NESTLÉ S.A.

2005 HALF YEAR RESULTS CONFERENCE CALL TRANSCRIPT

Conference Date: 17 August 2005

Chairperson: **Mr Wolfgang Reichenberger**
Chief Financial Officer
Nestlé S.A.

Accompanied by: **Mr Roddy Child-Villiers**
Head of Investor Relations
Nestlé S.A.

Disclaimer

This transcript might not reflect absolutely all exact words of the audio version.

This transcript contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

Wolfgang Reichenberger - Nestlé S.A. CFO

Slide 1

Good morning. Welcome to our 2005 half year results conference call.

Slide 2

As usual, we will take the safe harbour statement as read and move directly to the highlights.

Slide 3

Many of you will be familiar with what Peter Brabeck calls the Nestlé Model, which is to deliver a good level of organic growth in combination with a sustainable improvement in operating performance. This is exactly what we have achieved in the first half of 2005. Organic growth accelerated to 5.2%, within our long term target range of 5 to 6%. The reported EBITA margin increased 10 basis points. On a comparable basis for IFRS 2 share-based payments, and at constant currencies, the increase was 30 basis points. There was also an 11.2% increase in underlying earnings per share. This performance, achieved despite a tough environment for input costs, has enabled us to reconfirm our targets for 2005 of achieving both 5 to 6% organic growth and an improvement in constant currency margins.

Slide 4

Here you can see some of the key figures. Reported sales have increased 2.4%, or 4.2% in constant currency.

The EBITA margin, as I have said, was up 10 basis points, and 30 basis points in constant currency when one takes a comparable basis in terms of the 2004 and 2005 costs of share-based payments.

Free cash flow was up 5.3%, whilst the cash conversion cycle was unchanged at 53 days. Additionally, our return on invested capital was trending better at the half year, compared to H1 2004.

Slide 5

Here is the detail of the sales progression. RIG, or Real Internal Growth, accelerated from 2.6% at the first quarter to 3.4%. Pricing, on the other hand, was twenty basis points lower than at the first quarter at 1.8%. The combination of the two gives an organic growth of 5.2%.

We had a 1% negative from divestitures, net of acquisitions, whilst exchange rates continued to depress our reported sales, with an impact of 1.8% in the first half.

Slide 6

And here are the currencies. In the first half of 2005, the US dollar was still below its value in the first half of 2004 versus the Swiss franc, as were most other currencies. As you know, the US dollar appreciated against the Swiss franc late in the first half, but has again been weaker recently.

Slide 7

On the next slide we have the Zone RIGs and organic growth.

The good news is that even **Zone Europe** has delivered positive organic growth of 1.5%, with RIG practically flat. There were good performances in the GB region, PetCare and many of the smaller markets. Less good was Chilled Dairy Europe, although it improved over the first quarter. France also improved over the first quarter. Germany achieved positive organic growth, but, as expected, was below the level of the first quarter, when it had benefited from safety stocks ahead of the GLOBE systems implementation. Eastern Europe's organic growth was 6.2%, with the smaller markets going someway towards compensating for continued weakness in the Russian Chocolate business, relating primarily to changes in the distribution set-up there.

Zone Americas continued to perform very well, with organic growth of 7.2%. There were strong contributions from the USA, specially from the businesses acquired in the last five years; Purina, Dreyer's and Chef America. At the time of those acquisitions, we highlighted the growth potential within those businesses:- it is good to see them continuing to deliver on that potential. There were good performances also from Canada and Mexico, whose GLOBE implementation went off successfully in July.

Zone Asia, Oceania and Africa was a bit disappointing in RIG, even if organic growth was good at 6%, helped by continuing strong pricing in Milk. Japan's RIG improved to be flat at the half year, but organic growth was only slighter better than at the first quarter, due to reduced pricing. Greater China was weak relative to its usual run-rate, with 7.5% organic growth, having been hit by poor consumer demand across the Nestlé-branded categories following our major milk product exchange. The product exchange has been completed and we are working on plans for a relaunch, as well as for a series of significant consumer communication initiatives through the second half of the year.

The Philippines and Africa improved dramatically from the first quarter, as we had forecast, halving their negative RIGs and delivering positive organic growth. Those improvements should continue. Other markets generally performed well.

Nestlé Waters accelerated in the second quarter to deliver organic growth of 5.9%, slightly below its RIG of 6.5%. The North American business continued to be the driver of growth, achieving double digit organic growth, at 12.6%. Europe was negative, albeit at a better level than in Q1, and we have continued to have great success with Nestlé Aquarel. Our emerging market water businesses performed well, with Nestlé Pure Life at the forefront and organic growth comfortably into double digits.

Other activities delivered double digit organic growth, helped by excellent performances from **Alcon** and **Nespresso**.

Slide 8

Among the product categories there were good organic growth performances from **Beverages**, with 6.4%, **Milk products, Nutrition and Ice cream**, with 5.2% and **Petcare**, with 5.3%, as well as from **Pharmaceutical products**, with 9.2%.

All the **Beverage** sub-categories performed well, specially Water, Soluble Coffee, Powdered Beverages and Roast and Ground Coffee.

Shelf Stable Dairy was good, particularly its organic growth, with the US Coffeemate business outstanding, but **Chilled Dairy** was poor, held back by the tough French business environment.

Nutrition was strong, particularly its organic growth, led by Infant Nutrition and Healthcare. Performance Nutrition continued to be held back by tough comps.

Ice cream improved in Europe, as expected, and continued strong in North America and AOA. We are particularly pleased with the success of our innovations in the US, such as the Slow Churn technology and the Dibs snackable ice cream pieces wrapped in chocolate.

Prepared dishes and cooking aids was slightly slower at 3.8%. **Frozen Food** in North America and **Culinary** in AOA were the strong performers in this product group.

Chocolate, confectionery and biscuits achieved 2% organic growth, but was held back by the distribution issues in our Chocolate business in Russia, which reduced overall growth in the category by about 100 basis points. AOA was particularly strong, however, at near 10% RIG, and Japan was the highlight here, demonstrating that even in one of the world's most challenging markets, a strong innovation pipeline can lead to sustainable growth and market share gains.

Slide 9

Moving now to the **EBITA** performance. We have included a restated Full Year 2004 Income Statement for you in the background information slides.

As you know, changes to IFRS have required us to restate elements of the 2004 Income statement relating to share-based payments. It is worth mentioning up front, however, that even though certain numbers are restated, they are not strictly like-for-like, because the 2005 Income statement carries an extra 10 basis points of costs for share based payments, compared to the restated 2004 Income statement.

As you can see from the slide, the **Cost of goods sold** deteriorated by 30 basis points, even despite our savings initiatives and positive pricing, demonstrating the continuing intense cost pressure that we are facing. Among others, PET costs are significantly higher than last year, as you will see when we discuss Nestlé Waters, and milk costs are also about 20% higher than in H1 2004. I have seen some commentators talking about reducing input cost pressure for the food industry. This is not something we recognise. I will talk more about this on the roadshow.

Distribution costs are down 50 basis points, reflecting the divestment of the Eismann distribution business, as well as efficiencies at Dreyer's.

We said at the Full Year that there would be no significant increase in marketing spend. This is the case. Within the **Marketing and Administration** line, Marketing is up 10 basis points and administration is flat.

Finally on this slide, and as I have already highlighted, the **reported EBITA margin** increased 10 basis points, whilst the **constant currency margin,** with comparable share-based payments, increased 30 basis points. We believe this to be a strong performance in the prevailing conditions.

Slide 10

Moving now to the **primary reporting EBITA margins**. These figures have also been restated. The changes from the numbers reported a year ago reduce Zone Europe by 10 basis points, and Other Activities by 120 basis points due to Alcon. The other areas are not visibly affected.

In the first half **Zone Europe** was down 50 basis points due in part to a strategic decision to invest behind Coffee and Chocolate in the UK. We are now approaching 60% share in the Soluble Coffee market in the UK and have implemented necessary price rises early in H2. These are likely to influence RIG and margins in the second half.

Our share in Chocolate, according to Nielsen, has been flat to week 30, in common with the market leader. We are seeing good performances from a number of the 2004 launches including Kit Kat Editions, Aero Bubbles and Aero Caramel. Those market share initiatives in Coffee and Chocolate in the UK, as well as reduced profitability in Chilled Dairy resulting from negative sales growth, account for more than 100% of the decline in the margin of Zone Europe.

Zone Americas improved by 80 basis points, with the USA responsible for much of the improvement. Paul Bulcke, the Head of Zone Americas, will discuss his Zone's excellent performance in more detail at the roadshow presentation.

Zone AOA had a disappointing first half, down 190 basis points. There are several reasons for the decline in profitability. Among them was Japan, where there was no growth to deliver margin improvement, but we were exposed to higher coffee and packaging costs.

China was also a contributory factor. This had an impact on first half margins, due to the cost of the product exchange, and will continue to impact H2 margins both because of the expected slower growth and because of the costs of the consumer communication programme. Two issues in the first half that should improve in the second were the Philippines and Africa. In the Philippines we have not been able to raise prices in our milk products fast enough, whilst we were hit by a strike in South Africa.

Nestlé Waters also saw a decline in margins. The increase of PET costs accounted for more than the 120 basis point reduction in margins so, despite negative pricing pressure, increased distribution costs and on-going brand building costs for Nestlé Aquarel, we would have increased our margin in Nestlé Waters, were it not for the increased PET costs. This reflects the drop-through to margin of the Real Internal Growth, as well as the

impact of the Group savings initiatives. That said, the global environment in Water remains very competitive.

Finally on this slide, **Other activities** have once again performed very well, which will not be a surprise to those of you who followed Alcon's results announcement. About half the improvement is the result of selling Eismann.

Slide 11

Moving now to the **EBITA margin of the Product Groups**. Again these have been restated due to the accounting changes, with Milk products Nutrition and Ice cream and PetCare the two visibly affected categories, both reduced by 10 basis points.

The decline in the margin of **Beverages** reflects both the reduction in Water's margin, resulting from the increased PET costs, and the dip in Soluble Coffee's margin.

The decline in **Milk Products, Nutrition and Ice Cream** is a reflection of the high milk raw material cost, which we have under-recovered, the reduced margin in Chilled Dairy and the costs associated with the major product exchange in China.

The positive news on this slide includes the 150 basis point improvement in the margin of **Prepared dishes and cooking aids**, resulting from a strong performance in Culinary products and Frozen food, as well as the 120 basis point improvement in **Chocolate, Confectionery and biscuits**, which was due to improvements in the Chocolate and Biscuits categories. The other positive story is the 30 basis point improvement in **PetCare's** margin. Also good news was **Pharmaceutical products,** which increased its margin by 190 basis points.

Slide 12

On this next slide is a pictorial representation of how the Group achieved a first half margin improvement over 2004.

As I said earlier, the re-stated 2004 EBITA margin is not actually a like-for-like comparison because 2005 carries an extra ten basis point of cost from share-based payments, when compared to 2004. The comparable basis from which to judge our 2005 performance is therefore a 2004 EBITA margin of 11.8%.

The efficiencies, whether from Operation Excellence 2007, FitNes or sales growth, were more than consumed by cost pressures and other investment in the business. However, we benefited from faster growth of our higher margin markets and product categories. This gives an improvement in the EBITA margin, at comparable structure, of 20 basis points. The next element is divestitures, primarily Eismann, which added a further 10 basis points to give an improvement in the EBITA margin of 30 basis points at constant currency and comparable share-based payments. Of that 30 basis point improvement, two thirds is contributed by the Food & Beverage business, one third by Alcon. Finally, currencies had a negative impact of 10 basis points to leave the reported EBITA margin of 12% .

There are some interesting points to pull out of this slide. First, the negative items are those which are beyond our control, primarily input costs and currencies. Those items

over which we have more control, primarily efficiencies but also market and product mix, are positives.

It is also the first time since we announced the MH'97 efficiency programme that our efficiency savings have been outweighed by input cost pressures. This is a clear reflection of just how tough the environment is for food manufacturers at the moment.

It is clear, too, that when a company is faced by this level of cost pressure, it is unlikely to be able to raise prices sufficiently to protect its gross margin. It is tough, as we have seen in our milk businesses in AOA, even to raise prices sufficiently to cover the nominal cost increase in input costs. As you know, if a price increase only covers the nominal amount of the input cost increase, it recovers ROIC, but may dilute gross margin percentages.

Being more positive, however, these issues that I have outline demonstrate two things: first that the current raw material environment is extraordinary, and will not continue indefinitely to be as tough as it has been in the last few reporting periods. Second, the fact that we have succeeded in improving our margins through this period, whilst also delivering a good level of growth, demonstrates both that we are doing the right things in the shorter term, with our focus on efficiencies and on supporting our brands, but also that we are doing the right things for the longer term to ensure a more competitive Nestlé in the future: projects such as the GLOBE programme, the creation of strategic demand generation teams and innovation acceleration teams, for example, as well as of a stand-alone Nutrition business, and so on.

In short therefore, the business environment will not remain this tough indefinitely, but Nestlé is becoming an increasingly tough and efficient participant in the market place.

Slide 13

I will return now to the Income Statement down to Net profit. The big swings here are the result of the changes in the accounting standards.

The deterioration of **net other income and expenses** by 50 basis points reflects mainly the inclusion in this line of the impairment of goodwill and the impairments made in the first half of 2005.

And there is, as you know, no longer **an amortisation of goodwill** line in the Income statement.

The **net financing cost** has improved by 30 basis points, reflecting primarily lower average debt levels, as well as a reduced relative exposure to USD debt, where interest rates have risen. There is also a benefit from the changed accounting policies.

The decrease in **taxes** reflects mainly market mix and currencies.

Next comes a new IFRS definition:- "Profit for the Period attributable to the Group" which you know as Net Profit. This has increased 190 basis points, but more relevant are the underlying net profit, up 70 basis points, and underlying net profit per share, or earnings per share, up 11.2%. These underlying numbers are truly like-for-like in that they assume that we had the cost of three years' share-based payments in both 2004 and 2005.

Slide 14

Nestlé's performance in the first half has epitomised the Nestlé Model of combining a good level of organic growth with a sustainable improvement in operating performance, which in 2005 contributed to a double-digit improvement in underlying EPS.

These results have been achieved despite continuing input cost pressures and difficult trading environments in a number of markets and represent a good start to the year. As such, they demonstrate the strength and depth of Nestlé's brand portfolio around the world, as well as the effectiveness of our long term strategy. They also allow us to be confident of achieving our organic growth target this year as well as improving our margins in constant currencies.

Thank you very much. I now open the call for questions.

Slide 15 - 37

Operator

Thank you sir. If any participant would like to ask a question please press the *1. If you wish to cancel this request please press *2. Your questions will be polled in the order they are received, there will be a short pause whilst participants register for a question. Your first question comes from Mr John **McMillin**, please state your company followed by your question.

John McMillin - Prudential

(Unable to hear)

Roddy Child-Villiers

Morning John.

John McMillin - Prudential

(Unable to hear) A question on China.

Roddy Child-Villiers

It's a very bad line John, I think your question was on China.

John McMillin - Prudential

Yes. I can hear you fine now.

Wolfgang Reichenberger

OK we hardly can you hear you here. We are fixing that. On China we had, I think, this was known in the press since late May, that we had product exchange; we had an issue which was not a health issue, it was a regulatory issue in as much that, for certain products, the level of iodine, which is a positive ingredient we added here in Europe to salt

for example, these levels of iodine in certain milk products have exceeded the very tough levels set by Chinese authorities. The international acceptable levels are much higher, but obviously we have to agree, we have to conform with the regulations in each country in which we operate, also in China, so we had to take product which exceeded those tough Chinese standards and exchange them with products which obviously were conforming. And from here on it's clear that we take very good care to observe those standards, as tough as they may be. So that has had an impact, obviously, on our sales in the last two months or so, and since not only the milk products, also some other products which are Nestlé branded have been affected we are now planning heavy activities, and they have already started, to regain that lost territory and we are very confident that during the second half we will regain that territory.

John McMillin - Prudential

(Unable to hear)

Roddy Child-Villiers

Again, we're struggling to hear you but I think you asked about Eismann.?

John McMillin - Prudential

Correct.

Wolfgang Reichenberger

In terms of what?

John McMillin - Prudential

Unable to hear – earnings?

Roddy Child-Villiers

The impact on the EBITA margin of the divestitures net of acquisitions was 10 basis points, and the impact on the other activities' category was about half of the improvement in the other activities.

John McMillin - Prudential

Thank you.

Roddy Child-Villiers

OK next question.

Operator

Your next question comes from Mr Julian Hardwick. Please state your company followed by your question.

Julian Hardwick - ABN Amro

Good morning Roddy.

Wolfgang Reichenberger

Hi Julian.

Julian Hardwick - ABN Amro

Could I ask you to help us a little bit more to understand the impact of the raw material cost increases on you margin performance in the first half; and certainly the tone of your comments clearly suggest that this is going to remain an issue for the second half of the year. Are you able to give us any sort of sense as to whether you expect the raw material cost increases to be as difficult in the second half of this year as they were in the first?

Wolfgang Reichenberger

I think the good news there is that raw materials have not followed the same pattern of steep increases that we had seen during most of last year 2004, but they are, I would say volatile, at an historic high level. At least since we tracked those 20 years back or so they are at their highest level and that includes particularly crude oil and, of course, all the derivatives from crude oil which include energy costs, transport costs, packaging material costs, which affect us normally with a time lag, because we are not buying barrels on the market, we are buying those derivatives and the cost impact of those is, by the way, sometimes, also minimised by capacity and other issues. But it may affect us at one point of time, but with a time lag. Milk prices are also, particularly MSK skimmed milk powder, at historic highs, or close to it. But again, milk prices have already hit this high four or five months ago and are just stable at this level; they have not increased any more from there. Coffee and cocoa have been high, but recently coming off those highs and, by the way, most other materials, grains and sugar and so on have been relatively moderate during this year. But if we take the average, kind of a weighted average, and we will talk about those on the road show, we're still trading at a relatively high level, and we are recovering debt with price increases. And as we have told you already for 2004, our aim is to recover all of these cost increases with price increases, but it just needs some time. Which means, my point, that this is a one-off effect. Once the price of raw materials costs have stabilised, we will recover, through price increases, we will recover our margins and the cost of raw materials already have, in a way, stabilised at a high level. So I think we are more confident, not yet for the second half of the year because in comparison to last year we are still facing higher prices and there is a time lag effect, but over time we should regain those margins.

Roddy Child-Villiers

Julian, we don't attempt to work out at the exact margin impact of input costs because of the complexity. But we do have one or two pieces of information for you that are relatively simple, which is just in the Nestlé Waters business, the increased PET costs in Nestlé Waters had a 20 basis point impact on the Group EBITA margins, and obviously we use PET in other categories too, but just in Nestlé Waters, it had a 20 basis point impact on the Group margins. That gives you some idea of the scale of some of these cost increases.

Julian Hardwick - ABN Amro

Right, so for the second half of the year you would not expect the raw material situation to be as bad year-on-year compared to the first half, is that a fair comment?

Wolfgang Reichenberger

Yes I think, it will depend on where raw materials go, but if they just remain where they are now, which is a wild assumption, I think we should see some better comparisons, but to the very end of the year.

Julian Hardwick - ABN Amro

OK. And if I could just ask a couple of other quick ones. What would you expect the impact of the share option expensing to be on full year margins, and I notice the depreciation charge was down; could you comment on that?

Wolfgang Reichenberger

I think it's similar to what we had seen at the first half.

Julian Hardwick - ABN Amro

The share options,

Wolfgang Reichenberger

About 30 basis points in total. So some of them you see them because of the restatement of 2004 and I think, as I have explained, about 10 basis points you have to add because the restatement of 2004 is not a complete restatement as it considers only two instead of three years of option costs.

Roddy Child-Villiers

We didn't catch your second question.

Julian Hardwick - ABN Amro

Depreciation charge was down; just a comment on that, as a percentage of sales.

Roddy Child-Villiers

Well frankly, Julian, we don't look at depreciation as a percentage of sales. We don't see there's an actual connection between the two. It's just a result of timing of when assets were acquired and how they've been depreciated over time; there's no particular science to that.

Julian Hardwick - ABN Amro

OK thanks a lot.

Operator

Thank you your next question comes from Mr Warren Ackerman please state your company followed by your question.

Warren Ackerman- Citigroup

Morning Wolfgang, morning Roddy. Two questions both on specific countries. The first one's on Russia; the RIG's still down 5.8% and I know we've been talking about this distribution issue for a couple of quarters now, but I was expecting it to have got a bit better. Could you just comment on specifically what's happening there and when we should expect to see an improvement in that market, that's the first one?

Wolfgang Reichenberger

We have talked to you about this issue; particularly important was that we put in a new management, started now in March and April, and went really to the root causes of this problem and are dealing with it, and are still reducing basically the setup of our distributors. We are reducing the number of distributors in Russia and so that has an impact, of course, on our ex-factory sales. And they are dealing with it; I think we should see some improvement, we expect some improvement in the second half of the year.

Roddy Child-Villiers

And also there's a slight funny in this in that, you may not remember, but we had a very, very weak first quarter in Russia last year in soluble coffee and a very strong second quarter. And so soluble coffee was up against very tough comps, and in fact there is a small improvement in chocolate in the course of the second half of this year, with a decrease by soluble coffees in Q2 compensating so this was be a tough comp.

Warren Ackerman- Citigroup

OK and just two other housekeeping ones; firstly on the tax line. I think the consensus was at 1.3 billion for tax in the first half, it's obviously come in 1.13 billion so much, much lower. Can you talk about what your thoughts are for the full year on the tax line please?

Wolfgang Reichenberger

I think it's mainly an issue of market mix, currency movement and some one-off items. So I would rather see the full year a bit higher from there, but clearly under-trending in the right direction, but I would not extrapolate now the first half into the full year.

Warren Ackerman- Citigroup

Wolfgang are you willing to give us a rough feel on the percentage tax rate?

Wolfgang Reichenberger

Look, as you can see, there is this issue of market mix and currency mix which makes it difficult to forecast an exact percentage here, but we will continue to trend under 30% and I think this result confirms that we are well placed to make such statement also going forward.

Warren Ackerman- Citigroup

OK and just a final one on the UK. You kindly gave us some details about what was happening on both the coffee and the chocolate side. You said you're investing heavily into the market in chocolate, yet your market shares are still flat. Do you see that as perhaps being a touch disappointing and perhaps could you comment on chilled dairy as well? I think you said that all of those three issued accounted for 100% of the decline in the region, can you just clarify that comment?

Roddy Child-Villiers

In chilled dairy first of all there is a relatively simple story; our major market is France and in common with the industry, the branded industry, we are seeing the French market move heavily towards private label and the hard discounter channel. And because it's the biggest market it brings down the whole zone. That's the issue in chilled dairy and because it's negative growth, that clearly impacts the margins. The UK, as you know, we're not the leader in the market; the leaders have been very active, we've been very active, we've maintained our share. Obviously it would be better to improve it, but at least we're maintaining our share. We're not the people who are suffering, and some people are suffering. So I don't think it's the best result, but nor is it a particularly bad result.

Warren Ackerman- Citigroup

And any thoughts about UK top line and margins for the second half of the year? Anything you can say in terms of change of trend versus the first half?

Roddy Child-Villiers

Well the only thing we'd point you to is the pricing in soluble coffee. I don't know the UK pricing, but it averages about 10% globally this year. So we would expect that probably to have a slightly negative impact on the years' RIG but a more positive impact on the bottom line.

Warren Ackerman- Citigroup

OK Roddy thank you.

Operator

Your next question comes from Mr James Amoroso, please state your company followed by your question.

James Amoroso - Helvea

Got a question back on the China issue, I'm not sure whether I missed it, but can you quantify in Swiss francs the cost of the product replacement?

Roddy Child-Villiers

We haven't got a number for the product exchange.

James Amoroso - Helvea

What I'm trying to get at is the impact on AOA; how much of the impact on AOA margin is that responsible for?

Roddy Child-Villiers

Well it's not the key element in the AOA margin decline. I think, just to make it clear, the cost in the first half of the year relates to the exchange, and there will be costs in the second half of the year that relate to consumer communication. For example we are doubling our sampling force from 3,000 to 6,000 people, things like that. So there will be ongoing costs in China related to this exchange.

James Amoroso - Helvea

OK.

Operator

Your next question comes from Mr Alan **Oberhuber**, please state your company followed by your question.

Alan Oberhuber - LODH

Good morning. I have the following questions about the capex. It declined significantly in the H1 result versus last year. Why was that reason and could you give us an outlook what could be capex for the full year in relation to turnover? Secondly, as I understood, is that cocoa and coffee were well covered into 2006; is that right, can you confirm that or did I understand something wrongly? And about the return on invested capital, ie including gross goodwill; could you give us a figure at the adjusted number in 2004 and what was H1 2005 please?

Wolfgang Reichenberger

OK Alan. First on capex; yes we are a bit low in the first half of the year, but this is due to the timing of certain bigger investments. This I think should again not be extrapolated for the full year; we still have to repeat our guidance of about 4% of sales for the full year, and if you look back in previous years we always had some volatility in the first half of the year. For cocoa and coffee, we have mentioned we are covered already into next year partially, and I think this is in line with industry practice there, particularly cocoa, you will see there is most participants have a long cover, and I think we always have to benchmark ourselves with what we are supposed to know about the market in total. Also in coffee, while roast and ground manufacturers normally have very short or no cover, soluble coffee manufacturers always carried some cover forward. On return on invested capital, we have just made an internal assessment. It is up and this is including, of course, the goodwill in the first half, but these are internal numbers; we are not publishing them, but at least it gives us the confidence that we are going in the right direction there, so we didn't want to withhold this information from you in principle.

Alan Oberhuber - LODH

Just a follow up question. Could you tell us how many basis points the return on invested capital was up then from the previous year?

Wolfgang Reichenberger

I think we only can tell you we are heading in the right direction, and I think this confirms that, not only that we are progressing on the margins due to our savings programme, but that also we are carefully watching our capital base.

Alan Oberhuber - LODH

OK thank you very much.

Roddy Child-Villiers

We will disclose at the full year, but the reason we're not disclosing now is because it is a slightly artificial number because we've got all the capital and only about half the sales and half the profit. So it's a slightly artificial number, but it is a good guide to what we expect for the full year.

Alan Oberhuber - LODH

OK thank you.

Operator

Your next question comes from Mr Mark Lynch, please state your company followed by your question.

Mark Lynch - Goldman Sachs

Good morning. Couple of questions, one just as a general point. Obviously there's a significant acceleration in the second quarter growth rate compared to the first and I was wondering if you could give us any broad colour to it? Obviously we've got the detail of the divisions, but its seems to be fairly broadly based. And was there any acceleration in marketing spending 2Q versus 1Q? And how much should we look in to that second quarter and read that run rate into the second half? And then the second question is on Brazil, which had quite a weak second quarter, could you comment on that please.

Wolfgang Reichenberger

OK I think acceleration as you say is broadly based, it has to do with phasing also of innovations and new launches which occur very often in March, April. I think we had a good level of innovation such as in the US particularly, also in many European markets, in Japan and I think this all has helped the second quarter. Also clearly mineral water, and to a certain extent also ice-cream, has helped that second quarter.

Roddy Child-Villiers

The slowdown in Brazil, one issue there, we have a big chocolate business, one issue is the Easter timing. And the other area that was a bit slow was shelf stable dairy which

perhaps relates a bit to the milk price. The other categories actually were rather better. So I think it's really just down to those two bigger categories.

Mark Lynch - Goldman Sachs

OK thank you.

Operator

Your next question comes from Miss Victoria Buxton please state your company followed by your question.

Victoria Buxton - Lehman Brothers

Good morning gentlemen. Couple of questions, firstly Mr Brabeck mentioned this morning on the wireless that he expected FX to be neutral for the full year. Can you confirm that? And my second question is on a larger than expected working capital outflow in the first half of the year. I think it's up 20% as an outflow versus last year. Can you state whether there are any one-off issues there or whether it's really a reflection of stock going up because of commodity cost inflation, and also whether you think because of the scale of the outflow at the half year, whether we're looking at a net outflow for the full year or whether you'll recover the outflow as you did in 2004? Thanks.

Wolfgang Reichenberger

Hello Victoria. Well, foreign exchange, I think this is still up in the air; if you would expect that the dollar would again trend up to 130, where it had already been a couple of weeks ago, then it would be possible to have an even year dollar, because last year we had an average rate of 124.10 on the dollar Swiss franc rate. This year first part was 120, so we still have something to catch up. If we just remain where we are now, around 125 to126 we would not quite catch up, but if we go back to the levels that we had seen a couple of weeks ago, 130 to 132 then we could even have quite a positive foreign exchange mix impact.

Victoria Buxton - Lehman Brothers

OK. Now on working capital?

Roddy Child-Villiers

First of all, if you look back, you'll see there's normally a cyclical pattern, the working capital is normally a worse looking number at the half year than at the full year, so that gives you some guidance for the full year. The issues,

Victoria Buxton - Lehman Brothers

?? materially worth this half year?

Roddy Child-Villiers

There's a bit of a currency issue with the US dollar being stronger; obviously we've got higher growth than this time last year. And the other thing that's important to remember is

the GLOBE implementations, with people holding stock. And as we now have rather bigger markets doing GLOBE implementations that tends to have a transitionary negative effect on the working cap. Albeit that we do expect, when we have fully implemented GLOBE, that it will have a benefit for working cap in the longer term .

Victoria Buxton - Lehman Brothers

Thank you, can I just have a,

Roddy Child-Villiers

Also, the other one of course, just as Wolfgang said in his speech, the cash conversion cycle was unchanged, and that's a good measure of the ongoing performance.

Victoria Buxton - Lehman Brothers

OK, can I just ask a quick follow up question on US milk costs? Obviously Dreyer's Q2 gross margins were significantly higher than Q1 because they indicated that dairy costs were actually down. Can you confirm that you are seeing dairy costs down in the US market although, obviously, you cite milk costs globally as a problem?

Roddy Child-Villiers

Well, Dreyer's is probably the most affected business that we have, so if they made a comment on the milk costs, that's the comment. But, it's certainly also true that the global prices as Wolfgang stated is high, and the global price does impact business in Latin America. So, we are seeing an ongoing challenge in Latin American markets with the milk cost as well in AOA.

Victoria Buxton - Lehman Brothers

Thank you.

Roddy Child-Villiers

Dreyer's did say that even though the price was lower, it's still significantly higher than they have seen in recent times.

Participant

Not true.

Wolfgang Reichenberger

They use of course AMF butterfat while, when we talk about dairy prices in the rest of our dairy businesses it's mainly skimmed milk powder, and those two prices have trended slightly higher.

Operator

The next question comes from Mr Martin Dolan. Please state your company followed by your question.

Martin Dolan - Execution

Yes good morning. Just a quick question on the margins for the second half, if we look at food and beverage excluding other oactivities, the margin is down about 40 basis points in the first half. And given your comments on raw materials, is there something on the phasing restructuring benefits that means that margins should be up in the second half or should we expect food and beverage margins down again second half?

Wolfgang Reichenberger

Well first of all I have to correct you Martin. Our food and beverage margins were up in the first half. I think we had, if we include the market mix, particularly the market mix and helped by the strong performances of our businesses in AMS and also the impact of course of Eismann and so on have helped that food and beverage margins are up. Also don't forget in constant currency, don't forget also that in these other categories we have also some food businesses. You cannot just eliminate them, there is a strong good performance particularly from Nespresso also and the Eismann divestiture also. So I think our food and beverage margins have been up. Of the total 30 basis points improvement that we had in constant currencies in the first half for the Group we estimate about two thirds come actually from food and beverage. And we believe as we said, that this is a sustainable improvement and will have of course continued improvement on the restructuring programmes. The savings programmes. We will have continued growth, at 5% to 6% and all these things will contribute, but we will continue to improve our margins in constant currency.

Martin Dolan - Execution

OK maybe we can discuss it later, but we've got your margins down from 12.8 to 12.4 in the food and beverage X other.

Roddy Child-Villiers

Well we can discuss it later as you say.

Martin Dolan - Execution

OK.

Wolfgang Reichenberger

But we have the currency impact, as we say, and in the others we have also some food in there.

Martin Dolan - Execution

OK and just on the phasing of the 1.2 billion of cost savings, should we assume that is equally split or is it more weighted to the second half?

Wolfgang Reichenberger
We don't debate it now, how much is now, how much is then, I think we can only confirm here that we are on track to deliver our 1.2 for the full year and that the results of the first half have confirmed that.

Martin Dolan - Execution

OK thanks.

Operator

Your next question comes from Mr Patrik Schwendimann, please state your company followed by your question.

Patrik Schwendimann - Zurcher Kantonalbank

Good morning everybody. I have several questions if I may. The first regarding the water business, you had quite acceleration there for the H1 compared to Q1. Could you elaborate a little bit more about your expectations for the next quarter there? Then secondly, regarding the margin in AOA, where we had quite a substantial decline. Could you also here elaborate a little bit more about the future, should we expect here a similar decline in H2, in the AOA margin? And thirdly, regarding the administration costs, you were mentioning that they were flat and I was a little bit disappointed if you take in mind that you had quite substantial cost cutting programmes, could you elaborate a little bit about this cost line? And also, about the net over income, where you had included restructuring costs of roughly 100 million, what are your expectations there for the full year for the net over income? And lastly, about the coffee business, there you also had quite a good performance with the improvement of the organic growth to 5.7%. Can we expect to see more figures for the full year? Thank you..

Wolfgang Reichenberger

Which business was your fifth question now?

Patrik Schwendimann - Zurcher Kantonalbank

The coffee business, soluble coffee.

Wolfgang Reichenberger

Soluble coffee, that's quite a list. I think we'll go through it quickly. First the water. Obviously the second quarter has been helped I think by two main impacts, one is just the weather in Europe because we compare with a very lousy beginning of the summer in 2004, it was not excellent here, but it was a regular summer. So I think there is some improvement, particularly also improvement due to our activities in Europe with Aquarel. And secondly it has also been helped by the US, by some additional activities and also reducing prices in certain segments in the US during the second quarter which has accelerated the demand, it has accelerated growth in water there. So I think both of the above is something positive also for the months to come.

Roddy Child-Villiers

On AOA, the outlook going forward. I think four issues that were there in the first half, so if you want to look through those that might give you some guidance for the second half. The two which are perhaps the better news, the Philippines and South Africa, we think the Philippines will continue to improve as we push through pricing in milk and South Africa had a strike in the first half, that is behind us, so we think that will continue to improve in

the second half. Then the other two are Japan and China. Japan as we have proven to you time and again, is a difficult market for us to forecast. However, trading conditions there remain tough. We would expect perhaps to see an improvement in the RIG and organic growth, we hope that will bring some improvement in the margin. China finally, we've already talked about China and I've said that there will be continuing costs relating to the product exchange as we focus on consumer communication initiatives. So the China performance is going to continue to be held back. So AOA on balance, there are some positives and there are some negatives.

Wolfgang Reichenberger

In admin costs, Patrik, the 10 basis point increase is not a disappointment to us, we have some good savings from FitNes, and that has been reinvested in sales force. In many areas, in Mexico, in the UK, in Russia, in many other markets, we have increased our effort to be in the market. And share base payments of course have been added also to that line, I think that has to be corrected. So on a comparable basis, actually, costs would be flat,

Roddy Child-Villiers

Sorry, although Wolfgang's narrative was correct, his number is wrong, marketing and admin are up 10 basis points, but the increase is in the marketing, not in the admin bit, admin is flat.

Wolfgang Reichenberger

OK. Now net other income is I think regarding the restructuring costs we had, again this is not phased evenly over the year, we will have somewhat higher restructuring costs over the full year. We gave you a guidance that, I think we want to be under 0.7%, we were quite under it also last year, but I think clearly the first half was a rather slow start on that P&L line.

Patrik Schwendimann - Zurcher Kantonalbank

Now the coffee question.

Roddy Child-Villiers

I can't remember what your coffee question was actually.

Patrik Schwendimann - Zurcher Kantonalbank

Well you did some improvements compared to the first quarter in the year, organic growth for the coffee business to 5.7% and my question is. Is this sustainable, do you feel that also in H2 you can reach a similar drove or do you have something special in mind?

Roddy Child-Villiers

The increase in the organic growth was entirely due to pricing. And this is just really due to the phasing of pricing. Even if we hadn't increased pricing in the UK in the first half, we have in other markets. So we continue to put pricing through across the world so this sort of level hopefully will be a good guide going forwards.

Patrik Schwendimann - Zurcher Kantonalbank

But still the RIG figure at 3.5% was quite good, so that you feel this sustainable.

Roddy Child-Villiers

Well, we will see, we know that pricing does generally negatively impact the RIG. In fact there was a slight decline in the RIG in the second quarter, as you'll see. The important thing is that we expect a good year for soluble coffee in terms of organic growth.

Patrik Schwendimann - Zurcher Kantonalbank

OK, thank you.

Operator

You have a question from Mr Arnaud Langlois, please state your company followed by your question.

Arnaud Langlois - JP Morgan

Good morning. I have a few questions if I may. First of all looking at your impairment of assets in the first half does increase significantly to about CHF424 million. Could you tell us a bit more about this, what is the nature of these impairments? That is my first question. And secondly, I have a modular question about pricing. Pricing I see in the second quarter weakened versus the first quarter, what are your expectations about pricing for the second half given that the environment in raw materials as you said remains challenging? And my third question is basically on prices, I think yesterday the oil barrel reached $66, what is your view basically on the implications for Nestlé in terms of distribution costs, production costs and the PT costs as well? Thank you.

Wolfgang Reichenberger

OK now, first on the impairments, this is a sum of many small items that have been impaired over the first half, there was not one particular item that is outstanding out there that would be worth mentioning. It is a sum of small items.

Roddy Child-Villiers

OK, on the pricing, it is not really very fair to look at it against the previous quarter, it is more relevant to look against the previous year, but we saw a good improvement in pricing on soluble coffee, a bit weaker in water, bit weaker in some of the other beverage categories. Shelf stable dairy remained at a high level, pricing, PetCare is a little bit lower in the second quarter than the first quarter. But as I say, it is much more relevant to look it against the previous year comparison than against the previous quarter.

Wolfgang Reichenberger

And as for the barrel at $66, Nestlé is not a petrol station, so as I said again, we buy derivatives which sometimes have a relatively long transformation and lead time so we are not affected on a day to day by those price moves.

Arnaud Langlois - JP Morgan

But what do you think it implies for the water divisions clearly PET costs?

Wolfgang Reichenberger

Again, even PET, we have some cover in PET, we hold some physical stock of PET, so again that's why we are not affected and in PET particularly, some new capacity has been coming on steam so that there is some more competition also in the transformation of that material which reduces somewhat the impact. So we are not immediately impacted now by the $66 price.

Arnaud Langlois - JP Morgan

Thank you.

Operator

Your next question comes from Mr Michael Steib. Please state your company followed by your question.

Michael Steib - Morgan Stanley

Good morning. My question relates to GLOBE, could you give us an update on the countries that you have rolled out now in the first half of this year and any milestones that we should be aware of for the second half please?

Roddy Child-Villiers

Yes, there is a presentation on the web site on GLOBE. There isn't much change from that presentation. The only addition since then is the UK and Ireland that have since gone live and that means therefore that this year we've done South Africa, Austria, Pakistan, The Center, Russia, Germany, Nestlé Waters, HOD in the UK, India and then just at the beginning of August the UK and Ireland. Still to come are Mexico and Oceana.

Michael Steib - Morgan Stanley

OK, thank you.

Operator

You have a question from Mr Ian Kellett, please state your company followed by your question.

Ian Kellett - Blue Oak Capital

Morning gentlemen. I have a couple of questions on coffee, if I may, on soluble coffee. Firstly to clarify a comment that Roddy made that pricing on soluble coffee averages about 10% across Europe. I think referring to an output price increase. Was that saying that in those countries which have taken price increases, the price increase had averaged 10% or was it saying that taking the whole of the European soluble coffee business, it's taken a 10% price increase and could you comment on the timing of how that's worked, has that all

fallen into half two, or I get the sense that some of it has fallen into half one, some of its fallen into half two? And also, if we could talk a little bit about Asia and soluble coffee pricing. What are you expecting to happen there, are you expecting to be putting up output prices across Asia and at similar levels to Europe and separating out Japan on that and whether or not you think prices are moving forward there? Thank you.

Roddy Child-Villiers

The answer to your first two questions if the former and the latter. So I'm talking about our price increase being to the consumer and that some have happened in the first half and some have happened in the second half. And my 10% average is actually a global number not a European number. We don't have pricing by market or by region, we only have a global pricing number, but we have not seen any positive pricing in the first half in Japan.

Wolfgang Reichenberger

But other markets are increasing I think, Philippines just up 7%, many other markets -- and will have maybe some other increases and most other Asian markets are increasing prices.

Ian Kellett - Blue Oak Capital

So we are expecting that the average price increase in markets that put it through is 10% and if we back out what's happened on the pricing numbers that we can see in soluble coffee from the numbers that you've given us, then we can work out what sort of pricing impact in aggregate, in average, we should be expecting for the second half. Is that a sensible way to interpret it?

Roddy Child-Villiers

Well that's up to you. All we're saying is that the average price increase to date, and to date was when I spoke to the guy in charge which was in July, was 10%.

Ian Kellett - Blue Oak Capital

OK, thanks very much.

Operator

Your next question comes from Mr John Cox, please state your company followed by your question.

John Cox - Capital Equities

Yes hello, good morning. I have a couple of questions for you. The first question is on Asia and the deterioration in the margin there. You mentioned these four factors, can we basically just split up those four factors, divide by four, the 200 basis points margin deterioration and take 50 basis points for each factor you mentioned? That's my first question. And then coming back to Europe and mixed with the milk products and nutrition, obviously there is a decline in Europe there, is that just basically on the back of the French

dairy business and can you actually split out the French dairy with the say 1% decline we see in the margin for the milk products, nutrition and ice cream and in Europe as well?

Roddy Child-Villiers

Hello John, the answer to your first question is no, you can't just divide it by four and the answer to the question you haven't asked is that we're not going to give you the breakdown of each of the four items. What Wolfgang said on his conference call is that the combination of the chilled dairy decline in margin and our strategic investment in market share in soluble coffee and chocolate in the UK equalled more than the decline in the European margin. So in other words, if we had not chosen to do two of those three things, as we couldn't choose dairy, you probably would've seen an improvement in the European margin.

John Cox - Capital Equities

OK, are you actually seeing any signs of improvement in France at all or are we getting towards the bottom or is it just an ongoing process?

Roddy Child-Villiers

Well we're not very optimistic about France because of the debate around the Loi Galland and the general consumer environment, but we did see a slight improvement in the first half over the first quarter, but our outlook is not particularly positive for France.

John Cox - Capital Equities

OK and if I can just ask you about the Americas, obviously we have a good margin improvement there with strong organic growth, is that sustainable for the second half of the year do you think?

Wolfgang Reichenberger

Yes I think the Americas will continue to deliver good growth and good margins, will it be at the same level that's difficult to say at this point. We particularly believe that AOA will catch up in the second half and that is for sure.

John Cox - Capital Equities

OK, thank you very much.

Operator

You have a question from Mr Charlie Mills, please state your company, followed by your question.

Charlie Mills - CSFB

Can we just come back to these tax rates, I think the 600 basis points decline you put down to market mix currency, but also some one off factors, can you detail the one off factors and say what tax rate you used for your ongoing, underlying earnings per share and maybe just expand a bit on your comment about tax rate being below 30%? Not

wishing to fine tune by too much, are you basically saying the range is typically 25% to 30% or are you talking about just under 30%? Thanks.

Wolfgang Reichenberger

I think we should say first of all that the underlying tax rate is 25.9%. As I said it has been affected by those mix issues, they have put a certain degree of volatility in there. We believe that we can hold our tax rate over time comfortably under this 30% but I think the rate that we have seen in the first half is not an indicator now necessarily for the full year and I think we should trend somewhere between this, as you said between the 30 and 25 but with some improvement, over the previous years' averages, I believe we should trend in the right direction now.

Alex Molloy - Credit Suisse

Hi Wolfgang and Roddy. Just a quick follow up, as we are starting to progress through this year's share buy back, have you given much thought as to what the size of the share buyback could be in 2006?

Wolfgang Reichenberger

We have started our share buyback very carefully I think, but also we were of course trading against a rising trend in our share price, but we have repurchased 585,000 shares in the round before we went into a closed period during August. We will of course resume our share programme in the next couple of days and weeks and we will then see. We first have to complete our first programme before we can propose to the Board the next programme. I think we had signalled to you that the next programme will be more significant, we have also signalled that what we want to achieve over the medium term is to just maintain a cruising level of net debt which allows us to maintain our triple A and if you make your calculations you will find that this will allow us to make much more important share buybacks in the future.

Alex Molloy - Credit Suisse

OK, thanks.

Operator

Your next question is from Mr Olivier Lebrun, please state your company followed by your question.

Olivier Lebrun - Natexis Capital

Good morning Wolfgang and Roddy, I have a question on PetCare. Could you quantify in basis points the impact of raw materials on the PetCare margins, is it so strong as in beverage and the milk products?

Wolfgang Reichenberger

That question I think we can answer. Last year there was a push in the grain, and some Soya meals and others but this year we don't see that same push in raw material prices in PetCare. What is still affecting PetCare to a much minor extent of course is increase in

packaging material, but we don't see that same pressure on costs in PetCare that we seen in like milk and in the waters.

Olivier Lebrun - Natexis Capital

OK, thank you very much.

Operator

Your next question comes from Mr Thomas Schwarzenbach, please state your company followed by your question.

Thomas Schwarzenbach - Bank am Bellevue

Yes good morning. I've got three small questions, one is again on the other expense line, where I didn't get really whether you still plan to stay within the 70 basis points for the full year or whether that's going to be higher. And the second is can you again elaborate on the coffee margins, I think you said that coffee margins were quite under pressure in the first half and what that means for the second half? And thirdly, the associate line almost 400 million profit contribution seems to be a high figure, if that were only L'Oreal that would imply more than EUR1 billion of profit for L'Oreal in the first half.

Roddy Child-Villiers

I don't know whether you caught Wolfgang's answer to your first question, the answer is yes we will stay within that guidance. On your second question, the coffee margin, the issue there is Japan, as well as perhaps some dilution because of the expense of the faster growing mixes business they is still really in more of an investment phase. Then on your third question, that number is based on an estimate that we received from L'Oreal, that's all we can say about it.

Thomas Schwarzenbach - Bank am Bellevue

There's basically only L'Oreal in there?

Roddy Child-Villiers

Yes.

Thomas Schwarzenbach - Bank am Bellevue

Thank you.

Operator

We have a follow up question from Mr James Amoroso, please go ahead sir.

James Amoroso - Helvea

This is a question I thought about asking before but decided to, but anyway so I'm back. Raw materials and packaging generally. The old question is what was the overall negative impact for these items if you were to bundle it up?

Wolfgang Reichenberger

Again James, it's the usual question on which usually we cannot give you a clear answer. What is important for us, again I have to mention is that each business manages those costs and the pricing and a return on invested capital appropriately. To pull these things together for the marginal average for the Group, would be a tremendous first of all workload and would not give up any major insight.

James Amoroso - Helvaya

It would give us a major insight.

Wolfgang Reichenberger

But this is an average, I think what is important that within the coffee business, within the PetCare business, within the ice cream business and so on we manage those dimensions. You can trust that we have that honest approach, but the average of the Group, of course it has an impact, we know that, we know the net of the impact, that we have recovered it or most of it, through our savings programmes and through our growth and this is important for us to know because this is managed business by business, they are under pressure to deliver those results, to have the savings, to get the growth and then to reinvest some of that growth in marketing investments and sometimes in the delay in their price increases after costs.

James Amoroso - Helvea

OK, perhaps one of the investment items, it's something that you highlighted the full year results which is investment in sales force and at that point you gave the examples of Mexico and HOD business and during this conference you've talked about UK, Russia as well and China which may or may not be a short term issue. Can you talk about where exactly you have increased the sales force presence, which markets and regions and what impact on costs?

Wolfgang Reichenberger

Again in basis points on average, I cannot give it to you, but we have it again market by market and it mainly relates to areas where we increased the presence of our products on the street, so it is mainly benefiting, it should mainly be benefiting confectionary, ice cream, to a certain extent water, home and office. Those are the areas where we have invested behind the better presence of our products, in the street, in smaller shops and this obviously has a certain cost impact, but I cannot give you the total of it now for the Group.

James Amoroso – Helvea

OK, so it's skewed basically towards emerging markets?

Wolfgang Reichenberger

No it is also as I mentioned, we have also improved within UK, also some other European markets, to a lesser extent have added to it, so I think it is not only in emerging markets.

James Amoroso - Helvea

OK, thanks.

Operator

Thank you sir there appear to be no further questions at this time.

Wolfgang Reichenberger

OK good, thank you then for your questions and I will close the call by repeating that we believe we are on track to deliver our organic growth targets, whilst also improving our EBITDA margins in constant currencies. Thank you very much.

Operator

This concludes the conference call. Thank you for participating.

Slide 38

Thank you for your questions. I will close the call by repeating that we believe we are on track to deliver on our organic growth target whilst also improving our EBITA margins in constant currencies. Thank you very much.

END OF CONFERENCE CALL