



Good food, Good life

Press Release

Dubai, United Arab Emirates, October 24, 2021

Nestlé reports nine-month sales for 2021, raises full-year organic sales growth guidance

- Organic growth reached 7.6%, with real internal growth (RIG) of 6.0% and pricing of 1.6%. Growth was supported by continued momentum in retail sales, steady recovery of out-of-home channels, increased pricing and market share gains.
- Total reported sales increased by 2.2% to CHF 63.3 billion (9M-2020: CHF 61.9 billion). Foreign exchange reduced sales by 2.0%. Net divestitures reduced sales by 3.3%.
- Continued progress in portfolio management. On August 9, 2021, Nestlé completed the acquisition of the core brands of The Bountiful Company.
- Full-year guidance for 2021 updated: we expect full-year organic sales growth between 6% and 7%. The underlying trading operating profit margin is expected around 17.5%, reflecting initial time delays between input cost inflation and pricing, as well as the one-off integration costs related to the acquisition of The Bountiful Company's core brands. Beyond 2021, our mid-term outlook for continued moderate margin improvement remains unchanged. Underlying earnings per share in constant currency and capital efficiency are expected to increase this year.

Mark Schneider, Nestlé CEO, commented: "We are pleased with Nestlé's strong organic growth in the nine months, driven by broad-based contributions from most geographies and categories. The relentless focus of our teams on local execution and agility enabled us to navigate input cost inflation and supply chain constraints. In the third quarter, we increased pricing in a responsible manner, while maintaining strong real internal growth. Investments in innovation, digitalization and sustainability further supported growth by enhancing the relevance and differentiation of our offerings.

Nestlé continues to take actions on sustainability. We recently laid out our plans to support a just transition to regenerative food systems, which will help achieve our climate targets as we work closely with farming communities around the world to improve soil health, restore water cycles and increase biodiversity for the long-term.

Group Results

	Total Group	Zone AMS	Zone EMEA	Zone AOA	Nespresso	Nestlé Health Science	Other Businesses
Sales 9M-2021 (CHF m)	63 294	24 589	15 492	15 172	4 654	3 237	150
Sales 9M-2020 (CHF m) *	61 912	24 991	14 952	15 251	4 180	2 421	117
Real internal growth RIG	6.0%	5.2%	6.4%	3.9%	10.4%	14.1%	25.5%
Pricing	1.6%	3.2%	0.8%	0.2%	0.6%	0.1%	2.9%
Organic growth	7.6%	8.4%	7.2%	4.1%	11.0%	14.3%	28.5%
Net M&A	- 3.3 %	- 6.0%	- 2.8%	- 4.1%	- 0.1%	22.4%	0.0%
Foreign exchange	- 2.0 %	- 3.9%	- 0.7%	- 0.7%	0.4%	- 2.8%	- 2.4%
Reported sales growth	2.2%	- 1.5%	3.6%	- 0.6%	11.3%	33.8%	26.0%

* 2020 figures restated following the disclosure of Nestlé Health Science and Nespresso as standalone segments from 2021 onwards (previously combined and presented in Other Businesses).

Group sales

Organic growth reached 7.6%, with RIG of 6.0%. Pricing increased to 1.6%, accelerating to 2.1% in the third quarter.

Growth was broad-based across most geographies and categories. Organic growth reached 7.1% in developed markets, based mostly on RIG with positive pricing. Organic growth in emerging markets was 8.3%, with robust RIG and positive pricing.

By product category, the largest contributor to organic growth was coffee, fueled by strong momentum for the three main brands Nescafé, Nespresso and Starbucks. Starbucks products posted 15.5% growth, with sales reaching CHF 2.2 billion across 79 markets. Purina PetCare saw double-digit growth, led by science-based and premium brands Purina Pro Plan, Fancy Feast and Purina ONE, as well as veterinary products. Prepared dishes and cooking aids posted high single-digit growth, based on strong sales developments for Maggi, Stouffer's and Lean Cuisine. Vegetarian and plant-based food offerings saw double-digit growth, with continued expansion of the product range, led by Garden of Eatin'. Dairy reported mid single-digit growth, based on sustained demand for fortified milks, coffee creamers and ice cream. Confectionery recorded high single-digit growth, supported by a strong sales development for KitKat. Sales in Nestlé Health Science grew at a double-digit rate, reflecting strong demand for consumer care products particularly vitamins, minerals and supplements. Infant Nutrition posted negative growth, impacted by lower birth rates globally in the context of the pandemic and a sales decline in China. In the third quarter, growth in Infant Nutrition was positive outside of China. Water reported mid single-digit growth, with strong demand in North America and emerging markets in the third quarter.

By channel, organic growth in retail sales was 6.6%. E-commerce sales grew by 17.2%, reaching 14.1% of total Group sales, with strong momentum in most categories, particularly coffee, Purina PetCare and culinary. Organic growth in out-of-home channels was 22.8%, helped by the further easing of movement restrictions in some geographies.

Net divestitures decreased sales by 3.3%, largely related to the Nestlé Waters North America, Yinlu and Herta transactions. Divestitures were partially offset by acquisitions, including Freshly and the core brands of The Bountiful Company. The negative impact on sales from

foreign exchange moderated to 2.0%. Total reported sales increased by 2.2% to CHF 63.3 billion.

Portfolio Management

Nestlé is transforming its global water business, sharpening its focus on international premium and mineral water brands and healthy hydration products. In March, Nestlé completed the acquisition of Essentia Water, a premium functional water brand in the U.S., and the sale of its regional spring water brands, purified water business and beverage delivery service in the U.S. and Canada.

Nestlé Health Science continues to focus on building a nutrition and health powerhouse. On August 9, 2021, Nestlé completed the acquisition of the core brands of The Bountiful Company for USD 5.75 billion. The Bountiful Company is the number one pure-play leader in the highly attractive and growing global nutrition and supplement category. In July, Nestlé completed the acquisition of Nuun, a leading company in the fast-growing functional hydration market, and entered into an agreement with Seres Therapeutics to jointly commercialize SER-109, an investigational oral microbiome therapeutic in the U.S. and Canada.

Building on the successful global coffee alliance, Nestlé continues to expand the reach of Starbucks branded coffee and tea products outside Starbucks retail stores. In July, Nestlé and Starbucks announced a new collaboration to bring Starbucks ready-to-drink coffee beverages to select markets across South-East Asia, Oceania and Latin America.

Zone Europe, Middle East and North Africa (EMENA)

- 7.2% organic growth: 6.4% RIG; 0.8% pricing.
- Western Europe saw mid-single-digit organic growth with strong RIG and slightly negative pricing.
- Central and Eastern Europe posted double-digit organic growth, with strong RIG and positive pricing.
- Middle East and North Africa reported high single-digit organic growth, with a balanced contribution from RIG and pricing.

	Sales 9M- 2021	Sales 9M- 2020	RIG	Pricing	Organic growth	Net M &A	Foreign exchange	Reported growth
Zone EM ENA	CHF 15.5 bn	CHF 15.0 bn	6.4 %	0.8%	7.2%	- 2.8%	- 0.7%	3.6%

Organic growth reached 7.2%, with strong RIG of 6.4% supported by volume and mix. Pricing increased by 0.8%, turning positive in Western Europe in the third quarter. Net divestitures reduced sales by 2.8%, largely related to the divestiture of the Herta charcuterie business. Foreign exchange negatively impacted sales by 0.7%. Reported sales in Zone EMENA increased by 3.6% to CHF 15.5 billion.

Zone EMENA reported high single-digit organic growth, based on product innovation and continued strong momentum in e-commerce and specialist channels. All markets posted positive growth, with strong sales developments led by Russia, Turkey, the United Kingdom and Italy. The Zone continued to see broad-based market share gains, particularly for pet food, coffee and plant-based products.

By product category, Purina PetCare posted double-digit growth driven by premium brands Felix, Gourmet and Purina Pro Plan, as well as veterinary products. Tails.com continued its geographic expansion, with more than 250 000 monthly subscribers across nine markets. Sales in coffee grew by almost 10%, supported by strong momentum for Nescafé and Starbucks at-home products with continued innovation across all coffee brands. Nestlé Professional reported strong double-digit growth, helped by further recovery in out-of-home channels. Water posted mid single-digit growth, led by S.Pellegrino. Sales in confectionery grew at a mid single-digit rate, based on improved demand for impulse and gifting products. Culinary saw low single-digit growth. Strong demand for Garden Gourmet and Mindful Chef was partially offset by slightly negative growth in Maggi and pizza following elevated demand in 2020. The recent launch of Wunda, the high-protein pea-based milk alternative, resonated strongly with consumers. Infant Nutrition posted slightly negative growth due to lower birth rates in the context of the pandemic, but saw high single-digit growth in the third quarter with continued market share gains.

Nespresso

- 11.0% organic growth: 10.4% RIG; 0.6% pricing.

	Sales 9M- 2021	Sales 9M- 2020	RIG	Pricing	Organic growth	Net M &A	Foreign exchange	Reported growth
Nespresso	CHF 4.7 bn	CHF 4.2 bn	10.4 %	0.6%	11.0%	- 0.1%	0.4%	11.3%

Organic growth reached 11.0%, based on strong RIG of 10.4% and pricing of 0.6%. Foreign exchange positively impacted sales by 0.4%. Reported sales in Nespresso increased by 11.3% to CHF 4.7 billion.

Nespresso posted double-digit growth, moderating to a mid single-digit rate in the third quarter due to a high base of comparison in 2020. The Vertuo system continued to see strong growth, with the Original system also contributing positively. Increased consumer adoption and innovation supported growth. Nespresso expanded its coffee offerings across the Vertuo system, including Peru Organic, and added Novecento and Millenio to the Italian Heritage range for the Original System. The Nespresso x Chiara Ferragni summer collection and social media campaign resonated strongly with consumers.

By channel, boutiques and out-of-home channels saw a further recovery, with a continued positive sales development in e-commerce.

By geography, the Americas and AOA posted double-digit growth. EMENA saw high single-digit growth.

Overall Nespresso gained market share, with contributions from most markets.

Nestlé Health Science

- 14.3% organic growth: 14.1% RIG; 0.1% pricing.

	Sales 9M- 2021	Sales 9M- 2020	RIG	Pricing	Organic growth	Net M &A	Foreign exchange	Reported growth
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Nestlé Health Science	CHF 3.2 bn	CHF 2.4 bn	14.1 %	0.1%	14.3%	22.4%	- 2.8%	33.8%
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Organic growth was 14.3%, with strong RIG of 14.1% and 0.1% pricing. Net acquisitions increased sales by 22.4%, largely related to the acquisitions of the core brands of The Bountiful Company, Vital Proteins, Zenpep and Aimmune. Foreign exchange negatively impacted sales by 2.8%. Reported sales in Nestlé Health Science increased by 33.8% to CHF 3.2 billion.

Nestlé Health Science posted double-digit organic growth, building on a strong sales development in 2020. Vitamins, minerals and supplements that support health and the immune system continued to see strong demand with broad-based market share gains across channels and markets. Growth was supported by e-commerce momentum, new product launches, geographic expansion and strong execution in the supply chain.

Consumer care posted double-digit growth, with strong contributions from Vital Proteins, Garden of Life, Persona and healthy-aging products such as Boost and Meritene. The newly-acquired core brands of The Bountiful Company, in particular Nature's Bounty and Solgar, posted strong double-digit growth. Nuun functional hydration products also grew at a strong double-digit rate.

Medical Nutrition reported mid-single-digit growth, with robust demand for Compleat, a comprehensive nutritional tube-feeding formula, and pediatric care products, such as Althéra, Alfaré and Alfamino.

By geography, the Americas, EMENA and AOA all posted double-digit growth.

Business as a force for good: supporting a just transition to regenerative food systems

Nestlé is a signatory of the UN Business Ambition for 1.5°C pledge and was one of the first companies to share a detailed, time-bound climate plan in December 2020. The company is taking action to halve its emissions by 2030 and achieve net zero by 2050. Agriculture plays a critical role in achieving these climate targets as two thirds of Nestlé's greenhouse gas

emissions stem from the production of food ingredients. In September 2021, Nestlé announced that it will support and accelerate the transition to regenerative food systems – one that aims to protect and restore the environment, improve the livelihoods of farmers and enhance the well-being of farming communities.

Together with external partners, from farming communities, academia, civil societies and government, Nestlé is piloting trials with more than 50 reference farms globally. The learnings from these trials will be adapted locally and scaled up.

Regeneration is fundamental to creating more resilient food systems. Regenerative farming practices aim to restore soil health, renew water cycles, increase biodiversity, and integrate livestock. These practices can also sequester carbon, which will contribute to achieving Nestlé's ambitious climate targets.

The transition to regenerative food systems will only succeed if it is socially and economically viable for all, which is why Nestlé is putting farmers at the center of its efforts. The company will offer investment support to mitigate initial risks and pay premiums for raw materials produced using regenerative agriculture. This will reward farmers not only for the quantity and quality of ingredients, but also for the environmental benefits.

For technical assistance, Nestlé's vast network of experts and agronomists will deploy state-of-the-art science to help farmers adopt regenerative practices. The company will also offer agricultural training and help farmers exchange information and best practices that can be adapted locally.

Nestlé expects to invest CHF 1.2 billion over the next five years to support the adoption of regenerative farming practices by its network of more than 500 000 farmers and 150 000 suppliers.

Outlook

Full-year guidance for 2021 updated: we expect full-year organic sales growth between 6% and 7%. The underlying trading operating profit margin is expected around 17.5%, reflecting initial time delays between input cost inflation and pricing, as well as the one-off integration costs related to the acquisition of The Bountiful Company's core brands. Beyond 2021, our mid-term outlook for continued moderate margin improvement remains unchanged. Underlying earnings per share in constant currency and capital efficiency are expected to increase this year.

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Nestlé's heritage in the Middle East and North Africa goes back over 100 years with the sale of the first Infant Cereals in Egypt. Today, Nestlé operates 25 Food & Beverage factories across the 19 countries of the MENA region, and provides direct employment to more than 15,000 people who are all committed to Nestlé's purpose of unlocking the power of food to enhance quality of life for everyone, today and for generations to come. Nestlé MENA also provides indirect employment across the region to several thousand more.

The Nestlé portfolio in the region currently exceeds 60 innovative product brands in a wide range of categories: Dairy, Infant Nutrition, Coffee and Creamers, Confectionery, Bottled Water, Breakfast Cereals, Culinary products, Health Science, and Pet Care, among others. Nestlé NIDO, Nestlé CERELAC, Nestlé NAN, S-26, PROGRESS, NESCAFÉ, NESPRESSO, Bonjorno Café, Coffee-mate, KitKat, MAGGI, Nestlé FITNESS, Nestlé Grain d'Or, Nestlé Pure Life, OPTIFAST, and PURINA Friskies are just some of the brands available in the Middle East and North Africa.

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Website: www.nestle-mena.com

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