NESTLÉ S.A.

2012 FIRST HALF RESULTS ROADSHOW TRANSCRIPT

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Speakers:

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Ian Metcalfe, Nestlé SA, Investor Relations Officer

Slide: Title slide

Good morning and welcome to the Nestlé half year results presentation for 2012. As usual we will go through a few slides before opening it up for Q&A.

Slide: Disclaimer

We'll take the "safe harbour" statement as read, so without further delay, it's my pleasure to hand you over to our Chief Financial Officer, Wan Ling Martello.

Wan Ling Martello, Nestlé SA, Chief Financial Officer

Slide 2 : Agenda

Thank you, Ian. Good morning. We are doing this webcast live from the Swiss Stock Exchange in Zurich, a very warm welcome to those of you who are joining us here in person. And before I get started, a special good morning to Roddy, who you all know is our head of IR. Roddy is recovering and will be back in top form sooner than later.

I know Roddy you are watching and if I am not mistaken, this is a first call you are missing in 12 years. So Roddy this one's for you.

We have an hour and a half together this morning. I will take you through highlights of our first half, followed by a more detailed look at the performance for the year so far. I will then spend some time talking about the key elements of our cash flow performance, as well as some important changes we have made in the spirit of building on our transparency in that area.

With that, let us go to our Group highlights.

Slide 3: First Half 2012 Group highlights

During the first half of 2012, we saw continuing macro trends with regards to consumer sentiment in both the developed and emerging markets. North America remains challenging as you all know, while the European trading environment has deteriorated, no surprise, especially in the Southern countries. In contrast, the emerging markets have continued to show robust levels of growth.

This is the environment we are operating in. You know what is more important though is how we have anticipated, how we have responded to that environment – driving performance that is aligned to our strategic priorities. You know those priorities well. They are reflected in the Nestlé Roadmap which I gather you all have seen many times.

I believe that the numbers we are going to discuss today, demonstrate that we have indeed delivered once again. Remaining true to our culture of combining shorter term action with longer term thinking.

We have been fast moving and flexible, achieving strong performances relative to our markets, in both emerging and developed countries. We have done this by embracing opportunities, making the right choices, tough choices even, to deliver sustainable profitable growth.

We have continued to invest behind our innovations and our brands. We have been deepening and widening our distribution. We have been focused on flawless execution. And we have benefited from having a well-established, global, multi-tier strategy from value-to- premium to capture growth across all consumer segments.

And above all, we have benefitted from having over 300,000 people aligned behind the Nestlé Roadmap, driving our performance such that regardless of the environment, we are able to reconfirm our full year guidance.

Slide 4: First Half 2012 Group highlights

Let's now take a look at the highlights of our performance.

The Group maintained its growth momentum with an organic growth of 6.6% in the first half of 2012. This reflects a good balance between a real internal growth of 2.9% and pricing of 3.7%.

The Group's Trading Operating Profit was 6.6 bio CHF, up from 6.2 bio CHF in the first half of 2011. The resulting margin of 15% is in line with our First Quarter conference call comment, that our 2012 Trading Operating Profit margin improvement will be weighted towards the 2nd half.

You also see here the Group's Operating Cash Flow of 5.1 billion CHF is up from 2.1 billion in 2011. Now why is that? This was mainly due to improvements in operations as well as working capital that I will get to later on in my presentation.

Other elements of this chart as you can see, I would like to highlight are Net profit, which was up 8.9% at 5.1 billion CHF, and the underlying earnings per share (EPS), that rose 12.4% in constant currencies.

Slide 5: Growth across all regions

Nestlé continues to grow in all three regions. Our European performance reflects some tough comparisons for the globally managed businesses, but the zone continues to perform at the same level as Q1.

Americas has maintained its momentum, which with increases in both RIG and organic growth in North America in Q2, we actually saw increases in RIG and organic growth from Q1 to Q2 this despite the low consumer confidence there.

Asia, Oceania and Africa continued to deliver double-digit growth.

Slide 6: Growth continues to be broad based

Overall, as you can see on this slide, the emerging markets continued to do very well and grew by almost 13%. The developed markets posted 2.6% organic growth, a good performance in view of the environment in Europe.

Portugal, Italy, Greece and Spain had a slightly negative organic growth overall.

Last but not least our Billionaire Brands grew over 8%, which is above the group average.

Slide 7: Growth across all operating segments

Here you can see the overview of our Zones and Globally Managed Businesses. I'll now take you through the highlights of each of these individually.

Slide 8: Zone Americas

Starting with Zone AMS where we had 5.7% organic growth and a RIG that is flattish at -0.1%. While the North American trading environment remains challenging like I said before, we actually saw a slight improvement in growth over the 1st quarter.

The Frozen aisle is continuing the trend we have seen. We recognize, that as the market leader, we are at the forefront of returning value to the category – be it through new product offerings or the approach we take in communicating to consumers.

This is relevant. Whether we are talking about technologies, such as flash freezing, that preserve the freshness behind our frozen brands. Or successful new range extensions such as those launched by Lean Cuisine and DiGiorno.

The Frozen Pizza category unfortunately remains soft overall. But our strong brands are enabling us to hold market share, despite the significant pricing we have taken.

Talking about pricing we have also taken significant pricing action in Ice Cream. The category has also seen increased pressure from private label as well as regional players in Premium take-home.

An important step-change in Premium for us is the relaunch of Slow Churn, the Dreyer's brand Slow Churn – bringing all the taste but with half the fat and a third less calories. For those of you in the U.S., if you have not tried our Slow Churn, I urge you to run to the store, don't walk to the store – run, after listening to this webcast. I promise you I love ice cream, you can tell, it's fantastic, it tastes great, it tastes even better than full fat.

Ok so we have also seen growth in Ice Cream snacks, and the Super Premium.

Confectionery has accelerated year-to-date with innovations such as Skinny Cow still growing well.

Nescafé showed good organic growth thanks to Nescafé Classico and innovations like Nescafé Memento targeting younger coffee consumers.

CoffeMate launched new varieties of Natural Bliss, enabling the consumer to individualise their coffee moment. That, achieved high single-digit growth.

Last but not least for North America, PetCare category is growing, and we have actually increased our share. Our innovations delivered high-single digit growth with examples like Beneful Baked Delights and Friskies Plus. We have also entered the Ultra-Premium segment via the speciality channel with Canyon Creek Ranch, which is a whole natural food for adult dogs with added vitamins and minerals.

Our Latin America story is very positive, with double-digit organic growth. The key drivers by category are Confectionery, Coffee and PetCare where Dog Chow and Pro Plan stood out, and by geography, Brazil, Mexico, and the Andean and Plata regions are the highlights.

Overall market shares across all categories in the zone were mixed with highlights being Beverages in the U.S. and Confectionery and Petcare across the entire Zone.

The Zone's Trading Operating Margin increased 10 basis points.

Slide 9: Zone Europe

Moving on to Zone Europe, the growth is in line with our Q1 performance, so again it is important to highlight that we did not see a deceleration which is great. This despite the tough comparison to 2011. Although the trading environment has deteriorated during the year, as you all know and as I mentioned earlier, particularly in the south, we continue to see growth both with PPPs and with Premium products. With PPP growing at over twice the zone average.

In the West, we achieved mid-single digit growth in the UK, driven by Coffee and Culinary, and in France, with most categories contributing. In addition, the Zone's organic growth in Iberia, Italy and Greece actually remains positive.

In the East, Russia improved in the second quarter with strong contributions from Coffee and Chocolate, while the Ukraine, Romania and the Adriatic were the geographic highlights.

By category, Chilled Culinary, Nescafé and Frozen Pizza were all strong. KitKat accelerated in the 2nd quarter. Now Ice cream unfortunately had a weak half due to poor weather, and Purina continued to accelerate with strong performances in Russia and many Western European countries.

Innovations, including the continued roll-out of Nescafé Dolce Gusto and Nescafé Crema Sensazione, are doing well. As is the roll-out of Felix, especially in Eastern Europe.

Zone Europe's underlying operating performance was good. The 100 basis points reported decline reflects the 2011 impact of restructuring and retirement plan changes.

Slide10 : Zone AOA

Next is Zone AOA. The Zone delivered good growth. This performance was driven by emerging markets, most notably Greater China, India, Africa, the Middle East and a number of South-East Asian markets. Japan also showed solid growth.

China and India continued to perform well and are in line with our expectations. I am happy to report our two partnerships in China, Yinlu and Hsu Fu Chi, are very much on track.

New commercial structures and distribution models are having a positive impact, particularly in Africa, where our continued focus on routes-to-market has helped the good performances across all categories.

In the Middle East, Dairy, Coffee and Chocolate were the highlights.

As mentioned at Q1, the trading environment in Oceania remains tough. Japan however, showed strong growth, driven by innovations such as the Nescafé Barista and Nescafé Dolce Gusto systems, and a strong performance once again from KitKat, I love KitKat too aside from Ice Cream.

Throughout the Zone, we have done well across all price points: PPPs in Chocolate with Shark in China and Munch in India. Ambient Culinary with Maggi. Mainstream products, particularly in

Dairy and Coffee, have had double-digit growth; and in Premium the roll-out of Nescafé Dolce Gusto in zone AOA continues to be a success.

The Zone's like-for-like trading operating margin actually improved in the 1st half of the year. As discussed at the Full Year results presentation, the reported figure of 18.9% reflects the dilution that we had expected from the partnerships in China. I will however mention that these partnerships are accretive both from a cash flow and earnings per share standpoint.

Slide 11: Nestlé Nutrition

Moving on to our globally managed businesses, here we have Nestlé Nutrition with organic growth of +5.7% and +2% real internal growth.

Starting with Infant Nutrition, double-digit growth across the emerging markets more than offset the slower performance in the developed markets. The key growth drivers were South Asia, Brazil, China and the Middle East.

Infant formula delivered double-digit growth, mainly driven by an acceleration of growth in the emerging markets. The U.S. sales have been under pressure as a result of general category softness. This is largely due to, no surprise, declining birth rates, and really tough comparables from 2011, where we benefitted from a competitor's product recall.

Babyfood improved its organic growth performance. Cereals, especially in India and Pakistan, are the highlights.

Jenny Craig continues to be under pressure in the U.S. We continue to take corrective actions, and its taking us longer time for results to materialise.

Our strategy of going back to basics in Performance Nutrition has been reflected in improved results. We are happy with how things are going for our Performance Nutrition category.

Trading Operating Profit for Nestlé Nutrition is down 50 basis points, and this is due to the impact of Weight Management.

Slide 12: Nestlé Waters.

Next we have Nestlé Waters. We delivered mid-single digit growth, driven by North America and the emerging markets, which again reported double-digit growth. There was a slow start to the peak season in Europe, in comparison to the same period of 2011.

If we talk brands, highlights include Nestlé Pure Life, the international sparkling waters, San Pellegrino and Perrier, I was told this morning that we could not find any Perrier in the neighbourhood, and local spring waters such as Poland Spring in the US, Al Manhal in Saudi Arabia, Minéré in Thailand and Baraka in Egypt.

Overall market shares have improved, especially in North America.

Trading Operating Profit increased by 140 basis points thanks to sustained growth, a positive price impact and significant cost reductions in our Water business.

Slide 13: Other

Moving to the Other segment:

Nestlé Professional showed good growth for the 1st half of 2012, both in Beverages and Food, this is driven mainly by strong pricing actions.

Emerging Markets, which represent around a 3rd of Nestlé Professional's sales, delivered double-digit organic growth, with Brazil and China among the highlights.

Nespresso: continues to grow at a high level, in line with our expectations.

Nestlé Health Science delivered double-digit growth in North America as well as the emerging markets. I am happy to report Prometheus and Vitaflo our most recent acquisitions in Nestlé Health Sciences are both also having double-digit growth.

Cereal Partners Worldwide achieved strong growth in emerging markets, this is partially offset by softness in developed markets.The realignment of Beverage Partners Worldwide is on track.

Pharmaceutical joint ventures, Galderma and Innéov, also reported positive growth.

Slide 14: Product segments

Moving on to the product segments, as you can see here, all categories grew above 6%, with the exception of Prepared dishes which was impacted by Frozen food in North America.

I'll go through each of these product segments in more detail.

Slide 15: Product segments (Powdered and Liquid beverages)

First one up is Powdered and Liquid beverages this product segment achieved 10.8% organic growth, this, on top of 12.5% last year. All product segments and markets contributed positively with Premium, Out-Of-Home and PPP offerings delivering outstanding growth. That's all product segments and all markets which is very exciting.

Soluble coffees had a strong performance and held market shares despite price increases. There was double-digit growth from Nescafé Dolce Gusto, Nescafé 3in1, and ready-to- drink.

By geography, growth was double-digit in the Emerging Markets. In Latin America, our regional brand Nescafé Dolca performed strongly with a good contribution from Mexico and Argentina. Western Europe grew high single digit, with the UK, Spain and France amongst the highlights. There was also improved growth in Russia.

The Powdered Beverage business achieved high single-digit organic growth, that's weighted to price, and was double digit in AOA. Ready-to-drink also delivered high single-digit organic growth, driven more by RIG, with a strong performance in AOA in particular.

The Trading Operating Margin reflected the input cost pressures for this product segment.

Slide 16: Product segments (Milk products and Ice cream)

Moving on to Milk products and Ice cream, this product segment posted 6.7% OG with 0.8% RIG. This builds on the double-digit growth achieved in the same period last year.

Our Milk business enjoyed strong growth driven by Africa, Middle East, China and Pakistan. The continued success of this category is closely linked to our focus not just on innovation and but also on nutrition. On this chart, you can see a picture of Nestlé Acticol, which was launched in Chile and Mexico across various formats from liquid to shelf stable. This is one example of our many value added initiatives in this product segment.

Our Ice Cream business had positive organic growth with a strong contribution from emerging markets. In North America, pricing impacted real internal growth.

In Northern Europe, this business, much like with Water, suffered from a weaker start to the season compared with 2011.

This segment did benefit from the very successful international launch of peelable ice cream (called Pirulo Jungly in Europe).

The product group's trading profit margin increased mainly due to Ice cream.

Slide 17: Product segments (Prepared dishes and cooking aids)

Moving on to Prepared dishes and cooking aids, this product segment was characterised by strong growth in ambient culinary partly offset by the Frozen category in North America. I have already commented on the issues related to our frozen category in the US.

In contrast, a positive highlight is our frozen pizza across Europe.

Ambient was driven by double-digit growth in emerging markets, especially in Africa, China and India. As an example, we fortified our Maggi cubes in Central West Africa with iron. This helps address one of the region's most widespread micronutrient deficiencies.

OK I have a question for the group here, Ian already talked about Q&A, the way I do Q&A is I do the Q and you guys do the A. The question is 'How many cubes do we sell in Central West Africa everyday? I will give a clue it is in millions.

Participant – 7 million.

Participant – 50 million

Participant – 75 million

Going, going gone.... We sell more than a 100 million cubes every day across the region. So the next time we see each other and I ask the same question and I will be deeply disappointed if someone gives me the wrong number. That is just amazing, more than a 100 million cubes every day, this is not every year.

In Europe, we have innovations building on the Juicy roasting concept that really expand the boundaries of modern cooking.

Globally, Chilled culinary is stable with some bright spots such as Herta delivering strong growth in France where we have built on our Nutrition, Health and Wellness promise through sodium reduction and improved consumer communications.

The 10 basis points decline in the Trading Operating Profit margin was mainly due to the frozen category.

Slide 18: Product segments (Confectionery)

Next we have Confectionery. With an organic growth of 6.4% and a RIG of +4% we have been able to deliver growth-on-growth also in this category.

The emerging markets delivered double-digit growth, with brand highlights being KitKat, Shark and Munch. We have seen an improved performance in Russia with good Easter results and a revised portfolio, including the newly launched Rossiya tablets. This, together with our new commercial structures there, gives us confidence about the outlook for that market.

In the US, Skinny Cow continues to do well and our market shares remain stable.

The strength of the Nestlé portfolio in confectionery lies in two things, first our strong presence with local brands and the geographic balance across the portfolio being the second point. In fact, over 50% of our Confectionery sales are now generated in Emerging Markets – this means we still have a lot of runway ahead of us.

We continue to drive our business for the long-term, so while we are investing behind the growth in our emerging markets business, we are also protecting the fundamentals and investing behind established brands such as KitKat.

With the very successful launch of KitKat in Brazil and the continued strong performance in countries such as the Middle East, Japan and Iberia, this 75 year old brand continues to go from strength to strength.

The confectionery Trading Operating Profit margin was impacted by a combined effect of input costs, mix and last year's credit on restructuring and pension costs.

Slide 19: Product segments (PetCare)

Last but not least the PetCare business delivered Organic Growth of 8.2% driven by strong growth in both Emerging and Developed markets. The performancce in emerging markets was due to double-digit growth in Latin America and Central & Eastern Europe, especially Mexico, Russia, Brazil and Argentina.

Nestlé grew market share in all regions and across all major pet food segments thanks to strong brands, innovative products, and expansion in new channels.

The Trading Operating Profit Margin rose by 70bps vs. last year due to improved mix, pricing and lower fixed costs partially offset by higher commodity costs.

Slide20 : Trading Operating profit margin at 15%

Now moving on to the Group's Trading Operating Profit.

On this slide you can see our usual Margin Bridge depicting the evolution of the Trading Operating Profit margin, which was 15% for the half year. Let me pause here, and stress that 15% is the Reported result.

The input cost pressure during the 1st half of this year led to a Cost of Goods increase. This was, however, mitigated by timely pricing and savings from Nestlé Continuous Excellence, which we continue to roll-out across the organisation. The impact, after these savings, was 50 bps. For the full year, we very much maintain our outlook on our input costs of a low-to-mid single digit percentage increase. So no change to that.

Looking at distribution costs, we were able to improve by 30 basis points. This is due to the cumulative effects of mix and efficiencies. For example, on our Water business we've been able to get some savings doing some work on network optimization.

Our reported marketing costs were down 40 basis points, I will come back to this on the following slide.

Administration costs were up 20 bps due to the comparison with last year. The first half of 2011 saw a decrease of 150bps as we benefited from the restructuring of post-retirement plans.

Finally, we continued to invest in R&D driving our innovation. This remains unchanged at 1.6% of sales.

Slide 21: Advertising effectiveness

I had said earlier that I was going to come back to marketing. Here we are.

Our consumer facing marketing spend was again up in constant currency for the half. We have continued to drive better returns from our marketing communication investment, improving our return on our brand building efforts, more bang for the buck, so to speak.

Specific global and regional initiatives have given us very positive results on costs, consistency, and quality in media buying and planning.

In addition, our consumer facing communication continues to improve. Our creative content has been recognized with Nestlé now ranked second based on the recent 2012 Effie awards. The Effie Awards were founded in 1968 by the American Marketing Association, as a means to recognize the most effective advertising efforts each year.

And, as you can see from this chart, in the first half of this year, our top quartile TV ad performance improved by 12 percentage points over 2011, continuing the very positive trend.

We have also continued to enhance our investment in digital communications including strategic partnerships particularly in the digital space.

Two examples from many are Kitkat and Perrier.

Kit Kat in the UK encouraged 600,000 consumers to choose the next Chunky variety through various social media channels. Importantly, we were able to accurately measure the positive impact of the campaign on the KitKat brand sales.

Perrier's 'Le Drop' generated more than 3 million on-line views in less than a month. This is one example, of how we are creating significant earned media success for our brands. Let me now share one of these with you.

Video clip

The performance of Perrier, as I mentioned, was one of the highlights for Water in the first half, building on its double-digit growth in the first half of last year.

Slide 22: Income Statement

Moving back now to our income statement, you can see here that there are no major changes year-on-year, with the exception of the Net Financing line.

The low interest rate environment over the first half of 2012, coupled with our attention to cash management has delivered the results you see here.

Staying with the theme of cash management, I will spend the next few slides talking about the key elements of our cash flow performance, and some important changes we have made to build on our transparency in that area.

Slide 23: Cash Flow – a key priority

Cash flow, and our efficiency in managing cash well, remain a key priority, and the way this happens to be something I strongly believe in.

As I said to many of you, when we met at the beginning of the year, "cash is king".

We will continue to focus on our operating margin and working capital management, along with other critical elements that contribute to the cash flow, such as Treasury and Tax.

At the same time, we want to build on our objective of being the industry reference for financial performance through increased transparency. Highlighting the fundamentals of our cash flow evolution, and at the same time, delivering a more comparable disclosure.

Before I go into the details of our new cash flow presentation, let's take a look at where we stood at the half year.

Slide 24: First half 2012 operating cash flow + CHF 3bn , all key drivers contributed to improvement

As you can see here, the Group's operating cash flow was 5.1 billion CHF, up from the 2.1 billion in 2011.

The chart shows that all the key elements contributed to the improvement. In particular we had a higher operating profit of 0.5 bio CHF. We have made a real improvement in working capital, but we also had an easier comparison to the same period last year. And that has contributed to the 1.9 billion CHF less in working capital that you see here. Given this easier comp, I wouldn't expect the same level being maintained for the full year. And of course, it sets us up for a tough comparison next year. Having said that...

Slide 25: Working Capital Long-term Trend

Looking at the longer-term picture on working capital, I'd like to bring back this chart that you have seen before.

Working capital remains an area of focus.

I'd like to give you a few concrete examples of how we look at this internally. It goes without saying that our structures, policies and principles have a direct bearing on our working capital philosophy. Across Nestlé the concept of efficient working capital management is driven from the top down. We have well established cross functional ownership structures with clear improvement targets and incentives. These elements, amongst many others, have been driving improvement across several dimensions.

At the same time we will not compromise on quality of service. Our customer service levels are one of our key performance indicators for our management team. And we aim to be the best in class.

My message to you, is that we will continue to drive performance going forward. Although there may be a certain degree of volatility, the long-term trend that we have seen here is set to continue.

Slide26 : New cash flow presentation – increased transparency

I'd like to return to my point on transparency.

Building on the level of detail that we have previously provided, we have enhanced our disclosure of the Operating Cash Flow. The full details of this are in the appendix with some illustrative examples based on full year figures.

In essence, we have broken out the cash flow before changes in assets and liabilities. Added a line on the evolution in working capital. Separated the disclosure of Taxes and Treasury activities.

The objective behind all of these changes is to provide you with a better view on where the cash is being generated. At the same time, our definition of Operating as well as free cash flow is now better aligned with our peer group companies.

While we are discussing changes, I would also like to draw your attention to some of the slides we have included in the appendix. In the spirit of being proactive, we have outlined for you the changes in pension accounting under IAS 19 and how it will impact our P&L from 2013 onwards.

In the interests of time I won't go into the details here. I will just emphasize that this is only an accounting change. It will have a 20-30bps impact on our margin. But needless to say, it has no bearing on our underlying performance or our cash generation capacity. We will of course restate 2012 when we report 2013.

Slide 27: Conclusion

This brings me to my concluding remarks.

As I said in my opening comments, I believe this first half performance, in a very tough environment, demonstrates the power of alignment behind the Nestlé Roadmap.

It's been sad that great global companies do 3 things really well: they know the local consumers very well, they leverage globally, and they transfer knowledge effectively.

Nestlé as you know is a very decentralized organization. We know how to meet our consumers needs. We know how to partner with the local trade. We are part of the fabric of the local community.

The competitive advantage that is not obvious to outsiders is our ability to align 330,000 people across 150 countries.

For me coming from the outside, this absolutely blows me away.

There is also no doubt that the roadmap is as relevant today to drive performance, as it ever was.

We have delivered what we needed, top and bottom line in the 1st half to confirm our guidance of achieving the Nestlé Model once again in 2012. And we have done so while continuing to invest and to make the right choices. Investments that will enhance our future performance – that balance of short and long term focus that I mentioned earlier.

Nestlé has delivered in the first half. Will deliver for the full year, and continues to enhance our longer term capabilities to win in our markets, globally.

This concludes my presentation.

Lets now open up to discussion.

Q&A Session

Ian Metcalfe:

Thank you, Wan Ling. We'll now start with questions from the audience here in the Zurich Stock Exchange before opening up to those dialing in.

Questions on ;	**Cash Flow** **Margins in Europe**

Alex Molloy, Credit Suisse:

Two questions if I may. Firstly on cash flow, clearly in 2011 this was an area of considerable investor focus and generally not particularly favorable. With the better cash flow performance in H1, can you say to what extent was that due to increased focus on management's part and a determination to improve the cash flow performance.

My second question is margins in Europe were down a 100 basis points, as you said pensions and restructuring played a role in that. Could you say whether underlying margins, excluding this, were up or down? Thanks.

Wan Ling Martello:

Hi, Alex, how are you. First of all, before I should have talked about the new rules of engagement, we expect questions to be multiple parts, if not, we do not answer this question. So you actually, without me telling you the new rules of engagement, you had a two part question.

In terms of cash flow, definitely, categorically, there is increased management focus and so if you look at where we are going to end the year. It will not be -- like I said earlier, do not extrapolate, it's like the improvement in working capital, we will improve vis-à-vis the position last year, but don't do an extrapolation.

But all the elements, whether its improving operating margin, better cash management, better management on working capital. To your point, it is management's focus and determination to make an improvement in cash flow.

In terms of our zone Europe's trading operating margin, you are right, excluding that, we actually improved.

Questions on ;	**Cash flow, trade and net working capital goals** **Organic growth in USA** **Raw material costs** **Growth in Nespresso and Dolce Gusto**

Jon Cox, Kepler:

Sorry, Wan Ling, am I allowed to ask multiple questions or do I have ask one at time, I misunderstood what you were saying.

Wan Ling Martello:

You can ask a question what it has have multiple parts.

Jon Cox, Kepler:

Okay. Just back on to that cash flow, trade, net working capital do you have any sort of goal in your mind where you think you can get to proportion of sales?

Wan Ling Martello:

We obviously, like I said before, do have internal goals and actually, as part of management incentives - short-term bonus, everybody has a goal. So, we have specific targets by business that will roll out to the Group. Obviously it's a target that I am not going to share with you all, but we do have goals internally.

Jon Cox, Kepler:

Just on the U.S. issue you say that basically organic gain accelerated in Q2?

Wan Ling Martello:

That's correct.

Jon Cox, Kepler:

Can you give us an indication of -- what the acceleration was because if you look at the Americas it seems that if you strip out Q1, Q2 organic seem to slowdown, somewhat, overall for the Americas. And I am just trying to work out well if the U.S. actually went up -- what was may be deteriorating?

Wan Ling Martello:

No, in the U.S. for the U.S. market we actually saw an acceleration from Q1 to Q2. I am not going to specifically say which category, which product, but overall our U.S. market did go up both in terms of RIG and organic growth.

Jon Cox, Kepler:

And then just on your commodities guidance it remains sort of unchanged. If anything if you look at some of those soft commodities they actually seem to be coming down even quicker than potentially expected. Is it now you are seeing the grain complex and saying that this will offset the soft commodities?

Wan Ling Martello:

Yes, exactly. Because you know our guidance is the basket of input cost. And so you see it's a mix -- in the U.S. given the drought in the Mid West, we're going to see increase in those commodities coming from corn, soybean, but on the other ones, they are going down. Overall as a mix, our guidance is not changing, which is the low to mid single-digit.

Jon Cox, Kepler:

And then just the last one on sort of coffee generally, but Nespresso, you're talking about the growth remains strong, but you are starting to mention the words it’s getting competitive out there. Can you just give us an idea of where you were in terms of the Nespresso growth, is it still running at 20% plus or was it dropped into the mid-teen level?

And then just on Dolce Gusto, maybe you can just give an idea of the dynamics there, because that obviously is growing super fast as well and maybe we should focus in more Dolce Gusto growth dynamics rather that what's happening with Nespresso?

Wan Ling Martello:

No, you should be focusing on both Nespresso and Dolce Gusto. Nespresso like I said, the growth is very much in line with our expectation. Before we have been giving a lot more details on Nespresso, I’m not sure from a competitor's standpoint, that served us well. So I will say that we are very happy with growth in Nespresso, its very much inline with our expectation. And I can't remember in which conference call we said that our expectation is to grow the Nespresso business by 0.5 billion......

Ian Metcalfe:

2010 Nestlé Investor Seminar.

Wan Ling Martello:

Gosh, it's a like walking in encyclopedia of when we said what. But so that's the answer to Nespresso. Very happy with how is doing so far. And hey – it's very competitive, it has been.

In terms of Dolce Gusto, very, very strong performance, again we are not giving specific, its obviously double-digit, very strong. And seeing good progress as we rollout in zones like AOA.

Ian Metcalfe:

Just on Nespresso it's important to add that we are gaining market share as well.

Wan Ling Martello:

Yes, that's true. That's a good point.

Jon Cox, Kepler:

Thanks and congrats on the results.

Wan Ling Martello:

Thank you John. On behalf of the 330,000 people thank you.

Question on ;	**Growth and synergies of Hsu Fu Chi and Yinlun** **Nutrition growth**

Jean-Philippe Bertschy, Vontobel:

You were mentioning China as well several times. You had two acquisitions last year Hsu Fu Chi and Yinlu, I guess you will give some additional insights in September but can you share maybe with us the growth for these two companies and how do you see the synergies going forward.

Wan Ling Martello:

We do not give specific growth numbers for Hsu Fu Chi and Yinlu, but I will tell you that we are very happy with how it's going. It's very much in line with expectations and in terms of synergies, it's more -- when we talk about acquisition, it's interesting it's not sometimes necessarily on just cost synergies. If you think about the Hsu Fu Chi acquisition, overnight it gave us access to thousands of sales force that now penetrates into the third, fourth tier cities in China. In Yinlu it gave us entry into the breakfast category in China. So those are great from a synergy standpoint, you know the sales force resource so we are just really happy to very much on track, so those two partnerships are going really well.

Jean-Philippe Bertschy, Vontobel:

And maybe the second one on Nutrition, I think Infant formula was growing double-digit globally.

Wan Ling Martello:

Yes.

Jean-Philippe Bertschy, Vontobel:

And then the rest was negative as well globally.

Wan Ling Martello:

Infant formula is growing double-digit in emerging markets that's more than offset the ones in developed markets and I talked about the reasons being a decline in birth rates and also we're comping against last year in the U.S. where there was a product recall by one competitor.

Question on;	**Emerging market growth and percentage of sales**

Patrick Frei, Privat bank IHAG :

What is the percentage of sales in the emerging markets and what was the growth there?

Wan Ling Martello:

We showed the growth percentage in terms of total, globally, emerging. Do you have that number?

Ian Metcalfe:

Over 40%.

Wan Ling Martello:

Over 40%.

Ian Metcalfe:

And the growth there is 12.9%.

Wan Ling Martello:

Almost 13.

Question on;	**Nestlé strategy for developed markets**

Daniel Gruneisen, Vontobel Securities:

I have a question on the Western World or developed world. I think it's beautiful to see Nestlé, what's going on here, that emerging market is growing very robustly but we have some weakness in the Western part or in the developed world. What can be a strategy for Nestlé to kind of counterweight what goes on? Is it PPP that you try and launch more aggressively or put more aggressively focus on, or is it pricing, that's what you do I think in the Pizza business, to try and offset maybe a soft market. Could you elaborate a bit on that?

Wan Ling Martello:

Yes, first of all, thank you for your question. It's interesting when you see results like the ones that we just released and we just announced. This is no walk in the park these are hard fought numbers in the developed markets, even in emerging markets, thanks to a very strong team at Nestlé.

In Europe, its both PPP and premium that's doing well and so to be able to get the kind of numbers in developed markets, where it's very challenged from a macro perspective, innovation is going to be continued to play to be key.

And so whether it's the peelable ice cream or it's Nescafé Dolce Gusto, those will continue to serve Nestlé well.

People always ask what we see in terms of the balance of the year for U.S., for Europe. It's hard to tell, but what's very comforting for us is the fact that we do not see a deceleration going from Q1 to Q2. And we are cautiously optimistic given our product categories and what we've seen in the first half, hence our confidence in reconfirming that we will once again deliver the Nestlé model for the year.

Questions on;	**Organic growth in Latin America** **Update on Pfizer acquisition**

Michael Studer, Bank am Bellevue:

One question regarding the Americas again, maybe on Q2. You said U.S. is growing in RIG and organic growth so is the conclusion right that you've seen quite some slowdown in Latin America and may be you can point out in which countries and may be also how you see the remainder of the year?

And my second question maybe an update on Pfizer and Nutrition business what we should expect there? When to close -- and consolidation? Thank you.

Wan Ling Martello:

Let me start with the Pfizer Nutrition. When we announced the transaction back in, that was April I think, that was week two for me on the job. We had said that we anticipate closing probably beginning of next year or at the earliest end of this year. We are going through obviously the process of working with Pfizer in terms of how we transition services, but more importantly we are working with the regulatory authorities in every jurisdiction to get approval. And I am happy to report that so far we have already seen a handful or more than a handful of countries approving, giving us the okay. But again no change in timeline, Michael, it's going to be beginning of next year likely. So, no change.

In terms of Americas, like I said earlier, we saw actually both from a RIG and OG perspective acceleration for the U.S. or North America in general, and for the U.S. specially and so that that was again very, very nice to see. So we are again cautiously optimistic. That does not mean the Latin America is slowing down. I know in some of the calls with our peer group companies, some people have highlighted Brazil slowing down or Russia. We are not seeing that. Brazil is keeping, for us anyway, we are maintaining our momentum in Brazil. Russia actually is recovering very nicely for us. So that's its good to see that, so no slowdown.

Ian Metcalfe:

If I may just add the only thing that you may see down there is the Easter effect especially in confection Brazil, which of course is one of our biggest categories.

Michael Studer, Bank am Bellevue:

Might it be possible to give us the LatAm growth or give us an indication if the LatAm growth is higher – lower than the BRICs growth?

Ian Metcalfe:

Nice try, Michael.

Michael Studer, Bank am Bellevue:

Okay. All right. Thanks.

Ian Metcalfe:

Maintaining its momentum.

Wan Ling Martello:

We always give credit for people who try. The reason why this table is not open is because Ian has warned me on things that I not supposed to share, so he kicks me under the table, not to give the detail. So we haven't given before.

Ian Metcalfe:

You also to bear in mind that we don't manage the business by quarter-to-quarter basis. So over the long-term, I think there is a a broader perspective if we look at the full year, comparisons.

Question on;	**Operating profit margin for Nestlé Waters**

Patrick Hasenböhler, Bank Sarasin:

Do you expect a further improvement of operating profit margin for Nestlé Waters business in the short and mid- term?

Wan Ling Martello:

We have been very pleased with our Nestlé Water business and as you know the Water business, in terms of margin, it can be a little volatile. If you talk about the two businesses well, first it's a commodity cost and then depending on what competition does, but needless to say we are really pleased with how it's doing this year. And obviously our expectation is that it will continue, but kudos to the Nestlé Water's team.

That's an interesting question too, because sometimes we get questions about do you expect the all categories to deliver on the Nestlé model. We always say that all categories and all regions should contribute to the Nestlé model.

Question on;	**PPP growth and targets in emerging and developed markets**

Joelle Hamida, Pictet Asset Management:

Can you give us a little bit more colour on your PPP growth breakdown between the emerging markets and the developed markets and the targets that you have for this PPP products in the future.

Wan Ling Martello:

We do not give targets in terms of the PPP products, but you know what's really interesting, I know when I first joined Nestlé and I heard about PPP, the first thing that you go to is that PPP is for emerging market. Well, I was wrong. It's actually for the emerging consumer and so whether the consumer is in the emerging market or in the developed market, it resonates to that consumer who wants to by our PPP products.

In terms of percentage overall it’s about 12% today, and it's very accretive in terms of growth and profit, and clearly, as I said in my presentation earlier, it has helped both the emerging markets as well the developed markets.

So, it's really fascinating to see that, how well PPP is also doing in the developed countries.

Question on ;	**M&A intentions and net debt guidance**

Alexandra Bossert, UBS:

Just a follow-up on the Pfizer Nutrition acquisition, what are your M&A intentions going forward. And earlier you guided for net debt of about 15 to 18 million by end financial year '12-'13, are you still sticking to that guidance. Thank you.

Wan Ling Martello:

Sorry. It's just the second part was the net debt and what was the first part. Oh, M&A, Yes. We have been very public, post the announcement of Pfizer Nutrition that we will not be doing any significant deals and if anything we will perhaps probably we will look at bolt-on acquisitions here and there but no significant transactions post Pfizer Nutrition acquisition.

The other thing in terms of net debt, obviously our net debt position, because the Pfizer Nutrition, will go up, but we're not giving any specific guidance at this juncture.

Question on;	**Payout ratio and buybacks** **Impact of pension changes** **PPP and Premium percentage of portfolio**

Jon Cox, Kepler:

Just on the what is about net debt. No, no -- you sort of move to a bigger payout ratio and away from doing buybacks, is that still the way you feel now you have been in the job for six months or so. Is that the way you would continue or do you see that in the future potentially you would move back doing some buybacks or would you rather continue to increase the payout ratio, which is very good already. But is that how you would probably prefer to return cash to shareholders, if you have sufficient?

Wan Ling Martello:

Yes, thank you, Jon. We do not see the two being mutually exclusive. We have always said that we strive for a sustainable dividend policy and if you go back - how long how we been tracking dividend - but it's been over 50 years. And if you look back in the last 50, I think 50, 60 years; we have never decreased our dividend in absolute terms. So I would argue that that's pretty sustainable. And so we are not walking away from a sustainable dividend policy.

We have said since the end of last year that there is no new buyback program and that is more opportunistic to the extent that absolutely we have excess cash, we will look at that. So I don't look at those as mutually exclusive dividend policy. It's going to be sustainable and that doesn't change and no new buyback now, but we are open to that when the circumstances are right.

Jon Cox, Kepler:

And just a question on the pension change, I must admit I was quite surprised to see that, what the impact will be for you guys next year. Of course it's just an accounting change but you mentioned that your finance cost will go up by 250 million. I guess that will be a cash outflow because you say there is going to be no cash impact, but that net finance cost 250 million would that...

Wan Ling Martello:

Yes, no cash outflow.

Jon Cox, Kepler:

No cash outflow.

Wan Ling Martello:

No. No. Absolutely no cash outflow it's purely an accounting change. And like I said earlier we will restate 2012 when we go into 2013. We just wanted to be proactive this early on to give you all some sense of how this accounting change is going to impact our P&L. So -- but no absolutely no cash flow, no cash outflows, simply an accounting change.

My husband always reminds me that the road to hell is paved with good intentions. So as we prepare and are being more proactive and being more transparent on the cash flow, at the back of my mind I thought - is this going to come back to haunt us.

Jon Cox, Kepler:

Just a follow-up on the PPP you mentioned I think its about 12% group sales, did you say?

Wan Ling Martello:

12%.

Jon Cox, Kepler:

And then just in terms of the premium part of our portfolio what would you say the share is of that now, roughly?

Wan Ling Martello:

Roughly ish

Ian Metcalfe

That's actually a difficult one to measure.

Wan Ling Martello:

Yes that's difficult. So we don't have an exact figure. No we don't. But that's an interesting. We should take that question back Ian and...

Ian Metcalfe:

I mean if you take in to account Nespresso, Nescafé Dolce Gusto - the rate of growth they have got. But then you've also got other categories where the classification premium is blurred at best, and especially for the Ice Cream and other areas. So it would be a difficult one to give you an exact percentage of that.

Wan Ling Martello:

Yes, I mean you could think that Nespresso, Nescafé Dolce Gusto, NAN, or sparkling waters, San Pellegrino, Perrier, Häagen Dazs ice cream, so. Yes.

Jon Cox, Kepler:

It's interesting what you say about the dichotomy between in Europe where you got the low end doing very well and you got the high end doing well...and then obviously we will think how big was middle part and what's happening with the middle part is that the part of the portfolio that is under some pressure...

Wan Ling Martello:

No, but if you see our coffee, I talked about, our powdered Beverages business. It’s all markets, all product segments contributing and that's very much our mainstream line, right? But that's – it's the other dichotomy, the one of the great strengths, one of the capabilities of an organization like Nestlé is the on both ends of the spectrum; to be able to be successful in PPP and to be able to be successful in the high end with Nespresso and other product categories, that speaks to capabilities.

What you all see are in black and white, the numbers, and obviously the company's capability manifests itself on the numbers. But being on the inside, the other thing that's amazing to me is - I always say what is the acid test of somebody good or a collection of people if they are good, is their ability to manage something new, what they are having to master at first.

If you look at, we as a manufacturer are able to go in to Nespresso and 50% of our sales is now through e-com and a significant chunk of our sales is also through boutiques over 270 boutiques, on a global basis. Having come from retail background is not easy to have a retail footprint, that is meaningful, to be able to provide great customer experience when you walk into our boutiques. Those are capabilities that even though Nestlé was never a retailer, was never involved in eCom, to now be able to do that that speaks to a great strength of Nestlé is ability to manage something new without having to master it first. So I am, as a new person, I am just really, really impressed.

Ian Metcalfe :

So with that we will now go to the questions from the phone. Please don't forget to introduce yourselves before asking your question. Could I have the first question please?

Questions on ;	**Russian environment** **PetCare**

Eileen Khoo, Morgan Stanley.

Two questions from me. The first one is on Russia, it looks like you have actually had an inflection point in performance there, is that because of the macro environment or is that because of the other restructuring that you've been doing. For example I think it's quite interesting that in confectionery you did well. We heard some cautious comments from one of your competitors.

And the second question is on PetCare, I noticed that your growth has been steadily improving and accelerating close to 9% in second quarter. You mentioned expansion in new channels at as a positive mix. Could you give us bit more colour on this. Does this mean U.S. markets. Thanks.

Wan Ling Martello:

Thank you for the question. On Russia, I will give credit to the Russia team as well as our zone Europe management. We had talked about Russia being -- the market was bit of a challenge for us in the past and so internally they have been doing some restructuring. They've been bringing some innovation to the market and so the recovery really is thanks to the management teams focus on quality and innovations, so kudos to them. Just like we did not blame the macro economic environment when we weren't doing well in Russia, I will also not take away the credit that we will give to the management team when things are going their way. So Russia clearly is really, really nice to see the turnaround in that markets, so kudos to that team.

Our PetCare growth actually in Russia, as long as I continued with the team on Russia PetCare also a strong growth in Russia along with Nescafé Dolce Gusto.

In terms of PetCare, the growth is also helped by the fact that we're going into specialty channel and so in the U.S. So really great to see that we're increasing share as well as the category is growing.

But the thing that's really interesting also for PetCare is we're doing well in emerging markets, in Latin America as well as in Eastern Europe. And the thing, if you look at Pet category we are actually under indexed in both Latin America and AOA, which again is what makes it so exciting for us. A very strong category like PetCare for us to be under index in those two regions or two zones. It's very exciting for us to be able -- and we're seeing traction now. It used to be for the PetCare category if the U.S. is not doing well, it's like the whole product segment for us kind of goes with how the U.S. goes, so it goes for the category. But now with us doing well, seeing traction in emerging markets in Latin America and in Eastern Europe, they are now becoming a meaningful share of our PetCare product segment. And that's really a lot of credit to the team for bringing a lot of innovation into that category.

Questions on;	**Cash flow and net working capital** **Market share gains and losses in U.S.**

Alain Oberhuber, MainFirst:

Good morning, Ian and Wang. I have two questions. The first is about cash flow, net working capital. Would you elaborate a little bit more about the development of net working capital? What were main drivers that increased slower, in order to get more insight on that?

The second question is coming back to North America again, could you let us know where you gained market share in which category and in which categories you lost market share in U.S.?

Wan Ling Martello:

Thank you for the question. I'll take the second part first, North America specifically in the U.S. We don't obviously give market share by product category, by geography. I will say that it’s mixed -- I think mentioned a few categories earlier on in my presentation. I will say this however that when you all look at market share from Nielson for instance, and we do. We tend to look at on a more granular [level], which is more comparable. I give you example for instance Water, we don't compare for instance; our Water to sugar beverages in the U.S., which – if you don't dive deeper and get the right level of granularity it could be very, very misleading. So, needless to say for U.S. it's a mix bag and we do track it, obviously, on a monthly basis and anyway...

In terms of working capital it's a combined effect of both efficiency as well as our increase focus on driving down how much we tie-up in terms of working capital to support the kind of growth that we see. But also like I said earlier is an easier comp for us versus last year and but one thing that you all should take away from this session is that there is increased focus on cash and working capital in general by all of us at Nestlé. Its something that Paul Bulcke has -- its top down driven, all the way from the top from Paul.

Ian Metcalfe:

If I can just add -- don't want to contradict -- it's always the exception that proves the rule. As Wan Ling mentioned in her presentation we have seen some gains in market share, in different categories, PetCare for one. And we have also seen them across our pizza range, Lean Cuisine due to the innovations of the launch there, amongst others including confectionery. So I think you can say that it's a mix picture, but overall we are holding our category growth in various key areas.

Alain Oberhuber, MainFirst:

Thank you. Just a follow-up question about the program, the Excellence programme, in the past you gave cost savings of 1.5 billion per year you still give the guidance for 2012?

Wan Ling Martello:

Yes. We -- that's you are referring to Nestlé Continuous Excellence there, our programme, and that's going in line with expectation and we are staying with 1.5 billion guidance that we have given you at the beginning of the year.

Its really interesting if you think about Nestlé Continuous Excellence, its not – again as a new person when I first came in I thought, well, it’s some kind of a productivity program that's kind of a like one time, one time shot , you do it for a year, you do it for two years, you do it for three years, and its kind of like all over. But it’s not, it's really a change in mindset and so it's pushing the ownership to the person responsible for doing the specific task for doing the specific process. And so the way to look at it is, we value, whatever we do, we value what we do, only if it brings value to the consumer.

So it's a continuous process, it's at all levels and in fact, NCE has not been rolled out entirely to the whole organization. So it's so very much in the process of rolling out and it’s at all levels, it’s not just at the COGs line, the cost of goods line, you will see it in admin, you will see it in distribution and so it's across in the whole enterprise affecting all the lines on your P&L.

So again Nestlé Continuous Excellence it’s great, it's a mindset change and it's a really – it's again another very phenomenal thing that's going on at Nestlé.

Questions on;	**Confectionery margins**
	Margin upsides
	Japan
	Marketing spend

Warren Ackerman, Société Générale :

I've got two questions and one clarification. The first question is were you a bit disappointed with confectionery margins down 200 basis points and then related six months in to the job just be interested to hear where you think the biggest margin upside is in the Nestlé group either by category or by geography.

And then secondly Wan Ling would you be able to touch on Japan - obviously an important market for Nestlé, very attractive margin structure. Just interested in what the growth was -- what's driving that -- is it sustainable? And then on the clarification, marketing down 40 bps, but consumer facing marketing up 1.3%, I am bit confused by that. What marketing are you doing you are doing that is not consumer facing. Thank you.

Wan Ling Martello:

Warren, it's nice to hear from you. Why are you not here in person ? I am disappointed. But Warren has four parts to his question, even though he is not here in person, and we'll attempt to that. Okay, let's start with marketing 40 basis points down. When we talk about marketing expenses, Warren, it's not just consumer facing portion of it, it includes obviously what I call infrastructure, you know such as sales and marketing people, the folks who do a lot of work on digital, so it's the SG&A or it's -- what I call the infrastructure part of marketing. So, yes, it's -- when we talk about marketing, it's not just the consumer facing.

The 40 basis points down first of all were -- in constant currency we are up, like I said, 1.3% and that is on top of last year that increased about 6%. But more importantly when we talk about marketing, you have to put it in context, okay. First half of last year, for instance, in Nespresso, we saw the first ever global launch of PIXIE machine, which was highly successful. So we had a lot of marketing spend behind that launch. And obviously, this first half, we did not have a new machine, like PIXIE. So marketing spend in that -- for that specific -- for Nespresso is down compared to last year. But having said that, we are excited, we have two new machines coming out for -- or has come out actually for Nespresso that will be introduced to consumers second half.

The other thing, too, is if you look at first half of last year, Warren, we had big events. You talked about Brazil had celebrated its 90th anniversary. In Brazil, a lot of marketing spend behind that event. The Philippines another key market for us, also celebrated a 100 year anniversary.

And also if you look at Dolce Gusto or so, they are now in critical mass. So we did not give you the growth for Dolce Gusto, but its double-digit, pick a number, whatever number you want to pick 20, whatever 30. That's not the number by the way, but you would not expect the same level of marketing spend increase year-on-year to support that kind of an increase. So marketing spend for first year that's the reason behind the 40 basis points decrease year-on-year.

Warren Ackerman, Société Générale:

On that very quickly so if you were to take that whole marketing bucket, would you be able to give us a rough idea of how much is kind of consumer facing and how much is kind of the quote unquote - kind of infrastructure. Just to trying to get a feel for whether you think this marketing as a percentage of sales being down, is that going to be long-term secular trend?

Wan Ling Martello:

No, we do not break out, correct me if I am wrong, Ian, we do not break that out for in terms of details, right?

Ian Metcalfe:

No, we don't break that out.

Wan Ling Martello:

Let me move on to your three other parts. In terms of confectionery, down in terms of trading operating profit margin that's because Europe, where we had the credit last year from pension restructuring, as well as the decrease in Group restructuring cost. So it actually underlying, confectionery margin actually improved if you were to strip that away. So that's obviously that's our confectionary in Europe because those two are related.

In terms of Japan, we are seeing really, really again kudos to the Japanese team. We are seeing strong growth. And it's a combination of the introduction of innovations like Dolce Gusto coffee and also KitKat doing well. So very happy to see that.

And your last question, which is wanting me to opine the margin upside for the Group by category. I will share this with you when I first came in to the organization, meeting whether it's CFOs from our key market. I also had the good fortune in the first month, April, we had the key market conference as well as the market manager conference. So I had the good fortunate meeting a lot of people. I also had a good fortune of talking about, kind of like, my perspective as a new person coming in. And I shared an outside, introspective and I said Nestlé, from a top-line perspective, if you were to look at the last 10 years compared to our peer Group companies competitors we're best-in-class, that just the last 10 years.

If you look at margin we have been able to improve margin in the last 10 years, meaningful increase in margin, but we are are in line with peers. And so, very much to the point that you know, if you look at margin upside there is still a lot of headroom, there is still a lot of opportunity to improve.

And the key thing also when I was talking to our folks about that, the interesting thing about those two -- if you look the last 10 years against competitive set, we were probably one of two companies that were able to deliver both top-line and margin improvement.

You see some companies who are able to drive top-line performance, but not so much in margin or the other way around - margin improvement but not top-line growth. So kudos to the team to be able to do both, but having said that our margin is very much in line with peers so a lot of upside because we strive to be again the financial reference for the industry. So we would continue to drive margin improvement.

Ian Metcalfe:

In the interest of time could we just take one more question from the phones please.

Questions on ;	**RIG and Organic growth in North America and Europe** **Weight management business**

Barbara Ambrus, LBBW:

I have a question actually – a question of a clarification for North America. Would you please maybe tell us both RIG and organic growth, you said they improved versus Q1 and Q2, would you tell us is they were positive?

And similar question on organic growth and RIG in zone Europe in the first quarter, Western Europe seems to have performed better than Eastern Europe and its sounds as if it was vice versa in the second quarter, could you maybe elaborate a bit on that?

And I have a question on Nutrition, the weight management business has been under pressure for years now, because of weak economy, I understand that and you said, you were going to take measures what are those? Scaling down the business or enhancing investment, maybe you can elaborate a bit? Thank you.

Wan Ling Martello:

Thank you, Barbara for questions. Let me there are three, three parts of that, let me take Nutrition. Yes, we recognized we are not happy with the way the business has performed in the last year and obviously going to this year, it's interesting. And the industry in general is not doing well. But having said that we are not going to hide behind that, there are things that we can be doing and the team continues to try different things, its interesting.

Paul in one of our roadshows, Paul Bulcke said, if you think about mother, the women and the household. It's like in terms of in the order of priority, takes care of the baby first, then takes care of the pet, then takes care of the other children, it's the husband, if the husband is lucky and then finally herself. So in tough macro economic type environment, the mother, the woman in household, who is really our target audience, tends to not take care -- she is not the priority. But having said that, like I said we are not going to hide behind the fact that the consumers are challenged and that the industry as a whole is difficult.

We are -- the team is looking at different dimensions, everything from celebrities to online marketing to focusing on healthy lifestyle both at work, collaborating with the America Hearth Association. So they are trying different things and I will say it's not for lack of try, it's just unfortunate that we are not seeing the kinds of improvements that we like to see. So hopefully the next time we get together we will be to tell you that there is some light at the end of tunnel. So that's a question on weight management.

In terms of North America and the US specifically I will stress all businesses had positive, had accelerated in terms of RIG and OG, all businesses in the US. So that's US.

And in terms of zone Europe I think your question was Western Europe versus Eastern. Yes, we are seeing good growth.

Ian Metcalfe:

Yes, so across the group we've seen good growth across all businesses in all categories, but you are right in that there are some key drivers, east or west and of course some positive turnarounds as we've seen some better growth in Russia which is also encouraging and that had an influence on the East West divide as well.

Wan Ling Martello:

So I think that was our last question here.

Ian Metcalfe:

That was the last question. I am sorry. I have to drag Wan Ling away to some one-on-ones now.

Wan Ling Martello:

Yes. Thank you for the questions, and thank you for those of you who made the effort to come here in person. I would just like to close today by repeating that Nestlé has delivered a performance in the first half of 2012 that both is in line with our strategic priorities and really set us up for further performance improvement in the future.

And on a personal note, I'm very excited to be part of that future, and I look forward to sharing it with you in the years ahead. Thank you again.

END OF TRANSCRIPT