NESTLÉ S.A.

2017 NINE MONTH SALES CONFERENCE CALL TRANSCRIPT

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Speaker:

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

Slide: Title slide

Good morning, good afternoon, everyone, and welcome to Nestlé's Nine-Month Conference Call. I'm Steffen Kindler, Head of Investor Relations. With me here is our CEO, Mark Schneider; and our CFO, François Roger. As usual, we'll first present the numbers and the business overview and, afterwards, we'll open up for Q&A for analysts. [Operator Instructions]

As you know, we had the Capital Markets Day in London a few weeks ago where we covered the strategic highlights for our company in detail. Therefore, I would propose that we keep today's call focused on the nine-month results, keep it short and sweet.

Slide: Disclaimer

With that, I would hand over to Mark Schneider

Mark Schneider, Chief Executive Officer, Nestlé S.A.

Slide: Title Slide

Thank you, Steffen, and a warm welcome to our conference call participants. Thanks for joining us today. As always, we appreciate your interest in our company. I'll be very brief in my prepared remarks today before turning it over to François.

In short, you are seeing our focus on the twin pillars of organic growth and margin improvement at work. Regarding organic growth, we are pleased with the improvement in Q3, in particular in Western Europe. We are also very encouraged by the steady progress in Zone AOA. In Zone AMS, we're doing comparatively well in a very challenging environment. While we do not report earnings for the nine-month period, you see clear signs from our press release today that there's a lot of work underway. François will cover this in more detail in his presentation. I just would like to highlight that we are staying entirely inside the four year financial framework that we outlined at our Investor Day. We have simply succeeded in moving up several of our restructuring projects as we're committed to fast execution and meaningful progress towards our 2020 targets.

Finally, regarding the metrics we're using to guide your expectations, we have now completed the transition to underlying trading operating profit, while maintaining full visibility of trading operating profit. We hope you appreciate the transparency and the clarity behind that concept.

With that, let me hand it over to François.

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

Slide: Title Slide

Thank you, Mark. Good afternoon to all.

Slide: Nine-month performance highlights

We finished the nine months with organic growth increasing to 2.6%, supported by improved RIG of 1.8%. Pricing softened slightly to 0.8%. Foreign exchange was a mild headwind of negative 0.4%. Net divestments reduced reported sales by 2.6% for the most part attributed to the creation of the Froneri joint venture. Sales totalled CHF 65.3 billion, representing a slight decline of 0.4% on a reported basis.

Slide: Resilient RIG in an environment of weak consumer demand

The next slide shows our organic growth over the last seven quarters with RIG and pricing contribution.

Our year-to-date results of 2.6% organic growth is on the back of a continued solid RIG performance. The sustained contribution from RIG illustrate our capacity to innovate, our capacity to value our product mix, and our capacity to premiumize our offerings. As a reminder, RIG contains volume growth, new products, and the change in product mix.

Mix means that consumers trade up to higher-value products, for example, *Perrier* versus the mainstream brand, or *Nescafé Gold* instead of *Red*, or *illuma* versus *NAN* for infant formula.

Pricing in today's environment continues to be limited. Pricing is essentially offsetting currency depreciation in a limited number of Emerging markets.

Slide: Acceleration of RIG across geographies

Looking now at the geographic breakdown of our businesses. This slide includes the sales of all of our Zones, as well as our regionally and globally managed businesses. Since the half year, all three geographies have improved in terms of RIG and EMENA and AOA also improved in terms of organic growth.

In AMS, we had a slight slowdown of OG versus the half year. This was largely coming from the U.S., mainly from some GMBs, Waters that had some temporary softness in the quarter due to weather. Nutrition was subdued as we re-launched the *Gerber* brand only as of September. OG remained in positive territory across all three geographies.

Slide: Growth in Developed and Emerging markets

Looking now at the contribution from Developed and Emerging markets.

Emerging markets were the driver of the group's RIG improvements in the half year with an increase in Latin America, and good performance in several markets in Asia.

The growth in the Developed markets was generally stable versus the half year in the context of generally weak consumer confidence and limited pricing opportunities.

Slide: Zone AMS

Starting now with a review of the Zones on GMBs, starting with Zone AMS where sales were CHF 20.5 billion. Organic growth was 1.3%, stable versus the half year. We had a meaningful increase in RIG, reflecting some improvement in Latin America during the quarter, but this was fully offset by a slowdown in pricing, mainly in Latin America.

Looking at the two sub-regions in more details. North America continued to face an environment of soft consumer demand and an overall difficult trading environment. In this context, we achieved broadly flat growth for our North American business. By business, Coffee creamer, PetCare and Pizza delivered positive growth which was offset by declines in Confectionery and Ice cream. Overall, RIG in North America remains soft but pricing improved modestly.

Moving to Latin America. RIG increased significantly during the third quarter, mainly driven by Brazil where we introduced broad-based price decreases following local input cost deflation. This consequently had a favourable impact on volumes in the third quarter. Mexico also delivered positive organic growth, and as a category, PetCare continue to see double-digit growth across Latin America, sustaining its position as a growth driver in the region.

Slide: Zone EMENA

Moving now to Zone EMENA with sales of CHF 11.8 billion. Organic growth was 1.9% comprised of 1.4% of RIG and 0.5% of pricing. Following a temporarily soft Q2, we are pleased to see a return to healthier growth for EMENA with 1.9% OG for the nine months being a more representative delivery of the Zone's underlying performance.

These results reflect the strong performance in the third quarter with OG for the quarter at 3.6% and RIG at 3%. This was driven by a return to growth from *Nescafé,* as well as continued good growth for PetCare.

All three regions, Western Europe, Eastern Europe and Middle East and North Africa accelerated in terms of organic growth.

Looking now at the dynamic by category for EMENA, PetCare continued to be a growth driver, delivering strong performance with mid-single-digit growth. For Coffee, organic growth improved in most markets in the third quarter, supporting the Zone's overall improvement.

Nescafé Dolce Gusto continued to be a positive contributor to performance. Confectionery returned to positive growth, thanks to a good turnaround in the third quarter. Finally, Ambient culinary improved meaningfully since the half year.

Slide: Zone AOA

Next is Zone AOA. Sales were CHF 11.9 billion. We finished the nine months at 5.3% organic growth, RIG was 3.6%, and pricing was 1.7%. While we have seen good momentum throughout the year so far, we are unlikely to have further acceleration in the fourth quarter as the timing of Chinese New Year does not play in our favour.

The large driver of the Zone's improvement is attributed to some stabilization of *Yinlu* in China, as well as to the progress made in the last quarter for Congee, Coffee, and Culinary.

In the other regions, Southeast Asia maintained mid-single-digit growth, and Sub-Saharan Africa reported double-digit growth. Both regions were supported by strong performance in Ambient culinary.

The South Asia region continued to grow in spite of the introduction of GST in India back in June. In the Developed markets, both Japan and Oceania had solid growth, more than offsetting negative pricing in these markets.

Slide: Nestlé Waters

On Waters, we had sales of CHF 6.2 billion, organic growth of 2.2%, almost entirely made up of RIG, which was at 2.1% and pricing contribution was moderate at 0.1%.

In the third quarter, our Water business declined, particularly in the Developed markets. We faced difficult comparables and also poor weather which has impacted demand in both North America and Western Europe. Competition remained intense with sustained deflationary pricing pressure across several Developed markets. There was still good momentum in Emerging markets where we had positive RIG, as well as positive pricing. The international sparkling brands continued to be accretive to our overall business, delivering mid-single digit organic growth. We expect the business to regain momentum as the year progresses.

Slide: Nestlé Nutrition

For Nestlé Nutrition, we had sales of CHF 7.7 billion, real internal growth improved since the half year, offsetting the deceleration of pricing. Consequently, organic growth showed a small improvement, finishing at 1% for the nine months.

Growth in China improved in the third quarter due to the good momentum of *NAN* and *illuma*, leveraging on their strong brand equity. In the U.S., growth remained subdued but was positive. The comprehensive re-launch of *Gerber* including organic and natural ranges began in September, and we planned to have media support starting in the fourth quarter. Our Cereal range in the U.S. performed well. Brazil's growth was impacted as we decreased prices to reflect local input cost deflation. While this did help RIG, it put pressure on our organic growth in the quarter as well as in the nine months. In the other markets, both Sub-Saharan Africa and South Asia regions had good RIG-driven growth.

Slide: Other businesses

Finally, Other businesses which covers *Nespresso*, Nestlé Skin Health and Nestlé Health Science, for the first nine months, sales were CHF 7.2 billion. Organic growth picked up to 5.1%, mainly all RIG-driven.

Starting with *Nespresso*, where we sustained healthy mid-single-digit growth led by double-digit growth in North America. Both EMENA and AOA also grew well as the business continues to expand geographically and offer new innovations.

Nestlé Skin Health had RIG-driven growth, benefiting from the introduction of several new product innovations, and Nestlé Health Science maintained mid-single-digit growth driven by Medical nutrition.

Slide: Growth by products

Moving now to the growth by categories. On this slide, we see the level on drivers of growth by product groups. Our growth was broad based as the contribution by category ranges from 2.3% to 3.5%, relatively close to the group average of 2.6%. The exception, of course, is Confectionery, which year-to-date OG was flat comprised of 1.4% RIG that was fully offset by a negative 1.4% in pricing. However, the category still bears some impact from the timing of Chinese New Year and the flat OG represent a meaningful improvement since the half year when growth was actually negative.

Let's discuss in more detail the evolution by product groups in the half year. For Powdered and liquid beverages, a good third quarter in Coffee help drive a solid performance in the nine months. Waters, we have discussed. Milk products and Ice cream improved in the half, largely owing to the improvement in *Yinlu*. In Nutrition and Health Science, all three businesses maintained good growth with Nutrition and Nestlé Skin Health showing particularly good improvement in RIG. For Prepared dishes and Cooking aids, OG was solid as Ambient culinary sustained good growth, especially in Emerging markets. The category was also helped by an improvement in Frozen in the third quarter.

Confectionery, I already talked about. Finally, PetCare had RIG-driven performance with double-digit growth in Emerging markets.

Slide: Outlook 2017 confirmed

That brings me to my last slide on our guidance for the full year. First, we confirm our sales guidance for 2017 and we now expect organic growth for the full year to be around the level of the nine months period, which means around 2.6%.

For underlying trading operating profit margin which, as you remember, is before restructuring and net other trading items, our guidance remains unchanged. Therefore, we expect an improvement of our underlying trading operating margin by at least 20 basis points in constant currency, in line with our implied guidance at the beginning of the year.

Our structural savings programmes have progressed ahead of schedule, faster than we originally planned. As a result, we will have a further increase in restructuring and related expenses of between CHF 400 million and CHF 500 million in 2017. Consequently, our trading operating profit margin after restructuring will decrease by 40 basis points to 60 basis points on a constant currency basis.

For the restructuring spend, this is clearly not an increase of our total planned investment from 2016 to 2020, which we confirmed at CHF 2.5 billion. We are just moving faster than planned, and we are booking cost earlier than anticipated. For your information, part of this increase is made up of non-cash item. Finally, we expect improvements in both underlying earnings per share in constant currency as well as improvement in capital efficiency.

I will now hand over to Steffen as we open up for Q&A.

Q & A Session

Steffen Kindler:

Thank you very much, François. We start the Q&A and the first person in line is Céline Pannuti from JPM. Good afternoon, Céline. Your two questions, please?

Questions on:	**Outlook for Emerging markets** **PetCare slowdown**

Céline Panutti, JP Morgan:

Yes, good afternoon to all. Well, my first question is really on the outlook for Emerging markets. I noted and you noted as well the good performance in AOA, but cautioned about probably a tough comp in Q4. Just wanted to understand how you see demand panning out in Asia and as well Latin America, whether we are through the worst and maybe can be a bit more positive about or constructive, let's say, about 2018.

My second question is on PetCare. Clearly, there was a slowdown in the third quarter. Can you explain where that came from and whether you are seeing any impact on the category demand from what's happening structurally in the U.S.?

Thank you.

François-Xavier Roger:

Good afternoon, Celine. I will take the question on the Emerging markets. We do see indeed a clear acceleration of our business in Emerging markets which is, as far as we are concerned, largely coming from China, which itself is partly coming from a significant improvement in *Yinlu*, but it is not limited to that. We have a very strong momentum, as well that we're experiencing in Southeast Asia, in India, in Africa, Sub-Saharan Africa.

In Latin America, we see some signs of an improvement with always a lot of volatility in Brazil, but the other South American countries remain strong and solid, and we see Mexico being very resilient. But clearly, we see an improvement of our business in Emerging markets, mainly in terms of RIG. Actually, our RIG almost I think doubled this year at the nine-month period versus the level where we were last year.

PetCare, the question on PetCare. So, we had a solid organic growth of about 3%, which was led by RIG of 2.7%. In Emerging markets, we had double-digit growth, especially in Russia and LATAM. So, we are doing very well there. We were positive in Developed markets, both in North America, as well as in Western Europe. We have little bit of a slowdown in Q3 versus the level where we were in Q2. Actually, in Q2, we were at 5%. We are at 2.7% in Q3.

North America had actually a very strong Q2, and price has slowed down a little bit in Q3 on average. We have less pricing contribution from Emerging markets for PetCare, mainly in LATAM, and we are facing a slight deflationary pressure in Western Europe for PetCare as well.

Questions on:	**Restructuring** **Nespresso in North America and Europe**

Jean-Philippe Bertschy, Vontobel:

Good afternoon. Thanks for the question. To come back to François' comment on the restructuring, how much is cash and how much is non-cash? In other words, how much are you expecting savings for the next year?

The second one would be on *Nespresso* with the double-digit growth in the North America, was the growth was driven by *VertuoLine* mostly or it's like both product types? How is *VertuoLine* doing in Europe?

Thanks.

François-Xavier Roger:

Good afternoon, Jean-Philippe. On the restructuring, so we are increasing our restructuring spend this year by – between CHF 400 million to CHF 500 million. Out of the increase, we don't disclose the amount of cash and there is always uncertainty even on what will be impacting our cash flow this year. But I can tell you, out of the increase of CHF 400 million to CHF 500 million, a good third is cash and about two-third is noncash. There are some impairment that are linked to certain number of sites that we are closing on which we have to do impairment. So, once again, out of the increase a third is cash and two-thirds is noncash.

Mark Schneider:

Jean-Philippe, this is Mark. Regarding your question on *Nespresso*, I think both systems are doing very well in North America. But we're particularly proud of the *VertuoLine* performance. I think here we have a system that's very, very much in sync with market tastes in North America, where, as you know, historically, there's been a preference for large cup servings, and this system is particularly good at that.

When it comes to Europe, we're seeing very good success in France where we launched it first. Here again is a market that does have a fairly strong large cup following. We're now planning the rollout across other key European markets.

Questions on:	**Pricing** **North American market**

Warren Ackermann, Société Générale:

Hi, Steffen. Hi, Mark. Hi, François. It's Warren here at SocGén. Yeah, two questions. First one is pricing generally is still very low. We've got deflationary trends in Water. You called out Japan, Australia. Less pricing in LATAM. My question is I get the point on lower commodities, but are there other factors at play here such as the growth in e-commerce and more price transparency more generally? Is this a new normal on pricing?

Then, specifically, could you give some details on what's happening on Brazilian pricing? Because I know that you're quite late on pricing last year, I think it was, and now you're dialling back pricing already. What kind of quantum of reduction in pricing are we seeing in that market?

The second one is just really on North America. We touched on it obviously on the CMD. You went into details. But, clearly, we've got soft consumer demand, a difficult environment. Are you actually seeing category trends decelerating or what's happening, what are you seeing in the market? Because, clearly, it's almost 30% of your business and you would need it to do a lot better to get back to the mid-single-digit organic growth that you hope for by 2020.

How much are you expecting the categories to help you or is it really going to be market share gains in the soft categories ongoing? Thank you.

Mark Schneider:

Thanks, Warren. On pricing, you're absolutely right. This is not an easy environment but, hence, I want you all to appreciate François' comment earlier about the importance of RIG and that RIG is not just volume alone, but that a good mix development is also one of the ingredients here to a strong performance.

Pricing this year, and in particular when it comes to currencies and raw material costs, was also harder to time because there was quite a bit of volatility. I think going into 2017, more people expected raw materials to continue to go up. That did not happen. In fact, we saw a strong softening here in the second half. Hence, it was pretty easy to mistime your pricing. I'm sure you know like anyone else, we didn't always get it right, and that's just the nature of the beast.

Warren Ackerman:
Yeah.

Mark Schneider:
On Brazil, in particular, I wouldn't want to go into sort of specific market comments here on the pricing, but again, between raw materials and currency it's not been an easy environment to do the pricing in properly.

Going forward, I think everyone is well advised to be cautious, and you see that reflected in our expectations for Q4. Then we'll update you on our views for 2018, as we hold our full-year conference call in February.

For North America and also the expectations towards 2020, I think you saw as part of the Investor Day, a fairly healthy set of steps. So, this is not like a silver bullet kind of situation between fixing some of the underperformers, category development in our high growth categories, and then clearly cranking up the rate of innovation or renovation. So, it's mostly stuff that we can do under our own steam, and not so much hoping for some sort of macro relief because hope is not a strategy.

Questions on:	**Growth expectations in Developed Markets for 2018** **Increase in restructuring costs**

Patrik Schwendimann, ZKB:

Hi, Mark. Hi, François. Hi, Steffen. We have seen a pickup with growth in the Emerging markets for Nestlé and some other peers. On the other hand, growth in the Developed markets was still subdued for the food industry overall. Do you think this could be also the growth pattern for 2018, or do we see a chance for pickup in the Developed markets? That's my first question.

The second question regarding the additional increase of the CHF 400 million to CHF 500 million in restructuring-related cost. Does this mean in total now we should expect roughly CHF 1.2 billion to CHF 1.3 billion for restructuring and related cost, and of it, roughly CHF 700 million of restructuring? Thank you.

Mark Schneider:

Patrik, thanks for your question. I think the – on the growth expectations, for now, we'd like to keep it to the expectations for the end of 2017, just in light of that volatility around us. So, that's where we expressed the caution. Then, let's see where we stand in the late winter when it comes to our views for 2018.

But I think in this moment, as you saw from so many changes happening in key markets this year, it's always a little harder to do these precise forecasts. But, of course, when it comes to planning our cost base and when it comes to planning internally here, we work from fairly cautious assumptions and then rather be surprised by the upside than the other way around.

François-Xavier Roger:

So, good afternoon, Patrik. For restructuring expenses, at the beginning of the year, we said that we were targeting to spend about CHF 500 million. This increase in the line restructuring itself, we will increase it by probably CHF 150 million, so we'll be at CHF 650 million. But we have another about CHF 350 million, which is coming from what we call restructuring-related expenses. They are not booked from an accounting point of view in the same line, part of it has to do with impairment, which is the reason why I was mentioning that it is a noncash item. But they are clearly absolutely linked to this restructuring program that we are currently conducting.

So, in total, the amount that you mentioned for the year is correct. But if we look at what is clearly linked to restructuring for this year, it's probably closer to CHF 1 billion, which mean that we did already CHF 300 million last year. So, we'll be left with about CHF 500 million to CHF 600 million of restructuring for each and every single of the next three years, so which is we stick to our estimate of about CHF 2.5 billion of restructuring from 2016 to 2020.

What I want to mention as well is that this restructuring-related expenses that we have this year, we do not expect to have significant amount of restructuring-related expenses that don't go into the restructuring line in the near future.

Questions on:	**Organic sales growth guidance** **Restructuring costs**

Jon Cox, Kepler Cheuvreux:

Thank you, guys. Good afternoon. Jon Cox, Kepler Cheuvreux. Just one on the organic sales growth guidance for the year. You mentioned in line with nine months, 2.6%. Consensus, I think, is 2.7%. You mentioned the Chinese New Year, but the comp overall was below 3% in Q4 last year. Just wondering if there's anything else we should worry about in terms of Q4 or is it just being a little bit cautious in this sort of environment.

Just coming back to the restructuring charges, just a point of clarification. Did you say CHF 600 million per year 2018, 2019, I guess, rather than CHF 600 million per year, 2018, 2019 and 2020, because obviously that would take you up well above CHF 2.5 billion. Just a point of clarification there, François-Xavier. Thank you.

Mark Schneider:

Thanks, Jon. On the organic sales growth expectation, I hope also you appreciate the precision here. As we're guiding you throughout the year and kind of narrowing down the range of expectations, I think with only one quarter left to go, slight variations here of a tenth of a percent don't make that much of a difference, and hence we felt that bracketing it was around the level that we've seen now for the nine months was clearly the safest way to go. You pointed out the one obvious item and that is timing of Chinese New Year where we benefited in Q4 last year. We will not benefit to the same extent in Q4 this year. Other than that, no particular significant items.

François-Xavier Roger:

So, Jon, to clarify, so last year, we did, for restructuring, CHF 300 million. This year, we expect to do around CHF 650 million, so which means that, basically, in the first two years, we are close to CHF 1 billion. We have an objective of CHF 2.5 billion, which means we are left with CHF 1.5 billion over the next three years which is roughly speaking CHF 0.5 billion for each and every single year, 2018, 2019, and 2020.

Questions on:	**AMS Performance – impact from recent natural disasters** **Pricing and mix in Infant Nutrition**

Mitch Collett, Goldman Sachs:

Hi there. Firstly, can I ask about your U.S. performance? You haven't made much of a comment in relation to natural disasters. Have you had any negative impact from that?

Then, secondly, your price mix in Nutrition, I just wondered why perhaps it wasn't stronger. Is that all explained by the price reductions you'd mentioned in Brazil? I think given the regional growth you cite within the release, perhaps I thought it might be slightly better. Thanks.

Mark Schneider:

Mitch, this is Mark. I appreciate the question. Yes, clearly, when you look at Zone AMS and some of the disasters that happened there that were impacting the Southern part of the United States and parts of Central America, yes, of course, there's an impact. But, obviously, we have chosen not to mention that because, honestly, we're not the weather channel when it comes to our sales development, okay. We describe the things that happen as a result of our decisions and that are meaningful, and we're not looking for some excuses. Was there negative impact? Yes, there was. But I think in light of some of the other things that we were mentioning, it just did not rise to the same level of importance and hence we didn’t feature it. I hope you appreciate that.

Mitch Collett:

Yes. Thank you.

François-Xavier Roger:

Hi, Mitch. François speaking. You're absolutely right. As far as the pricing and mix dynamics for Infant nutrition, our pricing decelerated a little bit in Q3, and this is mainly for what you said; because of Brazil. Milk prices went south very significantly in Brazil, so we had to adjust due to competitive forces. But there's a little bit of an impact as well in South Asia, mainly in India, because of the introduction of GST. It technically reduced a little bit of price as well.

Mitch Collett:

Got it. Thanks.

Questions on:	**China** **Nestlé Waters in US and Europe**

Alain Oberhuber, MainFirst:

Good morning, Mark, François and Steffen. I'm Alain Oberhuber, MainFirst. The first question is regarding China. Could you give us a little bit more insight about the other products? You said that Nutrition improved as well as *Yinlu*. What about *Hsu Fu Chi* and the Coffee business and *Maggi*, the big categories there?

The second question is regarding the Water business development. One of your competitor had very strong organic growth. Did you lose market share? Could you elaborate on the Water business more for North America as well as for Europe, please?

Mark Schneider:

Let me start on the Water business and then hand it over to François for China. On the Water business, I think compared to the competitor you mentioned, I think we had a different set of comps that explains some of the difference. Then the other one I think that's worth pointing out is that very different geographic profile where we are so much more present in North America where we have seen a particularly slow summer. Some of that had to do overall with the somewhat cooler summer weather and lower consumption in the space. But some of it also has to do with us having to catch up with capacity in some areas that are growing particularly strongly, and that in particular with carbonated.

François-Xavier Roger:

Alain, just to give you a little bit more flavour on the performance of our businesses in China, most of them performed well. Actually we had an improved performance across the board with a specific mention for Culinary, Coffee, Ice cream and *Yinlu.* So you see it's a fairly broad spectrum. Within *Yinlu*, we had good performances for Congee and ready-to-drink Coffee. Even for Infant nutrition where our business also improved.

The other good news is that we gained market share in soluble Coffee, ready-to-drink Coffee, Chocolate wafer, Culinary and so forth. So, where we had a little bit of more difficulties is *Hsu Fu Chi* but this is something that we carry since Q1 because of the timing of Chinese New Year. We had actually two Chinese New Year somewhat last year, once fell in January last year and the other one in December last year, which meant that we missed it in at the beginning of 2017.

Question on:	**Regulations for Infant Formula in China**

Jeremy Fialko, Redburn:

Hi. Good afternoon. Jeremy Fialko here. Just one question. Can you give us your perspective on the regulations in the Chinese milk formula market? It sounds like there have been some changes in terms of cross-border trade recently and when the regulations are going to be enforced. So, can you just give us your updated perspective on things and how you think it might affect your business kind of in the next quarter and then going into 2018? Thanks.

Mark Schneider:

Jeremy, thanks. This is Mark. I wouldn't want to go into too much detail, but of course, we are interested in exploring e-commerce opportunities that take into account today's reality in the Chinese e-commerce environment, but that also satisfy our requirements when it comes to consumer safety, for example, and also our respect for national regulations. So, those are areas we're exploring actively. Too early to frame any specific expectations around it, but it's something that we look at very closely.

End of Q&A session

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

Okay. Thank you very much. That brings us to the end of today's call. If you have more questions, like always, you know where to find the IR team by telephone or by e-mail. We look forward to your further questions. We also look forward to talking to you again at the occasion of our full year results in February 2018. With that, I wish you good rest for the day and say goodbye.

Mark Schneider:

Thank you.

François-Xavier Roger:

Thank you.

End of Transcript