



## Nestlé Holdings, Inc.

*(incorporated in the State of Delaware with limited liability)*

and

## Nestlé Finance International Ltd.

*(incorporated in Luxembourg with limited liability)*

### Debt Issuance Programme

Notes issued by Nestlé Finance International Ltd. will be,  
and Notes issued by Nestlé Holdings, Inc. may be, guaranteed by

## Nestlé S.A.

*(incorporated in Switzerland with limited liability)*

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Under this Debt Issuance Programme (the “Programme”) each of Nestlé Holdings, Inc. and Nestlé Finance International Ltd. (each an “Issuer”, and together the “Issuers”) may from time to time, and subject to applicable laws and regulations, issue debt securities (the “Notes”) denominated in any currency agreed by the Issuer of such Notes (the “relevant Issuer”) and the relevant Dealer (as defined herein). Notes issued by Nestlé Finance International Ltd. will be unconditionally and irrevocably guaranteed by Nestlé S.A. (the “Guarantor”) as described in “Form of the Guarantee”. Notes issued by Nestlé Holdings, Inc. may or may not be unconditionally and irrevocably guaranteed by the Guarantor as described in “Form of the Guarantee”. This Prospectus supersedes any previous Prospectus issued by the Issuers and the Guarantor.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “UK Listing Authority”) for Notes issued under the Programme during the period of twelve months from the date of this Prospectus to be admitted to the official list maintained by the UK Listing Authority (the “Official List”) and to the London Stock Exchange plc (the “London Stock Exchange”) for such Notes to be admitted to trading on the London Stock Exchange’s Regulated Market. The London Stock Exchange’s Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the “Markets in Financial Instruments Directive”). Application has also been made to the SIX Swiss Exchange (the “SIX”) for Notes issued under the Programme to be admitted to listing and/or trading on the SIX.

Any person (an “Investor”) intending to acquire or acquiring any Notes from any person (an “Offeror”) should be aware that, in the context of an offer to the public as defined in section 102B of the Financial Services and Markets Act 2000 (the “FSMA”), the relevant Issuer may be responsible to the Investor for this Prospectus under section 90 of the FSMA only if the relevant Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the relevant Issuer. If the Offeror is not authorised by the relevant Issuer, the Investor should check with the Offeror whether anyone is responsible for this Prospectus for the purposes of section 90 of the FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt whether it can rely on this Prospectus and/or who is responsible for its contents it should take legal advice.

*Arranger*  
Credit Suisse

*Dealers*

BNP PARIBAS  
Credit Suisse  
HSBC  
The Royal Bank of Scotland  
UBS Investment Bank

Citigroup  
Deutsche Bank  
RBC Capital Markets  
TD Securities

**An Investor intending to acquire or acquiring any Notes from an Offeror will do so, and offers and sales of the Notes to an Investor by an Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements with Investors (other than Dealers sometimes identified as Managers in the applicable Final Terms (as defined below)) in connection with the offer or sale of the Notes. The relevant Issuer will not be a party to such terms and other arrangements with Investors (other than Dealers or Managers) and, accordingly, this Prospectus and any Final Terms will not contain such terms and other arrangements and any Investor must obtain such information from the Offeror.**

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will be set out in a final terms document (the “Final Terms”) which, with respect to Notes to be listed on the Official List and to be admitted to trading on the London Stock Exchange’s Regulated Market, will be delivered to the UK Listing Authority and the London Stock Exchange or, in respect of Notes to be listed on the SIX, will be filed with the SIX, in each case, on or before the date of issue of the Notes of such Tranche.

Factors which may affect the relevant Issuer’s or the Guarantor’s ability to fulfil their respective obligations under Notes to be issued under the Programme and the Guarantee, respectively, and factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are set out in “Risk Factors” below.

This Prospectus together with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” on page 25) constitutes a base prospectus (a “Base Prospectus”) for the purposes of Article 5.4 of the Prospectus Directive 2003/71/EC. The Base Prospectus in respect of each Issuer includes all information contained within this Prospectus together with all documents which are deemed to be incorporated herein by reference, except for any information relating to any other Issuer.

Each Issuer accepts responsibility for the information contained in its Base Prospectus as described above. To the best of the knowledge and belief of each Issuer (it having taken all reasonable care to ensure that such is the case) the information contained in its Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The previous paragraph should be read in conjunction with the final paragraph on the first page of this Prospectus.

Nestlé S.A. accepts responsibility only for the information contained in this Prospectus together with all documents which are deemed to be incorporated herein by reference, insofar as such information relates to itself and the Guarantee described in “Form of the Guarantee”. To the best of the knowledge and belief of Nestlé S.A. (it having taken all reasonable care to ensure that such is the case) the information about itself and the Guarantee contained in this Prospectus and in the documents which are deemed to be incorporated herein by reference is in accordance with the facts and does not omit anything likely to affect the import of such information.

Copies of Final Terms will be available for viewing on the Nestlé Group investor relations website at [www.nestle.com/investors](http://www.nestle.com/investors). Copies are also expected to be published on the Regulatory News Service of the London Stock Exchange.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” on page 25). This Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Prospectus.

No Dealer (as defined herein) has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by any Dealer as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by any of the Issuers or the Guarantor. No Dealer accepts any liability in relation to the information contained in this Prospectus or any other information provided by any of the Issuers or the Guarantor in connection with the Programme or the issue of Notes.

No person has been authorised by any of the Issuers or the Guarantor to give any information or to make any representation which is not contained in or incorporated by reference in or which is not consistent with this Prospectus or any other information supplied in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuers, the Guarantor or any Dealer.

Neither this Prospectus nor any other information supplied in connection with the Programme or any Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuers, the Guarantor or any Dealer that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer and the Guarantor (if applicable). Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of any of the Issuers, the Guarantor or any Dealer to any person to subscribe for or to purchase any Notes.

The delivery of this Prospectus does not at any time imply that the information contained herein concerning any of the Issuers or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme or any Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of any of the Issuers or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, Australia, New Zealand, the People's Republic of China ("PRC" (which for the purposes of this Prospectus, excludes the Hong Kong Special Administrative Region of the People's Republic of China, the Macao Special Administrative Region of the People's Republic of China and Taiwan)), Hong Kong, Japan, Singapore and the European Economic Area (including the United Kingdom) (see "Subscription and Sale").

The Consolidated Financial Statements of Nestlé Holdings, Inc. do not comply with U.S. accounting standards and are not meant for distribution in the U.S. or to be used for investment purposes by U.S. investors.

Nestlé Holdings, Inc., subject to applicable laws and regulations, may agree to issue Notes in registered form ("Registered Notes"), substantially in the form scheduled to the Note Agency Agreement (as defined under "Terms and Conditions of the Notes"). With respect to each Tranche of Registered Notes, Nestlé Holdings, Inc. has appointed a transfer agent and registrar and a paying agent and may appoint other or additional transfer agents and paying agents either generally or in respect of a particular Series of Registered Notes.

**The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "Subscription and Sale"). Notes in bearer form (other than where the relevant Note in global bearer form (x) has been immobilised with a clearing organisation or its depository in accordance with procedures sufficient to cause such Notes to be treated as issued in registered form for United States federal tax purposes and (y) are not intended to be issued in compliance with U.S. Treasury Regulation section 1.871-14(e) and U.S. Internal Revenue Service ("IRS") Notice 2012-20 as specified in the applicable Final Terms) are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons (as defined in the U.S. Internal Revenue code of 1986, as amended (the "Code") and the U.S. Treasury regulations thereunder). Notes with a maturity of more than 183 days (taking into consideration unilateral rights to roll or extend) may not be issued in bearer form by Nestlé Holdings, Inc., except to the extent that the**

relevant Note in global bearer form has been immobilised with a clearing organisation or its depository in accordance with procedures sufficient to cause such Notes to be treated as issued in registered form for United States federal tax purposes. Notes will be considered to be effectively immobilised so as to be treated as issued in registered form for United States federal tax purposes where (i) the Notes are represented by one or more global Notes in physical form that are issued to and held by a clearing organisation (or by a custodian or depository acting as an agent of the clearing organisation) for the benefit of purchasers of interests in the Notes under arrangements that prohibit the transfer of the global Note except to a successor clearing organisation subject to the same terms, (ii) beneficial interests in the underlying Notes are transferable only through a book-entry system maintained by the clearing organisation (or an agent of the clearing organisation), and (iii) holders may obtain definitive Notes in bearer form only upon (x) termination of the clearing organisation's business without a successor, (y) default by Nestlé Holdings, Inc. or (z) at Nestlé Holdings, Inc.'s request upon a change in tax law that would be adverse to Nestlé Holdings, Inc. where such consequences would not be suffered if physical Notes in bearer form were issued.

**STATEMENTS IN THIS PROSPECTUS ABOUT U.S. FEDERAL TAX ISSUES ARE MADE TO SUPPORT MARKETING OF THE NOTES. NO TAXPAYER CAN RELY ON THEM TO AVOID U.S. TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE NOTES UNDER THE LAWS OF THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.**

As used herein, "Series" means each original issue of Notes together with any further issues expressed to form a single series with the original issue and the terms of which (save for the Issue Date, the amount and the date of the first payment of interest thereon and/or the Issue Price (as indicated in the applicable Final Terms)) are identical (including Maturity Date, Interest Basis, Redemption/Payment Basis and Interest Payment Dates (if any) and whether or not the Notes are admitted to trading). As used herein, "Tranche" means all Notes of the same Series with the same Issue Date and Interest Commencement Date (if applicable).

All references in this Prospectus to "U.S. dollars", "USD", "U.S.\$" and "\$" refer to United States dollars, those to "Sterling" and "£" refer to pounds sterling, those to "SFr" or "CHF" refer to Swiss francs, those to "A\$" refer to Australian Dollars, those to "NZ\$" refer to New Zealand Dollars, those to "Renminbi", "RMB" and "CNY" refer to the lawful currency of the PRC and those to "euro", "EUR" or "€" refer to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended.

This Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for either the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by Final Terms or is a drawdown prospectus which specifies that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or applicable Final Terms or drawdown prospectus, as applicable, and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the

relevant Issuer or any Dealer to publish or supplement a prospectus for such offer. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments in an attempt to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Certain Series of Notes to be issued under this Programme may be rated or unrated. Where an issue of Notes is rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to a relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (the “CRA Regulation”) will be disclosed in the Final Terms.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of credit rating agencies registered and certified in accordance with the CRA

Regulation published by the European Securities and Markets Authority (“ESMA”) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

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**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) in accordance with all applicable laws and rules.**

## SUMMARY OF THE PROGRAMME

*This summary must be read as an introduction to this Prospectus and any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. No civil liability will attach to the Issuers and the Guarantor in any Member State of the European Economic Area solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the claimant may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.*

Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.

Issuers:	<p>Nestlé Holdings, Inc. (“NHI”), a corporation incorporated in Delaware. The NHI group of companies engage primarily in the manufacture and sale of food, pet care and beverage products.</p> <p>Nestlé Finance International Ltd. (“NFI”) is a public limited company (<i>société anonyme</i>) organised under the laws of Luxembourg. Its principal activity is the financing of members of the Nestlé Group.</p> <p>The Nestlé Group manufactures food and beverages, as well as products related to the nutrition, health and wellness industries. Approximately 64 per cent. of the sales of the Nestlé Group are generated in Europe and North America.</p>
Guarantor:	<p>Nestlé S.A. is a company with unlimited duration and is organised under the Swiss Code of Obligations.</p> <p>Notes issued by NHI may or may not be guaranteed. Notes issued by NFI will be guaranteed.</p>
Description:	Debt Issuance Programme
Arranger:	Credit Suisse Securities (Europe) Limited
Dealers:	<p>BNP Paribas Citigroup Global Markets Limited Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch HSBC Bank plc RBC Europe Limited The Royal Bank of Scotland plc The Toronto-Dominion Bank UBS Limited and any other Dealer(s) approved in accordance with the Programme Agreement</p>
Issuing and Principal Paying Agent and Transfer Agent:	Citibank, N.A., London Branch
Swiss Agent for Notes listed on the SIX Swiss Exchange:	The Swiss Agent for Notes listed on the SIX Swiss Exchange (“SIX”) will be set out in the applicable Final Terms.
Registrar:	Citigroup Global Markets Deutschland AG
Legal and regulatory requirements:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in accordance with such laws, guidelines, regulations, restrictions or reporting requirements from time to time including the following restrictions applicable at the date of this Prospectus.

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent in any other currency.

Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the relevant Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).
Redenomination:	If the Specified Currency of Notes of any Series is a currency of one of the Member States of the European Union which has not adopted the euro, such Notes may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro (as indicated in the applicable Final Terms).
Maturities:	The Notes will have any maturity, subject to a minimum maturity of one month, as indicated in the applicable Final Terms or such other minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency. Save as provided above, the Notes are not subject to any maximum maturity.
Issue Price:	Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	<p>Notes (other than Swiss Notes (as defined below)) may be issued by NFI only in bearer form. Notes may be issued by NHI in bearer form or in registered form, provided that Notes with a maturity of more than 183 days (taking into consideration unilateral rights to roll or extend) may not be issued in bearer form by NHI, except to the extent that the relevant Note in global bearer form has been immobilised with a clearing organisation or its depository in accordance with procedures sufficient to cause such Notes to be treated as issued in registered form for United States federal tax purposes.</p> <p>Each Tranche of Notes issued in bearer form (other than Swiss Notes (as defined below)) will initially be represented by a Temporary Global Note which will: (i) if the Notes are intended to be issued in new global note (“NGN”) form, be deposited on or prior to the relevant Issue Date with a common safekeeper for Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, <i>société anonyme</i> (“Clearstream, Luxembourg”), or (ii) if the Notes are not intended to be issued in NGN form, be deposited on or prior to the relevant Issue Date with a common depository for Euroclear and Clearstream and/or a nominee for any other relevant clearing system (as applicable) and which in each case will be exchanged as described therein either for a Permanent Global Note or Definitive Notes (as indicated in the applicable Final Terms) not earlier than 40 days after the later of (a) the completion of the distribution of such Tranche or (b) the settlement date for such Tranche (the “Exchange Date”) upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations; provided that such certification will not be required for Notes that have been issued by NHI (i) that have been immobilised with a clearing organisation or its depository in accordance with procedures sufficient to cause such Notes to be treated as issued in registered form for United States federal tax purposes or (ii) that have an</p>

initial maturity of 183 days or less (taking into consideration unilateral rights to roll or extend), a minimum denomination of \$500,000 (or the equivalent value in other currency, determined at the spot rate on the date of issue) and, as specified in the applicable Final Terms, are issued in compliance with the requirements of United States Treasury Regulations section 1.6049-5(b)(10). Interests in a global Note will only be exchangeable for Definitive Notes in accordance with its terms.

Notes that have been issued by NHI in bearer form that have been immobilised with a clearing organisation or its depository in accordance with procedures sufficient to cause such Notes to be treated as issued in registered form for United States federal tax purposes will only be exchangeable for Definitive Notes in bearer form in limited circumstances (termination of the relevant clearing organisation's business without a successor, default by NHI or at NHI's request upon a change in tax law that would be adverse to NHI where such consequences would not be suffered if Definitive Notes in bearer form were issued).

Notes may be issued in registered form ("Registered Notes") by NHI, subject to applicable laws and regulations. Each Tranche of Registered Notes issued by NHI will be initially represented by a registered global Note which will be (a) if the applicable Final Terms specify the Registered Notes are intended to be held in a manner which would allow Eurosystem eligibility (being the new safekeeping structure (NSS)), deposited on the relevant Issue Date with the common safekeeper; or (b) if the applicable Final Terms specify the Registered Notes are not intended to be held in a manner which would allow Eurosystem eligibility, deposited on the relevant Issue Date with a depository or common depository (or its nominee) for the agreed clearing system(s). NHI has appointed, under a Note Agency Agreement dated 10 May 2012, a transfer agent and registrar and a paying agent with respect to each Tranche of Registered Notes and may appoint other or additional transfer agents or paying agents, either generally or in respect of a particular Series of Registered Notes.

Registered Notes will not be exchangeable for Notes in bearer form and vice versa. No single Tranche may comprise Notes in both bearer form and registered form.

Notes which will be listed on the SIX only and/or denominated in Swiss Francs (together, the "Swiss Notes") will be represented by a permanent global note (the "Swiss Global Note") which will be deposited with SIX SIS AG, the Swiss Securities Services Corporation in Olten, Switzerland ("SIS") or any other intermediary recognised by the SIX (SIS or any such other recognised intermediary, each an "Intermediary"). The Swiss Global Note will document the right to receive principal and interest thereon and all other rights and obligations in connection therewith. Notes represented by a Swiss Global Note may constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

Each holder of Swiss Notes shall be the beneficial owner of a quotal co-ownership interest (*Miteigentumsanteil*) in the Swiss Global Note to the extent of his claims against the relevant Issuer, provided that for so long as the Swiss Global Note remains deposited with an Intermediary, the co-ownership interest shall be suspended.

In accordance with the regulations of the SIX, owners of quotal co-ownership interests in the Swiss Global Note do not have the right to request the printing and delivery of Swiss Notes in definitive

form. Where Swiss Notes in definitive form are to be issued, they will be issued and delivered in registered form. Swiss Notes are to be treated as issued in registered form for United States federal tax purposes.

Fixed Rate Notes:	Fixed interest will be payable in arrear on such date as may be agreed between the relevant Issuer and the relevant Dealer (as indicated in the applicable Final Terms) and on redemption and will be calculated on the basis of such Fixed Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer and indicated in the applicable Final Terms.
Floating Rate Notes:	<p>Floating rate interest will be payable in arrear on such date as may be agreed between the relevant Issuer and the relevant Dealer (as indicated in the applicable Final Terms) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer and indicated in the applicable Final Terms.</p> <p>The Margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each issue of Floating Rate Notes. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both. Interest periods will be specified in the applicable Final Terms.</p>
Changes of Interest or Redemption/Payment Basis:	Notes may be converted from one Interest or Redemption/Payment Basis to another if so provided in the applicable Final Terms.
Dual Currency Notes:	Payments (whether in respect of principal and/or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree and as indicated in the applicable Final Terms.
Index Linked Notes:	<p>Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index, index basket and/or formula or to such changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree and as indicated in the applicable Final Terms.</p> <p>Interest on Index Linked Interest Notes will be specified in, or determined pursuant to, the applicable Final Terms which may be by reference to an index, index basket and/or formula.</p>
Instalment Notes:	The Final Terms may provide that Notes may be repayable in two or more instalments of such amounts and on such dates as indicated in the applicable Final Terms.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Other Notes:	The relevant Issuer and the relevant Dealer may agree on the issue of other forms of Notes having terms and conditions modified from those set out herein and described in the applicable Final Terms.
Redemption:	The Final Terms relating to each Tranche of Notes will indicate if such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or holders, and if so the terms applicable to such redemption.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer and as indicated in the applicable Final Terms, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws, directives or regulations applicable to the relevant

Issuer or the Specified Currency and save further that the minimum denomination of each Note issued by either Issuer and admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “Legal and regulatory requirements” above.

In the case of Notes issued by NHI with a maturity of 183 days or less (taking into consideration unilateral rights to roll or extend), the minimum denomination for a Definitive Note or an interest in a Permanent Global Note shall be U.S.\$500,000 (or the equivalent thereof at exchange rates applicable on the issue date of such Note).

Taxation: All payments in respect of the Notes will be made without deduction for, or on account of, withholding taxes imposed within the jurisdiction in which the relevant Issuer or the Guarantor (if applicable) is incorporated, subject as provided in Condition 7 (Taxation).

All payments in respect of the Notes will be made subject to any deduction or withholding required by provisions of U.S. federal income tax law commonly referred to as the U.S. Foreign Account Tax Compliance Act (“FATCA”), as provided in paragraph (a) of Condition 5 (Payments), subject as provided in Condition 7 (Taxation).

Negative Pledge: The Notes will contain a negative pledge provision as described in Condition 3 of the Terms and Conditions of the relevant Notes.

Cross Default: The Notes will contain a cross-default provision applicable to the relevant Issuer as described in the Terms and Conditions of the Notes. In addition, Notes issued by NFI and guaranteed Notes issued by NHI will contain a cross default provision applicable to the Guarantor as described in the Terms and Conditions of the relevant Notes.

Status of the Notes: The Notes will constitute direct, unconditional, unsecured (subject to the provisions of Condition 3 (Negative Pledge)) and unsubordinated obligations of the relevant Issuer and will rank *pari passu* and rateably without any preference among themselves and equally with all other unsecured and unsubordinated obligations of the relevant Issuer from time to time outstanding (other than obligations mandatorily preferred by law).

Status of the Guarantee: The obligation of the Guarantor under each Guarantee constitutes a direct, unconditional, unsubordinated and unsecured obligation of the Guarantor and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations outstanding of the Guarantor (other than obligations mandatorily preferred by law applying to companies generally).

Currency Fallback (Notes denominated in Renminbi): If as a result of certain circumstances as described in Condition 5(h), the relevant Issuer or the Guarantor determines in good faith that it is not able, or it would be impracticable for it, to satisfy payments due under the Notes, Receipts or Coupons (or the Guarantee, as the case may be) in Renminbi in Hong Kong, the relevant Issuer or the Guarantor (as applicable) may, after giving irrevocable notice to the Noteholders, settle any such payment in U.S. dollars.

Rating:	Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, such rating will be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to a relevant Series of Notes will be issued or endorsed by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009, as amended (the “CRA Regulation”) will be disclosed in the Final Terms.
Listing and Admission to Trading:	<p>Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange’s Regulated Market.</p> <p>In addition, application has been made to register the Programme on the SIX, and application will be made to list certain Series of Notes issued under the Programme on the main segment of the SIX.</p> <p>Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>No Swiss Notes listed on the SIX will be listed on any other stock exchange or will be the subject of an application for listing on any other stock exchange.</p> <p>The applicable Final Terms will state if the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
Governing Laws:	<p>The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.</p> <p>The Guarantee will be governed by, and construed in accordance with, Swiss law.</p>
Selling Restrictions:	There are selling restrictions in relation to the United States, Australia, New Zealand, the People’s Republic of China (“PRC”), Hong Kong, Japan, Singapore and the European Economic Area (including the United Kingdom). In connection with the offering and sale of particular Notes, additional restrictions may be imposed which will be set out in the applicable Final Terms.
Risk Factors:	Certain factors may affect the ability of the relevant Issuer and the Guarantor to fulfil their respective obligations under the Notes issued under the Programme. Such factors include liquidity, credit and event risks such as the risk of increased competition, damage to brand image, food contamination, price fluctuations and supply uncertainties in the sourcing of raw materials, changing consumer preferences and health concerns, and the risk of a lack of availability of funding. There are certain additional factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme: these include certain risks relating to the structure of a particular issue of Notes and certain risks relating to Notes generally.

## RISK FACTORS

*Each of the Issuers and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme which may in turn result in investors losing the value of their investment. Most of these factors are contingencies which may or may not occur and neither the Issuers nor the Guarantor are in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Each of the Issuers and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuers or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuers and the Guarantor do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuers' ability to fulfil their respective obligations under Notes issued under the Programme and the Guarantor's ability to fulfil its obligations under each Guarantee**

#### *Competition and Demand*

The business environment in which the Nestlé Group operates is competitive. In its major markets, the Group competes with other multinational corporations that have significant financial resources to respond to and develop the markets in which both they and the Group operate. These resources may be applied to change areas of focus or to increase investments in marketing or new products. This could cause the Group's sales or margins to decrease in these markets. Furthermore, consumer tastes are susceptible to change. If the Group is unable to respond to rapid changes in consumer preferences, the Group's sales or margins in individual markets could be materially adversely affected.

#### *Brand Image/Reputation*

Profitability depends in part upon a number of product brands. Reliance on these brands makes the Group vulnerable to brand damage in a variety of ways. For example, if the Nestlé Group is the victim of product tampering or contamination, brand dilution by people who use any of the Nestlé brands without the Nestlé Group's permission or other factors, negative publicity will affect sales results. Damage to brands could result in the loss of revenue associated with the affected brands and higher costs to address these circumstances, including those associated with any product recall events that may occur.

#### *Food Safety/Food Contamination*

The Group has a comprehensive food safety assurance programme and implements an array of preventive measures to ensure the safety of its products. Nevertheless, the risk that raw materials are accidentally or maliciously contaminated, or products are contaminated throughout the supply chain due to human error or equipment failure, cannot be fully excluded. Such incidents can have different consequences including loss of products, delay in supply, loss of market shares, financial costs, adverse health effects on consumers or loss of reputation.

#### *Raw Materials*

The Group relies to a varying degree on the sourcing of raw materials from around the world. This exposes the Group to price fluctuations and supply uncertainties which are subject to factors such as commodity market price volatility, currency fluctuations, changes in governmental agricultural programs, harvest and weather conditions, crop disease, crop yields, alternative crops and by-product values. Underlying base material price changes may result in unexpected increases in raw material and packaging costs, and the Group may be unable to fully reflect these increases by raising prices without suffering reduced volume, revenue and operating income.

The ability to maintain the profitability of products containing tradeable commodities is largely dependent on cost management capacity of both direct and indirect materials, including energy, as well as market competitiveness. A significant or sustained decrease in the sale price of products based on

coffee, cocoa or milk products and ice cream could have a material adverse effect on the business, financial condition and results of operations of the Nestlé Group.

Should the price of commodities decline over a period of time, producers of raw materials may diversify their product range, which may restrict the availability of raw materials.

Various governments throughout the world are considering regulatory proposals relating to genetically modified organisms or ingredients, food safety and market and environmental regulation which, if adopted, would increase costs. If any of these or other proposals are enacted, the Group may experience difficulties in supply and the Group may be unable to pass on the cost increases to its customers without incurring volume loss as a result of higher prices.

#### *Quality/Consumer Preference*

The success of the Nestlé Group depends in part on its ability to anticipate the tastes and dietary habits of consumers and to offer products that appeal to their preferences. Consumer preferences change, any major change in demographics and/or any failure to anticipate, identify or react to these changes could result in reduced demand for Nestlé products, which would in turn cause the volume, revenue and operating companies' income to suffer. Moreover, there is a risk that the Nestlé Group's business may be adversely affected by a reduction in consumer spending.

#### *Health Concerns*

The food industry as a whole is faced with the global challenge of rapidly rising obesity levels. The Group makes all its products available in a range of sizes and varieties designed to meet all needs and all occasions. There is a possibility, however, of governments taking action against the food industry, for example by levying additional taxes on confectionery products or by restricting the advertising of products of this type.

#### *Seasonal Weather Conditions*

The Group's business is subject to some seasonality, and adverse weather conditions may impact on the Group's sales. The ice cream and water business experience seasonal business swings, which correspond to the North American seasons. Unusually prolonged periods of cold, rain, blizzards, hurricanes or other severe weather patterns could impact consumers' decisions to purchase goods associated with the spring and summer.

#### *Manufacturing*

The Group's manufacturing facilities could be disrupted for reasons beyond the Group's control. These disruptions may include extremes of natural hazards, fire, supplies of materials or services, system failures, workforce actions or environmental issues. The Group takes measures to limit these risks, and, in particular, the decentralised nature of the Group's manufacturing assets helps to limit the impact that any local disruption may have on the Group's manufacturing capabilities. However, any significant manufacturing disruptions could adversely affect the Group's ability to make and sell products, which could cause the Group's revenues to decline.

#### *Environmental Risk*

The Group is subject to environmental regimes applying in all countries where it operates, and has to comply with legislation concerning the protection of the environment, including the use of natural resources (e.g. water), release of air emissions and waste water, and the generation, storage, handling, transportation, treatment and disposal of waste materials. In the ordinary course of business, the Group's operations are subject to internal environmental policy and management procedures, environmental inspections and monitoring by governmental enforcement authorities. Costs may be incurred, including fines, damages and criminal or civil sanctions, or interruptions may be experienced in operations for actual or alleged violations arising under any environmental laws. In addition, the Group's production facilities require operating permits that are subject to renewal, modification and, in certain circumstances, revocation. Violations of permit requirements can also result in restrictions or prohibitions on plant operations, substantial fines and civil or criminal sanctions. Environmental

legislation is also increasingly imposing requirements on products and their packaging (e.g. eco-taxes or deposits), which affect their costs.

#### *Occupational Health and Safety Risk*

The Group is subject to health and safety regimes in all countries where it operates, and has to comply with legislation concerning the protection of the health and welfare of employees and contractors. Despite the Group's internal policy decisions on safety, the training provided to employees, accident prevention and awareness, the risk of accidents/long-term health impacts cannot be excluded. Costs may be incurred, including fines, damages, and criminal or civil sanctions, or interruptions may result from, actual or alleged violations arising under any health and safety laws. The breach of health and safety laws may adversely affect the Group's reputation.

#### *Governmental Actions and Non-Governmental Actions*

Given the multinational nature of its business, the Group is subject to substantial government regulation or non-governmental actions which may change dramatically as a result of political, economic or social events. Such changes may be wide-ranging and cover cross-border trading, taxation, employment practices, environmental, health, safety and social issues. The effects of such changes are uncertain. If the Group is unprepared to handle or could not adequately prepare for any such changes, the Group's businesses could suffer.

#### *Retirement Benefits*

The Group has various retirement benefit schemes which are funded via investments in equities, bonds and other external assets and the liabilities for which reflect the latest salary levels. The values of such assets are dependent on, among other things, the performance of the equity and debt markets, which are volatile. Any shortfall in the Group's funding obligations may require significant additional funding from the employing entities.

#### *Information Technology*

The Group depends on accurate, timely information and numerical data from key software applications to enable day-to-day decision making. Any disruption caused by a failure of key software application, of underlying equipment or of communication networks, for whatever reason, could delay day-to-day decision making, manufacturing processes, product delivery and/or cause the Group material financial losses.

The Group uses computer systems to monitor financial positions and daily cash flows and to process payments to internal and external counterparties. Computer break-downs or partial breakdowns of systems can, therefore, lead to delays in payment processes. Further risks can arise in connection with the settlement of financial transactions. The management of daily cash flows at Nestlé Group companies depends on the timely receipt of funds from external institutions who act as counterparties to financial transactions, such as bonds, swaps or other derivative financial instruments.

Notwithstanding anything stated in this risk factor, this risk factor should not be taken as implying that the relevant Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List.

#### *Litigation*

Nestlé Group companies are parties to a variety of legal proceedings arising out of the normal course of business. The relevant companies believe that there are valid defences for the claims, and such companies intend to defend any such litigation pending. However, the results of litigation cannot be predicted with certainty.

#### *Banking Credit*

In its financing activities, the Group 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 the Group seeks to limit such risk by dealing with counterparties which have high credit ratings, the Group cannot give assurances that counterparties will fulfil their obligations, failure of which could materially affect the Group'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 the Nestlé Group 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, the Group 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 Notes under the Programme may benefit from a guarantee given by the Guarantor. The Guarantor's (and each Issuer's) senior long term debt obligations have been rated AA (stable) by Standard & Poor's Credit Market Services France SAS ("Standard & Poor's") and Aa2 (stable) by Moody's France SAS ("Moody's"). Each of Standard & Poor's and Moody's is established in the European Community and registered under the CRA Regulation. The list of credit rating agencies registered and certified in accordance with the CRA Regulation published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. The Guarantor (and each Issuer) may be subject to ratings downgrades by Standard & Poor's or Moody's or any other credit rating agency which rates the credit of the Guarantor and its affiliates, including each of the Issuers and any such rating agencies may qualify or alter the ratings they assign at any time. Downgrades or placement on review for possible downgrades could harm its ability to obtain financing or increase its financing costs and could have a material adverse effect on the price of Notes issued under the Programme.

#### *Currency Fluctuations*

The Group operates in many different countries and thus is subject to currency fluctuations, both in terms of its trading activities and the translation of its financial statements; while the Group uses short-term hedging for trading activities, the Guarantor does not believe that it is appropriate or practicable to hedge long-term translation exposure. The Group 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 cover ratios. If the Group experiences significant currency fluctuations or is unable effectively to use similar interest cover ratios, then the Group's financial condition could be adversely affected.

#### *Interest Rate Risk*

Interest rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in interest rates. The Nestlé Group 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 the Group. In order to mitigate the impact of interest rate risk, the Guarantor continually assesses the exposure of the Group 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.

#### *Liquidity Risk*

The Nestlé Group raises finance by the issuance of term debt, principally in the capital markets. Therefore, the Group 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 the Nestlé Group to fund operations.

The Nestlé Group also uses committed and uncommitted credit lines with banks and bank loans to cover liquidity needs. In this context the Guarantor depends on the willingness of banks to provide

credit lines or loans. Due to structural changes in the banking business, the willingness of banks to provide credit lines and loans has declined over the past years. In order to reduce and minimise the dependence on banks, the Guarantor has taken measures to maintain access to the capital markets.

#### *Risk of an Increase in Cost of Capital*

Increases in the cost of borrowing could negatively affect the operating results of the Nestlé Group. 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 the Guarantor from the Programme and a decreasing willingness of banks to provide credit lines and loans.

#### *Treasury Operations*

In the course of its business, the Group has substantial assets under management. Although the 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.

#### *Terrorist Attacks and Other Acts of Violence and War*

Terrorist attacks or other acts of violence or war may negatively affect the Nestlé Group's operations. These attacks may directly impact the Group's, suppliers' or customers' physical facilities. Furthermore, these attacks may make travel and the transportation of supplies and products more difficult and more expensive and ultimately affect the Group's operating results. Political and economic instability in some regions of the world may also result and could negatively impact the Group's business. Any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the worldwide financial markets and economy.

### **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

#### ***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features:

#### *Notes subject to optional redemption by the Issuer*

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuers may be expected to redeem Notes when their cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Index Linked Notes and Dual Currency Notes*

The Issuers may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "Relevant Factor"). In addition, the Issuers may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes of a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

#### *Partly-paid Notes*

The Issuers may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

#### *Variable rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where an Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If an Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If an Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its other Notes.

#### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the

greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

*Bearer Notes in NGN form and Registered Notes held under the NSS*

Bearer Notes in NGN form and global Registered Notes held under the new safekeeping structure (“NSS”) allow for the possibility of Notes being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the “Eurosysteem”) and intra-day credit operations by the Eurosysteem either upon issue or at any or all times during their life. However, in any particular case, such recognition will depend upon satisfaction of the Eurosysteem eligibility criteria at the relevant time. Investors should make their own assessment as to whether the Notes meet such Eurosysteem eligibility criteria.

***Notes denominated in Renminbi are subject to additional risks***

Notes denominated in RMB (“RMB Notes”) may be issued under the Programme. RMB Notes are subject to particular risks:

*Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC*

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of RMB trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in August 2011 to cover all provinces and cities in the PRC and to make RMB trade and other current account item settlement available in all countries worldwide. New PRC regulations were promulgated in October 2011, liberalising the control over the remittance of Renminbi into the PRC for settlement of capital account items. However, restrictions still apply to the remittance of offshore Renminbi into the PRC in certain circumstances.

There is no assurance the PRC government will continue to gradually liberalise the control over cross border RMB remittances in the future, that the pilot scheme introduced in July 2009 will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC.

Noteholders may be required to provide certifications and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer’s and the Guarantor’s ability to source Renminbi outside the PRC to service such RMB Notes.*

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability on Renminbi outside the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and specified business customers. The People’s Bank of China (“PBoC”), the Central Bank of China, has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of RMB Business (the “Settlement Agreement”) between the PBoC and Bank of China (Hong Kong) Limited (the “RMB Clearing Bank”) to further expand the scope of RMB business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open RMB accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert RMB; and there will no longer be any restriction on the transfer of RMB funds between different accounts in Hong Kong.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. In addition participating banks are also required by the Hong Kong Monetary Authority to

maintain a total amount of Renminbi (in the form of cash and its settlement account balance with the RMB Clearing Bank) of no less than 25 per cent. of their Renminbi deposits, which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC. The RMB Clearing Bank only has access to onshore liquidity support from PBoC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers of up to RMB 20,000 per person per day.

The RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of RMB Notes. To the extent the relevant Issuer and/or the Guarantor is required to source Renminbi in the offshore market to service its RMB Notes, there is no assurance that the relevant Issuer and/or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

*Investment in RMB Notes is subject to exchange rate risks*

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to RMB Notes in Renminbi. If by reason of certain circumstances related to the inconvertibility, illiquidity or non-transferability of Renminbi, the relevant Issuer (or the Guarantor, as the case may be) in Renminbi, the relevant Issuer or the Guarantor (as applicable) may settle any such payment in US dollars. As a result, the value of these Renminbi payments in US dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the US dollar, the value of investment in US dollars will decline.

*Payments in respect of RMB Notes will only be made to investors in the manner specified in such RMB Notes*

All payments in Renminbi to investors in respect of RMB Notes will be made solely by (i) when RMB Notes are represented by global certificates, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and procedures of Euroclear, Clearstream, Luxembourg or any alternative clearing system as applicable, or (ii) when RMB Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than as provided in Condition 5(h), neither the relevant Issuer nor the Guarantor can be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

**Risks related to Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

*Modification and Waiver*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

## *EU Savings Directive*

Under European Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest or similar income (similar income for this purpose includes, but is not limited to, payments on redemption of the Notes representing any discount on the issue of the Notes or any premium payable on redemption) paid by a person within its jurisdiction to an individual resident in that other Member State or certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries), deducting tax at a rate of 35 per cent.

A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State (a withholding system in the case of Switzerland at a rate of 35 per cent. with the option of the individual to have the paying agent in Switzerland provide to the tax authorities of the Member State the details of the interest payments in lieu of the withholding). In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system, or through any non-EU country which has adopted similar measures and has opted for a withholding system, or through certain dependent or associated territories which have adopted similar measures and which have opted for a withholding system, and an amount of, or in respect of, tax were to be withheld from that payment, neither the relevant Issuer nor the Guarantor nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax. Each Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

### *Proposed Amendment of Swiss Federal Withholding Tax Act*

On 24 August 2011 the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent. on any payment of interest in respect of a Note to an individual resident in Switzerland or to a person outside Switzerland. If this legislation or similar legislation were enacted and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the respective Issuer, nor the Guarantor nor a paying agent nor any other person would pursuant to the Terms and Conditions of the Notes be obliged to pay additional amounts with respect to any Note as a result of the deduction or imposition of such withholding tax. In respect of Notes that are not Swiss Notes, the relevant Issuer is required to maintain a paying agent (which may be the Agent) in a jurisdiction within Europe other than Switzerland that will not be required to withhold or deduct tax pursuant to laws enacted in Switzerland providing for the taxation of payments according to principles similar to those laid down (i) in the European Union Council Directive 2003/48/EC or (ii) in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular, the principle to have a person other than the respective Issuer or the Guarantor withhold or deduct tax.

### *U.S. information reporting and withholding tax may apply to Notes after 31 December 2012*

New U.S. withholding tax rules, enacted under provisions of U.S. federal income tax law commonly referred to as the U.S. Foreign Account Tax Compliance Act (“FATCA”) and intended to compel reporting to the IRS of direct and indirect ownership of certain non-U.S. accounts and entities by U.S. persons, will apply to Notes issued by NHI after 31 December 2012 (or issued at any time to the

extent treated as equity or as significantly modified after that date, in each case, for United States federal income tax purposes). Under these rules, payments of (i) interest (including any original issue discount) and premium, if any, made on such Notes after 31 December 2013 and (ii) payments of principal on, as well as the proceeds from the sale, exchange or disposition of, such Notes made after 31 December 2014 may be subject to U.S. withholding tax if paid either (x) to an investor that has failed to provide information sufficient for a Paying Agent or other relevant financial institution intermediary through which the investor holds the Notes or receives payments on the Notes to determine whether the investor is a U.S. person or a non-financial, non-U.S. entity with material direct or indirect U.S. ownership or (y) through an intermediary or to an investor that is a non-U.S. financial institution that has not entered into an agreement with the IRS pursuant to which it agrees, among other responsibilities, to collect and provide to the IRS information about its direct and indirect U.S. accountholders and investors. These requirements will apply in addition to the historic requirements for avoiding U.S. withholding tax on such payments (see “Taxation—U.S. Taxation of Notes”). Similar rules may apply to all payments on Notes issued by NFI after 31 December 2012 (or issued at any time to the extent treated as equity or as significantly modified after that date, in each case, for United States federal income tax purposes) made after 31 December 2016 to the extent any such payment is treated as attributable to sources within the United States for FATCA purposes. No additional amounts will be paid in respect of any U.S. tax amounts withheld under these FATCA rules. Potential investors should consult their tax advisers regarding the implications of the FATCA rules for their investment in Notes, including the implications resulting from the status under these rules of each financial intermediary through which they hold Notes.

#### *Change of law*

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Prospectus and the provisions of the Guarantee are based on Swiss law, each as in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice, or Swiss law or administrative practice, after the date of this Prospectus.

#### *Notes where denominations involve integral multiples: definitive Notes*

In relation to any issue of Notes which have a denomination consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a nominal amount of Notes such that its holding amounts to the Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### **Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than

conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

*Exchange rate risks and exchange controls*

Each Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

*Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents (excluding all information incorporated by reference in any such documents either expressly or implicitly) which have previously been published or are provided simultaneously with this Prospectus and have been approved by the Financial Services Authority or filed with it shall be deemed to be incorporated in, and to form part of, this Prospectus:

- (i) the financial statements of the Guarantor and the consolidated financial statements of the Nestlé Group for the financial years ended 31 December 2011 and 2010 (including the audit reports issued in respect thereof);
- (ii) the Annual Report of the Guarantor for the financial year ended 31 December 2011;
- (iii) the Annual Financial Reports for the years ended 31 December 2011 and 2010 of each of NHI and its Subsidiaries and NFI (including the audit reports issued in respect thereof);
- (iv) the “Terms and Conditions of the Notes” section from each of the Prospectuses published by the Issuers and dated 11 May 2011, 13 May 2010, 15 July 2009, 26 August 2008, 3 August 2007, 4 August 2006 and 22 July 2005,

save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

The audited consolidated financial statements of NHI do not comply with U.S. generally accepted accounting principles and are not meant for distribution in the U.S. or to be used for investment purposes by U.S. investors.

Copies of documents incorporated by reference in this Prospectus are available on the website of the London Stock Exchange plc at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

The Issuers and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes.

The Issuers and the Guarantor have undertaken to the Dealers in the Programme Agreement (as defined in “Subscription and Sale”) to comply with section 87G of the Financial Services and Markets Act 2000, as amended.

## FORM OF THE NOTES

### *General*

Words and expressions defined in “Terms and Conditions of the Notes” below shall have the same meanings in this “Form of the Notes”. Notes in bearer form (other than Swiss Notes, Notes issued by NHI that have an initial maturity of 183 days or less (taking into consideration unilateral rights to roll or extend), a minimum denomination of \$500,000 (or the equivalent value in other currency, determined at the spot rate on the date of issue) and, as specified in the applicable Final Terms, are issued in compliance with the requirements of United States Treasury Regulations section 1.6049-5(b)(10) or Notes issued by NFI that have a maturity of one year or less) constituting a separate identifiable tranche (within the meaning of Regulation S under the Securities Act) will initially be represented by a Temporary Global Note which will:

- (i) if the global Notes are intended to be issued in new global note (“NGN”) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the “Common Safekeeper”) for Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”); and
- (ii) if the global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the “Common Depositary”) for Euroclear and Clearstream, Luxembourg and/or a nominee for any other relevant clearing system (as applicable).

Notes with a maturity of more than 183 days (taking into consideration unilateral rights to roll or extend) may not be issued in bearer form by NHI, except to the extent that the relevant Note in global bearer form has been immobilised with a clearing organisation or its depositary in accordance with procedures sufficient to cause such Notes to be treated as issued in registered form for United States federal tax purposes. Notes will be considered to be effectively immobilised so as to be treated as issued in registered form for United States federal tax purposes where (i) the Notes are represented by one or more global Notes in physical form that are issued to and held by a clearing organisation (or by a custodian or depositary acting as an agent of the clearing organisation) for the benefit of purchasers of interests in the Notes under arrangements that prohibit the transfer of the global Note except to a successor clearing organisation subject to the same terms, (ii) beneficial interests in the underlying Notes are transferable only through a book-entry system maintained by the clearing organisation (or an agent of the clearing organisation), and (iii) holders may obtain definitive Notes in bearer form only upon the occurrence of an Exchange Event (as defined below).

The applicable Final Terms will specify whether the Notes (including Registered Notes issued by NHI, as described below) are to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are to be deposited with the Common Safekeeper and not necessarily that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

If the applicable Final Terms indicates that the global Note is a NGN, the nominal amount of the Notes represented by such global Notes will be the aggregate from time to time entered in the records of both Euroclear and Clearstream, Luxembourg. The records of Euroclear and Clearstream, Luxembourg (which expression in such global Note means the records that each of Euroclear and Clearstream, Luxembourg holds for its customers which reflect the amount of each such customer’s interest in the Notes) will be conclusive evidence of the nominal amount of Notes represented by such global Note and, for such purposes, a statement issued by Euroclear and/or Clearstream, Luxembourg, as the case may be, stating that the nominal amount of Notes represented by such global Note at any time will be conclusive evidence of the records of Euroclear and/or Clearstream, Luxembourg at that time, as the case may be.

Each Temporary Global Note will be exchangeable as described therein either for a Permanent Global Note or definitive Notes (as indicated in the applicable Final Terms) not earlier than 40 days after the later of (A) the completion of the distribution of such identifiable Tranche of Notes as determined by the Agent and (B) the settlement date for such Tranche (the “Exchange Date”); provided,

however, that the Issuer may, in its sole discretion, extend the Exchange Date for such reasonable period of time as the Issuer may deem necessary in order to ensure that the issuance of such identifiable Tranche of Notes is exempt from registration under the Securities Act by virtue of Regulation S thereunder) upon receipt by the Issuer or the Agent from Euroclear or Clearstream, Luxembourg or any other relevant clearing system of the requisite certifications as described under “Certifications” below.

Each Permanent Global Note will, if specified in the applicable Final Terms, be exchangeable in whole, but not in part, for definitive Notes with, where applicable, Receipts, Coupons and Talons attached: (i) at the request of the relevant Issuer; (ii) upon the Noteholders instructing Euroclear or Clearstream, Luxembourg or any other agreed clearing system in which such Permanent Global Note is being held to give at least 60 days’ written notice to the Agent, subject to the payment of costs in connection with the printing and distribution of the definitive Notes, if specified in the applicable Final Terms; and/or (iii) (free of charge) upon the occurrence of an Exchange Event (as defined below).

For these purposes “Exchange Event” means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing; (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg, or any other agreed clearing system in which such Permanent Global Note is being held, have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, as a result, Euroclear and Clearstream, Luxembourg or such other agreed clearing system in which such Permanent Global Note is being held are no longer willing or able to discharge properly their responsibilities with respect to such Notes and the Agent and the relevant Issuer are unable to locate a qualified successor; or (iii) as a result of a change in law after the relevant Issue Date, the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg and/or any other agreed clearing system in which such Permanent Global Note is being held (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice to the Agent.

Swiss Notes will be represented exclusively by a Swiss Global Note, representing the entitlement to payment of principal and interest. The Swiss Global Note will be deposited with an Intermediary. Once the Swiss Global Note has been deposited with an Intermediary and the relevant interests in the Swiss Notes entered into the accounts of one or more participants of the Intermediary, the Swiss Notes represented thereby will constitute Intermediated Securities.

No physical delivery of the Swiss Notes represented by a Swiss Global Note shall be made unless and until Swiss Notes in definitive form (the “Swiss Definitive Notes” (*Wertpapiere*)) shall have been printed. The Swiss Global Note will be exchangeable for Swiss Definitive Notes in whole but not in part, only if the Swiss Agent (as specified in the applicable Final Terms) should, after consultation with the relevant Issuer, deem the printing of Swiss Definitive Notes to be necessary or useful or if the presentation of Swiss Definitive Notes is required by Swiss or other applicable laws and regulations in connection with the enforcement rights of holders of Swiss Notes. Should the Swiss Agent so determine, it shall provide for the printing of Swiss Definitive Notes without cost to the holders of the Swiss Notes. Where Swiss Definitive Notes are delivered, the Swiss Global Note will immediately be cancelled by the Swiss Agent and the Swiss Definitive Notes shall be delivered to the relevant holders against cancellation of the relevant Swiss Notes in such holder's securities account. Holders of Swiss Notes will not have the right to request delivery of Swiss Definitive Notes. If printed, Swiss Definitive Notes will be issued and delivered exclusively in registered form for United States federal tax purposes whereby, *inter alia*, title will pass exclusively upon due endorsement in a register to be established and maintained by a registrar (the “Swiss Registrar”) appointed by the relevant Issuer and acting on its behalf after consultation with the Swiss Agent. The appointment of the Swiss Registrar will be made pursuant to a supplemental Swiss Definitive Note agency agreement, which shall be entered into by the relevant Issuer, the Guarantor (if the Swiss Notes are guaranteed), the Swiss Agent and the Swiss Registrar. Any issue and delivery of Swiss Definitive Notes will be duly notified to the holders of the Swiss Notes in accordance with Condition 14.

Each holder of Swiss Notes shall be the beneficial owner of a quotal co-ownership interest (*Miteigentumsanteil*) in the Swiss Global Note to the extent of his claims against the relevant Issuer, provided that for so long as the Swiss Global Note remains deposited with an Intermediary, the co-ownership interest shall be suspended. In accordance with the regulations of the SIX, owners of quotal co-ownership interests in the Swiss Global Note do not have the right to request the printing and delivery of Swiss Definitive Notes.

Payments of principal, interest (if any) or any other amounts on a Swiss Global Note will be made through SIS without any requirement for certification.

No Swiss Notes listed on the SIX will be listed on any other stock exchange or will be the subject of an application for listing on any other stock exchange.

#### *Interest, Principal and Other Payments Prior to Exchange Date*

In the case of a Temporary Global Note that provides for payment of any interest, principal or other amounts prior to the Exchange Date, a member organisation appearing in the records of Euroclear or Clearstream, Luxembourg as entitled to a portion of the principal amount of such Temporary Global Note (a “Member Organisation”) must provide an Owner Tax Certification (as defined below) to Euroclear or Clearstream, Luxembourg, and Euroclear or Clearstream, Luxembourg must provide to the Issuer and the Agent a certification substantially in the form attached as Annex A to the Temporary Global Note (a “Depository Tax Certification”), in each case, prior to the payment of interest or, if applicable, principal. A Depository Tax Certification may be provided in electronic form only if it satisfies the requirements in the Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(ii). Until an Owner Tax Certification is provided by the Member Organisation to Euroclear or Clearstream, Luxembourg, and the Issuer or the Agent receives from Euroclear or Clearstream, Luxembourg a Depository Tax Certification, such Member Organisation will not be entitled to receive any interest or, if applicable, principal with respect to its interest in the Temporary Global Note or to exchange its interest therein for a portion of the Permanent Global Note or for definitive Notes. Prior to the exchange of the Member Organisation’s interest in the Temporary Global Note for a portion of the Permanent Global Note or for definitive Notes, a Member Organisation must also provide the Owner Securities Certification (as defined below), and Euroclear or Clearstream, Luxembourg must provide to the Issuer or the Agent a certification in the form set out in such Temporary Global Note (a “Depository Securities Certification”).

#### *Exchange Date Prior to Interest, Principal and Other Payments*

In the case of a Temporary Global Note that does not provide for payment of any interest, principal or other amounts prior to the Exchange Date, the Member Organisation must provide to Euroclear or Clearstream, Luxembourg an Owner Tax Certification and an Owner Securities Certification (which may be combined in one certification form), and Euroclear or Clearstream, Luxembourg must provide to the Issuer or the Agent a Depository Tax Certification and a Depository Securities Certification (which may be combined in one certification form). Until the requisite certifications are provided by the Member Organisation to Euroclear or Clearstream, Luxembourg, and the Issuer or the Agent receives from Euroclear or Clearstream, Luxembourg the requisite certifications to the Issuer, such Member Organisation shall not be entitled to receive any interest or, if applicable, principal with respect to its interest in the Temporary Global Note or to exchange its interest in the Temporary Global Note for a portion of the Permanent Global Note or for definitive Notes.

#### *Certifications – Bearer Notes*

As described above, no interest or, if applicable, principal will be paid on any Temporary Global Note and no exchange of a Temporary Global Note for a portion of the Permanent Global Note or for definitive Notes may occur until the beneficial owner, as the person entitled to receive such interest or, if applicable, principal or a portion of the Permanent Global Note or definitive Notes, furnishes written certification (the “Owner Tax Certification”), substantially in the form attached as Annex B to the Temporary Global Note to the effect that such person (i) is not a United States person (as defined under the United States Internal Revenue Code of 1986, as amended (the “Code”) and the Treasury Regulations thereunder), (ii) is a foreign branch of a United States financial institution purchasing for its own account or for resale, or is a United States person who acquired the Note through

such financial institution and who holds the Note through such financial institution on the date of the certificate, provided in either case that such financial institution provides a certificate to the Issuer or the distributor selling the Note to it stating that it agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Code and the United States Treasury Regulations thereunder, or (iii) is a financial institution holding for purposes of resale during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)). A financial institution described in clause (iii) of the preceding sentence (whether or not also described in clause (i) or (ii)) must certify that it has not acquired the Note for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions. An Owner Tax Certification may be provided in electronic form only if it satisfies the requirements in the Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(ii).

Notwithstanding the foregoing, an Owner Tax Certification or a Depository Tax Certification is not required with respect to (i) Notes issued by NFI that have a maturity of one year or less, (ii) Swiss Notes, (iii) Registered Notes issued by NHI, or (iv) Notes issued by NHI that have been immobilised with a clearing organisation or its depository in accordance with procedures sufficient to cause such Notes to be treated as issued in registered form for United States federal tax purposes or (v) Notes issued by NHI that have an initial maturity of 183 days or less (taking into consideration unilateral rights to roll or extend), a minimum denomination of \$500,000 (or the equivalent value in other currency, determined at the spot rate on the date of issue) and, as specified in the applicable Final Terms, are issued in compliance with the requirements of United States Treasury Regulations section 1.6049-5(b)(10).

As described above, prior to the exchange of the Member Organisation's interest in the Temporary Global Note for a portion of the Permanent Global Note or for definitive Notes, the Member Organisation must provide a written certification that the beneficial owner is not a U.S. person or that the beneficial owner acquired its interest in a transaction that did not require registration under the Securities Act (an "Owner Securities Certification"). For purposes of the Owner Securities Certification, "U.S. person" shall have the meaning set forth in Section 902(k) of Regulation S.

Payments of principal and interest (if any) on a Permanent Global Note will be made to or to the order of the holder thereof (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) outside the United States and its possessions without any requirement for certification. A Permanent Global Note will be exchangeable in whole or (provided Euroclear and Clearstream, Luxembourg will regard all the Notes of the relevant Series as fungible) in part for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon not less than 60 days' written notice (or, in the case of Notes with a maturity of less than 60 days, within a reasonable period of time) to the Agent from Euroclear and/or Clearstream, Luxembourg (which shall be provided at the request of any beneficial owner of an interest in the Permanent Global Note) or, in the case of a Permanent Global Note held otherwise than on behalf of Euroclear and/or Clearstream, Luxembourg, from the holder thereof (upon the request of any beneficial owner if such person is different from the holder). Permanent Global Notes and definitive Notes will be issued pursuant to the Agency Agreement. At present, neither Euroclear nor Clearstream, Luxembourg regard Notes in global form as fungible with Notes in definitive form. As long as this is the case, it is understood that any holder of a beneficial interest in the Permanent Global Note can cause the exchange of all interests in the Permanent Global Note for definitive Notes.

In the event that a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg (or any part thereof) has become due and repayable in accordance with the Conditions or that the Maturity Date has occurred and payment in full of the amount due has not been made to the bearer in accordance with the terms thereof and the Conditions, then the global Note will become void. At the same time accountholders with Euroclear and/or Clearstream, Luxembourg having such Notes (other than definitive Notes) credited to their accounts will become entitled to proceed directly against the Issuer, on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg, under the terms of Clause 28 of the Agency Agreement (as defined under "Terms and Conditions of the Notes" below).

#### *Security Codes*

Pursuant to the Agency Agreement, the Agent (as so defined) shall, where Notes are held by or on behalf of Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, arrange

that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned security code numbers by Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system which are different from the security code numbers assigned to Notes of any other Tranche of the same Series until the Exchange Date with respect to the Notes of such Tranche as certified by the Agent to the relevant Dealer.

In addition, the Swiss Agent shall arrange that, where a further Tranche of Swiss Notes is issued which is intended to form a single Series with an existing Tranche of Swiss Notes, the Swiss Notes of such further Tranche shall be assigned a Swiss Securities Number and ISIN which are different from the Swiss Securities Number and ISIN assigned to the Swiss Notes of any other Tranche of the same Series until such time as the further Tranche does form a single Series with the existing Tranche.

### *Legends*

The following legend will appear on all Notes with a maturity of more than one year, other than (x) Registered Notes (as defined below) or (y) Notes issued by NHI that have been immobilised with a clearing organisation or its depositary in accordance with procedures sufficient to cause such Notes to be treated as issued in registered form for United States federal tax purposes, and on all receipts, interest coupons and talons relating to such Notes attached thereto:

“Any United States person (as defined by the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.”

The sections of the U.S. Internal Revenue Code referred to above provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Notes, receipts or interest coupons.

For United States federal income tax purposes each Temporary Global Note, each Permanent Global Note and each definitive Note issued in bearer form which has an original maturity of 183 days or less (taking into consideration unilateral rights to roll or extend), a minimum denomination of \$500,000 (or the equivalent value in other currency, determined at the spot rate on the date of issue) and, as specified in the applicable Final Terms, is intended to comply with United States Treasury Regulations section 1.6049-5(b)(10) (or, if the obligation is evidenced by a book entry, appears in the book or record in which the book entry is made) will carry the following legend:

“By accepting this obligation, the holder represents and warrants that it is not a United States person (other than an exempt recipient described in section 6049(b)(4) of the Internal Revenue Code of the United States and the regulations thereunder) and that it is not acting for or on behalf of a United States person (other than an exempt recipient described in section 6049(b)(4) of the Internal Revenue Code and the regulations thereunder).”

The following legend will appear on each Temporary Global Note and each Permanent Global Note issued by NHI that has been immobilised with a clearing organisation or its depositary in accordance with procedures sufficient to cause such Notes to be treated as issued in registered form for United States federal tax purposes:

“This Global Note has been issued exclusively to be held in custody by or for the account of Clearstream, Luxembourg, Euroclear or a common depositary or common safekeeper for Clearstream, Luxembourg or Euroclear and may only be transferred to a successor clearing organisation throughout the life of the Notes.”

### *Registered Notes*

Notes may be issued by NHI in registered form (“Registered Notes”), subject to applicable laws and regulations. Except as described in the following paragraph, each Tranche of Registered Notes issued by NHI will be represented on issue by a registered global Note (each a “Registered Global Note”) which will be (a) if the applicable Final Terms specify the Registered Notes are intended to be held in a manner which would allow Eurosystem eligibility (being the new safekeeping structure (“NSS”)),

deposited on the relevant Issue Date with the Common Safekeeper; or (b) if the applicable Final Terms specify the Registered Notes are not intended to be held in a manner which would allow Eurosystem eligibility, deposited on the relevant Issue Date with a depository or common depository for the agreed clearing system(s). Such Registered Global Note will not be exchangeable for Registered Notes in definitive form except on an Exchange Event (as that term is defined in the Registered Global Note). With respect to each Tranche of Registered Notes, NHI has appointed, under a note agency agreement dated 10 May 2012 (the “Note Agency Agreement”), a registrar and a transfer agent and paying agent and may appoint other or additional transfer agents or paying agents, either generally or in respect of a particular Series of Registered Notes.

*Form of Final Terms*

The Final Terms applicable to each Tranche of Notes will be in the form as set out on page 70 and will contain such information as is applicable in respect of such Notes (all references to numbered Conditions being to the relevant Conditions in the Terms and Conditions of the relevant Notes).

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions (the “Terms and Conditions”) of the Notes to be issued by an Issuer which will be incorporated by reference into each global Note and which will be endorsed upon each definitive Note (if any). The applicable Final Terms in relation to any Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes.*

This Note is one of a Series (as defined below) of Notes issued subject to, and with the benefit of (except in the case of Notes in registered form (“Registered Notes”) issued by Nestlé Holdings, Inc.), an amended and restated Agency Agreement dated 10 May 2012, as further amended and/or supplemented and/or restated from time to time, (the “Agency Agreement”) made between, *inter alia*, the Issuer, Nestlé S.A. as guarantor (the “Guarantor”) in relation to Notes issued by Nestlé Finance International Ltd. and guaranteed Notes issued by Nestlé Holdings, Inc., Citibank, N.A., London Branch as issuing and principal paying agent and, if so specified in the applicable Final Terms, as calculation agent (the “Agent”, which expression shall include any successor agent or any other calculation agent specified in the applicable Final Terms) in respect of all Notes other than Notes which will be listed on the SIX Swiss Exchange (“SIX”) only and/or denominated in Swiss Francs (together the “Swiss Notes”) and the other paying agents named therein (together with the Agent and the “Paying Agents”, which expression shall include any additional or successor paying agents).

Registered Notes issued by Nestlé Holdings, Inc. are issued subject to, and with the benefit of, a note agency agreement dated 10 May 2012 (the “Note Agency Agreement”) and made between Nestlé Holdings, Inc. as Issuer, Citigroup Global Markets Deutschland AG as registrar and transfer agent (the “Registrar”, which expression shall include any successor registrar) and Citibank, N.A., London Branch as transfer agent and paying agent (the “Transfer Agent”, which expression shall include any additional or successor transfer agent or paying agent appointed for Registered Notes).

References in these Terms and Conditions to the “Issuer” shall be references to the party specified as such in the applicable Final Terms (as defined below). References herein to the “Notes” shall be references to the Notes of this Series (as defined below) and shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency of the relevant Notes, (ii) definitive Notes issued in exchange (or part exchange) for a temporary global Note, a permanent global Note, a global Swiss Note or a global Registered Note; and (iii) any global Note.

If this Note is a Swiss Note, the Swiss issuing and paying agent (the “Swiss Agent”) named in the applicable Final Terms and the other Swiss paying agents named therein will act as Agent and Paying Agents, respectively, in respect of this Note and the expressions “Agent” and “Paying Agents” shall be construed accordingly.

Interest bearing definitive Notes in bearer form (unless otherwise indicated in the applicable Final Terms) have interest coupons (“Coupons”) and, if indicated in the applicable Final Terms, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (“Receipts”) for the payment of the instalments of principal (other than the final instalment) attached on issue.

Any reference herein to “Noteholders” shall mean the holders of the Notes, and shall, in relation to any Notes represented by a global Note held on behalf of Euroclear Bank S.A./N.V. (“Euroclear”) and/or Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”) and/or SIX SIS AG, Olten, Switzerland (“SIS”), be construed as provided below. Any reference herein to “Receiptholders” shall mean the holders of the Receipts and any reference herein to “Couponholders” shall mean the holders of the Coupons, and shall, unless the context otherwise requires, include the holders of the Talons.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or SIS shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system

approved by the Issuer, the Guarantor (if applicable) and the Agent and specified in the applicable Final Terms.

Any reference herein to “guaranteed Notes issued by Nestlé Holdings, Inc.” and any related expression is a reference to Notes issued by Nestlé Holdings, Inc. which are guaranteed by Nestlé S.A.

The Final Terms applicable to this Note are attached hereto or endorsed hereon and supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References herein to the “applicable Final Terms” are to the Final Terms attached hereto or endorsed hereon.

As used herein, “Series” means each original issue of Notes together with any further issues expressed to form a single series with the original issue and the terms of which (save for the Issue Date, the amount and the date of the first payment of interest thereon and/or the Issue Price (as indicated in the applicable Final Terms)) are identical (including Maturity Date, Interest Basis, Redemption/Payment Basis and Interest Payment Dates (if any) and whether or not the Notes are admitted to trading). As used herein, “Tranche” means all Notes of the same Series with the same Issue Date and Interest Commencement Date (if applicable).

Copies of the Agency Agreement are available at the specified offices of the Agent and each of the other Paying Agents. Copies of the Note Agency Agreement (if the Notes are Registered Notes) are available for inspection by holders of Registered Notes at the specified offices of the Registrar and the Transfer Agent. Copies of the Final Terms are available for viewing on the Nestlé Group investor relations website at [www.nestle.com/investors](http://www.nestle.com/investors). Copies are also expected to be published on the Regulatory News Service of the London Stock Exchange. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Final Terms, which are binding on them. The holders of Registered Notes are deemed to have notice of the Note Agency Agreement, which is binding on them.

Words and expressions defined in the Agency Agreement or (if the Note is a Registered Note) in the Note Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated.

A global Note may be exchanged in whole or, in certain circumstances, in part for definitive Notes upon request by any holder of an interest therein in accordance with these Terms and Conditions, the provisions of the relevant global Note and as specified in the applicable Final Terms.

## **1. Form, Denomination, Title and Transfer**

The Notes may be issued in bearer form (“Bearer Notes”) or, in respect of Notes issued by Nestlé Holdings, Inc., in bearer or registered form, as set out in the applicable Final Terms and, in the case of definitive Bearer Notes, serially numbered, in the Specified Currency and the Specified Denomination(s) specified in the applicable Final Terms; provided that, Bearer Notes with a maturity of more than 183 days (taking into consideration unilateral rights to roll or extend) may not be issued by Nestlé Holdings, Inc., unless the relevant global Bearer Note has been immobilised with a clearing organisation or its depositary in accordance with procedures sufficient to cause such Notes to be treated as issued in registered form for United States federal tax purposes.

Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

The global Swiss Note representing Swiss Notes (the “Swiss Global Note”) will be deposited with SIS or any such other intermediary recognised by the SIX (the “Intermediary”) as part of an arrangement that results in the issuance of a debt obligation that is treated as issued in registered form for United States federal tax purposes. Once the Swiss Global Note has been deposited with the Intermediary and the relevant interests in the Swiss Notes entered into the accounts of one or more participants of such Intermediary, the Swiss Notes represented thereby will constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) (“Intermediated Securities”).

Each holder of Swiss Notes shall be the beneficial owner of a quotal co-ownership interest (*Miteigentumsanteil*) in the Swiss Global Note to the extent of his claims against the Issuer, provided that for so long as the Swiss Global Note remains deposited with the Intermediary, the co-ownership interest shall be suspended. In accordance with the regulations of the SIX, owners of quotal co-ownership interests in the Swiss Global Note do not have the right to request the printing and delivery of Swiss Notes in definitive form (“Swiss Definitive Notes” (*Wertpapiere*)).

Each Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Each Note may be an Index Linked Redemption Note, a Dual Currency Note, a Partly Paid Note or an Instalment Note or a combination of any of the foregoing or any other type of Note, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Bearer Notes in definitive form are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery. The holder of each Coupon or Receipt, whether or not such Coupon or Receipt is attached to the Note, in his capacity as such, shall be subject to and bound by all the provisions contained in the relevant Note. Subject as set out below, the Issuer, the Guarantor (if applicable) and any Paying Agent may deem and treat the bearer of any Bearer Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice to the contrary, including any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Bearer Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes are represented by a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor (if applicable), any Paying Agent or (in the case of Registered Notes) the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant global Bearer Note or registered holder of the global Registered Note shall be treated by the Issuer, the Guarantor (if applicable) and any Paying Agent as the holder of such Notes in accordance with and subject to the terms of the relevant global Note (and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly).

In the case of Swiss Notes represented by a Swiss Global Note, the records of the Intermediary will determine the nominal amount of Swiss Notes represented by that Swiss Global Note and held by or through each participant in the Intermediary. The holders of such Swiss Notes will be the persons for the time being shown in the records of any custodian (*Verwahrungsstelle*) as holding the relevant nominal amount of such Swiss Notes in a securities account (*Effektenkonto*) with such custodian (*Verwahrungsstelle*) which is in their name (and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly).

No physical delivery of the Swiss Notes represented by a Swiss Global Note shall be made unless and until Swiss Definitive Notes shall have been printed. The Swiss Global Note will be exchangeable for Swiss Notes in the form of Swiss Definitive Notes in whole but not in part, only if the Swiss Agent should, after consultation with the Issuer, deem the printing of Swiss Definitive Notes to be necessary or useful or if the presentation of Swiss Definitive Notes is required by Swiss or other applicable laws and regulations in connection with the enforcement rights of holders of Swiss Notes. Should the Swiss Agent so determine, it shall provide for the printing of Swiss Definitive Notes without cost to the holders of the Swiss Notes. Holders of Swiss Notes will not have the right to request delivery of Swiss Definitive Notes. If printed, Swiss Definitive Notes will be issued and delivered exclusively in registered form for United States federal tax purposes whereby, *inter alia*, title will pass exclusively upon due endorsement in a register (the “Swiss Register”) to be established and maintained by a

registrar (the “Swiss Registrar”) appointed by the Issuer and acting on its behalf after consultation with the Swiss Agent. The appointment of the Swiss Registrar will be made pursuant to a supplemental Swiss Definitive Note agency agreement, which shall be entered into by the Issuer, the Guarantor (if the Swiss Notes are guaranteed), the Swiss Agent and the Swiss Registrar (the “Supplemental Swiss Definitive Note Agency Agreement”) on any issue and delivery of Swiss Definitive Notes. Any issue and delivery of Swiss Definitive Notes will be duly notified to the holders of the Swiss Notes in accordance with Condition 14. In no circumstances will Swiss Definitive Notes be issued and delivered in bearer form. If issued and delivered, Swiss Definitive Notes will be issued to each holder of the relevant Swiss Notes in respect of its registered holding of such Swiss Notes. If Swiss Definitive Notes are issued and delivered, the Swiss Global Note will immediately be cancelled by the Swiss Agent and the relevant holders registered in the Swiss Register against cancellation of the relevant Swiss Notes in such holders securities account. Swiss Definitive Notes shall not be deposited with the Intermediary and, therefore shall not constitute Intermediated Securities. Any transfer of Swiss Definitive Notes will only occur upon presentation of the relevant Swiss Definitive Note at the specified office of the Swiss Registrar or the Swiss Agent with the form of transfer on the back duly completed and signed. No transfer of a Swiss Definitive Note will be valid unless and until entered into the Swiss Register. The Swiss Definitive Notes must be (i) presented by the holder registered in the Swiss Register at the offices of the Swiss Agent in order to receive any payment of interest in respect of the Swiss Notes and (ii) presented and surrendered by the holder registered in the Swiss Register at the offices of the Swiss Agent in order to receive any payment of principal in respect of the Swiss Notes.

Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or of SIS, as the case may be. In the case of Swiss Notes represented by a Swiss Global Note, for so long as the Swiss Global Note remains deposited with the Intermediary such Swiss Notes may only be transferred by the entry of the transferred Swiss Note in a securities account of the transferee.

Title to Registered Notes passes on due endorsement in the relevant register which Nestlé Holdings, Inc. shall procure to be kept by the Registrar.

Subject as set out above, except as ordered by a court of competent jurisdiction or as required by law, the registered holder of any Registered Note or Swiss Definitive Note shall be deemed to be and may be treated as the absolute owner of such Registered Note or such Swiss Definitive Note (as the case may be) for all purposes, whether or not such Registered Note or such Swiss Definitive Note (as the case may be) shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone and no person shall be liable for so treating such registered holder (and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly).

Provisions relating to the transfer of Registered Notes issued by Nestlé Holdings, Inc. are set out in the relevant Registered Note and the Note Agency Agreement. Provisions relating to the transfer of Swiss Definitive Notes shall be set out in the Supplemental Swiss Definitive Note Agency Agreement.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, except in relation to Bearer Notes in new global note (“NGN”) form or Registered Notes intended to be held in a manner which would allow Eurosystem eligibility (being the new safekeeping structure (“NSS”) and hereinafter referred to as “held under the NSS”), be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Agent or (in the case of Registered Notes) the Registrar and the Transfer Agent and, in the case of Notes admitted to the Official List and admitted to trading on the London Stock Exchange’s Regulated Market, the UK Listing Authority.

## **2. Status of the Notes and Guarantee**

- (a) The Notes and any relative Receipts and Coupons are direct, unconditional, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding (other than obligations mandatorily preferred by law).

- (b) If the Issuer is Nestlé Finance International Ltd., the payment of the principal and interest in respect of each Note has been unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee dated the Issue Date (the “Guarantee”) which has been deposited for the benefit of the Noteholders, Receiptholders and Couponholders with the Agent. If the Issuer is Nestlé Holdings, Inc., the payment of principal and interest in respect of each Note will, if so stated in the applicable Final Terms but not otherwise, have been unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee dated the Issue Date (also the “Guarantee”) which has been deposited for the benefit of the Noteholders, Receiptholders and Couponholders with the Agent. Each Guarantee will be in the form (subject to completion) scheduled to the Agency Agreement.

### **3. Negative Pledge**

So long as any of the Notes remain outstanding:

- (a) the Issuer will procure that, provided that security upon its assets is neither mandatory pursuant to applicable laws nor required as a prerequisite for governmental approvals, no Relevant Indebtedness (as defined below) now or hereafter existing of the Issuer and no guarantee or indemnity by the Issuer of any Relevant Indebtedness of any Subsidiary (as defined below) of the Issuer will be secured by any mortgage, charge, lien, pledge or other security interest upon, or with respect to, the whole or any part of the present or future revenues or assets of the Issuer unless in any such case the Issuer shall, simultaneously with, or prior to, the creation of such security interest, take any and all action necessary to procure that all amounts payable under the Notes are secured by such security interest equally and rateably or such other security interest is provided for such amounts as is not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution of the Noteholders; and
- (b) where the issue of the Notes by the Issuer is guaranteed by the Guarantor, the Guarantor will procure that, provided that security upon its assets is neither mandatory pursuant to applicable laws nor required as a prerequisite for governmental approvals, no Relevant Indebtedness now or hereafter existing of the Guarantor and no guarantee or indemnity by the Guarantor of any Relevant Indebtedness of the Issuer or any Subsidiary of the Issuer will be secured by any mortgage, charge, lien, pledge or other security interest upon, or with respect to, the whole or any part of the present or future revenues or assets of the Guarantor unless in any such case the Guarantor shall, simultaneously with, or prior to, the creation of such security interest, take any and all action necessary to procure that all amounts payable under the Guarantee are secured by such security interest equally and rateably or such other security interest is provided for such amounts as is not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution of the Noteholders, provided that in the event of a merger, amalgamation or consolidation of the Guarantor with another company the provisions of this Condition 3(b) shall not apply with regard to any security in respect of any Relevant Indebtedness over the assets of that other company which security exists at the time of such merger, amalgamation or consolidation (other than any such security created in contemplation thereof) and any such security thereafter created by the resulting or surviving entity in substitution for the aforesaid security over assets the value of which does not materially exceed the current value of the assets subject to such security immediately prior to such merger, amalgamation or consolidation.

For the purposes of this Condition 3, “Relevant Indebtedness” means any indebtedness now or hereafter existing which is in the form of or represented or evidenced by any bonds, notes or other securities which, in any such case, are or are capable of being listed on any recognised stock exchange and “Subsidiary” means any company of which the Issuer shall own more than 50 per cent. of the outstanding voting stock of such company.

### **4. Interest**

#### **(a) *Interest on Fixed Rate Notes***

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date specified in the applicable Final Terms (or the Issue Date, if no Interest Commencement Date is

separately specified) to (but excluding) the Maturity Date specified in the applicable Final Terms at the rate(s) per annum equal to the Rate(s) of Interest so specified. Interest will be payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date so specified if that does not fall on an Interest Payment Date. If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount as specified in the applicable Final Terms. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount(s) so specified.

As used in these Terms and Conditions, “Fixed Interest Period” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date or the Issue Date, as the case may be) to (but excluding) the next (or first) Interest Payment Date or Maturity Date.

Unless specified otherwise in the applicable Final Terms, the “Following Business Day Convention” will apply to the payment of all Fixed Rate Notes, meaning that if the Interest Payment Date or Maturity Date would otherwise fall on a day which is not a Business Day (as defined in Condition 4(b)(i) below), the related payment of principal or interest will be made on the next succeeding Business Day as if made on the date such payment was due. If the “Modified Following Business Day Convention” is specified in the applicable Final Terms for any Fixed Rate Note, it shall mean that if the Interest Payment Date or Maturity Date would otherwise fall on a day which is not a Business Day (as defined in Condition 4(b)(i) below), the related payment of principal or interest will be made on the next succeeding Business Day as if made on the date such payment was due unless it would thereby fall into the next calendar month in which event the full amount of payment shall be made on the immediately preceding Business Day as if made on the day such payment was due. Unless specified otherwise in the applicable Final Terms, the amount of interest due shall not be changed if payment is made on a day other than an Interest Payment Date or the Maturity Date as a result of the application of a Business Day Convention specified above or other Business Day Convention specified in the applicable Final Terms.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (i) in the case of Fixed Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (ii) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Fixed Day Count Fraction (as specified in the applicable Final Terms) and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In these Terms and Conditions, “Fixed Day Count Fraction” means (unless specified otherwise in the applicable Final Terms):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date or Issue Date, as applicable) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period (as defined below) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the

applicable Final Terms) that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or

- (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
- (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and
  - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date or Issue Date, as applicable) to (but excluding) the next scheduled Interest Payment Date or the Maturity Date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360 and, in the case of an incomplete month, the number of days elapsed; and

“Determination Period” means each period from (and including) a Determination Date (as specified in the applicable Final Terms) to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“sub-unit” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

**(b) Interest on Floating Rate Notes and Index Linked Interest Notes**

**(i) Interest Payment Dates**

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date specified in the applicable Final Terms (or the Issue Date, if no Interest Commencement Date is separately specified) and, unless specified otherwise in the applicable Final Terms, at the rate equal to the Rate of Interest payable in arrear on the Maturity Date and on either:

- (A) the Specified Interest Payment Date(s) (each, together with the Maturity Date, an “Interest Payment Date”) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with the Maturity Date, an “Interest Payment Date”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date or Issue Date, as applicable.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date or Issue Date, as applicable) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month on which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below), then, if the Business Day Convention specified is:

- (1) in any case where a Specified Period is specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below in this sub-paragraph (1) shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls within the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, “Business Day” means (unless otherwise stated in the applicable Final Terms) a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each place as is specified in the applicable Final Terms (each an “Additional Business Centre”); and
  - (B) (1) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto (the “TARGET2 System”) is open; or (3) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong. Unless otherwise provided in the applicable Final Terms, the principal financial centre of any country for the purpose of these Terms and Conditions shall be as provided in the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) as supplemented, amended and updated as of the first Issue Date of the Notes of the relevant Series (the “ISDA Definitions”) (except if the Specified Currency is Australian dollars or New Zealand dollars the principal financial centre shall be Sydney and Auckland, respectively).
- (ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(iii) ISDA Determination

Unless specified otherwise in the applicable Final Terms, where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any) as determined by the Agent (or such other Calculation Agent specified in the applicable Final Terms). For the purposes of this sub-paragraph (iii) unless specified otherwise in the applicable Final Terms, “ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any)” for an Interest Period means a rate equal to the Floating Rate that would be determined under an interest rate swap transaction under the terms of an agreement (regardless of any event of default or termination event thereunder) incorporating the ISDA Definitions with the holder of the relevant Note under which:

- (A) the manner in which the Rate of Interest is to be determined is the “Floating Rate Option” as specified in the applicable Final Terms;
- (B) the Issuer is the “Floating Rate Payer”;
- (C) the Agent or other person specified in the applicable Final Terms is the “Calculation Agent”;
- (D) the Interest Commencement Date is the “Effective Date”;
- (E) the Aggregate Nominal Amount of Notes is the “Notional Amount”;
- (F) the relevant Interest Period is the “Designated Maturity” as specified in the applicable Final Terms;
- (G) the Interest Payment Dates are the “Floating Rate Payer Payment Dates”;
- (H) the Margin is the “Spread”;
- (I) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro-zone inter-bank offered rate (“EURIBOR”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms; and
- (J) all other terms are as specified in the applicable Final Terms.

When this sub-paragraph (iii) applies, unless specified otherwise in the applicable Final Terms with respect to each relevant Interest Payment Date:

- (A) the amount of interest determined for such Interest Payment Date shall be the Interest Amount for the relevant Interest Period for the purposes of these Terms and Conditions as though calculated under sub-paragraph (vi) below; and
- (B) (i) “Floating Rate”, “Floating Rate Option”, “Floating Rate Payer”, “Effective Date”, “Notional Amount”, “Floating Rate Payer Payment Dates”, “Spread”, “Calculation Agent”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions; and (ii) “Euro-zone” means the region comprised of the Member States of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended).

(iv) Screen Rate Determination for Floating Rate Notes

Unless specified otherwise in the applicable Final Terms, where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the quotation (if there is only one quotation on the Relevant Screen Page); or

- (B) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum), for the Reference Rate (as specified in the applicable Final Terms) for deposits in the Specified Currency for that Interest Period which appears or appear, as the case may be, on the Relevant Screen Page (as specified in the applicable Final Terms) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date (as defined below) in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent (or such other Calculation Agent specified in the applicable Final Terms). Unless specified otherwise in the applicable Final Terms, if five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent (or such other Calculation Agent specified in the applicable Final Terms) for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes or Indexed Linked Interest Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

- (v) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

- (vi) Determination of Rate of Interest and Calculation of Interest Amounts

The Agent (or if the Agent is not the Calculation Agent, the Calculation Agent specified in the applicable Final Terms) will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Notes represented by such global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case multiplying such sum by the applicable Day Count Fraction (as specified in the applicable Final Terms) and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention or as specified in the applicable Final Terms. Without prejudice to subparagraph (viii) below, the determination of the Rate of Interest and calculation of each Interest Amount by the Agent (or the Calculation Agent specified in the applicable Final Terms if the Agent is not the Calculation Agent) shall (in the absence of negligence, wilful default, bad faith or manifest error) be binding on all parties. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in

respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“Day Count Fraction” means, unless specified otherwise in the applicable Final Terms, in respect of the calculation of an amount of interest for any Interest Period:

- (A) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (D) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (E) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (F) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30; and

- (G) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366.

(vii) Notification of Rate of Interest and Interest Amount

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Guarantor (if applicable), the other Paying Agents, the Registrar and the Transfer Agent (in the case of Registered Notes) and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being admitted to trading and listed and will cause notice thereof to be published or given in accordance with Condition 14 as soon as possible after their determination but in no event later than the earlier of the fourth London Business Day thereafter or the first Business Day of each Interest Period. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without publication as aforesaid or prior notice in the event of an extension or shortening of the Interest Period in accordance

with the provisions hereof. Any such amendment or alternative arrangements will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being admitted to trading or listing. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(viii) **Certificates to be Final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or other Calculation Agent, shall (in the absence of negligence, wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor (if applicable), the Agent, Calculation Agent (if applicable), any other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the case of Registered Notes) the Registrar and the Transfer Agent and (in the absence as aforesaid) no liability to the Issuer, the Guarantor (if applicable), the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) ***Index Linked Interest Notes, Index Linked Redemption Notes and Dual Currency Notes***

In the case of Index Linked Interest Notes, Index Linked Redemption Notes or Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an index and/or a formula or, as the case may be, an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) ***Partly Paid Notes***

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) ***Accrual of Interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note to be redeemed) will cease to bear interest (if any) from the date scheduled for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the rate of interest then applicable or at such other rate as may be specified in the applicable Final Terms until the earlier of (i) the day on which, upon due presentation or surrender of such Note (if required), the relevant payment is made; and (ii) the seventh day after the date on which the Agent or (in the case of Registered Notes) the Registrar or the Transfer Agent having received the funds required to make such payment, notice is given to the Noteholders in accordance with Condition 14 of that circumstance (except to the extent that there is failure in the subsequent payment thereof to the relevant Noteholders).

**5. Payments**

(a) ***Method of Payment***

Subject as provided below:

- (i) payments in a Specified Currency other than euro, U.S. dollars or Renminbi, will be made by transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) unless specified otherwise in the applicable Final Terms; provided that, if the Specified Currency is Australian dollars, payments will be made outside the Commonwealth of Australia by Australian dollar cheque drawn on, or by transfer to an Australian dollar account maintained by the payee with, a bank outside Australia;

- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (iii) payment in U.S. dollars, except as provided by Condition 5(d), shall be made to a U.S. dollar account outside the United States specified by the payee; and
- (iv) payment in Renminbi shall be made to a Renminbi account maintained by or on behalf of the payee with a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to settlement in Renminbi in Hong Kong).

Without prejudice to the provisions of Condition 7, payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction and (ii) any withholding required pursuant to sections 1471 through to 1474 of the U.S. Internal Revenue Code of 1986, as amended (including any regulations or official interpretations issued with respect thereto or any agreement entered into by any person with the IRS pursuant to such provisions) (the “Code”), unless otherwise specified in the applicable Final Terms.

**(b) Presentation of Notes, Receipts and Coupons – Bearer Notes**

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the Specified Currency in the manner provided in Condition 5(a) above only against surrender of such Definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States. Payments under Condition 5(a) above made, at the option of the bearer of such Note or Coupon, by cheque shall be mailed or delivered to an address outside the United States furnished by such bearer. Subject to any applicable laws and regulations, such payments made by transfer will be made in immediately available funds to an account maintained by the payee with a bank located outside the United States. No payment in respect of any Definitive Note or Coupon will be made upon presentation of such definitive Note or Coupon at any office or agency of the Issuer, the Guarantor (if applicable) or any Paying Agent in the United States, nor will any such payment be made by transfer to an account, or by mail to an address, in the United States.

Payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made against presentation and surrender of the relevant Receipt. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Note to which it appertains. Receipts presented without the Definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Note becomes due and repayable, unmaturing Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes and Index Linked Notes) should be presented for payment together with all unmaturing Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmaturing Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmaturing Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Unless otherwise specified in the applicable Final Terms, each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due. Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmaturing Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmaturing Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date or Issue Date (as applicable) shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant global Note, where applicable against presentation or surrender, as the case may be, of such global Note, if the global Note is not issued in NGN form or held under the NSS, at the specified office of any Paying Agent located outside the United States except as provided below. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

**(c) *Presentation and Surrender of Notes – Registered Notes***

Provisions in relation to payments of principal and interest in respect of Registered Notes will be set out in the relevant global Registered Note or definitive Registered Note and as otherwise set out in these Terms and Conditions. Interest (which for the purpose of this Condition 5(c) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register on the Record Date, and “Record Date” means, in the case of global Registered Notes, at the close of business on the relevant clearing system business day before the due date for payment thereof or, in the case of Registered Notes in definitive form, at close of business on the fifteenth day before the due date for payment thereof.

**(d) *Global Notes (other than Swiss Global Notes)***

The holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer or, as the case may be, the Guarantor (if applicable) will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor (if applicable) to, or to the order of, the holder of such global Note. No person other than the holder of such global Note shall have any claim against the Issuer or, as the case may be, the Guarantor (if applicable) in respect of any payments due on that global Note.

Notwithstanding the foregoing, U.S. dollar payments of principal and/or interest in respect of the Notes denominated in U.S. dollars will be made at the specified office of a Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)) if:

- (i) the Issuer and (if applicable) the Guarantor have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and (if applicable) the Guarantor, adverse tax consequences to the Issuer or the Guarantor (if applicable).

**(e) Swiss Notes**

Payments in respect of Swiss Notes will be made irrespective of any present or future transfer restrictions and without regard to any bilateral or multilateral payment or clearing agreement which may be applicable at the time of such payments. The receipt by the Swiss Agent of the due and punctual payment of funds in Swiss Francs shall release the Issuer from its obligations under such Swiss Notes (and any Receipts and Coupons appertaining to them) for the payment of principal and interest to the extent of such payment, except to the extent that there is a default in the subsequent payment thereof to the holders of the Notes (and any Coupons and Receipts appertaining to them). Except to the extent required by law, payment of principal and/or interest under such Swiss Notes (and any Receipts and Coupons appertaining to them) shall be payable in Swiss Francs without collection costs in Switzerland at the specified offices located in Switzerland of the Swiss Paying Agents upon their surrender without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the holders of such Swiss Notes (and any Coupons and Receipts appertaining to them) and without requiring any certification, affidavit or the fulfilment of any other formality.

**(f) Payment Day**

Unless specified otherwise in the applicable Final Terms, if the due date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, unless otherwise specified in the applicable Final Terms, "Payment Day" means any day which (subject to Condition 8) is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation (if presentation is required); and
  - (B) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) (1) in relation to any sum payable in a Specified Currency other than euro or Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open; or (3) in relation to any sum payable in Renminbi, a day on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

Notwithstanding anything herein to the contrary, in the case of Notes issued by Nestlé Holdings, Inc., if for any reason any Note with a stated Maturity Date of six months or less from the Issue Date would mature on a day that is not a Payment Day and would thereby be repayable on a date which is six months or more from the Issue Date, it shall be repaid on the last Payment Day that is not later than six months after the Issue Date.

**(g) Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable under Condition 7;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;

- (v) in relation to Notes redeemable in instalments, the Instalment Amounts; and
- (vi) any premium and any other amounts which may be payable by the Issuer or (where applicable) the Guarantor under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable under Condition 7.

**(h) Payment of U.S. Dollar Equivalent**

Notwithstanding any other provisions in these Terms and Conditions, if by reason of Inconvertibility (as defined below), Non-transferability (as defined below) or Illiquidity (as defined below), the Issuer (or the Guarantor, as the case may be) determines in good faith that it is not able, or it would be impracticable for it, to satisfy payments due under the Notes, Receipts or Coupons (or the Guarantee, as the case may be) in Renminbi in Hong Kong, the Issuer or the Guarantor (as applicable) shall settle any such payment in U.S. dollars on the due date for payment at the U.S. Dollar Equivalent of any such Renminbi denominated amount and give notice thereof (including details thereof) as soon as practicable to the Noteholders in accordance with Condition 14.

In such event, payments of the U.S. Dollar Equivalent of the relevant amounts due under the Notes, Receipts or Coupons (or the Guarantee, as the case may be) shall be made in accordance with Condition 5(a)(iii).

In this Condition 5(h):

“Governmental Authority” means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

“Illiquidity” means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer (or the Guarantor, as the case may be) cannot obtain sufficient Renminbi in order to satisfy its obligation to make a payment under the Notes, Receipts or Coupons (or the Guarantee);

“Inconvertibility” means the occurrence of any event that makes it impossible for the Issuer (or the Guarantor, as the case may be) to convert into Renminbi any amount due in respect of the Notes, Receipts or Coupons (or the Guarantee) into Renminbi on any payment date in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer (or the Guarantor, as the case may be) to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer (or the Guarantor, as the case may be) due to an event beyond its control, to comply with such law, rule or regulation);

“Non-transferability” means the occurrence of any event that makes it impossible for the Issuer (or the Guarantor, as the case may be) to deliver Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong (including where the Renminbi clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the Issuer (or the Guarantor, as the case may be) to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer (or the Guarantor, as the case may be) due to an event beyond its control, to comply with such law, rule or regulation);

“Rate Determination Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, London and New York City;

“Rate Determination Date” means the day which is two Rate Determination Business Days before the due date of the relevant amount under the Notes;

“Spot Rate” means, unless specified otherwise in the applicable Final Terms, the spot CNY/U.S.\$ exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Rate Determination Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Rate Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in Hong Kong or elsewhere and the CNY/U.S.\$ exchange rate in the PRC domestic foreign exchange market; and

“U.S. Dollar Equivalent” means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Rate Determination Date.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(h), whether by the Agent or other Calculation Agent, shall (in the absence of negligence, wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor (if applicable), the Agent, Calculation Agent (if applicable), any other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the case of Registered Notes) the Registrar and the Transfer Agent and (in the absence as aforesaid) no liability to the Issuer, the Guarantor (if applicable), the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

## **6. Redemption and Purchase**

### **(a) At Maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

### **(b) Redemption for Tax Reasons**

- (i) The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of Notes other than Floating Rate Notes or Index Linked Interest Notes) or on any Interest Payment Date (in the case of Floating Rate Notes or Index Linked Interest Notes), on giving not less than 30 nor more than 60 days’ notice to the Agent or (in the case of Registered Notes) the Registrar and the Transfer Agent, and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:
  - (A) on the occasion of the next payment due under the Notes or (if applicable) the Guarantee, the Issuer or (if applicable) the Guarantor, as the case may be, will be or is expected to become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the jurisdiction in which the Issuer is incorporated or, in the case of payment by the Guarantor (if applicable), Switzerland or, in either case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment is expected to become effective on or after the Issue Date of the first Tranche of the Notes; and
  - (B) such obligation cannot be avoided by the Issuer or (where applicable) the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or (where applicable) the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver

to the Agent or (in the case of Registered Notes) the Registrar and the Transfer Agent, a certificate signed by an officer of the Issuer stating that the obligation referred to in (A) above cannot be avoided by the Issuer or (if applicable) the Guarantor taking reasonable measures available to it and the Agent shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (B) above in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

- (ii) If the Issuer or the Guarantor (if applicable) would, on the next payment in respect of the Notes, be prevented by the law of the jurisdiction in which the Issuer is incorporated or, in the case of payment by the Guarantor (if applicable), Switzerland, from making payment of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 7, then the Issuer shall forthwith give notice of such fact to the Agent or (in the case of Registered Notes) the Registrar and the Transfer Agent, and the Issuer shall redeem all, but not some only, of the Notes then outstanding upon giving prior notice to the holders of Notes in accordance with Condition 14, provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date at which the Issuer or the Guarantor (if applicable), as the case may be, could make payment without withholding or, if that date is past, as soon as practicable thereafter.

Each Note redeemed pursuant to this Condition 6(b) will be redeemed at its Early Redemption Amount referred to in Condition 6(h) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

**(c) Final Terms**

The Final Terms applicable to the Notes indicates either:

- (i) that the Notes cannot be redeemed prior to their Maturity Date (except as otherwise provided in Condition 6(b) above and in Condition 9); or
- (ii) that such Notes will be redeemable at the option of the Issuer and/or the holders of the Notes prior to such Maturity Date in accordance with the provisions of Condition 6(d) and/or Condition 6(e) below on the date or dates and at the amount or amounts indicated in the applicable Final Terms.

**(d) Redemption at the Option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having (unless otherwise specified in the applicable Final Terms) given not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not greater than the Maximum Redemption Amount, both as indicated in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by Definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a global Note, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published or notified in accordance with Condition 14 not less than 30 days prior to the date fixed for redemption, or such other period as is specified in the applicable Final Terms. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this Condition 6(d) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least 10 days prior to the Selection Date.

**(e) *Redemption at the Option of the Noteholders (Investor Put)***

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 30 nor more than 60 days' notice or such other period of notice as is specified in the applicable Final Terms (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of the Note the holder of the Note must, if the Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (other than the Transfer Agent), in the case of Bearer Notes, or the Registrar or Transfer Agent, in the case of Registered Notes, at any time during normal business hours of such Paying Agent or the Registrar or Transfer Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, or the Registrar or the Transfer Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by the Note or evidence satisfactory to the Paying Agent concerned that such Note will, following delivery of the Put Notice, be held to its order or under its control.

If the Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of the Note the holder of the Note must, within the notice period, give notice to the Agent in the case of Bearer Notes, or the Registrar or the Transfer Agent, in the case of Registered Notes, of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository or, as the case may be, the common safekeeper for them to the Agent, or the Registrar or the Transfer Agent (in the case of Registered Notes) by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

**(f) *Redemption on change of ownership of the Issuer***

If Nestle S.A. shall cease to own, directly or indirectly, at least 51 per cent. of the outstanding voting stock or share capital, as the case may be, issued by the Issuer, the Issuer shall give notice to such effect by publication in accordance with Condition 14 within 10 days of the occurrence of such circumstance. Such notice shall state that any Noteholder may cause his Note to be redeemed in whole by duly completing the Redemption Notice on such Note and delivering such Note (together with all unmatured Coupons appertaining thereto or indemnity satisfactory to the Issuer therefor) to the principal office of the Agent or the Paying Agent (other than the Transfer Agent), in the case of Bearer Notes, or the Registrar or the Transfer Agent, in the case of Registered Notes, during the next 30 days commencing from the date of such publication. Each such Note will be redeemed on the fifth Business Day after the end of such 30-day period at its Early Redemption Amount, together (if applicable) with accrued interest to the date fixed for redemption.

The delivery of a Note with a duly completed Redemption Notice thereon shall constitute an irrevocable election on the part of the holder thereof to cause such Note to be redeemed on the date fixed for redemption.

**(g) *Early Redemption Amounts***

For the purpose of Conditions 6(b) and (f) above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Calculation Amount, at the Final Redemption Amount thereof; or

- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Calculation Amount or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the “Amortised Face Amount”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

“RP” means the Reference Price; and

“AY” means the Accrual Yield expressed as a decimal; and

“y” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

**(h) Instalments**

If the Notes are repayable in instalments, they will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6(g) above.

**(i) Partly Paid Notes**

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise in accordance with the provisions of this Condition 6 and the applicable Final Terms.

**(j) Purchases**

The Issuer or any of its subsidiaries (other than subsidiaries organised in or under the laws of the United States) may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts and Coupons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

**(k) Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts and Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 6(j) above (together with all unmatured Receipts and Coupons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold. If any Note is purchased and cancelled without all unmatured Coupons appertaining thereto, the Issuer shall make payment in respect of any such missing Coupon in accordance with Condition 5 as if the relevant Note had remained outstanding for the period to which such Coupon relates.

**(l) Late Payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 6 (a), (b), (d), (e) or (f) above or upon its becoming due and

repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6(g)(iii) above as though the references therein to the date fixed for the redemption or the date upon which the Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of the Zero Coupon Note have been paid; and
- (ii) the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given in accordance with Condition 14.

## **7. Taxation**

### ***(a) Where the Issuer is Nestlé Holdings, Inc.***

The Issuer or, if the Note is guaranteed, the Guarantor (if the Guarantor is obliged to make payments under the Guarantee) will, subject to the exceptions and limitations set forth below and to the extent permitted by law, pay as additional interest on a Note such additional amounts as are necessary in order that the net payment by the Issuer, the Guarantor or any Paying Agent of the principal of and interest on a Note, Receipt or Coupon to a holder who is a Non-U.S. Holder (as such term is defined below), after deduction for any present or future tax, assessment or governmental charge of the United States (as such term is defined below), or a political subdivision or authority thereof or therein, imposed by withholding with respect to the payment, will not be less than the amount provided for in such Note, Receipt or Coupon to be then due and payable; provided, however, that the foregoing obligation to pay additional amounts shall not apply to:

- (i) any tax, assessment or governmental charge that would not have been so imposed but for the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or holder of power over, such holder, if such holder is an estate, trust, partnership or corporation) and the United States, including, without limitation, such holder (or fiduciary, settlor, beneficiary, member, shareholder or holder of a power) being considered as:
  - (A) being or having been present or engaged in a trade or business in the United States or having or having had a permanent establishment therein;
  - (B) having a current or former relationship with the United States, including a relationship as a citizen or resident or being treated as a resident thereof;
  - (C) being or having been a controlled foreign corporation or a passive foreign investment company each as defined for United States Federal income tax purposes, a corporation that has accumulated earnings to avoid United States Federal income tax or a private foundation or other tax-exempt organisation; or
  - (D) an actual or a constructive “10-percent shareholder” of the Issuer as defined in Section 871(h)(3) of the Code;
- (ii) any holder who is a fiduciary or partnership or other than the sole beneficial owner of the Note or Coupon, but only to the extent that a beneficiary or settlor with respect to such fiduciary or member of such partnership or a beneficial owner of the Note, Receipt or Coupon would not have been entitled to the payment of an additional amount had such beneficiary, settlor, member or beneficial owner been the holder of such Note, Receipt or Coupon;
- (iii) any tax, assessment or governmental charge that would not have been imposed or withheld but for the failure of the holder, if required, to comply with certification, identification or information reporting or any other requirements under United States income tax laws and regulations, without regard to any tax treaty, with respect to the payment, concerning the nationality, residence, identity or connection with the United States of the holder or a beneficial owner of such Note, Receipt or Coupon, if such compliance is required by United States income tax laws and regulations, without regard to any tax treaty, as a precondition to relief or

exemption from such tax, assessment or governmental charge, including in the case of Notes that have a maturity of more than 183 days, failure of the Noteholder, Receiptholder or Couponholder or of the beneficial owner of such Note, Receipt or Coupon, to provide a valid U.S. Internal Revenue Service (“IRS”) Form W-8BEN (or successor or substitute therefor) or other documentation as permitted by official IRS guidance;

- (iv) any tax, assessment or governmental charge that would not have been so imposed or withheld but for the presentation by the holder of such Note, Receipt or Coupon for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
- (v) any estate, inheritance, gift, sales, transfer, excise, wealth or personal property tax or any similar tax, assessment or governmental charge;
- (vi) any tax, assessment or governmental charge that is payable otherwise than by withholding by the Issuer, the Guarantor or a Paying Agent from the payment of the principal of or interest on such Note, Receipt or Coupon;
- (vii) any tax, assessment or governmental charge required to be withheld by any Paying Agent from such payment of principal of or interest on any Note, Receipt or Coupon, to the extent such payment can be made without such withholding by any other Paying Agent;
- (viii) any tax required to be withheld or deducted from a payment to or for an individual or a residual entity within the meaning of the European Council Directive 2003/48/EC which is required to be made pursuant to European Council Directive 2003/48/EC, including the Agreement between the European Community and the Confederation of Switzerland dated 26 October 2004 (the “Swiss Savings Tax Agreement”) providing for measures equivalent to those set out in the European Council Directive 2003/48/EC, or any law implementing or complying with, or introduced in order to conform to, the Directive or the Swiss Savings Tax Agreement;
- (ix) any tax required to be withheld or deducted from a payment pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (I) in the European Council Directive 2003/48/EC or (II) in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular, the principle to have a person other than the Issuer or Guarantor withhold or deduct tax;
- (x) any tax imposed pursuant to an agreement described in section 1471(b)(1) of the Code or otherwise imposed pursuant to sections 1471 through 1474 of the Code or any successor or amended version of these provisions; or
- (y) any combination of items (i), (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix) or (x).

As used in this Condition and, if applicable, Condition 6, “United States” means the United States of America, the Commonwealth of Puerto Rico and each possession of the United States of America and place subject to its jurisdiction. A “Non-U.S. Holder” is a person other than a U.S. Person. For this purpose, A “U.S. Person” is a person that is, for United States federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation, partnership or other business entity organised in or under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to United States federal income taxation regardless of its source.

**(b) *Where the Issuer is Nestlé Finance International Ltd.***

All payments of principal and interest in respect of the Notes by the Issuer or the Guarantor (if the Guarantor is obliged to make payments under the Guarantee) will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Luxembourg or any province, territory or other political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In the event that the Issuer, the Guarantor or any agent of the Issuer or the Guarantor is required by law to make such withholding or deduction, the Issuer or the Guarantor will pay to the extent permitted by law

such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) where the withholding or deduction in question is required by virtue of the Noteholder, Receiptholder or Couponholder having some connection with Luxembourg other than the mere holding of such Note, Receipt or Coupon; or
- (ii) where presentation of the Note, Receipt or Coupon is required, presented for payment more than 30 days after the Relevant Date (as defined in Condition 7(c)) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day (assuming that day to have been a Payment Day (as defined in Condition 5)); or
- (iii) where presentation of the Note, Receipt or Coupon is required, presented for payment at the specified office of a Paying Agent in Luxembourg or in Switzerland; or
- (iv) where the Noteholder, Receiptholder or Couponholder of which would not be liable for such taxes or duties in respect of such Note, Receipt or Coupon by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (v) where such withholding or deduction is imposed on a payment to or for an individual or a residual entity within the meaning of the European Council Directive 2003/48/EC and is required to be made pursuant to the European Council Directive 2003/48/EC, including the Swiss Savings Tax Agreement providing for measures equivalent to those set out in the European Council Directive 2003/48/EC, or any law implementing or complying with, or introduced in order to conform to, the Directive or the Swiss Savings Tax Agreement; or
- (vi) any tax required to be withheld or deducted from a payment pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (I) in the European Council Directive 2003/48/EC or (II) in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular, the principle to have a person other than the Issuer or Guarantor withhold or deduct tax; and/or
- (vii) where the Noteholder, Receiptholder or Couponholder of which would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

***(c) In relation to issues by Nestlé Finance International Ltd. or issues by Nestlé Holdings, Inc. which are guaranteed***

All payments in respect of the Notes by the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“Taxes”) imposed or levied by or on behalf of Switzerland, or any political subdivision of, or any authority in, or of, Switzerland having power to tax, unless the withholding or deduction of the Taxes is required by law. In the event that the Guarantor or any agent of the Guarantor is required by law to make such withholding or deduction, the Guarantor will pay to the extent permitted by law such additional amounts as may be necessary in order that the net amounts received by the Noteholders, Receiptholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes, Receipts or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amount shall be payable in relation to any payment in respect of any Note, Receipt or Coupon:

- (i) where the withholding or deduction in question is required by virtue of the Noteholder, Receiptholder or Couponholder having some connection with Switzerland other than the mere holding or ownership of such Note, Receipt or Coupon;

- (ii) where presentation of the Note, Receipt or Coupon is required, presented for payment more than 30 days after the Relevant Date (as defined in Condition 7(c)) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on such thirtieth day (assuming that day to have been a Payment Day (as defined in Condition 5));
- (iii) where the Noteholder, Receiptholder or Couponholder of which would be able to avoid such withholding or deduction by making a declaration of non-residence or similar claim for exemption but fails to do so;
- (iv) where such withholding or deduction is imposed on a payment to or for an individual or a residual entity within the meaning of the European Council Directive 2003/48/EC which is required to be made pursuant to the European Council Directive 2003/48/EC, including the Swiss Savings Tax Agreement providing for measures equivalent to those set out in the European Council Directive 2003/48/EC, or any law implementing or complying with, or introduced in order to conform to, the Directive or the Swiss Savings Tax Agreement;
- (v) any tax required to be withheld or deducted from a payment pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (I) in the European Council Directive 2003/48/EC or (II) in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular, the principle to have a person other than the Issuer or Guarantor withhold or deduct tax; and/or
- (vi) where the Noteholder, Receiptholder or Couponholder of which would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein, the “Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

## **8. Prescription**

Unless provided otherwise in the applicable Final Terms, Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7(c)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 8 or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

Any moneys paid by the Issuer to the Agent, or (in the case of Registered Notes) the Registrar or the Transfer Agent, for the payment of principal and/or interest in respect of the Notes and remaining unclaimed for a period of ten years (in the case of principal) and five years (in the case of interest) shall forthwith be repaid to the Issuer. All liability of the Issuer, the Agent, the Registrar or the Transfer Agent with respect thereto shall cease when the Notes, Receipts and Coupons become void.

## **9. Events of Default**

If any of the following shall occur and be continuing:

- (i) in the case of any Issuer:
  - (A) default in the payment of (1) principal on the Notes or (2) any interest or any other amount on the Notes for 30 days after such interest or other amount on the Notes becomes due; or
  - (B) default by the Issuer in the due performance or observance of any obligation, condition or other provision under or in relation to the Notes if such default shall not have been

cured within 60 days after written notice thereof having been given to the Issuer and the Agent, or (in the case of Registered Notes) the Registrar and the Transfer Agent by the holders of 25 per cent. or more in principal amount of the Notes then outstanding; or

- (C) default by the Issuer or any Principal Subsidiary (as defined below) of the Issuer in the payment of any amount in excess of U.S.\$100,000,000 (or its equivalent in any other currency or currencies) due under any evidence of indebtedness for money borrowed by the Issuer or any Principal Subsidiary of the Issuer or under any instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Issuer or a Principal Subsidiary if such default shall continue beyond any period of grace allowed to the Issuer or (as the case may be) Principal Subsidiary in respect of such indebtedness for borrowed money, or in the event that any such indebtedness for borrowed money shall have become repayable before the due date thereof as a result of acceleration of maturity caused by the occurrence of any default unless the existence of such default is being disputed in good faith and proceedings have been commenced in competent courts having jurisdiction (in which case such event shall not constitute an event of default in respect of the Notes so long as the dispute shall not have been finally adjudicated); or
- (ii) where the Issuer is Nestlé Holdings, Inc. whether or not the Notes are guaranteed:
    - (A) the entry of a decree or order for relief by a court having jurisdiction in the premises (1) in respect of the Issuer or a Principal Subsidiary of the Issuer in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or (2) appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Issuer or a Principal Subsidiary of the Issuer or for any substantial part of the property of the Issuer or a Principal Subsidiary of the Issuer, or (3) ordering the winding up or liquidation of the affairs of the Issuer or a Principal Subsidiary of the Issuer and, in each case, the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; or
    - (B) the Issuer or a Principal Subsidiary of the Issuer commencing a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consenting to the entry of an order for relief in an involuntary case under any such law or consenting to the appointment of or the taking of possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Issuer or a Principal Subsidiary of the Issuer, or the making by the Issuer or a Principal Subsidiary of the Issuer of a general assignment for the benefit of creditors, or the failure by the Issuer or a Principal Subsidiary of the Issuer generally to pay its debts as they become due, or the taking by the Issuer or a Principal Subsidiary of any corporate action in furtherance of any of the foregoing; or
  - (iii) where the Issuer is Nestlé Holdings, Inc. and the Notes are not guaranteed, the Issuer is wound up, dissolved or otherwise ceases to carry on its business, except in connection with a merger or other reorganisation where, pursuant to the terms of the Agency Agreement, the surviving company expressly assumes all the obligations of the Issuer with respect to the Notes;
  - (iv) where the Issuer is Nestlé Finance International Ltd. or the Issuer is Nestlé Holdings, Inc. and the Notes are guaranteed:
    - (A) the Issuer is wound up, dissolved or otherwise ceases to carry on its business, except in connection with a merger or other reorganisation pursuant to which the surviving company expressly assumes all the obligations of the Issuer with respect to the Notes, which obligations are unconditionally and irrevocably guaranteed by the Guarantor on terms substantially the same as those of the Guarantee; or
    - (B) default by the Guarantor in the due performance or observance of any obligation, condition or other provision under or in relation to the Guarantee of the Notes if such default shall not have been cured within 60 days after written notice thereof having been given to the Guarantor and the Agent, or (in the case of Registered Notes) the Registrar

and the Transfer Agent by the holders of 25 per cent. or more in principal amount of the Notes then outstanding; or

- (C) default by the Guarantor in the payment of any amount in excess of U.S.\$100,000,000 (or its equivalent in any other currency or currencies) due under any evidence of indebtedness for borrowed money by the Guarantor or under any instrument which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Guarantor if such default shall continue beyond any period of grace allowed to the Guarantor in respect of such indebtedness for borrowed money, or in the event that any such indebtedness for borrowed money shall have become repayable before the due date thereof as a result of acceleration of maturity caused by the occurrence of any default unless the existence of such default is being disputed in good faith and proceedings have been commenced in competent courts having jurisdiction (in which case such event shall not constitute an event of default in respect of the Notes so long as the dispute shall not have been finally adjudicated); or
  - (D) the Guarantor applies for or is subject to an amicable settlement with its creditors (*accord amiable*), or admits in writing that it is insolvent, or seeks or resolves to seek its judicial reorganisation (*concordat*), or the transfer of the whole of its business (*cession totale de l'entreprise*) or any such proceedings are instituted against it and remain undismissed for a period of 60 days or are uncontested, or it otherwise institutes or resolves to institute other proceedings for bankruptcy (*faillite*), judicial reorganisation, winding up, dissolution, liquidation, restructuring (*assainissement*), stay of bankruptcy proceedings (*ajournement de la faillite*) or any similar proceedings (or any such proceedings are instituted against it and remain undismissed for a period of 60 days or are uncontested), or makes conveyance or assignment for the benefit of, or enters into a composition with substantially all its creditors generally; or
  - (E) the Guarantor is wound up, dissolved or otherwise ceases to carry on its business, except in connection with a merger or other reorganisation pursuant to which the surviving company expressly assumes all the obligations of the Guarantor under the Guarantee; or
  - (F) the Guarantee ceases to be the legal, valid and binding obligation of the Guarantor, enforceable in accordance with its terms, or the Guarantor contests or denies the validity of the Guarantee,
- (v) where the Issuer is Nestlé Finance International Ltd.:
- (A) a situation of illiquidity (*cessation de paiements*) and absence of access to credit (*credit ébranlé*) within the meaning of Article 437 of the Luxembourg Commercial Code;
  - (B) an insolvency proceeding (*faillite*) within the meaning of Articles 437 ff. of the Luxembourg Commercial Code or any other insolvency proceedings pursuant to the Council Regulation (EC) N° 1346/2000 of 29 May 2000 on insolvency proceedings;
  - (C) a controlled management (*gestion contrôlée*) within the meaning of the grand ducal regulation of 24 May 1935 on controlled management;
  - (D) a voluntary arrangement with creditors (*concordat préventif de faillite*) within the meaning of the law of 14 April 1886 on arrangements to prevent insolvency, as amended;
  - (E) a suspension of payments (*sursis de paiement*) within the meaning of Articles 593 ff. of the Luxembourg Commercial Code;
  - (F) voluntary or compulsory winding-up pursuant to the law of 10 August 1915 on commercial companies, as amended; or
  - (G) any such proceedings instituted against it and remain undismissed for a period of 60 days or are uncontested, or it otherwise institutes or resolves to institute other

proceedings for bankruptcy, judicial reorganisation, winding up, dissolution or liquidation or any similar proceedings (or any such proceedings are instituted against it and remain undismissed for a period of 60 days or are uncontested) or makes a conveyance or assignment for the benefit of, or enters into a composition with, substantially all of its creditors generally,

then:

- (a) in the case of any of the events under sections (i) (A), (B) and (C), (ii)(A) and (B), (iii), (iv)(A) and (v) (A) to (G), the holder of any Note issued by the Issuer; or
- (b) in the case of any of the events under sections (iv)(B) to (F), the holder of any Note issued by Nestlé Finance International Ltd. or Nestlé Holdings, Inc., as the case may be;

may, by written notice to the Agent, or (in the case of Registered Notes) the Registrar and the Transfer Agent, declare such Note to become due and payable at its Early Redemption Amount, together with accrued interest (if any) thereon, as of the date on which such notice is received by the Agent or (in the case of the Registered Notes) the Registrar and the Transfer Agent, and such Note shall accordingly become so due and payable on such date unless prior to such date all such defaults in respect of the relevant Note shall have been cured.

Where applicable, the term “Principal Subsidiary” shall mean any Subsidiary of the Issuer representing 10 per cent. or more of the consolidated gross assets of the Issuer as shown on the most recently prepared audited consolidated financial statements of the Issuer and its consolidated subsidiaries as of the end of the most recent fiscal year of the Issuer. Solely for the purposes of determining whether a Subsidiary shall represent 10 per cent., or more of the consolidated gross assets, such Subsidiary shall be deemed to own the consolidated gross assets of its Subsidiaries.

#### **10. Replacement of Notes, Receipts, Coupons and Talons**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, or (in the case of Registered Notes) at the specified offices of the Registrar or the Transfer Agent, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

#### **11. Agent and Paying Agents, Registrar and Transfer Agent**

The names of the initial Agent and the other initial Paying Agents, the initial Registrar and the initial Transfer Agent and their initial specified offices are set out below.

The Issuer and the Guarantor (if applicable) are entitled to vary or terminate the appointment of any Paying Agent or (in the case of Registered Notes) the Registrar or the Transfer Agent and/or appoint additional or other Paying Agents or Transfer Agents and/or approve any change in the specified office through which any Paying Agent, Registrar or Transfer Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange or admitted to listing or trading by any other relevant authority, there will at all times be a Paying Agent (which may be the Agent and, in respect of Registered Notes, the Transfer Agent) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (ii) there will at all times be a Paying Agent (which may be the Agent) with a specified office in a city in Europe;
- (iii) there will at all times be an Agent;
- (iv) in respect of Registered Notes, there will at all times be a Registrar;

- (iv) subject to paragraph (vi), there will at all times be a Paying Agent (which may be the Agent and, in respect of Registered Notes, the Transfer Agent) in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (v) subject to paragraph (vi), there will at all times be a Paying Agent (which may be the Agent and, in respect of Registered Notes, the Transfer Agent) in a jurisdiction within Europe other than Switzerland that will not be required to withhold or deduct tax pursuant to laws enacted in Switzerland providing for the taxation of payments according to principles similar to those laid down (i) in the European Union Council Directive 2003/48/EC or (ii) in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular, the principle to have a person other than the Issuer or the Guarantor withhold or deduct tax; and
- (vi) so long as any Swiss Notes remain outstanding, there will at all times be a Paying Agent having a specified office in Switzerland and the Issuer and the Guarantor (if applicable) will at no time maintain a Paying Agent having a specified office outside Switzerland in relation to such Notes.

In addition, the Issuer and the Guarantor (if applicable) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 5(d). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 or more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In addition, in relation to Registered Notes issued or to be issued by it, Nestlé Holdings, Inc. is entitled to vary or terminate the appointment of any registrar, transfer agent or paying agent and/or appoint additional transfer agents, paying agents and/or approve any change in the specified office through which any such registrar, transfer agent or paying agent acts, provided that there will at all times be a registrar and a paying agent capable of making payments in the Specified Currency and (in the case of global Registered Notes) to the clearing system specified in the applicable Final Terms.

## **12. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

## **13. Substitution**

The Issuer may be replaced and the Guarantor or any subsidiary of the Guarantor may be substituted for the Issuer as principal debtor in respect of the Notes, Receipts and Coupons, without the consent of the Noteholders, Receiptholders or Couponholders. If the Issuer shall determine that the Guarantor or any such subsidiary shall become the principal debtor (in such capacity, the "Substituted Debtor"), the Issuer shall give not less than 30 nor more than 45 days' notice, in accordance with Condition 14, to the Noteholders of such event and, immediately on the expiry of such notice, the Substituted Debtor shall become the principal debtor in respect of the Notes, Receipts and the Coupons in place of the Issuer and the Noteholders, Receiptholders and the Couponholders shall thereupon cease to have any rights or claims whatsoever against the Issuer. However, no such substitution shall take effect (i) if the Substituted Debtor is not the Guarantor, until the Guarantor shall have entered into an unconditional and irrevocable guarantee substantially in the form of the Guarantee in respect of the obligations of such Substituted Debtor, (ii) in any case, until the Substituted Debtor shall have provided to the Agent or (in the case of Registered Notes) the Registrar and the Transfer Agent, such documents as may be necessary to make the Notes and the Agency Agreement and (in the case of Registered Notes) the Note Agency Agreement) its legal, valid and binding obligations, (iii) until such Substituted Debtor shall have agreed to indemnify each Noteholder, Receiptholder and Couponholder against (a) any tax,

duty, fee or governmental charge which is imposed on such holder by the jurisdiction of the country of its residence for tax purposes and, if different, of its incorporation or any political subdivision or taxing authority thereof or therein with respect to such Note, Receipt or Coupon and which would not have been so imposed had such substitution not been made, (b) any tax, duty, fee or governmental charge imposed on or relating to the act of substitution and (c) any costs or expenses of the act of substitution and (iv) until such Substituted Debtor shall have been approved by the relevant authorities as able to issue the relevant Notes. Upon any such substitution, the Notes, Receipts and Coupons will be modified in all appropriate respects.

#### **14. Notices**

All notices regarding the Notes shall be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the Financial Times in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any Definitive Notes are issued, there may, so long as any global Note is or are held in its or their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspapers the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the third day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg, or on such other day as is specified in the applicable Final Terms.

Notices to holders of Registered Notes in definitive form will be deemed to be validly given if sent by mail to them (or, in the case of joint holders of Registered Notes, to the first-named holder in the register kept by the Registrar) at their respective addresses as recorded in the such register, and will be deemed to have been validly given on the fourth business day after the date of such mailing.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, in the case of Bearer Notes, with the Agent or in the case of Registered Notes, with the Registrar. Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to, in the case of Bearer Notes, the Agent or, in the case of Registered Notes, to the Registrar, via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

The holders of Coupons, Receipts or Talons shall be deemed to have received any notice duly given to Noteholders.

Notices in respect of Swiss Notes shall be validly given through the Swiss Agent by means of electronic publication on the internet website of the SIX Swiss Exchange ([http://www.six-exchange-regulation.com/index\\_en.html](http://www.six-exchange-regulation.com/index_en.html)) under category “Publications”/“Communiqués”).

#### **15. Meetings of Noteholders, Modification and Waiver**

The Agency Agreement and, in the case of Registered Notes, the Note Agency Agreement contain provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of certain modifications of the Notes, the Receipts, the Coupons or certain provisions of the Agency Agreement and the Note Agency Agreement (certain provisions of such agreements may not, under existing law, be materially altered). Such a meeting may be convened by the Issuer or Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a

majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest on the Notes, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons), the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one third, in nominal amount of the Notes for the time being outstanding. The majority required for passing an Extraordinary Resolution is 75 per cent. of the persons voting thereat upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than 75 per cent. of the votes given on such poll. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

No resolution passed at any meeting of Noteholders shall be binding on the Issuer or the Guarantor (if applicable) without the written consent of the Issuer or, as the case may be, the Guarantor.

The Agent and (in the case of Registered Notes) the Registrar, the Issuer and the Guarantor (where applicable) may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (i) any modification (except as mentioned above) of the Agency Agreement and (in the case of Registered Notes) the Note Agency Agreement, which is not materially prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Terms and Conditions or any provision of the Notes, the Receipts, the Coupons or the Agency Agreement or (in the case of Registered Notes) the Note Agency Agreement, which is to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

## **16. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes ranking *pari passu* in all respects (or in all respects save for the Issue Date, the amount and the date of the first payment of interest thereon and/or the Issue Price) and so that the same shall be assimilated and be consolidated and form a single series with the outstanding Notes and references in these Terms and Conditions to “Notes” shall be construed accordingly, provided that an issue of such further notes that is not issued in a “qualified reopening” for United States federal income tax purposes will be assigned a new unique security code.

## **17. Third Party Rights**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **18. Governing Law and Submission to Jurisdiction**

The Agency Agreement, the Note Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Note Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law. Articles 86 through 94-8 (inclusive) of the Luxembourg Law of 10 August 1915 concerning Commercial Companies, as amended, shall be expressly excluded.

The Issuer submits for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders, to the jurisdiction of the English courts for all purposes in connection with the Agency Agreement, the Note Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Note Agency Agreement, the Notes, the Receipts and the Coupons and in relation thereto the Issuer has appointed Nestlé UK Ltd at its principal office of St. George's House, Park Lane, Croydon CR9 1NR, England as its agent for receipt of process on its behalf and has agreed that in the event of Nestlé UK Ltd ceasing so to act or ceasing to be registered in England it will appoint another person as its agent for service of process. Without prejudice to the foregoing, the Issuer further irrevocably agrees that any suit, action or proceedings arising out of or in connection with the Agency Agreement, the Note Agency Agreement, the Notes, the Receipts, and the Coupons (including any suit, action or proceedings relating to any non-contractual obligations arising out of or in connection with the Agency Agreement, the Note Agency Agreement, the Notes, the Receipts and the Coupons) may be brought in any other court of competent jurisdiction.

The Guarantee is governed by, and shall be construed in accordance with, Swiss law. The place of jurisdiction for any suit, action or proceeding arising out of or in connection with the Guarantee shall be Vevey, Switzerland.

## PRC CURRENCY CONTROLS

*The following is a general description of certain currency controls in the PRC and is based on the law and relevant interpretations thereof in effect as at the date of this Prospectus, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency controls in the PRC relating to the Notes. Prospective holders of Notes who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.*

### **Remittance of Renminbi into and outside the PRC**

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

### **Current Account Items**

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated pilot cities in the PRC being Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186) (the "Circular"), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible; (ii) the list of designated pilot districts was expanded over 20 provinces including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan; and (iii) the restriction on designated offshore jurisdictions was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only have been effected by approved pilot enterprises in designated pilot districts in the PRC). In particular, any foreign invested enterprises located in the designated pilot districts may remit all lawful dividends and distribution payments in Renminbi to its foreign investors outside the PRC. The pilot scheme was further extended in August 2011 to cover all provinces in the PRC and to make RMB trade and other current account settlement available in all countries worldwide.

As a new regulation, the Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circular and impose conditions for the settlement of current account items.

### **Capital Account Items**

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans.

Prior to October 2011, capital account items of foreign invested entities were generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) were generally required to make any capital contribution to foreign invested companies in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties were also generally required to make capital account item payments including proceeds from liquidation, transfer of shares and reduction of capital in a foreign currency. That said, the relevant PRC authorities could approve a foreign entity to make a capital contribution or shareholder's loan to a foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise could also

be required to complete registration and verification process with the relevant PRC authorities before such RMB remittances.

According to the Circular on Issues concerning Foreign Investment Management promulgated by the Ministry of Commerce of the PRC (“MOFCOM”) (the “MOFCOM Circular”) on 25 February 2011, if a foreign investor intends to make investments by way of (i) establishing a new enterprise, (ii) increasing the registered capital of an existing enterprise, (iii) acquiring an onshore enterprise or (iv) providing a loan in the PRC, in each case, with Renminbi that is generated from cross-border trade settlement that is lawfully obtained outside the PRC, such investments need to be approved by MOFCOM. On 7 April 2011, the State Administration of Foreign Exchange (“SAFE”) promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (the “SAFE Circular”), which provides that borrowing by an onshore entity of Renminbi loans from an offshore entity shall in principle follow the current regulations on borrowing foreign debts.

On 3 June 2011, PBoC issued the Notice on Relevant Issues Clarifying the Cross-Border Renminbi Business (the “PBoC Notice”), which provided that the pilot programme of foreign direct investment in RMB would be launched on a case by case basis, and approval by the PBoC is required for foreign direct investment in RMB. For industries under restrictions or strictly regulated by the PRC government, foreign direct investment in RMB is prohibited.

On 12 October 2011, MOFCOM promulgated the Circular on Issues in relation to Cross-border RMB Foreign Direct Investment (the “MOFCOM RMB FDI Circular”). In accordance with the MOFCOM RMB FDI Circular, MOFCOM’s prior written consent which was previously required under the MOFCOM Circular, is no longer required for RMB foreign direct investment (“RMB FDI”), and MOFCOM and its local counterparts are authorised to approve RMB FDI in accordance with existing PRC laws and regulations regarding foreign investment, with the following exceptions which require the preliminary approval by the provincial counterpart of MOFCOM and the consent of MOFCOM: (i) RMB FDI with the capital contribution in Renminbi of RMB300 million or more; (ii) RMB FDI in financing guarantee, financing lease, micro financing or auction industries; (iii) RMB FDI in foreign invested investment companies, venture capital or equity investment enterprises; or (iv) RMB FDI in cement, iron & steel, electrolytic aluminium, shipbuilding or other policy sensitive sectors. In addition, RMB FDI in real estate sector is allowed following the existing rules and regulations of foreign investment in real estate, although RMB foreign debt remains unavailable to foreign invested real estate enterprises. The proceeds of RMB FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in PRC domestic listed companies through private placements or share transfers by agreement.

On 13 October 2011, PBoC issued the Measures on Administration of the RMB Settlement in relation to Foreign Direct Investment (“PBoC RMB FDI Measures”), pursuant to which, PBoC special approval for RMB FDI and shareholder loans which is required by the PBoC Notice is no longer necessary. The PBoC RMB FDI Measures provide that, among other things, foreign invested enterprises are required to conduct registrations with the local branch of PBoC within ten working days after obtaining business licenses for the purpose of RMB settlement, a foreign investor is allowed to open a RMB expense account to reimburse some expenses before the establishment of a foreign invested enterprise and the balance in such an account can be transferred to the RMB capital account of such foreign invested enterprise and when it is established, commercial banks can remit a foreign investor’s RMB proceeds from distribution (dividends or otherwise) by its PRC subsidiaries, the foreign investor may open a RMB re-investment account to pool the RMB proceeds, and the PRC parties selling stake in domestic enterprises to foreign investors can open RMB accounts and receive the purchase price in RMB paid by foreign investors. The PBoC RMB FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its RMB debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a RMB account to receive its RMB proceeds borrowed offshore by submitting the RMB loan contract to the commercial bank and make repayments of principal interest on such debt in RMB by submitting certain documents as required to the commercial bank.

As the MOFCOM Circular, the SAFE Circular, the PBoC Notice, the MOFCOM RMB FDI Circular and the PBoC RMB FDI Measures are relatively new circulars, they will be subject to interpretation and application by the relevant PRC authorities.

Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes, and in the case of Notes issued by NFI or guaranteed Notes issued by NHI outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## FORM OF THE GUARANTEE

In respect of each Tranche of Notes issued by Nestlé Holdings, Inc. and guaranteed by the Guarantor and in respect of each Tranche of Notes issued by Nestlé Finance International Ltd., the Guarantor will execute and deliver a Guarantee in substantially the form (subject to completion) set out below. Each Guarantee will be deposited for the benefit of the relevant Noteholders[, Receiptholders and Couponholders] with the [Agent][Transfer Agent].

THIS GUARANTEE is made on [issue date] by Nestlé S.A. in favour of the Relevant Account Holders [(as defined in the Agency Agreement referred to below)][(as defined in the Note Agency Agreement referred to below)] and the holders for the time being of the Notes (as defined below)[, the receipts appertaining to the Notes (the “Receipts”)] [and the interest coupons appertaining to the Notes (the “Coupons”)]. Each Relevant Account Holder [./and] each holder of a Note [./and each holder of a Receipt] [and each holder of a Coupon] is a “Holder”.

### WHEREAS

- (A) Nestlé Holdings, Inc. and Nestlé Finance International Ltd. as issuers and Nestlé S.A. as guarantor (the “Guarantor”) in respect of certain notes issued by Nestlé Holdings, Inc. and of all notes issued by Nestlé Finance International Ltd. have entered into an amended and restated Programme Agreement dated 10 May 2012 (the “Programme Agreement”, which expression includes the same as it may be supplemented and/or amended and restated from time to time) with the Programme Dealers named therein in respect of a Debt Issuance Programme;
- (B) [Nestlé Holdings, Inc./ Nestlé Finance International Ltd.] (the “Issuer”) has agreed to issue [title of Notes being issued] (the “Notes”) on [issue date]; and
- (C) The Issuer has entered into [an amended and restated Agency Agreement dated 10 May 2012 (the “Agency Agreement”) relating to the Notes.][the Note Agency Agreement dated 10 May 2012 (the “Note Agency Agreement”) relating to the Notes.]

The Guarantor as joint and several guarantor according to Article 496 of the Swiss Code of Obligations hereby declares unconditionally and irrevocably that it guarantees to each Holder the due and punctual payment, in accordance with the Terms and Conditions of the Notes (the “Conditions”), of the principal and any other amounts payable by the Issuer to such Holder under the Notes or under Clause 28 of the [Agency Agreement][Note Agency Agreement], as the case may be, up to a maximum amount of [insert details/basis of calculation], upon the following terms:

- (1) In the event of any failure by the Issuer [or any corporation substituted pursuant to Condition 13]\* [(hereinafter called the “Relevant Issuer”)]\* punctually to pay any such principal or other amount as and when the same becomes due in accordance with the Conditions or in the event that the [Relevant]\* Issuer's insolvency is evident, the Guarantor as joint and several guarantor will on demand pay to such Holder any such principal or other amount payable by the [Relevant]\* Issuer to such Holder.
- (2) The Guarantor confirms, with respect to each Note [and Coupon] and Clause 28 of the [Agency Agreement][Note Agency Agreement], and the indebtedness evidenced thereby, that it does not have and will not assert as a defence to any claim under this Guarantee any right to require any proceedings to be brought first against the [Relevant]\* Issuer or any lack of diligence, presentment to the [Relevant]\* Issuer or any paying agent, demand for payment from the [Relevant]\* Issuer or any paying agent or filing of claims with any court in the event of merger, insolvency, bankruptcy or judicial reorganisation of the [Relevant]\* Issuer, protest, notice or any other demand whatsoever (other than a demand for payment of this Guarantee) and covenants that this Guarantee will not be discharged except by complete performance of the obligations contained in each Note [and Coupon] and/or Clause 28 of the [Agency Agreement][Note Agency Agreement].

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\* Delete in the case of Notes issued by Nestlé Holdings, Inc.

- (3) This Guarantee constitutes a direct, unconditional, unsecured and unsubordinated obligation of the Guarantor and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations outstanding of the Guarantor (other than obligations mandatorily preferred by law applying to companies generally).
- (4) This Guarantee will continue in full force and effect until the expiry of one year after [*maturity date of the Notes*], on which date it will expire automatically without further notice, except in relation to any claim hereunder commenced within four weeks following [*one year after maturity date of the Notes*].
- (5) The Guarantor agrees that it shall comply with and be bound by those provisions contained in Condition 2(b), Condition 3(b), Condition [7(a)]<sup>\*1</sup>/[7(b)]<sup>\*2</sup> and (c) and Condition 11 insofar as the same relate to the Guarantor.
- (6) This Guarantee is governed by, and shall be construed in accordance with, Swiss law.
- (7) The place of jurisdiction for all disputes arising from this Guarantee shall be Vevey, Switzerland.

Dated [*Issue Date*]

NESTLÉ S.A.

By: .....

By: .....

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\*1 Delete in the case of Notes issued by Nestlé Finance International Ltd.

\*2 Delete in the case of Notes issued by Nestlé Holdings, Inc.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.*

### Final Terms

Dated [            ]

[ISSUER]

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
[Guaranteed by Nestlé S.A.]  
under the Debt Issuance Programme**

### PART A – CONTRACTUAL TERMS

[The Prospectus dated 10 May 2012 [as supplemented from time to time] referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in subparagraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) [as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a Member State)] (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly, any person making or intending to make an offer of the Notes may only do so in:

- (i) circumstances in which no obligation arises for the Issuer or any Dealer or Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case in relation to such offer; or
- (ii) those Public Offer Jurisdictions mentioned in Paragraph 10 of Part B below, provided such person is one of the persons mentioned in Paragraph 10 of Part B below and that such offer is made during the Offer Period specified for such purposes therein.

Neither the Issuer nor any Dealer or Manager has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]

*[Include the above legend where a non-exempt offer of Notes is anticipated.]\*\**

[The Prospectus dated 10 May 2012 referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) [as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a Member State)] (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer or Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer or Manager has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]

*[Include the above legend where only an exempt offer of Notes is anticipated.]\*\**

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Prospectus dated 10 May 2012 [as supplemented by the Supplementary Prospectus[es] dated [            ]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) [as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a Member State)]

(the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus [as so supplemented], including documents incorporated by reference. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the Supplementary Prospectus[es]] [is][are] available for viewing on the Nestlé Group’s investor relations website, which can be found at [www.nestle.com/investors](http://www.nestle.com/investors) and [is][are] available on the website of the London Stock Exchange plc at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.]*

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “Conditions”) set forth in, and extracted from, the Prospectus dated [11 May 2011/13 May 2010/15 July 2009/26 August 2008/3 August 2007/4 August 2006/22 July 2005] and which are incorporated by reference in the Prospectus dated 10 May 2012. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (2003/71/EC) [as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a Member State)] (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated 10 May 2012 [and the Supplementary Prospectus[es] dated [ ]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, including the Conditions which are extracted from the Prospectus dated [11 May 2011/13 May 2010, 15 July 2009/26 August 2008/3 August 2007/4 August 2006/22 July 2005] and incorporated by reference in the Prospectus dated 10 May 2012. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus dated 10 May 2012 [and the Supplementary Prospectus[es] dated [ ]]. Copies of the Prospectus [and the Supplementary Prospectus[es]] [is][are] available for viewing on the Nestlé Group’s investor relations website, which can be found at [www.nestle.com/investors](http://www.nestle.com/investors) and [is][are] available on the website of the London Stock Exchange plc at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]*

*[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitutes “significant new factors” and consequently triggers the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. (a) Issuer: [Nestlé Holdings, Inc./Nestlé Finance International Ltd.]  
[of (specify registered office)]<sup>†</sup>
- (b) Guarantor: [Nestlé S.A. [of Avenue Nestlé 55, 1800 Vevey, Canton of Vaud, Switzerland and Zugerstrasse 8, 6330 Cham, Canton of Zug, Switzerland]<sup>†</sup>/Not Applicable]\*
2. (a) Series Number: [ ]
- (b) Tranche Number: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies: [ ]  
*(Specified Currency must be Swiss Francs for Swiss Notes)*

4. Aggregate Nominal Amount:
- (a) Series: [ ]
- (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: [ ]  
[ ]
- (If the Specified Denomination is expressed to be €100,000 or its equivalent and multiples of a lower nominal amount (e.g. €1,000) insert the following sample wording:*
- “[€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Definitive Notes will be issued with a Specified Denomination above [€199,000]”)*
- (N.B. Notes issued by Nestlé Holdings, Inc. having a maturity of 183 days or less (taking into consideration unilateral rights to roll or extend) must have a minimum denomination of U.S.\$500,000 (or its equivalent in other currencies))*
- (N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €1,000 and the €100,000 or its equivalent minimum Specified Denominations are not required.)*
- (b) Calculation Amount: [ ]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[LIBOR/EURIBOR] [ ] per cent.]  
[Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[specify other]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
[specify other]
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]

13. (a) Status of the Notes Senior
- (b) Status of the Guarantee: Senior/Not Applicable\*
- (c) [Date [Board] approval for issuance of Notes [and Guarantee] obtained]: [[ ] and [ ], respectively]]
- (N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes or related Guarantee)*
14. Method of distribution: [Syndicated/Non-syndicated]
- PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**
15. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Rate(s) of Interest: [[ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]]
- (b) Interest Payment Date(s): [[ ] in each year from and including [ ] up to and including [the Maturity Date]/[*specify other*] [adjusted in accordance with [specify Business Day Convention and any Additional Business Centre(s) for the definition of “Business Day”]/ [with no adjustment for period end dates]/ [not adjusted]]  
*(N.B. This will need to be amended in the case of long or short coupons)*
- (c) Fixed Coupon Amount(s): [ ] per Calculation Amount  
*(Applicable to Notes in definitive form)*
- (d) Broken Amount(s): [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]  
*(Applicable to Notes in definitive form)*
- (e) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]/[*specify other*]
- (f) Determination Date(s): [[ ] in each year]  
*[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*  
*N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration*  
*N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)] [Not Applicable]*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
16. Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Specified Period(s): [ ]
- (b) Specified Interest Payment Dates: [ ]
- (c) First Interest Payment Date: [ ]

- (d) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (e) Additional Business Centre(s): [ ]
- (f) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (g) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (h) Screen Rate Determination:
- Reference Rate: [ ]  
*(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement/Note Agency Agreement)*
  - Interest Determination Date(s): [ ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (i) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
  - ISDA Definitions: [2000/2006]
- (j) Margin(s): [+/-] [ ] per cent. per annum
- (k) Minimum Rate of Interest: [ ] per cent. per annum
- (l) Maximum Rate of Interest: [ ] per cent. per annum
- (m) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/365 (Sterling)] [specify other]  
*(See Condition 4 for alternatives)*

- (n) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:
17. Zero Coupon Note Provisions  [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Accrual Yield:  per cent. per annum
- (b) Reference Price:
- (c) Any other formula/basis of determining amount payable:
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment:  [Conditions 6(h)(iii) and 6(m) apply/specify other]  
*(Consider applicable day count fraction if not U.S. dollar denominated)*
18. Index Linked Interest Note Provisions  [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Index/Formula/other variable:  *[give or annex details]*
- (b) Party responsible for calculating the Rates(s) of Interest and/or Interest Amounts (if not the Agent):   
*[give name of the Calculation Agent (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]*
- (c) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:
- (d) Determination Dates:
- (e) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:  *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (f) Interest or calculation period(s):
- (g) Specified Interest Payment Dates:
- (h) Business Day Convention:  [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (i) Additional Business Centre(s):

- (j) Minimum Rate of Interest:  per cent. per annum
- (k) Maximum Rate of Interest:  per cent. per annum
19. Dual Currency Interest Note Provisions  [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Rate of Exchange/method of calculating Rate of Exchange:  [give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:  [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable:

**PROVISIONS RELATING TO REDEMPTION**

20. Issuer Call  [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Optional Redemption Date(s):
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s):  [[ ] per Calculation Amount/Specify other/see Appendix]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount:  [ ] per Calculation Amount
- (ii) Maximum Redemption Amount:  [ ] per Calculation Amount
- (d) Notice period (if other than as set out in the conditions):   
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

21. Investor Put [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/Specify other/see Appendix]
- (c) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
22. Final Redemption Amount: [ ] per Calculation Amount/specify other/see Appendix][Par]  
 In cases where the Final Redemption Amount is Index Linked or other variable-linked: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Index/Formula/variable: [ ]
- (b) Party, if any, responsible for calculating the Final Redemption Amount (if not the Agent): [ ]
- (c) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [ ]
- (d) Determination Date(s): [ ]
- (e) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (f) Payment Date: [ ]
- (g) Minimum Final Redemption Amount: [ ] per Calculation Amount
- (h) Maximum Final Redemption Amount: [ ] per Calculation Amount

23. Early Redemption Amount:  
 Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6(g)):
- [[ ] per Calculation Amount/specify other/see Appendix][Par]]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

24. Form of Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note on and after the Exchange Date]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [The Permanent Global Note is exchangeable in whole, but not in part, for Definitive Notes [(a) at the request of the Issuer; and/or (b)] (free of charge) upon the occurrence of an Exchange Event (as described in “Form of the Notes” in the Prospectus dated 10 May 2012).] *[If paragraph (a) is inserted, Notes cannot be issued with “€100,000 + €1,000” Specified Denominations]*
- [N.B. in respect of Notes with “€100,000 + €1,000” Specified Denomination, a Permanent Global Note can only be exchangeable for Definitive Notes upon an Exchange Event. The Temporary Global Note can only be exchangeable for a Permanent Global Note.]* [The Permanent Global Note is exchangeable (free of charge) in whole, but not in part, for Definitive Notes only upon the occurrence of an Exchange Event (as described in “Form of the Notes” in the Prospectus dated 10 May 2012).]
- [N.B. Notes with a maturity of more than 183 days (taking into consideration unilateral rights to roll or extend) may not be issued in bearer form by NHI, except to the extent that the relevant Note in global bearer form has been immobilised with a clearing organisation or its depositary in accordance with procedures sufficient to cause such Notes to be treated as issued in registered form for United States federal tax purposes. Notes will be considered to be effectively immobilised so as to be treated as issued in registered form for United States federal tax purposes where (i) the Notes are represented by one or more global Notes in physical form that are issued to and held by a clearing organisation (or by a custodian or depositary acting as an agent of the clearing organisation) for the benefit of purchasers of interests in the Notes under arrangements that prohibit the transfer of the global Note except to a successor clearing organisation subject to the same terms, (ii) beneficial interests in the underlying Notes are transferable only through a book-entry system maintained by the clearing organisation (or an agent of the clearing organisation), and (iii) holders may obtain definitive Notes in bearer form only upon the occurrence of an Exchange Event.]*

**Registered Notes:**

*N.B. Only NHI may issue Registered Notes*] [Registered Global Note registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg/other] exchangeable (free of charge) for security printed definitive Notes only upon an Exchange Event (as defined in the Registered Global Note)]

*[N.B. NHI may only issue Registered Notes unless the relevant global Bearer Note has been immobilised with a clearing organisation or its depository in accordance with procedures sufficient to cause such Notes to be treated as issued in registered form for United States federal tax purposes]*

[Swiss Global Note: Swiss Global Note deposited with [SIX SIS AG][*specify other*], as part of an arrangement that results in the issuance of a debt obligation in registered form for United States federal tax purposes.]

[No physical delivery of the Swiss Notes represented by a Swiss Global Note shall be made unless and until Swiss Definitive Notes shall have been printed. The Swiss Global Note will be exchangeable for Swiss Notes in the form of Swiss Definitive Notes in whole but not in part, only if the Swiss Agent should, after consultation with the Issuer, deem the printing of Swiss Definitive Notes to be necessary or useful or if the presentation of Swiss Definitive Notes is required by Swiss or other applicable laws and regulations in connection with the enforcement rights of holders of Swiss Notes. Should the Swiss Agent so determine, it shall provide for the printing of Swiss Definitive Notes without cost to the holders of the Swiss Notes. Holders of Swiss Notes will not have the right to request delivery of Swiss Definitive Notes. If printed, Swiss Definitive Notes will be issued and delivered exclusively in registered form for United States federal tax purposes whereby, *inter alia*, title will pass exclusively upon due endorsement in a register (the “Swiss Register”) to be established and maintained by a registrar (the “Swiss Registrar”) appointed by the Issuer and acting on its behalf after consultation with the Swiss Agent. The appointment of the Swiss Registrar will be made pursuant to a supplemental Swiss Definitive Note agency agreement, which shall be entered into by the Issuer, the Guarantor (if the Swiss Notes are guaranteed), the Swiss Agent and the Swiss Registrar (the “Supplemental Swiss Definitive Note Agency Agreement”) on any issue and delivery of Swiss Definitive Notes. Any issue and delivery of Swiss Definitive Notes will be duly notified to the holders of the Swiss Notes in accordance with Condition 14. In no circumstances will Swiss Definitive Notes be issued and delivered in bearer form. If issued and delivered, Swiss Definitive Notes will be issued to each holder of the relevant Swiss Notes in respect of its registered holding of such Swiss Notes. If Swiss Definitive Notes are issued and delivered, the Swiss Global Note will immediately be cancelled by the Swiss Agent and the relevant holders registered in the Swiss Register against cancellation of the relevant Swiss Notes in such holders securities account. Swiss Definitive Notes shall not be deposited with the Intermediary and, therefore shall not constitute Intermediated Securities. Any transfer of Swiss Definitive Notes will only occur upon presentation of the relevant Swiss Definitive Note at the specified office of the Swiss Registrar or the Swiss Agent with the form of transfer on the back duly completed and signed. No transfer of a Swiss

Definitive Note will be valid unless and until entered into the Swiss Register. The Swiss Definitive Notes must be (i) presented by the holder registered in the Swiss Register at the offices of the Swiss Agent in order to receive any payment of interest in respect of the Swiss Notes and (ii) presented and surrendered by the holder registered in the Swiss Register at the offices of the Swiss Agent in order to receive any payment of principal in respect of the Swiss Notes.]

[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with Article 4 of the Belgian Law of 14 December 2005.]

25. New Global Note: [Yes][No]
26. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/give details]  
*(Note that this item relates to the place of payment, and not Interest Period end dates to which items 15(b), 16(e) and 18(i) relate)*
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. *N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
29. Details relating to Instalment Notes:
- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]
30. Redenomination and Renominalisation: [Redenomination/Renominalisation applicable] [Not Applicable]  
*(if Redenomination/Renominalisation is/are applicable, specify the terms of the Redenomination/Renominalisation)*
31. Other terms or special conditions: [Not Applicable/give details]  
  
*(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*
32. Swiss Notes: [Not Applicable/give details of the Swiss Agent and any other Swiss paying agents]

## DISTRIBUTION

33. (a) If syndicated, names [and addresses] \*\* of Managers [and underwriting commitments] \*\*: [Not Applicable/give names [and addresses and underwriting commitments]] \*\*  
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)\*\*
- (b) Date of [Syndication] Agreement: [ ]
- (c) Stabilising Manager (if any): [Not Applicable/give name]
34. If non-syndicated, name [and address] \*\* of relevant Dealer: [Name [and address] \*\*]
35. Total commission and concession \*\*: [ ] per cent. of the Aggregate Nominal Amount\*\*
36. U.S. Selling Restrictions: Reg. S Compliance Category 2; [TEFRA D/TEFRA C/TEFRA not applicable][TEFRA D applicable in accordance with usual Swiss practice, including reasonable efforts to sell the Notes within Switzerland]
37. Non-exempt Offer: [Not Applicable]/[Applicable – see Paragraph 10 of Part B below]
38. Additional selling restrictions: [Not Applicable/give details]
39. Spot Rate (if different from that set out in Condition 5(h)): [Not Applicable/give details]
40. Calculation Agent responsible for calculating the Spot Rate (if not the Agent): [Not Applicable/give details]

## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to trading on [specify relevant regulated market][the SIX Swiss Exchange] [and for listing on the official list of the UK Listing Authority] of the Notes described herein] pursuant to the Debt Issuance Programme of the Issuer.

## [RECENT DEVELOPMENTS AND OUTLOOK

For further information on recent developments and an outlook of the Issuer and Guarantor, see [specify] [As announced on [•], Nestlé’s outlook remains in line with announced targets.]<sup>†</sup>

## [SIGNIFICANT OR MATERIAL ADVERSE CHANGE STATEMENT

There has been no significant change in the financial or trading position of the Issuer [and its subsidiaries] [or the Guarantor and its subsidiaries] since [insert date of latest annual or interim financial statements] and there has been no material adverse change in the financial position or the prospects of the Issuer [and its subsidiaries] [or the Guarantor and its subsidiaries] since 31 December 2010.]<sup>†</sup>

**[LITIGATION**

None of the Issuer, the Guarantor and [their respective][its] subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer and the Guarantor are aware), in the twelve months prior to the date hereof which may have, or have had in the recent past, a significant effect on the financial position or the profitability of the Issuer, the Guarantor and [their respective][its] subsidiaries.]<sup>†</sup>

**[REPRESENTATIVE**

In accordance with Article 43 of the Listing Rules of the SIX Swiss Exchange, the Issuer [and the Guarantor] has [have] appointed [•] located at [•] its representative to apply for the listing of the Notes on the main segment of the SIX Swiss Exchange.]<sup>†</sup>

**[GOVERNING LAW AND JURISDICTION**

The Agency Agreement[./and] the Notes[, the Receipts] [and the Coupons] and any non-contractual obligations arising out of or in connection with the Agency Agreement[./and] the Notes[, the Receipts] [and the Coupons] are governed by, and shall be construed in accordance with, English law. Articles 86 through 94-8 (inclusive) of the Luxembourg Law of 10 August 1915 concerning Commercial Companies, as amended, shall be expressly excluded.

The Issuer submits for the exclusive benefit of the Noteholders[, the Receiptholders] [and the Couponholders,] to the jurisdiction of the English courts for all purposes in connection with the Agency Agreement[./and] the Notes[, the Receipts] [and the Coupons] and any non-contractual obligations arising out of or in connection with the Agency Agreement[./and] the Notes[, the Receipts] [and the Coupons] and in relation thereto the Issuer has appointed Nestlé UK Ltd at its principal office of St. George’s House, Park Lane, Croydon CR9 1NR, England as its agent for receipt of process on its behalf and has agreed that in the event of Nestlé UK Ltd ceasing so to act or ceasing to be registered in England it will appoint another person as its agent for service of process. Without prejudice to the foregoing, the Issuer further irrevocably agrees that any suit, action or proceedings arising out of or in connection with the Agency Agreement[./and] the Notes[, the Receipts] [and the Coupons] (including any suit, action or proceedings relating to any non-contractual obligations arising out of or in connection with the Agency Agreement[./and] the Notes[, the Receipts] [and the Coupons]) may be brought in any other court of competent jurisdiction.]<sup>†</sup>

**RESPONSIBILITY**

The Issuer [and the Guarantor]\*\* accept[s] responsibility for the information contained in these Final Terms. [[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer [and the Guarantor] confirm[s] that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading]. [To the best of the knowledge and belief of the Issuer [and the Guarantor [(it/each)]]\*\* having taken reasonable care to ensure that such is the case) the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information.]<sup>†</sup>

Signed on behalf of the Issuer:

[Signed on behalf of the Guarantor:

By:.....

By:.....

*Duly authorised*

*Duly authorised*

By:.....

By:.....

*Duly authorised*

*Duly authorised]\*\**

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing and Admission to Trading: [Application [has been made][is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify regulated market] [and for listing on the official list of the UK Listing Authority] with effect from [ ]] [Not Applicable.] / [The Notes have been provisionally admitted to trading on the SIX Swiss Exchange with effect from [ ] and application will be made for the Notes to be listed on the main segment of the SIX Swiss Exchange. Listing will be cancelled no later than the third SIX Swiss Exchange business day prior to the Maturity Date (or specify earlier date of cancellation of listing). (Specify details of minimum trading volume of the Notes, if only multiple denominations can be traded.)] (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.) \*\*
- (ii) Estimate of total expenses related to admission to trading:\*\*\*\* [ ]\*\*\*\*

### 2. RATINGS

Ratings:

[The Notes to be issued have been rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)].]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

[[Insert the legal name of the relevant credit rating agency entity] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such [insert the legal name of the relevant credit rating agency entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [Insert the legal name of the relevant non-EU credit rating agency entity] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [insert the legal name of the relevant EU credit rating agency entity that applied for registration], which is established in the European Union and is registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], disclosed the intention to endorse credit ratings of [insert the legal name of the relevant non-EU credit rating agency entity]. While notification of the corresponding final endorsement decision has not yet been

provided by the relevant competent authority, the European Securities and Markets Authority has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on [30 April 2012].]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings have been endorsed by [*insert the legal name of the relevant EU-registered credit rating agency entity*] in accordance with the CRA Regulation. [*Insert the legal name of the relevant EU-registered credit rating agency entity*] is established in the European Union and registered under the CRA Regulation. [As such [*insert the legal name of the relevant EU credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**), but it is certified in accordance with the CRA Regulation [[*EITHER:*] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [ *OR:*] although notification of the corresponding certification decision has not yet been provided by the European Securities and Markets Authority and [*insert the legal name of the relevant non-EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES\*\*

- [(i) Reasons for the Offer: [ ]  
(*See “Use of Proceeds” wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*)]
- [(ii) Estimated net proceeds: [ ] [(following deduction of the [*Manager’s/Managers’*] commission and concession) (before deduction of estimated total expenses)]  
(*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)]
- [(iii) Estimated total expenses: [ ] (*Include breakdown of expenses*) [for legal, filing and miscellaneous expenses]  
(*If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total*)]

expenses at (ii) and (iii) above where disclosure is included at (i) above.)

**5. YIELD (Fixed Rate Notes Only)**

Indication of yield:

[ ]

[Calculated as [include details of method of calculation in summary form] on the Issue Date.]\*\*

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

**6. HISTORIC INTEREST RATES (Floating Rate Notes Only)\*\***

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].

**7. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING AND POST ISSUANCE INFORMATION (Index Linked Notes Only)**

[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

**8. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes Only)**

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

**9. OPERATIONAL INFORMATION**

(i) ISIN:

[ ] or

[Until the Notes have been consolidated and from a single series with the Existing Notes, they will be assigned a temporary ISIN Code as follows: [ ]

Thereafter, the Notes will assume the same ISIN Code as the Existing Notes as follows: [ ]

- (ii) Common Code: [ ]
- (iii) Swiss Security Number: [ ] [Not Applicable]
- (iv) Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/give name(s) and number(s)] [SIX SIS AG]
- (v) Delivery: Delivery [against/free of] payment
- (vi) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]  
[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] [include for Registered Notes] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria] [include this text if “yes” is selected in which case Bearer Notes must be issued in NGN form.]

## 10. TERMS AND CONDITIONS OF THE PUBLIC OFFER\*\*

[Consider the circumstances in which the items specified below need to be completed or marked “Not Applicable” by reference to the requirements of the relevant home and/or host Member States where any non-exempt public offer is being made, in compliance with the Prospectus Directive, as implemented in such Member States.]

The UK Listing Authority has provided the competent authorities in, *inter alia*, each of [Austria, Belgium, Germany, Italy, Luxembourg and the Netherlands (*delete irrelevant ones/specify where public offers may be made*)] (together with the United Kingdom, the “Public Offer Jurisdictions”) with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive. Copies of these Final Terms will be provided to the competent authorities in the Public Offer Jurisdictions (save for the Austrian competent authority which has confirmed that it does not require such a copy).

The Issuer has agreed to allow the use of these Final Terms and the Prospectus by each of the Managers and any placers (authorised by any of the Managers) involved in the offer (the “Placers”) in connection with possible offers of the Notes to the public in the Public Offer Jurisdictions during the Offer Period (as defined below).

Investors (as defined in the final paragraph on the first page of the Prospectus) intending to acquire or acquiring the Notes from any Offeror (as defined in the final paragraph on the first page of the Prospectus) should, as indicated in the legend, make appropriate enquiries as to whether that Offeror is acting in association with the Issuer. Whether or not the Offeror is described as acting in association with the Issuer, the Issuer’s only relationship is with the Managers and the Issuer has no relationship with or obligation to, nor shall it have any relationship with or obligation to, an Investor, save as may arise under any applicable law or regulation.

The Issuer is only offering to and selling to the Managers pursuant to and in accordance with the terms of the [Syndication Agreement [*if not a syndicated transaction describe the dealer and the*

*dealer agreement and replace references to Managers and Syndication Agreement throughout*]]. All sales to persons other than the Managers will be made by the Managers or persons to whom they sell, and/or otherwise make arrangements with, including the Placers. The Issuer shall not be liable for any offers and/or sales of Notes to, or purchases of Notes by, Investors at any time (including during the Offer Period) (other than in respect of offers and sales to, and purchases of Notes by, the Managers and only then pursuant to the Syndication Agreement) which are made by Managers or Placers or any other Offeror in accordance with the arrangements in place between any such Manager, Placer or other Offeror and its customers. Any person selling Notes at any time during the Offer Period may not be a financial intermediary of the Issuer; any person selling Notes at any time after the Offer Period is not a financial intermediary of the Issuer.

Each of the Managers has acknowledged and agreed, and any Placer will be required by the Managers to acknowledge and agree, that for the purpose of offer(s) of the Notes the Issuer has passported the Prospectus into each of the Public Offer Jurisdictions and will not passport the Prospectus into any other European Economic Area Member State; accordingly, the Notes may only be publicly offered in Public Offer Jurisdictions during the Offer Period or offered to qualified investors (as defined in the Prospectus Directive) or otherwise in compliance with Article 3(2) of the Prospectus Directive in any other European Economic Area Member State pursuant to and in accordance with the Prospectus and the Final Terms (without modification or supplement); and that all offers of Notes by it will be made only in accordance with the selling restrictions set forth in the Prospectus and the provisions of these Final Terms and in compliance with all applicable laws and regulations, provided that no such offer of Notes shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive (or supplement a prospectus pursuant to Article 16 of the Prospectus Directive) or to take any other action in any jurisdiction other than as described above.

- (i) Offer Period: From the date of and following publication of these Final Terms being [ ] 20[ ] to [ ] 20[ ].
- (ii) Offer Price: The Issuer has offered and will sell the Notes to the Managers (and no one else) at the Issue Price of [ ] per cent. less a total commission [and concession] of [ ] per cent. of the Aggregate Nominal Amount of Notes. Managers and Placers will offer and sell the Notes to their customers in accordance with arrangements in place between each such Manager and its customers (including Placers) or each such Placer and its customers by reference to the Issue Price and market conditions prevailing at the time.
- (iii) Conditions to which the offer is subject: Offers of the Notes are conditional on their issue and are subject to such conditions as are set out in the Syndication Agreement. As between Managers and their customers (including Placers) or between Placers and their customers, offers of the Notes are further subject to such conditions as may be agreed between them and/or as is specified in the arrangements in place between them.
- (iv) Description of the application process: A prospective Noteholder will purchase the Notes in accordance with the arrangements in place between the relevant Manager and its customers or the relevant Placer and its customers, relating to the purchase of securities generally. Noteholders (other than Managers) will not enter into any contractual arrangements directly with the Issuer in connection with the offer or purchase of the Notes.

(v)	Description of possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants:	[Not Applicable][ <i>specify</i> ]
(vi)	Details of the minimum and/or maximum amount of application (whether in number of Notes or aggregate amount to invest):	There are no pre-identified allotment criteria. The Managers and the Placers will adopt allotment and/or application criteria in accordance with customary market practices and applicable laws and regulations and/or as otherwise agreed between them.
(vii)	Method and time limits for paying up the Notes and for delivery of the Notes:	The Notes will be sold by the Issuer to the Managers on a delivery against payment basis on the Issue Date. Prospective Noteholders will be notified by the relevant Manager or Placer of their allocations of Notes and the settlement arrangements in respect thereof.
(viii)	Manner and date in which results of the offer are to be made public:	[Not Applicable][ <i>specify</i> ]
(ix)	Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable][ <i>specify</i> ]
(x)	Details of any Tranche(s) reserved for certain countries:	[Not Applicable][ <i>specify</i> ]
(xi)	Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made:	Prospective Noteholders will be notified by the relevant Manager or Placer in accordance with the arrangements in place between such Managers or Placers and its customers. Any dealings in the Notes which take place will be at the risk of prospective Noteholders.
(xii)	Amount of any expenses and taxes specifically charged to the Noteholders:	[Not Applicable][ <i>specify</i> ]
(xiii)	Name(s) and address(es), to the extent known to the Issuer, of the Placers in the various countries where the offer takes place:	[None known to the Issuer][ <i>specify</i> ]  <i>[If the Issuer is unaware of the identity of the Placers then insert "none known to the Issuer". Otherwise insert the names (and addresses) of those that are known and include the following reference "(other Placers may become involved but as at the date of these Final Terms these are the only ones known to the Issuer)"]</i>

Notes:

\* Not Applicable is only relevant for unguaranteed Notes issued by Nestlé Holdings, Inc.

\*\* Delete if the minimum denomination is €100,000

\*\*\* Delete only in the case of unguaranteed Notes issued by Nestlé Holdings, Inc.

\*\*\*\* Delete if the minimum denomination is less than €100,000

† Include if SIX Swiss Exchange listed Notes

## NESTLÉ HOLDINGS, INC.

### Auditors

The independent auditors of Nestlé Holdings, Inc. (“NHI”) are KPMG LLP, Suite 2000, 355 South Grand Avenue, Los Angeles, California, United States.

### Selected Financial Information

The following tables show the consolidated balance sheets and consolidated income statements of NHI as at and for the financial years ended 31 December 2011 and 2010, respectively, which have been extracted from the audited consolidated financial statements of NHI and its subsidiaries for the financial year ended 31 December 2011 as published in NHI’s 2011 Annual Financial Report which is incorporated by reference in, and forms part of, this Prospectus. Such information should be read and analysed together with the Notes to the consolidated financial statements included in NHI’s audited consolidated financial statements for the financial years ended 31 December 2011 and 2010. Copies of NHI’s Annual Financial Reports for the financial years ended 31 December 2011 and 2010 are available on the website of the London Stock Exchange plc at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html) and can also be obtained, free of charge, at the registered address of NHI as set out below.

The consolidated financial statements of NHI do not comply with U.S. generally accepted accounting principles and are not meant for distribution in the U.S. or to be used for investment purposes by U.S. investors.

The audited consolidated financial statements of NHI for the financial years ended 31 December 2011 and 2010 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

### Consolidated Balance Sheets As at 31 December 2011 and 2010

(U.S. dollars in thousands, except capital stock par value and shares)

	<i>2011</i>	<i>2010</i>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents .....	\$ 191,979	\$ 44,302
Short-term investments .....	5,512	6,019
Trade and other receivables, net .....	3,154,080	2,389,839
Inventories, net .....	1,624,254	1,485,788
Derivative assets .....	451,525	675,911
Assets held for sale .....	20,065	16,347
Prepayments .....	100,487	87,051
	5,547,902	4,705,257
<b>Non-current assets:</b>		
Property, plant and equipment, net .....	4,786,987	4,582,974
Employee benefits assets .....	32,168	147,456
Investments in associated companies .....	13,067	10,788
Deferred tax assets .....	1,173,178	1,110,950
Financial assets .....	3,121,886	2,739,417
Goodwill .....	18,712,591	18,712,591
Intangible assets, net .....	908,875	895,554
	28,748,752	28,199,730
<b>Total assets</b>	<b>\$ 34,296,654</b>	<b>\$32,904,987</b>

	<u>2011</u>	<u>2010</u>
<b>Liabilities and Equity</b>		
<b>Current liabilities:</b>		
Trade and other payables .....	\$ 1,126,565	\$ 1,089,696
Financial liabilities .....	11,779,265	12,511,339
Provisions .....	90,343	106,110
Derivative liabilities .....	344,846	140,714
Accruals.....	1,458,281	1,470,024
	<u>14,799,300</u>	<u>15,317,883</u>
<b>Non-current liabilities:</b>		
Financial liabilities .....	8,334,120	7,680,845
Employee benefits liabilities.....	2,123,403	2,152,541
Deferred tax liabilities .....	1,730,273	1,415,448
Provisions .....	104,813	123,984
Other accrued liabilities.....	1,837,607	2,155,066
	<u>14,130,216</u>	<u>13,527,884</u>
<b>Total liabilities.....</b>	<u>28,929,516</u>	<u>28,845,767</u>
<b>Equity:</b>		
Capital stock \$100 par value. Authorized, issued, and outstanding, 1,000 shares .....	100	100
Additional paid-in capital .....	1,650,353	1,650,353
Other equity reserves.....	(1,221,868)	(884,925)
Accumulated earnings .....	4,938,553	3,293,692
<b>Total equity .....</b>	<u>5,367,138</u>	<u>4,059,220</u>
<b>Total liabilities and equity.....</b>	<u>\$ 34,296,654</u>	<u>\$32,904,987</u>

**Consolidated Income Statements**  
**For the Years ended 31 December 2011 and 2010**

(U.S. dollars in thousands)

	2011	2010 <sup>(b)</sup>
Sales <sup>(a)</sup> .....	\$ 20,914,802	\$ 19,934,354
Cost of goods sold .....	(11,614,876)	(10,692,220)
Distribution expenses .....	(2,118,758)	(1,944,737)
Marketing, general and administrative expenses .....	(3,235,618)	(3,468,576)
Royalties to affiliated company .....	(1,193,775)	(1,141,569)
Net other trading expense .....	(37,039)	(151,705)
Trading operating profit .....	2,714,736	2,535,547
Net other operating expense .....	(18,111)	(24,586)
Impairment of goodwill .....	-	(135,000)
Operating profit .....	2,696,625	2,375,961
Net financing costs .....	(407,359)	(563,389)
Share of results from associated companies .....	2,667	1,788
Income from continuing operations before income taxes .....	2,291,933	1,814,360
Income tax expense .....	(651,634)	(770,448)
Income from continuing operations .....	1,640,299	1,043,912
Income from discontinued operations, net of taxes .....	4,562	4,911
Net income .....	\$ 1,644,861	\$ 1,048,823

<sup>(a)</sup> Until 31 December 2010, certain allowances and discounts granted to trade chains, customers, retailers and consumers for trade and consumer promotions, selling, distribution, advertising and other services rendered to the NHI group (consistent with the Nestlé group) were treated as expenses as well as distribution expenses on the grounds that they were incurred to generate revenue. From 1 January 2011, the NHI group (consistent with the Nestlé group) treats these allowances and discounts as a deduction of revenue in conformity with the practice generally adopted by consumer goods companies. The 2010 sales figure has been restated to reflect this change in presentation.

<sup>(b)</sup> 2010 figures restated following changes in the Income Statement. Previously, the NHI group (consistent with the Nestlé group) Income Statement included EBIT (Earnings before Interest, Taxes, Restructuring and Impairments) and Profit before interest and taxes. As from 1 January 2011, the “Trading operating profit” included in the Income Statement is after restructuring costs, impairment of all assets except goodwill, litigation and onerous contracts, result on disposal of property, plant and equipment and specific other income and expenses that fall within the control of operating segments. The line “Profit before interest and taxes” is renamed “Operating profit” and is after impairment of goodwill, results on disposals of businesses, acquisition-related costs and other income and expenses that fall beyond the control of operating segments and relate to events such as natural disasters and expropriation of assets.

## **Information about NHI**

### *General*

NHI was incorporated in the State of Delaware in 1983 under registration number 833330118. NHI is a corporation and has unlimited duration.

The address of the registered office of NHI is 1209 Orange Street, Wilmington, Delaware 19801 U.S.A. The telephone number of NHI's registered office is +1 (800) 677 3394.

The address of NHI's principal place of business is Merritt View, 383 Main Avenue, 5th Floor, Norwalk, Connecticut 06851. The telephone number of NHI's principal place of business is +1 (203) 750 7210.

NHI is not aware of any recent events that would impact NHI's solvency.

### *Principal / Future Principal Investments*

NHI has made no material investments since the date of its last published financial statements and, as at the date of this Prospectus, its management has made no investments or firm commitments with respect to material investments in the future.

## **Business Overview**

According to its Certificate of Incorporation, the purpose of NHI is primarily to act as a holding company for its direct and indirect subsidiaries (which include Nestlé USA, Inc., Nestlé Purina PetCare Company, Nestlé Prepared Foods Company, Nestlé Dreyer's Ice Cream Company, Jenny Craig Holdings, Inc., Nestlé HealthCare Nutrition Company, Nespresso USA, Inc., Gerber Products Company and Gerber Life Insurance Company).

The direct and indirect subsidiaries of NHI engage primarily in the manufacture and sale of food products, pet care products, beverage products, weight management services and juvenile life insurance. These businesses derive revenue across the United States. The subsidiary businesses of NHI are organised by principal product groups as described below.

Nestlé USA, Inc. manufactures and sells a wide range of grocery and food service products, including chocolates, confections, coffee, tea, non-dairy creamers, other beverages, soups, sauces and seasonings. These products are marketed under several brand names, including "Nestlé®", "Nestlé® Crunch®", "Nestlé® Butterfinger®", "Nescafé®", "NesQuik®", "Nestea®", "Nestlé® Coffee-mate®", "Chef-Mate®", "DiGiorno®", "Tombstone®", "California Pizza Kitchen® frozen pizza", "Minor's®" and others.

Nestlé Purina PetCare Company manufactures and sells a diverse range of pet care products including wet and dry cat and dog foods under several brand names, including "Purina Dog Chow®", "Purina Cat Chow®", "Purina Pro Plan®", "Purina Beneful®", "Friskies® Alpo®", "Purina O.N.E.®", "Friskies® Fancy Feast®", "Friskies® Mighty Dog®" and others. The company also sells pet care insurance.

Nestlé Prepared Foods Company manufactures and sells prepared foods for the grocery and food service trade, including refrigerated pastas and sauces under the "Buitoni®" brand name and frozen prepared foods entrées under the "Stouffer's®" and reduced calorie "Lean Cuisine®" brand names. The company also produces the "Hot Pockets®", "Lean Pockets®" and "Croissant Pockets®" line of hand-held frozen snacks.

Nestlé Dreyer's Ice Cream Company manufactures, sells and distributes ice cream and frozen dessert products under several brand names, including "Dreyer's", "Edy's®", "Häagen Dazs®", "Nestlé® Drumstick®", "Nestlé®", "Nestlé® Crunch®", "Nestlé® Butterfinger®", "Nestlé® Toll House®", "Nestlé® Carnation®", "Dibs®", "Nestlé® Push-Up®", "Frosty Paws®", "The Skinny Cow®" and others.

Jenny Craig Holdings, Inc. and its subsidiaries provide consumers with weight management programs that include prepared food products.

Nestlé HealthCare Nutrition, Inc. manufactures and sells medical nutritional products and related devices.

Gerber Products Company manufactures and sells infant food and infant related products under several brand names, including “Gerber®” cereals and juices, “Gerber® Good Start®” infant formula, “Gerber® Graduates®” and others.

Gerber Life Insurance Company sells juvenile life insurance and other financial products.

## **Organisational Structure**

NHI is a wholly owned subsidiary of Nestlé S.A.

## **Administrative, Management and Supervisory Bodies**

### *Name, Business Addresses, and Functions*

The management of NHI is formed by the officers appointed as such.

As at the date of this Prospectus, the members of the Board of Directors of NHI are:

<i>Name</i>	<i>Function</i>	<i>Principal other activities outside Nestlé Holdings, Inc.</i>
Bradley A. Alford	Chairman of the Board, Chief Executive Officer and President	Chairman of the Board, Chief Executive Officer and President, Nestlé USA, Inc.
Dan Stroud	Chief Financial Officer	Chief Financial Officer, Nestlé USA, Inc.

The business address of Bradley A. Alford and Dan Stroud is c/o Nestlé USA, Inc., 800 North Brand Boulevard, Glendale, California 91203.

The principal officers of NHI are:

<i>Name</i>	<i>Function</i>
Bradley A. Alford	Chairman, Chief Executive Officer and President
Dan Stroud	Chief Financial Officer
Alexander Spitzer	Head of Tax
Jonathan Jackman	Secretary

The business address of Bradley A. Alford, Dan Stroud and Jonathan Jackman is c/o Nestlé USA, Inc., 800 North Brand Boulevard, Glendale, California 91203, and the business address of Alexander Spitzer is NHI, Merritt View, 383 Main Avenue, 5th Floor, Norwalk, Connecticut 06851.

### *Conflicts of Interests*

As at the date of this Prospectus, the above mentioned members of the Board of Directors and the principal officers of NHI do not have potential conflicts of interests between any duties to NHI and their private interest or other duties.

## **Board Practices**

### *Audit Committee*

NHI does not itself have an audit committee. However, NHI is part of the Nestlé Group which has an audit committee that reviews the annual consolidated financial statements of the Nestlé Group.

### *Corporate Governance*

Companies that are required to file periodic reports under the U.S. Securities Exchange Act of 1934 are generally subject to the corporate governance provisions of the U.S. Sarbanes-Oxley Act of 2002. Although NHI is incorporated in the State of Delaware, it is not required to file periodic reports under the U.S. Securities Exchange Act of 1934. Accordingly, the U.S. Sarbanes-Oxley Act of 2002, and in particular its corporate governance provisions, do not apply to NHI. Instead, as NHI is a wholly owned subsidiary of Nestlé S.A., it adheres to the corporate governance policies set from time to time by the Nestlé Group Corporate Governance Committee that are applicable to NHI.

## **Major Shareholders**

NHI is a wholly owned subsidiary of Nestlé S.A.

NHI is not aware of any arrangement the effect of which would result in a change of control of NHI.

## **Additional Information**

### *Share Capital*

The authorised share capital of NHI is \$100,000 and is divided into 1,000 shares of \$100 each of which 1,000 have been issued. The paid-in capital is \$1,650,353,000.

### *Memorandum and Articles of Association*

The third certification of the Certificate of Incorporation of NHI provides that the corporation is authorised to conduct any lawful business to promote any lawful purpose and to engage in any lawful act or activity for which corporations may be organised under the General Corporation Law of the State of Delaware.

## **Material Contracts**

NHI has not entered into any contracts in areas outside of its ordinary course of business, which could result in any group member being under an obligation or entitlement that is material to NHI's ability to meet its obligations to Noteholders in respect of the Notes.

## NESTLÉ FINANCE INTERNATIONAL LTD.

### Preliminary Information and Auditors

On 29 February 2008, Nestlé Finance International Ltd. (“NFI”) changed its name from Nestlé Finance France S.A. to Nestlé Finance International Ltd. and moved its registered office from France to Luxembourg. It remains the same legal entity. KPMG Luxembourg S.à.r.l. (formerly KPMG Audit S.à.r.l.), 9 Allée Scheffer, L-2520 Luxembourg, Grand Duchy of Luxembourg are the auditors of NFI and were the auditors of NFI for the years ended 31 December 2011 and 2010.

### Selected Financial Information

The following tables show the balance sheets and income statements of NFI as at and for the financial years ended 31 December 2011 and 2010, respectively, which have been extracted from the audited financial statements of NFI for the financial year ended 31 December 2011 as published in NFI’s 2011 Annual Financial Report which is incorporated by reference in, and forms part of, this Prospectus. Such information should be read and analysed together with the Notes to the financial statements included in NFI’s audited financial statements for the financial years ended 31 December 2011 and 2010. Copies of NFI’s Annual Financial Reports for the financial years ended 31 December 2011 and 2010 are available on the website of the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html) and can also be obtained, free of charge, at the registered address of NFI as set out below.

The audited financial statements of NFI for the financial years ended 31 December 2011 and 2010 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (EU).

#### Balance Sheets As at 31 December 2011 and 2010 (Euros in thousands)

	<i>2011</i>	<i>2010</i>
<b>Assets</b>		
Cash and cash equivalents.....	108,300	267,232
Short term investments .....	173,011	-
Derivative assets held for risk management.....	133,514	211,738
Loans and advances to Nestlé Group companies.....	6,195,029	7,280,491
Loans and advances to third parties.....	113,000	-
Other assets.....	1,199	1,109
Property, plant and equipment.....	2	8
<b>Total assets.....</b>	<b>6,724,055</b>	<b>7,760,578</b>
<b>Liabilities</b>		
Bank overdrafts.....	776	-
Derivative liabilities held for risk management.....	384	3,654
Loans and advances from Nestlé Group companies .....	1,603,193	3,310,931
Debt securities issued .....	5,016,169	4,194,455
Current tax liabilities .....	147	84
Other liabilities.....	85,174	233,411
<b>Total Liabilities.....</b>	<b>6,705,843</b>	<b>7,742,535</b>

	<u>2011</u>	<u>2010</u>
<b>Equity</b>		
Share capital.....	440	440
Share premium.....	2,000	-
Hedging reserve.....	11,441	11,245
Available-for-sale reserve.....	(9)	-
Legal reserve.....	44	38
Other reserve.....	584	276
Retained earnings.....	3,712	6,044
<b>Total equity attributable to shareholders of the company.....</b>	<b>18,212</b>	<b>18,043</b>
<b>Total liabilities and equity.....</b>	<b>6,724,055</b>	<b>7,760,578</b>

**Income Statements**  
**For the Years ended 31 December 2011 and 2010**  
**(Euros in thousands)**

	<u>2011</u>	<u>2010</u>
Interest income.....	252,499	244,963
Interest expense.....	(142,413)	(104,873)
Net interest income.....	110,086	140,090
Net fee and commission expense.....	(67,749)	(221,607)
Net trading income.....	-	3,340
Other operating (expense)/income.....	(36,003)	82,680
<b>Operating income.....</b>	<b>6,334</b>	<b>4,503</b>
Administration expense.....	(1,312)	(1,042)
<b>Profit before tax.....</b>	<b>5,022</b>	<b>3,461</b>
Taxes.....	(5,040)	(3,279)
<b>(Loss)/profit for the year attributable to the shareholders of the company.....</b>	<b>(18)</b>	<b>182</b>

**Information about Nestlé Finance International Ltd.**

*General*

NFI, formerly a public limited company (*société anonyme*) organised under the laws of France which was formed on 18 March 1930, moved its registered office from France to Luxembourg (Grand Duchy of 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 established for an unlimited duration and is registered with the Luxembourg Register of Commerce and Companies under number B136737.

The registered office of NFI is located at 69, rue de Merl, L-2146 Luxembourg, Grand Duchy of Luxembourg.

The telephone number of NFI’s registered office is +352 26 44 05 31 01.

NFI is not aware of any recent events that would impact on NFI’s solvency.

*Principal Investments/Future Principal Investments*

NFI has made no material investments since the date of its last published financial statements and, as the date of this Prospectus, its management has made no firm commitments on such material investments in the future.

## **Business Overview**

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.

Because of its aforementioned purpose, NFI does not have any markets in which it competes and, therefore, NFI cannot make a statement regarding its competitive position in any markets.

## **Organisational Structure**

NFI is a wholly owned subsidiary of Nestlé S.A.

## **Administrative, Management and Supervisory Bodies**

### *Name, Business Addresses, and Functions*

NFI is managed by a Board of Directors, consisting of three or more Directors.

As at the date of this Prospectus, the members of the Board of Directors of NFI are:

<i>Name</i>	<i>Function</i>	<i>Principal other activities</i>
Christel Damaso	Director	None at present
Franklin Louis Weidema	Director	None at present
Faruk Franck Durusu	Director	None at present
Marina Vanderveken-Verhulst	Director	None at present
Saskia Deknock	Director	None at present
Shahriar Kabir	Director	None at present

The business address of each of the members of the Board of Directors is 69, rue de Merl, L-2146 Luxembourg, Grand Duchy of Luxembourg.

### *Conflicts of Interests*

As at the date of this Prospectus, the above mentioned members of the Board of Directors of NFI do not have potential conflicts of interests between any duties towards NFI and their private interest or other duties.

## **Board Practices**

### *Audit Committee*

NFI does not itself have an audit committee. However, NFI is part of the Nestlé Group, which has an audit committee that reviews the annual consolidated financial statements of the Nestlé Group.

### *Corporate Governance*

No specific mandatory corporate governance rules are applicable to NFI under Luxembourg law but, as prescribed by the Luxembourg law applicable to public limited companies (*sociétés anonymes*), NFI has appointed KPMG Luxembourg S.à.r.l. (formerly KPMG Audit S.à.r.l.) as statutory auditors and the role of the Board of Directors and of the General Meeting of NFI is defined in NFI's articles of association.

### *Major Shareholders*

As mentioned above, NFI is a wholly owned subsidiary of Nestlé S.A.

NFI is not aware of any arrangement the effect of which would result in a change of control.

### **Additional Information**

#### *Share Capital*

The issued share capital of NFI is €440,000 divided into 220,000 fully paid up shares with a nominal value of €2 each.

The shares of NFI are not listed on any stock exchange.

#### *Memorandum and Articles of Association*

Article 3 of NFI's Articles of Association stipulates that the purpose of NFI is the direct and/or indirect financing of Luxembourg companies and/or foreign companies or other entities in which NFI holds a direct or indirect participation or which form part of the same group of companies as NFI 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 grant any direct and/or indirect financial assistance whatsoever to the companies and/or enterprises in which it holds a direct or indirect participation or which form part of the same group of companies as NFI, in particular by granting 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. NFI may carry out any transactions, whether commercial or financial, which are directly or indirectly connected with its purpose.

NFI may acquire, hold and dispose of participations directly or indirectly, in any form whatsoever, in Luxembourg companies and/or foreign companies or other entities and/or any other form of investment and administer, develop and manage its portfolio holdings.

In general, NFI may carry out any activities which it may deem useful or necessary in the accomplishment and the development of its corporate purpose.

### **Material Contracts**

NFI has not entered into any contracts in areas outside of its ordinary course of business, which could result in NFI being under an obligation or entitlement that is material to NFI's ability to meet its obligations to Noteholders in respect of the Notes.

## NESTLÉ S.A.

### Auditors

The statutory auditors of Nestlé S.A. are KPMG SA of 111 Rue de Lyon, P.O. Box 347, 1211 Geneva 13, Switzerland. Nestlé S.A. prepares the consolidated financial statements of the Nestlé Group, which are audited by KPMG SA.

### Selected Financial Information

The following tables show the consolidated balance sheets and consolidated income statements of the Nestlé Group as at and for the financial years ended 31 December 2011 and 2010, respectively, which have been extracted from the audited consolidated financial statements of the Nestlé Group for the financial year ended 31 December 2011 which are incorporated by reference in, and form part of, this Prospectus. Such information should be read and analysed together with the Notes to the consolidated financial statements included in the Nestlé Group's audited financial statements for the financial years ended 31 December 2011 and 2010. Copies of the Nestlé Group consolidated financial statements for the financial years ended 31 December 2011 and 2010 are available on the website of the London Stock Exchange plc at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html) as well as on [www.nestle.com](http://www.nestle.com) and can be obtained, free of charge, at the registered addresses of Nestlé S.A. as set out below.

The audited consolidated financial statements of the Nestlé Group for the financial years ended 31 December 2011 and 2010 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

#### Consolidated Balance Sheets As at 31 December 2011 and 2010

(CHF in millions)

	<i>2011</i>	<i>2010</i>
<b>Assets</b>		
Current assets		
Cash and cash equivalents.....	4,938	8,057
Short-term investments.....	3,050	8,189
Inventories.....	9,255	7,925
Trade and other receivables.....	13,340	12,083
Prepayments and accrued income.....	900	748
Derivative assets.....	731	1,011
Current income tax assets.....	1,094	956
Assets held for sale.....	16	28
<b>Total current assets .....</b>	<b>33,324</b>	<b>38,997</b>
Non-current assets		
Property, plant and equipment.....	23,971	21,438
Goodwill.....	29,008	27,031
Intangible assets.....	9,356	7,728
Investments in associates.....	8,629	7,914
Financial assets.....	7,161	6,366
Employee benefits assets.....	127	166
Current income tax assets.....	39	90
Deferred tax assets.....	2,476	1,911
<b>Total non-current assets.....</b>	<b>80,767</b>	<b>72,644</b>
<b>Total assets.....</b>	<b>114,091</b>	<b>111,641</b>

	<u>2011</u>	<u>2010</u>
<b>Liabilities and equity</b>		
Current liabilities		
Financial debt.....	16,100	12,617
Trade and other payables.....	13,584	12,592
Accruals and deferred income.....	2,909	2,798
Provisions.....	576	601
Derivative liabilities.....	646	456
Current income tax liabilities.....	1,417	1,079
Liabilities directly associated with assets held for sale.....	-	3
<b>Total current liabilities.....</b>	<b><u>35,232</u></b>	<b><u>30,146</u></b>
Non-current liabilities		
Financial debt.....	6,207	7,483
Employee benefits liabilities.....	7,105	5,280
Provisions.....	3,094	3,510
Deferred tax liabilities.....	2,060	1,371
Other payables.....	2,119	1,253
<b>Total non-current liabilities.....</b>	<b><u>20,585</u></b>	<b><u>18,897</u></b>
<b>Total liabilities.....</b>	<b><u>55,817</u></b>	<b><u>49,043</u></b>
<b>Equity</b>		
Share capital.....	330	347
Treasury shares.....	(6,722)	(11,108)
Translation reserve.....	(16,927)	(15,794)
Retained earnings and other reserves.....	80,116	88,422
<b>Total equity attributable to shareholders of the parent.....</b>	<b><u>56,797</u></b>	<b><u>61,867</u></b>
Non-controlling interests.....	1,477	731
<b>Total equity.....</b>	<b><u>58,274</u></b>	<b><u>62,598</u></b>
<b>Total liabilities and equity.....</b>	<b><u>114,091</u></b>	<b><u>111,641</u></b>

**Consolidated Income Statements**  
**For the Years ended 31 December 2011 and 2010**

(CHF in millions)

	2011	2010 <sup>(b)</sup>
<b>Sales<sup>(a)</sup></b> .....	<b>83,642</b>	<b>93,015</b>
Other revenue .....	128	109
Cost of goods sold .....	(44,127)	(45,849)
Distribution expenses.....	(7,602)	(8,078)
Marketing and administration expenses.....	(17,395)	(21,122)
Research and development costs .....	(1,423)	(1,881)
Other trading income.....	51	168
Other trading expenses.....	(736)	(1,530)
<b>Trading operating profit</b> .....	<b>12,538</b>	<b>14,832</b>
Other operating income .....	112	24,573
Other operating expenses .....	(179)	(585)
<b>Operating profit</b> .....	<b>12,471</b>	<b>38,820</b>
Financial income .....	115	94
Financial expense .....	(536)	(847)
<b>Profit before taxes and associates</b> .....	<b>12,050</b>	<b>38,067</b>
Taxes .....	(3,112)	(3,693)
Share of results of associates.....	866	1,010
<b>Profit for the year</b> .....	<b>9,804</b>	<b>35,384</b>
of which attributable to non-controlling interests .....	317	1,151
of which attributable to shareholders of the parent (Net profit).....	9,487	34,233
<b>As percentages of sales</b>		
Trading operating profit.....	15.0%	15.9%
Profit for the year attributable to shareholders of the parent (Net profit).....	11.3%	36.8%
<b>Earnings per share (in CHF)</b>		
Basic earnings per share.....	2.97	10.16
Diluted earnings per share.....	2.96	10.12

<sup>(a)</sup> Until 31 December 2010, certain allowances and discounts granted to trade chains, customers, retailers and consumers for trade and consumer promotions, selling, distribution, advertising and other services rendered to the Nestlé Group were treated as expenses as well as distribution expenses on the grounds that they were incurred to generate revenue. From 1 January 2011, the Nestlé Group treats these allowances and discounts as a deduction of revenue in conformity with the practice generally adopted by consumer goods companies. The 2010 sales figure has been restated to reflect this change in presentation.

<sup>(b)</sup> 2010 figures restated following changes in the Income Statement. Previously, the Nestlé Group Income Statement included EBIT (Earnings before Interest, Taxes, Restructuring and Impairments) and Profit before interest and taxes. As from 1 January 2011, the “Trading operating profit” included in the Income Statement is after restructuring costs, impairment of all assets except goodwill, litigation and onerous contracts, result on disposal of property, plant and equipment and specific other income and expenses that fall within the control of operating segments. The line “Profit before interest and taxes” is renamed “Operating profit” and is after impairment of goodwill, results on disposals of businesses, acquisition-related costs and other income and expenses that fall beyond the control of operating segments and relate to events such as natural disasters and expropriation of assets.

## **Information about Nestlé S.A.**

### *General*

Nestlé S.A. was founded in 1866 as “Anglo-Swiss Condensed Milk Company”. Following the merger in 1905 with “Farine lactée Henri Nestlé” (founded in Vevey in 1867), the company was renamed “Nestlé and Anglo-Swiss Condensed Milk Company” and in 1977 adopted the present name, Nestlé S.A.

Nestlé S.A. is a company with unlimited duration and is organised under the Swiss Code of Obligations. The registered offices of Nestlé S.A. are Avenue Nestlé 55, 1800 Vevey, Canton of Vaud, Switzerland and Zugerstrasse 8, 6330 Cham, Canton of Zug, Switzerland. The telephone number of Nestlé S.A.’s office in Vevey, Switzerland is +41 (0)21 924 21 11. Nestlé S.A. was registered with the Commercial Registry of the Canton of Zug on 9 March 1883 and with the Commercial Registry of the Canton of Vaud on 19 July 1905.

Nestlé S.A. is not aware of any recent events particular to it which are to a material extent relevant to the evaluation of its solvency.

### *Principal Investments/Principal Future Investments*

The Nestlé Group continues to make significant capital investments on a global basis, satisfying the need for capacity, delivering value added innovations, improving quality and safety within its operations, enhancing capabilities and advancing shared value strategies.

2011 was another year of growth for the Nestlé Group, as it has continued to invest in and support winning innovations and business models, to increase its presence in high value-added categories, which are also drivers of future returns.

The Nestlé Group used capital strategically, to accelerate the development of Nestlé Health Science, through three investments in 2011 (the first, the acquisition of Prometheus Laboratories Inc., represented a new investment by Nestlé Health Science in diagnostics and the therapeutic gastrointestinal and oncology business, and the other two investments were made in products targeting specific disorders and diseases), and its business in China with two partnerships, where Nestlé acquired 60 per cent. of both Hsu Fu Chi International Limited (“Hsu Fu Chi”) and Yinlu Foods Group (“Yinlu”). Both businesses have established brands in China. Hsu Fu Chi makes sugar confectionery, packaged snacks and sachima, a traditional Chinese snack. Yinlu’s products are also traditional and include ready-to-drink peanut milk and ready-to-eat canned rice porridge.

On 23 April 2012, the Nestlé Group announced its agreement to acquire Pfizer Nutrition for USD 11.85 billion, a strategic move to enhance its position in global infant nutrition. The acquisition, which is subject to regulatory approval, will complement the Nestlé Group’s existing infant nutrition business to combine established brands like S-26 Gold, SMA and Promil with the Nestlé Group brands such as Nan, Gerber, Lactogen, Nestogen and Cerelac infant cereal.

Whilst the Nestlé Group continues to make ongoing investments, since the date of its last published financial statements, the Group has made no other material investments or firm commitments with respect to material investments in the future.

## **Business Overview**

Nestlé S.A. 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. Approximately 59 per cent of the sales of the Nestlé Group are generated in Europe and North America. 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 confectionery, as well as products for weight management, pet care and pharmaceutical products.

On 7 July 2008, the Nestlé Group sold 24.8 per cent. of the outstanding capital of Alcon Inc. to Novartis AG for a total amount of USD 10.4 billion, resulting in a profit on disposal of CHF 9,208 million and an increase of non-controlling interests of CHF 1,537 million. On 4 January 2010, Novartis AG exercised its call option to acquire the remaining 52 per cent. outstanding capital from Nestlé at a price of USD 181 per share. The transaction was completed on 25 August 2010.

On 1 March 2010, the Nestlé Group completed the acquisition of Kraft Food's frozen pizza business in the United States and Canada for \$3.7 billion. In September 2010, the Nestlé Group completed the acquisition of Waggin' Train dog snacks business in the United States. Waggin' Train is a leading marketer in the fast growing real-meat dog snacks segment.

As at 31 December 2011, the Nestlé Group held 178,381,021 shares in L'Oréal, representing a 30 per cent. participation in its equity (and there has been no change to that ownership since 31 December 2011).

Nestlé S.A. is extensively engaged in research and development activities in most sectors of modern nutrition.

The Nestlé Group's objective is to be recognised as the world leader in Nutrition, Health and Wellness, trusted by all stakeholders, and to be the reference for financial performance in its industry. Nestlé Group's Roadmap combines four competitive advantages, four growth drivers and four operational pillars with the aim of aligning the priorities of the 328,000 people who are working at Nestlé, and thereby accelerate the achievement of its objective. For a further discussion of the Roadmap, see pages 11 to 29 of Nestlé S.A.'s Annual Report for the financial year ended 31 December 2011 which is incorporated by reference into this Prospectus.

## **Organisational Structure**

Nestlé S.A. is the parent company within the Nestlé Group and is the principal holding company of the Nestlé Group.

## **Administrative, Management and Supervisory Bodies**

### *Name, Business Addresses, and Functions*

The corporate bodies of Nestlé S.A. are the General Meeting of Shareholders, the Board of Directors and the Statutory Auditors. The Board of Directors delegates to the Chief Executive Officer, with the authorisation to sub-delegate, the power to manage Nestlé S.A.'s and the Nestlé Group's business, subject to law, the Articles of Association and the Board of Directors' Regulations.

The Chief Executive Officer chairs the Executive Board, which comprises all Executive Vice Presidents and Deputy Executive Vice Presidents, and delegates to its members individually the powers necessary for carrying out their responsibilities, within the limits fixed in the Executive Board's Regulations.

The business address of the Directors and the members of the Executive Board is Avenue Nestlé 55, 1800 Vevey, Switzerland.

### *The Board of Directors*

In accordance with the Articles of Association, the Board of Directors shall consist of at least seven members.

As at the date of this Prospectus, the members of the Board of Directors of Nestlé S.A. are:

<u>Position</u>	<u>Name</u>	<u>Other Activities and Functions</u>
Chairman of the Board	Peter Brabeck-Letmathe	Nestlé Health Science S.A., CH, Chairman L'Oréal S.A., FR, Vice Chairman Credit Suisse Group, CH, Vice Chairman Delta Topco Ltd., Jersey, Board Member Exxon Mobil Corporation, Texas, USA, Board Member European Round Table of Industrialists, BE, Member World Economic Forum, CH, Member of the Foundation Board Verbier Festival, CH, Member of the Foundation Board Nestlé Institute of Health Sciences, CH, Member of the Steering Committee Water Resource Group (WRG), USA, Chairman
Chief Executive Officer	Paul Bulcke	Cereal Partners Worldwide, CH, Co-Chairman of the Supervisory Board Consumer Goods Forum, FR, Board Member and Co-Chair of the Governance Committee Roche Holding Ltd., CH, Board Member L'Oréal S.A., FR, Board Member Nestlé Health Science S.A., CH, Administrateur Délégué Nestlé Institute of Health Sciences, CH, Member of the Steering Committee
First Vice Chairman	Andreas Koopmann	Swissmem, CH, Vice Chairman Credit Suisse Group, CH, Board Member CSD Group, CH, Board Member Georg Fischer AG, CH, Board Member
Second Vice Chairman	Rolf Hänggi	University of Zurich, Mastercourse of Advanced Studies in Applied History, CH, Member of the Advisory Board Foundation Luftbild Schweiz, CH, Member of the Board of Trustees
Non-executive Director	Daniel Borel	Logitech International S.A., CH, Co-Founder and Board Member Defitech Foundation, CH, Member of the Board swissUp, Foundation for Excellence in Education in Switzerland, CH, Chairman EPFL Plus Foundation, CH, President
Non-executive Director	Jean-Pierre Meyers	L'Oréal S.A., FR, Vice Chairman Bettencourt-Schueller Foundation, FR, Vice Chairman Téthys S.A.S., FR, CEO and Member of the Supervisory Board
Non-executive Director	André Kudelski	Kudelski Group, CH, Chairman and Chief Executive Officer Nagra Plus S.A., CH, Chairman and Chief

Position	Name	Other Activities and Functions
		<p>Executive Officer  Dassault Systèmes S.A., FR, Board and Audit Committee Member  Edipresse Group, CH, Board Member and Audit Committee Member  Swiss-American Chamber of Commerce, CH, Vice Chairman of the Board  Swiss-American Chamber of Commerce, HSBC Private Bank Holdings (Suisse) S.A., CH, Board Member</p>
Non-executive Director	Steven George Hoch	<p>Highmount Capital, LLC, USA, Founder and Senior Partner  American Swiss Foundation, USA/CH, Chairman  Woods Hole Oceanographic Institution, USA, Trustee  Smithsonian Institution, USA, Member of the National Board</p>
Non-executive Director	Naina Lal Kidwai	<p>Federation of Indian Chambers of Commerce and Industry (FICCI), Senior Vice President  HSBC Group of Companies, India, Country Head  HSBC Asia-Pacific, Board Member  Harvard Business School, USA, India Advisory Board, Chairperson, and Member of the Global Board of Dean’s Advisors  IIT Mumbai, IN, Member of the Advisory Board  Indian advisory council of the City of London, GB, Chairperson  Government of India – Indo-German Consultative Group, IN, representative  Aspen Institute, IN, Board Member  NCAER - National Council of Applied Economics Research, IN, Board Member  NIBM - National Institute Bank Management, IN, Board Member  Shakti Sustainable Energy Foundation, IN, Board Member  TERI, IN, Member of Advisory Board  World Economic Forum, Member of Global Agenda Council on Climate Change</p>
Non-executive Director	Beat Hess	<p>Holcim Ltd, CH, Board Member  Sonova Holding AG, CH, Board Member  The Hague Academy of International Law, NL, Member  The Hague Institute for the Internationalisation of Law, NL, Member of Supervisory Board</p>
Non-executive Director	Titia de Lange	<p>Nestlé Nutritional Council, CH, Board Member  Anderson Cancer Center, The Rockefeller University, USA, Associate Director</p>

<u>Position</u>	<u>Name</u>	<u>Other Activities and Functions</u>
Non-executive Director	Jean-Pierre Roth	The Rockefeller University, USA, Leon Hess Professor The Rockefeller University, USA, Professor American National Academy of Sciences, Elected Member Swiss Re, CH, Board Member Avenir Suisse, CH, Member of the Foundation Board and Member of the Programme Committee Swatch Group AG, CH, Board Member Geneva Cantonal Bank, Chairman of the Board of Directors
Non-executive Director	Ann M. Veneman	4-H, USA, Board Member Alexion Pharmaceuticals, Inc., USA, Board Member Close Up Foundation, USA, Board Member Malaria No More, USA, Board Member Mothers Day Every Day, USA, Co-Chair Council on Foreign Relations, USA Member The Trilateral Commission, Member The Chicago Council Global Agricultural Development Initiative, USA, Advisory Board Bipartisan Policy Council, Nutrition and Physical Activity Initiative, USA, Advisory Board Nestlé Creating Shared Value Advisory Board, CH, Member
Non-executive Director	Henri de Castries	AXA Group, FR, Chairman and CEO AXA Hears in Action, FR Chairman Association pour l'aide aux jeunes infirmes, FR, Board Member

*The Executive Board*

As at the date of this Prospectus, the members of the Executive Board of Directors of Nestlé S.A. are:

<u>Position</u>	<u>Name</u>	<u>Other Activities and Functions</u>
Chief Executive Officer	Paul Bulcke	Cereal Partners Worldwide, CH, Co-Chairman of the Supervisory Board Consumer Goods Forum, FR, Board Member and Co-Chair of the Governance Committee Roche Holding Ltd., CH, Board Member L'Oréal S.A., FR, Board Member Nestlé Health Science S.A., CH, Administrateur Délégué Nestlé Institute of Health Sciences, CH, Member of the Steering Committee
Executive Vice President: Chief Technology Officer:	Werner J. Bauer	Life Ventures S.A., CH, Chairman Bertelsmann Foundation, DE, Chairman of the Board of Trustees

Position	Name	Other Activities and Functions
Head of Innovation, Technology and R&D		<p>Bertelsmann Verwaltungs-Gesellschaft, DE, Member</p> <p>Nutrition-Wellness Venture AG, CH, Chairman</p> <p>Nestlé Deutschland AG, DE, Chairman of the Supervisory Board</p> <p>Sofinol S.A., CH, Chairman</p> <p>Galderma Pharma, CH, Board Member</p> <p>Nestlé Institute of Health Sciences, CH, Chairman</p> <p>Nestlé Health Science S.A., CH, Board Member</p> <p>GEA Group AG, DE, Member of the Supervisory Board</p> <p>“scienceindustries”, CH Board Member</p>
Executive Vice President: Operations, GLOBE	José Lopez	<p>Nestrade S.A., CH, Chairman</p> <p>Nestec S.A., CH, Chairman</p> <p>GS1, BE, Chairman</p> <p>University of Cambridge – Programme for Sustainable Leadership (CPSL), UK, Member of Advisory Board</p> <p>Cereal Partners Worldwide, CH, Member of Supervisory Board</p>
Executive Vice President: Chairman and CEO Nestlé Waters	John J. Harris	None at present
Executive Vice President: Chief Financial Officer	Wan Ling Martello	<p>Life Ventures S.A., CH, Board Member</p> <p>Nutrition-Wellness Venture AG, CH, Board Member</p> <p>Committee of 100 (National organisation of Chinese American leaders), USA, Board Member</p> <p>Museum of Chinese in America, USA, Trustee</p> <p>Royal Neighbours of America, USA, Board Member</p>
Executive Vice President: Zone Director Europe	Laurent Freixe	<p>Cereal Partners Worldwide, CH, Member of the Supervisory Board</p> <p>Beverage Partners Worldwide, CH, Chairman</p> <p>Nestlé Enterprises S.A.S., FR, Chairman</p> <p>Nestlé Suisse S.A., CH, Chairman</p> <p>Société des Produits Nestlé S.A., CH, Chairman</p> <p>Lactalis Nestlé Produits Frais SAS, FR, Board Member</p> <p>Foreign Investment Advisory Council (FIAC) of Russia, RU, Member</p> <p>Association des Industries de Marque (AIM), Confederation of the food and drink industries of the EU (CIAA), BE, Board Member, Member of Executive Committee and Member of Liaison Committee</p> <p>ECR Europe, BE, Member Executive Board</p>

Position	Name	Other Activities and Functions
Executive Vice President: Strategic Business Units, Marketing, Sales, Nespresso	Patrice Bula	Nestlé Nespresso S.A., CH, Chairman Life Ventures S.A., CH, Board Member Nutrition-Wellness Venture AG, CH, Board Member Beverage Partners Worldwide S.A., CH, Board Member Shanghai Totole, Food Co., Ltd., CN, Chairman Shanghai Totole First Food Ltd, CN, Chairman Yinlu Food Group Companies, CN, Board Member Hsu Fu Chi Group Companies, CN, Board Member
Executive Vice President: Zone Director USA, Canada, Latin America and Caribbean	Chris Johnson	Nescalin S.A. de C.V., MX, Chairman Nestlé Mexico S.A. de C.V., MX, Chairman Nestlé Brasil LTDA, Chairman Dairy Partners Americas, Co-Chairman of Supervisory Board Cereal Partners Worldwide, CH, Member of Supervisory Board Swiss-Latin American Chamber of Commerce, CH, Board Member Swiss-American Chamber of Commerce, CH, Treasurer
Deputy Executive Vice President: CEO Nestlé Professional	Marc Caira	None at present
Deputy Executive Vice President: Head of Human Resources and Centre Administration	Jean-Marc Duvoisin	Nestlé Pension Fund, Chairman Nestlé Capital Advisers S.A., CH, Board Member
Deputy Executive Vice President: Head of Nestlé Nutrition	Kurt Schmidt	Life Ventures S.A., CH, Board Member Nutrition-Wellness AG, CH, Board Member Nestlé Institute of Health Sciences, CH, Member of the Steering Committee Nestlé Nutrition Council, CH, Board Member International Association of Infant Food Manufacturers (IFM), Chairman
Executive Vice President: Zone Director Asia, Oceania, Africa and Middle East	Doreswamy (Nandu) Nandkishore	P.T. Nestlé Indonesia, Chairman of the Supervisory Board P.T. Nestlé Indofood Citarasa Indonesia, Chairman of the Supervisory Board Nestlé (China) Ltd., CN, Board Member Hsu Fu Chi International Ltd., CN, Board Member Osem Investments Ltd. Israel, Board Member Cereal Partners Worldwide S.A., CH, Member of the Supervisory Board
Senior Vice President: Corporate Governance, Compliance and Corporate Services	David P. Frick	SIX Swiss Exchange Regulatory Board, CH, Board Member International Chamber of Commerce (ICC), FR, Committee on Extraterritoriality

<u>Position</u>	<u>Name</u>	<u>Other Activities and Functions</u>
		Swiss-American Chamber of Commerce, CH, Legal Committee Economiesuisse, CH, Board Member and Chair of Legal Commission SwissHoldings, CH, Nestlé representative

### *Conflicts of Interest*

As at the date of this Prospectus, the above mentioned members of the Board of Directors and of the Executive Board of Nestlé S.A. do not have potential conflicts of interests between any duties to Nestlé S.A. and their private interests or other duties.

## **The Board of Directors and its Committees**

### *Corporate Governance*

Nestlé S.A. complies with applicable rules of Swiss law relating to corporate governance. Each year Nestlé S.A. compiles a Corporate Governance Report as required by the regulations of the SIX Swiss Exchange.

### *Chairman's and Corporate Governance Committee*

The Chairman's and Corporate Governance Committee consists of the Chairman, the two Vice Chairmen, the CEO (*administrateur délégué*) and other members as elected by the Board. It liaises between the Chairman and the full Board of Directors in order to act as a consultant body to the Chairman and to expedite whenever necessary the handling of the Company's business. The Committee annually reviews the Corporate Governance of the Company and prepares recommendations for the Board. Its current members are Peter Brabeck-Letmathe (Chair), Paul Bulcke, Andreas Koopmann, Rolf Hänggi and Beat Hess.

### *Audit Committee*

The Audit Committee consists of a Vice Chairman, who chairs the Committee, and a minimum of two other members of the Board, excluding the CEO and any former member of the Executive Board. At least one member has to have recent and relevant financial expertise, the others must be familiar with the issues of accounting and audit. In discharging its responsibilities, the Audit Committee has unrestricted access to the Company's management, books and records. The Audit Committee supports the Board of Directors in its supervision of financial control through a direct link to the external auditors as mentioned above and the corporate internal auditors (Nestlé Group Audit) of Nestlé S.A. The Audit Committee's duties include (i) to discuss Nestlé S.A.'s internal accounting procedures, (ii) to make recommendations to the Board of Directors regarding the nomination of external auditors to be appointed by the shareholders, (iii) to discuss the audit procedures, including the proposed scope and the results of the audit, (iv) to keep itself regularly informed on important findings of the audits and of their progress, (v) to oversee the quality of the internal and external auditing, (vi) to present the conclusions on the approval of the financial statements to the Board of Directors, and (vii) to review certain reports regarding internal controls and the Group's annual risk assessment. The current members of the Audit Committee are Rolf Hänggi (Chair), André Kudelski, Naïna Lal Kidwai and Henri de Castries.

The Audit Committee regularly reports to the Board on its findings and proposes appropriate action. The responsibility for approving the annual financial statements remains with the Board of Directors.

### *Compensation Committee*

The Compensation Committee consists of a Chairperson, who is an independent and non-executive member of the Board, of one Vice Chairman and a minimum of two other non-executive members of the Board of Directors. All members are independent. It determines the principles for remuneration of the members of the Board and submits them to the Board for approval. It oversees and

discusses the remuneration principles for the Company and the Group. In addition, it proposes to the Board of Directors the individual remuneration of the Chairman, the CEO and approves the remuneration of individual members of the Executive Board. It reports on its decisions to the Board and keeps the Board updated on the overall remuneration policy of the Group. The current members of the Compensation Committee are Daniel Borel (Chair), Andreas Koopmann, Jean-Pierre Meyers and Jean-Pierre Roth.

#### *Nomination Committee*

The Nomination Committee consists of a Chairperson, who is an independent and non-executive member of the Board, of the Chairman of the Board of Directors and a minimum of two independent and non-executive members of the Board. It establishes the principles for the selection of candidates to the Board, selects candidates for election or re-election to the Board and prepares a proposal for the Board's decision. The candidates to the Board must possess the necessary profiles, qualifications and experience to discharge their duties. Newly appointed Board members receive an appropriate introduction into the business and affairs of the Company and the Group. If required, the Nomination Committee arranges for further training. It reviews, at least annually, the independence of the members of the Board and it prepares the annual self-evaluation of the Board. The current members of the Nomination Committee are Andreas Koopmann (Chair), Peter Brabeck-Letmathe, Steven G. Hoch and Ann M. Veneman.

#### **Major Shareholders**

On 31 December 2011, Nestlé S.A. held, together with a Nestlé subsidiary, 128,020,079 treasury shares representing 3.9 per cent. of the share capital of Nestlé S.A., including 75,200,000 shares repurchased under Nestlé S.A.'s Share Buy-Back Programme of CHF 10 billion completed on 6 September 2011.

Nestlé S.A. is not aware of any arrangement the effect of which would result in a change of control of Nestlé S.A.

#### **Additional Information**

##### *Share Capital*

As at 31 December 2011, the ordinary share capital of Nestlé S.A. was CHF 330,000,000 divided into 3,300,000,000 fully paid up registered shares having a nominal value of CHF 0.10 each. At the Annual General Meeting of Nestlé S.A. on 19 April 2012, the shareholders approved the reduction of the ordinary share capital by CHF 7,520,000 from CHF 330,000,000 to CHF 322,480,000 through the cancellation of 75,200,000 shares. The capital reduction is scheduled to be effected by the end of June 2012. The conditional share capital of Nestlé S.A. is CHF 10,000,000. By the exercise of conversion and/or option rights, the share capital of Nestlé S.A. may be increased by a maximum of CHF 10,000,000, by the issue of up to 100,000,000 registered shares having a nominal value of CHF 0.10 each.

##### *Articles of Association*

Article 2 of the Articles of Association of Nestlé S.A. states that the purpose of Nestlé S.A. is to participate in industrial, service, commercial and financial enterprises in Switzerland and abroad, in particular in the food, nutrition, health, wellness and related industries. In addition, Nestlé S.A. may itself establish such undertakings or participate in, finance and promote the development of undertakings already in existence, and may enter into any transaction which the business purpose may entail. Nestlé S.A. shall, in pursuing its business purpose, aim for long-term, sustainable value creation.

#### **Material Contracts**

Nestlé S.A. has not entered into any contracts in areas outside of its ordinary course of business, which could result in any group member being under an obligation or entitlement that is material to Nestlé S.A.'s ability to meet its obligations to Noteholders in respect of the Notes.

## TAXATION

### General

The discussion of taxation under the headings “United States”, “United Kingdom”, “Luxembourg” and “Switzerland” in this section is only an indication of certain tax implications under the laws of those jurisdictions as they may affect investors. It applies only to persons who are beneficial owners of Notes and may not apply to certain classes of person (such as dealers). The Issuers and the Guarantor (if applicable) make no representations as to the completeness of the information nor undertake any liability of whatsoever nature for the tax implications for investors. **Potential investors are strongly advised to consult their own professional advisers on the tax implications of investing in Notes.**

### United States

The following is a summary based on present law of certain United States federal income tax considerations for a prospective purchaser of Notes issued by NHI. This summary addresses only the tax considerations for an initial Holder of the Notes that acquires Notes on their original issue at their original offering price and that is not a U.S. Person (a “Non-U.S. Holder”). For this purpose, a “U.S. Person” is (i) a citizen or individual resident of the United States, (ii) a corporation, partnership or other entity created or organised in or under the laws of the United States or its political subdivisions, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court. This summary also assumes that the Notes will be characterised as debt, rather than as equity, for United States federal tax purposes and that the Notes will be offered, sold and delivered in compliance with and payments on the Notes will be made in accordance with certain required procedures set forth in the Terms and Conditions of the Notes and other relevant documents. Finally, it does not describe any tax consequences arising out of the tax laws of any state, local or foreign jurisdiction. Except for Notes having a maturity of not more than 183 days at issuance, NHI will only be permitted to issue Notes that are treated as issued in registered form for United States federal tax purposes. Notwithstanding the foregoing, NHI may issue Notes represented by a Note in global bearer form that has been immobilised with a clearing organisation or its depository in accordance with procedures sufficient to cause such Notes to be treated as issued in registered form for United States federal tax purposes.

Notes will be considered to be effectively immobilised so as to be treated as issued in registered form for United States federal tax purposes where (i) the Notes are represented by one or more global Notes in physical form that are issued to and held by a clearing organisation (or by a custodian or depository acting as an agent of the clearing organisation) for the benefit of purchasers of interests in the Notes under arrangements that prohibit the transfer of the global Note except to a successor clearing organisation subject to the same terms, (ii) beneficial interests in the underlying Notes are transferable only through a book-entry system maintained by the clearing organisation (or an agent of the clearing organisation), and (iii) holders may obtain definitive Notes in bearer form only upon the occurrence of an Exchange Event.

This summary does not address all tax considerations for a beneficial owner of the Notes and does not address the tax consequences to a Non-U.S. Holder in special circumstances. For example, this summary does not address a Non-U.S. Holder subject to United States federal income tax on a net income basis. It addresses only purchasers that buy in the original offering at the original offering price and hold Notes as capital assets. It does not include a discussion of Index Linked Notes or Floating Rate Notes other than Floating Rate Notes whose rate is based on a conventional interest rate or composite of interest rates. The discussion is a general summary. It is not a substitute for tax advice.

**THE STATEMENTS ABOUT UNITED STATES FEDERAL TAX ISSUES ARE MADE TO SUPPORT MARKETING OF THE NOTES. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE NOTES UNDER THE LAWS OF THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.**

## U.S. Taxation of Notes

Subject to the discussion below under the heading “—U.S. Information Reporting and Backup Withholding”, interest paid to a Non-U.S. Holder will not be subject to U.S. withholding tax, provided that:

- (i) the Non-U.S. Holder does not actually or constructively own 10 percent or more of the combined voting power of all classes of NHI’s stock entitled to vote;
- (ii) the Non-U.S. Holder is not a controlled foreign corporation as defined in section 957 of the United States Internal Revenue Code of 1986, as amended (the “Code”) that is related to NHI through stock ownership;
- (iii) the Non-U.S. Holder is not a bank described in section 881(c)(3)(A) of the Code; and
- (iv) in the case of Notes with a maturity of more than 183 days, on or before the first payment of interest or principal, the Non-U.S. Holder has provided the Paying Agents with a valid and properly executed U.S. Internal Revenue Service Form W-8 (or successor or substitute therefor) or other appropriate form of certification of non-U.S. status sufficient to establish a basis for exemption under sections 871(h)(2)(B) and 881(c)(2)(B) of the Code or equivalent certification of non-U.S. beneficial ownership has been provided by a qualified intermediary through which such non-U.S. beneficial owner holds the Notes or, if the Notes are issued in compliance with United States Treasury Regulations Section 1.163-5(c)(2)(i)(D) (“TEFRA D rules”) so as to be treated as “foreign targeted registered obligations” (within the meaning of U.S. Treasury Regulation section 1.871-14(e) and IRS Notice 2012-20), each registered owner is a financial institution described in section 871(h)(5) of the Code and has provided such certification of non-U.S. beneficial ownership as may be required from time to time under applicable rules.

If the Non-U.S. Holder is a partnership or trust for United States federal income tax purposes, interest paid to it may be subject to U.S. withholding tax unless all of its partners or beneficiaries can satisfy the conditions for exemption above.

Interest paid to a Non-U.S. Holder will not be subject to U.S. net income tax unless the interest is effectively connected with the Non-U.S. Holder’s conduct of a U.S. trade or business.

Except as described in (v) above and in the following paragraph, a Non-U.S. Holder will not be required to disclose its nationality, residence, or identity to the Issuer, a paying agent, or any U.S. governmental authority in order to receive payment on the Notes from the Issuer or a paying agent outside the United States.

A gain realised by a Non-U.S. Holder on the disposition of a Note will not be subject to U.S. tax unless (i) the gain is effectively connected with such Non-U.S. Holder’s conduct of a U.S. trade or business or (ii) the Holder is an individual present in the United States for at least 183 days during the taxable year of disposition and certain other conditions are met. Notwithstanding the foregoing, in the case of Notes issued after 31 December 2012, payments of interest (including any original issue discount) and premium, if any, made after 31 December 2013 and payments of principal on, as well as the proceeds from the sale, exchange or disposition of, such Notes made after 31 December 2014, generally will be subject to U.S. withholding tax under FATCA unless (i) the Non-U.S. Holder provides the Issuer, any paying agent, U.S. intermediary or any other non-U.S. financial institution intermediary through which it holds the Notes or receives payments on or with respect to such Notes with information necessary to determine whether the investor is a U.S. person or a non-financial, non-U.S. entity with material direct or indirect U.S. ownership and (ii) each non-U.S. financial institution through which such Non-U.S. Holder holds such Notes or receives payments on or with respect to such Notes has entered into an agreement with the U.S. Internal Revenue Service (“IRS”) pursuant to which it agrees, among other responsibilities, to collect and provide to the IRS information about its direct and indirect U.S. accountholders and investors.

## **U.S. Information Reporting and Backup Withholding**

Payments of principal and interest on the Notes generally will not be subject to United States information reporting or backup withholding.

Proceeds from the sale, exchange or other disposition of a Note generally will not be subject to United States information reporting unless the sale is effected through the United States office of a broker or the foreign office of a broker that is a U.S. person, is controlled by U.S. persons or receives most of its income from (or in the case of a partnership, conducts) a business in the United States. Such proceeds will not be subject to United States backup withholding unless the sale is effected through a United States office of a broker. Any amount withheld may be credited against a Holder's United States federal income tax liability or refunded to the extent it exceeds the Holder's liability.

United States withholding tax will be withheld from payments of proceeds from the sale, exchange or other disposition of a Note and interest paid to non-United States persons that receive such payments (i) through non-United States financial institutions that do not report required information relating to United States accounts to United States tax authorities or (ii) directly but themselves fail to comply with new United States reporting requirements.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES UNDER THE INVESTOR'S OWN CIRCUMSTANCES.**

### **United Kingdom**

The following is a general description of the UK withholding tax treatment of interest paid on the Notes, based on current law and practice in the UK. It does not deal with any other tax considerations relating to the Notes. It relates to the position of persons who are the absolute beneficial owners of Notes and some aspects may not apply to certain classes of taxpayer. Prospective Noteholders should seek their own professional advice on their tax position having regard to their own particular facts and circumstances.

Payments of interest on the Notes may be made without withholding on account of UK income tax.

Any Paying Agent or other person through whom interest (or, in certain circumstances, amounts payable on the redemption of Notes) is paid or credited to, or by whom interest (or, in certain circumstances, amounts payable on the redemption of Notes) is received on behalf of, an individual (whether resident in the UK or elsewhere) may be required to provide information in relation to the payment and the Noteholder concerned to HM Revenue and Customs ("HMRC"). HMRC may communicate information to the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes. HMRC published practice indicates that HMRC will not exercise the power to require information to be provided in respect of amounts payable on the redemption of Notes without prior announcement that it intends to exercise this power.

### **Luxembourg**

#### **General**

The following information is of a general nature only and is based on the laws in force in Luxembourg as of the date of this Programme. It does not purport to be a comprehensive description of all tax implications that might be relevant to an investment decision. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should consult their professional advisers with respect to particular circumstances, the effects of state, local or foreign laws to which they may be subject and as to their tax position.

The residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

## **Withholding tax**

### ***Resident investors***

Under the Luxembourg law of 23 December 2005 (the “Law”), payments of interest or similar income made since 1 January 2006 (but accrued since 1 July 2005) by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management or his/her private wealth.

Further, Luxembourg resident individuals acting in the course of the management of their private wealth who are the beneficial owners of interest payments made by a paying agent established outside Luxembourg in a Member State of the European Union or of the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the European Council Directive 2003/48/EC on taxation of savings income (the “Directive”), may also opt for a final 10 per cent. levy. In such case, the 10 per cent. levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 10 per cent. levy must cover all interest payments made by the paying agent to the Luxembourg resident beneficial owner during the entire calendar year.

### ***Non-resident investors***

Under Luxembourg tax law currently in effect and subject to the application of the Luxembourg laws dated 21 June 2005 (the “Laws”) implementing the Directive and several agreements concluded between Luxembourg and certain dependant territories of the European Union, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to Luxembourg non-resident holders of Notes. There is also no Luxembourg withholding tax, upon repayment of the principal or, subject to the application of the Laws, upon redemption or exchange of the Notes.

Under the Laws, a Luxembourg based paying agent (within the meaning of the Directive) is required since 1 July 2005 to withhold tax on interest and other similar income (including reimbursement premium received at maturity) paid by it to (or under certain circumstances, to the benefit of) an individual or a residual entity in the sense of article 4.2. of the Directive (i.e. an entity without legal personality except for (1) a Finnish *avoin yhtiö* and *kommandiittiyhtiö* / *öppet bolag* and *kommanditbolag* and (2) a Swedish *handelsbolag* and *kommanditbolag*, and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as, a UCITS recognised in accordance with Council Directive 85/611/EEC, as replaced by Directive 2009/65/EC (“Residual Entities”), resident or established in another Member State of the European Union unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals or Residual Entities resident in any of the following territories: Aruba, British Virgin Islands, Guernsey, Isle of Man, Jersey, Montserrat and the former Netherlands Antilles (Bonaire, Curaçao, St. Maarten, St. Eustatius and Saba).

The withholding tax rate is currently 35 per cent. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries.

In each case described here above, responsibility for the withholding of such tax will be assumed by the Luxembourg paying agent.

## **Income tax**

### ***Resident investors - General***

Any investor who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, is subject to Luxembourg income tax in respect of the interest paid or accrued on the Notes. Specific exemptions may be available for certain taxpayers benefiting from a particular tax status.

#### *Resident individual investors*

A Luxembourg resident individual acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if a withholding tax has been levied by the Luxembourg paying agent on such payments or, in case of a non-resident paying agent, if such Luxembourg resident individual investor has opted for the levy of a withholding tax, in accordance with the Law.

Under Luxembourg domestic tax law, gains realised upon the sale, disposal or redemption of Notes, which do not constitute Zero Coupon Notes, by a Luxembourg resident individual who acts in the course of the management of his/her private wealth, are not subject to Luxembourg income tax, provided this sale or disposal took place at least six months after the acquisition of the Notes. A Luxembourg resident individual, who acts in the course of the management of his/her private wealth, has further to include the portion of the gain corresponding to accrued but unpaid income in respect of the Notes in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in an agreement.

A gain realised upon a sale or disposal of Zero Coupon Notes before their maturity by Luxembourg resident individuals acting in the course of the management of their private wealth must be included in their taxable income for Luxembourg income tax assessment purposes.

Interest derived from as well as gains realised upon a sale or disposal, in any form whatsoever, of the Notes by a Luxembourg resident individual holder acting in the course of the management of a professional or business undertaking are subject to Luxembourg income taxes.

#### *Resident corporate investors*

Interest derived from as well as gains realised by a Luxembourg resident corporate entity, which is a resident of Luxembourg for tax purposes, on the sale or disposal, in any form whatsoever, of Notes are subject to Luxembourg income taxes.

Luxembourg residents who benefit from a special tax regime, such as, for example, (i) undertakings for collective investment subject to the law of 17 December 2010, (ii) specialised investment funds governed by the amended law of 13 February 2007 or (iii) family wealth management companies governed by the amended law of 11 May 2007 are exempt from income taxes in Luxembourg and thus income derived from the Notes, as well as gains realised thereon, are not subject to Luxembourg income taxes.

### ***Non-resident investors***

Non-resident investors, who have neither a permanent establishment nor a permanent representative in Luxembourg to which the Notes are attributable, are not subject to Luxembourg income tax on interest received or accrued on the Notes. A gain realised by such non-resident investor, on the sale or disposal, in any form whatsoever, of Notes is further not subject to Luxembourg income tax.

Non-resident corporate investors or non-resident individual investors acting in the course of the management of a professional or business undertaking, and who have a permanent establishment or a

permanent representative in Luxembourg to which the Notes are attributable, are subject to Luxembourg income tax on interest accrued or received on the Notes and on any gains realised upon the sale or disposal, in any form whatsoever, on the Notes.

### ***Net wealth tax***

Luxembourg resident investors or non-resident investors who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, are subject to Luxembourg net wealth tax on such Notes, except if the investor is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the law of 17 December 2010, (iii) a securitisation company governed by the amended law of 22 March 2004 on securitisation, (iv) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (v) a specialised investment fund subject to the law of 13 February 2007 or (vi) or a family wealth management company governed by the amended law of 11 May 2007.

### **Other Taxes**

The issuance, sale and disposal of the Notes will not be subject to a Luxembourg registration or stamp duty other than a fixed €12 registration duty in case of a voluntary registration.

Under present Luxembourg tax law, where an individual holder of Notes is a resident for inheritance tax purposes of Luxembourg at the time of his/her death, the Notes are included in his or her taxable estate for inheritance tax purposes. Gift tax may be due on a gift or donation of the Notes, if the gift is recorded in a Luxembourg deed.

### **Switzerland**

#### **General**

The following information is of a general nature only and is based on the laws in force in Switzerland as of the date of this Prospectus. It does not purport to be a comprehensive description of all tax implications that might be relevant to an investment decision. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should consult their professional advisers with respect to particular circumstances, the effects of state, local or foreign laws to which they may be subject and as to their tax position.

#### **Withholding Tax**

Payments of interest on, and repayment of principal of, the Notes, by the Issuer, or the Guarantor, as the case may be, will not be subject to Swiss withholding tax, even though the Notes are guaranteed by the Guarantor, provided that the Issuer uses the proceeds from the offering and sale of the Notes at all times they are outstanding outside of Switzerland unless their use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

#### **Proposed Amendment of Swiss Federal Withholding Tax Act**

On 24 August 2011 the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent. on any payment of interest in respect of a Note to an individual resident in Switzerland or to a person outside Switzerland. If this legislation or similar legislation were enacted and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the respective Issuer, nor the Guarantor nor a paying agent nor any other person would pursuant to the Terms and Conditions of the Notes be obliged to pay additional amounts with respect to any Note as a result of the deduction or imposition of such withholding tax. In respect of Notes that are not Swiss Notes, the relevant Issuer is required to maintain a paying agent (which may be the Agent) in a jurisdiction within Europe other than Switzerland that will not be required to withhold or deduct tax pursuant to laws enacted in Switzerland providing for the taxation of payments according to principles similar to those laid down (i) in the

European Union Council Directive 2003/48/EC or (ii) in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular, the principle to have a person other than the respective Issuer or the Guarantor withhold or deduct tax.

### **Swiss federal stamp duty**

The issue and the redemption of the Notes by the Issuer will not be subject to Swiss federal stamp duty on the issue of securities, or Swiss federal stamp duty on dealing securities, as the case may be (primary market).

Secondary market dealings in Notes with a maturity in excess of 12 months where a Swiss domestic bank or a Swiss domestic securities dealer (as defined in the Swiss Federal Stamp Duty Act) acts as a party or as an intermediary to the transaction may be subject to Swiss federal stamp duty on dealing in securities at a rate of up to 0.3 per cent. of the purchase price of Notes.

### **Income Taxation on Principal or Interest**

#### ***Non-Swiss resident Holders***

Under current Swiss law, payments of interest and repayment of principal by the Issuer or, as the case may be, the Guarantor, to a holder of a Note who is a non-resident of Switzerland and who, during the current taxation year, has not engaged in trade or business through a permanent establishment or fixed place within Switzerland to which the Note is attributable and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax.

#### ***Notes held as Private Assets by a Swiss resident Holder***

Notes without a "predominant one-time interest payment": Holders of Notes without a predominant one-time interest payment (the yield-to-maturity predominantly derives from periodic interest payments and not from a one-time interest payment) who are individuals resident in Switzerland and who receive payments of interest on Notes are required to include such payments in their personal income tax return and will be taxable on any net taxable income (including the payments of interest on the Notes) for the relevant tax period.

Notes with a "predominant one-time interest payment": If the yield-to-maturity of a Note predominantly derives from a one time-interest payment such as an original issue discount or a repayment premium and not from periodic interest payments, then any periodic interest payments and, in addition, on the sale or redemption of the Note the difference between the value of the embedded bond at redemption or sale, as applicable, and its value at issuance or secondary market purchase, as applicable, converted, in each case, into Swiss Francs at the exchange rate prevailing at the time of redemption or sale, issuance or purchase, respectively (modified differential taxation method) constitutes taxable income in the hands of a Holder of Notes who is an individual resident in Switzerland. A value decrease on the Notes realised on the sale or redemption of the Notes may be offset against any gains (including periodic interest payments) realised within the same taxation period from all instruments with a predominant one-time interest payment.

Swiss-resident individual taxpayers who hold Notes as part of Swiss business assets and Swiss-resident corporate taxpayers and corporate taxpayers resident abroad holding Notes as part of a Swiss permanent establishment or a fixed place of business within Switzerland, are required to recognise the payments of interest on Notes in their income statement for the respective tax period and will be taxable on any net taxable earnings for such period.

### **Income Taxation on Gains on Sales or Redemption**

A holder of a Note who is not resident in Switzerland and who, during the taxation year, is not engaged in trade or business through a permanent establishment or fixed place of business within Switzerland to which the Note is attributable and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax on gains realised during that year on the sale or redemption of a Note.

Holders of Notes residing in Switzerland and who hold the Notes as private assets and who sell or otherwise dispose of the Notes during the taxation year realise, in general, either a tax-free capital gain or a tax-neutral capital loss. See "Income Taxation on Principal and Interest" above for a summary of the tax treatment of a gain or a loss realised on Notes with a "predominant one-time interest payment".

Swiss-resident individual taxpayers holding Notes as part of Swiss business assets and Swiss-resident corporate taxpayers and corporate taxpayers resident abroad holding Notes as part of a Swiss permanent establishment or a fixed place of business within Switzerland are required to recognise capital gains or losses realised on the sale of a Note in their income statement for the respective tax period and will be taxable on any net taxable earnings for such period. The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealing and leveraged investments in securities.

### **EU Savings Directive**

Under European Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest or similar income (similar income for this purpose includes, but is not limited to, payments on redemption of the Notes representing any discount on the issue of the Notes or any premium payable on redemption) paid by a person within its jurisdiction to an individual resident in that other Member State or certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries), deducting tax at a rate of 35 per cent.

A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State (a withholding system in the case of Switzerland at a rate of 35 per cent. with the option of the individual to have the paying agent in Switzerland provide to the tax authorities of the Member State the details of the interest payments in lieu of the withholding). In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system, or through any non-EU country which has adopted similar measures and has opted for a withholding system, or through certain dependent or associated territories which have adopted similar measures and which have opted for a withholding system, and an amount of, or in respect of, tax were to be withheld from that payment, neither the relevant Issuer nor the Guarantor nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax. Each Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

## SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement dated 10 May 2012 and as amended and/or supplemented and/or restated from time to time (the “Programme Agreement”), agreed with the Issuers and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes” above.

Set forth below are certain selling restrictions applicable to Notes issued under the Programme. Each Dealer has represented and agreed that it will comply with these restrictions. Each further Dealer appointed under the Programme Agreement will be required to represent and agree to all applicable restrictions.

The following selling restrictions may be modified by the relevant Issuer and the relevant Dealers following a change in the relevant laws or regulations. Any such modification will be set out in the applicable Final Terms issued in respect of the issue to which it is related or in a supplement to the Prospectus.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer has agreed and each further Dealer appointed under the Programme Agreement will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of (A) the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as certified to the Agent by such Dealer (or, in the case of a sale of a series of Notes to or through more than one Dealer, by each of such Dealers as to Notes of such series purchased by or through it, in which case the Agent shall notify each such Dealer when all such Dealers have so certified), and (B) the settlement date of such identifiable Tranche of Notes (or such other date as the Issuer may in its sole discretion deem necessary to comply with Regulation S) within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the completion of the distribution of all Notes of any Tranche certified as described above, an offer or sale of Notes of such Tranche within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme Agreement will be required to agree that (i) the Swiss Notes will be offered and sold in accordance with practices and documentation customary in Switzerland, (ii) it will use reasonable efforts to sell the Swiss Notes within Switzerland, (iii) more than 80 per cent. by value of the Notes included in an offering that includes Swiss Notes are or will be offered and sold to persons who are not distributors (as defined in the United States Treasury Regulation Section 1.163-5(c)(2)(i)(D)(4)) by distributors (as so defined) maintaining an office located in Switzerland and (iv) the issuance of the Swiss Notes may be subject to guidelines or restrictions imposed by governmental, banking or securities authorities in Switzerland and it agrees to comply with such guidelines and restrictions.

Each issue of Notes may be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree, as indicated in the applicable Final Terms. Each Dealer has agreed and each further Dealer appointed under the Programme Agreement will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme Agreement will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) if the applicable Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “Non-exempt Offer”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the applicable Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or such Final Terms, as applicable and the relevant Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### **United Kingdom**

Each Dealer has agreed and each further Dealer appointed under the Programme Agreement will be required to agree that:

- (1) in relation to any Notes having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell

any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

- (2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Australia**

No prospectus or other disclosure document (as defined in the Australian Corporations Act) in relation to the Programme or the Notes has been or will be lodged with the Australian Securities and Investments Commission (“ASIC”). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that unless the applicable Final Terms (or another supplement to this Prospectus) otherwise provides, it:

- (a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications for the issue, sale or purchase of the Notes in or from Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any Prospectus or other offering material or advertisement relating to any Notes in Australia,

unless the offeree or invitee is a “wholesale client” (within the meaning of section 761G of the Australian Corporations Act) and (i) the aggregate consideration payable by each offeree is at least A\$500,000 (or the equivalent in another currency) in either case disregarding moneys lent by the offeror or its associates; (ii) the offer or invitation otherwise does not require disclosure to investors in accordance with either Part 6D.2 or constitute an offer to a “retail client” for the purposes of Chapter 7 of the Australian Corporations Act; (iii) such action complies with all applicable laws, regulations and directives; and (iv) such action does not require any document to be lodged with ASIC.

### **New Zealand**

Neither Issuer intends that Notes be offered for sale or subscription to the public in New Zealand in terms of the Securities Act 1978 of New Zealand. Accordingly, no investment statement has been prepared and no prospectus has been or will be registered under the Securities Act 1978 of New Zealand.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes shall not be offered or sold in breach of the Securities Act 1978 of New Zealand. In particular, but without limitation, Notes may only be offered or transferred either:

- (a) to persons whose principal business is the investment of money or to persons who, in the course of and for the purposes of their business, habitually invest money; or
- (b) to persons who are each required to pay a minimum subscription price of at least NZ\$500,000 of the Notes (disregarding any amount lent by the offeror, the relevant Issuer or any associated person of the offeror or the relevant Issuer) before the allotment of those Notes.

In addition, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not distribute, publish, deliver or disseminate this Prospectus, any supplement or any information or other material that may constitute an

advertisement (as defined in the Securities Act 1978 of New Zealand) in relation to any offer of Notes in New Zealand other than:

- (i) to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- (ii) in other circumstances where there is no contravention of the Securities Act 1978 of New Zealand.

### **People's Republic of China**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme Agreement will be required to represent and agree, that neither it nor its affiliates has offered or sold or will offer or sell any Notes in the People's Republic of China (excluding the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan), except as permitted by applicable securities laws and regulations of the People's Republic of China.

### **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme Agreement will be required to represent and agree, that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (a) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (b) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (c) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No.25 of 1948, as amended) (the "Financial Instruments and Exchange Law") and each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

### **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme Agreement will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to the exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act").

Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme Agreement will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than (1) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (2) to a relevant person under Section 275(1) of the Securities and Futures Act, or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased Notes, namely a person who is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or to any person pursuant to Section 275(1) and Section 275(1A) of the Securities and Futures Act, respectively, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act.

**Issues of Notes with a Specified Denomination of less than €100,000 (or its equivalent) to be admitted to trading on an EEA regulated market and/or offered on an exempt basis in the EEA**

Unless otherwise expressly indicated in the applicable Final Terms and notwithstanding the European Economic Area selling restrictions set out above applicable to Notes, in relation to Notes with a Specified Denomination of less than €100,000 (or its equivalent in another currency) to be admitted to trading on an EEA regulated market and/or offered in any EEA Member State on an exempt basis as contemplated under Article 3(2) of the Prospectus Directive:

- (a) each Dealer has represented and agreed, and each further Dealer appointed under the Programme Agreement will be required to represent and agree, that (i) it has not offered or sold, (ii) neither it nor its affiliates will offer or sell, and (iii) it will use reasonable efforts to ensure that no offer or sale is made whether through financial intermediaries or otherwise of, any such Notes to the public in any EEA Member State by means of this Prospectus, the applicable Final Terms or any other document, other than to qualified investors (as defined in the Prospectus Directive);
- (b) each Dealer has acknowledged, and each further Dealer appointed under the Programme Agreement will be required to acknowledge, that no action has been taken by the relevant Issuer or any other person that would, or is intended to permit an offer to the public of any such Notes in any country or jurisdiction at any time where any such action for that purpose is required; and

- (c) each Dealer has undertaken, and each further Dealer appointed under the Programme Agreement will be required to undertake, that (i) such Dealer and its affiliates will not, and (ii) such Dealer will, in the case of financial intermediaries, use reasonable efforts to ensure that any such financial intermediaries will not, offer or sell any such Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of any such Notes by such Dealer or its affiliates or by such financial intermediaries will be made on these terms, and provided that no such offer or sale of Notes by such Dealer or its affiliates or by any such financial intermediaries, shall require the relevant Issuer, such Dealer or such financial intermediaries to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

### **Public Offers in certain EEA Jurisdictions**

Notwithstanding the European Economic Area selling restrictions set out above applicable to Notes, where the applicable Final Terms expressly indicate that a non-exempt offer to the public of the Notes in certain jurisdictions identified in such Final Terms (such jurisdictions, together with the United Kingdom, the “Jurisdictions” and each a “Jurisdiction”) is intended or permitted, the relevant Issuer agrees that the Dealers identified as Managers in such Final Terms involved in the offer and such other persons and/or classes of persons as the relevant Issuer may nominate and/or describe in the applicable Final Terms will, on the terms and conditions of the Public Offer contained in such Final Terms, be able to use such Final Terms and this Prospectus for a Public Offer of the Notes in such Jurisdictions during the Offer Period specified in such applicable Final Terms.

Upon the execution by the relevant Dealers so identified in the applicable Final Terms, and by the relevant Issuer of the agreement to issue and purchase the Notes (the “Agreement”), each such Dealer is authorised to, and accordingly may, during the Offer Period specified in such Final Terms, make a Public Offer using this Prospectus (as may be supplemented) and the applicable Final Terms in any of the Jurisdictions and otherwise in accordance with the terms and conditions of the Agreement, this Prospectus (as so supplemented) and the applicable Final Terms.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme Agreement will be required to represent and agree, that (i) it has not offered or sold and (ii) neither it nor its affiliates will offer or sell in any EEA Member State, any Notes other than by (i) a Public Offer in any of the Jurisdictions during the Offer Period pursuant to, and in accordance with, this Prospectus (as may be supplemented) and the applicable Final Terms (without modification or supplement); or (ii) an offer to qualified investors (as defined in the Prospectus Directive) or otherwise in compliance with Article 3(2) of the Prospectus Directive and that during the Offer Period, each such Dealer will use reasonable efforts to ensure that any Placer (as defined in the applicable Final Terms) purchasing from such Dealer any of the Notes is aware of the foregoing provisions of this “Public Offers in certain EEA Jurisdictions” selling restriction.

Each Dealer has also represented and agreed, and each further Dealer appointed under the Programme Agreement will be required to represent and agree, that the following provisions contained in the applicable Final Terms under the heading “Terms and Conditions of the Public Offer”, in the second sentence of the section entitled “Offer Price”, in the second sentence of the section entitled “Conditions to which the offer is subject”, in the section entitled “Description of the application process”, in the section entitled “Details of the minimum and/or maximum amount of application (whether in number of Notes or aggregate amount to invest)”, in the second sentence of the section entitled “Method and time limits for paying up the Notes and for delivery of the Notes” and in the section entitled “Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made” relating to it and its offer and sale process are true and accurate in all respects and that it has not made any Placers known to the relevant Issuer other than any Placers who are identified as such in the applicable Final Terms.

Save as described above and in the applicable Final Terms, no action will be taken by the relevant Issuer or any other person that would, or is intended to, permit a Public Offer in the Jurisdictions at any time other than during the Offer Period pursuant to, and in accordance with, this Prospectus as may be supplemented and the applicable Final Terms or in any other country or jurisdiction at any time where any such action for that purpose is required.

Each Dealer has undertaken, and each further Dealer appointed under the Programme Agreement will be required to undertake, that (i) such Dealer and its affiliates will not, and (ii) such Dealer will, in the case of financial intermediaries, use reasonable efforts to ensure that any such financial intermediaries will not, offer or sell any such Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of any such Notes by such Dealer or its affiliates or by such financial intermediaries will be made on these terms, and provided that no such offer or sale of Notes by such Dealer or its affiliates or by any such financial intermediaries, shall require the relevant Issuer, such Dealer or such financial intermediaries to publish a prospectus pursuant to Article 3 of the Prospectus Directive (or supplement a prospectus pursuant to Article 16 of the Prospectus Directive) or to take any other action in any jurisdiction other than as described above (unless otherwise agreed with the relevant Issuer).

For the purposes of this provision, the expression a “Public Offer” in relation to any Notes in any relevant Jurisdiction means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Jurisdiction by any measure implementing the Prospectus Directive in that Jurisdiction.

### **General**

No action has been taken or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed and each further Dealer appointed under the Programme Agreement will be required to agree that it will, to the best of its knowledge, having made all reasonable enquiries, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells, or delivers Notes or has in its possession or distributes this Prospectus or any other offering material or any Final Terms, in all cases at its own expense.

No Dealer is authorised to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in this Prospectus.

None of the Issuers, the Guarantor or any Dealer, represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

## GENERAL INFORMATION

### Authorisation

The establishment and subsequent updates of the Programme and the issue of Notes under the Programme have been duly authorised by resolutions of the Board of Directors of NHI dated 1 March 1994, 30 June 2000, 25 June 2001, 10 June 2002, 1 June 2004, 5 July 2005, 1 August 2006, 5 July 2007, 19 August 2008, 6 July 2009, 6 May 2010, 28 April 2011 and 24 April 2012. The establishment and subsequent updates of the Programme were duly authorised by resolutions dated 9 June 2005, 31 March 2006 and 13 April 2007 of the Board of Directors (*Conseil d'administration*) of Nestlé Finance France S.A. Notes to be issued by Nestlé Finance France S.A. under the Programme were authorised by the Chairman of the Board of Directors and Chief Executive Officer (*Président du Conseil d'administration* and *Directeur Général*) of Nestlé Finance France S.A. The update of the Programme and the issue of Notes under the Programme have been duly authorised by resolutions of the Board of Directors of NFI dated 25 August 2008, 8 July 2009, 10 May 2010, 10 May 2011 and 5 April 2012.

### Listing and Admission to Trading

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's Regulated Market will be admitted separately as and when issued, subject only to the issue of a global Note initially representing the Notes of that Tranche.

In addition, application has been made to register the Programme on the SIX and application will be made to the SIX for Notes issued under the Programme to be listed on the main segment of the SIX. In accordance with Article 43 of the Listing Rules of the SIX, Freshfields Bruckhaus Deringer LLP has been appointed by the Issuers and the Guarantor to lodge the application for registration with the Admission Board of the SIX.

Notes may be issued which will not be admitted to listing, trading and/or quotation by the UK Listing Authority or the London Stock Exchange or the SIX or any other competent authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such competent authority, stock exchange and/or quotation system as the relevant Issuer and the relevant Dealer may agree.

### Documents Available

For the period of 12 months following the date of this Prospectus, copies of the following documents (other than the annual audited consolidated financial statements of NHI, which are available on the website of the London Stock Exchange plc at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html)), will, when published, be available for inspection from the registered or principal offices of the Guarantor and each of the Issuers and from the specified office of the Paying Agent for the time being in London:

- (i) the constitutional documents (in English) of the Issuers and the Guarantor (or, where such constitutional documents have not been amended since they were last submitted to the UK Listing Authority, a letter confirming this fact);
- (ii) the financial statements of Nestlé S.A. and the consolidated financial statements of the Nestlé Group for the financial years ended 31 December 2011 and 2010 (including the audit reports issued in respect thereof);
- (iii) the Annual Report of the Nestlé Group for the financial year ended 31 December 2011;
- (iv) the Annual Financial Reports for the financial years ended 31 December 2011 and 2010 of NHI and Subsidiaries;
- (v) the Annual Financial Reports for the financial years ended 31 December 2011 and 2010 for NFI;

- (vi) the Programme Agreement, the Agency Agreement, the most recently agreed schedule of forms (which contains the forms of the Temporary Global Note, Permanent Global Note and Swiss Global Note, the Definitive Notes, the Receipts, the Coupons and the Talons and the Definitive Swiss Note), the form of Guarantee and the Note Agency Agreement (which contains the forms of the Registered Notes);
- (vii) this Prospectus;
- (viii) the “Terms and Conditions of the Notes” section from each of the Prospectuses published by the Issuers and dated 11 May 2011, 13 May 2010, 15 July 2009, 26 August 2008, 3 August 2007, 4 August 2006 and 22 July 2005;
- (ix) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms to this Prospectus and any other documents incorporated herein or therein by reference; and
- (x) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and SIS. The appropriate common code, International Securities Identification Number and Swiss Security Number, if applicable, for each Tranche to be held through Euroclear and Clearstream, Luxembourg or SIS, as the case may be, and allocated by Euroclear and Clearstream, Luxembourg or SIS, as the case may be, will be contained in the relevant Final Terms. If the Notes are to be cleared through an additional or alternative clearing system or by a custodian the appropriate information will be contained in the applicable Final Terms. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of SIS is SIX SIS AG, Baslerstrasse 100, CH-4600 Olten, Switzerland.

### **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Change**

Save as disclosed on page 102 with respect to the Nestlé Group’s agreement to acquire Pfizer Nutrition for USD 11.85 billion, which is subject to regulatory approval, there has been no significant change in the financial or trading position of any of the Issuers or the Guarantor and (in each case) its consolidated subsidiaries (if any) (considered as a whole) since the date of its most recently published audited financial statements (in each case dated 31 December 2011) and there has been no material adverse change in the financial position or prospects of any of the Issuers or the Guarantor and (in each case) its consolidated subsidiaries (if any) (considered as a whole) since the date of such audited financial statements (being 31 December 2011).

### **Trend Information**

There has been no material adverse change in the prospects of Nestlé S.A. since the date of its last published audited financial statements.

The global business environment remained challenging in 2011 and continues to be uncertain in 2012. Nestlé is well positioned with strong, high quality brands, which are valued by the consumer but any adverse developments in the global economy could impact consumer demand.

## **Litigation**

None of the Issuers, the Guarantor and their respective subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuers and the Guarantor are aware), in the twelve months prior to the date hereof which may have, or have had in the recent past, a significant effect on the financial position or the profitability of any of the Issuers, the Guarantor and their respective subsidiaries.

## **Auditors**

The auditors of NHI are KPMG LLP (Los Angeles, California), who have audited the consolidated financial statements of NHI, without qualification, in accordance with International Standards on Auditing and auditing standards generally accepted in the United States of America, for the financial years ended 31 December 2011 and 2010. The auditors of NHI have no material interest in NHI.

The auditors of NFI are KPMG Luxembourg S.à.r.l. (formerly KPMG Audit S.à.r.l.), who have audited the financial statements of NFI, without qualification, in accordance with International Standards on Auditing for the financial year ended 31 December 2011 and 2010. The auditors of NFI have no material interest in NFI.

The auditors of the consolidated financial statements of the Nestlé Group and of the financial statements of Nestlé S.A. are KPMG SA. KPMG SA audited the consolidated financial statements of the Nestlé Group, without qualification, in accordance with International Standards on Auditing for the years ended 31 December 2011 and 2010. The auditors of the Nestlé Group and Nestlé S.A. have no material interest in the Nestlé Group or Nestlé S.A.

## **Post-issuance information**

Unless specified otherwise in the applicable Final Terms, the Issuers do not intend to provide any post-issuance information in relation to any issue of Notes.

## **Dealers transacting with the Issuers and the Guarantor**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuers, the Guarantor and their affiliates in the ordinary course of business.

## PRINCIPAL OFFICES

### THE ISSUERS

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**Nestlé Finance International Ltd.**  
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Grand Duchy of Luxembourg

### THE GUARANTOR

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### AGENT, PRINCIPAL PAYING AGENT AND TRANSFER AGENT

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