# 2016 HALF YEAR RESULTS CONFERENCE CALL TRANSCRIPT

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Speakers:

**François-Xavier Roger, Chief Financial Officer, Nestlé S.A.**
**Steffen Kindler, Head of Nestlé Investor Relations, Nestlé S.A.**

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| Slide: | Title slide |
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Good morning, everyone, and welcome to Nestlé's half year results conference and webcast.

I'm Steffen Kindler, Head of Investor Relations. I am here with François Roger, the Nestlé CFO. First of all sorry for the delay apparently there was a technical issue with the line and I hope everyone can now hear and follow us now well. We will add time at the end so we will make sure we keep enough time for everybody to ask questions. Now let's start. As usual, we will start the call with a presentation and then open up for Q&A.

| Slide: | Disclaimer |
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I will take the safe harbour statement as read.

With that, I now hand over to François.

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

| Slide: | Sustained growth momentum and margin improvement |
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Thank you Steffen and good morning to all.

In the first half of 2016, we continued our strong Real Internal Growth momentum and with limited pricing.

Our sales reached CHF 43.2 billion, with Organic Growth at 3.5% and Real Internal Growth at 2.8%.

These results are broadly in line with our expectations and leave us well positioned to achieve our full year guidance.

Our trading operating profit increased by 30 basis points, both on a reported and constant currencies basis. Our underlying earnings per share increased by 5.7%.

Our Free Cash Flow is one of the highlights of the first semester with CHF 3.3 billion of Free Cash Flow, an increase of 41% over the same period last year.

| Slide: | OG driven by sustainable strong RIG with low Pricing |
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Now I would like to show you the historical perspective of our growth over the last ten quarters. You can see that we consistently delivered a strong Real Internal Growth that lead to further market share gain. In Q2 for example we increased or maintained our market share in 57% of our geographies and categories. It is 49% increased and 8% maintained.

This is the outcome of our investments and commitments made across our portfolio behind innovations, marketing, premiumization, and e-commerce.

E-commerce now reaches 4.7% of our sales.

As anticipated, the Pricing environment remains challenging we had deflation in Developed Markets and low commodity prices overall.

We expect a stronger pricing in H2 though. We started to take selective price increases in some categories and geographies. By the way the quarterly data over the last ten quarters is available in the appendix at the end of this presentation.

| **Slide:** | **Broad-based OG and RIG** |
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Let's now move to the sales growth by Zone. This slide include our globally managed businesses as well. We had good Real Internal Growth across geographies.

Actually the three Zones are at the same level, 2.8% or 2.9%. And we had healthy Organic Growth as well in all three Zones, 4.7% in AMS, 2.5% in EMENA and 2.3% in AOA.

As you can see, pricing was negative in both EMENA and AOA. In EMENA, we were facing deflation in Western Europe while in AOA we had low pricing in Dairy-based categories. We had positive pricing in both Latin America and Eastern Europe

| **Slide:** | **Increasing RIG in Developed and Emerging Markets** |
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Let's now move to the breakdown of our growth between Developed and Emerging Markets.

Developed Markets contributed to 58% of our sales and 42% in Emerging Market.

The contribution of Developed Market has increased. It used to be 56% 18 months ago. This is largely the result of depreciation of some Emerging Market currencies.

In Developed Markets, we grew by 1.9% in Organic Growth which we consider as solid. This is the outcome of our strategy of innovation, premiumization, active portfolio management, and mix.

We had Real Internal Growth in Developed Markets at 2.6% which is good. This is actually the highest in many years. We are facing in Developed Markets deflationary pressure across many Markets with negative pricing, and we do not expect any improvement in that area.

In Emerging Markets, we had Organic Growth of 5.4%. This is lower than what we had in the past. In spite of the fact that our RIG at 3.1% accelerated, it is actually two times higher than we had last year which we consider as a good result in light of difficult political and economic environment.

In Emerging Market, we had limited pricing mainly as we felt the pressure of commodity pricing remaining low especially Dairy. But we started to take selective price increases towards the end of H1 to offset both currency depreciation and inflation.

| **Slide:** | **Growth through innovation** |
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Now, I would like to walk you through some examples of our innovation given that innovation is instrumental to support our growth.

These are some example of innovation that are addressing new consumer needs in terms of naturality, organic, higher protein, gluten-free.

I will start with some innovation that are in the natural and organic space starting with *Coffee-mate Natural Bliss*. This is a star performer for the *Coffee-mate* line. It contributed actually to half of the increase of the *Coffee-mate* line overall, this *Natural Bliss* which is 100% natural coffee creamer. And this *Coffee-mate Natural Bliss* is having an Organic Growth of above 50%.

*Lean Cuisine*, as you know, renovated their entire Frozen food franchise in the U.S., and the *Marketplace* line, which is really addressing the need for organic, higher protein, lower salt, lower sugar and gluten free is going very fast, 19% of Organic Growth in the first part of the year.

If we move into the PetCare space with *Purina Beyond*, which is addressing the need for natural pet food as well, *Purina Beyond* has increased by 42% in terms of Organic Growth in the first 6 months of the year.

Third innovation is also Science-based with nutritional benefits to improve health, and *Boost Simply Complete* is a good example of it. We launched it in the U.S. We launched it as well in other geographies like Korea, and we experienced an organic growth of 17% for that product.

We talked in the past about *Wyeth*. We upgraded *Illuma* which is marketed in China. And we had the very, very strong growth of over the last four years, and it continues. We had an Organic Growth above 30% in the first 6 months of the year.

In Nestlé Skin Health, we have a consumer range, which is growing double digit, north of 10%, and we brought in the market some breakthrough innovation with *Soolantra*, which is a new topical treatment for rosacea, which grew by 36%. So, all of these example show you what we can deliver in terms of innovation and contribute to growth.

| **Slide:** | **Zone AMS** |
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Let's now move to the details of first semester by Zones, and we start with Zone AMS with sales CHF 12.1 billion, RIG of 2.5% and OG of 5.1%. RIG and Pricing contributed equally to the Organic Growth, but we had different dynamics between the key markets.

I'll start with North America where we had a very encouraging RIG, actually the highest in many years, which has been supported largely by innovation. I talked a few minutes ago about U.S. Frozen food continues to deliver attractive results, *Coffee-mate* as well, *Coffee-mate*. I talked about *Natural Bliss*, but we could have talked of flavour extensions as well which are contributed to the development of the product. PetCare, we mentioned, we had solid results as well in Ice Cream. Confectionery, on the other hand, is more challenging with no category growth overall in the U.S.

Pricing in the U.S. was in the first six months very limited.

Moving to Latin America, we had positive RIG and pricing. As I mentioned before, we started to pass on some selective price increases to compensate for both devaluation of currencies and inflation and more specifically in Brazil. Brazil accelerated in spite of a tough microeconomic environment, and we gained market share during the period.

Mexico was our strongest performer in Latin America with broad-based growth across all categories. Product-wise in Latin America, we were very satisfied with the development of *Nescafé Dolce Gusto*, and pet food, we talked about it in our Capital Market Day. Both *Nescafé Dolce Gusto* and pet food were significant growth drivers.

Margin-wise, our trading operating profit in AMS declined by 20 basis points to 17.8% as we have not passed in H1 yet to consumer the full impact of commodity pricing, linked essentially to currency depreciation and somewhat inflation, but we have started to do it at the end of H1.

**Slide: Zone EMENA**

Let's now move to EMENA with sales of CHF 8.1 billion, RIG at 3% and Organic Growth at 2.6%.

All three sub-regions contributed to growth. We had a good RIG momentum and we gained market share across the Zone. We experienced, as well, negative pricing overall with minus 0.4%, so it was clearly deflation in the West and we had a little bit of pricing in countries like Russia, Turkey or Ukraine.

We are pleased with our results in Western Europe where we had soft pricing in deflationary environment. Country-wise, we were satisfied with the performance in France, in Spain, Portugal, in the Nordics. All of these countries delivered solid RIG. The situation was a little bit more challenging in countries like the UK or Switzerland. We got some good traction from, once again, *Nescafé Dolce Gusto*, PetCare and the Pizza as well.

In Central and Eastern Europe, we delivered a single-digit RIG and double-digit OG. Countries like Russia, sustained good growth and with a healthy balance between volume and pricing. Category-wise in Central and Eastern Europe, the key contributors were Confectionery, Coffee and PetCare.

Middle East and North Africa were more challenging in what we can qualify as an unstable environment. In spite of that, we managed to deliver both positive growth in terms of both volume and pricing. The key highlights in term of categories were Soluble Coffee and Culinary, while Dairy remained challenging.

Countries like Turkey achieved double-digit growth both in RIG and OG. North Africa achieved solid growth but the situation was much tougher in the Middle East and more specifically in countries like Saudi Arabia, Yemen, Iraq as well as Israel.

Margin-wise, we increased our margin by 70 basis points to 16.9%. We increased our marketing spend during the period but we managed to increase our margin due to our active portfolio management, better mix, decrease of input cost.

Just as a reminder, we expect to close our transaction in Ice Cream, Froneri, with R&R at the end of the summer.

**Slide: Zone AOA**

Let's move now to Zone AOA. Sales reached CHF 7.1 billion and RIG at 2.4% and Organic Growth at 2.3%.

We had soft pricing in the Zone especially with Coffee and Dairy where we experienced low commodity pricing. The *Yinlu* performance in AOA clearly impacted negatively the overall result of the Zone and masked actually very good results elsewhere. We gained market share in AOA outside of *Yinlu* and India.

In China, the Food and Beverage market overall saw its growth decelerating to basically zero growth. In that context, we had a solid performance from products like *Nescafé* Soluble Coffee, chocolates and with good product renovation and good retail execution. A good example of it is the attractive performance that we had with *Shark* wafer.

*Hsu Fu Chi* has been soft in the quarter but we expect an improvement in the later part of the year. And *Yinlu* is clearly under pressure. We addressed the issue during our Capital Market Day. We are currently executing a plan in order to address the entire needs of the mix. It will take some time to stabilize, though.

India was positive as *Maggi* noodles regained momentum. We have a market share of the noodle market in India which is now close to 60%. We had 80% before the withdrawal of our products. So, to regain 60% of market share in a matter of months is a good performance, especially so that our distribution reach is only up 2.3 million stores, again 3.9 million before the crisis. Our brand trust, which was at 98% for *Maggi* noodles pre-crisis fell down to 8% at the peak of the crisis, and we regained a very good brand trust to 85%.

Moving to ASEAN, all five markets accelerated, and we had positive signs with our new *Nescafé* mixes *Blend and Brew*. And we are happy to report as well that the Philippines is back to high single digit growth. Sub-Saharan Africa had good result and especially in Central West Africa. Japan, as you know, is a fantastic story for Nestlé, and we are very happy with the result there.

Margin-wise, we increased our margin by 140 basis points to 19.6% in spite of a material step up in marketing spend with new launches. We managed to achieve it through strict cost discipline to drive efficiency, lower input cost, more specifically in Dairy. And don't forget as well that last year, we booked the noodle withdrawal cost at the end of the first period.

| **Slide:** | **Nestlé Waters** |
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Let's now move to our GMBs and we will start with Nestlé Waters. The consumer demand shift towards healthier beverages and safe drinking water is clearly contributing to a strong category momentum. We reached an interesting milestone during the period with 16.5 billion litres sold in the first six months of the year. Our sales reached CHF 3.9 billion, RIG of 4.7% and Organic Growth of 4.2%.

These results show a slight deceleration of our growth in Developed Markets which is a consequence of negative pricing, poor weather conditions in Europe, and, as I think we mentioned last time, we had a tornado that damaged one of our factory in Texas and we had to stop production there.

In Emerging Markets, we continue delivering double-digit growth and we were especially happy with the results in Thailand, Vietnam and Egypt, and Latin American countries all were delivering good results.

We continue enjoying a strong performance with our premium brands, *Perrier* and *San Pellegrino*.

Waters increased its margin by 90 basis points to 12.4%. There, again, we increased our consumer spend, but it has been compensated by the positive mix by premiumization, rigorous cost management, and we benefited from lower PET costs. And we also experienced some positive leverage from volume increases.

| **Slide:** | **Nestlé Nutrition** |
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Let's now move to Nestlé Nutrition, sales of CHF 5.2 million, RIG of 1.1%, and Organic Growth of 1.3%.

This is softer levels than we had in the past which is largely the consequence of limited pricing. We see distinct dynamics between geographies with the U.S. and China somewhat under pressure and the rest of the countries doing well.

I'll start with the U.S. where we continue to be affected by the certain number of factors. One of them is the fact that we decided voluntarily to exit some regional WIC contracts which are delivering low or no profitability. We had a little bit of difficulty in the transition to new packaging from glass to plastic, and we had some temporary supply constraints to produce pouches which have now been sorted out. So, we are more optimistic for the later part of the year.

In China, the demand is clearly slowing. The market itself in China used to enjoy a double-digit growth and is now into low-single digits. In our premium and mainstream ranges, where we have *NAN* and *S-26 GOLD*, we clearly see a softer demand with much more price competition. And the situation is certainly a little bit more complicated there, while on the other hand, in the super premium segment, where we are present with *Illuma*, we are growing north of 30%. Overall in China, for Nutrition, we are slightly gaining market share.

In all other markets outside of the U.S. and China, we grew by 3.5% and we have a good performance, especially in Emerging Markets and more specifically in Latin America and Southeast Asia. For Nestlé Nutrition, we increased our margin by 20 basis points to 23.2% thanks to a positive mix, *Illuma* certainly contributing to it, as well as low input cost mainly on the Dairy side.

| **Slide:** | **Other Businesses** |
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Let's now cover our Other Businesses which, as you know, include Nestlé Professional, *Nespresso*, Nestlé Health Science and Nestlé Skin Health. Sales for these four businesses reached CHF 6.8 billion with RIG and Organic Growth at the same level at 4.2%.

And start with Nestlé Professional where we had resilient and solid growth across all our Food and Beverage platform.

With *Nespresso*, overall, the portion Coffee market continues to grow and *Nespresso,* within that category, is performing well. The *VertuoLine* drove positive results in North America and we are continuing to expand on a geographic basis with the opening of 16 new boutiques in the first half of the year.

Moving now to Nestlé Health Science. Our Consumer Care franchise is delivering double-digit growth supported by products like *Boost* and *Carnation Breakfast Essential*. This is mainly in the U.S. and our Medical Nutrition had a good performance. The combination of attractive performance for the allergy line as well as continued geographic extension.

Nestlé Skin Health growth came from combination of Real Internal Growth as well as geographic expansion. We had some recent launches such as *Soolantra* for rosacea in EMENA, our *Epiduo Forte* for acne in the U.S. I could mention as well our consumer franchise and self-medication which enjoyed good growth with products like *Cetaphil* cleanser or *Daylong* sun protection.

Margins for the Other Businesses increased by 60 basis points to 16.4%. There, we increased our marketing spend as well, benefited from lower input cost and better portfolio management and cost discipline helped to finance an increase of margin.

| **Slide:** | **Broad-based growth across product groups** |
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Let's now move to our growth by product groups. I will cover only the product group that I have not covered before, and I will start with Milk products and Ice Cream. We have a low level of growth there which – because this is where we book *Yinlu* and I talked about the challenges that we are facing there, we had as well poor weather in Europe for Ice Cream. And obviously, the low milk pricing is putting some pressure on this category.

Prepared dishes and Cooking aids, you can see that we have a significant increase in margin which is largely linked to the one-off, the fact that we booked last year, the one-off cost for the withdrawal of noodles in India.

Confectionery, we are experiencing tough trading condition both in the U.S. and in some Emerging Markets. Brazil is one of them.

PetCare continues to deliver accretive growth. A little bit of negative drivers on the margin because we have not passed on the impact of input cost in some countries, mainly in Latin America during the first half, but we will address that in the second part of the year.

| **Slide:** | **Trading operating profit +30 bps** |
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Let's cover now our trading operating profit, which increased by 30 basis points in the first six months both on a reported and constant currency basis to achieve 15.3%.

Our cost of goods has increased by 130 basis points as a consequence of efficiency gains with NCE. NCE during the period, not everything goes to the cost of goods, but NCE delivered CHF 660 million of half saving during the period.

In the cost of goods, we benefited as well from some favourable tailwind from commodity pricing, as well as our portfolio management and premiumization contributed to it.

We reinvested part of this positive development in the cost of goods in marketing and administration cost. From 90 basis points, our marketing spend increased by 8% in constant currency during the first six months of the year versus the same period of last year.

We invested more as well in R&D. This is an investment in innovation for the long term, as you know, in order to support our Nutrition, Health and Wellness strategy.

We talked during our Capital Market Day of a structural savings initiatives. We have now identified eight key initiatives to reduce our structural cost. We have already started to implement four out of the eight initiatives, and other ones are going to follow soon.

| **Slide:** | **Cost efficiencies and portfolio management driving gross margin** |
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Let's move now to our gross margin. It is interesting to see that we improved our gross margin from 47% in 2012 to 50.8% in the first half of 2016. So, it's again up 3.8 points in four and a half years including another increase again in 2016.

Several factors explain that, the increase – a significant increase in gross margin, pricing, cost efficiencies, input cost, mix portfolio. But we are satisfied to see that because it shows the strength of our portfolio. As you know, we have an active view, a dynamic view of our portfolio. It also illustrates well our pricing power, including in a deflationary environment, and our clear cost control focus.

| **Slide:** | **Underlying EPS +5.7% in constant currency** |
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Let's now move to EPS and to our income statement from operating profit to net profit and I will walk you through the main items.

Starting with other operating expenses, we had a tailwind of 50 basis points there because last year we booked a one-off adjustment for hyperinflation in Latin America.

Our taxes, we booked a one-off noncash adjustment in Q2 which is linked to deferred tax liabilities following a change of tax laws in Switzerland as part of the Swiss tax reforms. This change is a one-off, once again, a noncash item, which does not impact our underlying effective tax rates.

The decline of income from associates and joint venture is coming from lower reported earning level from *L'Oréal* and the non-controlling interest has been impacted by the fact that we increased our stake in our Israeli affiliate. Our underlying EPS has increased by 5.7% in constant currency.

| **Slide:** | **Cost / Capex control and working capital improvement** |
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Let's move now to our free cash flow generation which is one of the highlights of H1.

We increased our free cash flow by 41% to CHF 3.3 billion. As you know, the majority of our cash flow used to be generated in the second part of the year, but we managed to generate an attractive amount in the first period of the year.

This is driven by a combination of factors from top line growth to margin improvements which we covered before, tight control in CapEx, which is at the same level as last year, and another good performance in working capital.

| **Slide:** | **Continued focus on Working Capital** |
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You have another illustration of our continued focus on working capital. On this slide, we gained another 150 basis points in the first parts of 2016. These are June data. This is the average of the last five quarters. The values are actually slightly different from the yearend values but what matters is the trend, which is very positive again. We are confident that we can achieve further gains.

| **Slide:** | **Summary** |
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I would like now to conclude with the summary.

We achieved an Organic Growth at the upper end of the Food and Beverage industry, and what we achieved is in line with our expectations.

Our strong internal growth has been driven by innovation. There again, we are in top quartile of the Food and Beverage industry as far as volume and mix is concerned.

Our pricing on the other hand is at historical low, but we expect it to improve. We believe that we have hit the bottom in Q2.

We managed to gain further market share with 57% of our categories and markets increasing or stabilizing market share.

We had another strong gross margin improvement which show 130 basis points, partly we invested in marketing for 60 basis points.

Our operating profit improvement has been up 30 basis points and reflects our focus on cost.

And we delivered a strong free cash flow this quarter increasing 41%, driven by further working capital improvement.

As a consequence, we confirmed our outlook for the year. We expect some improvements of our business in the second part of the year versus the first one which is linked to innovation that we have already put on the market, which is linked to portfolio management. We expect for example to deconsolidate our Ice Cream business after we close the Froneri transaction at the end of the summer.

We expect as well to get better pricing in H2 starting with Brazil. But it goes beyond Brazil.

And we have as well some favorable comps from last year because we had no noodle sales in India last year and we had the one-off adjustment for Skin Health in Q3 last year.

That concludes my presentation, we are now moving to Q&A. Passing the mic back to you, Steffen

**Q & A Session**

**Steffen Kindler, Head of Nestlé Investor Relations, Nestlé S.A.**

Thank you François.

With that we take the first question which today is going to be Warren Ackerman from Société Générale. Good morning Warren.

| **Questions on:** | **Cost savings and margins**<br>**Nutrition and Other Businesses** |
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**Warren Ackerman, Société Générale:**

Good morning Steffen. Good morning François. Warren here at SocGén. Two question please, the first one is can you talk about the cost saving and margins? I mean, I think you mentioned eight key initiatives, you've implemented four and others to follow. Can you provide maybe just a bit more colour on the detail around that and the related costs? And do you expect margins to accelerate in H2 due to the ones-off dropping out and the JV in Ice Cream?

And secondly in terms of the categories, it seemed to me the two areas of relative weakness were Nutrition and Other Food and Bev. And just wondering whether in Nutrition you can actually tell us a bit more exactly what's going on in China. How deep is the price competition in the main stream sector? What's your outlook on the second half and same thing on Other Food and Bev? It seemed to me that everything was quite good but the organic growth is only 4%. So, was *Nespresso* slower in the quarter? Thanks.

**François-Xavier Roger:**

Thank you Warren. As far as the cost saving is concerned, so as I mentioned, we have identified eight key initiative. Four of them have already started. I mentioned during our Capital Market Day some of these initiatives. The largest one is obviously the asset intensity increase on the manufacturing side, where we are reviewing our footprint.

We expect significant savings as well to come from consolidation of procurement activities above market. We are increasing shared services. We are working in terms of workplace solution, real estate optimization, de-layering and there are some country-specific projects.

So, we are really entering to the execution phase now. As you know, these projects have a horizon of three years because some of them will take some time to crystallize but we have already started. So, don't expect to get a significant impact of this project in H2. And even next year, the impact will be relatively limited but it will scale up as we move over time.

We are not providing any guidance as far as gross margin is concerned for H2. That being said, you have seen the trend that we have experienced. So, we continue focusing on portfolio management, premiumization, cost discipline and so forth. But obviously, our margin is influenced by other factors that we do not necessarily fully control, such as pricing, inflation, deflation, as well as commodity pricing.

You asked a question about Nutrition in China. As I mentioned, the market used to grow double-digit a few years back and it's lasted for some time now. The market's Nutrition – Infant Nutrition market in China was experiencing growth of low-single digit, essentially because of pricing. And our strategy to focus on super premium with *Illuma* is paying off because we are gaining market share. Obviously, we are feeling the pressure from the pricing point of view on the mainstream and premium segment where we have *NAN* and *S-26 GOLD.* That being said, we are not going to go into a price war. So, it's very clear there.

Once again, overall, we are gaining marginally market share in China. So, we are positive on China Infant Nutrition. Even if the situation and the market is not as attractive as it was before but we remained positive. One other information which is important, we continue to grow as well in volume in H1, which is good news. But pricing is obviously putting some pressure. Pricing is not only linked to competitive forces it is linked as well to low commodity pricing and mainly milk.

You want to add anything, Steffen.

**Steffen Kindler:**

There's another question on the Other category.

**François-Xavier Roger:**

On Other categories? What was the question?

**Steffen Kindler:**

You ask on the slowdown of the Other category, Warren. Look, this is – basically, we had good growth with some deceleration versus Q1 and this is also mainly due to pricing. If I had to pinpoint in the Other category the one that slowed down here probably was Skin Health; whereas, all the others still did well. Okay?

Right. Let's take the next one, that is Jean-Philippe Bertschy from Vontobel. Good morning, Jean-Philippe.

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| **Questions on:** | **Nestlé Skin Health and Nestlé Health Science**<br>**Confectionery** |

**Jean-Philippe Bertschy, Vontobel:**

Good morning, Steffen, and good morning, François. The first one would be indeed on the Nestlé Skin Health and Nestlé Health Science. It looks like you had a sequential growth slowdown as you said probably due to pricing. And the margin is as well under pressure, it was already low in H1 last year. So, now we like reaching the 7% levels. So, if you can lead us through this Nutrition Health Science – Nestlé Health Science and Nestlé Skin Health.

And the second one would be on Confectionery. It looks very weak with negative RIG in the second quarter and the pricing remains still high. The margin is under pressure. So, if you can lead us as well. I guess, North America is the problem child here. If you want to continue to invest in this market or if you want to let it go. Thanks.

**François-Xavier Roger:**

Okay. Good morning, Jean-Philippe. As far as Nestlé Skin Health and Nestlé Health Science is concerned, these two businesses are clearly accretive in terms of sales growth. And we see an attractive potential further over time. They are slightly dilutive on the bottom line because we are in an investment position. So, we are investing in R&D, we are investing in innovation. We are investing in terms of geographic expansion as well. I mentioned, for example, we entered Korea with some products, we entered Europe as well, for example.

The success we have with products like *Boost* in the U.S. It's so successful. I mean, we grew by 15% in the first half of the year. So, why don't we do the same in Europe which is actually what we are doing as well. So, obviously this has a cost, but the flipside of it is the fact that we are strongly accretive in terms of sales growth. So – it has been the case for some time and it was, again, the case in the first part of the year. The dilution is not that bad, though. We need to put things in perspective as well.

Confectionery, it's a difficult category. Our organic growth is indeed below where we were last year. We had positive pricing which is driven essentially by Latin America and Eastern Europe. RIG was slightly negative, impacted by the U.S. where our business has been challenged by a category slowdown with intense competition in the mainstream segment.

Brazil, as well, is, because we have a strong franchise there in Confectionery, has been impacted by the contraction of the market for Easter which is usually a strong driver of growth during the year, in the context of difficult political and economic crisis.

Outside of the Americas, we did well. We have done well in Russia and in ASEAN. Western Europe was positive. We did well in Germany, Iberia and Italy. The UK is a little bit more complicated. *KitKat*, you know that this is the main product that we have which is global, continued to enjoy mid-single-digit growth driven by AOA and AMS. I remind you that this is the second largest Confectionery brand in the world. So, we remain positive on the category, while our margins suffered due to our challenged U.S. position and economic crisis in Lat Am.

**Steffen Kindler:**

All right. Thanks a lot. The next one in the line would be Eileen Khoo from Morgan Stanley. Good morning, Eileen.

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| **Questions on:** | **Infant Formula in China**<br>**Market share in AOA** |

**Eileen Khoo, Morgan Stanley:**

Morning, Steffen. Morning, François. Two questions from me. The first one is really to follow up on Nutrition, so China Infant Formula. We're seeing a spike up in milk powder prices. Do you expect this to continue and do you think that puts more pressure on your margin going forward or could we see more pricing coming back to that market?

And then, given your strategy of premiumization in China so, for example, the recent *Illuma*, S-26 upgrade you talked about. How confident are you that the new regulations coming in will allow you to continue introducing more SKUs at higher price points? So, that's the first question.

And then, the second one is just on market share, really. You gave helpful information on market share momentum in overall Nestlé Group. Can you just talk a bit more about AOA in terms of categories, geographies? And within AOA for *Yinlu* as well, what sort of decline are we talking about here in Q2? Thanks very much.

**Steffen Kindler:**

All right. I'm going to take the question on the milk price. So, the whole milk powder and skimmed milk powder prices have been trending up very little bit from a very low level. It has to do with a bit of reducing of production and in Latin America also weather condition is impacted. But it's definitely too early to make larger assumptions here on the future of the Dairy prices.

The regulation in China, look, we always said we welcome regulation. Our business is compliant. We have been careful to engage only where we have business in regulated channels, and the government has taken concrete action to regulate with taxation, with formula registration. And overall, we welcome that because it is in line with our business practices today.

**François-Xavier Roger:**

Just on the second question, the market share in AOA, I don't have the data for AOA, but I can tell you in China, we gained market share in 60% of all categories in China. So, we consider that it is relatively good. Don't forget that the market in China is slowing down and the F&B market is now down to zero growth, if you look at the Nielsen data, which is obviously a concern. But in that context, we are gaining market share in 60% of our categories. Outside of China in Southeast Asia, we did actually very well in all countries. I mentioned the Philippines where we are back to double-digit growth which is good, but I could have mentioned the other markets were where are doing well overall in Southeast Asia. And in India, we are back which is pleasing.

**Steffen Kindler:**

Okay. Thank you very much. The next one is Céline Pannuti from JPMorgan. Good morning, Céline.

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| **Questions on:** | **Outlook for pricing in H2**<br>**Margin in H2** |

**Céline Pannuti, JPMorgan:**

Yes. Good morning, gentlemen. Right. My first question is on your outlook for pricing. Can you be a bit more specific on where did you take price action? You mentioned Brazil. But given that you are mentioning deflation in many parts of the world, how confident are you on the step up in pricing for the second half of the year? I'm also putting that in the context of your guidance which implies a step up in Organic Growth in the second half of at least 1%. So, if you could comment on that, given your comments it won't be easy, so overall how do you balance that for the second half of the year?

My second question will be a bit of the same on margin. It seems to me that you had mentioned that the full year will be H2 weighted and I took that one as well on margin comment. I think last year you had a hit on margin. You had mentioned a specific issue that hit margin last year. Is that a correct assumption to believe that H2 margin will accelerate?

**François-Xavier Roger:**

Okay. Regarding pricing – good morning, Céline. Regarding pricing, yes I am confident on the fact that we have to hit the bottom in Q2 and that this is going to increase because we have put through price increase in some markets. I mentioned Brazil because we have discussed Brazil over the last couple of quarters, but it goes beyond Brazil. I mean, we have done it in other markets like Russia.

There will be some pricing coming in in other markets, if you take the UK because of the devaluation of 15% of the currency. We have two main lines in the UK, which is Confectionary and Coffee, and we import raw materials. So, with the 15% devaluation, over time, we need to pass on some of the price increase, input cost increase that we have linked to currency depreciation, back to consumers. Okay, the timing of it needs to be reviewed.

We have also started to see, overall, some increase of commodity pricing. So, overall, it depends from one category to the other. So, is it going to last or not? There is always a time delay between what happens in the commodity market and what is passed on to consumers. But yes, we are confident and think that pricing is going to improve. To what extent and how long it's going to last? Okay. We'll see.

I'm more concerned, I would say, on the impact that pricing may have on internal growth possibly because there is always some elasticity, which over time tends to ease off, but in the short term when you increase prices obviously consumers have a tendency to go down in terms of category. But that being said we can address it because, for example, consumers who are on the mainstream category, as they may, after price increases moving to affordability or what we call PPP, so they can downgrade their purchasing a little bit. So, we should be able to recover most of it. But let's see how it will goes because elasticity is always unsure.

Regarding margin in H2, once again, I don't want to provide any guidance. You saw what has happened. We improved our margin regularly over the last four and a half years. I'm not saying that is going to happen in H2. You mentioned a certain number of factors that have happened last year, that move in that direction. But I mean, margin is a consequence of many factors, starting from pricing, going to raw material, input cost, inflation, deflation, mix and so forth and premiumization. But you can see through what we do, that improving our gross margin is certainly something we are working actively upon, in all dimension, the ones that I mentioned, from pricing to cost and premiumization, portfolio management and so forth.

**Steffen Kindler**:

Okay. Next one is Martin Deboo from Jefferies. Good morning, Martin

| **Question on:** | **Executing pricing strategy in Brazil in H2** |
|---|---|

**Martin Deboo, Jefferies**:

Yes. Good morning, everyone. I've actually got a question that relates to Céline's on H2 pricing. I'd really like to push you a bit harder on this, if I may. If we just look at the shape of H2, simple arithmetic tells you got to do close to 5% organic growth in H2, on the volume RIG side you get the benefit of lapping Maggi, but on the other hand, you're up against the tougher comp and as François just said, there could be some negative elasticity from pricing. So, it would seem to me that you're going to have to do a lot better on pricing in H2.

And the two things that you're calling out are, one, the reversal of the Skin Health provision, which you surely get for free, so to speak. And I'd be grateful if you'd remind us what the impact of that is on H2. But it would seem to me that pricing in Brazil has to be a very big component of the H2 price move. And to come back to the debate we had at Q1, you were arguing at Q1 that you were late to put pricing through in Brazil because of the different dynamics of Dairy and also the effects of hedging. But you're in a position in Brazil where you're coming late to the pricing party, at the point when the Real is starting to appreciate again, and competitors might be taking a more benign look at pricing. So, I guess, the question I'm going to ask is, just what's the risk that you can execute your pricing strategy in Brazil in H2 because it seems to me to be key to the whole thing? That's the question.

**François Roger**:

Martin, thank you for your question. The pricing execution, it's already in the market because we did it in May and June, so it's already there. So, we need to see what the impact is and especially on RIG, but we have already put it through. We can always revert it but there is no intention to do that, so we are sticking to it.

You are talking of H2, indeed, we need to achieve our guidance which we reiterated already. We need to be around 5% of OG in the second part of the year. This is not only linked to pricing. You mentioned some of the items such as the comps, Nestlé Skin Health, the adjustment that we did in Q3 last year, as well as noodles. This contributes to about 50 basis points of improvement in the second part of the year between these two components. You have pricing which is taking some share of it. Innovation is another component because we launched a lot of new products and portfolio management as well. Froneri for example. We expect to close at the end of the summer. So, this will slightly contribute to it as well. So, it's a combination of factors. We have clearly identified the building blocks for the acceleration of our sales. With, as always, some risk. One of them, as I mentioned, is the elasticity that is coming from some pricing. We talked of Brazil, but it's not only Brazil, and we put through price increases in countries like Mexico and those Latin American countries and I even mentioned European countries when it will come over time.

**Steffen Kindler:**

Okay. Thanks a lot. Next one is John Cox from Kepler Cheuvreux. Good morning, Jon.

| **Questions on:** | **Volume deceleration in Q2**<br>**NCE Savings** |
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**Jon Cox, Kepler Cheuvreux:**

Hey. Good morning, guys. Thanks for taking the question and congrats on that cash flow statement. Looked very impressive given the environment.

But looking at the volume growth in Q2, it seemed to be a clear deceleration, and that appears to be focused on the Americas. Do you think that was just really maybe the volume growth in Q1 was pulled forward by some countries expecting prices to increase, i.e., Brazil? Because if you look at the Americas region, volume growth seemed to be around 2% after being 3.5% in the first quarter. That's a pretty sharp slowdown. And in Europe as well, we've got a 40-basis point slowdown in volume growth Q2 versus Q1. So, a volume question for you, what was behind that deceleration we saw in the quarter?

And then the second question, just on NCE, did you actually say the savings in gross margin that was about 60, 6-0, basis points? Thanks so much.

**François-Xavier Roger:**

Thank you, Jon. Just I don't see really a deceleration of Real Internal Growth in Q2. Don't forget the Q1, we benefited as all our competitors from the fact that 2016 is a leap year, so, which obviously there was one more day of consumption. So, everybody benefit from it. But I don't see a clear deceleration. We provided some quarterly data on page 3. If you look at the graph, you don't see, it's a marginal deceleration, but there is not much to see. There is a little bit of an increase in Q1 because of the leap year. So, I'm not reading it with any concern.

NCE what I mentioned is the figure of CHF 660 million of saving and half savings in H1. Not everything flows into the cost of goods, because NCE is not only about manufacturing efficiency, it's about efficiency overall, so some of it goes to SG&A, and it can even impact the marketing spend, for example. So, this relates to the figure that we gave at our Capital Market Day where we had said about CHF 1.5 billion a year per annum over the last couple of years. So, the momentum continues. And so we are satisfied with what we achieve again in H1.

**Steffen Kindler**:

Good. So, we carry on with Adam Spielman from Citi. Good morning, Adam.

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| **Questions on:** | **China - Food and Beverage**<br>**Innovation in Developed Markets improving RIG** |

**Adam Spielman, Citi :**

Good morning. So, I have two questions. The first one is on China. You said that Food and Beverage had got to zero growth if you measured its Nielsen. I'm interested, though, that if you include e-commerce what you think the growth rate is in China in 2Q or first half, and whether you also think this is a permanent move down. I guess this question is sort of also relating to the outlook for China Food and Beverage including Internet sales. That's one question.

The second question is similar but talking about Developed Markets, you talked about very high, good RIG in Developed Markets in H1. And particularly you said that innovation is driving better RIG. And I'm just wondering if you could sort of isolate that. And also the question relates to the future. Is this one-off boost to innovation or are we seeing a permanently better innovation pipeline which should lead to, I guess, permanent improvement in RIG from that element in Developed Markets? Thank you.

**François-Xavier Roger**:

Thank you, Adam. I'll take the second question and then let Steffen answer the first one on China. On the second question innovation, well, innovation is the sum of many different initiatives on project and product. But just to give you some hints, because we track innovation very closely, you remember that we have about a third of our products which did not exist and were not in the shelves three years ago. And we measure innovation on a permanent basis. And innovation is not marginal innovation, just changing the label and the bottle or whatever. It is reformulation. It is really bringing new real products in the market.

And we see that, out of our growth – because we track it on a monthly basis, we have about two-third of our growth which is coming from the base business which is growing by itself. And about good third which is coming from innovation. There innovation – taking what we launched this year and what we launched last year, so over the last 24 months.

So, we have a real momentum there which is largely the result of, first all, of strategy. We have a strategy which is driven by permanent innovation and renovation. And we have, as well a strategy where we invest heavily in R&D. We invest heavily as well in marketing spend. Some of these innovations can take different shapes and form as I mentioned in the slide that I put and that I added, because I wanted to give you to further highlight and further colour on what we can do in terms of innovation.

Steffen, I'll let you answer the question on China.

**Steffen Kindler**:

Yes. The question on China market share, really, it's difficult to say if e-commerce is included here. What we see is that for Nielsen data on MAT in 2016, the market has come down from previously about 3% to now really zero. The inclusion of e-commerce is something that we're still working on. We think a part is in, but we are not confident that it's all in. So back to your question, including e-commerce, the market might still be slightly up.

Growth by category is driven by Coffee and *Shark* wafers. But as we said before, *Yinlu* is soft. And as François also explained before, returning the negative trend of some prior years. What is also interesting to mention for China is that our market share is improving in more than 50% of our cells, exactly 56% of our cells we're improving market share in China, which I think is an interesting data point. With that...

**François-Xavier Roger**:

I would just add that in China, our e-commerce is increasing very fast as well. So, we are very present there. So, it was increasing by more than 80%, 8-0, in the first half of 2016 versus the same period of last year. So, we are growing very fast. We are really investing a lot of resources. You've heard about some specific promotion, for example, with Alibaba in the context of 150th Anniversary. So, it's a very strong momentum as well.

That being said, the traditional market which represents the vast majority of the market which is covered by Nielsen is actually showing no growth in the market.

**Steffen Kindler**:

Okay. With that, we'll moved on to Patrik Schwendimann from Zürcher Kantonalbank. Good morning, Patrik.

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| **Questions on:** | **Tax rate**<br>**Nutrition margin** |

**Patrik Schwendimann, ZKB:**

Good morning, Steffen. Good morning, François. What tax rate do you expect for the full year and in the midterm? That's my first question.

And second question, why was the Nutrition margin not better despite significantly lower Dairy prices? What do you we expect for the future in terms of margin for Nutrition? Thank you.

**François-Xavier Roger**:

Thank you for your question, Patrik. On Nutrition, the margin improved, which is good. Obviously, we benefited from low commodity pricing. But on the other hand, we had the pressure from pricing on the mainstream and premium in China. So, which is the reason why the net impact is positive but it could have been better, obviously, if we have not to adjust pricing down as well for the mainstream and premium lines.

On tax rate, we don't provide any guidance on tax rate. The only thing I can mention is our tax rate has been underlying – the effective tax rate has been 27% over the last couple of years. The adjustment that we took in Q2 is a one-off adjustment which is linked to a change of tax laws in Switzerland which does not impact our underlying ETR.

**Steffen Kindler**:

All right. Thank you. That brings us to the next caller, Alain Oberhuber from MainFirst. Good morning, Alain.

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| **Questions on:** | **Hsu Fu Chi and Yinlu**<br>**Ice Cream deconsolidation** |

**Alain-Sebastien Oberhuber, MainFirst:**

Good morning, Steffen. Good morning, François. From my side, also regarding China a question. You mentioned that *Hsu Fu Chi* had some problems in Q1 and that should improve in the second half. Could you elaborate a little bit on that? And the other question is regarding *Yinlu*. Are we still expecting an improvement only by 2017?

And then the second question is regarding the Ice Cream deconsolidation. What could we expect after deconsolidation on the margin? How much will that contribute for the second half? And on an annual basis, how much could be the positive impact from the deconsolidation of your European ice cream business?

**François-Xavier Roger**:

Right, Good morning, Alain. *Hsu Fu Chi*, it’s not that poor in H1. But it's a business which is fairly seasonal, which is linked to festive seasons and so forth. And we know that because of that, we will be in a better position in H2 because some of these festive seasons are moving a little bit during the year as well, so it’s a technical issue in terms of calendar.

*Yinlu*, as I said, it will take some time. *Yinlu* is in negative territories and we are not satisfied with it. This is a strong asset. We have clearly a very good distribution platform in the beverage space nationwide in China which is something that is not common. We have a good innovation pipeline. We have a good track record as well of new products. Shakissimo, a ready-to-drink coffee that we launched recently shows very encouraging results. And we are well positioned as well because we have a significant presence in a growing segment, which is plant protein beverages.

So, I think that the company has a certain number of assets. We need to fix a number of issues, and we are also in categories which are not that attractive anymore. One of them is congee. And we are heavily dependent on one sub-category of plant protein, which is more specifically peanut. So, we need to improve in terms of execution capabilities.

So, we have already started to address clearly most of these issues through innovation. We brought in some people from outside as well to help us on the execution capability. So, we are actively working on the *Yinlu* turnaround, which will take some time. We will see some results in 2017, yes, probably later part of 2017 but it's going to take a little bit of time.

Ice Cream deconsolidation, it will have some impact. We should deconsolidate at the end of the summer. So, it will have some impact in Q4, most specifically. So, the impact in 2016 will be limited, and there will be some impact as well for three quarters next year. But we don't provide any quantification of the evaluation of this impact. But this is part of what we record in a normal basis as part of portfolio management. We have the same, for example, this year, with the deconsolidation of *Davigel* that took place in France last year. So, this is part of what we do regularly.

**Steffen Kindler:**

Okay. Next caller is James Edwardes Jones from RBC. Good morning, James

| **Questions on:** | **R&D Increases**<br>**Promotional Efficiency** |
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**James Edwardes Jones, RBC:**

Good morning, Steffen. Good morning, François. Two quick ones, if I may. First of all, you called out the increase in R&D. It was only up, I think, about 10 basis points from what I can see. Given the actual and intended changes in the portfolio, is that going to increase materially going forward?

And secondly, have you got anything to say on promotional efficiency and it's obviously been something that has been talked about a bit over the last year or two and I wonder if that could partly be a factor behind the relatively subdued sales growth, but big increasing gross margin.

**François-Xavier Roger**:

Okay. I'll take the first question on R&D. Yes. We did increase by 10 basis points. We expect to continue investing significantly in R&D. We do spend more than our competitors. We spend about CHF 1.7 billion a year, so which is significant. Material increase in the future, I would not say material. We are targeting efficiency there as well. I'll let Steffen answer the question on efficiency of our promotional spending. Efficiency matters as well in R&D.

R&D can take different shapes and form as well. We live in a world where part of the R&D is coming from collaborative way of working. So, we need to partner a lot with other companies. A lot of innovation is also coming from small companies, so which we address through participation and cooperation with VC partners and so forth. So, it takes different shapes and form. It does not necessarily mean that everything we do goes through the P&L. Some of them could be equity investment as well as we have always done. We were the first one I think who invested really in external innovation as well.

**Steffen Kindler**:

Yes. For promotional efficiency, James, this is something Nestlé has been doing since I can remember actually also in the operational business. There are several things you can do. There's the classic marketing mix modeling where you see uplift of your trade or marketing spend, and you can pinpoint it very closely.

It's part of our operational processes. In specific cases, we also go on a project basis like in the United States, we had a very broad study that was called strategic pricing where we used statistic correlation models as part of our re-launch of the Frozen portfolio especially in Pizza.

So, there are several tools. And yes, we're aware and we use them all but we feel we've done it always and it's part of the DNA. So, this is not necessarily changing. All right?

That gets us to the last analyst and then we have two more journalists in the queue. So first, Jeremy Fialko from Redburn.

| **Question on:** | **Efficiency of Marketing Spend** |
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**Jeremy Fialko, Redburn:**

Hi. Good morning. It's Jeremy Fialko, Redburn here. I guess following up on James' question, more of a question on the marketing and advertising side of things. Clearly, you've seen some pretty strong increases in this over the course of the last few years, yet your RIG has been, I'd say, relatively stable admittedly in a slightly slower market.

So, the question are how satisfied are you with the efficiency of your marketing spend? And then, what initiatives have you got ongoing to improve the efficiency of the marketing spend? And is that one of the eight areas that you referred to earlier on in the presentation? Thanks.

**François-Xavier Roger:**

Okay. Thank you, Jeremy. Indeed, our marketing spend has been increasing significantly if I just take the last two figures. Last year, we increased our marketing spend by 12% on a constant currency basis. This first half, we did it with 8% additional increase. And I would say this is what drives the fact that we are delivering a strong RIG which is at the very top end of the industry. And so, we are translating that into market share gains as well.

Efficiency is on the top of what we aim at doing. This is not something new. This is not part of the eight areas because this is something that we have been addressing always, over time, which has a lot to do as well with higher investment that we do in digital marketing. And we try to cap now a little bit more what we do in the core marketing spend. It's not that it is not efficient, people continue to watch TV and read magazines and look at billboards in the street. But it is true, as well, the efficiency is quite strong on the digital space. So, this is not part of the eight areas, but this is a clear area of focus.

**Steffen Kindler**:

All right. Then the next question is Ralph Atkins from The Financial Times. Good morning, Ralph.

| **Questions on:** | **Deflation in Continental Europe**<br>**Brexit** |
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**Ralph Atkins, The Financial Times**:

Hi. Good morning. Two questions. Firstly, back to the deflationary pressures which obviously have quite an impact on the Organic Growth rate. You mentioned your confidence about pushing through some price increases in the second half. But you mentioned Brazil and Russia. It seems the problem is focused largely on Continental Europe. What do you expect by way of price developments in Continental Europe and how will that impact on your growth projections?

I've mentioned Continental Europe. Obviously, excluding the UK. But the second question is, what impact do you expect the Brexit vote to have on UK, in terms of UK sales, but also on your future investments in the UK? Thank you.

**François-Xavier Roger:**

Okay. Good morning, Ralph. Deflation in Continental Europe. We are in negative territory there, so our pricing is negative, reflecting global deflationary environment. And I mentioned earlier that we don't expect an improvement there. So, it's not improving. The deflation has probably even accelerated a little bit further as far as the Food and Beverage industry is concerned because there have been some consolidation in terms of retail in some markets. France is one of them for example. So we don't see any improvement.

The UK, I covered earlier. The Brexit for the UK, we don't see any direct impact in the short term apart from the fact that obviously the translation of our UK business in to our group account has reduced a little bit because the currency has devalued by close to 15% against the Swiss franc. So, we see that contribution of our UK business, which is sizeable, will be lower in the total group.

In terms of transaction, we were hedged in terms of imports and exports for certain period of time. So, we don't expect the significant impact on our business in the very short term. As I said earlier, obviously given that we import a lot because our two main categories, are made of products which are imported; cocoa and coffee. We will have to reflect that in pricing going forward.

We don't have a negative view of the UK. We have actually invested in the UK. Because we have built one of the few lines of *Nescafé Dolce Gusto* and it was before the Brexit, but in the UK. So we continue to be committed to the UK as a market for in terms of consumption and it has some role to play even within Europe in an industrial setting for example.

**Steffen Kindler**:

Okay. Final question is from Silke Koltrowitz from Reuters. Good morning Silke.

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| **Question on:** | **Q2 Performance**<br>**Chinese performance**<br>**Dividend policy** |

Yes, hello, good morning. And so, I have two small questions on details, your organic growth in the second quarter was the weakest since when, can you tell us that? You have given three years back, I think it must be longer also that. It is the weakest ever even?

And then on China. How is the Chinese performance of Nestlé? You talked about the market in general saying it was flat. Was Nestlé sales in China flat in the first half or was it slightly up?

And maybe just on new dividend policy, can you tell us are you still committed to raising the dividends each year, every year? Thank you very much.

**François-Xavier Roger:**

Good morning, Silke. Organic growth in Q2, I don't know the history because I joined the company only a few quarters ago. So, we could have a look. But anyway, we don't manage really the business on a quarterly basis. A given quarter in itself doesn't mean too much. You take several quarters that shows a trend, which is the reason why in one of our slides we are showing the historical perspective over 10 quarters.

We see some slowdown which is not linked to volume and mix which is much more linked to pricing which is, once again, the consequence of this deflationary environment as well as low commodity pricing. But, don't look at one quarter in an isolated way. Rather look at the time perspective.

In China, we were negative in Q2. That being said, we gained market share. It might be that this is counter intuitive because as I said, the market is flat but the market is flat with Nielsen data. There is always a little bit of a time lag between our sales which are down to distributors and market share recorded which is consumer market share. So, we are negative in Q2.

Our dividend policy, we have increased our dividend over the last 30 years and we value shareholder return and shareholder remuneration. The dividend is a significant part of our cash flow. It was close to two-third of our cash flow generation last year. We have had, I would not say, a general dividend policy but we have maintained the dividend in Swiss francs which was, I would say, relatively a bold move over the last two years, especially when the Swiss franc revalued last year. But we are committed once again to maintain a good level of shareholder remuneration.

**Steffen Kindler**:

We have not reduced the dividend in the last 70, 7-0, years, so that.. *noblesse oblige.*

**End of Q&A session**

**Steffen Kindler**

That brings us to the end of the call. Thank you very much for your attention today. And we talk to you again on the event of our nine-month earnings results. Thank you very much. Bye-bye.

**END OF TRANSCRIPT**