

NESTLE FINANCE FRANCE

Notes to Financial Statements as of December 31, 2007

(Free translation of the French language original)

I. Significant event of the period

The following bonds have been reimbursed in 2007:

- KEUR 370.000 nominal loan subscribed in 2002 and which the term was September 25, 2007
- KEUR 100.000 nominal loan subscribed in 2003 and which the term was November 28, 2007
- KEUR 50.000 nominal loan subscribed in 2004 and which the term was November 28, 2007
- KUSD 100.000 nominal loan subscribed in 2003 and which the term was November 28, 2007
- KEUR 147.000 nominal loan subscribed in 2002 and which the term was December 19, 2007.

Otherwise, a project consisting in the transfer of the entity to Luxembourg has been initiated. This operation should be finalized legally during the first half-year 2008. As this operation is a relocation followed by a change of nationality, there is no extinction of the moral person of the entity. As a consequence, the 2007 financial statements are set on continuing accounting rules.

II. Accounting principles and methods

The financial statements for the year 2007 were prepared in conformity with General Accounting Principles in France as defined by ministerial decree in 1999.

1. Securities on hand

"Gross value" consists of purchase price, excluding transaction fees.

2. Receivables and debts

Receivables and debts are shown at their nominal (par) value.

Receivables and debts in foreign currencies are recorded using the closing rates excepted when hedged. In this case the guaranteed rates are used.

3. Financial transactions

a. "Billets de Trésorerie" (French commercial paper) and other commercial paper

At the time of issue, the nominal value of commercial paper is recorded under "various financial debt". Interest is expensed in the year in which it accrues.

b. Interest rate and currency hedging

The Company hedges its interest rate and currency risk using publicly traded financial instruments, or by mutual agreement.

The Company uses the following accounting methods:

- Option premiums received are recorded under "cash" at time of payment.
- In order to provide consistent accounting results on currency and interest rate hedging transactions, revenues and losses on each hedging transaction are netted along with the underlying principal transactions they cover.
- As they have an exclusively financial nature, underwriting fees on borrowings and related expenses to amortize have been reclassified under "financial expenses".
- Hedging contracts remaining open on the Company's year-end closing date are recorded as off-balance sheet commitments at their nominal value. Unrealized gains and losses on qualified financial hedging instruments are recorded as revenues or losses so that they correspond to the revenues and losses produced by the items they cover.

III. Notes to the balance sheet

1. Fixed assets

Long term financial assets (in KEUR)	As of 31/12/06	Increase	Decrease	As of 31/12/07
Other long term holdings	-	-	-	-
Loans	794.343	20.654	(28.300)	786.697
Other long term financial assets	131.497	-	(127.679)	3.818
Total	925.840	20.654	(155.979)	790.515

"Loans" include accrued interests as of December 31, 2007, that is KEUR 4.597 and only concern companies within the Group.

2. Current assets

Receivables as of 31 December 2007 (in KEUR)	Gross value	< one year	> one year
Other customer receivables	15	15	-
Group and affiliates	3.018.757	3.018.757	-
Various other receivables	35.206	35.206	-
Total	3.053.978	3.053.978	-

The item "Group and affiliates" shows cash advances granted by the Company.

The "Various other receivables" include revenues to be received from interest rate and currency swaps.

3. Prepaid expenses

Interest due on "billets de trésorerie" (French commercial paper) and other commercial paper issued by Nestlé Finance France is expensed in the period in which it accrues. As a result, the interest and exchange charges corresponding to the period beginning January 1st, 2007 (KEUR 15.120) have been recorded in the balance sheet under "prepaid expenses".

4. Deferred expenses (expenses to amortize over several periods)

These expenses are determined as follows:

- In 2003, the issuance of a KEUR 500.000 bond generated net underwriting fees of KEUR 1.250. It was decided to spread these charges over the life of the bond, which matures on 22 February 2008. Amortization of these charges in 2007 totaled KEUR 208, leaving KEUR 208 to be amortized over the remaining life of the bond.
- In 2004, the issuance of a KHUF 25.000.000 bond generated underwriting fees of KEUR 3.258. It was decided to spread this expense over the life of the loan, which maturity date is 9 February 2009. Thus, amortization of the charge in 2007 totaled KEUR 782, leaving KEUR 848 to be amortized over the remaining life of the loan.
- In 2006, the issuance of a KEUR 100.000 bond generated net underwriting fees of KEUR 1.210 and a premium of KEUR 1.155. It was decided to spread these charges over the life of the bond, which maturity date is 30 June 2009. Amortization of these charges in 2007 totaled respectively KEUR 403 and KEUR 385, leaving respectively KEUR 605 and KEUR 578 to be amortized over the remaining life of the bond.

5. Differences in foreign exchange rates

Transactions in British Pound (current account with NTCE: KGBP 105.513; deposits: KGBP 2.800) and in US Dollar (commercial papers: KUSD 240.500) entail a foreign exchange difference of KEUR 18.454 recorded under Liabilities.

6. Share capital

The Company's share capital consists of 220,000 common shares with a par value of 2 € each. "Nestlé Entreprises S.A.S." holds almost all (219,994 shares) of the shares.

7. Debts at year-end

Debts as of 31/12/07 (in KEUR)	Gross value	< one year	> one year
Other borrowings (bonds)	852.473	650.328	202.145
Bank debt	-	-	-
Various financial borrowings	2.989.099	2.989.099	-
Accounts payable (suppliers)	336	336	-
Social security tax liabilities	247	247	-
Income tax liabilities	58	58	-
Group and affiliates	-	-	-
Other debts	8.848	8.848	-
Total	3.851.061	3.648.916	202.145

Other borrowings (bonds) and bank debts include KEUR 29.811 in accrued interest.

IV. Notes to the income statement

1. Revenues from affiliated businesses

Revenues (in KEUR)	As of 31/12/07
Revenues from receivables on fixed assets	116.570
Other interests	18.269
Total	134.839

2. Expenses from affiliated business

Expenses (in KEUR)	As of 31/12/07
Other purchases and external expenses	205
Interests paid	10.390
Total	10.595

V. Commitments and guarantees

1. Commercial Papers

The Nestlé Finance France "billets de trésorerie" (French commercial paper) program has an issue limit of 2 billion euros. Nestlé S.A guarantees it.

The Nestlé Finance France program for issuance of other commercial paper has an issue limit of 8 billion euros. Nestlé S.A guarantees it.

2. Debt Issuance Programme

The "Debt Issuance Program" (D.I.P.) issued by Nestlé Holdings Inc. and Nestlé Finance France S.A. is guaranteed by Nestlé S.A..

3. Open Commitments on Financial Instruments at Year-End

Positions (in KEUR)	As of 31/12/06		As of 31/12/07	
	Notional	Fair value of the derivative financial instruments	Notional	Fair value of the derivative financial instruments
Interest rate swaps	1.267.000	(3.158)	600.000	(1.920)
Interest rate and currency swaps	305.358	(15.346)	221.816	(5.344)
Total	1.572.358	(18.505)	821.816	(7.264)

Positions (in KEUR)	As of 31/12/06	As of 31/12/07
Futures contracts (long) on affiliate company currencies	-	-
Future contracts (long) on currencies – Commercial Paper	541.869	2.448.399
Total	541.869	2.448.399

VI. Other information

1. Allocation of the net income (loss)

in euros	As of 31/12/07
Previous retained earnings	7.105.767
Net income of the period (loss)	1.259.267
Balance	8.365.034
Appropriation to the legal reserve	-
Dividends to shareholders	-
New retained earnings	8.365.034

2. Tax consolidation

The Company has repeated his choice to be consolidated for tax purposes under parent company "Nestlé Entreprises S.A.S." since 1st January 2003.

3. Designation of the consolidating entity

The Company is integrated in the consolidated financial statements of Nestlé SA, located in Cham and Vevey, Switzerland.

4. Tax audit

The company has been the purpose of a tax inspection related to the fiscal years 2001 and 2002. The tax adjustments proposals notified by the French Tax Administration and challenged by the Company have been paid but are the purpose of an appeal procedure. In this context, as the procedures in progress do not enable to estimate the amount and the term of a potential cash outflow at the closing date, none provision has been recorded regarding this matter.

Company name: Nestlé Finance France

Number of months in financial half-year*: 12

Address: 7, bd Pierre Carle 77446 Mame-la-Vallée France

Number of months in previous financial year*: 12

SIRET (Trade Register) Number: 56210497600021

Industry code number: 652E

in Euro Do not report 1/100ths (centimes)		Year N, closing date 31/12/2007			Year N-1, closing 31/12/06		
		1. Gross	2. Depreciation, amortization & provisions	3. Net			
Subscribed capital, uncalled (I)		AA					
FIXED ASSETS *	Initial formation expenses*	AB	AC				
	Research & development expenses*	AD	AE				
	Concessions, patents and other rights	AF	AG				
	Goodwill (1)	AH	AI				
	Other intangible assets	AJ	AK				
	Prepaid expenses on intangible fixed assets	AL	AM				
	Fixed assets	Land	AN	AO			
		Buildings	AP	AQ			
		Manufacturing facilities, equipment and tools	AR	AS			
		Other tangible fixed assets	AT	AU			
		Fixed assets in process	AV	AW			
	Prepaid expenses	AX	AY				
	Long term financial assets	Holdings in other companies, valued using the equity method	CS	CT			
		Other holdings	CU	CV			
		Receivables linked to holdings	BB	BC			
		Other long term investments in securities	BD	BE	30	30	
		Loans	BF	BG	786,697,061	786,697,061	794,342,742
Other financial fixed assets*	BH	BI	3,818,095	3,818,095	131,496,649		
SUBTOTAL (II)		BJ	BK	-	790,515,186	925,839,422	
CURRENT ASSETS	Inventory	Raw materials and supplies	BL	BM			
		Manufactured goods in process	BN	BO			
		Services in process	BP	BQ			
		Intermediate and finished goods	BR	BS			
		Merchandise	BT	BU			
	Prepaid expenses (on orders)	BV	BW				
	Receivables	Accounts receivable (clients) (3)*	BX	BY	14,960	14,960	26,863
		Other receivables (3)	BZ	CA	3,053,962,482	3,053,962,482	1,875,671,164
	Misc.	Subscribed capital, called, payment outstanding	CB	CC			
		Investments in securities (of which treasury stock)	CD	CE			
Cash and cash equivalents		CF	CG	423,590	423,590	469,217	
Prepaid expenses (3)*	CH	CI	15,120,471	15,120,471	3,101,369		
SUBTOTAL (III)		CJ	CK	-	3,069,521,503	1,879,268,613	
Unearned revenues & prepaid expenses	Expenses to be allocated over several years* (IV)	CL		1,660,526	1,660,526	4,223,384	
	Premiums on bonds redeemed (V)	CM		-	-	435,467	
	Foreign currency translation adjustments*(VI)	CN		20,013,586	20,013,586	5,016,131	
	TOTAL (I + II + III + IV + V+VI)	CO	1A	-	3,881,710,801	2,814,783,016	

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		LIABILITIES				
Mandatory form (article 53A of French General Tax Code)		(before allocation)		Tax Form Number no. 2051		
Company name: Nestlé Finance France						
Do not report 1/100ths (centimes)		Year N		Year N-1		
EQUITY	Share capital (1)* (of which paid-in: 440 000)	DA	440,000	440,000		
	Additional paid-in capital (agios/premiums on issue, merger, contributions, etc.)	DB				
	Differences in re-evaluation (2) (of which, adjustments for equity method):	EK	>			
	Legal reserves (restricted retained earnings) (3)	DD	44,000	44,000		
	Statutory and contractual reserves	DE				
	Regulatory reserves (3), (4)	DF	8,932	8,932		
	Other reserves	DG	116,804	116,804		
	Retained earnings	DH	7,105,767	5,645,306		
	Year's Net Income (Loss)	DI	1,259,267	1,460,461		
	Investment subsidies	DJ				
	Regulatory provisions*	DK				
	SUBTOTAL (I)	DL	8,974,770	7,715,503		
	Other equity	Gains from issue of participating shares	DM			
Contingent advances from reserves		DN				
SUBTOTAL (II)		DO	-	-		
Provisions	Provisions for losses	DP	18,454,439	5,016,131		
	Provisions for expenses	DQ				
	SUBTOTAL (III)	DR	18,454,439	5,016,131		
Debt (4)	Convertible borrowings	DS				
	Other borrowings	DT	852,473,784	1,609,775,888		
	Bank debt (5)	DU	-	15,172		
	Various other financial debt	DV	2,989,099,436	1,178,869,024		
	Deferred liabilities on orders in process	DW				
	Accounts payable	DX	335,806	165,117		
	Income and social security (payroll) tax liabilities	DY	304,674	261,602		
	Liabilities on fixed assets and related accounts	DZ				
	Other debt	EA	8,848,219	8,305,728		
Rec. Unearned income (recognized in advance) (4)	EB	1,660,526	4,658,851			
SUBTOTAL (IV)	EC	3,852,722,445	2,802,051,382			
Differences in foreign currency translation (losses)*	(V)	1,559,147	-			
TOTAL (I + II + III + IV + V)	EE	3,881,710,801	2,814,783,016			
Notes	(1) Difference in re-evaluation recorded in equity	1B				
	(2) of which : {	Special reserves for re-evaluation (1959)	1C			
		discretionary re-evaluation	1D			
		Reserves for re-evaluation (1976)	1E			
	(3) Of which: special reserve for long-term capital gains*	EF				
	(4) Debts and income recognized less than one year in advance	EG	3,648,916,873	1,974,729,256		
(5) Of which: credit lines	EH	-	15,172			

* Explanations for these categories can be found in bulletin number 2032

INCOME STATEMENT

Company name: Nestlé Finance France

Do not report 1/100ths (centimes)		Year N			Year N - 1	
		France	Exports	Total		
Revenues from operations	Sales of merchandise*	FA	FB	FC	-	
	Sales of goods* man'd	FD	FE	FF	-	
		FG	FH	FI	-	
	services*					
	Net sales*	FJ	FK	FL	-	
	Manufactured goods in inventory*			FM		
	Manufactured goods recorded as fixed assets*			FN		
	Operating subsidies			FO		
	Decreases in amortization, depreciation, provisions and expense transfers*			FP		
	Other revenues (See Note 1)			FQ	107,440	111,945
Total operating revenues (See Note 2) (I)				FR	107,440	111,945
Operating expenses	Purchased merchandise (including customs duties)*			FS		
	Changes in inventory (merchandise)*			FT		
	Purchased raw materials and other supplies (including customs duties)			FU		
	Changes in inventory (raw materials and supplies)*			FV		
	Other purchases and external expenses (See Notes 3, 6b)*			FW	831,810	846,428
	Taxes and related payments*			FX	280,813	252,197
	Wages and salaries			FY		
	Payroll taxes			FZ		
	Changes to assets & liabilities from operations	On fixed assets	increases in depreciation and amortization		GA	
			increases in provisions		GB	
		On current assets: increases in provisions		GC		
	Increases in provisions for losses		GD			
	Other expenses			GE	383	695
	Total operating expenses (See Note 4) (II)				GF	1,113,006
1. TOTAL OPERATING INCOME (I - II)				GG	1,005,566	- 987,375
common operations	Allocated profits or transferred loss*		(III)	GH	-	33
	Allocated loss or transferred profits*		(IV)	GI		
Financial revenues	Financial revenues from holdings in other companies (See Note 5)			GJ		
	Revenues from other securities and long-term receivables (Note 5)			GK	116,569,769	80,837,759
	Other interest and related revenues (See Note 5)			GL	91,912,506	118,776,754
	Decreases in provisions and transferred expenses			GM	5,016,131	6,771,159
	Gains from foreign currency translations			GN	25,869,896	20,004,629
	Net gains from sale of investments in securities			GO		
	Total financial revenues (V)				GP	239,368,302
Financial expenses	Increases in depreciation, amortization and provisions (financial)*			GQ	21,452,764	9,206,078
	Interest and related expenses (See Note 6)			GR	203,067,684	192,653,203
	Losses from foreign currency translations			GS	12,583,022	22,020,572
	Net losses from sale of investments in securities			GT		
Total financial expenses (VI)				GU	237,103,470	223,879,853
2. NET FINANCIAL INCOME (V - VI)				GV	2,264,832	2,510,449
3. INCOME BEFORE TAXES {(I - II) + (III - IV) + (V - VI)}				GW	1,259,266	1,523,107

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(NOTES : See Form No. 2053) * Explanations for this section found in Bulletin No. 2032

INCOME STATEMENT (continued)

Company name: Nestlé Finance France

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Notes

Do not report 1/100ths (centimes)			Year N	Year N - 1
Exceptional gains	Exceptional gains from business operations	HA		
	Exceptional revenues from financial (capital) operations*	HB	-	16
	Decreases in provisions and expense transfers	HC		
	Total exceptional gains (See Note 7) (VII)	HD	-	16
Exceptional losses	Exceptional losses from business operations (6b)	HE	-	1
	Exceptional losses from financial (capital) operations*	HF	-	1,143
	Exceptional increases in depreciation, amortization and provisions	HG		
	Total exceptional losses (See Note 7) (VIII)	HH	-	1,144
4. Exceptional net income (VII - VIII)		HI	-	1,128
Contributions to employee profit sharing plan (IX)		HJ		
Income taxes * (X)		HK	-	61,517
Total revenues and gains (I + III + V + VII)		HL	239,475,742	226,502,295
Total expenses and losses (II + IV + VI + VIII + IX + X)		HM	238,216,476	225,041,834
5. PROFIT OR LOSS (Total revenues - total expenses)		HN	1,259,266	1,460,461
(1)	Of which, net partial revenues from long term operations	HO		
(2)	Of which: { real estate leasing revenues revenues from operations in previous financial years (show details in (8) below)	HY		
		IG		
(3)	Of which: { Capital leases on equipment Capital leases on real estate	HP		
		HQ		
(4)	Of which, operating expenses from previous years (show details in (8) below)	IH		
(5)	Of which, revenues from related businesses	IJ	134,839,087	107,240,741
(6)	Of which, interest expenses from related businesses	IK	10,390,042	7,375,424
(6b)	Of which, charitable donations (article 238 b, General Tax Code)	HX		
(7)	Detailed exceptional gains and expenses (If this space is insufficient, attach another Form no. 2053)	Half-year N		
			Exceptional expenses	Exceptional gains
(8)	Detailed previous years' gains and expenses:	Half-year N		
			Previous expenses	Previous gains

* Explanations for this section found in Bulletin No. 2032

Nestlé Finance France S.A.

**Statutory auditor's report on
the financial statements**

Year ended 31 December 2007

Nestlé Finance France S.A.

boulevard, Pierre Carle – 77446 Marne La Vallée cedex 02

This report contains 14 pages

This is a free translation into English of the statutory auditor's report issued in French and is provided solely for the convenience of English speaking users. The statutory auditor's report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Nestlé Finance France S.A.

Registered office: 7 boulevard, Pierre Carle – 77446 Marne La Vallée cedex 02
Share capital: €.440 000

Statutory auditor's report on the financial statements

Year ended 31 December 2007

To the Shareholders,

Following our appointment as statutory auditor by your General Meeting, we hereby report to you, for the year ended 31 December 2007, on:

- the audit of the accompanying financial statements of Nestlé Finance France S.A.;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Director. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities, as of 31 December 2007, and of the results of its

operations for the year then ended in accordance with the accounting rules and principles applicable in France.

2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matter(s):

- The note II in the notes to the financial statements details the accounting rules and principles related to investment securities, receivables and payables and financial operations.

In the context of our appraisal of the accounting rules and principles used by your company, we have verified that such principles as well as notes and information disclosed are appropriate, and we have verified that they have been correctly applied.

- Your company accrues for reserves for unrealized exchange losses as described in the note III.5. Based on information available to date, our works consisted in an independent estimation of these reserves and compares this with that of company.

The assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

3 Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no matters to report regarding the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Paris La Défense, 26 February 2008

KPMG Audit
A division of KPMG S.A.

Isabelle Allen
Partner