



Good Food, Good Life

NESTLÉ FINANCE INTERNATIONAL LTD.

(Société Anonyme)

Annual Financial Report

Management Report

and

Financial Statements

1 January – 31 December 2015

(With Report of the Réviseur d'Entreprises Agréé Thereon)

**Registered Address: 7, rue Nicolas Bové
L-1253, Luxembourg
Grand-Duchy of Luxembourg
R.C. Luxembourg B No136737
Subscribed capital: EUR 440 000**

Contents

1. Management Report.....	2-4
2. Report of the Réviseur d'Entreprises Agréé.....	5-6
3. Financial Statements for the year ended 31 December 2015.....	7-27
4. Responsibility Statement	28

Nestlé Finance International Ltd.

Nestlé Finance International Ltd. ("NFI") presents its annual financial report for the financial year ended 31 December 2015. 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. 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. NFI is established for an unlimited duration. The Nestlé Group manufactures and sells 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, 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.

1. Management Report

(A) Review of the development and performance of NFI's business during the financial year and the position of NFI's business at the end of the year:

As at 31 December 2015, a total equivalent of EUR 10 633 million of loans and advances granted to Nestlé Group companies was outstanding, compared to EUR 10 527 million as at 31 December 2014. These were financed mainly through the issuance of bonds, commercial paper and loans and advances received from Nestlé Group companies. Other assets and liabilities comprise mainly 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. The aforementioned transactions are further detailed in the Notes to the Audited Financial Statements of NFI for the financial year ended 31 December 2015.

Total assets decreased at the end of the financial year ended 31 December 2015 (EUR 10 939 million) as compared to the financial year ended 31 December 2014 (EUR 11 185 million). The decrease in total assets (by EUR 246 million) results mainly from a decrease in cash and cash equivalents (by EUR 212 million excluding an overdraft of EUR 7 million), a decrease in short term investments (by EUR 73 million), and a decrease in derivative assets (by EUR 66 million) partially offset by an increase in loans and advances granted to Nestlé Group companies (by EUR 106 million). Debt securities (bonds and commercial paper) outstanding at 31 December 2015 (EUR 6 732 million) increased by EUR 708 million as compared to 31 December 2014 (EUR 6 024 million) as a result of an increase in the issuance of bonds and commercial paper. Loans and advances received from Nestlé Group companies outstanding at 31 December 2015 (EUR 4 074 million) decreased by EUR 898 million as compared to 31 December 2014 (EUR 4 972 million).

Financing operations reported a net profit of EUR 6.2 million for the financial year ended 31 December 2015 compared to a net profit of EUR 2.5 million for the financial year ended 31 December 2014.

Net profit before tax for the financial year ended 31 December 2015 was EUR 12.9 million, compared to EUR 5.3 million for the financial year ended 31 December 2014. The movement was due to an increase in net interest income (of EUR 37.7 million), which is a result of an increase in EUR equivalent interest income

on foreign denominated loans. This was partially offset by a decrease in net fee and commission expense (of EUR 68.9 million) arising from fluctuations of foreign exchange borne by a related party, and a decrease in other operating income (of EUR 98.8 million) resulting from foreign exchange losses on non-EUR denominated instruments.

NFI's net operating cash outflow was EUR 258 million for the financial year ended 31 December 2015 compared to net operating cash inflow of EUR 81 million for the financial year ended 31 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 and advances received from Nestlé Group companies and results from derivative transactions.

(B) Risks and Uncertainties

NFI is exposed to certain risks and uncertainties: banking credit risk, credit risk, market risk (including currency fluctuations and interest rate movements), liquidity risk and 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. The detailed discussion of these risks and uncertainties and NFI's objectives, policies and processes for managing these risks and uncertainties are disclosed in the Notes to the Audited Financial Statements of NFI for the year ended 31 December 2015, in particular Note 10.

(C) Other items

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

(D) Corporate governance status

Overall control environment

The Board of Directors of NFI has overall responsibility for the company's control environment. The Board of Directors is responsible for monitoring the internal control and risk management systems that are related to the financial reporting process on an ongoing basis.

The internal control and risk management systems are designed to mitigate, rather than eliminate, the risks identified in the financial reporting process. In particular, internal controls related to the financial reporting process are established to mitigate, detect and correct material misstatements in the financial statements.

NFI has a number of policies and procedures in key areas of financial reporting, which are derived from the Nestlé Group's Accounting Standards, Risk Management Policy, Treasury Policy, Information Security Policy and Business Ethics Policy. These policies and procedures apply to all subsidiaries of the Nestlé Group, including NFI.

Control activities

Nestlé Group has established minimum requirements for the conduct and documentation of IT and manual control activities to mitigate identified significant financial reporting risks. NFI establishes and implements internal controls comprising relevant control activities for significant processes.

NFI's management is responsible for ensuring that the internal control activities are performed and documented, and is required to report on their compliance with Nestlé Group's internal control policies to Nestlé Group's finance function.

In addition, the Nestlé Group has implemented a formalised financial reporting process for the budget process and monthly reporting on actual performance. The accounting information reported by NFI is reviewed both by Nestlé Group central treasury and by technical accounting specialists at Nestlé.

Information and communication

The Nestlé Group has established information and communication systems to ensure that accounting and internal control compliance procedures are established, including a finance manual and internal control requirements.

All Nestlé Group companies, including NFI, use a standardised financial reporting system.

Monitoring

The monitoring of the internal control and risk management systems related to financial reporting is performed at various levels within the Nestlé Group, such as periodic reviews of control documentation, controller visits, audits performed by Nestlé Group Internal Audit and monitoring by the Nestlé Group's Audit Committee.

Subsequent events

There have not been any significant events after the balance sheet date.

Future developments

It is expected that NFI's business activities will remain unchanged in 2016. NFI will primarily continue to provide financing to members of the Nestlé Group.



KPMG Luxembourg, Société coopérative
39, Avenue John F. Kennedy
L-1855 Luxembourg

Tel.: +352 22 51 51 1
Fax: +352 22 51 71
Email: info@kpmg.lu
Internet: www.kpmg.lu

To the Shareholder of
Nestlé Finance International Ltd., Société Anonyme
7, rue Nicolas Bové
L-1253 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the financial statements

We have audited the accompanying financial statements of Nestlé Finance International Ltd., Société Anonyme, which comprise the balance sheet as at December 31, 2015, the income statement, other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

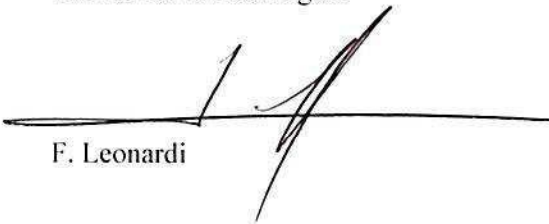
In our opinion, the financial statements of Nestlé Finance International Ltd., Société Anonyme, give a true and fair view of the financial position of Nestlé Finance International Ltd., Société Anonyme as of December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the financial statements and includes the information required by the law in respect of Corporate Governance Statement.

Luxembourg, March 22, 2016

KPMG Luxembourg, Société coopérative
Cabinet de révision agréé



F. Leonardi

3. Financial Statements for the year ended 31 December 2015

Nestlé Finance International Ltd. (“NFI”)

(Société Anonyme)

Financial Statements

(Audited)

1 January – 31 December 2015

Balance sheet as at 31 December 2015

In thousands of Euro	Notes	31 December 2015	31 December 2014
Assets			
Current assets			
Cash and cash equivalents	(4)	159 710	371 647
Short term investments	(4)	-	72 995
Derivative assets	(3)	45 497	111 974
Loans and advances to Nestlé Group companies	(4)	8 420 086	7 854 184
Other assets	(5)	898	725
Total current assets		8 626 191	8 411 525
Non-current assets			
Loans and advances to Nestlé Group companies	(4)	2 212 900	2 673 194
Loans and advances to third parties	(4)	100 000	100 000
Property, plant and equipment		22	28
Total non-current assets		2 312 922	2 773 222
Total assets		10 939 113	11 184 747
Liabilities			
Current liabilities			
Bank overdrafts		6 865	-
Derivative liabilities	(3)	18 439	17 616
Loans and advances from Nestlé Group companies	(4)	4 073 646	4 844 956
Debt securities issued	(4/7)	2 774 346	2 093 113
Current tax liabilities		5 583	3 057
Other liabilities	(5)	80 254	149 770
Total current liabilities		6 959 133	7 108 512
Non-current liabilities			
Loans and advances from Nestlé Group companies	(4)	-	127 535
Debt securities issued	(4/7)	3 957 834	3 930 583
Total non-current liabilities		3 957 834	4 058 118
Total liabilities		10 916 967	11 166 630
Equity			
Share capital	(6)	440	440
Share premium		2 000	2 000
Hedging reserve	(6)	1 019	3 184
Available-for-sale reserve		3	-2
Legal reserve	(6)	44	44
Other reserve	(6)	2 543	1 662
Retained earnings		16 097	10 789
Total equity attributable to shareholders of the company		22 146	18 117
Total liabilities and equity		10 939 113	11 184 747

The accompanying notes form an integral part of the financial statements

Income statement for the year ended 31 December 2015

In thousands of Euro	Notes	Year 2015	Year 2014
Interest income		276 831	252 089
Interest expense		-120 235	-133 194
Net interest income	(2)	156 596	118 895
Net fee and commission expense to Nestlé Group companies	(2)	-77 407	-146 298
Other operating (expense) / income	(2)	-64 803	33 961
Operating income		14 386	6 558
Administration expense		-1 477	-1 235
Profit before tax		12 909	5 323
Taxes	(2)	-6 720	-2 809
Profit for the year attributable to shareholders of the company		6 189	2 514

The accompanying notes form an integral part of the financial statements

Other comprehensive income for the year ended 31 December 2015

In thousands of Euro	Year 2015	Year 2014
Profit for the year recognised in the Income statement	6 189	2 514
Fair value adjustments on available-for-sale financial instruments: Unrealised results	5	6
Fair value adjustments on cash flow hedges: Recognised in hedging reserve	-671	-83
Reclassified from hedging reserve to the Income statement	-1 494	-2 072
Items that are or may be reclassified subsequently to the Income statement	-2 160	-2 149
Other comprehensive income for the year	-2 160	-2 149
Total comprehensive income for the year	4 029	365
of which attributable to shareholders of the company	4 029	365

Statement of changes in equity for the year ended 31 December 2015

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 2013	440	2 000	5 339	-8	44	1 122	8 815	17 752
Gains and losses								
Profit for the year	-	-	-	-	-	-	2 514	2 514
Fair value adjustments on available-for-sale instruments	-	-	-	6	-	-	-	6
Fair value adjustments on cash flow hedges	-	-	-2 155	-	-	-	-	-2 155
Total comprehensive income for the year	-	-	-2 155	6	-	-	2 514	365
Transfer to reserves								
Transfer to net worth tax reserves	-	-	-	-	-	540	-540	-
Total transfer to other reserve	-	-	-	-	-	540	-540	-
Equity as at 31 December 2014	440	2 000	3 184	-2	44	1 662	10 789	18 117
Gains and losses								
Profit for the year	-	-	-	-	-	-	6 189	6 189
Fair value adjustments on available-for-sale instruments	-	-	-	5	-	-	-	5
Fair value adjustments on cash flow hedges	-	-	-2 165	-	-	-	-	-2 165
Total comprehensive income for the year	-	-	-2 165	5	-	-	6 189	4 029
Transfer to reserves								
Transfer to net worth tax reserves	-	-	-	-	-	881	-881	-
Total transfer to other reserve	-	-	-	-	-	881	-881	-
Equity as at 31 December 2015	440	2 000	1 019	3	44	2 543	16 097	22 146

The accompanying notes form an integral part of the financial statements

Cash flow statement for the year ended 31 December 2015

In thousands of Euro	Notes	Year 2015	Year 2014
Cash flows from operating activities:			
Profit before taxation for the year		12 909	5 323
Adjustments for:			
Depreciation		8	8
Foreign exchange (gain) / loss for bank accounts, loans and debt securities		179 460	240 732
Fair value of debt securities		-887	33 005
Interest income	(2)	-276 831	-252 089
Interest expense	(2)	120 235	133 194
Change in short term investments including those recognised directly in equity		73 000	113 003
Change in derivative assets including those recognised directly in equity		64 312	-109 716
Change in other assets excluding prepaid and accrued income	(5)	-173	-132
Change in derivative liabilities	(4)	823	-61 728
Change in other liabilities excluding accrual and deferred income	(5)	-66 280	31 258
Net loans and advances to Nestlé Group companies excluding intra group interest receivable	(8)	72 045	-1 049 706
Net loans and advances from Nestlé Group companies excluding intra group interest payable	(8)	-994 220	2 474 043
Net loans and advances to third parties		-	-100 000
Debt securities issued		20 031 519	17 719 429
Debt securities repaid		-19 611 238	-19 203 712
Interest received net of withholding tax		258 724	241 453
Interest paid		-120 887	-133 592
Income taxes paid		-32	-79
Net cash (outflow) / Inflow from operating activities		-257 513	80 694
Purchase of property plant and equipment		-2	-
Cash outflow from Investing activities		-2	-
Cash flow from financing activities		-	-
Effects of the exchange rate changes on cash		38 713	5 379
Net (decrease) / Increase in cash and cash equivalents		-218 802	86 073
Cash and cash equivalents at beginning of year		371 647	285 574
Cash and cash equivalents at end of year	(4)	152 845	371 647

The accompanying notes form an integral part of the financial statements

Notes

1. Accounting policies

Basis of preparation

These financial statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union as well as with the laws and regulations in force in the Grand-Duchy of Luxembourg.

The financial statements have been prepared on an accrual basis and under the historical cost convention, unless stated otherwise. The preparation of the financial statements 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. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The balance sheet has been prepared in order of liquidity.

NFI prepares its financial statements on the basis of the going concern convention. NFI's debt instruments are guaranteed by Nestlé S.A. (see Note 9 on Guarantees).

The financial statements were authorised for issuance by the Board of Directors on 22 March 2016.

NFI's financial year starts on the first day of January and ends on the last day in December.

Foreign currencies

The functional currency of NFI is the currency of its primary economic environment which is the Euro.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are taken to the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Segmental information

The financing activities of NFI are managed as one single business. Thus, there is no segmental information in the financial statements.

Valuation methods, presentations and definitions

Operating income

Net interest income includes the income earned on loans with Nestlé Group companies, loans granted to third parties, income from short term deposits and financial expense on borrowings from third parties. Net interest income also includes other financial income and expense from interest rate hedging instruments that are recognised in the income statement.

Net fee and commission expenses are composed of the guarantee fee that is payable to Nestlé S.A. and other fees and expenses to or from Nestlé Group companies.

Other operating income includes results on foreign currency, other income or expenses from Nestlé Group companies and income or expenses on financial instruments carried at fair value through income statement.

Taxes

NFI is subject to Luxembourg tax laws and regulations.

Taxes include current taxes on profit as well as actual or potential withholding taxes on current and expected transfers of income from Nestlé Group companies and tax adjustments relating to prior financial years. Income tax is recognised in the income statement, except to the extent that it relates to items directly taken to equity, in which case it is recognised against equity.

Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from those of the financial statements. It also arises on temporary differences stemming from tax losses carried forward.

Financial instruments

Financial assets

Financial assets are initially recognised at fair value plus directly attributable transaction costs. However when a financial asset at fair value to income statement is recognised, the transaction costs are expensed immediately.

Subsequent re-measurement of financial assets is determined by their categorisation that is revisited at each reporting date.

In cases of a regular way purchase or sale (purchase or sale under a contract where its terms require delivery within the time frame established by regulation or convention in the market place), the settlement date is used for both initial recognition and subsequent derecognition.

Financial assets are derecognised (in full or in part) when NFI's rights to cash flows from the respective assets have expired or have been transferred and NFI has neither exposure to substantially all the risks inherent in those assets nor entitlement to rewards from them.

NFI classifies its financial assets into the following categories: loans and receivables, financial assets designated at fair value through income statement, held-for-trading, and available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes the following classes of financial assets: intra Nestlé Group loans, loans granted to third parties, trade and other receivables, and accrued interest on loans.

Subsequent to initial measurement, intra Nestlé Group loans and receivables are carried at amortised cost using the effective interest rate method less appropriate allowances for doubtful receivables.

Allowances for doubtful receivables represent NFI's estimate of losses that could arise from the failure or inability of debtors to make payments when due.

Financial assets designated at fair value through income statement

Certain investments are designated at fair value through the income statement because this reduces an accounting mismatch which would otherwise arise due to the remeasurement of certain liabilities using current market prices.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are either designated as such upon initial recognition or are not classified in any of the other financial assets categories.

Subsequent to initial measurement, available-for-sale financial assets are stated at fair value with all unrealised gains or losses recognised against other comprehensive income until their disposal when such gains or losses are recognised in the income statement.

Interest from available-for-sale assets are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and other short-term highly liquid investments with maturities of three months or less from the acquisition date.

Financial liabilities at amortised cost

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs.

Subsequent to initial measurement, financial liabilities are recognised at amortised cost.

The difference between the initial carrying amount of the financial liabilities and their redemption value is recognised in the income statement over the contractual terms using the effective interest rate method. This category includes the following classes of financial liabilities: loans and advances from Nestlé Group companies, trade and other payables, commercial paper, bonds and other non-derivative financial liabilities. Financial liabilities at amortised cost are further classified as current and non-current depending whether these will fall due within 12 month after the balance sheet date or beyond.

Financial liabilities are derecognised when either NFI is discharged from its obligation, they expire, they are cancelled, or they are replaced by a new liability with substantially modified terms.

Derivative financial instruments

NFI's derivatives mainly consist of currency forwards, futures, options and swaps; and interest rate forwards, and swaps. Derivatives are mainly used to manage exposures to foreign exchange and interest rate.

Derivatives are initially recognised at fair value. They are subsequently re-measured at fair value on a regular basis and at each reporting date as a minimum, with all their gains and losses, realised and unrealised, recognised in the income statement unless they are in a qualifying hedging relationship.

The use of derivatives is governed by the Nestlé Group's policies which are approved by the Nestlé S.A. Board of Directors and provide written principles on the use of derivatives consistent with the Nestlé Group's overall risk management strategy.

Hedge accounting

NFI designates and documents certain derivatives as hedging instruments against changes in fair values of recognised assets and liabilities (fair value hedges) and highly probable forecast transactions (cash flow hedges). The effectiveness of such hedges is assessed at inception and verified at regular intervals and at least on a quarterly basis, using prospective and retrospective testing.

Fair value hedges

NFI uses fair value hedges to mitigate foreign currency and interest rate risks of its recognised assets and liabilities.

Changes in fair values of hedging instruments designated as fair value hedges and the adjustments for the risks being hedged in the carrying amounts of the underlying transactions are recognised in the income statement.

Cash flow hedges

NFI uses cash flow hedges to mitigate the variability of cash flows arising from foreign currency and interest risks of highly probable forecast transactions.

The effective part of the changes in fair value of hedging instruments is recognised in other comprehensive income, while any ineffective part is recognised immediately in the income statement. The gains or losses previously recognised in other comprehensive income are removed from other comprehensive income and recognised in the income statement at the same time as the hedged transaction affects the income statement.

Fair values

NFI determines the fair values of its financial instruments on the basis of the following hierarchy.

- i) Level 1 - the fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date.
- ii) Level 2 - the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters, dealer quotes for similar instruments and use of comparable arm's length transactions. For example, fair value of currency forwards and swaps, interest rate swaps and interest rate and currency swaps are determined by discounting estimated future cash flows using a risk-free interest rate.

- iii) Level 3 - the fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). In rare cases, when the fair value of unquoted instruments cannot be measured with sufficient reliability, NFI carries such instruments at cost less impairment, if applicable.

Prepayments and accrued income

Prepayments and accrued income comprise payments made in advance relating to the following financial year and income relating to the current financial year, which will not be received until after the balance sheet date.

Accruals and deferred income

Accruals and deferred income comprise expenses relating to the current financial year, which will not be paid until after the balance sheet date and income received in advance, relating to the following financial year.

Impairments

At each balance sheet date, NFI assesses whether its financial assets are to be impaired. Impairment losses are recognised in the income statement where there is objective evidence of impairment, such as where the issuer is in bankruptcy, default or other significant financial difficulty. Impairment losses are reversed when the reversal can be objectively related to an event occurring after the recognition of the impairment loss. For debt instruments measured at amortised cost or fair value, the reversal is recognised in the income statement.

Dividends

In accordance with Luxembourg law and NFI's Articles of Incorporation, dividends are treated as an appropriation of profit in the financial year in which they are ratified at the Annual General Meeting and subsequently paid. At the meeting of the Board of Directors of NFI held on 17 November 2015, the Board did not propose any dividend payment to NFI's shareholder.

Events occurring after the balance sheet date

The values of assets and liabilities at the balance sheet date are adjusted if there is evidence that subsequent adjusting events warrant a modification of these values. These adjustments are made up to the date of approval of these financial statements by NFI's Board of Directors. Other non-adjusting events are disclosed in the Notes to the Financial Statements of NFI for the year ended 31 December 2015.

Property, plant and equipment

Recognition and Measurement

Items of property, plant and equipment are measured at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Nestlé Group. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use and is recognised in the Income Statement. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. The useful lives for tools, furniture, information technology and sundry equipment are five years.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the income statement.

Nestlé S.A. consolidation

NFI is included in the consolidated financial statements of Nestlé S.A., 55 avenue Nestlé CH-1800 Vevey, Switzerland.

Changes in accounting policies

A number of standards have been modified on miscellaneous points with effect from 1 January 2015. Such changes include the Annual Improvements to IFRS 2010-2012 Cycle and the Annual Improvements to IFRS 2011-2013 Cycle. None of these amendments had a material effect on NFI's Financial Statements.

Changes in accounting policies that may affect NFI after 31 December 2015

The following new standards, interpretations and amendments to existing standards have been published and are relevant for NFI's accounting period beginning on 1 January 2016 (subject to being adopted within the European Union), unless otherwise stated. NFI has not early adopted them.

IFRS 9 – Financial Instruments

The standard addresses the accounting principles for the financial reporting of the financial assets and the financial liabilities, including classification, measurement, impairment, derecognition and hedge accounting. 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 under some circumstances and gains and losses on certain instruments with specific cash flow characteristics are never reclassified to the income statement at a later date. There is no expected 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 income statement, and NFI does not have any such liabilities. NFI is currently assessing the impact of the new impairment and hedge accounting requirements. In particular it is expected that the new component hedge model may bring improved alignment between the risk management strategies and their accounting treatment. The standard is mandatory for the accounting period beginning on 1 January 2018, subject to being endorsed by the EU.

2. Operating income and taxes

Net interest income:

In thousands of Euro	Year 2015	Year 2014
Interest income from:		
Cash and cash equivalents	-	7
Short term investments	285	338
Loans and advances to Nestlé Group companies	275 444	249 341
Loans and advances to third parties	1 102	2 403
Interest income	276 831	252 089
Interest expense from:		
Loans and advances from Nestlé Group companies	-60 893	-68 154
Debt securities issued	-59 342	-65 040
Interest expense	-120 235	-133 194
Net interest income	156 596	118 895

Net fees and commission expense:

In thousands of Euro	Year 2015	Year 2014
Fee and commission expense to Nestlé Group companies	-77 407	-146 298
Net fee and commission expense	-77 407	-146 298

Other operating income/(expense):

In thousands of Euro	Year 2015	Year 2014
Net foreign exchange income/(expense)	-65 066	34 209
Net gain/(loss) in fair value through income statement	263	-248
Other operating income/(expense)	-64 803	33 961

Taxes:

In thousands of Euro	Year 2015	Year 2014
Corporate income tax	-2 555	-1 035
Withholding tax	-4 165	-1 774
Total current tax (expense)	-6 720	-2 809

In thousands of Euro	Year 2015	Year 2014
Profit for the year	6 189	2 514
Total tax expense	-6 720	-2 809
Profit before tax	12 909	5 323
Withholding tax	-4 165	-1 774
Profit before corporate income tax and after withholding tax	8 744	3 549
Tax using NFI's domestic tax rate 29.22% (2014: 29.22%)	-2 555	-1 037
Tax exempt income	-	2
Withholding tax	-4 165	-1 774
Total current tax (expense)	-6 720	-2 809

3. Derivative assets and liabilities

By type

In thousands of Euro	Contractual or notional amounts		Fair value assets		Fair value liabilities	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Fair value hedges						
Currency forwards and swaps	1 390 668	2 033 351	41 262	100 678	183	4 619
Interest rate swaps	917 763	512 033	4 235	7 534	3 980	-
Cash flow hedges						
Currency forwards and swaps	-	6 242	-	14	-	-
Interest rate and currency swaps	83 572	84 189	-	-	13 880	12 329
Undesignated						
Currency forwards and swaps	56 725	181 265	-	3 748	396	668
Total	2 448 728	2 817 080	45 497	111 974	18 439	17 616
Conditional offsets (a)						
Derivative assets and liabilities			-183	-10 148	-183	-10 148
Balances after conditional offsets			45 314	101 826	18 256	7 468

(a) Represent amounts that would be offset in case of default, insolvency or bankruptcy of the counterparties

Some derivatives, while complying with the Group's Risk Management Policy of managing the risks of the volatility of the financial markets, do not qualify for hedge accounting and are, therefore, classified as undesignated derivatives.

Impact on the income statement of fair value hedges

In thousands of Euro	Year 2015	Year 2014
On hedged items	-121 297	-286 635
On hedging instruments	118 984	288 810

The ineffective portion of gains/(losses) of cash flow hedges is not significant.

4. Financial instruments

Financial assets and liabilities

By class

In thousands of Euro	31 December 2015	31 December 2014
Cash and cash equivalents	159 710	371 647
Short term investments	-	72 995
Derivative assets	45 497	111 974
Loans and advances to Nestlé Group companies	10 632 986	10 527 378
Loans and advances to third parties (b)	100 000	100 000
Other financial assets (a)	898	725
Total financial assets	10 939 091	11 184 719
Bank overdrafts	6 865	-
Derivative liabilities	18 439	17 616
Loans and advances from Nestlé Group companies	4 073 646	4 972 491
Debt securities issued	6 732 180	6 023 696
Current tax liabilities	5 583	3 057
Other financial liabilities (a)	80 254	149 770
Total financial liabilities	10 916 967	11 166 630
Net financial position	22 124	18 089

(a) Other financial assets and other financial liabilities include receivables and short term payables respectively, refer to Note 5.

(b) NFI granted loans to third parties for the purpose of indirectly providing commercial benefit to Nestlé Group companies and on an exceptional basis.

By category

In thousands of Euro	31 December 2015	31 December 2014
Loans and receivables at amortised cost:	10 736 394	10 669 746
Cash and cash equivalents (a)	2 510	41 643
Long term investments (a)	100 000	100 000
Loans and receivables (a)	10 633 884	10 528 103
Available-for-Sale	157 200	402 999
Short term investments	-	72 995
Time deposits	157 200	330 004
Derivative assets (financial assets at fair value through income statement)	45 497	111 974
Total financial assets	10 939 091	11 184 719
Financial liabilities at amortised cost (b)	5 690 827	5 506 478
Loans and payables (a)	4 166 348	5 125 318
Financial liabilities at fair value * (b)	1 041 353	517 218
Derivative liabilities	18 439	17 616
Total financial liabilities	10 916 967	11 166 630
Net Financial Position	22 124	18 089

(a) Carrying amount of these instruments is a reasonable approximation of their fair value based on observable market data.

(b) Fair values are disclosed in Note 7.

* Financial liabilities under fair value hedges are carried at amortised cost and adjusted for the risk being hedged.

Cash and cash equivalents at the end of the year

In thousands of Euro	31 December 2015	31 December 2014
Cash at bank	2 510	41 643
Time deposits	157 200	330 004
Bank overdrafts	-6 865	-
Total cash and cash equivalents	152 845	371 647

Fair value hierarchy of financial instruments

In thousands of Euro	31 December 2015	31 December 2014
Short term deposits (a)	157 200	402 999
Derivative assets	45 497	111 974
Derivative liabilities	-18 439	-17 616
Valuation techniques based on observable market data (Level 2)	184 258	497 357
Total financial instruments at fair value	184 258	497 357

(a) Carrying amount of these instruments is a reasonable approximation of their fair value based on observable market data

There have been no significant transfers between the different hierarchy levels in 2015. There were no financial instruments within the category Level 3 (valuation techniques based on unobservable input) and Level 1 (prices quoted in active markets). The fair values of the bonds, which are included in these financial statements for disclosure purposes only, are Level 1. See Note 7.

Contractual maturities of financial liabilities and derivatives

In thousands of Euro	three months or less	four to twelfth month	in the second year	in the third to fifth year	beyond the fifth year	Contractual amount *	Carrying amount *
2015							
Loans and advances from Nestlé Group companies	1 827	4 071 819	-	-	-	4 073 646	4 073 646
Commercial paper	2 258 675	16 468	-	-	-	2 275 143	2 274 657
Bonds	3 865	560 826	146 399	1 169 386	2 984 775	4 865 251	4 457 523
Debt securities issued	2 262 540	577 294	146 399	1 169 386	2 984 775	7 140 394	6 732 180
Bank overdrafts, tax and other liabilities	87 119	5 583	-	-	-	92 702	92 702
Gross amount receivable from currency derivatives	1 444 396	6 862	87 437	-	-	1 538 695	1 535 604
Gross amount payable from currency derivatives	-1 400 645	- 6 659	- 101 581	-	-	- 1 508 885	-1 508 802
Non currency derivative	-	6 815	4 873	- 202	- 11 615	- 129	256
Net derivatives	43 751	7 018	- 9 271	- 202	- 11 615	29 681	27 058

In thousands of Euro	three months or less	four to twelfth month	in the second year	in the third to fifth year	beyond the fifth year	Contractual amount *	Carrying amount *
2014							
Loans and advances from Nestlé Group companies	9 673	4 835 283	-	127 535	-	4 972 491	4 972 491
Commercial paper	1 526 916	275 805	-	-	-	1 802 721	1 802 192
Bonds	3 891	355 518	562 164	751 645	2 987 742	4 660 960	4 221 504
Debt securities issued	1 530 807	631 323	562 164	751 645	2 987 742	6 463 681	6 023 696
Bank overdrafts, tax and other liabilities	3 655	149 172	-	-	-	152 827	152 827
Gross amount receivable from currency derivatives	1 991 555	232 196	3 894	88 082	-	2 315 727	2 310 088
Gross amount payable from currency derivatives	-1 897 645	- 223 962	- 1 053	- 101 581	-	- 2 224 241	-2 223 264
Non currency derivative	-	6 498	3 989	2 115	- 5 105	7 497	7 534
Net derivatives	93 910	14 731	6 830	- 11 383	- 5 105	98 983	94 358

* Future cash flows arising from interest on these loans for Loans and advances from Nestlé Group companies are not included. In 2015, interest rates on these loans range from Euribor or Libor 1 to 6 month with a margin from 8 to 69bps (2014: 25 to 479bps).

5. Other assets and liabilities

In thousands of Euro	31 December 2015	31 December 2014
Other financial assets:		
Other receivables	846	673
Prepaid and accrued income	52	52
Total other assets	898	725
Other financial liabilities:		
Intra Nestlé Group other payables	58 048	124 809
Other payables	1 073	595
Accruals and deferred income	21 133	24 366
Total other liabilities	80 254	149 770

6. Share capital and other reserves:

	31 December 2015	31 December 2014
Number of shares of nominal value EUR 2 each	220 000	220 000
In thousands of Euro	440	440

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

Under Luxembourg law, NFI is allowed to deduct part of 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 2015, NFI decided to deduct from retained earnings EUR 87 thousand (related to 2015 net worth tax) and EUR 89 thousand (related to 2014 net worth tax), from the corporate income tax, resulting in an addition to the tax reserve of EUR 437 thousand and EUR 444 thousand, respectively.

The movements in other reserve for the period ended 31 December 2015 were as follows:

In thousands of Euro	31 December 2015	31 December 2014
Opening Balance	1 662	1 122
Addition	881	540
Closing Balance	2 543	1 662

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 thousand.

The hedging reserve for the financial year ended 31 December 2015 was as follows:

In thousands of Euro	31 December 2015	31 December 2014
Hedging reserves	1 019	3 184

The hedging reserve consists of the effective portion of the gains and losses on hedging instruments related to hedged transactions that have not yet occurred. At 31 December 2015, the reserve is positive of EUR 1 019 thousand (2014: EUR 3 184 thousand).

The amounts currently held in the hedging reserve will impact the income statement in 2016.

7. Debt securities:

Bonds

The outstanding amounts of bonds at 31 December 2015 and 31 December 2014 were as follows:

In thousands of Euro	Interest rates		Year of issue/maturity	Comments	31 December 2015	31 December 2014
	Nominal	Effective				
CHF 350.000 2,125 percent	2,13%	2,20%	2009-2015	(c)	-	290 922
EUR 500.000 0,75 percent	0,75%	0,83%	2012-2016		499 689	499 299
EUR 850.000 1,75 percent	1,75%	1,89%	2012-2022		842 348	841 287
EUR 500.000 1,50 percent	1,50%	1,61%	2012-2019		498 170	497 673
EUR 500.000 1,25 percent	1,25%	1,30%	2013-2020		498 986	498 760
EUR 500.000 2,13 percent	2,13%	2,20%	2013-2021		497 935	497 598
EUR 500.000 0,75 percent	0,75%	0,90%	2014-2021		495 745	495 041
EUR 500.000 0,75 percent	0,75%	0,92%	2015-2023	(d)	496 470	-
GBP 400.000 2,25 percent	2,25%	2,34%	2012-2023	(b)	544 882	517 218
AUD 125.000 4,63 percent	4,63%	4,86%	2012-2017	(a)	83 298	83 706
Total					4 457 523	4 221 504
of which due in twelve months					499 689	290 922
of which due in two years					83 298	499 299
of which due between three to five years					997 156	581 379
of which due after five years					2 877 380	2 849 904

- (a) Subject to an interest rate and currency swap that creates a liability at fixed rate in the currency of NFI
 (b) Subject to an interest rate swap
 (c) Subject to currency swaps that hedge the CHF face value and coupon exposure
 (d) Out of which EUR 375 million is subject to an interest rate swap

The fair value of bonds, based on prices quoted in active markets, amounts to EUR 4 630 877 thousand (2014: EUR 4 435 118 thousand).

Most of the bonds are hedged by currency and/or interest rate derivatives. The fair value of these derivatives is included within derivative assets for EUR 4 235 thousand (2014: EUR 8 187 thousand) and under derivative liabilities for EUR 17 860 thousand (2014: EUR 12 329 thousand).

Issue of Bonds:

One series of bonds was issued during the financial year ended 31 December 2015 for EUR 493 825 thousand.

Repayment of Bonds:

One series of bonds was repaid at maturity during the financial year ended 31 December 2015 for EUR 338 107 thousand.

Commercial Paper

The outstanding amounts of commercial paper at 31 December 2015 were as follows:

In thousands of Euro	31 December 2015	31 December 2014
Commercial paper	2 274 657	1 802 192
of which due within twelve months	2 274 657	1 802 192

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

8. Transactions with related parties

Financing of the Nestlé Group companies

The principal business activity of NFI is the financing of companies directly or indirectly controlled by Nestlé S.A. This financing represents the majority of the transactions with related parties in quantity and in amounts.

The transactions with Nestlé Group companies are based on arm's length prices. All outstanding balances with these related parties are to be settled in cash.

The balances of transactions with related parties at the financial year ended 31 December 2015 are given below:

In thousands of Euro	31 December 2015	31 December 2014
Assets		
Derivatives assets to Nestlé Group companies	4 235	7 534
Loans and advances to Nestlé Group companies excluding accrued interest	10 554 881	10 463 214
Accrued interest on loans to Nestlé Group companies	78 105	64 164
Total	10 637 221	10 534 912
Liabilities		
Derivatives liabilities to Nestlé Group companies	3 980	-
Loans and advances from Nestlé Group companies excluding accrued interest	4 071 820	4 962 820
Accrued interest on loans from Nestlé Group companies	1 826	9 671
Others payables to Nestlé Group companies	58 048	124 809
Total	4 135 674	5 097 300
Net assets	6 501 547	5 437 612

Grant, receipt and repayments of loans for the financial year ended 31 December 2015 were as follows:

In thousands of Euro	Year 2015	Year 2014
Loans granted to Nestlé Group companies excluding accrued interest	27 448 347	28 565 234
Repayment of Loans by Nestlé Group companies excluding accrued interest	-27 520 392	-27 515 528
Net Loans and advances granted to Nestlé Group companies	-72 045	1 049 706
Loans received from Nestlé Group companies excluding accrued interest	5 702 122	3 621 123
Repayment of Loans to Nestlé Group companies excluding accrued interest	-6 696 342	-1 147 080
Net Loans and advances received from Nestlé Group companies	-994 220	2 474 043

Included in the above table, and note 2 are transactions made at arm's length between the parent company, Nestlé S.A., and NFI. These are detailed in the table below:

In thousands of Euro	31 December 2015	31 December 2014
Payables to Nestlé S.A.	-6 804	-6 229
Other Financial expenses to Nestlé S.A.	-26 290	-25 975

9. Guarantees

Nestlé S.A. is the guarantor of NFI in respect of debt securities issued for both the short and long term. The issuance programmes and guarantees applicable to NFI are: EUR 8 billion Global Commercial Paper Programme, EUR 2 billion Billets de Trésorerie French Commercial Paper Programme and Euro Medium Term Note (EMTN) Debt Issuance Programme.

NFI itself has not provided any guarantees in favour of third parties.

10. Risk and uncertainties

NFI is exposed to certain risks and uncertainties that could have a material adverse impact on its financial condition and operating results:

Banking Credit

In its financing activities, NFI deals with many banks and financial institutions and thus is exposed to a risk of loss in the event of non-performance by the counterparties to financial instruments. While NFI seeks to limit such risk by dealing with counterparties which have high credit ratings, NFI cannot give any assurance that counterparties will fulfill their obligations, failure of which could materially affect NFI's financial position.

Credit Risk

Credit risk results from the risk of default of internal or external counterparties. The amount recognised in the balance sheet of NFI for financial assets is the maximum credit risk in the case that counterparties are unable to fulfil their contractual obligations. In the case of derivative financial instruments, NFI is also exposed to credit risk, which results from the non-performance of contractual agreements on the part of the counterparty. This credit risk is mitigated by entering into such contracts with parties of high credit standing.

Certain issues of debt instruments by NFI benefit from a guarantee given by Nestlé S.A. Moody's and Standard & Poor's or any other credit rating agency which rates the credit of Nestlé S.A. and its affiliates, including NFI, may qualify or alter such rating at any time. Downgrades or placement on review for possible downgrades could harm the Nestlé Group's, including NFI's, ability to obtain financing or increase its financing costs and could have a material adverse effect on the price of debt instruments issued by NFI and thereby materially affect NFI's financial position.

As at the balance sheet date (and the end of the comparative period), NFI did not have any financial assets that were impaired or past due but not impaired.

Market risk

NFI is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions.

Currency Fluctuations

NFI is subject to some currency fluctuations, both in terms of its trading activities and the translation of its financial statements; while NFI uses short-term hedging for trading activities, NFI does not believe that it is appropriate or practicable to hedge long-term translation exposure. NFI does, however, seek some mitigation of such translation exposure by relating the currencies of trading cash flows to those of its debt by using broadly similar interest and currency swap contracts. If NFI experiences significant currency fluctuations or is unable to use similar interest and currency swap contracts effectively, then NFI's financial condition could be adversely affected.

Interest Rate Risk

Interest rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in interest rates. NFI holds a substantial volume of interest rate sensitive financial assets, liabilities and derivatives for operational, financing and investment activities. Changes in interest rates can have an adverse effect on the financial position and operating results of NFI. In order to mitigate the impact of interest rate risk, Nestlé S.A. continually assesses the exposure of the Nestlé Group, including NFI, to this risk. Interest rate risk is managed and hedged through the use of derivative financial instruments, such as interest rate swaps, interest rate and currency swaps and forward rate agreements. When deemed appropriate, there might be unhedged positions.

Value at Risk ("VaR")

Description of the method

The VaR is a single measure to assess market risk. The VaR estimates the size of losses given current positions and possible changes in financial markets. NFI uses simulation to calculate VaR based on the historic data for a 250 days period.

The VaR calculation is based on a 95% confidence level and, accordingly, does not take into account losses that might occur beyond this level of confidence. The VaR is calculated on the basis of unhedged exposures outstanding at the close of business and does not necessarily reflect intra-day exposures.

Objective of the method

NFI uses the described VaR analysis to estimate the potential one-day loss in the fair value of its financial instruments. NFI cannot predict the actual future movements in market rates, therefore, the below VaR numbers neither represent actual losses nor consider the effects of favorable movements in underlying variables. Accordingly, these VaR numbers may only be considered indicative of future movements to the extent the historic market patterns repeat in the future.

VaR figures

The VaR computation includes NFI's financial assets and liabilities that are subject to foreign currency and interest rate risk.

The estimated potential one-day loss from NFI's foreign currency and interest rate risk sensitive instruments, as calculated using the above described historic VaR model, is as follows:

In thousands of Euro	Year 2015	Year 2014
Foreign currency	-21 840	-3 301
Interest rate	-488	-412
Foreign currency and interest rate combined	-22 170	-3 451

Liquidity Risk

NFI raises finance by the issuance of term debt instruments, principally in the capital markets.

Therefore, NFI depends on broad access to these capital markets and investors. Changes in demand for term debt instruments on capital markets could limit the ability of NFI to fund other members of the Nestlé Group.

NFI depends on the willingness of banks to provide credit lines or loans. Due to structural changes in the banking business, the willingness of banks to provide credit lines and loans has declined over the past

years. In order to reduce and minimise the dependence on banks, NFI has taken measures to maintain its access to the capital markets.

Risk of an increase in cost of capital

NFI's capital management is driven by the impact on shareholders of the level of total capital employed. It is NFI's policy to maintain a sound capital base to support the continued development of its business. However, increases in the cost of borrowing could negatively affect the operating results of NFI. Increases in borrowing costs could arise from changes in demand for term debt instruments in the capital markets, the removal of the unconditional and irrevocable guarantee of Nestlé S.A. and a decreasing willingness of banks to provide credit lines and loans.

Treasury operations

In the course of its business, the Nestlé Group, including NFI, has substantial assets under management. Although the Nestlé Group has implemented risk management methods, including approved guidelines and financial policies to mitigate and control such risks, as a result of holding such assets, it is exposed to default risk, interest rate risk, foreign exchange risk and credit spreads. Returns on such assets may also be affected by limited exposure to yield enhancing absolute return funds. In addition, adverse changes in the credit quality of counterparties or a general deterioration in economic conditions or arising from systemic risks in the financial systems could affect the value of those assets and thereby materially affect NFI's financial position.

11. Staff

The Board of Directors of NFI comprises five Directors. The Directors do not receive any remuneration for their mandate.

In Luxembourg NFI employs one part-time employee and two full-time employees at 2015 year-end (one part-time employee and two full-time employees at 2014 year-end).

12. Events after the balance sheet date

There have not been any significant events after the balance sheet date.

4. Responsibility Statement

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

- (a) the financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of NFI; and
- (b) the management report includes a fair review of the development and performance of the business and the position of NFI, together with a description of the principal risks and uncertainties that it faces.

22 March 2016