

**Q3 2012 Nestle SA Sales Press Conference
October 18, 2012**

Corporate Speakers

■ Jonathan Dong	Nestle S.A.	Director of Corporate Communication - Nestlé Greater China
■ Paul Bulcke	Nestle S.A.	CEO
■ Wan Ling Matello	Nestle S.A.	CFO
■ Nandu Nandkishoe	Nestle S.A.	Zone Director - Asia, Oceania, Africa and Middle East
■ Roland Decorvet	Nestle S.A.	Chairman, CEO - Nestle Greater China

Participants

■ Laurie Burkitt	WSJ/Dow Jones	Media
■ Dermot Doherty	Bloomberg News	Media

PRESENTATION

Jonathan Dong: (interpreted) Good afternoon, everyone. Welcome to the bi-month sales press conference of Nestlé held here in Shanghai. Today, we not only have the audience from the media in this conference hall, we also have the webcast, through the internet so that more people actually are involved in our press conference.

This afternoon we are going to have the speeches given by the executives of Nestlé, and then, a Q and A session and after the end of this press conference, we have the reception session, outside of this conference room, and we also have the one to one interview with our chief leaders. Paul Bulcke, Chief Executive Officer

Before the opening of the conference, I'd like to remind you of swift, shifting your cell phone into mobile, into vibration or silent mode. And I would like to give forth to Mr. Paul Bulcke, Nestlé's senior to the floor.

Paul Bulcke: Well, good afternoon everybody, here in Shanghai and welcome to the nine month press conference. Also, I would say good afternoon or good morning to the people who are listening in via webcast. We really value your interest in our company.

A few moments ago the nine-month sale result went out, and you'll see our group has grown 11% in Swiss Francs to CHF57.6 billion, which is an organic growth of 6.1% and a REIT of 2.9%. You'll see also that we have grown in the developed markets with 2.4% and that we have so grown more than double digit, with 11.7% in the emerging markets.

And that is a result of a continual momentum that we have and that allows us also, combined with some of easing of [Aromatila] costs to confirm our full year outlook.

It is now two years that we have left Vevey, Switzerland for the nine month sales conference. We have done it two years ago. We were in New York where we were able to illustrate how deep and broad Nestlé's activities are in the USA. and last year we were in Paris where we shared with you how to grow, how we were growing in Western Europe where we have, yes, indeed, quite a lot of headwinds economically speaking and low consumer confidence.

But we are growing in Western Europe, and that is basically thanks to quite a lot of innovation and renovation in our portfolio and the way we go about our business. And now here in China and Shanghai, and that is actually sharing with you how we are embracing all these opportunities that the world is giving us.

In the emerging markets, in the growth markets and the New World. And how we are deeply encrusted into the realities of these regions in the world that are really showing some good opportunities.

But allow me first to introduce my colleagues who are sharing the podium this afternoon. First, Wan Ling Matello, my co-pilot, or the Chief Financial Officer of Nestlé SR. Nandu Nandkishoe, who is Executive Vice-President, responsible zone AOA, as we call it, that is Asia, Oceania and Africa.

We have also Roland Decorvet, who is Chairman and CEO of Nestlé in Greater China region. And we also Jonathan Dong, who introduced us, who is Director of Corporate Communication in the Nestlé Greater China region.

But as I see quite a few new faces in this room, and I'm really happy to welcome here, and introduce you, with two, three slides, what Nestlé actually is. And I know you have informed yourself, but first of all, what do we stand for?

And I think the words Nestlé Good Food Good Life captures very, very well the essence of what Nestlé stands for. It is that we are looking for enhancing life by offering tastier and healthier food choices and beverage choices, so that we can allow people and consumers to care for themselves and their families.

And we want to do that and be part of people's life in every stage of their lives, in every moment of the day. That is what we want to stand for, and that is what Good Food Good Life stands for. And in order to do that, we have a presence in the world that dates back from the onset. Our company is more than 145 years old. It started in Switzerland and from the first and second year, we were a multi-international. We went international.

That is quite logical when you start from a smaller country like Switzerland, but we have been quite worldwide from the very beginnings, and altogether now we are, as I mentioned, CHF85 billion almost and we are 330,000 employees who are working in over 150 countries in the world. We have a very, very broad industrial footprint with 461 factories in over 80 markets or countries.

We have many brands. We have very strong international brands, but we do care also for local brands, because at the end of the day, consumers do own the brands, and we are selling over 1 billion products a day, which is quite a feat to do that.

Now, the purpose of Nestlé, the essence of Nestlé to be part of people's lives, expresses itself in an activity that is expressed through different categories, and you see here we are in seven different categories, going from Infant Nutrition to Milk Products and Ice Cream, culinary beverages, et cetera.

And it's only when you are active in all these categories that you can really play into people's lives meaningfully and where you can also leverage your scale in the sense that you can leverage R&D, you can leverage also your operations in the markets.

Now, that is what I wanted to share with you very fast about Nestlé. I want to give now, also the floor to Wan Ling, to give you some insights on the nine-month results before we then continue. Wan Ling?

Wan Ling Matello: (interpreted). Good afternoon everyone. I'm very happy to be in Shanghai once again. Each time I come to China, I feel like homecoming. We are doing a webcast, therefore I have to speak English. Please bear with me.

Wan Ling Matello: Let me start by giving everyone a quick recap of our nine months sales results. Highlights include like Paul said earlier, the 11% increase in total sales, with an organic growth of 6.1%. Our real internal growth momentum was robust, unchanged at 2.9% and we continue to grow both in developed as well as emerging markets.

This slide shows the performance of our total business in our three regions. Europe reported 1.1% real internal growth. This despite a very tough macro-economic environment -- poor consumer sentiments, austerity programs, and just general economic uncertainty. And oh, by the way, we had one trading loss, which obviously will be captured, or recovered in the fourth quarter.

Americas achieved 6.1% organic growth, 1.5% real internal growth. Again, a level of performance supporting our comments at the half year, on positive growth in North America. Asia, Oceania and Africa region achieved 10.8% organic and real internal growth. There was softening in this region, due to some one-off events.

This slide shows the same performance, as on the previous slide, but split by our operating segments, which is really how we manage our business. Same message -- despite the macro-economic environment, we have delivered broad based growth with all of our operating segments contributing.

The third way to look at (technical difficulty) category. Again, we'll see growth across the board with every category contributing positive organic growth. Frozen food continues to be a challenge as a category. Happy to report that we are in fact seeing some improving momentum and we do have meaningful launches in the coming months for both Lean Cuisine as well as pizza.

The category growth that you have just seen is of course reliant on the strength of our brands. I'd like to take you some specific highlights from across our categories.

We start with Purina Pet Care. Delivered 7.8% organic growth for the nine months, share gains in all regions, in all major segments. Growth in emerging markets continue to be strong, with double digit growth in Latin America as well as Central and Eastern Europe.

Maggi. The Maggi brand has been on the market since 1872. And the first bouillon cube was launched in 1908. This year, as part of our international rollout of the juicy roasting concept, we've seen the continue successful introduction of Maggi brand to our U.K. consumers, a market where Maggi was not present before.

Kit Kat. With around 540 Kit Kats consumed every second worldwide, and 17.6 billion Kit Kats sold every year, the iconic brand continues to grow. When we launched Kit Kat in Brazil last year, it became the top trending topic spot on Twitter. In less than one hour, it created over 1.2 billion, now that's billion and not million, hits in 24 hours.

Moving on to Nido. On the market for over 70 years. Nido continues to be innovated and renovated, the most recent example being the Nido Fortificata, which has vitamins A, C, D, calcium, iron and zinc -- essential nutrients for good health. Pictured here is Nido Protectus, a pioneering ready-to-drink milk product which has innovative bioactive ingredients.

Nespresso. Nespresso continues to deliver double-digit growth. On track to have over 300 boutiques by year end, with about 30 openings this year.

Ice cream. In our ice cream, our global cone business has continued to perform extremely well. Our key brands include Drumstick, Extreme and Fibrum. In China, we sell on average more than 1.5 million Fibrum cones a day.

(Spoken in Chinese)

Moving on to nutrition. In fact nutrition achieved high growth in emerging markets, driven by infant formula and cereals. Both continue to benefit from successful innovations and multi-market rollouts for brands, such as Nestlé Nan, Lactogen, Lestum, and Sirolac.

In terms of water, Nestlé Waters reported an acceleration in real internal growth, and organic growth. One of the key drivers, no surprise beyond our regional brands, has been the international sparkling waters of Perrier and San Pellegrino.

Nescafé. This is Brazilian coffee via Swiss science. That's how Nescafé was born. It all started in 1930 when the Brazilian government asked the Nestlé to create coffee cubes. The Brazilians' goal was to use their large coffee surplus. Eight years of research resulted in a coffee that could be made by simply adding water, but still retaining the coffee's natural flavors.

Soluble coffee was introduced to the world on April 1st, 1938, and the new product was named, of course, Nescafé. New innovations building on our soluble coffee expertise, such as Momento in the US and the newly-relaunched Nescafé 1+2 original in China continue to drive growth in this very exciting category.

In summary the new innovations and successful market execution across our categories, is enabling us to deliver even in this very difficult economic times. I conclude my presentation by reiterating that our performance in this tough environment enables us to confirm our full year outlook of organic growth between 5% and 6% together with improved margin and underlying earnings per share in constant currencies. Thank you.

(Spoken in Chinese)

Paul Bulcke: Well, Wan Ling talked about brands. Because at the end of the day, Nestlé is all about creating trust. And our results are a living testimony of the trust so many millions of consumers are putting into our company, into our brands and that's what the brand stands for. It is the bridge between the company and the consumer, and it's the base of trust that is expressed through the sales figures afterwards.

Now I want to share with you also a mention of how do we maintain continuum? Continuum in what we call the new reality, the new reality that is captured by a lot of volatility, by a lot of anxiety, by a lot of, I would say, lack of consumer confidence in many parts of the world, which is linked also with complexity. With different trends that are showing so clearly now, also maybe pushed through the crisis and that came to the surface, be it sociological, be it also economical or political.

This is indeed a turbulent time we're living in, but I would say we are privileged, because in spite of all the difficulties that we see in this different, new reality as we call it, in spite of all the challenges that we see reflected in what we read in the press, and hear over the news, there is an amazing amount of opportunities. And it is in my eyes, the way you, as a company, can see through all these challenges, the huge opportunities that are laying in front of us and how you embrace these opportunities, organize for them and also take the profit out of them.

And that is in the developed world, and in the emerging markets. Opportunities are not only laying in the growth markets, as we call them. They are laying also in the developed markets. Now, Nestlé has a fundamentally decentralized structure. And we believe, and that is combined with different models, be it globally managed or locally managed. That combination of decentralization in different business models allows us to really tap into and have the feel for the reality, close to where the consumer lives.

The decentralized structure of Nestlé I think is one of the cornerstones of our continuous momentum and success. But we have a decentralized structure that is combined with a very strong alignment. An alignment that is based on our values, cultures that we all share, world wide over, and we are more than 300,000 employees. It is linked also with a sharing of the same purpose, and I mention it, it's captured in this Good Food Good Life sentence.

It is also aligned into the roadmap that we all share. It is actually like a song sheet that everybody that makes Nestlé is singing from, and it defines very clearly what we want to be, the purpose of our company. It

defines very clearly where we want to grow and look for growth that is linked with our nutritional and wellness agenda. It is linked with out of home. It is linked with [premiumization]. It is linked with going where the growth is, and playing the world wide presence of the company.

It also lays very clearly out what we want to leverage. Our competitive advantages. Our portfolios of brands and products. Our R&D network. Our people. And also defined how we want to go about our business efficiently and effectively. That is the alignment that really creates that very strong company that is Nestlé.

Now, we have been in the part of the world, world wide over, as I mentioned before, very, very early on. Very, very early on. And we have, as you see, with the years you will see on the map I'm on here. We have been engaged in many, many countries for more than 100 years.

Like for example, last year, 100 years in the Philippines. This year in India. Actually, also in China. We had our first sales office here, exactly in Shanghai in 1908. And also when you see that that long-standing presence everywhere in the world, or a world wide presence, is enabling us to really have a very good understanding of the consumer. And it is that understanding, that connection with the consumer, that's having exposed these consumers before our brands for so, so many years, that gives a lasting strength to our company.

We have indeed adopted a wide portfolio to display into the specific needs, the specific tastes, the specific lifestyles of all consumers, of all people, world wide over. It is also, that combined, that portfolio combined with a very, very broad industrial footprint. We actually produce 95% of the produce we sell in the countries, are in general produced in the countries, too. And yes, indeed, we have, as I mentioned before, over 460 factories in the world, and actually 50% of them are in the emerging new markets, growth markets.

And that allows us also then again, to be close to the consumer, and to manufacture with freshness products that are applied into the taste profiles of the people locally. We also can use local ingredients. And again, that is also part of a broader presence of Nestlé which is acting as an economical development driver, wherever we are.

We have done that, also, with different factory set-ups, adapting the industrial footprint to the specifics of each country. That's why a few months ago, I was, for example, in Angola, opening a new finishing factory. These are smaller at the beginning, smaller footprints of industrial presence, that allows a flexibility because these are finishing factories. They are low flexibility in a country where we're just starting up. And it definitely is going to be a base for future development.

The same thing, it was, and has with the opening of a factory in the Democratic Republic of Congo. And that's the way we go about our industrial set-up, adapting it to realities of the specific parts of the world. That industrial set-up is also combined before a very strong R&D network, an R&D network that is based on two, on two basic research centers in Europe, but linked with 30 R&D centers world wide over.

And actually in the, I would say, emerging markets, or the growth markets, we have set up lately new R&D centers because there is so much happening, and we have to adapt our portfolio to these markets. And actually how so, in Switzerland, in China, we have to establish our R&D centers and expanding that in the next days and weeks towards four.

We have one in Beijing, we have one here in Shanghai. We're projecting to have one also in Guangdong and also one in Xiamen. Xiamen is going to be an R&D center that is going to focus on RTD, drinks. And in the world, it's going to be linked with confectionary and baking.

Because we have also engaged in these joint ventures, in these partnerships, with Yinlu and with Hsu Fu Chi. World product portfolios. We have a lot of knowledge. We want to tap into that local knowledge. And actually leverage that then, later on, world-wide.

Now that allows us, really, to have the products, the portfolio adapted to, but then you have to also tap into connecting them with the consumer. And that's why we embrace the whenever, wherever, and however concept of, brings and uses all channels to bring them to the consumer. And the channels are classical, open markets, wet markets as you call it, where we have small stores, and tap into that capital distribution.

That's why we have invested heavily in capabilities there, and are including in the zone, for example of Asia and India, one million stores that we are directly connect to. We have also the modern trait. We have urban areas where we start distributing our products for the first time.

Also, our base philosophy as a company is to engage in our, in the countries, with a projection of the long-term. And whenever a company, and that's a base philosophy of Nestlé, whenever we engage in a country, whenever we start, and that's not for many years, but it's for the long-term.

And we at Nestlé are thinking about long-term. We truly believe that the base concept of how we connect to society is that our success as a company should also be linked with the success of the society of the countries we're living in, we're working in. And that is linked with whatever we do, in whatever part of the supply chain should also create value for the society we are operating in.

And that is linked with the fact that we are producing products, and we try to build nutritional arguments. We create jobs through our industrial footprint, as I mentioned before. We're linking up with suppliers in the markets, because 95% of all what we sell, worldwide over, is produced locally.

In these activities, and we have a long-term view on things, actually, that activity should be something that creates value for the society we are in. And we at Nestlé think that through our activity per se, that nutrition is definitely an area where we can create value also for society.

Water, as we are agriculture based, we need water for our factories. We need also water to produce the meals and the drinks we produce. And then also rural development, because we have an industrial footprint that is agriculture based, also. These three dimensions are focus areas where we believe that our company can engage with society in a very deep way and create value, value for the company and value for the society.

And actually, we have done that. We have done that, and in many markets, in Latin America, in Africa. We are doing it in Asia. We are doing it here also in China. Think about the mill districts that we have. We have actually in China 25,000 farmers delivering directly to our factories the milk. And this is based on what we have done so, for so many years. The mill districts concept.

And actually there we are, engaging also with the government and dairy farming institutes where we want to share and help where we can, to have best practice so that we can be part of the acceleration of the development of the milk industry. We have also in China, the coffee projects, and the Hunan province region, actually an initiative that was awarded in the World Wide Development award in Rio, a few months ago.

We have a project that is part of a global project in the healthy kids program, here also, that we do together with the Chinese institute and nutrition institute.

Now, I just wanted to give you a base to feel where we do think that the continuity in delivering, the continuity in looking for growth and being part of the world in that, is linked with a building up over years of capabilities, of connections, of brand affiliations with consumers. And that continuum is only there because we invest today to feel the same continuity for tomorrow.

That is a continuum where we put a lot of energy and focus and the decentralized structure of Nestlé is definitely a very strong leverage and very strong element of our success that we have today.

With that, I want to share in more detail, about how that operates in a region, and I asked Nandu to come and share with us how it operates in Asia, Oceania, and Africa. Nandu.

Nandu Nandkishoe: Thank you, Paul. (Spoken in Chinese). As you know, from the press release that you have seen earlier today, Zone AOA is 27.4% of the group business in the first nine months of the year, with sales of CHF18.6 billion for all Nestlé business in the zone.

Now, Zone AOA spans three continents, spans 15 time zones, has all the major religions of the world, a variety of cuisines and ethnic diversity and contains about 76% of the world's population. This part of the world is showing incredible economic dynamism at this point of time, and we are seeing millions of people emerge out of poverty into the middle class across the region, and this is a phenomenon that is forecast to continue in the decades to come.

If we pull back a little bit, and we look at the shape of the global economy, going back 1000 years. What you see is, starting from the year 1820 and going back all the way to the year 1000 A.D., something like 60-plus% of the global GDP actually came from AOA. Just China, India alone contributed 50% of the global GDP.

This number then shrank dramatically from 1820 through to about 1950 to 1980. At which point of time, China and India were maybe only about 5% of global GDP. You see a resilience now coming, and you see these economies starting to bounce back. How far will they go? Well, it's difficult to predict. Let's see what the IMF says.

According to the IMF, and this chart in front of you says this, by the middle of this decade, the IMF expects China to be the second largest economy -- I beg your pardon, the largest economy in the world. By the end of this decade, the expectation is that India will be the fourth largest economy in the world. By the year 2050, the expectation is that of the top 10 global economies, six will be from Zone AOA.

This is a long-term trend and a long-term forecast. Of course, some of these trends could accelerate or decelerate, depending on situations within specific countries, or in the environment around them. In this context, it's also important to note a very fundamental trend, the pace of urbanization.

Today for the first time in the history of mankind, more than 50% of humanity lives in cities. This is going to accelerate. By the year 2035, we believe even 50% of Africa will live in cities. Now cities bring with them a huge demand for processed food, and a supply chain from rural hinterland that is able to provide them with food to prosper, and this augers well for the future of the food industry.

In this context, we have five broad engines in the zone, as we expect the zone to contribute as a growth engine for the achievement of the group results and delivery of the Nestlé model, we have five growth engines within the zone. There is China, and you will hear a little bit more about China later today, from Roland Decorvet. But we also have South Asia, (inaudible), Africa and the Middle East and each one of these has a story as fascinating as what we are doing in China.

Now, our whole strategy across the zone to take advantage of this dynamism, an economic dynamism that exists, is built around the Nestlé roadmap. And this linking to the roadmap, it is not, we have not discovered the emerging markets just new at this point of time. In fact, we have been present in emerging markets for more than 100 years, as you see from the dates, and we have celebrated 100 years of existence in several of these markets, as recently as last year and this year.

The PPP strategy is the core of our business in the zone, providing affordable, nutritious solutions to emerging consumers, and the screen in front of you shows Bayer Brand fortified milk powder in the Philippines, which is fortified with iron, vitamin A and zinc. Similarly, we have Maggi bouillon cubes in Central West Africa, which are fortified with iron and iodine. And we sell 100 million cubes every single day, reaching nutrition affordably to emerging consumers.

Nutrition is a key area of focus for us in the zone, and in addition to fortification of products, we also have several programs, like the Nestlé Start Healthy Stay Healthy program. We also have the Nestlé Healthy Kids program where we interact with opinion leaders and in partnership with governments, trying to raise awareness of education and education of nutritional requirements in various parts of society.

We also, in addition to the PPP, we also have increasingly offerings at the premium end of the pyramid, targeting the more affluent. This year, we have rolled out Nescafé Dolce Gusto in 10 markets across the zone, and expect to accelerate the roll out in the months and weeks to come.

Out of home consumption is often the place where most emerging consumers encounter and interact with our brand the first time. And on the screen in front of you are some examples of how in Africa, we have empowered entrepreneurs to use brands like Nescafé and create businesses which create value for them, and for the company, and for consumers at the same time.

Creating shared value in this context is very much part of the way we do business at Nestlé as Mr. Bulcke spoke to you a little while ago. It's focused, we have three examples we'd like to share with you from Zone AOA in the area of rural development, the dairy district model which allows us to build with, and work with thousands of farmers to build availability of milk for our products.

The Nescafé Plan, in China, Philippines, Vietnam, Kenya and elsewhere, and the Nestlé Cocoa Plan, which is mostly in West Africa and Indonesia and other markets, where we are really helping to create shared value by developing farmers and our business at the same time.

It's really a privilege for me to be able to stand here today and to lead such a dynamic and promising zone. Zone AOA is an important growth engine for the group. And it's exciting because there's this underlying strength and dynamism across all these emerging markets.

What we do realize however, is that this journey to growth over the next few decades will come with a few speed bumps, whether they be natural disasters or tsunamis or earthquakes or political calamities, or indeed, increased competitive activity in one part of the zone or the other.

In this context, what we try and do in the zone is look at this in the philosophy of the Chinese word for crisis, which is [wei-chi], where the first symbol, wei means danger, and the temptation is to stop at danger, stop when you encounter danger and freeze, but we try to go beyond that to chi, which is the opportunity that is behind the crisis.

In quarter three, you would have noticed that the growth momentum in the zone we had a tsunami and floods in the Philippines, we had a few trading issues in Australia, and we had some political activities elsewhere that had stopped trading, and in general the growth that we delivered in quarter three was not at the same level as what we delivered in the first half across Zone AOA.

But the underlying position across Zone AOA remains strong. The underlying growth momentum remains strong. And we believe they should be visible in quarter four and the quarters going forward.

Roland Decorvet: (spoken in Chinese. Good afternoon, everyone. Welcome. China is a continent and a continent in more ways than just one. Of course, the size. Five, six hours from one end to the other. Weather extremes. Diversity in cooking. Other source you can see, even the size of certain provinces' economy is as big as some quite large countries over the world.

Now, some people wonder how sustainable is China's growth, especially into the food sector? You can see two axes, one is on the horizontal, the disposable income for the specific countries, and vertical, the food and beverage consumption.

And as you can see, the average consumption per capita in China is really one of the lowest of any country. And if you assume that the future growth of the whole food and beverage sector will be 12% over the next three years, which is by the way, substantially lower than what it has been over the last few years, then in three years, which is the end of the five year plan, the average food and beverage consumption per capita in China will still be less than half of what it is today in Mexico or Russia.

So yes, we believe the further growth, double digits of the food and beverage sector in China is indeed sustainable. The vision of Nestlé in China is obviously the same as Nestlé, just a slight twist, of course, to reflect the local reality. So we want to be indeed the recognized leading nutrition health and wellness, food and beverage company by helping to build healthier and happier generations at every stage of life.

The key thing here is every stage of life. Indeed, we are the only food company in China which offers such a variety of products from when you're born, or even before you're born, when you're a fetus to your elderly days as a senior citizen.

You can see here the different ways that we are going to do it, but I would just highlight one word, which in China is extremely important, probably even more than most other countries, is safe. And we will explain a bit how indeed food safety in China for the government, for the people, is so important and how Nestlé is at the forefront of food safety in this country, just as it is all over the world.

Nestlé in China has today 31 factories, from all kind of different categories of products. From the North of Inner Mongolia, where it's minus 45 in winter, to the south, Guangdong, Dongguan, Hong Kong, Chengdu, et cetera.

What is an important point is, as mentioned earlier, 95% of what is produced in China is being sold in China. Or, better said, 95% of what is sold in China is being produced in China. So really, Nestlé in China produces in China for the Chinese consumers. And 35 million of Chinese people consume every day our product.

The greater China region is becoming more and more important for the Nestlé Group. First of all, we've had continuously good growth over the last few years. As you can see, it's 16% average, last year it increased even higher than that. And this year, we will cross the CHF5 billion again, becoming more and more important for the group.

Last year was quite a remarkable year for Nestlé in China with the acquisition of two very large and successful local companies. The first one, called Yinlu, based in Xiamen, south from here, who is one of the major players in dairy-based beverages, mostly peanut milk and konji, for our friends, sweetened rice porridge. Typical Chinese breakfast for the last 5000 years.

We've bought a 60% share of this company, 40% are still with the founding people, the founding family, and the president CO is still the founder. Extremely large distribution across the whole country, with more than 1 million shops covered. Every single village in the country you go to, you will find, in most of the villages, you will find Yinlu products.

You can see the products, I advise you to consume or eat some of them outside, probably the Europeans among you will discover a new type of taste. But what matters is 1.3 billion Chinese love it, and this is what matters. This company has so very modern, high-tech top of the art aseptic factories with very large volumes.

The other company Hsu Fu Chi, in the Dongguan province of Guangdong, is the leader in sweet confectionary, with a very unique sys model of what we see Pick&Mix, you see at the lower left corner. It's basically a shopping shop, in the big hyper and super markets with hundreds of products while you go by the weight and pay by the weight with a very, very wide assortment, close to a thousand products.

Very complex production. Strong capability to manage this complexity, as you see with over 180 production lines, very modern equipment. Structure of the organization, same, with Nestlé about 60% and 40% with the founding family, again the founding person is still the CEO, while we have quite a few now, Nestlé managers embedded into these two organizations.

So the same structure looks pretty different this year from last year. Of course, our existing business is growing so very nicely, as we've seen earlier with a very strong growth average with the last few years, which continues. And, of course, these two joint ventures which make a very diversified portfolio and accord a substantial increase from one year to the other.

Now, this is what we call a bit, the new Nestlé China, in which we strongly believe that we are very well positioned now in this country. First of all, we have a very portfolio of brands. Some of them, as you can see, it's something quite famous in China, called the China Famous Brand, which is a certificate given by the government to the can of national priority brands. We have a few Nestlé brands and we have our new joint ventures as well.

We have a so very diversified strength. We have organization which is the Nestlé tradition of organization, mostly in key account, and in big cities. Then we have Yinlu, which is more in the beverage, very much rural, and we have [Chi Fo Ti], which is direct selling, different sys model, direct to the customer.

Now, yes, it's different. And you'll see, that we'll explain later, why we believe Nestlé is probably one of the very few companies who is capable, who can manage these two types of culture at the same time, and in a successful way. But it's very important to say that we have the same values.

And I strongly believe, we strongly believe that the combination of the strength of a Chinese company, which is speed, which is reaction, which is entrepreneurship, combined with the strength of Nestlé which is more on the R&D, more on the planning, more on the technical side, can be an absolute winning formula.

One point, for example, which is a strict rule we have given to any of our managers embedded with these joint ventures, you see the last point, it's what we call the three golden rules. No change should be brought to any of the joint ventures, unless these three conditions have been met.

Number one, if you want to change something, your partner needs to understand why you want to change. The second point is when you want to change, your partner needs to agree with the change. And thirdly, he needs to see a clear benefit, why changing?

If these three conditions are not met, we will not change it. So clearly, a strong respect always says (technical difficulty) one of the advantage of being a Swiss company is Switzerland never had any colonies and we're certainly not going to behave as colonialists now.

A very wide portfolio. Very wide in terms of type of categories, as you can see from infant formula to water and biscuits and et cetera, and it's all premium all the way down to more affordable products.

Very important to realize that almost all the success we've had in China are made with products which have been developed specifically for the Chinese consumer. Many of the -- one thing we know is the taste is local. One thing we know is we don't want to import our concept of food. And you can see here, the latest product Yinlu has launched is peanut milk with red dates, probably not the most, the biggest potential in Switzerland, but clearly a big potential here in China.

One example which makes us believe that we have a big potential with the other two joint ventures, Totole. Totole, which some of you have visited this morning, which we took 80% of the shares 12 years ago. This has multiplied 12 times over the last 12 years and the founder of this company, Mr. Rong is still today the CEO. So indeed, we do know how to manage complexity and to manage joint ventures in China.

An example is really is the combination of the local insight a local entrepreneur brings, together with Nestlé's technology, which in this case, and we believe in the other cases, are winning recipes.

R&D, I'm not going to say too much. Mr. Bulcke talked about it. Basically, we have two R&D centers that will open next year. Two more and we will celebrate that in due time, within 2013.

People. We have now 50,000 employees in China. Very important is we only have 100 expats. So 99.8% of all our employees in China are Chinese and we believe this is one of our strengths. Training, clearly training is a top priority, especially when you are emerging a such large and diverse organization.

We mentioned earlier quality. Quality is clearly the top priority both for the Chinese citizens in terms of worry and of the Chinese government. And we are doing different things. We've talked about it. Two main things, and this is my last slide, is milk collection. We are the only company collecting 100% of our milk directly, straight from the farmer.

And not only that, but we've announced recently the building of a large and world-class dairy farming institute in [Chuanshen], which we will also open during next year.

In summary, we believe that with these acquisitions, with continuing our growth with the people, with the combination of local and Nestlé capabilities, we are very much equipped to face this great challenge of ours, the China market. Thank you.

Paul Bulcke: Well, you see it's people like Roland Decorvet or like Nandu Nandkishoe, and these colleagues that are making Nestlé, that are the hands in the markets doing the things. Connecting with the consumers, as I mentioned before. And at the end of the day, it is that which counts. How do we connect with products, with communication, listening to them, with the consumer? With products that are adapted to their tastes, to their needs, to their expectations.

And many, many of these consumers in the world are having low confidence. Are feeling crisis. Are worried. And we have to understand that and connect with that. And adapt our reality to that reality. And many, many, many billions of these consumers are working for a better tomorrow, are enthusiastic, are really feeling the growth, are looking for a better tomorrow for their children.

And are basically driving the economy that is growing very, very fast in many, many parts of the world, and we have to understand that, too. And we have to link with these consumers, too, and see opportunities that are laying in front of us. And it is that complementarity of things, that world wide presence of Nestlé that I would say is our strength and is the base of our momentum that we have and that we want to continue indefinitely.

Well, with that, I think we are at the end of the presentations. We are now therefore, at questions and answers. So, please, can we have the first question?

QUESTION AND ANSWER SESSION

Jonathan Dong: (interpreted) Okay. Before you ask the question, please identify yourself, since we have the simultaneous interpretation. So please slow down when you ask your question. Thank you.

Laurie Burkitt: Laurie Burkitt, from the Wall Street Journal/Dow Jones. I'm wondering if you could give me a little more information on America sales and America plummeted recently in this past quarter, and I need some information of three ways that Nestlé had some missteps there, and how the company plans to correct this.

Paul Bulcke: You speak about the Americas and how sales, and I hope you speak about general, how they have plummeted. We do have soft demand in North America. That is something that is not new for this

quarter. And Nestlé in that environment, and we have expressed that, we do have the frozen category, which is very sizable for us.

We are playing quite heavily in the frozen category. That frozen category is soft, very soft, actually it's contracting. We keep our market shares there and, but still in a contracting environment, that doesn't give us tailwind. So that's definitely something that we're working on and that is already showing some signs, be it in the brand of Lean Cuisine, or in Stoffer's, we see some refreshing new growth going.

And that has led again with some innovations but there we have to give time to time. But definitely, it's for us to shape that category, and it's a whole category that's basically down.

Then the second thing in North America we have, and we have mentioned that too, in general, Jenny Craig is an offering that has shown some very, very high sensibility towards prices, because it is something that is felt as something additional to living per se, and something that is seen as something that is nutritionally spending.

So, and it is for me, the housewives, so that is suffering a little bit, so we are working on that, too, to see how we can make that revenue, because I do believe the proposition of, and that in the world of publicity and all that, is definitely something that has value and that we have to give the right perspective.

I would say in general if you see a Nestlé, a Nescafé confectionary, the pet care in the United States is doing very well. But you see the big parts of our business are compensating the others in the negative. So that's why you see a little bit of North America as soft.

We do see also some renewed dynamics. The consumer in North America in general is down, the confidence is down. But we do see some first signs of that picking up a little bit. And normally, in the United States, that picks up quite fast and afterwards. The crisis we have in the developed world is not a crisis of a few months. We know that. We have mentioned that. And that has some effects.

Yet at the same time, you have seen it in the developed world, Nestlé is growing 2.4% and I think that is quite a feat.

Unidentified Audience Member: (interpreted) Good afternoon. I'm from (inaudible), you mentioned that by 2020, China will become the world's largest economy. So does that mean that Nestlé will also increase the investment in China to match the size of the economy here? You also mentioned the low per-capita food and beverage consumption here in China.

Does it mean that Nestlé will continue to increase investment, or to add more facilities here, and are you going to use M & A as the main to expand, or are you going directly to build more plants here in China? Thank you.

Paul Bulcke: Well, I'm going to introduce, actually, the answer and then give it to Nandu and Roland. There is a base, a fundamental base, I would say philosophy or a concept, Nestlé, and it is expressed best by the 95% of what we sell in general, world wide, is produced locally. And that's why we have 460 factories in so many markets because we are all about food. Tasty and healthy food.

And that has to be fresh, and you can only have that when you are very close to the consumer. But also, to play into the profile, taste profile of people and the consumer, you have to be close to the consumer. So that's a fundamental philosophy of being close, too. And that's we have a footprint of over 30 factories in China. China is a huge market and also the distances and all that.

That's why we, steady and steady, are connecting with the consumer through presence, local presence. We also try, wherever we can, and definitely we can do that in China, to have all suppliers, local suppliers bring their raw materials to our factories. And you see it in the milk, and they have already 25,000 farmers and et

cetera. So we, and that is the base of the great and shared value. Philosophy, too. That creates stability in our activities, it creates stability in our presence in markets.

It creates also the dimension of Nestlé being part of the development of the environment, of the society, of the countries we're working in. And that is true in China. That is true in India. That is true in Latin America, where I've lived for so many years, and I've seen that first hand. That is true in definitely in Africa too, where it is actually even more visible. But that's a general concept that I just expressed to you. Maybe more details.

Roland Decorvet: The most important thing to remember in China is 1.3 billion consumers. Or we like to be, always jokingly say 1.3 billion stomachs. Now, there's two ways to look at it. CHF5 billion, (spoken in Chinese) is actually only CHF4 per capita, or RMB27. Now RMB27 for each Chinese stomach is quite still a relatively modest number, even though CHF5 billion sounds like quite a large business.

So, yes, the potential for China is tremendous. One simple example, coffee. Chinese people drink in average, no coffee in China equals Nescafé, [Cho-cho] café, which Chinese people drink four cups per year, while Japan drinks 400 and Hong Kong drinks 150. So clearly fantastic potential, and yes, we are going to keep investing in this country. New factories coming every year, and M & A, we're not going to comment on it, but as you know, we just talked about two very large acquisitions and there's much we can do with these two great companies.

Dermot Doherty: Hi, Dermot, from Bloomberg. Could you provide some detail about the one-offs in AOA? I'm just talking in general about how confident you are about the fourth quarter. Thanks.

Nandu Nandkishoe: Well, growth in AOA has been fundamentally good this year. Our total evolution of sales is 26% year on year, which is a healthy development. Organic growth, year to date is 9.4% for my specific responsibility and 10.8% for total Nestlé in the zone. This is a healthy growth rate.

One-offs keep happening, and every now and then we have more than one, so it's really not very material to talk about, in a zone the size as diverse as this, you will always have a flood somewhere, a tsunami somewhere, a political crisis somewhere and maybe a trade issue somewhere else. These are issues you've got deal with but the underlying dynamic remains strong. And we should be able to see evidence of that in the quarters to come.

Paul Bulcke: Let me add to that, because I feel a little bit of nervousness about softening and AOA the zone, Africa, Oceania. I would say, look, this is a fantastic part of the world where many, many things are happening and there is an underlying growth and dynamics. And there is some nervousness. We're all nervous. There's some nervousness of slowing growth of emerging or growth markets et cetera.

But I can tell you that there are so many opportunities and actually, our industry is not linked directly to GDPs or softening of GDPs or we're actually linked with what people are working for, which is creating better life standards and better development for, and protection for their children and all that. So we do have a dynamic that is so much in our hands, and so much in our doing, that would influence on I would say, growth.

Now, it is clear also that for many parts of this world, also, are having very, I would say, very dynamic developments. And we do have nature, we do have politics and we do have economical situations that all play into one global environment. And we have mentioned already before, what I do believe is this type of our company, how we make as these operations, Nestlé operations continue even in adverse environments.

But for example in the Philippines, we had a few factories down for quite a while. But then one of the first factories to start up again. We have political turmoil, factories that still are working and in spite of also, I do believe we have a strength there. But they sometimes impact to a certain extent, but still, the developing

world, the emerging markets, the growth markets are growing 11.7% for the group in the quarter, which is year to date, which is quite a very satisfactory result.

Jonathan Dong: Thank you, Mr. Bulcke. Let's start over there, and then come over here.

Unidentified Audience Member: (interpreted) Hi, I have come from China Daily. I have two questions. The first question is addressed to all of you. We have just, we are hearing use about our position of way of business. What is the latest progress? Would it be approved by the Ministry of Commerce? After the acquisition, how do you manage the additional brunt?

And you also talk about the Pew 3 report. Do we have the individual numbers for the China region? I also heard that you are going to have a new research and development center in the Xiamen and the Dongguan. What is the investment for each of the research and the development center?

Paul Bulcke: Well, let me answer your first question, and you refer to an acquisition that is pending. It's still pending for approval, so I'm not going to comment on that as you can imagine. We leave that to the authorities and we are confident that all is going to come to, but I'm not going to comment on that.

Now on the quarterly result in China, specifically, we don't give so specific data country by country, but we can say that in China, the great China region is growing. We have a double digit, a line of expectations. And a line, also we've already investments that we have done. It is clear that also by the permissions we have, Totole, Hsu Fu Chi, the presence or the importance of China for us has grown very, very fast.

And actually, we can say that it has doubled, and what has been announced and pronounced that basically the presence in China per se, and is a five billion, which is very sizeable for our company, and the importance of China definitely has gone up very, very fast for us.

And that is actually not only for what it is today, I do believe that we are building platforms of growth connecting much more meaningfully with the Chinese consumer, be it through products that are very, very much geared towards a specific taste, but also distribution capabilities and more importantly, and you referred in your third part of the question to our R&D.

And you see with these two additional R&D, that is actually already there and the permissions we have, we'll just build them up to a level and link them up with the system of Nestlé so basically, they are tapping into also the knowledge of other R&D centers and then we have mutual interest there, the sharing knowledge. They have lots of knowledge. We have also a lot of knowledge.

So we're going to have four R&D centers here, and so I don't know if specifically if you want to comment more, Roland, on these two specifics, which is Xiamen and Dongguan.

Roland Decorvet: The amount would be communicated next year when we will do the opening, the ground breaking, sorry. But yes, these are, there is an existing structure. We will beef it up big time with more people, infrastructure, equipment, et cetera, and the ultimate objective is to even utilize some of these capabilities from Yinlu and Hsu Fu Chi outside of China, but of course, the priority will be first, to improve and to further develop products specifically for China. But we will give you much more details and news early next year.

Jonathan Dong: Okay, yes, here please.

Unidentified Audience Member: Hello, my name is Pablo from ABC Espana, it's a newspaper, and I'm the correspondent of this paper, here in China. I would like to ask you some questions about the situation of the food safety in this country, because from time to time, and especially for the people who live here, we hear many, or we listen to many news. I would like to know, how was the impact of the milk scandal in 2008 for Nestlé and if the situation has improved since then?

And another question is about the relationship with the partners. Because you said before, you have three roofs to keep these relationship with the partners, but the big companies like Danone have big problems with its partner, [Wa Ha Ha], so aren't you afraid that maybe your partners may discover you're knowhow and then can leave you?

And then the last question is, I don't know if it's a myth or urban legend about the taste of Chinese people for milk and sweets, because it's supposed that Chinese people are not used or don't like milk and sweets too much. Is it true? Is not true? If it's true, it's a cultural reason, historical or even biological, because I can honestly say that Asian people can not digest the milk so easily as the westerners. Thank you very much.

Roland Decorvet: Food safety is, just to give you an idea about food safety in China. First of all, if you go through the different commissions from the state council, the highest body in this country, the Chairman of the Food Safety Council is led by a gentleman called [Li Ka Chian]. So that should give everybody indication of how important food safety is. We all know the future of Mr. Li.

Number two, the food regulation in this country, contrary to what many people believe, the SFDA is often tougher than what it is in Europe or America. And the third point is internet has changed completely the environment in China, with many people posting on internet issues regarding safety, not always proven, but basically it speeds up the whole new.

So, yes, indeed, food safety is an issue in China, but I would say that I strongly believe the food safety overall, I'm not talking Nestlé, overall in China is actually better today -- now, I arrived in China in 1992. We knew nothing about food safety, because nobody was talking about it. I'm absolutely convinced the situation today is much better. There are a few exceptions. There is a few rotten apples which gave a bad name to some of us.

But the government and the overall is looking after it, so I'm confident, it's better and it will keep improving over the next few years. And again, it's a big country, so let's not forget that we're talking 1.3 billion people.

The relationship with partners, you talked about the specific company. I'm not going to comment on this company, it's definitely not my role. One thing I can tell you is Totole, I said a few words. It's a company, it's a very large company. Marketedly, they're in foods and culinary in China. In 13 years, multiply the sales 12 times in 12 years, with the same CEO, and the same partner.

Now, that's success. That's understanding and by the way this is not specific to China. One of the strengths of Nestlé is to be able to manage these kind of partners and to be smart enough to adapt to the local environment and to respect these companies.

And in the case of Yinlu and Hsu Fu Chi we have total, we have already close to 50, five-zero, managers in these companies, working with them. I'm personally going very often there, every month and we are very confident and we have experience that we know how to manage these companies while respecting them and not making clones, Nestlé clones out of them, because you know, we can learn as much from them than they can learn from us.

Milks and sweets categories, you know, there is partly a misunderstanding about Chinese being milk, lactose tolerant. The dairy category in China is CHF70 billion business. I only wish the Chinese were coffee intolerant, that could help us even more with coffee. You know, they're not lactose intolerant, but they are, they like a different type of milk. And if you tried peanut milk, I don't know if you have, you will see it's a very light product. And quite diluted, if you want.

They like so slightly acidified product, and they like different taste. You know, the importance of knowing the Chinese taste. I've been 14 years in China. I know milk. I can speak Chinese. But I would have never

thought about peanut milk, because it's not my culture. So this is why we need to understand and to make products for the local taste. That's the secret.

Paul Bulcke: Let me pick into this food safety. As I mentioned, we have 460 factories all over the world, but we use and reuse the same quality, the same safety standards all over the world for all products. And that goes everywhere, in every factory, in every corner, and we try and we condition the supply, the procurement in such a sense that we can commit to that promise.

And that was the case here too, and that's also why we are, in many areas, connecting directly with farmers to create that quality, that safety, and security in our products. And that was the case here, too. So in that sense, I would say, there is no double standards. We have the same, exactly the same practices in our factories, the same conditioning, the same safety, safety be it on products and also on people, for conditions et cetera, et cetera.

But there is one thing when you acquire or you make a partnership. And whatever we have in the dimension of acquisitions or partnering, there is always three conditions, three criteria that we use.

The first one is that the engagement of the acquisition or engagement with partner, it has to make strategic sense. It means that it adds to our journey of Good Food Good Life, on nutrition and of wellness. It should be a strategic fit.

The second criteria is that it should make economical sense. So it has to be accretive to also what we call our journey in [inestimal].

And the third one, and I would say the most important one, because the two others are conditions by the third one, is that we do feel a cultural fit. And that is why we have very strong examples, and Roland has mentioned totally where we have actually the person who was the starter of that company, who created the company is still running, managing, in the Nestlé dimension that company.

But we have other examples like Purina in St. Louis that we have used that with [Burt McInnes], who is after all these years, he is running their business, and he was running that as a CEO for a public traded company, but he's still there. And that is because we shared the same passion for the business, but also the same values. And that's very, very important to us, and that's a precondition of being together.

Jonathan Dong: Thank you, Paul. (interpreted) Thank you, Paul. And we have a question from the internet, so who can answer the question from the internet first? Robin, would you please send the question?

Unidentified Company Representative: This is a question from the webcast, from John Revill, reporter of Dow Jones in Zurich. The question is what's your outlook for raw materials this year? Earlier you said you expected prices to increase in low to mid single digit ranges. Is that still the case? Prices appear to be a bit lower than last year. Does this give you scope for more promotional and marketing spend.

And his second question is going to back to America, what products are Americans buying more of? When do you see a full recovery in the US, and are you bringing PPP into the US, and what kind of products could those be? You said it had been successful in the U.K., can you give some examples of where PPP has been successful in the U.K.?

Paul Bulcke: Let me go, well, good morning for you. But let me go to America first and I'll give to only for raw materials. But the question about when do you think North America or do you say specifically it's going to be full back into -- I don't know.

It's going to, I said, and that goes for Western Europe too, this is not a crisis where we're going to go out in one year's time because it was, it is something that is deeper than just a hiccup. It's a little bit of structural

crisis that we have built up over so many years, that it is clear that you're going to get out of this in one or two years' time.

Now, but I do believe that in North America has normally shown when it rebounds, it rebounds faster. Better consumer confidence is not there yet, although we saw the first signs of a reinvigorating demand and some more trust coming into the consumers there.

You speak about PPP. Well, PPP is not something that is only and we have mentioned that, plight into emerging markets, or with emerging consumers. We do believe that in every society, in every country, you have space for the PPP concept which is gearing the whole marketing mix towards a part of the population that yes, indeed, has common characteristics and maybe specific to social needs, it may be limited purchasing power, and or it may be something that is also habits.

In North America we have a Hispanic population that is closing to 50 million, 60 million. That's a sizeable part of society that do have specific interests, and do have specific eating habits. And we know about them, because we're so active in Latin America that we can bring part of these arguments, part of these products through specific distribution channels that with advertising, through specific communication and media.

So we are having that initiative now for many, many years. This is an initiative that is growing very, very nicely, that has now a size that is over 350 million and growing still fast because we are hearing specifically a hallmark that mixes towards that part of society. The same we have in certain parts of Europe, where we speak with on all our products. Actually, it is the same concept, where you gear the whole marketing mix towards a part of the society that is showing or giving it size that is allowing us to do that.

With that, I would maybe give it to you, Wan Ling, on the raw materials?

Wan Ling Matello: Thank you, Paul. In terms of input costs, we are standing by our guidance, which we gave at the beginning of this year, which we reiterated at the half year, which is exactly low to mid single digit. Now, there are, it's a basket of agriculture based input costs.

Clearly what happened in the US a few months ago, the severe drought, especially in the Midwest, will increase the cost for corn, wheat, which will affect our pet care business, but if you look at the group level as a basket of agricultural raw material, based on raw materials, we are maintaining the low to mid single digit.

And we're also standing by what we said at the first, at the half-year, which is that the input costs for the second half will be easing vis-à-vis first half. So no change from that perspective, also.

Jonathan Dong: Thank you. (Spoken in Chinese)

Unidentified Audience Member: (interpreted) I'm from the consumer book industry. Your pricing will increase by 3.2%, so many economists say that a new round of inflation will come in 2013. So can you make a forecast about your pricing in 2013? Because of the MNA, you will see double your sales in this year, and the next year, your organic growth, what's the range of your organic next year, in greater China?

And also for Greater China Nestlé, what are the three most important items on our agenda?

Wan Ling Matello: In terms of pricing, we do not give guidance at a group level. Pricing very much is taken at the local market, and it's based on what category, what product, which market. So we do not give guidance on that. In terms of, I think the question was on organic growth for China?

Paul Bulcke: Well, indeed this year, we are through the acquisitions, but also through growing wealth, organic growth, which is growing what we have. Which is double digit, we are getting to a very sizeable 5

billion. Now, you say 2013, well, first of all China is part of what we call the Nestlé Model. And it is clear that the Nestlé Model is a 5% to 6% growth. We keep that, and they're a part of that.

But what we expect from China, with all the investments that we do, and with the confidence that we have, with the initiatives that we have, if the innovation and renovation that we have, it's definitely that we are looking for a double-digit growth and I don't want to set the targets now for Roland, but maybe with that in mind, you may talk about the three things that are on your agenda, which are priorities for China?

Roland Decorvet: In terms of growth, as you know, we don't give details but you've seen the past, the average that we've had in the past. And we certainly want to continue in this direction, so we should not expect any big changes. Certainly not a negative one.

The three top, I would say the three top, first of all people. Clearly we all have, we all know that in China and one of the biggest issues is how to have basically the right people at the right place with the right skill. And when you're reaching a size of 50,000 and the speed would be growing, clearly, that's, I would say, personally, my top and most important priority.

When he talks to products, we are in so many different categories, I cannot highlight three, but I would highlight probably the top five within the Nestlé branded, I would say it's coffee, and it's dairy like in the senior nutrition and in infant formula, so these are the three categories. And of course, our three joint ventures Yinlu, Hsu Fu Chi, and [Ti Tan No], so we have so many categories, and we have to tackle these three, six challenges, knowing that the market potential is tremendous for each and every one of them.

Wan Ling Matello: I wanted to add just it's being a new person to the group. It's an interesting perspective. Earlier there was a question from a gentleman here asking about our investment organically or investing through M&A. We always look at our business from the, sort of from the lessons of engaging with the local consumer.

So as we engage with the local consumer, and we get provide the local consumers what they would like, we obviously have made very meaningful investments in China. You've heard about the footprint of plants across the country. You've heard about our R&D center. You know we work very actively with the local milk farmers. The new dairy institute. And do you know that we are the only multinational company that buys almost all of our milk supply locally.

So when we talk about engaging, becoming part of the fabric of the local community, it goes beyond looking at it from just this pure business perspective. The consumer, it's the stakeholders in the community that we continue to engage in.

Jonathan Dong: (interpreted). Because of time constraint, we have two other questions. NWP, (inaudible).

Unidentified Audience Member: (inaudible) China and US Can we have at the end some comments on Europe, or in other words, could you elaborate a bit on how you managed to still grow in a market like Greece and how's the performance in other southern European countries that are affected by the Euro crisis?

Paul Bulcke: Europe. I'm saying Europe, and you see the figures. We are still showing growth, and Europe has many different dynamics, but you specifically go to the southern part of Europe, now that the southern part of Europe is really facing very, very, very important economical challenges.

And yet at the same time, I can tell you for example, Nestlé in Greece is growing. Now, that is not thanks to the environment. That is basically because of rewiring our business there. A lot of innovation coming in, to downplay the negative headwinds we have, which is linked with the position of that country. And I must say the consumers in Greece, they do suffer.

There is major restructuring, the same thing in Spain. And it's clear that we don't feel the tailwind, but at least we try to then wake up a half an hour earlier. I have a lot of innovation coming in, being relevant to the consumer in new, creative, more different ways. But it is clear that there are parts of Europe that are not giving a lot of tailwind.

Now, then we see at the same time, and that's also the strength of our company, that we can leverage all the parts of Europe, that are taking new colors, and like in Russia, where we had some headwinds. As a company, also Russia per se, but we as a company, and we have taken initiatives and steps and that is now showing some nice inspiring positive results.

So in general, Europe is growing, thanks to innovation as we mentioned now for several years. Also thanks to localness, of answering the local dynamics of each country and they are so different in Europe now that, that is one compensating another is really key for, and result in having growth in that region.

Unidentified Audience Member: (interpreted) Hi, I come from Beijing (inaudible). We reviewed the Q3 financial reports, China, Indonesia and other emerging markets have tremendous regular contributions and the categories, the star categories are the infant formula and the dairy. The infant formula for Nestlé in China is well received in the markets. There is two latest reports about Nestlé dairy product in China. First it is your SKU decreased from 900 grams to 800 but the prices stayed the same. So the media interpreted it as an increase to prices.

And also your prices in overseas markets are almost a half of the infant formula sold in China. So you mentioned that pricing is determined by local teams. So I'm trying to ask, what is the reason for this huge price discrepancy across regions?

Nandu Nandkishoe: Look, firstly we have changes in the sizes of our SKUs from time to time. I'm not sure specifically which product you're referring where the size was reduced from 900 grams to 800 grams, but quite possibly it was one of the infant formula, the 9HA where there was an extra headroom created in the top to have the scoop present in a way that the consumers did not have to touch the powder when they access the scoop.

So actually it was offering the consumer value of safety, convenience and hygiene, which really helped then in that case, to give them extra value. So, and at the same time that this was done, the recipe and the formula was also upgraded to be better tasting and to have a better nutritional, and improve nutritional profile with probiotics and DHA and other things that are appropriate.

Now, specific to pricing, your question was why are prices different in different parts of the world? Well, as Wan Ling explained earlier, we do have a policy where our pricing is all extremely local. And the different products, depending on the benefits and the pack size, are positioned for different groups of consumers. We have some products that are positioned for emerging consumers, and they can be very affordable.

For example, in the Philippines, our lowest price coffee is actually available only for two pesos, two pesos is like four cents, US. And on the other hand, you have expensive product that are catering to the more premium consumers. So pricing is local, and it's entirely dependent on which part of the market you are catering to, and what is the value proposition you're offering the consumers.

What is important always, is that the value that the consumer gets has to be something that is better than the actual price that he perceives, or she perceives from the product.

Jonathan Dong: (interpreted) Okay, we have time for one final question.

Unidentified Audience Member: I come from [Guando] Southern Daily. I'm trying to ask, Nestlé in China has 31 plants. How many come from your merger and acquisitions? And what is the contribution from these acquired plants? I've noticed that in your reports, it says that emerging markets, nutrition products

the category, the pricing contribution is higher than the other categories. On the other hand, over the last year, Nestlé has some disputes with dairy farmers in China because of the acquisition, prices are going down. So how do you balance social responsibility and your profit margin?

Roland Decorvet: Okay we have 31, indeed 31 factories in China. We have 10 of them come from our three joint ventures. And like the chart shows, the contribution of our three joint ventures represent a bit more than half of our total sales for this year.

We're getting dairy farmers, allow me to maybe slightly correct you. We have, we do not have a dispute about our dairy farmers. There has been about a year ago a report regarding some activities from some of our staff regarding prices and accusations of manipulations. This was inquired and there was nothing wrong from the company. There was, it's true, about three to five employees who have been caught doing unethical things and they have been dealt both from a disciplinary point of view and even with the law.

So the company has been proven and after the specific agency, which made the first study made a correction, and indeed Nestlé has no issue with farmers. There's been never a demonstration, never been a strike or even a much complaints from the farmers. This is not correct.

Paul Bulcke: But answering that a little bit more broader. You mentioned, there is always going to be some tension because interests are interests and all that, but the base philosophy is really that we share a common purpose and they can valorize their milk through the added value process that we produced and so that is the main interest of sharing the outcome and purpose.

And there is no contradiction whatsoever, between making a profit and social responsibility, and how Nestlé goes about social responsibility, is through the great and shared value concept, it means that our activity should also create value for society at large, but also with the company, and the first obligation, or the first purpose of a company is to be healthy. There is no healthy society when companies are unhealthy or not surviving. There is no successful company over time when the society is not healthy.

So I don't see whatsoever a contradiction. No contradiction whatsoever in having healthy companies and healthy societies. And that is the whole base concept of creating shared value, and that is what we are doing here in China, everywhere in the zone AOA, everywhere in the world. And as I mentioned, we are focusing there on nutrition, which is, and modern and rural development, which is so close to what we are all about.

Well, I think with that, we are coming to the end. Thank you very much for your presence, and also your calling through the webcast. Thank you for your interesting questions and thank you for your interest in our company.

Jonathan Dong: (interpreted) So we'll conclude our press conference. Some journalists are scheduled to have a special one-on-one interviews. You join Chris. If you do want to have a one-on-one interview scheduled now, again you go to my colleague Chris. Thank you very much. Stay healthy.

Editor: Portions of this transcript that are marked (interpreted) were spoken by an interpreter present on the live call. The interpreter was provided by the Company sponsoring the Event.