
Press release

Vevey, 16 October 2015



Nestlé nine-month sales: 4.2% organic growth, 2.0% real internal growth

- Sales of CHF 64.9 billion
- 4.2% organic growth, 2.0% real internal growth
- Organic growth in developed markets 2.2%, emerging markets 6.8%
- Full-Year Outlook: organic growth of around 4.5%, with improvements in margins and underlying earnings per share in constant currencies, and capital efficiency

Paul Bulcke, Nestlé CEO: “After a good performance in the first half of the year we were impacted in the third quarter by exceptional events, with Maggi noodles in India and a rebate adjustment in Nestlé Skin Health. Yet our real internal growth increased, reflecting broad-based positive momentum across our business and many of our markets. There was continued solid performance in Europe, Nestlé Waters and Nestlé Health Science. We made good progress in much of Latin America and delivered a significant improvement in North America, especially in frozen food, contrasting with slower sales recovery in China. On the whole, organic growth fell short of our expectations and therefore we project organic growth of around 4.5% for the full year, with improvements in margins and underlying earnings per share in constant currencies, and capital efficiency.”

Group results

In the first nine months of 2015 organic growth was 4.2%, composed of 2.0% real internal growth and 2.2% pricing. Total sales of CHF 64.9 billion were impacted by foreign exchange (-6.7%). Acquisitions, net of divestitures, added 0.4% to sales.

We continued to grow in our three geographies with organic growth of 6.2% in the Americas (AMS), 4.0% in Europe, Middle East and North Africa (EMENA) and 1.1% in Asia, Oceania and sub-Saharan Africa (AOA).

Zone AMS

Sales of CHF 18.5 billion, 5.8% organic growth, 1.2% real internal growth

- The growth in the Zone accelerated, led by the improvement in the frozen food business in the US and continued good momentum in Mexico. *Nescafé Dolce Gusto*, soluble coffee, confectionery and petcare were the main growth drivers.
- In **North America** the relaunch and repositioning of *Lean Cuisine* and *Stouffer's* gained further traction. The new *Lean Cuisine Market Place* and *Stouffer's Fit Kitchen* ranges have delivered growth

for several months now, outpacing the market and driving recovery in the frozen meals category. Pizza gained momentum and in ice cream new products delivered solid growth with *Häagen-Dazs* and *Outshine*. *Coffee-mate* liquid and powder formats both grew solidly. Petcare continued to grow with strong performances from *Purina One* and *Brightminds* in the super premium dog food segment and from cat litter. The *Beneful* case continued to have an impact.

- In **Latin America**, in the face of economic uncertainties, Brazil was resilient with soluble coffee, *Nescafé Dolce Gusto* and *KitKat* contributing. Mexico's accelerated growth momentum was driven by soluble coffee and *Nescafé Dolce Gusto*, *Coffee-mate*, confectionery and ambient dairy. Other highlights were the performances in Chile, Ecuador, Colombia and the Plata Region. Petcare continued to be a growth driver, helped by increased capacity in the factory in Argentina and a new dog food factory in Mexico.

Zone EMENA

Sales of CHF 12.0 billion, 4.1% organic growth, 2.5% real internal growth

- The Zone's positive growth momentum accelerated, driven by petcare, soluble coffee, *Nescafé Dolce Gusto* and ice cream.
- In **Western Europe** *Nescafé Dolce Gusto* and petcare continued to be growth drivers, helping deliver a solid performance in the Great Britain region and growth in France. Frozen pizza and soluble coffee both contributed. Ice cream did well in mature markets. Growth for petcare was well distributed among the key European markets with *Felix* and *Gourmet* the drivers.
- **Central and Eastern Europe** delivered good growth, especially in Russia and Ukraine. Chocolate, soluble coffee and petcare led the growth in Russia and pricing also contributed.
- In the **Middle East and North Africa region** soluble coffee and confectionery helped deliver good growth in several markets, compensating partly for the difficult situation in Iraq, Yemen, Libya and others. Lower input costs for dairy across the region led to negative pricing.

Zone AOA

Sales of CHF 10.5 billion, -0.5% organic growth, -1.4% real internal growth

- The material impact of the withdrawal of *Maggi* noodles in India, and the situation in China where the recovery is slower than expected, continued to affect the Zone's growth significantly, overshadowing better performances elsewhere in the emerging markets and the solid growth in the developed markets.
- In the **emerging markets** lost sales of *Maggi* noodles continued to have a significant impact on growth in the South Asia Region. Nestlé India received a favourable ruling from the Honourable Bombay High Court and is actively engaging with the authorities to get the product back on the shelves. In China we continued improving the fundamentals of the business at Yinlu, while seeing solid performances with *Nescafé* soluble coffee and ready-to-drink and also with Hsu Fu Chi

confectionery. Elsewhere, Vietnam and Indonesia were among the highlights. Sub-Saharan Africa continued to generate growth ahead of the market with the business accelerating strongly in the Central West African region, in spite of falling oil revenues there. South Africa also performed well.

- In the **developed markets** Japan continued to perform well thanks to innovation in *KitKat* and in *Nescafé*. Oceania also achieved good momentum in an intensely competitive trading environment.

Nestlé Waters

Sales of CHF 5.9 billion, 6.8% organic growth, 7.0% real internal growth

- Nestlé Waters maintained its good growth momentum as it continued to capitalise on rising demand for healthy beverages. There was a strong performance from the emerging markets with the Middle East, Africa, Turkey and Mexico all growing double-digit. Developed markets delivered solid growth with North America, Spain, Italy, UK and France among the highlights. Growth for *Nestlé Pure Life* accelerated, and our premium international brands, *Perrier* and *S.Pellegrino*, delivered good growth. The local brands also continued to perform well, with *Buxton* in the UK, *Poland Spring* in the US, and *Santa Maria* in Mexico all making positive contributions.

Nestlé Nutrition

Sales of CHF 7.8 billion, 3.4% organic growth, 1.4% real internal growth

- Nestlé Nutrition faced tough comparables from the same period last year and saw slower growth in the Middle East and Latin America. However in Asia, Wyeth Nutrition and its premium brand *Illuma* performed well and the e-commerce platform in China was expanded. In Latin America Mexico continued to grow strongly across all categories driven by innovations in our *NAN*, *Nido* and *Gerber* brands. Infant cereals delivered good growth, driven by the US and Europe where Russia and Poland were highlights. The pouch segment did well for meals and drinks.

Other businesses

Sales of CHF 10.1 billion, 5.5% organic growth, 4.4% real internal growth

- Growth for **Nestlé Professional** accelerated, driven by emerging markets, with strong performances in the Middle East, Turkey, Indochina, the South Asia Region, Indonesia and in Latin America. Russia drove the positive growth momentum in Eastern Europe, compensating for the softer trading environment in Western Europe and North America. The coffee solutions business drove growth for beverages. Savoury flavour solutions were the highlight for the food business.
- **Nespresso** grew according to expectations, with investment in innovation supporting the growth in its established markets in Europe and in newer markets elsewhere. New machines and services, the launches of new retail concepts and the extensions of its range of Grands Crus coffees continued to be well-received by consumers.

- **Nestlé Health Science** delivered broad-based growth with strong performances in Europe and AOA. In Consumer Care growth was driven by *Boost* and *Carnation Breakfast Essentials* in the US, *Meritene* in Europe and *Nutren* in Brazil. The allergy portfolio delivered good growth across key geographies for Medical Nutrition. The continuing roll-out of *Vitaflo*'s product range also contributed. Diagnostics supported the growth in Novel Therapeutic Nutrition while generic competition in the gastrointestinal segment impacted *Lotronex*.
- It was decided to take a more conservative approach to **Nestlé Skin Health**'s prescription drug rebate policy in the US which required a one-off charge in the third quarter. The underlying growth momentum of the business is unaffected, with innovation and product roll-out continuing to drive sales in all its businesses globally.

October Announcement

Earlier this month Nestlé announced that it is in advanced discussions with R&R, a leading ice cream company, to set up a joint venture to which Nestlé would contribute its ice cream businesses in Europe and four other countries, and its European frozen food business, excluding pizza. The proposed joint venture brings together the complementary strengths of each company and creates a leading player in ice cream.

Outlook

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

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Annex

Nine-month sales overview 2015

	Jan.-Sept. 2015 Sales in CHF millions	Jan.-Sept. 2014 Sales in CHF millions (*)	Jan.-Sept. 2015 Organic Growth (%)	Jan.-Sept. 2015 Real Internal Growth (%)
By Operating Segment				
• Zone AMS	18'503	18'832	+5.8	+1.2
• Zone EMENA ^(a)	12'023	13'213	+4.1	+2.5
• Zone AOA	10'464	10'799	-0.5	-1.4
Nestlé Waters	5'891	5'686	+6.8	+7.0
Nestlé Nutrition	7'842	8'083	+3.4	+1.4
Other businesses	10'140	9'611	+5.5	+4.4
Total Group	64'863	66'224	+4.2	+2.0
By Product				
Powdered and liquid beverages	13'979	14'701	+5.8	+3.1
Water	5'489	5'280	+7.1	+7.2
Milk products and ice cream	10'997	11'346	+0.9	+0.2
Nutrition and Health Science	10'854	10'309	+4.6	+2.9
Prepared dishes and cooking aids	9'084	9'678	0.0	-1.6
Confectionery	6'152	6'702	+7.8	+1.0
Petcare	8'308	8'208	+5.9	+3.4
Total Group	64'863	66'224	+4.2	+2.0

(*) 2014 figures have been restated on the following main transfers, effective as from 1 January 2015:

- the Maghreb, the Middle East, the North East Africa region, Turkey and Israel in Zone Asia, Oceania and Africa to Zone Europe;
- Growing-Up Milks business in the geographic Zones to Nestlé Nutrition;
- Bübchen business in Nestlé Nutrition to Other businesses.

a) Renamed following the above mentioned reorganisation.