NESTLÉ S.A.

2015 HALF YEAR RESULTS CONFERENCE CALL TRANSCRIPT

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Speakers:

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Slide:	**Title slide**

Good morning, everyone, and welcome to Nestlé's half year results conference and webcast.

My name is Steffen Kindler, I am the Head of Investor Relations and I am here with François Roger, the Nestlé CFO. As usual, we will start the call with a presentation and then open up for Q&A.

Slide:	**Disclaimer**

I will take the safe harbour statement as read.

With that, I now hand over to François Roger

François-Xavier Roger, Chief Financial Officer, Nestlé S.A.

Slide:	**Introduction slide**

Good morning everyone. Before I start, let me introduce myself.

I'm François-Xavier Roger, Nestlé's Chief Financial Officer since July 1st this year.

It is my pleasure and privilege to be presenting to you, for my first time, Nestlé's half year results, followed by Q&A.

Slide:	**Highlights: Solid performance even under difficult circumstances**

In the first half of the year, we had solid results, in spite of difficult circumstances.

We reached sales of CHF 42.8 billion, with organic growth of 4.5%.

Growth was attractive across geographies.

These results are consistent with Nestlé's strong track record in the last couple of years, and are fully in line with our expectations.

Our Real Internal Growth reached 1.7%.

Wherever necessary, we have taken price increases, either in response to input cost inflation or as a result of some significant currency depreciation we have seen.

On a constant currencies basis, we saw our trading operating profit increase by 20 basis points, and our underlying earnings per share in constant currencies are up by 7.3%.

The Group generated a Free Cash Flow of CHF 2.4 billion.

Now, let's look at the details behind our performance by geography and by category.

Slide: Broad-Based Organic Growth in all Geographies

Here, we summarize the performance in our three geographies. This includes the sales of our three Zones as well as our globally-managed businesses.

Organic growth was 6.6% in Zone AMS, 3.4% in EMENA, and 2.2% in AOA.

Real Internal Growth was positive in the three Zones: 1.7% in Zone AMS, and 2.4% in EMENA. AOA finished the first half at 0.6%, recovering from the slight negative start at the beginning of the year.

I will explain these results in more detail in the coming slides as we discuss the Zones and globally managed businesses.

Slide: Developed and Emerging Markets Growth

Let’s now look at the split between Developed and Emerging markets.

Developed markets contributed 56% of the Group’s sales, and Emerging markets 44%, which is quite consistent with the split we had last year.

Looking at Developed markets, Organic growth was 2.2% for the first half.

The positive momentum that we have seen in Developed markets over the last two years has continued. We have shown our ability to sustain growth in these mature markets, despite a challenging economic environment.

This has been achieved through a combination of innovation, premiumization, and portfolio management. I believe that our positive RIG also proves that we have the right strategy as well as the capability to execute.

Organic Growth in Emerging markets is still strong, reaching 7.3% in the first half.

While this is a slower pace than what we have seen historically, it is an encouraging result, given the economic and political volatility in some countries.

Now let’s look in more detail at our Zones and globally-managed businesses.

Slide: Zone AMS

Starting with Zone AMS where we delivered sales of CHF 12 billion, organic growth of 5.2%, and Real Internal Growth of 0.1%.

Organic growth for the Zone was solid, driven by improvements in several key markets. RIG also recovered from the slow start at the beginning of the year, coming in slightly positive, thanks to improvements in many markets, especially in Latin America.

Drilling into the key markets, and starting with North America, organic growth showed gradual improvement.

First, I will cover our Frozen business. As you know, we have been taking actions to restore growth in that franchise, including product renovation and improving all elements of the marketing mix. We expect gradual improvement throughout the year. And, although growth was still soft in the first half, the trends are improving. We are seeing positive early signs from the launch of the new *Lean Cuisine Market Place* and *Stouffer's Fit Kitchen* lines, which are performing in line with our expectations. They were rolled out in the second quarter of the year and we will add communication support in the third quarter.

In Frozen snacks, innovation such as *Hot Pockets Snack Bites* did well and contributed to the good organic growth of *Hot Pockets*, although helped by favourable comps.

Looking at the rest of our North American business, many of the brands that we highlighted during the Q1 conference continued to do well.

Coffee-mate creamers sustained their good performance, helped by the entry into new distribution channels and innovations like *Natural Bliss* and *Coffee-mate 2Go*. Ice Cream had a solid performance as we entered the summer season, with *Häagen-Dazs*, *Outshine* fruit bars, and *Drumstick* growing nicely.

In PetCare, highlights were *Fancy Feast* cat food, *Pro Plan* for dog, and cat litter. Our innovation capabilities continued to be a key driver. However, the *Beneful* case impacted our sales momentum in H1.

Moving on to Latin America.

Despite the pressures of the challenging economic environment, we achieved good broad-based organic growth, in line with our expectations. Price increases were implemented to offset inflationary pressures and currency depreciation.

Mexico did well with good performance across most categories after a difficult 2014.

Brazil was soft, but improved, driven by investments behind our growth platforms: I will name a few; *Nescau*, *KitKat, Nescafé Dolce Gusto, Nesfit* and *Passatempo*.

The majority of our smaller markets across Latin America also performed well.

Looking at *Purina*, our Latin American business continued to be a very good growth driver. Moreover, additional production capacity in both Mexico and Argentina will help to supply the strong demand as we had a little bit of difficulty to meet demand in the last couple of months.

And finally, *Nescafé Dolce Gusto* continues its good momentum across Latin America.

The Zone's trade operating profit margin increased by 10 basis points. This was made up of a few factors. Operational improvements to start with had a positive effect. The optimization of price points had a positive impact as well in some business lines in North America. Combined, these factors partially offset the higher restructuring costs.

Slide:	**Zone EMENA**

Next is Zone EMENA.

Sales were CHF 7.9 billion, and growth was good, both organically, at 3.8%, and with RIG at 2.0%.

Like we saw at the beginning of the year, all three regions contributed positively to the growth: Western Europe, Eastern Europe, as well as Middle East and North Africa.

The environment across the Zone remains volatile, with inflationary conditions in certain Eastern European markets, leading to price increases and volume pressure.

On the other hand, in many parts of Western Europe, our organic growth was mainly driven by volume, as pricing was negative in a deflationary environment.

And additionally, political and economic uncertainties in parts of Eastern Europe and Middle East were also challenging.

In that context, EMENA's results were strong in the first half of the year. They prove that our strategy and the investments we make behind innovation, renovation and premiumization pay off, in spite of the macro environment.

Looking at the growth drivers by category, many of the positives we mentioned in our Q1 conference continued their momentum. PetCare remained a highlight across Europe, driven by *Felix, Gourmet*, and *ONE*. *Nescafé Dolce Gusto* grew well across the Zone and continues to drive a positive momentum in many of the key markets. Soluble Coffee also did very well in most markets. Finally Frozen pizza sustained its strong contribution supported by successful innovations and supported by our strong brands, *Buitoni* and *Wagner*.

Looking at the dynamics by country, France, Benelux and the Nordics did well. Germany, UK, and Italy were more challenging. Switzerland was impacted by the strength of the Swiss Franc. The business in Greece also continues to be challenged, given the political and economic conditions.

In Russia, we were able to adapt our prices to protect our competitiveness in an inflationary environment. Ukraine also continued to perform well, with very good growth in most categories. There were also solid performances from the Adriatic region, Bulgaria and Hungary.

And finally, in the Middle East and North Africa, we delivered solid growth. Despite continued challenges in Iraq and Yemen, we had a solid performance in the other Middle East countries, as well as in Turkey. Coffee and Confectionery sustained the good performance we had in the first three months.

Trading operating profit was up 80 basis points. Input costs for the Zone were favourable, especially Dairy. Product mix and fixed costs control also had a positive impact, which allowed for increased investment in consumer facing marketing spend.

Slide:	**Zone AOA**

Now turning to Zone AOA.

Sales reached CHF 7.1 billion, and 0.8% organic growth. RIG remained in negative territory at minus 0.8%.

While performance is still soft, this improvement shows the Zone is gradually recovering in line with our plans. We saw strong results in Developed markets and a gradual improvement in Emerging markets.

The results of Zone AOA are however impacted by the issues around Maggi Noodles in India. The impact of the events on organic growth and Real Internal Growth were approximately 10-20 basis points at a Group level and approximately 100-120 basis points at a Zone AOA level. The cost of the withdrawal was CHF 66 million in H1.

As we have said before, we are fully engaged with the authorities to bring back the product on shelves. The impact of this case will continue, until production and sales resume.

Let’s move to China now. The overall economic situation is difficult and I am sure you have read and seen that as well. That also impacts our business there. Nevertheless, we continued our efforts to update our portfolio in line with fast changing consumer expectations. The process of the turnaround is on track and the business has shown some encouraging results, with most categories showing signs of initial improvement. We did say, however, that the recovery will be a continuous process throughout 2015. For H1, in China, Ambient Dairy, Confectionery and Soluble Coffee all contributed to growth. *Nescafé* ready-to-drink beverages delivered double-digit growth and Ambient Culinary made a solid contribution.

Moving to Africa and more specifically Sub-Saharan Africa we returned to positive territory after a difficult start to the year. You may remember from our 3 months earnings call that we chose to secure receivables, given the volatile trading conditions in the region and it impacted our sales in Q1. In the last 3 months, the region recovered well, driven by Central West Africa, particularly Nigeria. Ambient Dairy, Culinary and *Nescafé* all contributed.

The majority of our other Emerging markets across AOA performed well.

Moving to Developed markets within AOA, Japan continued with solid growth, helped by the launch of Coffee innovations, such as the premium ready-to-drink *Nescafé Gold*.

The business in Oceania continues to move towards moderate growth after a difficult 2014 in an extremely competitive trading environment. Meanwhile, *KitKat* sustained its performance as a growth driver in both Japan and Oceania.

The trading operating profit was 18.2%, down 60 basis points. The Zone’s margin was significantly impacted by the *Maggi* withdrawal and product destruction costs.

Slide:	**Nestlé Waters**

Moving on now to our globally-managed businesses and I will start with Nestlé Waters.

The growth for the half was broad-based, across geographies and brands. As the consumer demand shifts towards healthier beverage options and safe drinking water, we continue to see encouraging category momentum. Sales were CHF 3.8 billion, with organic growth of 5.3%, and RIG of 5.6%.

In Developed markets, we had mid-single-digit growth in North America, led by *Nestlé Pure Life,* and regional brands, especially *Poland Spring* and *Ozarka*. In Europe, the UK finished strong, helped by its local brand *Buxton*. Germany and Italy were also solid.

In Emerging markets, we achieved double-digit growth led by our local brands. *Nestlé Pure Life* was strong. Our local brands also continued to do well. I will just name a few: *Erikli* in Turkey, *Al Manhal* in the Middle East, *Yunnan Shan Quan* in China, *La Vie* in Vietnam, and *Eco de los Andes* in Argentina.

And finally, our international sparkling waters *San Pellegrino* and *Perrier* continue to be a highlight.

Trading operating profit increased by 110 basis points to 11.5%. While we did increase our consumer marketing investments, this was more than offset by rigorous cost management, lower PET costs, and leverage from sales volume increase.

Slide:	**Nestlé Nutrition**

Looking now at Nestlé Nutrition.

With 3.9% organic growth, and 1.3% RIG, our business delivered broad-based growth across geographies and brands. This growth was comparatively lower than in the past. High comparatives in Asia and volatility in several markets in the Middle East slowed down our overall progress.

Wyeth Infant Nutrition continued to do very well, particularly in China, while our super-premium brand *Illuma*, sustained its strong performance and accelerated its e-commerce presence and geographic expansion. From an e-commerce standpoint, our focus in China has been on the B to C channel, where we have a strong position.

In terms of other Emerging markets, there were solid performances in South Asia region, Mexico, and Philippines, thanks to innovation launches under *Nido, Nan*, and *Cerelac* brands.

In the Middle East, we had a difficult first half due to the volatile political circumstances in countries such as Iraq, Syria, and Yemen.

In North America, Infant Cereals sustained good growth, supported by innovations in the *Gerber* range. Meals and Drinks also contributed, with new products in purées and organic pouches.

Trading operating profit rose 140 basis points in the first half. Lower dairy costs had a favourable effect, as did our efforts to control structural costs. Portfolio rationalization, particularly in the US and Western Europe, also had a positive impact. This allowed us to increase the support behind our brands while also increasing the profitability.

Slide:	**Other Businesses**

Finally, let me move to our “Other Businesses”, which includes Nestlé Professional, *Nespresso,* Nestlé Health Science, and Nestlé Skin Health.

Together, these businesses achieved sales of CHF 6.8 billion, with organic growth of 8.1%, and Real Internal Growth of 4.9%.

In the first half of 2015, Nestlé Professional regained its growth momentum. The business benefits from its portfolio restructuring and benefits as well from investment in new growth platforms.

It had balanced growth contributions coming from both the Food and the Beverage business lines. Emerging markets were the main growth driver, with LatAm, Asia, and Eastern Europe being highlights.

Developed markets remained slower due to the continued challenging consumer environments.

Next is *Nespresso*, whose growth continued to be accretive to the Group.

We are pleased with the performance despite growing competition, especially in Europe. *Nespresso* drives the premium portioned coffee segment and continues to differentiate from its competitors via quality, innovation, and direct access to the consumer via our boutiques and e-commerce platform.

This year we launched several limited edition coffees. Again, the brand's Global presence continued to expand, with 20 new boutiques opened worldwide, and with the rollout of the *Nespresso Cube*.

In terms of geographies, Zone AMS was a growth driver, helped by the *VertuoLine* system in the US.

Nestlé Health Science also delivered good broad-based growth.

Performance was strong in the consumer care franchise, supported by the successful launch of *Boost Compact* in the US. The highlights we spoke about during our three months conference, such as *Meritene*, *Vitaflo*, and *Pamlab* continue to do very well.

And lastly, Nestlé Skin Health finished the first half year with a very good performance, continuing its role as a growth driver for the Group. All three segments were helped by innovation: Prescription, Aesthetic & Corrective as well as Self Medication.

The trading operating profit for the Other Businesses was down 250 basis points, at 15.8%. Higher coffee prices put some pressure on Nestlé Professional as well as *Nespresso* margins. In addition, the consolidation of Nestlé Skin Health was dilutive in H1 as both sales and profitability are weighted to the second half of the year. As you recall, from our Full-Year conference back in February, we mentioned that this business is seasonal.

Slide: Products

Next, we look at our business performance across our product categories.

I have explained much of this already when I talked about the Zones.

Powdered and Liquid beverages had mid-single digit organic growth, driven by Coffee, and more specifically Coffee systems. RIG was moderate, following the impact of the Coffee pricing taken from the second half of 2014. As a consequence the margin decline of 130 basis points was mainly due to net higher input costs.

I will not discuss Waters, which we covered a few slides ago.

Milk products and Ice Cream were still slow, but showed improvement since the first three months. Ambient Dairy continues to be affected by soft growth in China and Brazil, but as mentioned in our review of the Zones, we saw gradual improvements lately. We benefitted from lower Dairy costs and some overhead cost improvements. We reinvested some of this in consumer marketing, while managing to increase margin by 160 basis points.

Nutrition and Health Science continued to benefit from the good performance of Nestlé Health Science and Nestlé Skin Health. Margin decline of 160 basis points was mainly due to the consolidation of *Galderma* – as I mentioned previously. Note that we expect this effect to normalize from this period onwards.

Looking at Prepared Dishes and Cooking Aids, we had some positive trends in US Frozen. However, the Indian noodles case had a significant impact on both growth and margins, and affected trading operating profit.

Confectionery experienced strong organic growth, driven by pricing in Emerging markets. *KitKat* sustained its good momentum in most countries. Margin improvement of 50 basis points was a consequence of price increases, along with favourable input costs, with the exception of cocoa.

PetCare continued with good organic growth, while RIG was affected by lower *Beneful* sales and capacity constraints in Latin America as I mentioned earlier. The 110 basis points margin improvement was helped by the leverage of good growth and cost discipline.

That wraps up our business review.

Slide: Trading Operating Profit Margin

I propose that we now look at the Group’s overall trading operating profit in the first 6 months:

As you can see, it is flat on a reported basis, at 15%, and plus 20 basis points in constant currencies. The most notable changes were a decrease in Cost of Goods Sold, and an increase in Marketing & Administration expenses.

Cost of Goods Sold decreased by 160 bps due to the continuous efforts to drive efficiencies in operations, along with neutral input costs. The reduction was also driven by mix effects, most notably by the consolidation of Nestlé Skin Health, whose Cost of Goods is lower than the average of Nestlé.

Distribution costs decreased by 10 basis points, mainly driven by lower fuel costs.

Marketing and administration expenses rose by 150 basis points. Consumer-facing marketing spend increased by 17.3% in constant currencies, mainly to support growth.

The increase in Research & Development reflects our investment in innovation for the long-term development of the company, to support our Nutrition, Health and Wellness strategy.

And finally, please note the increase in net other trading items that was largely due to the Indian noodles case.

Slide:	**Income Statement**

Next is the income statement from trading operating profit to net profit.

Operating items increased 20 basis points. This was partially due to a net loss on disposals in the first half of 2015, compared with the gain from disposals last year.

Net financial are nearly unchanged versus the same period last year. The slight increase is caused by lower financial income.

Taxes were slightly favourable due to one-off items. Income from associates was down due our reduced shareholding in *L'Oréal* combined with the impact of Swiss Franc appreciation versus the Euro.

Finally, our basic EPS for the first half was down 1.4% in Swiss Francs, but underlying EPS rose 7.3% in constant currencies.

Slide:	**Free Cash Flow**

The Group's Free Cash Flow finished at 2.4 billion for the first half. It was impacted by several factors.

Operating profit was lower due to the appreciation of the Swiss Franc. In addition, we had lower dividend income from *L'Oréal* due to our reduced shareholding, and an unfavourable impact from the timing of tax payments.

These elements more than offset the favourable evolution in working capital. I would like to highlight that we continue to focus on improving working capital in all dimensions. As a percentage of sales, average working capital decreased by 50 basis points versus the same period of the prior year.

Slide:	**Summary**

Let me now summarise the first half of the year.

Once again, our results are broad-based, sustainable, and consistent.

They are in line with our expectations.

They were achieved despite some difficult circumstances in the global operating environment and some headwinds.

After 6 weeks in the job, I have been really impressed by the capacity of Nestlé to deliver on more than one dimension, both short and long term, across geographies, both in terms of strategy and execution, and to work on both the P&L as well as on the balance sheet and the cash flow.

This first half is, in my opinion, an excellent illustration of this unique capability. Let me just provide a few examples:

We have delivered both top AND bottom line. Growth was in Developed AND Emerging markets AND across all three Zones.

We have been able to drive efficiencies AND we have been able to re-invest in the business in the form of consumer facing marketing activities, as well as R & D.

We improved operating performance AND working capital.

We saw good performances from Zone EMENA, Nestlé Waters, Nestlé Health Science, Nestlé Skin Health, Nestlé Professional, PetCare, and Beverage systems.

Our areas of focus, especially China and US Frozen are showing early positive signs of improvement and we will stay really focused for the second half of 2015.

So, altogether, I believe these results allow us to confirm the outlook for the full year and I repeat what that outlook is:

We aim to achieve organic growth of around 5% with improvements in margins, with improvement in underlying earnings per share in constant currencies, as well as improvement in capital efficiency.

Slide:	**Discussion**

That brings us to the end of the presentation. We will now open the lines for Q & A.

Q & A Session

Questions on:	**Nescafé Dolce Gusto and Nespresso performance and margins Zone AMS**

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Eileen Khoo, Morgan Stanley:

Good morning, gentlemen. Thanks for taking my question. I've got two questions. So, the first one is on Coffee, particularly *Dolce Gusto* and *Nespresso*. It sounds like you're still achieving solid growth, which is impressive given the challenges faced by some of your competitors, particularly in the U.S. Can you give us some colour on what you think is driving your performance here?

And then on the margins for this business, you mentioned margin pressure due to high coffee prices. Is this due to the competitive landscape becoming more intense? If you could give some colour around that as well, that would be great.

And then second question is really on Zone AMS. Can you tell us whether both U.S. and LatAm had positive rate and like-for-like and whether your U.S. frozen business is back to stability?

And there was very strong pricing in the quarter as well, 6.3%. Can you talk about the drivers of this? Is it purely due to LatAm and is this driven by hyperinflation at all? Thanks very much.

François-Xavier Roger:

Okay. I will answer the first question regarding the momentum that we keep enjoying with *Dolce Gusto* and *Nespresso*. Indeed, we are pleased to see that we continue growing with these solutions. The growth is a little bit lower than what it was in the past, but we continue to enjoy growth and with strong momentum in the Americas and Asia and in AOA, which is very good. But still in Europe, thanks to premiumization, thanks to innovation as well, launching new – opening new boutiques, and launching some new innovations allow us to continue to keep us from momentum even in Europe.

The margin indeed has been a little bit on the low side. And actually, the margin in Coffee has decreased due to the increase of coffee prices, which is a consequence of high coffee prices to start with, combined with the hedging position that we have taken, as well as foreign exchange. So, that's what we can say about that.

In AMS, indeed we had the benefit of some pricing, which was fairly strong during the first half of the year. This is a consequence of pricing that we took in some categories. We just talked about Coffee, where we passed on to consumers some price increase in raw material that we had in Coffee, combined with price increases that we put through in some Emerging market to reflect pressure coming from foreign exchange and depreciation of some currencies, more specifically in Latin America, as far as the AMS is concerned. But we find the same pressure in some countries in Eastern Europe, for example.

Steffen, do you want to add something?

Steffen Kindler:

Yes. You asked also on U.S. Frozen, Eileen, as we said previously, we have reformulated the business. We addressed all elements of the marketing mix in the first quarter of this year. The products will roll out in the second quarter, especially in *Lean Cuisine* and *Stouffers* with the *Fit Kitchen* and *Marketplace* platforms. The first signs we are seeing are positive. We're happy with what we are seeing right now. We're adding communication in the third quarter and that is hopefully to be updated in the nine-month's call. So, right now, first signs are good. Communications is going to come, so this is going to put another leverage on it and then I'd like to update in the nine months how this really impacts results.

Eileen Khoo, Morgan Stanley:

Okay. Thank you very much.

Questions on:	**Acceleration in Developed Markets** **China and Zone AOA**

Warren Ackerman, Société Générale:

Good morning, Steffen. Good morning. Hi. Two questions from me. The first one, could you just clarify your comments around accelerating Developed market growth, which is under the sort of headlines. It's not that clear to me where that acceleration is coming from because it seems like the EMENA volume slowed in Q2 versus Q1. So, if you could flesh out where that acceleration is coming from and maybe tell us North America, the organic growth Q2 versus Q1, is that where it's coming from? And how sustainable do you see it?

And then just secondly on China, you gave us some nice colour. But can you tell us what the organic growth was in China overall in the first half? And specifically, what Wyeth's organic growth was? It seems to me that some of the headwinds in China that you've had like Coffee and Confectionary seemed to be improving. Interested to know why that's happening. And longer term, is your ambition still to get Zone AOA back to high-single-digit growth?

Thank you.

François-Xavier Roger:

Okay. Regarding the growth in developed markets, I will not comment on the quarter in itself, but if you look at the trend from 2013 to 2015 and we saw it in the first half of 2015, we clearly see an improvement of the growth. I'm talking OG in Developed market, which happens both in North America as well as in Europe.

So, this is not – once again, my comment is not on the quarter itself, but if we look at the last two and half years, there is clearly an improvement, which I see as something very positive because that means that we are not dependent on Emerging markets. We are very extremely positive about the Emerging markets. But that demonstrate the capability of Nestlé to grow both in Emerging market and in Developed markets. And we are not dependent on only one of the factor.

Regarding China, we are experiencing an interesting growth. Actually, if you look at the last three months, we were having a mid-single-digit growth in China, which is good, and which is satisfactory. And then, once again, we see an improvement, which we are very pleased with, post-cleaning of some inventory issues. So, we are pleased with that.

That being said, I want to be careful. As you saw and as you read and as you heard about the last couple of days, there is a lot of volatility today in China. So we are satisfied with what we have seen and the turnaround that we see in China. That being said, we are very careful about the outlook given the volatile trading environment.

And AOA, I confirm absolutely that we have ambitions to grow further. This may take a little bit of time. We need to have a little bit more visibility maybe on some issues. China is one of the topics that I mentioned. India, obviously, is another one that will impact our future growth, but the ambition is clearly there.

Warren Ackerman, Société Générale:

And just to clarify, you say the improvement in Developed markets in OG, 2013 to 2015, would there also have been an improvement in RIG over that same period or is the improvement driven by pricing? Thanks.

François-Xavier Roger:

It's both, actually. I don't think that it's limited only to volume or pricing. It's a combination of both. You have momentum that is quite different. I would say there is probably more volume growth in Europe and less pricing. Actually, Europe is a little bit more in a deflationary environment, while it is a little bit different in the U.S. where we have less RIG and more pricing. So, it differs very much from one part to the other.

Warren Ackerman, Société Générale:

Okay. Thank you.

Questions on:	**Pricing** **Ice Cream in North America**

Alain-Sebastien Oberhuber, MainFirst:

Good morning, Steffen. Good morning, François-Xavier. I have two questions. The first is regarding pricing. Pricing was really strong. In which product category was pricing much, and how much was the mix in this pricing? And then if you look into the future, could we expect the similar pricing for the next quarter?

And the second question is about the Ice Cream business in North America. You said that *Häagen-Dazs* was doing well. That was also the case in Q2, but could you give us a little bit more insight about the other soft categories in Ice Cream in the U.S. if we could see now a turnaround in the mass market as well, as well as in *Dreyer's*? Thank you.

François-Xavier Roger:

We'll let Steffen take the second question, but I will answer the first one on pricing. So, we had the pricing impact of 2.8% for the first half of 2015, which was driven by three factors. First, it is linked to pricing coming from input cost and mainly Coffee, but we saw it as well in Confectionary and Culinary. As I mentioned earlier, this impact is coming as well from currency depreciation in Emerging markets. There, we are talking more specifically of Latin America and Eastern Europe as I mentioned earlier.

And finally, in Developed markets, as I said, we have more of a deflationary pressure, but we still passed on to consumer some pricing related to cost, to input cost, for example, Culinary in the U.S. and in Germany. You asked what is the level of visibility that we have on pricing for the coming months, we don't guide on pricing. Pricing is a local decision which is much more related to competitive forces in a given market, so we don't provide any guidance on pricing. Steffen, you want to take the second question?

Steffen Kindler:

Yes. Ice Cream North America where we said we have good growth and we are also growing ahead of the category there. The different segments; super-premium, as we said, is doing very, very well as well as the new products, there's yogurt bars, there's *Drumstick*, *Butterfinger*. Bulk and premium improved, thanks to increased distribution. And, of course, we also benefited here from a product recall of a large competitor.

So, the improvement is really across the portfolio and super-premium and *Drumstick* and *Outshine Bars*, and all of these things is driven by our own innovation and renovation, in the premium and in bulk certain advantage due to quality issues with the competitor.

Alain-Sebastian Oberhuber, MainFirst:

Thank you very much.

Questions on:	**Input costs in H2** **Guidance for full year**

Patrik Schwendimann, ZKB:

Good morning, François-Xavier. Good morning, Steffen. Regarding input costs, you were mentioning that you had neutral effect of margin in H1 also due to some – from hedging for Coffee, for example. Is it fair assumption to assume that for H2, you will have lower input costs? That's my first question.

And second question regarding your guidance for the organic growth for the full year around 5%. In H1 you have 4.5%. You were mentioning some hopes of acceleration in Frozen, some acceleration in China. And I guess also the summer weather in Europe is helping for categories like Water, Ice Cream and Sunscreen. So, would it be a fair assumption to say that you are expecting better organic growth in H2? Thank you.

François-Xavier Roger:

Okay. Regarding the input cost, indeed, I confirmed it was neutral net in H1 while we had some pressure in Coffee and we benefited from lower pricing in Dairy, for example. So, obviously, it impacted different categories in a different way. What I said earlier is that there are three factors contributing to the input cost in our P&L. One of them is obviously the price of commodities, but it is not reflected straight into our P&L because of the hedging as I mentioned and because of the time price reach our P&L because of the inventory that we carry. It may take up some time before we benefit or suffer in terms of commodity prices.

We don't guide in terms of commodity prices. That being said, the trend is maybe a little bit more positive for the second half that it could be for the first half, but it's still difficult to say. And we expect it to be once again, for the full year, basically flat in 2015 against 2014. Might be a little bit better in the second half, but let's be careful there because there is volatility as well.

You referred to the guidance for the full year. You mentioned some positive like this hot summer in Europe. There are other negatives as well, so I mentioned China. We need to be cautious. We are indeed happy with the latest development that we saw with Frozen food in the U.S. It's net-net, I think that we'll feel comfortable of maintaining our guidance around 5%. There are pluses and minuses so we are comfortable to reiterate our initial guidance of around 5%. I don't have any specific comment to make if H2 will be better than H1.

Patrik Schwendimann, ZKB:

That 4.5% for the full year would be also around 5%?

François-Xavier Roger:

Steffen, it was the way you handle it in the past. It would be on the lower end, I would say, is it a fair comment?

Steffen Kindler:

Yes.

Patrik Schwendimann, ZKB:

Thanks a lot.

Questions on:	Margins Nutrition

Céline Pannuti, JPMorgan:

Yes. Good morning. My two questions, so maybe first one to continue on the outlook, you are mentioning that you expect margin to rise at constant currency for the year. I was wondering whether we should expect margin to rise reported in H2 given that maybe you will have a bit lower raw material In fact also could you give me in the gross margin expansion that you showed there was an impact of the consolidation, what would have been gross margin performance excluding that impact, please?

And then my second point is on Nutrition. We've seen a deceleration and obviously, some of your peers have mentioned pricing competition, I think that the U.S. as well is shaping up as being maybe competitive from a weak standpoint. Just wanted to – if you could elaborate what kind of growth rate we should be expecting for that division in the second half of the year, and if indeed, the lower raw material prices are putting pressure on the total performance for the division?

Thank you.

François-Xavier Roger:

Okay. I will take the first question and let Steffen answer the second one. Again, thank you, Steffen. On the first one, so the outlook, once again, we confirm to be around 5%. And as we said, 4.5% will be obviously at the lower end of what we expect to reach. There are positive, maybe marginal benefits from raw materials. But there are other factors. So net-net once again, around 5% in light of all the items that we know of the future of the business.

You were asking a question regarding the improvement in margin. Indeed, we had an improvement of gross margin by about 150 basis points. Part of it is linked to cost efficiencies, which is very positive. There was no impact, as we said, coming from input cost. And there was an impact, which was fairly significant from the consolidation of *Galderma*. So we don't quantify it per se but it is a fairly significant impact in the total and the rest of it is coming from input cost.

The important thing, as well as you noted, is that we have decided to reinvest most of these benefits and largely, in marketing initiatives, in order to support future growth. I think it makes a lot of sense while we have kept part of it as well in order to improve the operating margin and that's the reason why we had improved the trading operating margin by 20 basis points.

Steffen, you want to take the question on Nutrition?

Steffen Kindler:

Yes. Sure. So we think our growth was broad-based. Yet, as you see, it was comparatively a little lower than what you see in this division in the past years. We had more headwinds in some of the more volatile regions such as the Middle East and LatAm. And also, we had a little less tailwind in growth markets such as China. The Emerging markets had solid growth, as I said, a little less than last year, but please keep in mind the comps in Asia were also really, really tough.

Middle East is impacted by the political situation in Iraq and Yemen and LatAm helped with positive organic growth and pricing, Russia also.

Developed market has a positive contribution. I want to point out North America where pouches, organic pouches and also cereals helped us a lot.

As for the outlook, we would expect a slight pickup for the rest of the year, but again, Nestlé Nutrition is one of our key businesses and they're going to contribute to the around 5% organic growth target for the end of the year.

Céline Pannuti, JPMorgan:

Thank you.

Questions on:	**Contributing factors gross margin improvements** **Priorities of new CFO**

Jon Cox, Kepler:

Yeah. Good morning, guys. Thanks, Steffen, and welcome too, François-Xavier. Obviously, you timed it very well with a decent set of figures on your release. A couple of questions for you, just going back to that gross margin, it was clearly a beat. And I think it took everyone by surprise. You say *Galderma* was a substantial part of that. Can you just remind us what the *Galderma* gross margin was previously? If not, when you say substantial, should we assume that the gross margin improvement is around two-thirds of that 150 basis points also improvement from *Galderma*?

And then just on the remaining third, you seem to be saying actually input cost weren't helping at all, but obviously, there is a contribution to the gross margin. Maybe if you can just sort of put a bit of colour on that.

And then a second question really for François-Xavier, just, you gave a bit of a preamble on what you've been doing since you've come and what your focus will be. I wonder if you could just elaborate a little bit more on that. You mentioned working capital. Previously, I think Nestlé has always said you'll never going to move to negative working capital unlike your peers. I'm wondering if you sort of look to that and – well, actually maybe we could move to negative working capital. Thanks very much.

François-Xavier Roger:

Okay. Thanks, Jon. On the *Galderma* side, when you mentioned that a figure of two-third of the contribution of *Galderma*'s improvement of the gross margin, you are too high. So, it's lower than that. It is a significant contribution but not up to two-thirds.

Just want to mention one thing that this Nestlé Skin Health business has a different profile from a P&L point of view. It's a little bit different from the classical Food and Beverages business. In so far as it has a higher gross margin, but it requires as well more marketing investment and a little bit more admin expenses as well. So, it is clearly accretive in terms of growth for Nestlé on the top line, in terms of sales. It is accretive as well in terms of gross margin, but it contributes to a higher level of spending as well.

So, it has some impact in the global P&L. In addition to that, it's a little bit different between H1 and H2 because it is a business which is a little bit seasonal. So, the level of profit is actually much, much lower in H1 than it will be in H2. So, it has impacted a little bit of P&L, but it will normalize from now on. So, this is good news.

Talking about the question on – if I understand properly, what will be my priorities. Clearly, I want to first make sure that I support and secure growth on the top line, not only growth, but secure profitable growth both at operating level and for shareholders. I'm talking more of EPS.

Securing growth on profitable growth means that need to work heavily on resource allocation and capital allocation. By resource allocation, I mean, making sure that we spend our resources properly from a marketing point of view in terms of R&D, that we support the right set of growth opportunities that, we make sure it's between the short term and the long term.

I will focus certainly a lot on returns as well starting with obviously operating profit, as I mentioned earlier, making sure that we deliver continuous improvement in operating margin. And I will continue what my predecessor, Wan Ling Martello, has extremely well done, which is to introduce the discipline of return on invested capital. And what I saw of the models that she developed I have been extremely interested and seduced by it. And it is clearly my intention to use that model as a decision-making tool with my colleagues of the executive team to contribute to margin improvement.

So capital efficiency will be also on the top of my agenda. By capital efficiency, I'm talking of CapEx. CapEx, I see it as something positive. CapEx is a way to invest for growth while we need to make sure that we secure proper returns. You mentioned working capital. It is clearly on the top of my agenda. I want to make sure that there is no misunderstanding there. I don't think that Nestlé will reach a negative working capital. We need to look at it by category. But some categories, when you are in the fresh business, you have less inventories. So you can in such categories reach a negative working capital. For some other categories, it is more complicated.

So I think that I've been interested by the recent development in working capital, and what we saw in the first half with an improvement in payables. So, we will continue acting both on the payables and inventories and receivables in order to improve, and I'm aware of the fact that there are ways to improve that.

Finally, just maybe one word, obviously, we will work on cost discipline. We will work on portfolio management. All of these topics are hot topics in today's world. I was extremely pleased to see that Nestlé obviously didn't wait for my arrival to be on the top of it, and Nestlé has been extremely active on these topics of portfolio management and cost discipline. I've been pleased to notice many initiatives, and we can elaborate more on it. And it is clearly my intention to pursue these efforts.

Jon Cox, Kepler:

Sorry, just a follow up a little bit on the gross margin side, and what you're saying about *Galderma*. There was a big gross margin gain. At the same time, there was a big step-up in marketing spending. Are you saying a fair proportion of that is actually caused by *Galderma* as well? And then just to come back to these input costs being lower and the impact on the gross margin gain, I wondered if you could just elaborate a little bit on that.

François-Xavier Roger:

Okay. So, to be more precise, the improvement in gross margin roughly speaking, it's half-half, half *Galderma* and half efficiency improvement. The increase in terms of marketing expenses, which is 17% in the semester, you have a significant part of it, which is coming from Nestlé Skin Health. Roughly speaking, you can consider that it is another half as well.

Just to avoid any misunderstanding, input cost in H1 is neutral, and it's not positive. What I said is that it might improve marginally in H2. But it's still early to say, but we have interesting early signs moving in that direction. But in H1, it was neutral. It was positive for some raw material, negative from other, net-net neutral.

Jon Cox, Kepler:

So, the H1 gross margin improvement ex-*Galderma* is actually improvements from the continuous excellence?

François-Xavier Roger:

Absolutely, which is very positive and which is really leveraging on what I mentioned earlier, which is many initiatives that are taking place at Nestlé and operating level in order to improve cost efficiency, not only on gross margin, by the way. It happens as well in marketing spending. It happens in administration spending as well.

Steffen Kindler:

Jon, another thing you got to keep in mind is that there's a pricing effect also in relative cost.

Questions on:	**Brand support in Skin Care category** **One-off costs in Maggi India issue** **Prepared dishes RIG**

David Hayes, Nomura:

Thanks for the question. Hi, gentlemen. So, just carrying on with Jon's comments on the margin front, I was wondering in terms of the underlying brand support taking up that skin care element? Is it more likely to be phased at the first half obviously with a lot of investment going back into the business? Just trying to understand whether there's an element of first half spending, which will be a little bit less in the second half.

And then just also in that bridge, the CHF 66 million I think you called out on the cost of the *Maggi* food scare issue. Just to understand, that's the one-off costs that were incurred to actually dealing with the recall, just to understand, rather than the loss of profitability.

And then a second question was just on prep[ared] dishes. You obviously talked about the re-launch and the early success. Looking at the RIG prep dishes in the second quarter, it looks about it was down 3.5%. I just wondered whether you'd give us some kind of indication quantitatively how much better it was maybe at the back end of the quarter versus the beginning of the quarter. Just trying to get a bit of feel for that change that we're seeing as it comes through with the re-communication. Thank you very much.

François-Xavier Roger:

Okay. I'll take the first question and let Stefan address the second one. On the margin, on the spending and the phasing of the spending for *Galderma*, the phasing is more on the sales actually than spending. So it's more that sales are more back-loaded in the second part of the year, but the spending is fairly well distributed between the two parts of the year.

Regarding your second question about India, the CHF 66 million cost that we incurred in H1. I confirm this is the one-off only. In addition to that, obviously, we have lost sales or missing sales that have been happening over the last couple of weeks and that will continue until we get the products back on the shelves. And I mentioned earlier in my presentation what the impact is in addition to the CHF 66 million in terms of sales momentum, both for AOA as well as for Nestlé Global.

I will let Steffen answer the second question.

Steffen Kindler:

Yes. For Prepared dishes, the RIG has, in the last two months, of course, been very affected by the events in India because the *Maggi* Noodles affect Prepared dishes. I think that was your question on RIG for Prepared.

David Hayes, Nomura:

Yes. Thank you. Just to follow up on the *Maggi* situation. Clearly, obviously, it was focused in India. And to that broader point on Prepared dishes, have you seen impacts outside of that market particularly in terms of the brand equity in that, news traveling if you like or generally, that being contained to the specific market issues. Thank you.

Steffen Kindler:

I mean, if you go through the constituents of that business, when you look at Ambient culinary, it's positive. But again, it's slowing in Q2 due to the noodles recall. When you look at Frozen, here, we have the U.S., and clearly, we are seeing progress here. What I said earlier to Eileen Khoo's question about U.S. Frozen that we've seen first positive signs. We see first positive signs also in here. And then Chilled, Chilled is stable with the *Herta* brand, especially in France, is doing well.

Questions on:	**Impact of Noodle recall on other categories in India** **Portfolio Management** **Share buy-back**

Jean-Philippe Bertschy, Vontobel:

Good morning, gentlemen. I would have like three questions. The first one, to bounce back on the *Maggi* noodles, have you seen an impact on other product categories in India from that product recall?

The second one would be on the portfolio management. You have seen an improvement of Nutrition's operating profit margin, thanks to product rationalization in the U.S. and in Europe. Shall we expect an acceleration of this streamlining portfolio management in the second part of the year respectively in the coming years?

And the third one would be on the share buy-back. I think it's slightly in excess of CHF 5 billion. You commented to complete the CHF 3 billion which remained to complete the CHF 8 billion buyback until the end of the year.

François-Xavier Roger:

Okay. We'll take the question on share buy-back. We have continued to execute the program. We had an objective of CHF 8 billion by the end of 2015. We are left with around CHF 2.8 billion to be done by the end of the year. It is our intention to complete the program by the end of the year 2015 provided that market conditions allow it, but I'm positive about it. Steffen, you want to talk about the impact of *Maggi* on the products.

Steffen Kindler:

Yes. Look, we've seen a little bit of an adverse impact on other products in Southeast Asia, some noodle products that's *Masala-ae-Magic* and things like that. But on a Group level it was really, really limited. So, the impact François-Xavier has given you before on both the Group and the Zones RIG is the impact we're seeing altogether. So, impacts on other product categories, yes, we see some but it's very, very limited at this point.

Jean-Philippe Bertschy, Vontobel:

And the one on the portfolio management?

Steffen Kindler:

What was that question again? Would you please repeat it?

Jean-Philippe Bertschy:

You were talking about the product, the rationalization in Nutrition the U.S. and in Western Europe, that's to an improvement of the operating profit margin. I know you were like announcing *Davigel* and probably some other brands like that in the pipeline. You will take a more aggressive view on portfolio management.

Steffen Kindler:

Well, the factual answer, what was in Nutrition, from a portfolio management standpoint, was the divestment last year of meals and drinks in Germany and also the Nutrition businesses in North America, there was *PowerBar* and there was *Jenny Craig*. So, of course, we're now seeing the positive impact of the portfolio cleansing that we've done in the numbers. So, this is good news.

François-Xavier Roger:

Maybe I can add something because if I looked at the model that has been designed in order to assess the performing and less performing assets of the company according to a certain set of criteria and KPIs, which are not limited to returns on profitability. I think that it addresses questions like growth and the opportunity of future growth, profitability returns and so forth. I've been quite impressed by the model and its power. I think that it has to be crossed with strategy and I think it allows proper decision making, which is not only disposal by the way. If we have less performing assets, we have to fix it, which is what has been done with Frozen food by reworking on the category with some early results that are very encouraging, which I think is very positive. It can be disposals and you were mentioning *Davigel*. I went to Mexico during my induction. I saw that there, which took us out a number of actions. For example, in Ice Cream, we've made a partnership. We combined our business for Water with a stronger player locally, which is another way to address less performing issues if we lack critical size.

It can be as well, the model is not only about divesting. It can be about investing further in some categories. So, I saw already some actions that have been derived from this model. And really put into action, which is interesting. There will be certainly more, but once again, it's not only about divestments.

Steffen Kindler:

Okay. Thank you.

Jean-Philippe Bertschy, Vontobel:

Thank you very much.

Questions on:	**Formulation of Organic Growth Guidance** **Impact of Maggi recall on RIG**

Gerry Gallagher, Deutsche Bank:

Good morning, guys. Thanks for taking the questions. A couple for me, one of them clarification. The first one though, just in terms of the organic growth guidance for the full year. I appreciate you don't give comments on price by individual market because that's an individual market decision. But when you formulate the guidance at the beginning of the year, clearly, you have a Group view as to the split between RIG and price. Could you give us a sense? And obviously nothing stays static. Could you give us a sense of where you are now in terms of the relative split between RIG and price for the full-year at 5% in terms of where you are now in terms of that split and where perhaps you were at the beginning of the year if you could give us a sense of where your heads are on that?

And then just secondly, could you just give us the – I missed them, could you give us the numbers of the RIG impact of the Maggi recall both in the zone and for the Group again, please? Thanks.

François-Xavier Roger:

Okay. For the organic growth of the full year, so we confirmed it around 5%. We don't break it down between RIG and pricing. The reason being mainly, the pricing is a local decision. So, it's a little bit difficult to comment on that especially for the future. And it's a local decision because it's essentially driven by competitive forces locally, so which makes it a little bit difficult to make a statement about it.

To clarify and to give you the figure again on the impact of the Maggi noodle withdrawal which is, as I mentioned earlier, 10 to 20 basis points in terms of both organic growth and Real Internal Growth at the Group level, in sales obviously. And about 100 to 120 basis points on the Zone AOA level both in terms of organic growth and RIG.

And the one-off costs of the withdrawal, just to share it with you again, CHF 66 million in the first half.

Gerry Gallagher, Deutsche Bank:

Okay. Thanks. If I could just come back on the organic growth. I fully understand that you don't give specifics. But in terms of where you thought the split, what would be in terms of RIG and price at the beginning of the year and where we are today. Is it fair to say that maybe prices are bigger component today for the full year than perhaps you thought it would be at the beginning of the year?

Steffen Kindler:

Look Gerry, we're operating in an environment where we got places around the world with deflationary conditions, we have places this with inflationary conditions. And this is also why we always say pricing is a local decision because we have to act within the local conditions; we have to act within the local strength of our brand, within actions of our competitors and within the strategies of the retailers as well. So, there are many components that go into pricing. What we set out is our ambition and our guidance to grow around 5% organically for the full year. But then the exact split between Real Internal Growth and pricing is something that we manage throughout the year as we go in and as we see the environment develop. So, there's no hard and fast answer to this question.

Gerry Gallagher, Deutsche Bank:

Okay. Thank you.

François-Xavier Roger:

If I maybe add one comment, obviously this first half we have more pricing and less RIG. But this is not something that we see as negative. To have more pricing is not negative. We need to look at where it's coming from, what is driving it, which we explained earlier. It's linked to input cost for some part. It's linked to competitive forces and another dimension to foreign exchange as well. We don't see that necessarily as negative. RIG is attractive and pricing is attractive. And I think the 4.5% organic growth that we achieved in H1 is in line with our expectation, and we are satisfied with that level.

Gerry Gallagher, Deutsche Bank:

Okay. Thank you.

Question on:	**Pricing in US**

Jeremy Fialko, Redburn:

Hi. Good morning. I'm sorry to keep on banging on about this pricing point. But just one point you made about North America, which was quite interesting. You said you had less RIG and more pricing. Now, clearly when we look across this, this whole range of food commodities, I know there are one or two exceptions, but generally speaking, you got food commodities at record low prices now. And clearly, North America is a market where there are no adverse currency effects which would cause any degree of inflation. So, really, what I want to get a sense of is why are you confident that the pricing can be maintained in the North American market and why that is not going to become deflationary in the same way that Europe has done? Thanks.

François-Xavier Roger:

I would say, first of all, there is one matter that is contributing to it, which is the fact that there is more inflation in North America than there is in Europe to start with, from the macroeconomic point of view. The other thing is that it's a little bit difficult to answer that question because it depends very much from one business to the other.

Let me give you an example. We put through some price increases with our Nestlé Skin Health franchise in North America on prescription products which is very specific to that category in that market. So, it's a little bit difficult to draw a conclusion globally. That being said, you have a point that with overall decline of commodities, there might be some price pressure which we see, for example, in China, in Nutrition. So, it depends very much from one category to the other. It's a little bit difficult to draw any conclusion. We need to look at global figures, but we look at it much more category by category and market by market, which is the reason why, once again, pricing is a local decision.

Jeremy Fialko, Redburn:

Okay. Thanks.

Questions on:	**Emerging markets and Zone AOA performance** **Currency impact**

John Revill, The Wall Street Journal:

Hey. Good morning, gentlemen. A couple of points. In terms of the Emerging market situation, although they continue to grow in the half, there's been a deceleration from last year. So, can you tell us – and obviously, you have that one-off, stuff like the *Maggi* situation and things like that. But could you just give us a little bit more colour on what's the plan moving forward to get AOA and Emerging markets to perform a little bit better in the future? That's my first point.

And the second one on currency, obviously, you've been hit by the Swiss franc again, and not much you can do about. First, are there any plans or anything you are doing to deal with this? I know you're expecting further hits, especially after the devaluation of the RMB this week. Is that going to affect your – the sales from your China business? So in the second half, are you expecting a bigger currency hit, basically? Thank you.

François-Xavier Roger:

There is – you are talking about deceleration in emerging markets, but let's put them in perspective. We still grow by more than 7%. So I think it was 8% maybe two years ago, but we still have a strong momentum, and we were at 7.3% in the first half, which is good.

You mentioned one of the reasons for the deceleration, by the way, the one-off in India, which I mentioned in terms of impact. So we remain with a strong dynamic, a strong momentum in Emerging markets, but the good news is that we are not only dependent on Emerging markets. We benefit as well from a strong growth in Developed markets. I think that the way to secure the high level of growth in Emerging markets is to make sure that we offer products that are relevant to consumers, and this is what we are working upon in Emerging markets. So it is the same exactly the same objective that we have in Developed markets.

And we see, for example, in China, we have taken a lot of initiatives to make sure that our product offering is fully relevant to consumers, given that in Emerging markets as well, we noticed some changes in consumer behaviour and the expectation that consumers have of food has evolved over the last couple of years.

Moving to the question on foreign exchange, we have some pressure from the Swiss franc, but we have recovered some of it already because the Swiss franc revalued by 20 points. And actually, we had till yesterday night, I think recovered, almost 9 of the 20 points. So, it went a little bit more in the right direction for us given that reporting currency is Swiss franc.

I think that's a fact of life. There are a certain number of decisions we can make to address it, which is to make sure that we keep on maintaining a high level of productivity in our cost base happens to be in Switzerland, which is something that we are working upon.

John Revill, Wall Street Journal:

Okay.

End of Q&A session

Steffen Kindler:

Okay. That was our last question. Thank you very much, François. As always, we are happy to take any follow up questions via e-mail, ir.nestle.com for investors and media relations and nestle.com for journalists. For those who called in with a question that we are not being able to take, we'll get back to you shortly, and anyway, you know our contact data in Investor Relations.

So, thank you very much to all, and have a great day. Bye-bye.

François-Xavier Roger :

Thank you.

END OF TRANSCRIPT