NESTLÉ S.A.

2012 Q3 SALES TRANSCRIPT

18 OCTOBER 2012, 09:30 CET

Speaker:

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Roddy Child-Villers, Head of Investor Relations, Nestlé S.A.

Slide: Title slide

Good morning everyone and welcome to the Nestlé 2012 Nine Months Sales Conference Call. For your information, this is being recorded as well as webcast. As usual, I will start with a presentation and then we will take your questions.

I am sure that some of you have already heard the press conference. Hopefully I can give you a bit more detail.

Slide: Disclaimer

I will start by taking the safe harbour statement as read…

Slide 2 : Highlights

… And go straight to the highlights.

Total sales increased by 11% in the nine months to CHF 67.6 billion. We benefited for the first time in several years from a positive evolution of foreign exchange, as well as from the inclusion in the numbers of our Chinese partnerships.

RIG momentum was robust, unchanged at 2.9%, contributing to organic growth of 6.1%. And we continue to grow both in developed and emerging markets.

Looking forward, we do not see the third quarter as a good guide to the full year. There are a number of events, which I will touch on, that will not repeat or that will balance out favourably in the fourth quarter. I will touch on these as I go through my presentation.

Slide 3: Key elements of sales

On the next slide you can see the detail of the make-up of our sales growth with, for the first time since 2007, all elements being positive. We had a 2.7% positive impact from acquisitions, net of divestitures, and 2.2% from foreign exchange. You should be aware that *Yinlu* will no longer be included in the acquisition line from December 2012.

Slide 4: Regional performance.

I will now start to dig deeper into our performance, with the regional overview of our total food and beverage business. All three regions achieved positive growth, both organic and real internal growth.

Europe reported 2.5% organic growth and 1.1% real internal growth. Clearly, the environment in Europe remains particularly challenging, with low consumer confidence, the general economic malaise and the accompanying austerity programmes. This performance is therefore notable relative to the environment in which it was achieved.

The Americas achieved 6.1% organic growth and 1.5% real internal growth. Again the environment, particularly in the North, is not conducive to growth, so this performance, continuing positive growth in the USA, should be seen in that context.

The Asia, Oceania and Africa region achieved 10.8% organic growth and 7.5% real internal growth. This region was the only of the three not to report higher RIG in the period than in the first half. I will go into the detail when I review the operating segments.

Slide 5: Broad-spread growth

On this next slide is another way of looking at our overall performance.

Emerging markets and, within that the BRIC markets, are growing double-digit. As I have already said, the developed markets are also growing, but the Portugal, Italy, Greece and Spain remain a slight drag on growth. Although those markets are not growing, our market share performance there is pretty good.

Globally, our popularly positioned products or PPPs are also growing double-digit. The fact that their growth is slightly below the level achieved by emerging markets is to be expected, as we have PPPs in developed markets too.

Slide 6: Operating segments

Let's now look at the operating segments, all of which are delivering positive growth. I will start with Zone Americas.

Slide 7: Zone Americas

The Zone achieved 5.5% organic growth and 0.4% real internal growth. The real internal growth has returned to positive territory after being -0.1% at the half year. This is wholly due to an improvement in the RIG in North America.

In North America, our organic growth has improved slightly, as the improvement in the RIG has outweighed the decline in pricing. Pricing was lower in the quarter in all categories to varying degrees.
The improved RIG performance is also broad-based and is generally supported by the latest market share data. You might remember that we had already seen an improvement in RIG at the half year, and we would expect this trend of improvement to continue into the final quarter.

Frozen food continues to be challenged as a category. Our performance, measured by share, is slightly better than the category for both *Stouffer's* and *Lean Cuisine*. The Pizza category also continues to be challenged. Here the regional expansion of the *Jack's* brand has gone well.

Exciting for us is that we have meaningful launches in the coming months for both *Lean Cuisine* and Pizza.

We have also seen an improvement in RIG in Ice Cream in the last quarter, again continuing the trend of improvement seen earlier in the year. The category saw high pricing at the start of the year. This impacted volumes across the category and contributed to share gains in premium by private label.
We are seeing better performances in snacks, brands such as *Häagen-Dazs* and *Drumstick*. The *Slow-Churn* relaunch has also helped.

The *CoffeeMate* and *Nescafé* businesses are seeing positive growth. Both categories have seen new entrants. In the case of creamers, where we are the leader with over half the market, our shares were initially impacted, but have trended better in recent periods. In Soluble coffee we have gained share, with good performances from the *Nescafé* variants *Clasico* and *Memento*.

Our US Chocolate business is also performing well, with growth and share gains.

In Latin America we have seen growth in all categories, and good performances from almost all regions and countries. Brazil had a slower third quarter as it has pushed its Confectionery shipments for the Christmas season into the fourth quarter. It should therefore have a strong final quarter. That said, it is achieving high single-digit growth for the nine months. Mexico is also performing well.

Slide 8: Zone Europe

Next is Zone Europe.

Real internal growth accelerated during the third quarter, but organic growth is down to pricing easing.
As you might have heard from the retailers, the quarter was short one shopping day, which obviously had an impact on our organic growth. This will be recovered in the final quarter.

In Western Europe, we have seen continued good momentum in Soluble coffee and PetCare, as well as a good third quarter in Ice Cream.

Looking at the markets, Germany has been tough all year, and continues to be.

France is rather more resilient, though the recently announced austerity measures there could be a risk factor for growth going forward. *Nescafé, Herta, Maggi, Buitoni* and the chocolate business are among the highlights.

The UK is also growing well, with the big two categories, Confectionery and Soluble coffee, both contributing, as well as ambient culinary, the *Maggi Juicy* range. For *Nescafé*, I would highlight the refill packs as a particular success story – a value proposition well aligned to today's environment.

Among the PIGs, I would pull out the good performance in Greece. I think the decisive factor is the local nature of our business there, including our decentralised management, as well as our strength in key categories, such as Soluble coffee. This has enabled us to grow in Greece.

In Eastern Europe, Russia has continued its positive momentum, reflecting decisive action to rebalance the pricing between the different segments of the Soluble coffee category. Other categories are also performing well – Confectionery, Ice Cream, and *Nesquik* included.

Slide 9 : Zone AOA

Zone Asia, Oceania and Africa slowed somewhat in the third quarter. Despite this, it reported a still impressive organic growth of 9.4% and real internal growth of 6.3% for the 9 months. It is interesting to note also that the reported sales are up 25.9% from the corresponding period in 2011 due to the inclusion of the Chinese partnerships.

We often call Zone AOA "Zone CNN". It is the Zone's feeling that the third quarter was particularly impacted by issues beyond its control. Specific examples would be the demonstrations in Pakistan that cost 5 days in lost distribution, and the typhoons in the Philippines that resulted in a week's factory closing. Beyond this, there was disruption from the election in Egypt, and other aftershocks from the Arab Spring, as well as the impact of the sanctions in Iran. Some of these issues will not be present in Q4.

Let’s turn now to the business performance in the Zone.

The emerging markets have continued to deliver double-digit growth.

China also reported growth in the high teens, with most categories double-digit.

The Philippines had a weak quarter, for reasons I just mentioned. The Malaysia/Singapore market, on the other hand, is performing well this year, with double-digit growth heavily weighted to RIG. Dairy, *Milo* and *Maggi* are among the highlights there.

The South Asia region, which includes India, is running near double-digit. Culinary, chocolate and malt beverages are among highlights.

We have seen extremely good growth in Africa, in the high teens for the nine months. The third quarter number is meaningfully weaker than the half year, however, as we are cycling the Cote d’Ivoire recovery in 2011.

Growth in Japan also continued to be positive, *Nescafé* and *KitKat* both doing well.

Amongst the Zone’s categories, Dairy, Culinary, Powdered and Ready-to-drink Beverages, and Ice Cream were double-digit

Slide 10: Nestlé Nutrition

On the next slide is Nestlé Nutrition. The organic growth of 6.6% and real internal growth of 2.4% reflect increased RIG and pricing over the first half numbers.

We have continued to see strong growth in emerging markets in both formula and cereals, double-digit in AOA, as well as in Russia and most Latin American markets. This continues to reflect the benefit of our broad-based innovation programmes in both the cereal and formula categories.

You may have seen last week’s headlines about US birth rates being at all time lows. This makes for a tough environment in which to grow our business. That said, we continue to see improving momentum, quarter on quarter. The first key driver here is the pouch category for our *Gerber Graduates* brand. We entered the category relatively recently but have already taken leadership. The second driver is our roll-out of our anti-collic formula.

The European environment is somewhat similar to that in the US, with birth rates down generally in Western Europe, and particularly in the southern countries. In this environment, our performance is relatively good, measured by generally positive market share performances, including in France, where we are growing the business.

The trends in the two smaller businesses in the division are unchanged. Performance continues to grow. Weight management doesn’t.

Slide 11: Nestlé Waters.

Nestlé Waters is next. They reported accelerated real internal growth, to 4%, and organic growth, to 5.8%.

In North America we have seen good growth for the nine months. The international brands, *S. Pellegrino* and *Perrier*, as well as regional brands, *Zephyr Hills, Ice Mountain* and *Poland Spring*, have contributed well. Our market share story is less strong, but this simply reflects that we have responded to higher PET costs by pricing up. We have been able to do this ahead of competition, much of whom have longer term supply contracts than us. We are protecting our margins, even if this is costing us some share, short term.

The European business had a good quarter. France, Italy and the UK all contributed, as did a number of the smaller markets.

I think our UK business is worthy of note. A few years ago we had no meaningful presence. Today we have a market share in the mid-teens, and are continuing to see impressive share growth. We have a good domestic brand, *Buxton*, with a well situated source, whilst our international waters and *Nestlé Pure Life* are also performing well.

The emerging markets have continued to see double-digit growth, both in Asia and Latin America.

Slide 12: Other activities

Next is Other activities, incorporating Nestlé Professional, Nespresso, Nestlé Health Sciences and our joint ventures.

Nestlé Professional has maintained its growth momentum from the first half, with accelerated real internal growth compensating for a lower level of positive pricing. Its performance is certainly strong relative to its industry, the out-of-home sector being under pressure in the current economic environment.

Professional has delivered double-digit growth in the emerging markets, but double-digit growth also in North America, with only Western Europe slightly negative.

The legacy beverage and ingredients businesses are proving to be defensive in the current environment, providing good-value alternatives for operators, but we are also seeing strong growth in our Beverage systems business, as well as in our services to chefs within the Food area.

Nespresso continued to deliver double-digit growth. Its innovation programmes are running apace, with three limited edition coffees and two machines launched in the first nine months, and it is on track to have over 300 boutiques by the year end, with about 30 openings this year.

Nestlé Health Sciences has performed well. There was good growth in the US and Canada, where *Boost* is a highlight, and in northern Europe, as well as in AOA and Latin America. The acquisitions announced in the last couple of years are all performing well.

The joint ventures are all performing broadly in line with their markets.

Slide 13: Product categories

The next slide is the overview of the product categories. Just a few comments to build on my Zone commentary.

Powdered and liquid beverages are near double-digit. The *Milo* and *Nespresso* billionaire

brands are double-digit and *Nescafé* is high single-digit. Perhaps you might be interested by two of the overlooked *Nescafé* businesses: first is the *Nescafé* ready-to-drink business. This is doing extremely well in emerging markets such as China. Second is the legacy *Nescafé* large can business in Nestlé Professional. This is growing near double-digit.
Nescafé Dolce Gusto, meanwhile, is now the Number One coffee system in Europe in the retail channel. *Nespresso* is of course the overall market leader.
Also, it is small, but *Special-T* by Nestlé, available in France and Switzerland, is being rolled out into five new countries in Europe: Germany, Belgium, Austria, the Netherlands and Luxembourg.

Dairy and ice cream is mid single-digit.
In Dairy our adult premium milks are performing extremely well, as their benefit platforms resonate clearly with consumers. The family cereals businesses, brands such as *Golden Morn*, are also growing rapidly. Our ability also to support our PPP Dairy range with claims is also a clear differentiator, enhancing our nutritional profile within the category.

In **Ice cream**, our global cone business has continued to perform extremely well. So are local adaptations, such as cups in Greece, and international innovations like peelable ice cream. Peelable is now in Europe and the Americas, as well as in Zone AOA, where it was created, and is now available in various flavours.

Prepared dishes and cooking aids is growing slightly, having had a small increase in pricing in the third quarter. The ambient business, generally *Maggi* has continued to grow double-digit in AOA, and I have already touched on some of the key markets. This is despite a sharp slowdown in the big Central West Africa region, which was lapping the period in 2011 when it had strong growth following the war in Côte D'Ivoire. The European market is tough, though interesting is the continued success of the introduction of the *Maggi* brand to the UK, as part of our international roll-out of the Juicy roasting concept.

I have discussed about the US frozen business. Perhaps it is just worth reminding you that we took a decision to reduce our level of promotional activity at the start of the year. We knew this would impact our growth, and so it has proven, but it will also improve the economics of the category for us, particularly as we enhance product quality, drive innovation and restore growth to the category.

I have already talked about **Confectionery.** The quarter was impacted by the changed shipping pattern in Brazil, our biggest confectionery market, but growth picked up pace in Russia, the UK and Japan**.**

PetCare delivered 7.8% organic growth for the nine months**.** We grew share in all regions and all major segments. Growth in Emerging Markets continued to be strong driven by double-digit growth in Latin America and Central & Eastern Europe.

The North American market was weak, growing 2%, but we continued to outpace category growth, driven by good performances in Cat Food and Dry Dog. Innovations included *Beneful Baked Delights*, a new line of baked dog treats, and *Fancy Feast Morning Medleys*. In addition, *Be Happy*, a new mainstream dry brand was launched within the mass and grocery channels targeted at value-conscious consumers.

In Europe, *Felix*, *Purina ONE* dry cat and *Pro Plan* all delivered strong results. In addition, *Felix*

Party Mix cat snacks has now been launched in ten markets and is gaining market share. In Russia we are also seeing share gains, helped by the *Felix Wet Cat* Single Serve roll-out.

Slide 14: Conclusion

That concludes my presentation. As I think is clear from my speech, Q3 is not a good guide to Q4. A range of things, from the Brazilian Christmas supply, to the missing trading day in Europe to the pick-up in the North American business, to some of the one-offs in AOA point to Q3 being the year's weakest quarter.

Importantly, with the trend in pricing reflecting an easing in a number of raw material costs, our real internal growth is solid and even improving in some areas.

In conclusion, therefore, we are confirming our guidance for the full year. Thanks for your attention, and now let's open up for discussion.

Q&A Session

Question on; Emerging Markets performance

Warren Ackerman, Société Générale:

Can I go back to the one-offs you mentioned in Zone AOA. You already talked about floods in Philippines, Iran, Pakistan, Egypt. If you had to aggregate all those issues, what drag would there have been on growth? I know you probably haven't worked it out, but I was just wondering what would be your best estimate because you said that Q3 in Zone AOA is not a good guide to Q4. I was just wondering which of those issues do you think will not recur in Q4 compared to Q3?

And then is there any reason to think that the Q4 zone AOA growth won't go back to a double-digit growth that we saw in the first half? So what I'm really trying to ask, Roddy, is in a bigger picture can you confirm there is no underlying slowdown in your emerging market business? Thank you.

Roddy Child-Villiers:

So I don't have a basis point impact number of the one-offs in Zone AOA. But if you look at the one-offs in the group including European trading day and everything else, certainly north of 100 basis points. In this zone in particular, and I think those of you who listen to the press conference will also have heard Nandu answering similar questions from one of the media, and he was expressing his confidence that the zone will bounce back in Q4 and indeed next year as well.

Now it's clearly – you don't call it Zone AOA, Zone CNN for no good reason and every quarter has issues, and so to strip out the particular issues in this quarter I think is difficult, but it is clear, talking to the zone, with that their feeling is that it was extremely impactful.

If I look across all the markets, it is evident that there is a broad slowdown of maybe 100, 150 basis points across the different markets, emerging markets assuming Japan improved. And the exception is Africa that was more like a 500 basis points dip for the nine months relative to the half year and that really is a result of Central West Africa region and the Côte d'Ivoire comparative to the prior year. So that's a pretty big move in itself. So that’s a bit more depth but I haven't got a precise number.

Warren Ackerman, Société Générale:

Okay. So what you said – so you said north of 100 basis points. So can I interpret that as if I kind of look at the Q3 organic growth and isolation which was around 5%, that would kind of underlying terms sort of be slightly above 6%, is that what you're saying?

Roddy Child-Villiers:

Well, what I said was about the north of 100 basis points is for the group as a whole. I haven’t worked out a number for AOA. But I think the AOA impact is probably bigger than that, if you think about the 500 basis points for Africa.

Warren Ackerman, Société Générale:

Okay. Sorry, but just from this 100 to 150 basis points slowdown in emerging market growth, what would that go from and to then in terms of the absolute percentages do you think, roughly?

Roddy Child-Villiers:

Well, we are still slightly over double-digit emerging markets in the zone. So we come from very low teens – just below the low teens.

Questions on;	**Expectations for Zone AOA in Q4** **Southern Europe impact on Q4** **Q3 growth for Nespresso**

David Hayes, Nomura Securities:

Just a couple of quick questions to follow up on that AOA discussion in terms of those one-offs and taking the point about them not being there. But I guess some of them may well reverse in the fourth quarter in terms of catch-up. Just whether you can talk about which ones you've mentioned where you actually see a benefit in the fourth quarter because it's just a lag effectively.

And then also in terms of Europe, we heard from one of your competitors yesterday that since September, particularly in Southern Europe, things have got a little bit worse partly around Spain, I guess, with the VAT rise. Just wondering whether you would say that you saw that impact and whether you think that may effect that PIGS dynamic in the fourth quarter as well?

Roddy Child-Villiers:

AOA, I think Africa is cycling a quarter of issues, so that's a clear example of something that should bounce back a bit. Elections that I've mentioned have happened, so hopefully that will bounce back. We're back in operations in the Philippines, we're back in operation in Pakistan. Those are very clearly incidents related only to the quarter. Now we’re never going to make back the sales that were lost, but it doesn't mean we won't see growth coming back in fourth quarter. So I think a lot of those issues are very specific to the third quarter only.

In Portugal, Italy, Greece, Spain, the PIGS we saw a slight slowdown in nine-month growth relative to the first half in Spain. And so I think we're consistent with our competitors in those comments. But we are not seeing dramatically negative numbers in these countries. And we published numbers for the PIGS. And in fact, Greece is 4% positive; the smallest of the four countries but nonetheless it's positive.
In Spain, a highlight there is coffee which is still doing well. Curiously, *Dolce Gusto* as well, despite being a very premium offer. I know I've said that the Nestlé Health Science business is struggling a bit in Spain because of the reinvestment changes that happened there and I that's also a consistent message from what you've heard already this reporting season. So that would be my comment on Spain.

David Hayes, Nomura Securities:

If I could just be cheeky and just do one follow-up on *Nespresso*. Obviously, you get this kind of broader sort of growth levels. I mean taking those as numbers if you like, you may conclude that the third quarter growth would have slowed to around 6%, 7% on a basis of saying of high double-digit in the first half, now double-digit. Is that the kind of thinking that we should have or is that just the sort of nuance of the definitions and actually third quarter also is double-digit growth for *Nespresso*?

Roddy Child-Villiers:

No. That would be pessimistic on *Nespresso*. The slowdown in 'Other' is more due to the joint ventures than it is to the *Nespresso*, or Professional or Health Sciences.

Questions on;	**Performance in Germany** **European growth rate excluding trading day effect**

Alain Oberhuber, MainFirst Bank:

Two questions. The first question is about Germany, could you elaborate a little bit more on the German development, which category were good and where we could expect the second (half) over the last quarter?

And the other question is also about Europe, excluding this one day we didn't have, what would have been the underlying growth rate? Would that be similar to Q2 for Europe?

Roddy Child-Villiers:

Germany was weak more or less across the board. We are very, focused on ensuring that we are achieving value with retailers and we are not willing to be overly promotional in that market and that has impacted our growth across basically all categories.

I think you can make it work out the trading day in Europe. I mean, it's one day out of three months. It's a relatively straight-forward piece of math for you to do, I think.

Questions on;	**Input costs impact in Q4** **Time frame on Nespresso innovations**

Jon Cox, Kepler Capital Markets:

I have a couple of questions for you. Just on the commodity side of things, basically you seem to be alluding to the fact that there actually could be a little bit better tail winds in the latter part of the year than maybe you implied in the first half, that's just the first question.

Just on the, second question, I know you probably a bit bored of talking about *Nespresso*. I think Wan Ling alluded to the fact there could be some sort of security-type innovations coming through with *Nespresso*. I'm just wondering if you have any sort of timeframe. Should we be expecting a machine with a chip-reader any time soon? You alluded to a couple of new machines being launched. Now, I'm just wondering on the sort of timeframe of some ways to sort of block copycats other than legal measures. Thank you.

Roddy Child-Villiers:

If you look at our guidance in the first half, we already talked there about input cost easing in the second half. So this is not a piece of new guidance. It's the same wording we used at the first half that we expected input cost to ease is in the second half of the year. And I guess, the only changes really to input costs that are meaningful for us are actually, probably more on the less good news side than the good news side we've seen the cost pressure a little bit in Nutrition and also in PetCare as well with the grains going up.

Nespresso, I didn't hear the Wan Ling comment so I'm not aware of what she said, but in terms of chips, all I know about chips is that we have, in the boutique in France, we're using the RFID chip in one of the boutiques which is something new that we are doing to get a better feel for consumer behaviour in the boutique. I don't know about anything we're doing around security on machines. And anyway, I wouldn't really want to talk about coming innovations.

The two machines that I talked about in my speech, we launched are already out. One is the U and one is the Maestria machine that we have already in the market.

Question on;	**Pricing**

Eileen Khoo, Morgan Stanley:

I just have a very quick question on pricing actually. So it looks like pricing this region or other categories, apart from nutrition where it seemed to be very strong, almost 7%. Could you give us some colour on this? And maybe just comment in general on pricing for input cost. Were there actually any price reductions in the third quarter or was it just a lower past due effect, and what should we expect for the remainder of the year?

Roddy Child-Villiers:

Clearly, the big impact on the reported pricing is that the pricing we took in 2011 is obviously now pulling out of the numbers, effectively rollover pricing disappearing. And then when you look at individual categories, you clearly have categories where either we've increased promotions or we've adjusted prices.

An example would be soluble coffee in Russia and I don't know if you know but we have a fairly standard price gap between Super Premium *Nescafé* and Premium *Nescafé* and that's pretty standard across the world. In Russia, however, the price gap was a lot bigger than anywhere else. We've effectively brought that price gap down by lowering the price of the Super Premium

Nescafé. And that's clearly helping us to drive growth in that market in Russia, in that category in Russia. So that would be an example where we have adjusted pricing.

Beyond that, and as you know, pricing decisions are taken locally and I'm not surprised to see the pricing coming off because apart from the roll over effect, we clearly have less input cost pressure this year than last year, and therefore less need to take pricing. And as you say, Nutrition is going up, also PetCare has got some raw material pressure and they've taken pricing so there are places where we are taking pricing but broadly, there's not much pricing being taken this year.

Question on; Expectations for Q4 in North America

Robert Waldschmidt, Bank of America Merill Lynch:

My question relates to the Americas region in particular North America where it seems like we're seeing a little bit of signs of improvement, albeit perhaps at increased price or sorry, reduced price or promotional activity. Can you just give us a flavour in terms of how you see North America as a whole in Q4, beyond just the frozen area?

Roddy Child-Villiers:

Sure, first of all, we have the market share with the exception of Waters and Nutrition, all our shares are either up or they're on an improving trend from having been negative. So broad-based share performance is improving. The reason of our weakness in the water market which I already touched on is basically is that we're taking pricing, private label supplies, are locked in on their contracts and in a sensitive price category, we are losing share. But clearly, we are prioritizing bottom line.

And looking at the categories individually, I touched on these in my call but looking at the frozen aisle, first of all, the category remains weak and you can put in that, in the frozen aisle, Pizza, frozen entrées, *Lean Cuisine*, even Ice Cream. I mean the categories are weak. We are seeing improving trends. We also have you asked about Q4 and next year. We also had some big innovations in the frozen meals and pizza businesses coming through end of this year into next year. They've tested very, very well so we are excited about that and we need some innovations to bring some growth and some consumer excitement back into those categories.

We're also working on a broad communication strategy, not product specific but category specific addressing perceptions about the relative 'healthiness' of frozen against fresh. And hopefully that will also start to impact the categories positively as well.

PetCare is doing well in terms of market share. That's true by the way across the world, and actually even in Germany for the earlier questions. PetCare is doing well in Germany as well, and probably the exception there. But in North America, PetCare is performing well across all categories relative to the market. The weak category and the reason for the slight dip in PetCare in North America in the third quarter is the wet dog category which is as weak as a category and also weak for us.

Chocolate is obviously is a small market share business for us but it is doing well. And you know the story there, *Skinny Cow* continues to perform well. I touched already on soluble coffee, not much more to say there, both the Hispanic business, *Clasico* and the newly launched premium *Memento* are doing very well. Nestlé Professional is a standout in North America. I mean for an out-of-home business, North America to be creating double-digit, it is pretty extraordinary, and all credit to them for doing that.

Also, Health Sciences is growing high single-digit in North America. So it's broadly a very good story. Nutrition, I mentioned the birth rate issue. But again, within the context that we're operating in, we're doing okay. And the recent innovations I mentioned in my speech are certainly driving growth already and will continue to do so.

Questions on;	**US performance in Q4** **Input costs in 2013**

Patrick Schwendimann, Zurich Kantonalbank:

First again on the U.S., did I get this right that overall, you would say you would expect some more improvements in Q4 in the U.S. compared to Q3? And secondly, regarding input costs, could you give us a first idea what your expectations are for 2013?

Roddy Child-Villiers:

Yes, we expect the U.S. to be better in Q4 than Q3. On input cost for next year, I would rather wait until February to give you the guidance. As I always say, it is hard to guide on input costs and the later we leave it when we're actually more likely to be accurate. So we'll do that in February.

Questions on;	**Trading issues in Australia and impact in Q3** **Foreign Exchange effect on margins**

Jeremy Fialko, Redburn Partners:

A couple of things from me. First of all, on the press conference, I think Nandu talked about some trading issues in Australia. So if you could talk about they were – what the impact might have been in Q3 and whether you should see some resolution of those in Q4.

And then secondly is that the FX has now turned positive for you which is a bit of an unusual thing. Can you say whether that is going to have a positive effect on your margins this year? And what that might be? Obviously, I know that's independent of the guidance you're giving, but just some sort of indication would still be helpful. Thanks.

Roddy Child-Villiers:

In Australia, I don't know if you know the Australian retail market. But there are basically two large food retailers and it's somewhat like the UK market in terms of the level of competitive activity between those two players. Also, a number of the managers down there come out of the UK markets so there are quite some similarities between Australia and the UK for us food manufacturers. And we have had some tough negotiations with those players. The negotiations are resolved and hopefully therefore that's another relative positive for Q4 over Q3.

In terms of the FX,you're right, it's certainly relatively unusual in recent times to have positive FX. I think you can work it out for yourself. You know that we have different levels of profitability in different markets, you know to what extent – you know which markets are higher margin or lower margin and you know what the currencies have done. Our results are always characterized by a mix effect, whether that mix effect will be different in 2012 than in 2011, I don't know, but it doesn't change our guidance which obviously is improved margin in constant currency.

Question on;	**Strong emerging market result despite Zone AOA issues**

Alain Oberhuber, MainFirst:

Just, Roddy, coming back, you mentioned a couple of specific issues why AOA growth was lower, but you also mentioned in your presentation that the emerging market growth was at 11.5%, almost similar to the previous quarter. Could you help me on that why are your emerging markets still stated being strong, whereas in AOA it was slower?

Roddy Child-Villiers:

Yes, we had a good improvement in Eastern Europe. LatAm was fundamentally unchanged. And I think the globally managed businesses also contributed – Nutrition contributed positively to the AOA results, which was obviously not in the Zone number. Water has continued to perform well. But I think the big swing factor is probably Eastern Europe and Nutrition.

End of Q&A session

Roddy Child-Villiers:

Well, thank you. First of all, thank you very much, everybody for your very kind remarks. But also thank you for joining us today and for your questions. As I said, the Q3 growth performance will prove to be the weakest of the year. And we reconfirm our guidance for the full year, unchanged, from February. Thank you, again. It's also very nice to be back, and I look forward to talking to you soon. Good bye.

END OF TRANSCRIPT