

Nestlé reports nine-month sales for 2019

- Organic growth of 3.7%, with real internal growth (RIG) of 3.0% and pricing of 0.7%. Growth was supported by strong momentum in the United States and *Purina* PetCare.
- Total reported sales increased by 2.9% to CHF 68.4 billion (9M-2018: CHF 66.4 billion). Net acquisitions had a positive impact of 0.7% and foreign exchange reduced sales by 1.5%.
- Portfolio management fully on track. The sale of Nestlé Skin Health for CHF 10.2 billion was completed on October 1, 2019. The strategic review of the *Herta* charcuterie business is ongoing and expected to be completed by the end of the year.
- Nestlé's Board of Directors has decided to distribute an amount of up to CHF 20 billion to Nestlé shareholders over the period 2020 to 2022, primarily in the form of share buybacks.
- Full-year guidance for 2019 confirmed. We expect organic sales growth around 3.5% and the full-year underlying trading operating profit margin at or above 17.5%. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

Mark Schneider, Nestlé CEO:

"We are pleased with our nine-month results and have made further progress towards our 2020 financial goals. We continue to see good momentum in our largest market, the United States and very strong growth for Purina PetCare globally. Nestlé's growth was supported by investment behind our brands, rapid innovation and disciplined execution. During the third quarter, the roll-out of Starbucks products continued, now reaching 34 countries. Our portfolio transformation is fully on track, as shown by the timely completion of the Nestlé Skin Health disposal. With prudent investments and a disciplined approach to acquisitions our value creation model is generating profitable growth and attractive cash returns for our shareholders."

Group results:

	Total Group	Zone EMENA	Nestlé Waters	Other Businesses
Sales 9M-2019 (CHF m)	68 367	13 650	6 097	8 687
Sales 9M-2018 (CHF m)	66 424	13 731	6 127	8 849
RIG	3.0%	4.6%	-2.5%	6.4%
Pricing	0.7%	-1.7%	3.0%	0.7%
Organic growth	3.7%	2.9%	0.5%	7.1%
Net M&A	0.7%	-0.1%	-0.2%	-7.3%
Foreign exchange	-1.5%	-3.4%	-0.8%	-1.6%
Reported sales growth	2.9%	-0.6%	-0.5%	-1.8%

Group Sales

Organic growth reached 3.7%. RIG of 3.0% remained at the high end of the food and beverage industry. Pricing contributed 0.7% with temporary softness in the third quarter, mainly related to the phasing of pricing steps and decreasing coffee prices. Organic growth was 3.5% excluding businesses under review.

Year-on-year growth acceleration was supported by the United States and Brazil. EMENA contributed to the improved momentum with strong mid single-digit RIG in the third quarter. AOA saw solid growth despite softness in some categories in China. Organic growth was 2.7% in developed markets, supported by strong RIG. Growth in emerging markets was 5.0%.

All product categories saw positive growth, led by Purina PetCare and coffee. The newly launched Starbucks products saw strong demand with further expansion into new countries. Nestlé Health Science showed good progress with high single-digit growth in the third quarter. Growth in water remained subdued, reflecting high pricing comparables and a disappointing summer season in Europe.



Good Food, Good Life

Net acquisitions increased sales by 0.7%. The acquisitions of the Starbucks license and Atrium Innovations more than offset divestments, mainly Gerber Life Insurance. Foreign exchange had a negative impact of 1.5%. Total reported sales increased by 2.9% to CHF 68.4 billion.

Zone Europe, Middle-East and North Africa (EMENA)

- 2.9% organic growth: 4.6% RIG; -1.7% pricing.
- Western Europe posted strong RIG, partially offset by negative pricing.
- Central and Eastern Europe had mid single-digit organic growth with strong RIG. Pricing was negative.
- Middle East and North Africa saw mid single-digit organic growth, with strong RIG and positive pricing.

	Sales 9M-2019	Sales 9M-2018	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Zone EMENA	CHF 13.7 bn	CHF 13.7 bn	4.6%	-1.7%	2.9%	-0.1%	-3.4%	-0.6%

Organic growth was 2.9%, with strong RIG of 4.6%. Pricing declined by 1.7%, mainly due to decreasing coffee prices. Net acquisitions decreased sales by 0.1%. Foreign exchange negatively impacted sales by 3.4%. Reported sales in Zone EMENA decreased by 0.6% to CHF 13.7 billion.

Zone EMENA reported mid single-digit RIG with increased momentum in the third quarter. Each sub-region made good contributions to this positive trend with market share gains across categories. Pricing remained negative, especially in coffee. Overall the positive organic sales development was supported by high growth in *Purina* PetCare and infant nutrition. Coffee saw positive growth with high single-digit RIG in the third quarter, helped by the launch of Starbucks products across 20 countries in the Zone. Confectionery maintained good momentum with double-digit growth for *KitKat*. Vegetarian and plant-based food products posted double-digit growth, supported by the launch of the *Garden Gourmet Incredible Burger* in 10 countries across the Zone.

Nestlé Waters

- 0.5% organic growth: -2.5% RIG; 3.0% pricing.
- North America reported flat organic growth. Positive pricing was offset by negative RIG.
- Europe saw negative organic growth. Both RIG and pricing declined.
- Emerging markets posted high single-digit organic growth, with strong pricing and positive RIG.

	Sales 9M-2019	Sales 9M-2018	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Nestlé Waters	CHF 6.1 bn	CHF 6.1 bn	-2.5%	3.0%	0.5%	-0.2%	-0.8%	-0.5%

Organic growth was 0.5%. Pricing increased by 3.0%, RIG declined by 2.5%. In the third quarter, growth slowed due to high pricing comparables in North America and a disappointing summer season in Europe. Net acquisitions reduced sales by 0.2%. Foreign exchange negatively impacted sales by 0.8%. Reported sales in Nestlé Waters decreased by 0.5% to CHF 6.1 billion.

In North America organic growth was flat. Premium brands *S.Pellegrino*, *Perrier*, and *Acqua Panna* saw double-digit growth as they benefited from a strong innovation pipeline focused on flavored and functional offerings. The *ReadyRefresh* direct-to-consumer business grew at a mid single-digit rate, helped by pricing and a new user-friendly online platform. The lapping of the 2018 price increases weighed negatively on growth for the case-pack format and *Nestlé Pure Life*.

Europe had negative growth following a disappointing summer season and high comparables in the third quarter. Emerging markets posted high single-digit growth. *Nestlé Pure Life* in Egypt, *Erikli* in Turkey and *La Vie* in Vietnam grew at double-digit rates, supported by expansion in the sparkling and flavored segments.

Other Businesses

- 7.1% organic growth: 6.4% RIG; 0.7% pricing.
- Nespresso reported mid single-digit organic growth, with strong RIG and positive pricing.
- Nestlé Health Science reached high single-digit organic growth based entirely on strong RIG.
- Nestlé Skin Health posted high single-digit organic growth, with strong RIG and slightly positive pricing.

	Sales 9M-2019	Sales 9M-2018	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Other Businesses	CHF 8.7 bn	CHF 8.8 bn	6.4%	0.7%	7.1%	-7.3%	-1.6%	-1.8%

Organic growth of 7.1% was driven by strong RIG of 6.4% and pricing of 0.7%. Net acquisitions reduced sales by 7.3%, mainly due to the disposal of Gerber Life Insurance, which more than offset the consolidation of Atrium Innovations. Foreign exchange negatively impacted sales by 1.6%. Reported sales in Other Businesses decreased by 1.8% to CHF 8.7 billion.

Nespresso maintained solid mid single-digit organic growth. North America and emerging markets grew at strong double-digit rates. Europe maintained positive growth. The *Vertuo* system, now available in 21 markets, continued to generate strong consumer demand. Nestlé Health Science grew at a mid single-digit pace with an acceleration to high single-digit in the third quarter. Medical nutrition and Atrium Innovations were the largest contributors. Nestlé Skin Health grew at a high single-digit rate, with mid single-digit growth in the third quarter.

Outlook

Nestlé confirms its full-year guidance for 2019. We expect organic sales growth around 3.5% and the full-year underlying trading operating profit margin at or above 17.5%. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

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