Good Food, Good Life

NESTLÉ FINANCE INTERNATIONAL LTD.

(formerly Nestlé Finance France S.A.)

ANNUAL REPORT

Management Report

and

Financial Statements

January-December 2008

(With Independent Auditors' Report Thereon)

Nestlé Finance International Ltd.

(formerly Nestlé Finance France S.A.)

Nestlé Finance International Ltd. ("NFI") presents its annual financial report for the financial year ended 31 December 2008. NFI, formerly a corporation (société anonyme) organised under the laws of France which was formed in 1930, moved its registered office from France to Luxembourg on 29 February 2008 and changed its name from "Nestlé Finance France S.A." to "Nestlé Finance International Ltd." on the same date. NFI remains the same legal entity as Nestlé Finance France S.A., although it is now a public limited company (société anonyme) organised under the laws of Luxembourg.

NFI 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"). 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 financial year and their impact on the financial statements:

At 31 December 2008, a total equivalent of EUR 6.557 million of loans and advances had been made to Group companies. This was an increase of 74 per cent. in comparison to the financial year ended 31 December 2007 (EUR 3.772 million) and was financed mainly by the loans and advances received from Nestlé Group companies (EUR 5.549 million) and through issuance of debt securities (EUR 1.132 million). Other assets and liabilities comprise derivatives, interest receivable and payable on account of loans from or to members of Nestlé Group, cash and cash equivalents consisting of, for example, bank deposits. The aforementioned transactions are further detailed in the notes to the Audited Financial Statements.

Total assets increased by 84 per cent. in the financial year ended 31 December 2008 as compared to the financial year ended 31 December 2007. This was due to an increase in the loans and advances being extended to Nestlé Group companies (by EUR 2.785 million). Both derivative assets and derivative liabilities held for risk management also increased in 2008 as compared to 2007 (by EUR 191 million and EUR 115 million, respectively). This was mainly to offset the currency risks related to loans received in currencies from the members of Nestlé Group other than the reporting currency of NFI.

Financing operations reported a net loss of EUR 0,096 million for the financial year ended 31 December 2008, compared to a net income of EUR 2,369 million for the financial year ended 31 December 2007. The drop in net income can be attributed to higher net fee and commission expenses.

NFI incurred net fee and commission expenses of EUR 118 million in 2008. 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 that are payable under new agreements that have been effective from 1 March 2008. Net fee and commission expenses are a new expense item in 2008 (and so there is no comparable with the financial year ended 2007), but it adversely offset the increase in net interest income (by EUR 44 million) and other operating income (by EUR 72 million). Nevertheless, interest income almost doubled in 2008 compared to 2007 (increasing by EUR 147 million) due to higher loans to the members of the Nestlé Group.

Profit before tax for the financial year ended 31 December 2008 was EUR 0,959 million, compared to EUR 4,114 million for the year ended 31 December 2007.

NFI's operating cash inflow was EUR 142 million for the financial year ended 31 December 2008 compared to operating cash outflow of EUR 128 million for the year ended 31 December 2007.

There have been no significant events after the balance sheet date and it is expected that NFI's activities will remain unchanged in 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 Euro Medium Term Notes, Commercial Paper and loans received from other members of the Group and results from derivative transactions.

(B) Risks and Uncertainties

NFI is exposed to certain risks and uncertainties that could have a material adverse impact on its financial condition and operating results. These risks and uncertainties are described in Note 10 of NFI's Annual Financial Statements which are included in this Annual Financial Report.

2. Financial Statements for the twelve-month period ended 31 December 2008 and Auditors Report

Independent auditors' report on the financial statements

To the shareholders of:
Nestlé Finance International Ltd.
69, rue de Merl
L-2146 Luxembourg

Report on the financial statements

We have audited the accompanying financial statements of Nestlé Finance International Ltd. ("the Company") as set out on pages 1 to 20, which comprise the balance sheet as at 31 December 2008, and the income statement, statement of recognised income and expense, 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 principles 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 opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
30 April 2009
London

Nestlé Finance International Ltd. ("NFI")

Financial Statements

(formerly Nestlé Finance France S.A)

(Audited)

January - December 2008

Balance sheet as at 31 December 2008

In thousands of Euro	Notes	31 December 2008	31 December 2007
Assets			
Cash and cash equivalents	(3)	146.522	4.242
Derivative assets held for risk management	(2)	214.947	24.265
Loans and advances to Nestlé Group companies	(3)	6.557.092	3.772.029
Property and equipment		28	-
Other assets	(4)	132.776	35.199
Total assets		**7.051.365**	**3.835.735**
Liabilities			
Derivative liabilities held for risk management	(2)	152.009	37.359
Loans and advances from Nestlé Group companies	(3)	5.549.286	-
Debt securities issued	(3/6)	1.131.830	3.758.510
Current tax liabilities		42	-
Other liabilities	(4)	212.443	32.157
Total liabilities		**7.045.610**	**3.828.026**
Equity			
Share capital	(5)	440	440
Reserves		5.315	7.269
Total equity attributable to shareholders of the parent		**5.755**	**7.709**
Total liabilities and equity		**7.051.365**	**3.835.735**

Income statement for the year ended 31 December 2008

In thousands of Euro	Notes	Year 2008	Year 2007
Interest income		304.438	157.840
Interest expense		-252.966	-149.937
Net interest income	(1)	51.472	7.903
Fee and commission income		44.181	-
Fee and commission expense		-162.752	-
Net fee and commission expense	(1)	-118.571	-
Other operating income/(expense)	(1)	69.165	-3.158
Operating income		**2.066**	**4.745**
Administration expenses		-1.107	-631
Profit before tax		**959**	**4.114**
Taxes		-1.055	-1.745
(Loss)/profit for the period		**-96**	**2.369**

Statement of recognised income and expense and changes in equity for the year ended 31 December 2008

Statement of recognised income and expense

In thousands of Euro	Year 2008	Year 2007
Cash Flow Hedge:		
Effective portion of changes in fair value	-2.409	762
Net amount transferred to profit and loss	551	-612
Income and expense recognised directly in equity	**-1.858**	**150**
(Loss)/profit for the period recognised in the income statement	-96	2.369
Total recognised income and expense for the period	**-1.954**	**2.519**

Statement of changes in equity

In thousands of Euro	Share Capital	Retained earnings	Hedging reserve	Total equity
Equity as at 31 December 2007	440	5.411	1.858	7.709
Gains and losses				
(Loss)/profit for the year		-96		-96
Fair value adjustments on cash flow hedges			-1.858	-1.858
Total gains and losses	-	-96	-1.858	-1.954
Equity as at 31 December 2008	440	5.315	-	5.755

Cash flow statement for the year ended 31 December 2008

In thousands of Euro	Notes	Year 2008	Year 2007
Cash flows from operating activities:			
(Loss)/profit for the period		-96	2.369
Adjustments for:			
Depreciation		5	-
Foreign exchange gain/loss for loans and debt securities		481.239	-25.580
Fair value of debt securities and derivatives		-427	2.148
Interest income		-304.438	-157.840
Interest expense		252.966	149.937
Change in derivative assets held for risk management		-190.682	1.319
Change in other assets excluding intra Nestlé Group Interest, prepaid and accrued income	(4)	-44.181	-
Change in derivative liabilities held for risk management		114.650	13.523
Change in current tax liabilities		42	-474
Change in other liabilities excluding intra Nestlé Group Interest, accrual and deferred income	(4)	149.025	634
Net loans and advances to Nestlé Group companies		-2.926.918	-1.289.993
Net loans and advances from Nestlé Group companies		5.105.406	-
Net debt securities issued		-2.524.415	1.073.991
Interest received		251.042	256.742
Interest paid		-220.905	-154.700
Net cash from operating activities		**142.313**	**-127.924**
Cash flow from investing activities		**-33**	**-**
Cash flow from financing activities		**-**	**-**
Net increase / (decrease) in cash and cash equivalents		**142.280**	**-127.924**
Cash and cash equivalents at beginning of year		4.242	132.166
Cash and cash equivalents at end of period		**146.522**	**4.242**

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 gain of EUR 193 thousand for 2008 (compared to EUR 182 thousand for 2007) and as this is not material has not been disclosed on the face of the cash flow statement.

Annex

Basis of preparation

Nestlé Finance International Ltd. ("NFI"), a public limited company (société anonyme) organised under the laws of Luxembourg having its registered office at 69, rue de Merl, L-2416 Luxembourg, presents its yearly financial report for the financial year ended 31 December 2008.

NFI 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"). 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.

These financial statements are for the financial year ended 31 December 2008. They have been prepared in accordance with International Financial Reporting Standards (IFRS).

All the comparatives have been restated to reflect IFRS and the accounting policies as stated in these financial statements.

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).

NFI applied IFRS for the first time in 2008. Until 31 December 2007, the financial statements were based on French GAAP and on the French Commercial Code. The change from French GAAP (historical value general principle) to IFRS (fair value general principle) had an impact of EUR -1.267 thousand on the equity as at 1 January 2008, as described below compared to 1 January 2007:

In thousands of Euro	1 January 2008	1 January 2007
Equity - French GAAP	**8.976**	**7.717**
Derivative assets held for risk management	24.265	25.585
Other assets	-24.741	-30.659
Derivative liabilities held for risk management	-37.359	-23.836
Debt securities issued	36.472	26.383
Other liabilities	96	-
Equity - IFRS	**7.709**	**5.190**

The impact on profit for the period between French GAAP and IFRS was EUR 1.110 thousand for the year ended 31 December 2007 and is explained below:

In thousands of Euro	Year 2007
Interest income	5.309
Interest expense	-1.564
Net interest income	**3.745**
Other operating income	-2.635
Profit for the period	**1.110**

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 are composed of the guarantee fee that is payable to Nestlé S.A., and, other fees and expenses to or from Nestlé Group companies that are payable under new agreements that have been effective from 1 March 2008.

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 three classes of financial assets: intra Nestlé Group loans, trade and other receivables.

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 four classes of financial liabilities: trade and other payables, commercial paper, bonds and other financial liabilities.

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 accounts.

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 financial statements

1. Operating income

Net interest income

In thousands of Euro	Year 2008	Year 2007
Interest income from Nestlé Group companies	302.748	127.177
Interest income from third parties	1.690	30.663
Interest income	**304.438**	**157.840**
Interest expense to Nestlé Group companies	-82.364	-
Interest expense to third parties	-170.602	-149.937
Net interest income	**51.472**	**7.903**

Included in the net interest income amount above is an amount of EUR 551 for 2008 (EUR 612 for 2007) that has been transferred from the cash flow hedge reserve.

Net fees and commission expense

In thousands of Euro	Year 2008	Year 2007
Fee and commission income from Nestlé Group companies	44.181	-
Fee and commission expense to Nestlé Group companies	-162.752	-
Net fee and commission expense	**-118.571**	-

Other operating income/(expense)

In thousands of Euro	Year 2008	Year 2007
Net foreign exchange gain or loss	-44.074	-73
Gain on acquisition of loans from Nestlé Group companies	112.363	-
Net gain or losses in fair value through profit and loss	876	-3.085
Other operating income/(expense)	**69.165**	**-3.158**

2. Derivative assets and liabilities

By type

In thousands of Euro	Contractual or notional amounts		Fair value assets		Fair value liabilities	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Fair value hedges						
Currency forwards, futures and swaps	6.026.816	2.445.396	212.767	3.788	147.863	35.052
Interest rate forwards, futures and swaps	100.000	598.248	2.180	12.288		
Interest rate and currency swaps	93.443	217.547		5.780	4.146	
Cash flow hedges						
Interest rate forwards, futures and swaps		500.000		2.409		2.307
Total	**6.220.259**	**3.761.191**	**214.947**	**24.265**	**152.009**	**37.359**
of which determined with valuation technique			214.947	24.265	152.009	37.359

Impact on the income statement of fair value hedges

In thousands of Euro	Year 2008	Year 2007
On hedged items	-473.777	21.156
On hedging instruments	425.533	-19.498

Ineffective portion of gains/ (losses) of cash flow are not significant and the hedging instrument matured during October 2008.

3. Financial instruments

Financial assets and liabilities

In thousands of Euro	31 December 2008	31 December 2007
Cash and cash equivalents	146.522	4.242
Derivative assets held for risk management	214.947	24.265
Loans and advances to Nestlé Group companies (a)	6.557.092	3.772.029
Other financial assets (b)	132.296	34.584
Total financial assets	**7.050.857**	**3.835.120**
Trading liabilities		
Derivative liabilities held for risk management	152.009	37.359
Loans and advances from Nestlé Group companies (a)	5.549.286	-
Debt securities issued (a)	1.131.830	3.758.510
Current tax liabilities	42	-
Other financial liabilities (b)	204.553	782
Total financial liabilities	**7.037.720**	**3.796.651**
Net financial position	**13.137**	**38.469**

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) Includes both current and non current based on the decision of management

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

By category

In thousands of Euro	31 December 2008	31 December 2007
Loans and receivables	6.689.388	3.806.613
Derivative assets held for risk management	214.947	24.265
Available-for-sale assets	146.522	4.242
Total financial assets	**7.050.857**	**3.835.120**
Financial liabilities at amortised cost	374.861	537.857
Loans and payables	5.753.881	782
Financial liabilities under hedge accounting	756.969	3.220.653
Derivative liabilities held for risk management	152.009	37.359
Total financial liabilities	**7.037.720**	**3.796.651**
Net financial position	**13.137**	**38.469**

By maturity

In thousands of Euro	31 December 2008	31 December 2007
Loans and advances to Nestlé Group companies	**6.557.092**	**3.772.029**
Current	2.432.667	2.989.929
Non-Current	4.124.425	782.100
Loans and advances from Nestlé Group companies	**5.549.286**	-
Current	5.338.943	-
Non-Current	210.343	-
Debt securities issued	**1.131.830**	**3.758.510**
Current	1.131.830	3.561.747
Of which : three months or less	1.031.540	2.697.692
three months to twelve months	100.290	864.055
Non-Current	-	196.763
Of which :in the second year	-	196.763

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	31 December 2008	31 December 2007
Other financial assets		
Intra Nestlé Group interest receivables (b)	87.109	33.578
Intra Nestlé Group other receivables (b)	44.181	-
Other receivables (b)	1.006	1.006
Prepaid and accrued income	480	615
Total other assets	**132.776**	**35.199**
Other financial liabilities:		
Intra Nestlé Group interest payables (b)	54.746	-
Intra Nestlé Group other payables (b)	149.596	205
Other payables (b)	211	577
Accruals and deferred income	7.890	31.375
Total other liabilities	**212.443**	**32.157**

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

5. Share capital:

	Year 2008	Year 2007
Number of shares of nominal value Euro 2.- each	220.000	220.000
In thousands of Euro	440	440

Share capital is set at Euro 440.000 represented by 220.000 shares with a par value of Euro 2 each authorised, issued and fully paid.

6. Debt securities:

Bonds

The outstanding debts at period end for bonds were as follows:

In thousands of Euro

Face value in thousands	Interest rates		Year of	Comments	31 December 2008	31 December 2007
	Nominal	Effective	issue/maturity			
EUR 500,000	3.50%	3.51%	2003–2008	(a)		499.569
AUD 200,000	6.00%	6.03%	2004–2008	(a)		119.464
HUF 25,000,000	7.00%	7.00%	2004–2009	(a)	92.995	98.083
EUR 100,000	3.50%	3.52%	2006–2009	(a)	100.290	98.680
Total					**193.285**	**815.796**
of which due within one year					193.285	619.033
of which due after one year						196.763

(a) Subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of NFI

Bonds subject to fair value hedges are carried at fair value for EUR 193.285 thousand (2007: EUR 815.796 thousand) and the related derivatives are shown under derivative assets for EUR 2.180 thousand (2007: EUR 18.068 thousand) and under derivative liabilities for EUR 4.146 thousand (2007: nil).

Issue and repayment of Bonds:

There were no new issues of bonds during the period. However the following bonds have been repaid during the period:

In thousands of Euro

Face value in thousands	Interest rates		Year of issue/maturity	Comments	Year 2008
	Nominal	Effective			
EUR 500,000	3.50%	3.51%	2003–2008	(a)	500.000
AUD 200,000	6.00%	6.03%	2004–2008	(a)	124.525
Total repayment					624.525

(a) Subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of NFI

Commercial Paper

The outstanding debts for commercial paper at period end were as follows:

In thousands of Euro	31 December 2008	31 December 2007
Commercial papers through :		
USD	503.432	2.160.284
Billets de Trésorerie	99.735	386.008
EURO	75.251	151.849
GBP	199.875	39.743
CHF	60.252	132.433
JPY		37.801
CAD		34.596
Total	**938.545**	**2.942.714**
of which due within one year	938.545	2.942.714

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 financial year ended 31 December 2008 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. These financing relations represent the majority of the transactions with related parties in quantities and in amounts.

The transactions with Nestlé Group companies are based on arms length prices.

The balances at period end with the related parties are given below:

In thousands of Euro	31 December 2008	31 December 2007
Assets		
Loans and advances to Nestlé Group companies	6.557.092	3.772.029
Accrued interests on loans to Nestlé Group companies	87.109	33.578
Other receivables from Nestlé Group companies	44.181	-
Total	**6.688.382**	**3.805.607**
Liabilities		
Loans and advances from Nestlé Group companies	5.549.286	-
Accrued interests on loans from Nestlé Group companies	54.746	-
Payables to Nestlé Group companies	149.596	205
Intra-group swap at fair value through profit and loss	-	2.307
Total	**5.753.628**	**2.512**
Net assets	**934.754**	**3.803.095**

Grant, receipt and repayments of loans for the period were as follows:

In thousands of Euro	Year 2008	Year 2007
Loans granted to Nestlé Group companies	3.685.392	1.318.293
Repayment of Loans by Nestlé Group companies	-758.473	-28.300
Net Loans and advances to Nestlé Group companies	**2.926.919**	**1.289.993**
Loans received from Nestlé Group companies	14.079.246	-
Repayment of Loans to Nestlé Group companies	-8.973.840	-
Net Loans and advances from Nestlé Group companies	**5.105.406**	-

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 assurances 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 recognized 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.

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 year ended 31 December 2008.

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 adverse effects on the financial position and operating result 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 un-hedged 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 year. In order to reduce and minimize the dependence on banks, NFI has taken measures to maintain the access to 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 on 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.

11. Contingent assets and liabilities

NFI is not exposed to any material contingent liabilities.

12. Events or transactions during the period

NFI formerly a corporation (société anonyme) organised under the laws of France which was formed in 1930, moved its registered office from France to Luxembourg on 29 February 2008 and changed its name from "Nestlé Finance France S.A." to "Nestlé Finance International Ltd." on the same date. NFI remains the same legal entity as Nestlé Finance France S.A., although it is now a public limited company (société anonyme) organised under the laws of Luxembourg.

NFI is now subject to the Luxembourg corporate tax rate.

13. 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, prepared in accordance with IFRS, 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.

30 April, 2009