Good Food, Good Life

NESTLÉ FINANCE INTERNATIONAL LTD.

Half-Yearly Financial Report

Management Report

and

Financial Statements

January-June 2009

(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 2009. NFI is a limited liability company (*société anonyme*) organised under the laws of Luxembourg (registered office at 69 rue de Merl, L-2146 Luxembourg) and 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”). 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 weight management, pet food 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) Summary of important events

Summary of important events that have occurred during the six months January-June 2009 and their impact on the financial statements:

At 30 June 2009, a total equivalent of EUR 6.655 million of loans and advances had been made to Group companies compared to EUR 6.644 million as at 31 December 2008. These were financed mainly by the loans and advances received from Nestlé Group companies (EUR 4.055 million) and through the issuance of debt securities (EUR 2.826 million). Other assets and liabilities comprise derivatives, cash and cash equivalents consisting of, for example, bank deposits. The aforementioned transactions are further detailed in the Notes to the unaudited financial statements for the six-month period ended 30 June 2009.

Total assets were stable during the first six months January-June 2009 (EUR 7.024 million) as compared to the financial year ended 31 December 2008 (EUR 7.051). The decrease in loans and advances from Nestlé Group companies by EUR 1.549 million was offset by the increase in the issuance of debt securities (bonds and commercial paper) which increased by EUR 1.694 million.

Financing operations reported a net profit of EUR 1,10 million for the six months January-June 2009, compared to a net profit of EUR 4,58 million for the six-month period ended 30 June 2008. The drop in net income can be attributed to mainly higher other operating expenses (by EUR 25,5 million) and is offset in part by the increase in the net interest, fee and commission income (by EUR 20,5 million).

Profit before tax for the six months January-June 2009 was EUR 1,76 million, compared to EUR 5,90 million for the six months January-June 2008.

NFI’s operating cash inflow was EUR 80 million for the six months January-June 2009 compared to operating cash inflow of EUR 35 million for the six months January-June 2008.

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 months July-December 2009.

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) Risks and Uncertainties

NFI is exposed to certain risks and uncertainties: credit risk, liquidity risk, market risk (including foreign currency and interest rate) 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 unaudited financial statements for the six-month period ended 30 June 2009, in particular Note 10.

2. Unaudited Financial Statements for the six-month period ended 30 June 2009

Nestlé Finance International Ltd. (“NFI”)

Financial Statements

(Unaudited)

January - June 2009

Balance sheet as at 30 June 2009

In thousands of Euro	Notes	30 June 2009	31 December 2008	30 June 2008
Assets				
Cash and cash equivalents	(3)	226.672	146.522	39.338
Derivative assets held for risk management	(2)	110.667	214.947	12.442
Loans and advances to Nestlé Group companies	(3)	6.654.801	6.644.201	7.856.742
Property and equipment		23	28	-
Other assets	(4)	31.908	45.667	1.006
Total assets		**7.024.071**	**7.051.365**	**7.909.528**
Liabilities				
Trading liabilities		-	-	3.559
Derivative liabilities held for risk management	(2)	100.823	152.009	78.828
Loans and advances from Nestlé Group companies	(3)	4.055.223	5.604.032	-
Debt securities issued	(3/6)	2.825.659	1.131.830	7.811.295
Current tax liabilities		171	42	646
Other liabilities	(4)	35.338	157.697	3.728
Total liabilities		**7.017.214**	**7.045.610**	**7.898.056**
Equity				
Share capital	(5)	440	440	440
Hedging reserves		-	-	1.038
Other reserves		144	-	-
Retained earnings		6.273	5.315	9.994
Total equity attributable to shareholders of the parent		**6.857**	**5.755**	**11.472**
Total liabilities and equity		**7.024.071**	**7.051.365**	**7.909.528**

Income statement for the six-month period ended 30 June 2009

In thousands of Euro	Notes	January-June 2009	January-June 2008
Interest income		117.418	160.908
Interest expense		-90.181	-149.489
Net interest income	(1)	27.237	11.419
Fee and commission income		30.937	-
Fee and commission expense		-26.258	-
Net fee and commission income		4.679	-
Net trading expense		-	-1.455
Other operating expense	(1)	-29.539	-3.981
Operating income		**2.377**	**5.983**
Administration expense		-610	-74
Profit before tax		**1.767**	**5.909**
Taxes		-665	-1.326
Profit for the period		**1.102**	**4.583**

Statement of recognised income and expense and changes in equity for the six-month period ended 30 June 2009

Statement of recognised income and expense

In thousands of Euro	January-June 2009	January-June 2008
Cash Flow Hedge:		
Effective portion of changes in fair value	-	-5.412
Net amount transferred to profit and loss	-	4.592
Income and expense recognised directly in equity	-	**-820**
Profit for the period recognised in the income statement	1.102	4.583
Total recognised income and expense for the period	**1.102**	**3.763**

Statement of changes in equity

In thousands of Euro	Share Capital	Hedging reserve	Other reserves	Retained earnings	Total equity
Equity as at 31 December 2007	**440**	**1.858**	**-**	**5.411**	**7.709**
Gains and losses					
Profit for the year				4.583	4.583
Fair value adjustments on cash flow hedges		-820			-820
Total gains and losses	**-**	**-820**	**-**	**4.583**	**3.763**
Equity as at 30 June 2008	**440**	**1.038**	**-**	**9.994**	**11.472**

In thousands of Euro	Share Capital	Hedging reserve	Other reserves	Retained earnings	Total equity
Equity as at 31 December 2008	**440**	**-**	**-**	**5.315**	**5.755**
Gains and losses					
Profit for the year				1.102	1.102
Total gains and losses	**-**	**-**	**-**	**1.102**	**1.102**
Transfer to other reserves					-
Transfer to net wealth tax reserve			144	-144	-
Total transfer to other reserves	**-**	**-**	**144**	**- 144**	**-**
Equity as at 30 June 2009	**440**	**-**	**144**	**6.273**	**6.857**

Cash flow statement for the six-month period ended 30 June 2009

In thousands of Euro	Notes	January-June 2009	January-June 2008
Cash flows from operating activities:			
Profit for the period		1.102	4.583
Adjustments for:			
Depreciation		5	-
Foreign exchange gain/loss for loans and debt securities		74.289	-56.723
Fair value of debt securities and derivatives		-619	-1.496
Interest income		-117.418	-160.908
Interest expense		90.181	149.489
Change in derivative assets held for risk management		104.280	11.823
Change in other assets excluding intra Nestlé Group Interest, prepaid and accrued income	(4)	14.024	3.559
Change in derivative liabilities held for risk management		-51.186	41.469
Change in current tax liabilities		-129	646
Change in other liabilities excluding intra Nestlé Group Interest, accrual and deferred income	(4)	-123.824	-510
Net loans and advances to Nestlé Group companies		-25.187	-4.016.235
Net loans and advances from Nestlé Group companies		-1.636.925	-
Net debt securities issued		1.647.754	4.128.888
Interest received		164.194	107.518
Interest paid		-60.391	-177.007
Net cash from operating activities		**80.150**	**35.096**
Net increase / (decrease) in cash and cash equivalents		**80.150**	**35.096**
Cash and cash equivalents at beginning of year		146.522	4.242
Cash and cash equivalents at end of period		**226.672**	**39.338**

The impact of the effect of foreign exchange rates on cash and cash equivalents held or due in foreign currencies has been assessed to be a loss of EUR 241 thousand for the six months January-June 2009 (compared to a loss of EUR 6 thousand for the six months January-June 2008) and as this is not material has not been disclosed on the face of the cash flow statement.

Annex

Basis of preparation

These financial statements are the interim financial statements for the six-month period ended 30 June 2009. They have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim half-yearly financial statements are not audited.

The comparatives for loans and advances within Nestlé Group companies have been restated for the accrued interest which was part of other assets (EUR 87.109 thousand as at 31 December 2008 and EUR 87.582 thousand as at 30 June 2008) and liabilities (EUR 54.746 thousand as at 31 December 2008) for the period ended 31 December 2008 and 30 June 2008. The accrued interest now forms part of the loans and advances as it is part of the lending and borrowing activity within the Nestlé Group companies.

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).

Accounting policies

Accounting convention and accounting standards

The financial statements comply with IFRS issued by the International Accounting Standards Board (IASB) and with the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The accounts have been prepared on an accruals basis and under the historical cost convention, unless stated otherwise. The preparation of the financial statements requires 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.

Operating income

Net interest income includes the income earned on loans with Nestlé Group companies 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 comprise 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.

Taxes

Taxes include current taxes on profit determined in respect of a tax ruling with the Luxembourg tax authority. Based on this agreement, taxable profit is calculated based on the arm's length remuneration of the average amount borrowed in the period.

Also included are actual or potential withholding taxes on current and expected transfers of income from Nestlé Group companies and tax adjustments relating to prior 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.

In the context of the Luxembourg tax ruling, no deferred taxation is recognised because the taxation authorities do not recognise tax with specific fiscal rules, but establish the taxable profit on the arm's length remuneration for the average amount borrowed by NFI during the period.

Foreign currencies

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

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. These losses are never reversed unless they refer to a debt instrument measured at fair value and classified as available for sale and the increase in fair value can objectively be related to an event occurring after the recognition of the impairment loss.

Financial instruments

Financial assets

NFI designates its financial assets into the following categories, as appropriate: loans and receivables, financial assets at fair value through profit or loss and available for sale assets.

Financial assets are initially recognised at fair value plus directly attributable transaction costs.

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

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

Loans and receivables

Intra Nestlé Group loans and receivables are 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, trade, other receivables and accrued interest on intra Nestlé Group loans.

The comparatives for loans and advances to Nestlé Group companies have been restated for the accrued interest which was part of other assets (EUR 87.109 thousand as at 31 December 2008 and EUR 87.582 thousand as at 30 June 2008) for the period ended 31 December 2008 and 30 June 2008. The accrued interest now forms part of the loans and advances as it is part of the lending activity within the Nestlé Group companies.

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 incurred losses arising from the failure or inability of third parties to make payments when due.

Financial assets at fair value through profit or loss

The financial assets at fair value through profit and loss category include trading derivatives. Trading derivatives are derivatives for which hedge accounting is not applied because these are either not designated as hedging instruments or not effective as hedging instruments. Subsequent to initial measurement trading derivatives are carried at fair value and all their gains and losses, realised and unrealised, are recognised in the income statement. These derivatives are acquired in full compliance with Nestlé Group's risk management.

Available for sale assets

Available for sale 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. This category includes the following classes of financial assets: cash and cash equivalents and time deposits. Subsequent to initial measurement available for sale assets are stated at fair value with all unrealised gains or losses (except for impairment below acquisition cost) recognised against equity until their disposal when such gains or losses are recognised in the income statement.

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 unless they are part of a fair value hedge relationship (see fair value hedges).

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 financial liabilities.

The comparatives for loans and advances from Nestlé Group companies have been restated for the accrued interest of intra Nestlé Group loans which was part of other liabilities (EUR 54.746 thousand as at 31 December 2008) for the period ended 31 December 2008. The accrued interest of intra Nestlé Group loans now forms part of the loans and advances as it is part of the borrowing activity within the Nestlé Group companies.

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

Derivative financial instruments

A derivative is a financial instrument that changes its values in response to changes in the underlying variable, requires no or little net initial investment and is settled at a future date. Derivatives are used to manage exposures to foreign exchange and interest rate risk. The classification of derivatives is determined upon initial recognition and is monitored on a regular basis.

Derivatives are initially recognised at fair value plus directly attributable transaction costs. These are subsequently re-measured at fair value on a regular basis and at each reporting date as a minimum. The fair values of exchange-traded derivatives are based on respective market prices, while the fair value of the over-the-counter derivatives are using accepted mathematical models based on market data and assumptions. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in fair values of derivatives that do not qualify for hedge accounting are recognised directly in the income statement.

NFI's derivatives consist of currency forwards and swaps and interest rate forwards and swaps.

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 demonstrated 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 changes in the fair value of its recognised assets and liabilities attributed to foreign currency and interest rate risks.

The changes in fair values of hedging instruments are recognised in the income statement. Hedged items are also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

Cash flow hedges

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

The effective part of the changes in fair value of hedging instruments is recognised against equity, while any ineffective part is recognised immediately in the income statement. The gains or losses previously recognised against equity are removed from equity 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 using market prices for quoted instruments and widely accepted valuation techniques for other instruments.

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.

In rare cases, when fair values of unquoted instruments cannot be measured with sufficient reliability, NFI carries such instruments at cost less impairments, if applicable.

Prepayments and accrued income

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

Provisions

Provisions comprise liabilities of uncertain timing or amount that arise from litigation and other risks. Provisions are recognised when a legal or constructive obligation arises stemming from a past event and when the future cash outflows can be reliably estimated.

Provisions relating to litigation obligations and other risks reflect NFI Management's best estimate of the outcome based on the facts known at the balance sheet date.

Accruals and deferred income

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

Dividends

In accordance with Luxembourg law and NFI's Articles of Incorporation, dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual General Meeting and subsequently paid.

Contingent assets and liabilities

Contingent assets and liabilities are possible assets and obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not fully within the control of NFI. They are disclosed in the notes to the accounts.

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 unaudited financial statements for the six-month period ended 30 June 2009.

Segmental information

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

Seasonality

The business of NFI does not present pronounced cyclical patterns or seasonal evolutions.

Nestlé S.A. consolidation

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

Notes to the unaudited financial statements for the six-month period ended 30 June 2009

1. Operating income

Net interest income:

In thousands of Euro	January-June 2009	January-June 2008
Interest income from Nestlé Group companies	115.728	135.491
Interest income from third parties	1.690	25.417
Interest income	**117.418**	**160.908**
Interest expense to Nestlé Group companies	-71.574	-
Interest expense to third parties	-18.607	-149.489
Net interest income	**27.237**	**11.419**

Other operating expense:

In thousands of Euro	January-June 2009	January-June 2008
Net foreign exchange gain or loss	-30.158	-4.672
Net gain or losses in fair value through profit and loss	619	691
Other operating expense	**-29.539**	**-3.981**

2. Derivative assets and liabilities

By type

In thousands of Euro	Contractual or notional amounts			Fair value assets			Fair value liabilities		
	30 June 2009	31 December 2008	30 June 2008	30 June 2009	31 December 2008	30 June 2008	30 June 2009	31 December 2008	30 June 2008
Fair value hedges									
Currency forwards, futures and swaps	6.121.315	6.026.816	3.811.374	110.667	212.767	4.825	99.298	147.863	74.281
Interest rate forwards, futures and swaps	344.316	100.000	98.676	-	2.180	-	1.525	-	1.544
Interest rate and currency swaps	-	93.443	103.805	-	-	4.062	-	4.146	-
Cash flow hedges	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**
Interest rate forwards, futures and swaps	-	-	500.000	-	-	3.555	-	-	3.003
Total	**6.465.631**	**6.220.259**	**4.513.855**	**110.667**	**214.947**	**12.442**	**100.823**	**152.009**	**78.828**
of which determined with valuation technique				110.667	214.947	12.442	100.823	152.009	78.828

Impact on the income statement of fair value hedges

In thousands of Euro	January-June 2009	January-June 2008
On hedged items	-65.097	58.605
On hedging instruments	60.900	-57.308

3. Financial instruments

Financial assets and liabilities

In thousands of Euro	30 June 2009	31 December 2008	30 June 2008
Cash and cash equivalents	226.672	146.522	39.338
Derivative assets held for risk management	110.667	214.947	12.442
Loans and advances to Nestlé Group companies	6.654.801	6.644.201	7.856.742
Other financial assets (a)	31.163	45.187	1.006
Total financial assets	**7.023.303**	**7.050.857**	**7.909.528**
Trading liabilities	-	-	3.559
Derivative liabilities held for risk management	100.823	152.009	78.828
Loans and advances from Nestlé Group companies	4.055.223	5.604.032	-
Debt securities issued	2.825.659	1.131.830	7.811.295
Current tax liabilities	171	42	646
Other financial liabilities (a)	25.725	149.807	271
Total financial liabilities	**7.007.601**	**7.037.720**	**7.894.599**
Net financial position	**15.702**	**13.137**	**14.929**

The carrying amounts of financial assets and liabilities that are not accounted for at fair value are a reasonable approximation of the fair value due to short-term maturity and low interest rates.

(a) Other financial assets and liabilities include receivables and short term payables respectively, also explained under note 4

By category

In thousands of Euro	30 June 2009	31 December 2008	30 June 2008
Loans and receivables	6.685.964	6.689.388	7.857.748
Derivative assets held for risk management	110.667	214.947	12.442
Available-for-sale assets	226.672	146.522	39.338
Total financial assets	**7.023.303**	**7.050.857**	**7.909.528**
Financial liabilities at amortised cost	666.828	374.861	3.875.228
Loans and payables	4.081.119	5.753.881	917
Financial liabilities under hedge accounting	2.158.831	756.969	3.936.067
Derivative liabilities held for risk management	100.823	152.009	82.387
Total financial liabilities	**7.007.601**	**7.037.720**	**7.894.599**
Net financial position	**15.702**	**13.137**	**14.929**

By maturity

In thousands of Euro	30 June 2009	31 December 2008	30 June 2008
Loans and advances to Nestlé Group companies	**6.654.801**	**6.644.201**	**7.856.742**
Current	1.692.121	2.519.776	5.791.525
Non-Current	4.962.680	4.124.425	2.065.217
Loans and advances from Nestlé Group companies	**4.055.223**	**5.604.032**	**-**
Current	3.845.296	5.393.689	-
Non-Current	209.927	210.343	-
Debt securities issued	**2.825.659**	**1.131.830**	**7.811.295**
Current	1.060.630	1.131.830	7.811.295
Of which : three months or less	1.056.095	1.031.540	7.178.346
three months to twelve months	4.535	100.290	632.949
Non-Current	1.765.029	-	-
Of which :in the third year	505.760	-	-
in the fourth year	572.076	-	-
in the fifth year	458.658	-	-
beyound the fifth year	228.535	-	-

Short term intra-group loans granted and received which mature within the next 12 months are classified above as current assets and liabilities. The funding requirements of NFI as a result of the short term loans received which mature in the next year will be managed by either rolling over these loans or raising additional finance such that NFI will continue to meet its funding commitments for the foreseeable future.

4. Other assets and liabilities

In thousands of Euro	30 June 2009	31 December 2008	30 June 2008
Other financial assets			
Intra Nestlé Group other receivables (a)	30.157	44.181	-
Other receivables (a)	1.006	1.006	1.006
Prepaid and accrued income	745	480	-
Total other assets	**31.908**	**45.667**	**1.006**
Other financial liabilities:			
Intra Nestlé Group other payables (a)	25.194	149.596	-
Other payables (a)	531	211	271
Accruals and deferred income	9.613	7.890	3.457
Total other liabilities	**35.338**	**157.697**	**3.728**

(a) Other financial assets and liabilities are summarised under note 3 above

5. Share capital and other reserves:

	30 June 2009	31 December 2008	30 June 2008
Number of shares of nominal value Euro 2.- each	220.000	220.000	220.000
In thousands of Euro	440	440	440

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, the Company 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 year 2008 the Company decided to wholly deduct the net worth tax in the amount of EUR 28,8 thousand from the corporate income tax, resulting in a tax reserve of EUR 144 thousand.

Retained earnings for 2008 which were included under the heading reserves in 2008, have now been included under the heading retained earnings in the Balance Sheet as at 31 December 2008. Also hedging reserves (EUR 1.038 thousand) and retained earnings (EUR 9.994 thousand) have now been included under heading retained earnings and hedging reserves respectively as at 30 June 2008 instead of under one heading entitled reserves (EUR 11.032 thousand).

6. Debt securities:

Bonds

The outstanding amounts in respect of bonds at 30 June 2009, 31 December 2008 and 30 June 2008 were as follows:

In thousands of Euro

Face value in thousands	Interest rates		Year of	Comments	30 June 2009	31 December 2008	30 June 2008
	Nominal	Effective	issue/maturity				
HUF 25.000.000	7.00%	7.00%	2004–2009	(a)		92.995	103.805
EUR 100.000	3.50%	3.52%	2006–2009	(a)		100.290	98.675
CHF 750.000 2,00 percent	2,00%	2,13%	2009-2013	(b)	489.340		
CHF 275.000 2,125 percent	2,13%	2,13%	2009-2014	(b)	180.320		
CHF 325.000 2,00 percent	2,00%	2,04%	2009-2014	(b)	212.710		
CHF 375.000 1,25 percent	1,25%	1,40%	2009-2012	(b)	244.593		
CHF 150.000 1,25 percent	1,25%	1,44%	2009-2012	(b)	97.849		
CHF 350.000 2,125 percent	2,13%	2,20%	2009-2015	(b)	228.535		
CHF 250.000 1,25 percent	1,25%	1,38%	2009-2012	(b)	163.318		
CHF 125.000 2,00 percent	2,00%	1,76%	2009-2013	(b)	82.736		
CHF 100.000 2,00 percent	2,00%	1,98%	2009-2014	(b)	65.628		
Total					**1.765.029**	**193.285**	**202.480**
of which due within one year					-	193.285	202.480
of which due between three to five years					1.536.494		
of which due after five year					228.535		

(a) Subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of NFI
(b) Subject to a currency swap to hedge the CHF face value exposure

Bonds subject to fair value hedges are carried at fair value for EUR 1.765.029 thousand (H1'08: EUR 202.480 thousand) and the related derivatives are shown under derivative liabilities for EUR 16.804 thousand (H1'08: EUR 4.062 thousand as derivative assets and EUR 1.544 thousand as derivative liabilities).

Issue and repayment of Bonds:

The following bonds were issued and repaid during the six-month period ended 30 June 2009:

In thousands of Euro

Face value in thousands	Interest rates		Year of issue/maturity	Comments	January-June 2009
	Nominal	Effective			
Bonds issued:					
CHF 750.000 2,00 percent	2,00%	2,13%	2009-2013	(b)	500.222
CHF 275.000 2,125 percent	2,13%	2,13%	2009-2014	(b)	183.723
CHF 325.000 2,00 percent	2,00%	2,04%	2009-2014	(b)	212.931
CHF 375.000 1,25 percent	1,25%	1,40%	2009-2012	(b)	246.926
CHF 150.000 1,25 percent	1,25%	1,44%	2009-2012	(b)	98.656
CHF 350.000 2,125 percent	2,13%	2,20%	2009-2015	(b)	229.881
CHF 250.000 1,25 percent	1,25%	1,38%	2009-2012	(b)	164.380
CHF 125.000 2,00 percent	2,00%	1,76%	2009-2013	(b)	83.272
CHF 100.000 2,00 percent	2,00%	1,98%	2009-2014	(b)	65.964
Total issued					**1.785.955**
Bonds repaid:					
HUF 25.000.000	7.00%	7.00%	2004–2009	(a)	86.015
EUR 100.000	3.50%	3.52%	2006–2009	(a)	100.000
Tota repaid					**186.015**

(a) Subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of NFI
(b) Subject to a currency swap to hedge the CHF face value exposure

Commercial Paper

Outstanding amounts in respect of commercial paper at 30 June 2009, 31 December 2008 and 30 June 2008 were as follows:

In thousands of Euro	30 June 2009	31 December 2008	30 June 2008
Commercial paper through :			
USD	389.267	503.432	3.548.078
Billets de Trésorerie	167.800	99.735	1.788.592
EURO	75.154	75.251	1.415.517
GBP	423.874	199.875	432.452
CHF	-	60.252	347.951
AUD	4.535	-	39.470
JPY	-	-	36.755
Total	**1.060.630**	**938.545**	**7.608.815**
of which due within one year	1.060.630	938.545	7.608.815

7. Dividends

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting of NFI. The financial statements for the six-month period ended 30 June 2009 do not reflect any dividend distribution.

8. Transactions with related parties

Financing of the Nestlé Group companies

The purpose 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.

The balances of transactions with related parties at 30 June 2009 and 30 June 2008 are given below:

In thousands of Euro	30 June 2009	30 June 2008
Assets		
Loans and advances to Nestlé Group companies	6.614.733	7.769.160
Accrued interests on loans to Nestlé Group companies	40.068	87.582
Other receivables from Nestlé Group companies	30.157	-
Intra-group swap at fair value through profit and loss	-	3.555
Total	**6.684.958**	**7.860.297**
Liabilities		
Loans and advances from Nestlé Group companies	3.976.187	-
Accrued interests on loans from Nestlé Group companies	79.036	-
Payables to Nestlé Group companies	25.974	-
Total	**4.081.197**	**-**
Net assets	**2.603.761**	**7.860.297**

Grant, receipt and repayments of loans for the six-month periods ended 30 June 2009 and 30 June 2008 were as follows:

In thousands of Euro	January-June 2009	January-June 2008
Loans granted to Nestlé Group companies	914.285	4.267.735
Repayment of Loans by Nestlé Group companies	-889.098	-251.500
Net Loans and advances to Nestlé Group companies	**25.187**	**4.016.235**
Loans received from Nestlé Group companies	13.526.539	-
Repayment of Loans to Nestlé Group companies	-15.163.464	-
Net Loans and advances from Nestlé Group companies	**-1.636.925**	**-**

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) Programme.

NFI itself has not provided any significant 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 fulfil 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, ignoring any collateral received, 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. - the senior long term debt obligations of Nestlé S.A. have been rated AA (stable) by Standard & Poor's and Aa1 (stable) by Moody's Investors Services, Inc. Nestlé S.A. may be subject to ratings downgrades by Standard & Poor's or Moody's Investors Services, Inc. Any such downgrade could harm its 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.

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.

As at the balance sheet date (and the comparative period end) all financial assets and liabilities in significant foreign currencies (USD, GBP, CHF) are either naturally hedged through matching of assets and liabilities denominated in the same currency or hedged for foreign currency exposures through the use of foreign currency forward contracts. NFI has also provided loans in other currencies (SEK, HUF or DKK) where a net foreign currency exposure exists. However, based on the Exchange Agreement effective from 1 March 2008 between NFI and Food Products (Holdings) S.A. ("FPH"); another entity within the Nestlé group of companies, FPH accepts and assumes from NFI any and all currency exposure and hence there will be no impact in the income statement of NFI for the period ended 30 June 2009.

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 and forward rate agreements. When deemed appropriate, there might be unhedged positions.

Most of the interest bearing financial assets and liabilities within NFI are short term in nature and are denominated in currencies which exist in low interest environments. This leaves longer term floating rate instruments as the only items subject to interest fluctuations. Based on sensitivity calculations performed, Management believes that a reasonably expected change in the major interest rates would not have any significant impact on NFI's income statement or equity. As the impact is assessed not to be material, a detailed analysis is not considered necessary.

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.

The Nestlé Group also uses committed and uncommitted credit lines with banks and bank loans to cover liquidity needs. In this context 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 minimize 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. Contingent assets and liabilities

NFI is not exposed to any material contingent liabilities.

12. Events after the balance sheet date

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

3. Responsibility Statement

Marina Vanderveken-Verhulst, Director, Saskia Deknock, Director and Shahriar Kabir, Chief Accountant confirm that to the best of their knowledge:

(a) the financial statements, which have been prepared in accordance with IAS 34 Interim Financial Reporting, 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.

28 August 2009