2015 NINE MONTH RESULTS CONFERENCE CALL TRANSCRIPT

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Slide: Title slide

Good morning, ladies and gentlemen, and welcome to our nine months results conference in Vevey. This conference will be held in English, but you can also follow us in French or German using the headsets provided. But if you're watching the webcast, you can choose the right language by clicking on the respective link on the webcast page.

Slide: Disclaimer

I'd take the Safer Harbour statement as read. So, now let's start. Paul, you have the floor.

Paul Bulcke, Chief Executive Officer, Nestlé S.A.

Slide: Title slide

Thank you, Robin. Welcome to our nine-month sales conference. I welcome also all the people who are following us via the webcast. And here on the podium, I have François-Xavier Roger, our CFO, who has taken over on the 1st of July. Many of you have met him before. He has taken over from Wan Ling Martello who is now in charge of Zone Asia, Oceania and Africa.

In the room, I have my colleagues, the executive board of Nestlé. On the executive board, we have also a new member, Magdi Batato, who took over as Executive Vice President in charge of operations from José Lopez who retired at the end of September. Magdi has a vast experience in manufacturing and in the technical area, has also been previously Market Head of Pakistan. So, Magdi, welcome. Also, we have in the room the CEOs of Nestlé Health Science and Nestlé Skin Health. And they are also available for possible answers.

Slide: Nestlé Group Highlights

You've seen our nine months sales figures this morning. I must say after a good performance in first half of the year, we were impacted in the third quarter by the *Maggi* noodles in India, still ongoing, and the rebate adjustment in Nestlé Skin Health.

We're not happy with that because it actually hides first of all, an increase in internal growth that has increased to 2%. Actually in the third quarter, almost 3% real internal growth. That reflects actually what's underlying and it reflects the very positive momentum we have in our base business across all the different categories and across the world. We see continued good, solid performance in Europe. Nestlé Waters is continuing on a very good growth path. Nestlé Health Science is growing also strongly.

We have made and continue making good progress in Latin America. We saw also a significant improvement in North America in many categories but especially in Frozen food. This contrasts a little bit with a slower recovery, recovery indeed but slower than expected, in China.

But I will give now the floor to you, François, to give a little bit more light on the details.

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

Slide: Title slide

Thank you very much, Paul, and good morning, everyone. As always, I will present to you the group nine-month sales figure in detail, and we will follow up with a Q&A later on

Slide: Highlights

Starting with the highlights, we had sales of almost CHF 65 billion with some headwinds from foreign exchange worsening. It was actually minus 6.7% in the first nine months.

We have some positive support as well from M&A contributing 0.4%.

Our organic growth lies at 4.2%. After a good start of the year, the soft quarter got impacted by two exceptional items, the first one in Nestlé Skin Health, and the second one was Indian noodles.

Coming back to the Nestlé Skin Health one, we took a one-off charge in prescription drugs in the U.S. where we decided to adopt a more conservative estimate to rebates.

In India, as you know, our products and our noodles, *Maggi* noodles, have been off the shelves for the last six months.

Our real internal growth is at 2% which is an acceleration from where we were in H1. We were at 1.7%. We see that as very encouraging. We believe that it shows really the fundamental health of our underlying businesses, and it shows the good progress that we have made.

In terms of full-year outlook, we project organic growth of around 4.5% for the full year with improvements in margins, underlying earnings per share in constant currencies and capital efficiency.

Slide: Broad based Organic Growth in all Geographies

Moving now to the geographies. This slide covers both the locally-managed, regionally-managed and globally-managed businesses. You can see that we have strong and accelerating growth in AMS and EMENA. These three zones or these three regions are positive in terms of RIG.

In AOA, we got affected by Maggi noodles, but we see clearly an increasing RIG in both AMS and EMENA.

Slide: Developed and Emerging Markets Growth

When looking at the profile of our growth between Developed markets and Emerging markets, we can see that the distribution of our sales between Developed and Emerging markets lies about where it was before, at 57% for Developed markets and 43% for Emerging markets.

In Developed markets, we see an acceleration with an organic growth of 2.2%, which really shows the success that we are achieving in terms of innovation and the fact that we bring relevance to consumers. It also shows our ability to adapt to fast-changing consumer needs.

In Emerging markets, we are still enjoying a strong growth with encouraging results, and the growth, in terms of organic growth, lies at 6.8% and which is, we believe, good taking into consideration the fact that we could not sell Indian noodles for the last six months.

Slide: Zone AMS

Moving now to Zone AMS, we have sales of CHF 18.5 billion, RIG of 1.2%, OG of 5.8%. We saw a very good acceleration in both OG and RIG. The growth accelerated, driven by improvement in the U.S. and the continued momentum in Latin America.

We had positive growth in North America. If we start talking about our U.S. Frozen range, as you know, we did a lot of work in order to renovate, repackage, reformulate, reposition our Frozen food franchise. And we are happy to see that the results are coming.

We have been positive for seven months in a row now, month-on-month, in growth for our Frozen food business in the U.S. If we look at the third quarter of the year, we were positive and even high-single digit in growth against the same period of last year.

Moving to *Coffee-mate*, we are still enjoying high-single-digit growth in the last quarter, and we see that as well as the consequence of all the innovation that we are putting through in terms of flavours, in terms of ingredients and the new natural platform.

As you know, we have a strong business in PetCare in the U.S. It has improved in the last year and we are still positive in PetCare in the U.S. We are still feeling some negative impact from the Beneful unfounded claims, but we have strong performances as well from *Purina One, Pro Plan Brightmind* and the super-premium dog food.

Moving to Latin America, it continues to be a good growth driver in spite of the difficult macroeconomic environment. We have good growth in Mexico across all categories, Coffee, PetCare, Ambient Dairy, Nutrition and so forth. This really shows once again in Mexico that innovation, renovation and excellent execution really pays off. I mentioned Mexico. I could mention as well Chile, Ecuador, Columbia.

In Brazil, our business has been resilient in spite of the global macroeconomic environment and we are flat. If I look at the categories that are really driving the growth in Latin America, I would mention mainly *Nescafé Dolce Gusto* and PetCare. We have commissioned the new plant in Mexico and we have increased the capacity in Argentina. I will mention as well Confectionery as far as Latin America is concerned.

Slide: Zone EMENA

Moving now to Zone EMENA, we have sales of CHF 12 billion, RIG of 2.5% and OG at 4.1%. There again the same accelerated growth as we experienced with AMS. The acceleration of the growth continues and we believe that what we have been doing in terms of innovation and premiumization is also paying off in spite of a difficult trading environment.

Category wise, PetCare, *Nescafé Dolce Gusto* and *Nescafé* Soluble Coffee were the main growth engine across the Zone. If I take the three different areas of Zone EMENA, all of them have been contributing to the growth.

If I start with Western Europe, we are facing clearly a deflationary environment. In spite of that our OG is positive and is driven by volume. Some countries are doing very well. France has been able to sustain a good performance. Benelux and Austria are achieving very good results. And in Germany and the UK, we see our business improving as well.

Moving to Eastern Europe, we have had good growth in Russia and Ukraine which has been essentially supported by pricing. We decided a few months ago to limit our price increases in Russia and Ukraine after the depreciation of the currencies. And it is now bringing the interesting results because we are gaining market share both in volume and in value in Russia and in Ukraine.

I mentioned Ukraine and Russia, but I could mention other countries as well where we are doing very well: Poland, Baltics, Bulgaria, and Romania.

Moving now to Middle East and North Africa, there again, we experienced solid growth, driven by *Nescafé* and Confectionery. Our local management is doing a great job, delivering growth in spite of ongoing challenges from political and economic volatility.

Slide: Zone AOA

Moving now to zone AOA, our sales have reached CHF 10.5 billion with a RIG of minus 1.4% and OG at minus 0.5%. We had solid results in AOA in Developed markets which have been overshadowed by ongoing challenges in India and in China.

In India, as you know, we have been impacted by the fact that we did not sell our *Maggi* noodles for the last six months. We are doing whatever we can in order to put them back on the shelves. The Bombay High Court has ruled in our favour a few months ago to allow us to put these products back on the shelf provided that we go through three different sets of tests, which are currently ongoing with independent laboratories. The impact of the fact that we could not market this product is to the group organic growth year-to-date about 30 basis point, and to the Zone AOA, it is about 170 basis points.

Moving now to China, you remember that I gave a cautious outlook during our H1 results. We have made good progress in improving the fundamentals in China. We have reformulated our product. We have invested in innovation and renovation, very much like we do in Europe. We have seen good results for Confectionery franchise with *Hsu Fu Chi*. We have seen very good results from *Nescafé* ready-to-drink, from *Nescafé* Soluble coffee. It is a little bit softer for Ambient Dairy with *Yinlu*, but clearly, we see an improvement of the fundamentals, which is visible, but we believe that it may take a little bit more time than we expected.

In AOA, in Developed markets, the performance has been really driven by *KitKat* and *Nescafé*. Japan continues to sustain a solid growth helped by innovation. The same story as we experienced in Europe, innovation is making a difference in deflationary environment.

Slide: Nestlé Waters

Moving now to our globally managed businesses, and I will start with Nestlé Waters. We had sales of almost CHF 6 billion with a RIG and an OG at the same level around 7%. Water continues to be a great success for Nestlé. We benefit, obviously, from consumer trends, the fact that consumers are moving towards safe and healthy beverages.

Just for your information, we see now that in the United States, we expect the water volume to overtake the volume of CSD pretty soon, so which is quite a dramatic change over where we were a few years back. We benefit, as far as our Nestlé Water business is concerned from a good geographical footprint and a balanced portfolio. And we have a contribution from across the portfolio.

Nestlé Pure Life is growing double digits. Our international premium waters, *San Pellegrino* and *Perrier*, are enjoying good growth in premium segment with high single-digit growth. Our local brands, some of them appear on the screen, continue to perform very well this strong momentum that we have enjoyed over the last few years.

Slide: Nestlé Nutrition

Moving now to Nutrition, we had sales of CHF 7.8 billion in the nine-month period with a RIG of 1.4% and OG of 3.4%. The growth was a little bit lower than we had in the past but the fundamentals remain very good. The category is a little bit slower worldwide, and we are facing some temporary issues. But the growth is broad based. We had some issue because we have some strong comparatives, especially in China, in the first half of the year. And we are feeling a little bit more lower pricing mainly as a consequence of the fact that milk prices are getting lower. And we have a little bit of volatility in Asia, Latin America, and India. The fundamentals remain, anyway, very, very good.

Moving now to China, as far as Nestlé Nutrition is concerned, our Infant formula growth is really led by the super-premium range *Illuma*, which continued to grow from a geographic point of view and we continue to expand as well in e-commerce. *Wyeth* in China and Nestlé overall in Infant nutrition continues to gain share. Our meals and drinks are enjoying a solid growth, pulled by the pouches segment which continues to be very strong here. Infant cereal is doing well, led by Russia, U.S. and Poland.

Slide: Other Businesses

Let's now move to Other Businesses. As you know, Other Businesses is composed of four different businesses: Nestlé Professional, *Nespresso*, Nestlé Health Science, and Nestlé Skin Health. In total, these four businesses account for CHF 10.1 billion in the first nine months, and our RIG stood at 4.4% and OG at 5.5%.

I will start with Nestlé Professional. The growth accelerated, driven by Emerging markets and driven by Beverage division, mainly Coffee. Developed markets remained a little bit slower due to the continued challenge of the consumer environment.

Nespresso, we continue to enjoy a good performance with international expansion. We are really driving the premium portion coffee segment through quality, innovation, and direct consumer access. As an example, we keep on launching new limited editions. The latest one that we launched, *Milano* and *Palermo Grands Crus* have been very successful and they have been the most successful ever so far. We meet very positive consumer response. They're selling fast and it's really driving growth.

The growth is also coming from the fact that we keep on opening new boutiques. We have opened 40 new boutiques this year. And we continue to expand from a geographic point of view and to gain new consumer reach.

Talking about Nestlé Health Science, the growth is broad-based with Europe and AOA as highlights. Once again, it is about innovation and product roll-out which are really driving performance. Nestlé Health Science is clearly accretive to good growth.

Nestlé Health Science has three platforms: Consumer Care which is growing double digits; Medical Nutrition which is enjoying a good high-single-digit growth; and Novel Therapeutic Nutrition which has been facing a little bit of issues lately because we had one of our products in the gastrointestinal segment, namely *LOTRONEX* which had to face the launch of generic.

Overall, from Nestlé Health Science over the nine months, we can say that the business is performing well. I won't say too much because Greg will present the business in a few minutes.

Moving now to Nestlé Skin Health. The low sales in the quarter relates to a prescription business in the U.S. As you know, we are providing discounts to the trade and directly to consumer so as to facilitate their access to our products. Such discounts are reflected in our account through accruals on a monthly basis. In Q3, we reviewed the assumptions relating to these accruals and we decided to adopt a more conservative estimate that resulted in a one-off adjustments in sales.

It is very important to understand that this adjustment does not impact in any way the underlying growth and the fundamentals of the business, which remains both healthy and strongly accretive to Nestlé.

Slide: Products

Moving now to the product breakdown. If we look at breakdown by categories starting with Powdered and Liquid beverages, our organic growth and real internal growth accelerated compared to the first half of the year. RIG improvement was mainly coming from Mexico. Growth is driven by Coffee, both by *Nescafé* Soluble Coffee, Coffee system, *Nescafé Dolce Gusto* and *Nespresso*. So, Soluble Coffee in Mexico and China had a significant contribution.

Water. I won't cover it because I talked about it before.

Milk products and Ice Creams delivered 0.9% organic growth. The slight improvement in growth was largely thanks to Ice Cream which had a very good summer. On the other hand, Ambient Dairy continues to be affected by challenges in India and in Brazil that we are currently addressing. Coffee creamer sustained a good performance in Zone AMS led by the *Coffee-mate* brand in the U.S.

Nutrition and Health Science, this segment includes as well Nestlé Nutrition, Nestlé Health Science and Nestlé Skin Health. The performance, as I described earlier, has been impacted by the exceptional event in Nestlé Skin Health that I covered earlier.

Prepared dishes and Cooking aids, it has been helped by positive progress in Frozen food in North America where the first result of the turnaround are promising. However, the negative impact of the Indian noodle case has affected our results.

Confectionery, we are experiencing a strong organic growth driven by pricing and emerging market. And *KitKat* is sustaining a good growth momentum in most countries.

PetCare, to finish, organic growth and real internal growth accelerated. Europe and Latin America have continued to be very strong. North America remained soft, affected by the slow *Beneful* sales. However, we are seeing clearly some gradual improvement in the recent months.

Slide: Summary

To summarize the nine months period, I would say that these results are solid results. We have made good progress in many businesses and geographies. I think it demonstrates the health of our underlying business fundamentals. It demonstrates our capacity to innovate. It demonstrates our capacity to grow in difficult markets and in difficult environment, and our capability to turn around businesses whenever needed.

Our RIG has increased and is in line with our expectation. Our OG is short of expectation, but this is due to exceptional items namely *Maggi* noodles in India and Nestlé Skin Health. Our full-year outlook, once again, we project to get organic growth of around 4.5% for the full year with improvement in margins and underlying earnings per share in constant currencies and capital efficiencies. Once again, the business fundamentals are good.

That brings me to the end of my presentation. And I will now hand it back to Paul.

Paul Bulcke, Chief Executive Officer, Nestlé S.A.

Slide: Title slide

Thank you, François. It's nice to see a little French accent coming in.

You saw the results, we walked you through the details and I hope we could convey to you the intrinsic strength of the figures and the underlying businesses. Also the geographic spread of that strength. I think that's particular to Nestlé.

The strength of Nestlé's business is linked with its fundamental strategic direction. It's the direction that is linked with this famous Nutrition, Health and Wellness. Actually, that strategy is even more valid today than before. Why? Because the consumer is changing. The consumer is changing in his expectations towards that agenda With aging populations there is increasing awareness and demand for more rational and scientific dimensions to food.

Slide: Science-based nutrition and Health solutions

Yes, Nestlé is all about Nutrition, Health and Wellness. It's about enhancing lives. That's our strategic direction. We're going to link it up with wholly manageable portfolio. It is all about enhancing life with science-based nutrition and health solutions. And that, for all stages of life, so that we can help consumers to care for themselves and their family. That is the glue, that is the purpose of everybody in this committee, and the 40,000 people are working towards that end. That end is the fundamental base of our value creation. We work in this every day.

Slide: Good Food, Good Life

We do that, as I have mentioned and shared with you, we do that through our fundamental Food and Beverage business. That's what we are. We're almost 150 – next year, we're going to be 150 years old. That's what we have done from the onset. It is all about *Good food, Good life* first and to deliver and to offer tastier and healthier choices in food and beverages for all stages of life. Every moment of the day, for every consumer in the world. And that is what characterizes us.

Yet, at the same time, the last years, we have been building new platforms that go in that direction by extending the boundaries of nutrition but that do embrace and that do promise very, very strong valuable, profitable growth for us in the future. We have Nestlé Health Science that we started 2011. We have Greg who is going to walk us through that; what have we done, where are we up to and what is the expectation. Then last year we brought in, via Galderma, Nestlé Skin Health where we see so much compatibility with health and scientific platforms, too, and the promise of healthier quality of life.

Slide: Strengthening portfolio

So, let me walk you through this fundamental concept of inner strength of our portfolio. It's all about portfolio building, a portfolio that promises building blocks that are projecting good growth. It is building products and services. It is building platforms that deliver differentiation with that potential of value creation, but in line with Nutrition, Health and Wellness.

We evaluate and judge our businesses. We evaluate the new businesses we engage in, basically, on the three criteria you see there. It has to fit our purpose, Nutrition, Health and Wellness. It has to be or project profitable growth. We have to be able to win in the categories where we engage. Then also the intensity of resources we need to do that. That is not only finances. It's not only return on invested capital. It is also our R&D setup, the talent that we have, our resources in general.

Then we take action where we really have good traction and we accelerate. We have increased investments in different areas of our business because they do entail and they do promise good growth, profitable growth. Or we have to protect the solid base businesses that we compete in with leadership or we have to fix.

Slide: 60 40 +

That is what we have done and are doing now for so many years. First, our base business, and you have heard about our 60/40+. It's not just a small tool. This is a fundamental philosophy we have reached and an action with which we go about our portfolio that is really driving nutritional arguments in our base business. To build into people's lives Nutrition, Health and Wellness arguments in daily life.

The biggest driver, as I said, is 60/40+. It is all about testing and churning our portfolio towards what we have called Nestlé Nutritional Profiling System. It's a profiling system that defines criteria that are based upon up-to-date science – nutrition science and public health recommendations, be it from authorities such as WHO, U.S. Institute of Medicine, European Food Safety Institute, et cetera. So, it is a framing that is neutral, it's objective and it drives science through it.

So the figures that are around this and you see them there [on the slide]. We have a policy on sodium, on sugar, saturated fats. This isn't just a policy. This is driving our R&D. This is driving our reformulations. In the last few years, we have reformulated – because it's substantial, we have reformulated 44,000 products for Nutrition and Health considerations, 22,000 products reformulated only on the axis of sugar, fat and sodium. 27,000 products we've increased in nutritional ingredients and arguments.

We have permanently one-third of our SKUs, one-third of our products, going through this process.

Slide: Connecting with changing consumer expectations

Actually, today, this strategy is more relevant than ever because the consumer is moving in that direction. The expectation of the consumer is moving in that direction. He is health-aware and asking for *free from;* gluten-free, lactose-free, meat-free. We have them moving towards more vegetarian and plant-based options. He's looking for authenticity, clean label, organic, natural, local, et cetera. These are all dimensions that actually are part of the Nutrition, Health and Wellness agenda. So, we have been working on that for so many years, so we have responses.

Slide: Lean Cuisine and Stouffer's

You can see a good example of that is what we have done in Frozen food in United States. This was with *Lean Cuisine*, *Stouffer'*s, *DiGiorno Pizza* and *Hot Pockets*. This was an overall approach. This was – and I have mentioned that in February, reconnecting with the consumer base. This was linked with new products, new formulations, repositioning and communication. *Lean Cuisine* with *Market Place* is playing into that. We have improved new health benefits, opening it up, not having it on a narrow base of lean, but on healthy diets and healthy eating.

The same has been done with *Stouffer's* on trend, building in more ethnic cuisine. There are arguments there too and the new campaign is working well. Well, the first signs are very strong. There we are outperforming definitely the category. The share trends for both *Lean Cuisine* and *Stouffer's* are positive. And as we are a leading player there, it has lifted up the whole category.

You may have seen also that we have new capabilities in Solon, where we have our Frozen business in United States. We have the state-of-the-art PTC, Product Technology Centre, where actually that is driven. We have brought in, from different parts of the world, our capabilities to have really THE Frozen Foods centre, I would say, of the world. That is a fantastic base to build further for the future.

Slide: China : recovery progressing in a challenging environment

We have spoken about China. China is on the same path. It just takes us a little bit longer. Why? Well, I think there are other dimensions to the complexity or to the challenge in China, which is also the trade – we have spoken about the trade. Now, we have to deepen our footprint. The global environment of China is a little bit softer, too. But there's so much good going on in China.

We have been increasing the relevance again to a moving consumer, also in China, on the same axis. We have increased the relevance of our categories. We have also strengthened our route-to-market capabilities. We've expanded distribution. Coffee, in general. Instant coffee, has almost double-digit growth and market shares gains. Coffee RTD is growing very, very strongly. We have also our joint venture business with *Hsu Fu Chi* that is going very strongly, et cetera..

E-commerce. The e-commerce is definitely the platform that we're embracing in China. It is growing, almost doubling, for what goes for the year. It is going up at 6% to 7% of our sales in China already and going strong.

Yinlu is a challenge, and *Yinlu* is a challenge because *Yinlu* is a product that combines all the different challenges. Distribution too. We have reformulated and new products will have to come in still in the latter part of the year and that is still to grow.

Infant Nutrition is going very well in China, Health Science is also. So China is a mixed bag but is recovering. It is not recovering as fast as we think. It is not recovering as vigorously as we think. But I do believe the momentum is building up and we remain extremely optimistic with China. China is a focus area for us. We have invested and we see positive momentum coming back.

Slide: Investing in our brands

At the end of the day, portfolio management is not all about new expectations going for new brands. Portfolio management is investing in the brands we have. We have that promise. We have the science. We have the brand equity with the consumers. It is caring for our existing brands and that is what we have done, and we take time for that. We don't lose in time. We are investing in our brands.

KitKat as good example. *KitKat* is almost 80 years old. And *KitKat* is more vigorous than ever. *KitKat* a few years ago was in 40 markets. It's now rolled out in 80 markets and growing double digit. It is a multibillion brand already and still has a huge potential.

Nespresso, you know the story about *Nespresso*. It is investing up-front in the right things with right arguments and to give time to that. But then we are now in over 65 countries. Same thing with *Dolce Gusto* which is more recent – it's almost 10 years old. That's over $1 billion business, rolled out in 70 countries. And that's a capability that Nestlé is embracing more and more; going after our brands and investing in them.

Slide: Cailler

Then I have a small personal thing which is *Cailler*. *Cailler* is – I'm confident it's going to be the same story. We're going to start very humbly. I have mentioned that was my little frustration – intimate frustration; Nestlé, known for its chocolate expertise and all that, not being in the luxury segment. Well we're going to embrace this potential.

Cailler is a 200 years old brand. It's the oldest – one of the oldest brands we have in our portfolio. It's iconic. It stands for Swiss-ness. It stands for that authenticity and knowledge and expertise for the finest chocolates. Where are we going to start? We're not going to start broad. We're going to start narrow. We're going to embrace actually an iconic brand, 200 years old with the newest of the new which is e-commerce and blending that into a winning platform.

We've started in a few markets, U.S.A., Germany, UK and Asia in China. We're going to be there in a few days' time. We're going to embrace it with partners, and Amazon is our partner helping to build that up there. We're going to be in specific airports – only four: Geneva, Zurich, Dubai and Singapore – to start with, but I promise you, this is going to be a good story and I invite you to walk this journey together with us.

It is building on existing brands, building newer dimensions, building new arguments into it.

Slide: eBusiness : capabilities to accelerate growth

eBusiness, that brings me also to eBusiness. I have mentioned the eBusiness as one of the priorities of our company.

It is a priority that we have been working on quite intensively. We have brought in talent. We have built up the teams centrally and linked up with the market, just like we have done with our acceleration team. You may remember our digital platform of social media.

There again, we have been building these teams. They have been planning and rolling out our strategy and plans. We are engaging with the major players in that field on all axis be it the brick and mortar, the pure players, et cetera, and that is going very strongly for us. So, we think we have the ingredients to accelerate what we already have.

Nestlé and eBusiness is already over CHF 3 billion business for us. It's closing in to 4% of our sales already. It looks small, but it is substantial. But the most important part is it gets traction and we have the structure and the mind-set to go after that.

Slide: Strengthening portfolio: divestments

Another thing in strengthening the portfolio is divesting. It is really going after what we don't see fit strategically or we don't see fit for profitable growth and making these choices. We have accelerated our action behind these last years, and when there is a clear absence of fit, we have to eliminate this from the business. If we finish our *Davigel* business, you will see we're going to have divested the equivalent of CHF 2.6 billion sales in the last four years, which is substantial. And I see these are many, many small things but also some other things.

Slide: Creating a leading player in ice cream

It's not a matter only of divesting. It's also fixing in creative ways certain business. That is exactly what we have announced a few days ago. That we are setting up a joint venture for Ice Cream with R&R.

R&R, a partner with whom we have been working for over 10 years, 14 years, I think. We are setting up a 50/50 joint venture there where we're going to bring in Nestlé, our businesses of Europe as a whole, also including European frozen business, although we exclude pizza. We're bringing our Ice Cream business in Egypt, Philippines, Brazil and Argentina.

Slide: Creating a leading player in ice cream

That's going to create a joint venture that will be a focussed, leading player in the Ice Cream business. It is really going to have all the ingredients because we put together the competencies and the knowledge of both companies. Nestlé's strong branding capabilities, the out-of-home distribution network, and impulse in Ice Cream. R&R's competitive manufacturing and very sharp on take-home, et cetera. That complementarity is definitely going to make a very strong player in the Ice Cream business worldwide.

Slide: Expanding the boundaries of NHW

Portfolio management is also building for the future. It is building intrinsically in what you have for the future but also growing and seeing what is out there as an opportunity that is in line with your strategic direction.

That is exactly what Nestlé Health Science and also Nestlé Skin Health is about. It is expanding the boundaries of Nutrition. It is actually marrying or bringing together the needs of society which is the link between nutrition and health. This is increasingly relevant in society which means it has value. Then also there is the science that is now allowing to give the right answers there. That is what we have been doing from 2011 with Nestlé Health Science.

May I ask now Greg to walk us through a little bit. What have we done? What are we up to? What is the next promise you have for us?

Greg Behar, Chief Executive Officer, Nestlé Health Science

Slide: Title slide

Good morning, everybody. Thank you, Paul. It's a pleasure to be here today and provide you with an update on the progress we're making with Nestlé Health Science.

Nestlé Health Science was created in 2011 based on three things. First of all, on a big idea, which is the ability to capture advances in nutrition and science and to create new markets.

Second, a base business already existing with medical nutrition and a few strong consumer health trends. And third, the support from the group from Nestlé, with its ability to create new ventures, new companies very successfully, but also this new dimension of Nutrition, Health and Wellness.

I joined a year ago to lead Nestlé Health Science. I focused on building on the foundation, first, on the vision that Peter Brabeck and Paul Bulcke have established for Nestlé Health Science, but also on the foundation that Luis Cantarell had built to establish Nestlé Health Science. We're making great progress on establishing our strategy and accelerating growth and I'd like to focus today in providing two main updates.

First of all, providing more insight into the opportunity of Nestlé Health Science, of this market, as well as providing you a clear, concrete example of how we're accelerating growth today and driving profitability.

Slide: Nestlé Health Science

Just to start, a brief overview. At Nestlé Health Science, we are forging and creating a more integral role of nutrition in the management of health for consumers and patients, but also for caregivers and healthcare providers.

Slide: Where Nutrition Becomes Therapy

We are transformational. We're transformational in terms of how we're innovating with our current pipeline, but also how we're making strategic investment in Key Novel Therapeutics. For example, the investment we've made in the microbiome or how we're transferring new technology and new science into new product opportunities. We are accelerating growth. We have great momentum today with our current portfolio. But we're also are capitalizing on the macro trends externally.

And third, we're building a breakthrough pipeline. We have already multiple very innovative projects in our pipeline to address unmet medical need. We believe that with that, we are a company where Nutrition becomes therapy. We're extending the boundaries of Nutrition, Health and Wellness, and we believe that the potential of this company is CHF 10 billion.

Slide: Our strategic focus

Our strategy is based on three main pillars and business area: Consumer Care which is driving strong brands and differentiated products, as well as for consumers who are going to pharmacies and retail stores, those are our main channels, and it's mainly a self-pay market.

Second, Medical Nutrition which is mainly reimbursed; an institution, hospital, nursing home, and nursing care base and it's mainly driven by the recommendation of healthcare professionals.

And third, Novel Therapeutic Nutrition, which is a business still in the making. Here, we want to develop proprietary nutrients that are addressing specific disease, specific conditions. This is a business that's mainly prescribed.

Each of the business areas are focusing on key categories. Healthy aging is a good example. Inborn errors of metabolism is another example, as well as gastrointestinal and brain health.

Now, we are also accelerating growth by capturing macro, external, environmental trends, such as the aging population, which is very clear for everybody. The growth of chronic diseases; for example, Alzheimer and obesity.

But also how cost pressures are actually changing the marketplace in health and care. It's driving more self-pay and also the need and the search from consumers to access safe, clinically-proven and sound nutritional products with solid health economic value. And some of our products in the hospital setting, for example, have shown an economic benefit, a cost saving for patient of 9% to 25%, which is significant.

And last but not least, Paul also mentioned, a real trend change in the patient empowerment. Patients and consumers that are fuelling demand for health-related products, but also an increased evidence of how science is supporting the use of nutrition in health.

Slide: Winning mix

We have the winning mix of ingredients to be a successful company.

First of all, we benefit from the tremendous capability of the largest and most respected Nutrition, Health and Wellness company in the world, Nestlé. We have already a very solid global footprint. We are number one or number two in 7 of our top 10 markets. We're gaining share every day and we have also a very strong credibility with healthcare providers, with regulators who are shaping the environment, for example, with the U.S. FDA and in China.

Our pipeline is going stronger and stronger with more than 40 very innovative projects and we have more to come. We also have a unique combination of capabilities in Nutrition, in fast-moving consumer goods as well as Pharma. And we continue to make strategic investment in our manufacturing footprint as well as in our development innovation network in order to drive innovation, efficiency and quality. With that, it makes us also a partner of choice to accelerate innovation externally.

Slide: Innovation engine

That brings me to one of our key ingredients for the long-term success of Nestlé Health Science, which is our innovation engine. We first have the innovation engine from Nestlé, in terms of route-to-market capabilities and also with its R&D network. A very good example is the Institute of Health Science, which is a unique biomedical research centre based in EPFL Lausanne where they have unique capabilities and analytics to link diseases with nutrient requirement.

Our external innovation network is growing stronger and stronger. In the last 12 months, we've made key moves in order to strengthen that ecosystem. We've expanded our venture capital network with strategic investment with flagship ventures. We've invested in the most innovative company in the microbiome area, Seres Therapeutics. And we've also invested in Lipid Therapeutics, the company developing a very novel therapy in ulcerative colitis.

Just last week, Stefan Catsicas and I have announced an investment of $70 million into a novel – into a NPTC product technology centre which will be entirely focused on Nestlé Health Science and based in New Jersey.

Slide: Powerhouse potential

So, now, let me give you a closer look at each business area starting with Consumer Care. It's about driving big brands, strong brands, and differentiated products. We have *Boost* and *Meritene*, and we're focusing on the healthy aging category.

Here, we're reaching consumers who are active every day, actually, consumers who want to restart fresh every day. And physical mobility and cognitive function are key benefits for them, which we are focusing on.

We have the potential to build a power house in Consumer Care by accelerating our pipeline, by extending new categories such as healthy growing and gut health and also by expanding our geographic footprint in key growth countries such as China, Philippines, and Mexico.

Slide: Power brands in Consumer Care

Two great examples of boosting brands in Consumer Care in the healthy aging category. *Boost* in the U.S. intended for senior consumers who struggle to get the right amount of nutrients. *Boost*, in the last four years has gained more than 8 share points. Actually, one-third of that this year, and it's growing 20% year-to-date. We've launched new product presentation, new formulations to provide the same amount of nutrients in half the size or less calories.

And with *Meritene* range in Europe, we're growing at 36% year-to-date. Here, we're providing several new variations to address bone, muscle, joint health, as well as reducing tiredness and fatigue.

So, those are two great brands, two great example of how we are building our activities in the healthy ageing category.

Slide: Building leadership

Our second business range, Medical Nutrition. This is our largest, most established business, and we already provide a broad range of nutrition specialties addressing specific health issues in the hospital setting, nursing home, as well as for specialty physicians. We're accelerating growth. We are outgrowing the market, we're gaining shares I mentioned before, and we're focusing on geographies where there is a lot of growth potential such as Asia and Middle East. In this market, we're driving for leadership.

Let me just highlight a few great success stories with *Vitaflo*, a company providing diets for life, people suffering from inborn error of metabolism. They require specialized diets in order to grow and survive. *Vitaflo* is a success story, delivering double-digit growth year after year.

Another good example of success is our food allergy business and the cow milk protein allergy. Children affected by this allergy have a significant unmet need. 70% of them have skin rash, 60% of them have important digestive problems. Our product range today already improved the quality of life of these children, and we're growing 30% year-to-date. This is good, but we are aiming for leadership in the food allergy segment.

For patients that require tube feed and enteral nutrition, we are expanding our product range with more differentiated products and a good example is the launch of the Ella pump in Europe where we are bringing an easy-to-use pump which enables a continuous real-time dose tracking, nutrition dose tracking.

Slide: Breakthrough opportunities

So now, this takes me to third business area, Novel Therapeutic Nutrition. As I mentioned, this is a business in the making. It includes Prometheus, a leader in GI diagnostic, gastrointestinal diagnostic. Here, we're focusing on therapeutic areas based on unmet medical need, as well as solid clear scientific evidence. We're focusing in gastrointestinal health and brain health and we are also expanding our proprietary technology platform that has significant impact on disease state. And the microbiome, as I mentioned before, is a very good example.

Slide: GI health opportunity

I'd like to provide you with a little bit more perspective on how we're building our pipeline at Nestlé Health Science. Here taking the example of the category gastrointestinal health. We have a range of programmes ranging from nutrition, prescription and diagnostic. Here for example Project Crown and LT-02. Both are addressing an unmet medical need and are focusing on Inflammatory Bowel Disease. Patients suffering from Inflammatory Bowel Disease today are either treated through drug treatment or surgery and they are very quickly escalated to Biologics. There is evidence that a targeted nutrition solution will help these patients beyond drugs. With Project Crown we are helping patients by providing an improvement in the inflamed mucosa to get back to normal. In Project LT-02 we have a product that heals the protective layer of the mucosa. Both projects are synergistic. They have the potential to be Gold Standard Nutritional therapies and are additive to drug treatment.

Slide: Nestlé Health Science – Exciting journey

So let me conclude and summarize.

Nestlé Health Science is a unique company that’s shaping new approaches to health management for consumers and patients.

Nestlé Health Science is playing a key role in Nutrition, Health and Wellness and is well positioned to succeed.

We are accelerating growth and we are accretive to Nestlé.

Thank you very much. Paul back to you.

Slide: Title slide

Thank you Greg. You see it is fascinating what Good Food can do and that is what Nestlé Health Science is all about. It is already a business, you are looking out at the future, but it is a multi-billion business today. Accretive to our performance and that is the base we build upon here. You have strong brands and you have pipeline building up. There is so much to be discovered still, how nutrients interact with health, and we are there. There is so much value to be created in that equation.

That's Nestlé. An '*And'* company. Short term today and yet also reaching out for the future and building these platforms. Actually Nestlé Health Science has both of them, you have a business today driving and growing nicely and profitably and yet also reaching out and building for the future.

It is all about consistency, consistent and sustainable profitable growth with returns. That is what I wanted to share with you, just how we go proactively about portfolio.

At the end of the day, it's all about portfolio, building the right platforms, building the right arguments in the existing brands, building the right science so that we can create value, differentiation versus competition, giving us the winning arguments. I think that is what helps us. We have a broad portfolio. We have a geographic spread that is unique. I think that's our strength that we have today. At the same time, we are doing that very efficiently driving waste out and bring in efficiencies in the operations. But I didn't want to focus this time on this, we're going to have opportunity to do that.

With that I think we are ready for questions.

Q & A Session

Questions on:	**China recovery and Infant formula** **Zone AOA – Negative pricing** **US Frozen business**

Eileen Khoo, Morgan Stanley:

Morning, everyone. Really good to see all of you. So, two questions from me, please. First of all, on China and Zone AOA, is it possible to give us more colour? So, for example, in China, you just see a sequential improvement in your organic growth versus the previous quarter. And regarding recovery being slower-than-expected. Is this category-specific or are you losing share? And for Infant formula in China, can you just give us a bit more colour on the dynamics you're seeing there, for example, promotional intensity, market share, e-commerce developments? And then just with AOA generally, what's driving negative pricing in this region? So, that's my first question.

And then secondly, on U.S. Frozen, it sounds like you had some encouraging results so far. What kind of sustainable growth rate do you see for this category longer term? Would you be happy with stability? Does that constitute a recovery for you? And are you happy with the results today of your joint advertising campaign with your competitors in Frozen?

Thanks very much.

Paul Bulcke:

Well, China is – actually, it's three questions, but we do see a sequential improvement in China. We have mentioned that we have different categories that are really going strong like the big businesses and *Nescafé*, in instant coffee and RTD, we see also *Hsu Fu Chi* our joint venture getting good momentum, we see Infant Nutrition, Nestlé Nutrition and Nestlé Health Science going well in China and getting traction. It is a slow increase. We were more optimistic but you see also the environment of China is playing there. But *Yinlu* as well we have done quite a bit, but [there are] still a few products and innovations to go for.

In China there is an undertone that market growth has slowed overall, but there are specific dynamics category by category.. There are many categories going very well and getting back to what we are used to.

On negative pricing, the Milk arguments and Coffee, you've seen the raw material pricing there. So, that's an adjustment there to keep the pricing competitive. I think – I don't know, Wan Ling, if you want to say some more on this.

Wan Ling Martello, Nestlé S.A, Head of Zone AOA:

Which aspect should I do, negative pricing?

Paul Bulcke:

No in general in terms of China because you are very close to China.

Wan Ling Martello, Nestlé S.A, Head of Zone AOA:

Yes. Hi, Eileen. Nice to hear from you. Let me unpack China for you. Like Paul said earlier, we have our core F&B business that actually the fundamental is very encouraging. So, when Paul talked about Soluble coffee, we're growing at 8%. When we talked about RTD, we're actually growing at 26%.

Also from an E-com standpoint, it's interesting. Paul, you talked about the F&B where 5% of our sales now is going through E-com, growing at 70-some percent. And if you look at E-com for total China, it's now 14% of our sales, growing at about 50% year-on-year, so a lot of encouraging signs.

And Paul is right, where we need to improve and where we continue to work is *Yinlu*, the *Yinlu* business. Even in the *Yinlu* business we have new innovations coming in the pipeline, so we should start to see the impact of that coming up in Q4 and going into next year. I am very optimistic about China and about AOA.

In terms of pricing, the other question that you have in terms of pricing for AOA, Paul is right, we do have commodity price benefits that we have, in order to stay competitive in the marketplace, we've lowered pricing.

Also, we have launched a whole slew of new products in the Zone, so anything from *KitKat Green Tea* in Malaysia to *Nescafé Creamy White* to *Nescafé Barista Style.* I mean, the list goes on. And obviously, as we launched these products we do have support in the retail trade in order to get them going. So, were there any other questions?

Paul Bulcke:

We had U.S.A., Wan Ling.

In U.S.A., the Frozen, we not only see a motivating growth coming back, we have seen good growth, double digit growth in our Frozen business in the last weeks. So, we're not going for stability. We're going for growth.

It's a fantastic category. We have fantastic brands in there. We have the complementarity of different offerings in that category. So, we have leading positions. We have the best knowledge and the best developments in there to really go and link that category, our brands with the consumer expectations.

And actually it's very strange that the Frozen food was under pressure over the years because there's no better category to answer exactly what the consumer is asking for which is clean labellings, frozen allows that.

The technology is the best technology to conserve all nutrients and to offer combined offerings that give a balanced diet. But for us to connect that with the consumer, for us to link this category with these arguments to the broader population and that is what we did as brands, as a company. And together with all the players in that category, because we believe it has all the right arguments. That is what we are doing. So, we're not going for stability or say keeping on. No. We're going for growth. This category has all the arguments to grow and it's showing.

And this is not a onetime effort. I think what we have to do there, in that category, is stay always sharp and connect permanently with the consumer. We lost a little bit because the consumers have moved dramatically fast, I call them millennials, but I think we are now there and have the capabilities to stay really attuned with what they expect now.

Questions on:	**Weak performance in AOA** **Pricing in AMS**

Celine Pannuti, JPMorgan:

Yes. Good morning. Sorry. I'm going to go back to AOA because I still cannot manage to reconcile your performance in Q3. So, you're down 3%. I think you mentioned *Maggi* being hit. We think it's about 280 basis points, so that could make you flat ex-*Maggi*. Can you talk about – and I understand that China is improving versus Q2. So, can you help me with the moving part there to understand why AOA, even ex-*Maggi,* was weak despite the weaker comparative? That would be my first question.

And then my second question is on Americas. Two points here. You said Brazil was flat, which sounds like a pretty deceleration versus H1. If you could explain what's going on and why was pricing so low in Americas which, as well, is driven by Latin America? Thank you.

Paul Bulcke:

In AOA, I must say *Maggi* India has an impact, we don't overblow it but it has a dramatic impact. We had no *Maggi* noodles on the shelf for the whole quarter, now for more than five, six months, so it has an impact. Then you have also the negative pricing on organic growth that weighs dramatically because Milk and also Coffee is very strong in our portfolio. And I would think that is the main reason.

We thought a faster recovery in China would compensate. It's slightly slower there, that's why we are where we are. Underlying, I'm optimistic for the future. It's not going to be flip flop all of a sudden, it is a momentum that is building up. And once we have that, it's going to be solid.

Latin America, Brazil flat. Well, more or less, if you see Brazil, and you read the environment is not going so well. Yet, at the same time, we have been very resilient in Brazil. We have very good underlying categories there. Milk is a bit more under pressure, but Coffee and Confectionery are doing well. So, all in all, Brazil is not Latin America. It's big but it is not Latin America. We have Mexico, we have Chile, we have Columbia, we have Peru really going very well, close to the double-digit growth and that is what gives us strength on that continent.

The pricing is low because, again, there are so many Milk arguments in our portfolio, Coffee, too, in Latin America and that plays in. So, basically, to stay competitive, we have rolled out the softer pricing into our pricing. That said the underlying growth, taking Brazil that is neutral and which is actually a good performance when you see the general macro environment of Brazil, is a good result I think.

François-Xavier Roger :

And Celine, if I may add something regarding the pricing dimension in in Zone AMS, obviously, the adjustment that we did, the one-off on Nestlé Skin Health, is impacting AMS, which is the reason you see the lower component of pricing in the third quarter.

Questions on:	**Factors affecting organic growth in Q3** **Priorities for Zone AOA**

Warren Ackerman, Société Générale:

Good morning, everybody. It's Warren Ackerman here of Société Générale. Two questions for me also. At the first-half stage, you were pretty clear that there would be an acceleration in the organic growth in the second half of the year. That was a clear message. But obviously, we're sharply lower in organic growth terms in Q3. I know you've called out the two reasons, *Maggi* noodles and Skin Health. But I'm a bit confused because the *Maggi* India issue is also the case in Q2, given it was off the shelf for six months. So, was it worse in Q3 versus Q2 for *Maggi* Noodles?

And then the changes in your assumptions you've made in Skin Health, can you just go through what those are and what impact that had on the organic growth in Q3 or maybe some impact on sales so that we can understand why really there's been this slowdown in Q3? I can't really triangulate it all up.

And then just second question, again, one for Wan Ling, if she can. It's good to hear, Wan Ling, you're positive on China. But at the end of the day, this is another weak, very weak quarter in Zone AOA. There's now five or six weak quarters in a row. I hear all the improvements on E-commerce and the India issues and everything, but can you maybe just walk us through what your priorities are for the Zone in the next 18 months, 24 months?

Do you genuinely think that you can get the growth back to mid-single or high single-digit organic growth? Maybe talk about some of the other countries around China which we're hearing from other companies that Southeast Asia has been significantly impacted by the devaluation and the slowdown in China. Just your general priorities in Zone AOA and what you think you can do with this Zone would be great. Thank you.

Paul Bulcke:

Okay, Warren. On the *Maggi* noodles first, second quarter to third quarter, actually the hit was fully in the third quarter because we still had products on the shelf, and we have been retaking, more or less, to middle or the end of the second quarter. That goes double in accounting because you have to bring it back in. You retake from the shelves. So, the full blast on the organic growth was definitely in the third quarter. We're not back on the shelves yet, so it's not helping there either. So, that's the explanation. On Nestlé Skin Health, you [François-Xavier Roger] talked about that.

On China, the growth of China, five to six quarters – well, Wan Ling is only one quarter in, and her priority is to bring growth back. But maybe you want to say a few things more. What are your priorities? They're very clear, but share them.

Wan Ling Martello, Head of Zone AOA, Nestlé S.A.:

Thanks, Paul. Clearly, my priority is to get growth back. I thought I was impatient, but my boss is even more impatient. So, let me go back to India, the *Maggi* noodles thing. In Q2, we still had sales of *Maggi* noodles. And going into Q3, we not only had the impact of noodles not being on the shelf but also the taking back, like the whole pipeline coming back.

So, I think it was François who said in his discussion earlier that it was actually worth six months that basically hit in Q3. So that's what's happening to *Maggi* noodles. Also, we had mentioned earlier that we're really pleased that the Honourable Bombay High Court had ruled in our favour, and we are testing – we have actually gotten some results, and it's been clear. So, we are hopeful that we can get back on the shelves sooner than later.

So, that's India. So, if you think about the challenges that we've had, it's *Maggi* noodles in India. It's China growing, coming back even though the fundamentals are really encouraging, we do have some construction sites, so to speak, an example that we've given is *Yinlu.*

Then, obviously, let me walk you through the rest of the AOA. It's amazing to see the growth we're seeing from Developed markets. So, Japan, for instance, is growing, year-to-date, at 5% which is amazing for a market that has been long perceived as static. And I'll come back to that when I talk about priorities going forward. Australia, the same thing, about 4.9% growth. And so, for two Developed markets, that's really encouraging.

Now, moving on to Emerging markets, if you think about Sub-Saharan Africa, I think the World Bank has lowered the growth projection, and yet, we're seeing really good growth. So, if you look at the rest of the continent, our business in Nigeria was really slow in Q1, but came back despite – Q1 was because of the election, the impact of election, but it's come back despite the fall in oil prices. So, we're really happy with the performance of Sub-Saharan Africa.

In terms of Southeast Asia, which you mentioned, it's so exciting to see in markets like the Philippines where our trust rating is so high, highest even in all of the Nestlé World, and we have share of wallet, that's really high. All of our categories are really growing faster, faster than market. So we have some challenges, in countries like Malaysia where there's some market issues. But overall, I'm very bullish.

So, going forward, obviously, I have been visiting a lot of markets the last four, five months and [I am] really encouraged to see the calibre of people, the critical mass of people that we have, the passion. I spent seven days in India, for instance, in Delhi, in one of my trips. And it was amazing to see the dedication of people, the passion of the people to grow the business. So, people, obviously, and leveraging on the strengths we already have: the brands, the products.

The thing to also share – I'll come back to Japan. To be able to grow in markets like Japan at 5% and transform a *Nescafé* brand – the innovation not just in terms of product but also in terms of business model. How we replicate those types of successes to other parts of Zone AOA is going to be key. So leveraging people, leveraging brands, making sure that we continue to develop the E-com, our channel, are going to be a lot of the things that we'll focus on.

But going into the balance of the year and going into 2016, we'll be focused on a few things that's really going to move the dial. Was there anything else?

Paul Bulcke:

No. I think AOA is a growth Zone for us. So, we're confident it will. It has to come back soon. I think also E-commerce is very important in AOA and we are embracing it,. Just on *Maggi,* the product is safe, we always stated that. It is now proven though, and it's going through the process of reproving that by accredited and accepted labs, but that doesn't mean it's back on the shelf. There are so many administrative hurdles there. We don't like them, but they are there, we have to pass. We're working very intensively from our side to have the *Maggi* Noodles back on shelf. They are okay and safe and we have them, and that's a pity, but we're working on that.

There was a question on Nestlé Skin Health.

François-Xavier Roger:

Maybe before I move to Skin Health. For *Maggi* Noodles, just to give you a little bit more colour. Actually, in H1, we did not have sales for 40% of the time. And in the nine months period, we didn't have sales for 60% of the time. This impact was actually stronger in the nine months period than it was in H1.

Coming back to Nestlé Skin Health, let me just recap on what it is exactly. We had low sales which is purely related to our prescription business in the United States. As you know, we are providing discounts both to the trade and to consumer, through rebate cards. And the U.S. system is structured with a co-payment between the patients and its insurance company usually.

Such discounts are reflected in our accounts on a monthly basis. And we have to take a view on what the discounts are, based on a certain set of assumptions. And in Q3, when reviewing the issue, we decided to have a more conservative view on the level of the discounts and rebate that we are providing. Once again, this does not alter in any way the fundamentals of the business. It's important to understand that Nestlé Skin Health is strongly accretive in terms of sales growth to Nestlé.

We don't provide – you're asking what is the impact? The impact is lower than it is for Maggi noodles. We don't provide the detail of sales for each business, so I cannot give you the details. But be aware of the fact that it is lower – it is significant to the group, but it is lower than for noodles.

Question on:	**Nestlé Skin Health impact and OG for Q4**

Jon Cox, Kepler Cheuvreux.

Yes. Good morning, guys. Sorry. I just want to come back into that Skin Health. If you look at the Others line, it looks like you've gone from 8% to zero quarter-on-quarter. That would actually indicate something like 125-basis-point impact from that Skin Health in the quarter. Could you maybe just talk me through where I'm doing something wrong there? You mentioned it's not as bad as the noodles. I think you've mentioned 30 basis points for noodles year-to-date. So, then that would be lower than I assumed in the quarter. If you could just talk us through that.

And then just in terms of, will we see this impact now in the upcoming quarters, as the whole business is restated in the skin business, or is it, as you say, it's a one-off now and that gives you the confidence, obviously, to talk about 4.5% organic sales growth for the year, which would obviously imply somewhere around 5.5% organic sales growth for Q4?

Thank you.

François-Xavier Roger:

Yes. Okay. For the Skin Health division, when you look at the category Other, it includes other items as well. Because as I mentioned, we had the impact of the generic launch of Lotronex as well, which impacted our sales in Q3. Be aware as well of the fact that the comps were not really favourable in Q3. So, there are other factors than purely Skin Health in what you see as Others.

Paul Bulcke:

But things like Lotronex has nothing to do with our strategic purpose. It just came with the acquisition and a generic comes in and with these businesses that has a material impact, straight away you go to minus 50%. But these are things, these are excuses, fact is we have to have enough power to compensate for that. But there's more to Skin Health correction which is a one-off and that's it. So, it's not something we're going to have over time.

Questions on:	Time frame on Maggi Noodles re-launch Nestlé Health Science market size

James Targett, Berenberg:

Good morning. Thank you. Two questions from me. Firstly, just on *Maggi* India quickly, just to manage our expectations. I appreciate there's a lot of bureaucracy, which needs to go through in order to get the noodles back on the shelves. But just in terms of timing, we're talking about the end of Q4. Could it be a Q1, Q2 thing next year? Just give us an idea of timeframe.

And then, secondly, just as we have Greg on the line, just on the CHF 10 billion business for Nestlé Health Science. I was wondering what are your market size assumptions for that sales figure? What do you expect that to be at the time of the CHF 10 billion sales, where are they now and what's the timeframe do you expect to get there? Thank you.

Paul Bulcke:

Let me answer that. *Maggi* India, when do we want? As soon as possible. When is that? We don't know. We're working very intensively with the authorities. As I have said, the product is safe, test was done. I think there is one test to commence still. I'm hoping and confident it's going to be posted.

But then still we have to go through quite a lot of administrative hurdles to get it back. And I don't want to express. I'm an optimist and I hope as soon as possible. Is it going to be this year still? I am not going to say because I have learned a lot. And I'm not going to express whatever because then it's not only in our hands. We do whatever we can to have the product back on the shelves, so that we can serve the Indian consumer there. I would leave it there with a little tone of frustration.

But on the market size, CHF 10 billion, I took note, Greg. I think CHF 10 billion is a number. It's just to say this is big. This is not small, and I think that is what you're up to. This is market in the making. This is not a redefined market, still There's lots of dust to settle. This is all new. But if you think about it, we're speaking health, and that's big. Value creation linked to health is tremendous. You just think about the pharma and the pharmaceutical industry and all that.

We're not going there. We just want true nutrients, bringing health arguments. So, what is the market? What we have calculated internally, is a little bit the playing field of Greg, was between CHF 30 billion and CHF 50 billion for the time being. That is the narrow definition for the time being. But it is shifting and growing. So, the CHF 10 billion is actually more a mind-set, a focus area to say, let's aim for that. Don't think too small.

How many years it's going to take? I hope not too many. We're going to sort it out. We have our time lines. We have our plans. We have our pipeline. We have our launch time frames. And it's going to build up. But the CHF 10 billion is more to give you a feeling. We're not thinking small here as we think in quite sizeable dimensions.

Questions on:	**Factors impacting organic growth** **Impact on profit of one off charge in Nestlé Skin Health**

Adam Spielman, Citibank:

Hello. Thank you for taking my question. I'd like to come back to a question that was asked previously. At the half year, you said, or implied, that organic growth was going to accelerate and clearly it didn't. You knew when you made that statement that *Maggi* noodles weren't going to be available. So that can't be a change in your expectations. So, I'm just wondering precisely if you can tell us what did change? That's one question. I've got a follow-up question as well if I can.

Paul Bulcke:

Yes. First of all, we were confident, I was confident to have the *Maggi* noodles back on the shelf as soon as possible. We knew they are safe. And we thought that we would have them back. We don't. There are hurdles, there's complexity, and well, the reality came in there. We didn't like it, and that component then and we had the specific other issue, et cetera, that's it. That's reality.

What is important to me is the underlying businesses, even the businesses that were challenged like Frozen foods, we have answered them and they're coming back. In geographies, we have a worldwide strength. It's made a slow recovery, it’s not that there's no recovery. It's a slower recovery than expected again.

Maybe, yes, you're right. We were too optimistic maybe in the *Maggi* case, of having the timeline, and in maybe China. But underlying, I'm very, very confident and optimistic.

Adam Spielman, Citibank:

Okay. Thank you. That's very clear. And then the second question is about really, I suppose, the accounting again on this one-time charge in the U.S. I'm wondering particularly how that will affect your margins and profit. Is it that you are effectively reducing sales, but trading operating profit will be unaffected which, I guess, means to say that the margin will go up, underlying cash flow is unchanged or will there be a profit impact as well when we're thinking about that for the full year?

Paul Bulcke:

The impact is top and bottom line, but the business is accretive to the Nestlé. So, that is what matters to me. Active portfolio management is moving the proportions of the accretive dimension in the portfolio in the right direction. Skin Health, in spite of that one-off charge, is accretive to the Nestlé model which is what we're looking for.

Questions on:	Managing the Nestlé model with the Health business volatility Water business performance

David Hayes, Nomura:

Thank you very much. Morning, all. So, just getting back to Nestlé Health. Thanks for the presentation. It was very useful. I wondered picking out some of the dynamics we've seen in the quarter in terms of the rebate. We've seen, I think you mentioned, a generic entry. I just wondered whether you can talk about the risk profile of Nestlé as it changes, as that Health business gets larger, whether there is a more volatility to come into the Nestlé model, whether that can be managed or how can that be managed.

And then my second question was just on Water. Obviously, a great quarter. Nearly 10% growth, it looks like. Some of your peers have called out the weather dynamic and so have adjusted for that. I wondered if you could maybe you could give us some indication of how much of that was just weather comps and how much of it is underlying improvement in the Water division. Thank you.

Paul Bulcke:

You spoke about, do we have a high-risk profile as a company. I think we have high-risk profile as a society in general, if you think, where we are moving as a society or markets. I think we have been building actually to compensate for that – portfolio spread, and that is actually what we're doing. In certain areas, yes, you have higher risk and in certain businesses you do have risk, you have also higher upsides.

But for me the most important part is how we hedge through portfolio, through geographies, through the right arguments, through differentiation. And I think that is what we're doing. So, we have this one time – I would not extrapolate this one time at all, that's going to be Nestlé for the future. That is actually what we're doing, building portfolios to balance things out. But there is higher upside and I go for the upside.

On Water, weather – yes, we had a good summer, but I think the fundamentals are deeper than that. I think the brand dimension that we have. We've *Nestlé Pure Life*. It's the biggest brand, strong in argument, strong in personality and the footprint is worldwide, and rolling out and going deeper. Then you have our international brands, like *San Pellegrino* and *Perrier*, going almost double-digit growth very profitable and rolling out further and having that stronger, more intrinsic dimension.

At the end of the day, water is the best hydration. There's lots of those people know that, and they embrace that and they go for a healthy hydration. Healthy hydration, Nestlé is working on healthy hydration through its Water business and it reflects. Then you have a sunny day and it helps a little bit more. Yes, we take it.

Questions on:	Return to growth in Nestlé Nutrition in China Channels in China Ice Cream performance

Alain Oberhuber, MainFirst:

Good morning, everybody. Thank you very much for taking my question. I have two questions. The first is regarding Nestlé Nutrition again. When could we expect that the growth could come back in China, in particular, at a similar level? And then on that issue, could you talk a little bit more about the three different channels?

And the other question is about Milk and Ice Cream. Obviously, you talked about milk being weak and particularly because of Latin America. But regarding the hot summer, Ice Cream, I felt, could have been much stronger. Could you give us a little bit more insight about your Ice Cream business?

Paul Bulcke:

Are you speaking about Nestlé Nutrition specifically in China? Is that your question or is it in general? Do you speak about the similar growth of what? Can you be more specific?.

Alain-Sebastian Oberhuber, MainFirst:

You gave us a couple of insights regarding China about the different channels. But could we get a little bit more? Which channels are performing currently well? I assume you talked about E-commerce, but talking more about your other channels like modern trade channel or also the baby and mother store channel.

Paul Bulcke:

Yes. Well, Nestlé Nutrition, in general, are we going back to similar growth we had before? I think we had that accelerated growth. That was a category that was really going very fast, started to be part of the landscape in China. To get back to these growth figures on a slower basis. It's a much bigger base now, I think now, but it's going to be vigorous. I truly believe we have the arguments.

We have also the price setting to more acceptable levels because the price differential in China was quite huge. In general, the competitive landscape was at quite a high price level..

The three channels, we do see a shift from modern trade, the classical modern trade towards baby stores where you have more specific added value; the premium products, talking more directly to consumers. E-commerce is definitely a channel that has grown very, very fast.. We're wired to it and embracing that increasingly, including bringing in people from the outside. But there is a channel shift definitely towards these baby stores and E-commerce in Nestlé Nutrition channel.

Milk and Ice Cream, I don't know. Do you speak about pricing? Or Ice Cream is not growing, but we don't give you specific on Ice cream. Ice Cream has gotten in United States a good exploration. We had a relatively good growth in Europe too and have been working there too. We have disengaged from certain parts of Ice Cream business in certain parts of Europe too.

But what matters is that we are building up a winning leader there together with R&R. I'm really enthusiastic about what we are building up here.

The complementarity of capabilities of both companies, the fact that we have been working with them for 14 years and this fundamental trust relationship going forward. The purpose that we have together and sharing that purpose vigorously is really a very big and inviting promise. And I hope we can land that as soon as possible. We are in advanced talks. I'm confident. But we still have to land the talks and then start rolling it out, what we [will] see in 2016.

What do we do here? Well, we want to have a leading, growing, profitable business here. I really think we have the ingredients to do that. I look forward to it.

Questions on:	**Margin improvement consensus** **Nestlé Skin Health adjustment - impact on earnings**

Patrik Schwendimann, Zürcher Kantonalbank:

Good morning, Paul. Good morning, everybody. Do you think the current consensus of an EBIT margin improvement of 10 basis points in Swiss franc is realistic bearing in mind the current Forex environment? That's my first question. And second question again on the Skin Health rebate adjustment. Could you give us the impact on earnings for the full year? This would be very helpful. Thank you.

François-Xavier Roger:

No. We are not disclosing the detail for the Skin Health adjustment, as I mentioned before. Regarding the margin, you saw our guidance which is what we had before, which mean that we expect an improvement in our operating margin for the full year against last year.

Patrik Schwendimann, Zürcher Kantonalbank:

But do you also think in Swiss francs it would be realistic to have a slight improvement?

Paul Bulcke:

No. Our commitment is improving margin in constant currency because we don't have an impact on the Swiss franc, I would like to, but we don't. And you see the Swiss franc again has almost a 7% negative for the year-to-date. So, it's real money.

Patrik Schwendimann, Zürcher Kantonalbank :

But you also had the help of lower input cost in H2, as you have mentioned, lower Milk price, lower Coffee prices and gross margin.

Paul Bulcke:

Yes. You see, that's a little bit the advantage we have, it's a bag of things, positive and negative. Also our raw material and packaging basket we have is positive/negative. We have Milk, yes. We have Coffee, yes. We have Cocoa now. Actually, give and take, it balances things out. There is no such thing as that you have lower raw material prices, low milk prices, although they're coming up again, that you're not isolated. You have to react. You have to be competitive in your pricing. But all in all, what we say is we go for increased margin in constant currencies and that is what matters. It is what we're aiming for. That is what we promise.

Questions on:	**Capital Allocation** **M&A in Nestlé Skin Health**

Jean-Philippe Bertschy, Vontobel:

Good morning, gentlemen. I would have a question on capital allocation. Your buyback is completed in a couple of weeks or days. You were not too active in M&A. Your CapEx is quite low with regard to your volume growth as well. I don't think you need some extra capacity. You're generating more than CHF 10 billion free cash flow probably in the coming years. You had some divestments as well in the past months or years. If you can share with us your plan for next year. You have as well your 150 anniversary, what you're planning with regards to cash returns to shareholders.

Paul Bulcke:

Don't mix up the 150 years in these equations.

Jean-Philippe Bertschy, Vontobel:

Yes. And the second one would be, if I may, on M&A. What is your plan with Nestlé Skin Health? You invested, I think, something like CHF 50 million in Brazil. If you can share with us as well maybe your priorities in different regions for the world.

Paul Bulcke:

You want to talk about the – our problem we have with cash?

François-Xavier Roger:

I mean, no. We don't have any problem with cash. I think that the share buyback, we are just completing the share buyback program as you know. We have not communicated anything for next year. That being said, you know that our priority is clearly to support the need of the business, invest in renovation, in innovation, invest in CapEx as well. We have a clear dividend policy which is well established and which we maintain, which is to increase or maintain the dividend in absolute value in Swiss franc.

After that, we have not communicated further than the current share buyback programme for the time being.

Paul Bulcke:

On Nestlé Skin Health, I promise we're going to dedicate some time in the future about the Nestlé Skin Health just as we have done in Nestlé Health Science, so that you can get more insight there. But still, Nestlé Skin Health, maybe I've mentioned that it is accretive in growth. This is a growth platform that has to be a profitable growth platform.

But growth equals investments also in the future. We have done some acquisitions, basically, when it was still Galderma, quite important acquisitions too, to bring in capabilities and platforms. And that is what we are doing. We're going to be wise there because this is a new field although we have very experienced people who know the category very well. But we want to embrace the Nutrition, Health and Wellness equation there. It's about Skin Health, and that is what we are investing in. Investment in Brazil has to do with capacities, building up capacities, and bringing also efficiencies in our operations. That's basically what we're doing. But promise, we're going to get back to this in more detail in the future.

Question on:	**Setting goals and forecasts in the future**

Ralph Atkins, Financial Times:

I have a question about your sales targets and expectations. You've lowered your forecast for expected sales growth again this year. Do you not think that with economists expecting slower growth globally, talk about secular stagnation, that you need to be perhaps less ambitious with your goals and forecasts in the years ahead?

Paul Bulcke:

Look, yes and no. I mean, there is, yes, a slower growth environment projected. And yet, at the same time, I think our company should be ambitious, to engineer and build the drivers to go for growth. We want to outperform.

Yes, we lowered – readjusted actually, to a reality that we have. Now, this year, our expectation is an expression of reality. The fact is this is outperforming the market big time and strongly, and that is what matters. It's a relative game, too. It is outperforming the global GDPs. I'm the first to say we don't sell GDP. You see what is projected; worldwide growth for the next year. If from my eyes, projected again under 3%. Well, we're going to see. But I feel we have to have an engine and build the engine to have good growth. We have adjusted to reality a little bit, but the ambition is there.

Questions on:	**US Frozen business** **Sustainability of Confectionery performance**

Gerry Gallagher, Deutsche Bank:

Hi. Good morning. A couple of questions from me, please. Firstly, just on the U.S. Frozen business and the recovery there, is there any comment we need to be aware of in terms of pipe filling there that may be inflated the performance through to the end of the nine months we should consider?

And then secondly, if I look at the business on a product basis, and I appreciate that there's a reasonable dynamic here as well, but the Confectionery business stands out in terms of the price you've been able to achieve there relative to the other categories. Could you comment about that a little bit, please, and how sustainable you see that? Thank you.

Paul Bulcke:

On Confectionery and then I'm going to give you Laurent, who is responsible for Zone Americas, to give some more light and colour to our Frozen business. On Confectionery, first of all, we have a little bit of a bias of Confectionery in slightly higher inflation countries like Russia and all that. So, that's why you see that pricing dimension in there, so that's no more than that.

But on Frozen, Laurent, can you give us some more light on the pipeline, then the ideas you have?

Laurent Freixe, Head of Zone AMS, Nestlé S.A.:

Yes, this is way beyond the pipeline. Of course, there is a sell in impact at the start, but we are now five months into the re-launch, and we see market shares and market share is sell out. We see market shares improving. We see the growth and that's also sell out of the category growing.

Actually the biggest concern today, and that is to show the impact and the magnitude of the re-launch, is not so much the demand but to supply the demand. So, we moved in a matter of weeks from having a demand issue to having a supply issue. So, the demand is coming extremely strong. The market shares are improving steadily, and we are confident with the pipeline of initiatives and the investment that are lined up that we can keep the momentum going forward.

Paul Bulcke:

Well, it's good problem to have, capacity, but it's a pity though. But anyhow, it's proving that it is solid.

Questions on: Changes to Nestlé model and strategy

Gret Heer, Finanz und Wirtschaft:

I remember just a year ago, you said it's dangerous to change the targets, the aim. And now you do it exactly. You expect 4.5%. So, you changed the Nestlé model and strategy. What does it mean?

Paul Bulcke:

No. We don't change the Nestlé model. Model is growth and there are numbers, you can have them. So, actually you're right. It's dangerous to lower your target. So, I do dangerous things because I'm convinced also, if you lower [expectations] – an organization reacts to that. But I have to have a sense of reality, too. We have some challenges like Maggi Noodles , you cannot overpower that. So, these are the things [we are] adjusting to.

For me, still the pride of objectives, our ambition is to outperform the market. And even 4.5% is part of the Nestlé model in the sense that the Nestlé model is a line we want to walk over time. I say that over and over again. This saying “You failed” – I don't fail. 4.5% is also part of a line you walk. A situation like slow growth, the environment. We got some questions in that direction, how do you – et cetera. I think this is quite commendable to maintain. I want the whole organization to focus on that, to aim at that. And guess what, we have done that over time. So, just in reality, temporary.

Questions on: Ice Cream business changes
Investment in advertising

Kartik Swaminathan , Bank of America:

Hi, everyone. Thank you for taking my questions. Just two small ones, if I may. Number one was on the potential changes to European and other parts of your global Ice Cream business. I wanted to come back to that point and ask why now? And secondly, why specifically have you entered into negotiations with PAI as a partner? So, specifically, what do they bring to your equation that Nestlé is not capable of by itself?

And then on the second question. I think there's been quite a lot of discussion on the top line, but in terms of reacting to the slower-than-expected recovery, should we assume that Nestlé will put more investment behind advertising infomercial to recoup that position or is this still within the bandwidth of your business plans? Thank you.

Paul Bulcke:

On Ice Cream, Europe why now? Well, because we feel the conditions are there to do it. To tango, we have to be two. We have been working with R&R for quite a few years, 14 years, I think it is. And the environment, the mind-set, the possibility to engage, the openness to do that, the trust, all the elements are there to converge towards a joint venture. We are in the process of that. So, we are in advanced discussion. And why R&R? Exactly for the same reasons. First of all, there is a trust relationship. There is a sharing of common purpose. There is 14 years of working together and knowing each other. There is the complementarity of capabilities.

We are very good and we have strong brands. We're very good in impulse. We are very good in out-of-home. They are very good in traditional retail. They have strong capabilities and profiled production and operations, et cetera. Bringing that together is going to be creating a very strong leader in that category. So, we're looking forward to it. But that's why, the stars are aligned and it goes, and because these things are based on trust. There are two dimensions: trust and common purpose. That's what we have now on the table. And we're embracing it.

More advertising. We have been increasing our support behind our brands in the last years and I project to see that going forward. Why? Because think about it. The more you have a scientific nutritional arguments, the more you focus on strong brands and you do rollouts, that comes with communication, it comes with connecting with [the consumer] and that is what we are doing.

E-commerce is linked to that, too. Embracing the new digital media. We are embracing that and investing in there. It's intrinsic to our Nestlé strategy that we're going to connect, communicate, engage, dialogue much more with consumers than even before. That's why we have to free up the resources. When I say the resource allocation, it's all about that. It's not only investment financially. It's also PFME, as we call it. Brand support, it is linked with R&D time. It's how we use our talent, talent is limited, and where do we put them behind? So that is linked to this fundamental priority. Focus there is that we say resource allocation. PFME is definitely one – very important one, and it's going up.

Questions on:	**Changes to the Nestlé Model** **Joint ventures as part of portfolio pruning**

John Revill, Wall Street Journal:

Mr. Bulcke, this is my normal question. You said obviously with the organic growth, the path you like to take over a long period of time. But with this year, that would be the sort of third year in a row that you don't make it. So, I was wondering, is there consideration of having maybe a new model to reflect a sort of tougher economic situations out there? Because, also, you're a global company. You're constantly going to be facing problems in some part of the world; obviously, the *Maggi* this time around. There's always going to be some constant thing on top of that. So is there a time to look at a new model or what's going on there?

And my second point is this partnership you're working on now with R&R, is that a model you're going to be looking towards now with kind of your portfolio pruning, are you going to do more towards joint ventures, that kind of thing or, I suppose, to divestments? I know you said that it might also sort of improve your businesses, but also there could some divestments. And if the divestment route is followed, will that be down this joint venture route preferably? Thank you.

Paul Bulcke:

John, you're always taking my ambition against me. But look, what we have, the model is over time. I could not stress that enough. And I do believe we have to organize ourselves. And then you have downturns in general. You have an environment, et cetera. I'm the last to lower my ambitions. So, I feel we owe it to ourselves as an organization. Actually, we're externalizing internal ambitions. Well, you cannot take that against me, but I'm not going to back off in the longer term, you see. But I have to have a sense of realism and that's what we have – I've expressed now because of specifics.

Models, partnerships. Is this a new model? No. We embrace different models – and I have been showing that a few moments ago. Portfolio build-up. How do you strengthen portfolio? It is, first of all, embracing what you have and give arguments and connect with the right differentiation, creating value inside what you have. That is building and strengthening your portfolio.

What you have when it's really promising is investing more or protecting what you have. Then you have certain areas that don't fit and you saw the criteria, strategic fit. Is it going to have returns? What is the resource intensity? What is the profitability and profitable growth we project in there? Well, if it doesn't fit strategically I would be inclined to alienate over time because we should have products, categories and brands that add to our strategic direction of Nutrition, Health and Wellness.

Or if it doesn't have a promise of being enjoyable in the future, meaning financial returns. Well, you separate. But if you see something that you have, something that is precious; brands, capabilities, out-of-home like in Ice Cream, and you see that you can combine that with another. Then I'll go for joint ventures and it's not new. We have joint ventures. We had Beverage Partners Worldwide on Beverage. We have a joint venture with General Mills on Breakfast Cereals for many years, over 25 years.

So, I think that's a strength of Nestlé to be able to not have one-size-fits-all. We have expressed this is our businesses, we have different business models. We have locally managed businesses, we have the regionally-managed businesses and we have globally-managed businesses. We have start-up-like businesses, *Nespresso*. We have now two platforms that we're building up in another business model, and I think that's the strength of our company, that we can embrace different ways of answering opportunities, in a meaningful way.

I'm really looking forward to that joint venture, because speaking about common purpose, and I mentioned it before, it has to be complementary, have the same purposes and trusting each other is a good combination, and that is what we have.

John Revill, Wall Street Journal:

So you are saying that organic growth will get back to 5-6 % again in the future?

Paul Bulcke:

It's the line we have walked and actually with time, we have walked over 6%.

Nobody says you shouldn't– and we have been achieving that over time.

Questions on:	**Details on Other businesses category** **Targeting costs**

Mitch Collett, Goldman Sachs:

Okay. Thank you. Given that you can't give us an exact number on the impacted Nestlé Skin Heath, can you perhaps give us the gross rate for Nestlé Professional, *Nespresso*, Nestlé Health Science and Nestlé Skin Health, please? If you can't do that, can you perhaps just let us know whether each of those businesses accelerated or decelerated in this quarter versus last quarter.

And then secondly, given that the growth model is slightly slower now, I would just like to ask François-Xavier if he thinks that there might be an opportunity to more aggressively target costs. I know previously you said you don't think so, I wondered if that perspective had changed. Thank you.

François-Xavier Roger:

You are asking if we could disclose the detail of the Other categories. We do not disclose it. The only thing I can tell you is what I shared already, is the fact that we saw an acceleration in the growth in Nestlé Professional. We saw a slight acceleration as well from *Nespresso*, and we had a good performance for the nine months for Nestlé Health Science, and you know the issue was for Nestlé Skin Health. But we don't provide the breakdown by category.

So, with the rest of the question, we could not hear what the question was. Sorry about that.

Questions on: Nestlé model range

Sergio Aiolfi, Neuer Zürcher Zeitung:

Sorry to nag you again about this Nestlé model. Is the range 5% to 6%, which was something that I think Nestlé has proclaimed – that is not something that the media or the analysts have demanded – is that range 5% to 6% still valid now?

Paul Bulcke:

No, we have said that for the year we are going to do 4.5%. I would say the Nestlé model is valid, growth over time. I do believe we should have an ambition of 5% to 6%.

Questions on: Role of price deflation in changes in expectations since H1

Alex Smith, Investec:

Hi. Good morning. I had a follow-up on Adam's question in terms of what has changed with regards to your expectations in H1. You mentioned *Maggi* and you mentioned China. But I was just wondering the price deflation or the competitive pressures that you're seeing in Milk and Coffee, does that come into play in terms of your changing expectations? I guess it's just Q3 pricing at a group level was much softer than what we saw in H1.

And similarly, are there any other categories that you're seeing in price deflation? Because again, that Q3 pricing seemed a lot softer versus H1 across the majority of your Zones in your Categories. Thanks.

Paul Bulcke:

It's a combination again, I have to say. It's clear that the softer pricing is a result of many things. We have mentioned already the specifics and specific correction that we had. But that is also a reflection of Milk prices going down and reflected in our pricing to stay competitive in Coffee in certain regions, too. Yet again, it is compensated then with some inflationary environment in some other countries. Again, this is a mixed bag. Fact is that, in general, for the quarter, we saw softer pricing because of all these events. Part of these events are not going to be repeated in the fourth quarter.

Question on: Compensation for Maggi Noodle losses

Katsuhiko Hara, Nikkei:

Hello. When *Maggi* returns to the stores in India, will you ask the authorities for the compensation for the loss you took, in or out of the court?

Paul Bulcke:

Oh. You want me to be combative. My focus goes in getting the product back. And there, we have to engage. We are working with the authorities to get them back. And actually, we got just news that we have three labs to test and the third lab came in safe, too, again, 100%. So, the product is – just to confirm what we always said, the product was safe.

And it's a pity to see that we had to do and go through this, but that's how it is. So, we are engaged with the authorities and we want to do that in a good mood.

Katsuhiko Hara,Nikkei:

So, you will not sue them?

Paul Bulcke:

You really want to see combative attitudes, and I'm not going to answer that. I don't think we win by combating with whom we have to work together.

Question on:	**Cailler**

Ueli Hoch,AWP:

A question on *Cailler*. How much time do you think you need to get really successful with this brand outside Switzerland?

Paul Bulcke:

Depends how we define success. *Cailler* is a brand in Switzerland, we know that. But what we are doing here is positioning it with a specific offering on the international platform, although narrow and through a specific [channel] which is e-commerce and some airports. So, there I am very ambitious over time. But I think we have to be humble. This is a market that is established. We don't want to go frontal. We think we have an angle. The arguments are the origin, the Swiss-ness of the thing, the flavour, the quality. So, I want to go gentle and firm and deep rather than broad and with a lot of noise.

I'm confident, though, that it's going to gain traction over time. My people know that I have a special, emotional relationship with this brand. It is the most traditional, iconic brand in Chocolate in the world. And we left it there, so we're going to start to make a change. It's going to take some time, but somewhere we have a good relationship with time. We can – we are very, very nervous in the short term.. At the same time, we can play some things out. *Cailler* is one of them.

Questions on:	**Dolce Gusto performance** **Acceleration in PetCare**

Adam Spielman, Citibank:

Hello. Thank you. We've had a lot of questions about sort of what's gone wrong, I guess, but I'd like to focus on what's gone well. Can you tell me if *Dolce Gusto* is accelerating, or is it just continuing its growth?

That's one question. And secondly, Pet seems to be doing well in a lot of markets. And I was just wondering if you can put your finger on why it appears to be – it appears to me to be accelerating. What's really driving that? Thank you.

Paul Bulcke:

Dolce Gusto accelerating. Well, actually, it is maintaining pace on a bigger and bigger base. We started almost 10 years ago in Europe. And it is still going strong in Europe, growing double digit in Europe. So, it's a fantastic story, a little bit overshadowed sometimes with another brand, but it is something that we're rolling out. We are in 70 plus countries now and growing very strong on a much bigger base. It's over CHF 1 billion and growing more than double digit. So, accelerating, well, actually, yes. And the value it adds to the company and the importance of being accretive to the company, it is accelerating.

Pet is doing well because it is one of these categories that has embraced the Nutrition, Health and Wellness agenda very deeply. And the relationship of pet owners to their pets is that argument, Nutrition, Health and Wellness. There are different arguments, but the size we have, the products we have, the brands we have, in spite of some brand issues, not issues but challenges in certain areas, but it's so strong the profile that we have, the innovation and the renovation that we have. And on that premise on Nutrition, Health and Wellness, very strong. There is good alignment in the organization, it is working well. Europe, double-digit growth, very strong. AOA, good potential to be built up. Latin America, going strong, gaining market share, and having now new capacity to answer our success. North America, continuous, consistent growth. We had their specific [issue] unfounded accusations about the brand, but that is what brand and leadership is all about. You have to live with that, we have to answer that, and I think we do.

But why is Pet going strong with this? Because it is embracing, as a model category with strong brands, the Nutrition, Health and Wellness agenda, just as we are doing with the rest of our portfolio. So, it is actually the best proof, that when you go about good arguments and build them into your brands, you create value.

All the products that we have in our portfolio, and that as a side comment, that do have, and answer very well the Nutrition, Health and Wellness framework that we have set up, are actually having higher organic growth than the rest.

Nutrition, Health and Wellness translated into a product, is a growth driver. And that was actually the undertone of my presentation today. That is what defines our portfolio. That is what defines our underlying strength of our presence in this category. So, that is proactive portfolio management.

End of Q&A session

With that, I think, we're coming to an end. Thank you very much for the attention. Also, all of you following us through the webcast. And well, looking forward to a fourth quarter. Thank you very much.

Robin Tickle, Head of Corporate Media Relations, Nestlé S.A.

Thank you, Paul. As usual, we are happy to take any follow-up questions via e-mail or Twitter. And I'm sure you know the addresses. Thank you very much.

End of Transcript