.

Total assets increased by EUR 661 million at the end of six-month period January-June 2014 (EUR 10 341 million) as compared to the financial year ended 31 December 2013 (EUR 9 680 million). The increase results mainly from an increase in loans to Nestlé Group companies which were financed through the issuance of commercial paper and loans received from Nestlé Group companies. Debt (bonds and commercial paper) outstanding at the end of the six-month period January-June 2014 (EUR 7 202 million) increased by EUR 139 million as compared to the financial year ended 31 December 2013 (EUR 7 063 million) as result of an increase in the issuance of commercial paper.

Financing operations reported a net profit of EUR 2 489 million for the six-month period January-June 2014, compared to a net profit of EUR 1 770 million for the six-month period ended 30 June 2013. Net profit before tax decreased by EUR 871 million for the six-month period of January-June 2014 as compared to the six-month period January-June 2013. This decrease resulted primarily due to the decrease in net interest income (by EUR 7 301 million) and an increase in net fee and commission expense (EUR 6 921 million). However the increase in other operating income (by EUR 13 315 million)

partly offsets the decrease in income. This has been further disclosed in the Notes to the Unaudited Financial Statements of NFI for the six-month period ended 30 June 2014, in particular, in Note 2.

NFI's net operating cash outflow was EUR 239 million for the six-month period January-June 2014 compared to net operating cash outflow of EUR 118 million for the six-month period January-June 2013.

There have been no significant events after the balance sheet date and it is expected that NFI's activities will remain unchanged in the six-month period July-December 2014.

Future financial performance will depend largely on the net interest margin earned on loans and investments funded by existing and possible further issues of bonds, commercial paper and loans received from Nestlé Group companies and results from derivative transactions.

(B) Principal Risks and Uncertainties for the remaining six month period July – December 2014

NFI is exposed to certain risks and uncertainties: banking credit risk, credit risk, market risk, currency fluctuations, interest rate risk, value at risk assessment of market risk, liquidity risk, risk of an increase in cost of capital, treasury operations and other risks that could have a material adverse impact on its financial condition and operating results. NFI's principal risks and uncertainties for the remaining six months of the financial year have not changed since the issuance of NFI's 2013 Annual Financial Report. The detailed discussion of these risks and uncertainties and NFI's objectives, policies and processes for managing these risks and uncertainties were disclosed in the Notes to the Audited Financial Statements of NFI for the year ended 31 December 2013, in particular Note 10.

(C) Other items

NFI has no research and development costs nor any treasury shares or branches.

(D) Corporate governance status

The overall control environment, risk assessment, control and monitoring activities have been disclosed in the Audited Financial Statements of NFI for the year ended 31 December 2013.

Nestlé Finance International Ltd. (“NFI”)

Financial Statements
(Unaudited)

January - June 2014

Balance sheet as at 30 June 2014

In thousands of Euro	Notes	30 June 2014	31 December 2013	30 June 2013
Assets				
Current assets				
Cash and cash equivalents		49 666	285 574	5 744
Short term investments	(3)	172 998	185 992	155 948
Derivative assets	(3)	29 453	4 413	51 477
Loans and advances to Nestlé Group companies	(7)	5 645 468	4 696 838	8 088 026
Other assets		753	851	655
Total current assets		**5 898 338**	**5 173 668**	**8 301 850**
Non-current assets				
Loans and advances to Nestlé Group companies		4 442 295	4 506 735	4 237 956
Loans and advances to third parties		-	-	100 000
Property, plant and equipment		32	37	36
Total non-current assets		**4 442 327**	**4 506 772**	**4 337 992**
Total assets		**10 340 665**	**9 680 440**	**12 639 842**
Liabilities				
Current liabilities				
Bank overdrafts		1 252	-	-
Derivative liabilities	(3)	48 506	79 344	58 063
Loans and advances from Nestlé Group companies	(7)	1 108 836	436 537	277 909
Debt securities issued	(6)	3 820 521	3 425 813	6 437 505
Current tax liabilities		3 110	2 101	2 322
Other liabilities		109 475	127 310	110 429
Total current liabilities		**5 091 700**	**4 071 105**	**6 886 228**
Non-current liabilities				
Loans and advances from Nestlé Group companies	(7)	1 849 166	1 954 634	2 033 712
Debt securities issued	(6)	3 381 877	3 636 949	3 698 961
Total non-current liabilities		**5 231 043**	**5 591 583**	**5 732 673**
Total liabilities		**10 322 743**	**9 662 688**	**12 618 901**
Equity				
Share capital	(4)	440	440	440
Share premium		2 000	2 000	2 000
Hedging reserve		3 016	5 339	10 291
Available-for-sale reserve		-4	-8	-54
Legal reserve	(4)	44	44	44
Other reserve	(4)	1 662	1 122	1 122
Retained earnings		10 764	8 815	7 098
Total equity attributable to shareholders of the company		**17 922**	**17 752**	**20 941**
Total liabilities and equity		**10 340 665**	**9 680 440**	**12 639 842**

Income statement for the six-month period ended 30 June 2014

In thousands of Euro	Notes	January-June 2014	January-June 2013
Interest income		126 363	145 301
Interest expense		-66 897	-78 534
Net interest income	(2)	59 466	66 767
Net fee and commission expense to Nestlé Group companies		-61 449	-54 528
Other operating income	(2)	7 360	-5 955
Operating income		**5 377**	**6 284**
Administration expense		-754	-790
Profit before tax		**4 623**	**5 494**
Taxes	(2)	-2 134	-3 724
Profit for the year attributable to shareholders of the company		**2 489**	**1 770**

Statement of comprehensive income for the six-month period ended 30 June 2014

In thousands of Euro	January-June 2014	January-June 2013
Profit for the period recognised in the Income statement	**2 489**	**1 770**
Fair value adjustment on available-for-sale financial instruments:		
Unrealised results	4	12
Fair value adjustment on cash flow hedges:		
Recognised in hedging reserve	-478	-1 697
Reclassified from hedging reserve to the Income statement	-1 845	-756
Items that are or may be reclassified subsequently to the Income statement	-2 319	-2 441
Other comprehensive income for the period	**-2 319**	**-2 441**
Total comprehensive income for the period	**170**	**-671**
of which attributable to shareholders of the company	170	-671

Statement of changes in equity for the six-month period ended 30 June 2014

In thousands of Euro	Share Capital	Share Premium	Hedging reserve	Available-for-sale reserve	Legal reserve	Other reserve	Retained earnings	Total equity attributable to shareholders of the company
Equity as at 31 December 2012	**440**	**2 000**	**12 743**	**-66**	**44**	**667**	**5 783**	**21 611**
Gains and losses								
Profit for the period	-	-	-	-	-	-	1 770	1 770
Fair value adjustments on available-for-sale instruments	-	-	-	12	-	-	-	12
Fair value adjustments on cash flow hedges	-	-	-2 452	-	-	-	-	-2 452
Total comprehensive income for the period	**-**	**-**	**-2 452**	**12**	**-**	**-**	**1 770**	**-670**
Transfer to reserves								
Transfer to net worth tax reserves	-	-	-	-	-	455	-455	-
Total transfer to other reserves	**-**	**-**	**-**	**-**	**-**	**455**	**- 455**	**-**
Equity as at 30 June 2013	**440**	**2 000**	**10 291**	**-54**	**44**	**1 122**	**7 098**	**20 941**

Equity as at 31 December 2013	**440**	**2 000**	**5 339**	**-8**	**44**	**1 122**	**8 815**	**17 752**
Gains and losses								
Profit for the period	-	-	-	-	-	-	2 489	2 489
Fair value adjustments on available-for-sale instruments	-	-	-	4	-	-	-	4
Fair value adjustments on cash flow hedges	-	-	-2 323	-	-	-	-	-2 323
Total comprehensive income for the period	**-**	**-**	**-2 323**	**4**	**-**	**-**	**2 489**	**170**
Transfer to reserves								
Transfer to net worth tax reserves	-	-	-	-	-	540	-540	-
Total transfer to other reserves	**-**	**-**	**-**	**-**	**-**	**540**	**-540**	**-**
Equity as at 30 June 2014	**440**	**2 000**	**3 016**	**-4**	**44**	**1 662**	**10 764**	**17 922**

Cash flow statement for the six-month period ended 30 June 2014

In thousands of Euro	January-June 2014	January-June 2013
Cash flows from operating activities:		
Profit/(loss) for the period	2 489	1 770
Adjustments for:		
Depreciation	4	1
Foreign exchange loss for bank accounts, loans and debt securities	12 197	-29 188
Fair value of debt securities	5 983	-27 188
Interest income	-126 363	-161 587
Interest expense	66 897	94 820
Change in short term investments including those recognised directly in equity	12 998	-12 999
Change in derivative assets including those recognised directly in equity	-27 363	45 922
Change in other assets excluding prepaid and accrued income	-15	584
Change in derivative liabilities	-30 838	46 537
Change in current tax liabilities	1 009	1 372
Change in other liabilities excluding accrual and deferred income	-37 746	-98 018
Net loans and advances to Nestlé Group companies excluding intra group interest receivable	-777 434	472 234
Net loans and advances from Nestlé Group companies excluding intra group interest payable	558 854	-899 380
Net loans and advances to third parties	-	13 000
Debt securities issued	9 903 124	16 241 741
Debt securities repaid	-9 879 829	-15 920 423
Interest received	120 331	170 920
Interest paid	-42 928	-58 076
Net cash outflow from operating activities	**-238 630**	**-117 958**
Cash outflow from investing activities	**-**	**-37**
Cash flow from financing activities	**-**	**-**
Currency translation	**1 470**	**-685**
Net decrease in cash and cash equivalents	**-237 160**	**-118 680**
Cash and cash equivalents at beginning of period	285 574	124 424
Cash and cash equivalents at end of period	**48 414**	**5 744**

The Company paid taxes of EUR 16 thousand for the period January-June 2014 and EUR 27 thousand in 2013.

Notes

1. Accounting policies

Basis of preparation

These financial statements are the Unaudited Financial Statements of NFI for the six-month period ended 30 June 2014. They have been prepared in accordance with IAS 34 - Interim Financial Reporting as adopted by the European Union as well as with the laws and regulations in force in the Grand Duchy of Luxembourg and should be read in conjunction with the Audited Financial Statements of NFI for the year ended 31 December 2013.

The accounting conventions and accounting policies are the same as those applied in the Audited Financial Statements of NFI for the year ended 31 December 2013, except for those mentioned below, in the sections 'Changes in accounting policies' and 'Changes in accounting policies that may affect NFI after 30 June 2014'. The preparation of the Unaudited Financial Statements of NFI for the six-month period ended 30 June 2014 requires NFI's management to exercise judgment and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. The key sources of estimation of uncertainty within the Unaudited Financial Statements of NFI for the six-month period ended 30 June 2014 remain the same as those that applied to the Audited Financial Statements of NFI for the year ended 31 December 2013.

NFI is integrated in the consolidated financial statements of Nestlé S.A., located in Cham and Vevey, Switzerland.

Changes in accounting policies

A number of standards have been modified on miscellaneous points with effect from 1 January 2014. None of these amendments had a material effect on the Unaudited Financial Statements of NFI for the six-month period ended 30 June 2014.

Changes in accounting policies that may affect NFI after 30 June 2014

The following standards and amendments to existing standards have been published and are mandatory for NFI's accounting period beginning on 1 January 2014 (subject to being adopted within the European Union), unless otherwise stated.

IFRS 9 – Financial Instruments
The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard will affect NFI's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Such gains and losses are never reclassified to the income statement at a later date. There will be no impact on NFI's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and NFI does not have any such liabilities. The standard is effective for the accounting period beginning on 1 January 2018.

Improvements and other amendments to IFRS/IAS
A number of standards have been modified on miscellaneous points. None of these amendments are expected to have a material effect on NFI's financial statements.

2. Operating income/(expense) and taxes

Net interest income:

In thousands of Euro	January-June 2014	January-June 2013
Interest income from:		
Short term investments	209	285
Loans and advances to Nestlé Group companies	124 418	143 138
Loans and advances to third parties	1 736	1 878
Interest income	**126 363**	**145 301**
Interest expense from:		
Loans and advances from Nestlé Group companies	-32 864	-36 862
Debt securities issued	-34 033	-41 672
Interest expense	**-66 897**	**-78 534**
Net interest income	**59 466**	**66 767**

Other operating income/(expense):

In thousands of Euro	January-June 2014	January-June 2013
Net foreign exchange gain or loss	7 345	-5 888
Net loss or gain in fair value through profit and loss	15	-67
Other operating income/(expense)	**7 360**	**-5 955**

Taxes:

In thousands of Euro	January-June 2014	January-June 2013
Withholding tax expenses	-1 108	-2 342
Income tax expenses	-1 026	-1 382
Taxes	**-2 134**	**-3 724**

3. Fair value hierarchy

Financial assets and liabilities

Fair value hierarchy of financial instruments

In thousands of Euro	30 June 2014
Short term deposits (a)	120 498
Derivative assets	29 453
Derivative liabilities	-48 506
Valuation techniques based on observable market data (Level 2)	**101 445**
Total financial instruments at fair value	**101 445**

(a) Short term deposits are included in the balance sheet in cash and cash equivalents and in short term investments

As of 30 June 2014 the carrying amount of bonds issued is EUR 4 220 million, compared to a fair value of EUR 4 335 million (measured on the basis of quoted prices in an active market). For all other financial assets and liabilities, the carrying amount is a reasonable approximation of the fair value.

There have been no significant transfers between the different hierarchy levels for the six-month period ended 30 June 2014. There were no financial instruments within the category Level 1 – prices quoted in the active markets and Level 3 – valuation techniques based on unobservable input.

4. Share capital, other reserves and legal reserves

Share capital is set at EUR 440 000 represented by 220 000 shares with a par value of EUR 2 each authorised, issued and fully paid.

Under Luxembourg law, NFI is allowed to deduct the net worth tax from the corporate income tax of the same year, provided that a reserve is created corresponding to five times the net worth tax deducted and that this reserve is maintained for a period of five tax years following the year of deduction. For the financial year ended 31 December 2013, NFI decided to deduct the whole of the net worth tax in the amount of EUR 108 thousand from the corporate income tax, resulting in an addition to the tax reserve of EUR 540 thousand.

The movements in other reserves for the six-month period January-June 2014 were as follows:

In thousands of Euro	30 June 2014	31 December 2013
Opening Balance	1 122	667
Addition	540	455
Closing Balance	**1 662**	**1 122**

Under Luxembourg law, NFI is required to appropriate annually at least 5% of its statutory net profit to a non-distributable legal reserve until the aggregate reserve reaches 10% of the subscribed capital. The reserve is fully constituted for EUR 44 000.

5. Dividends

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting of NFI. At the Board of Directors Meeting of NFI held on 24 April 2014, the Board decided not to propose any dividend payment to the shareholder.

6. Debt securities

Bonds

The repayments from bonds during the period were as follows:

Face value in thousands	Interest rates		Year of issue/maturity	Comments	January-June 2014
	Nominal	Effective			
Bonds repaid:					
CHF 425.000	2,00%	2,05%	2009-2014		-347 829
NOK 1.250.000	2,50%	2,73%	2010-2014		-158 722
Other				(a)	4 066
Total repaid					**-502 485**

(b) Includes net cash received by NFI, for currency forward contracts hedging existing bonds.

Commercial Paper

The outstanding amounts of commercial paper at 30 June 2014 were as follows:

In thousands of Euro	30 June 2014	31 December 2013
Commercial paper	**2 982 513**	**2 402 727**
of which due within one year	2 982 513	2 402 727

The carrying amount of these instruments is a reasonable approximation of their fair value based on observable market data.

7. Transactions with related parties

Grant, receipt and repayments of loans with Nestlé Group companies for the six-month period January-June 2014 were as follows:

In thousands of Euro	January-June 2014	January-June 2013
Loans granted to Nestlé Group companies excluding accrued interest	11 812 935	15 884 336
Repayment of Loans by Nestlé Group companies excluding accrued interest	-11 035 501	-16 356 570
Net Loans and advances granted to Nestlé Group companies	**777 434**	**-472 234**
Loans received from Nestlé Group companies excluding accrued interest	558 854	161 891
Repayment of Loans to Nestlé Group companies excluding accrued interest	-	-1 061 271
Net Loans and advances received from Nestlé Group companies	**558 854**	**-899 380**

8. Events after the balance sheet date

There have been no significant events after the balance sheet date.

Responsibility Statement

Marina Vanderveken-Verhulst, Director, Saskia Deknock, Director, Jean-Marc Ueberecken, Director, Laurent Schummer, Director and Steve Flammang, Chief accountant confirm that to the best of their knowledge:

(a) the Unaudited Financial Statements of NFI for the six-month period ended 30 June 2014, which have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union as well as with the laws and regulations in force in the Grand-Duchy of Luxembourg, give a true and fair view of the assets, liabilities, financial position and profit or loss of NFI as required by DTR 4.2.4; and

(b) the interim management report includes a fair review of the information required by DTR 4.2.7.

20 August 2014.