

Nestlé first-quarter sales: 4.2% organic growth, full-year outlook confirmed



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- Sales of CHF 20.8 billion, organic growth of 4.2%, real internal growth of 2.6%
- Growth in developed markets 0.6%, emerging markets 8.5%
- Full-year outlook unchanged: organic growth around 5% and improvements in margins, underlying earnings per share in constant currencies and capital efficiency

Paul Bulcke, Nestlé CEO:

Our organic growth in the first months of the year was in line with expectations and driven by volume rather than price. The continued roll-out of new products, along with good execution, sustained this growth in difficult market conditions. We will keep up the pace of innovation, while further strengthening support for our brands. We confirm our outlook for the full year: performance weighted to the second half, outperforming the market, with organic growth around 5% and improvements in margins, underlying earnings per share in constant currencies and capital efficiency. We expect the continued strengthening of the Swiss Franc to have a negative impact on reported sales.

In the first quarter organic growth was 4.2%, composed of 2.6% real internal growth and 1.6% pricing. Sales were CHF 20.8 billion, impacted by substantial negative foreign exchange of 8.6%, and acquisitions, net of divestitures, further reduced sales growth by 0.7%. As a result the total evolution of sales was -5.1%.

We continued to grow in all geographies: 4.6% in the Americas, 0.3% in Europe and 7.3% in Asia, Oceania and Africa. The developed

markets grew 0.6% and the emerging markets 8.5%.

Sales of CHF 6.0 billion, 4.1% organic growth, 0.9% real internal growth

- In North America the market remained subdued and the severe weather conditions had an impact across the categories. With consumer spending low, new product launches drove performance including DiGiorno Pizzeria, California Pizza Kitchen Thin and Crispy, Girl Scout flavours for Coffee-mate, Lean Cuisine Stuffed Pretzels, and in confectionery, Butterfinger Cups. In petcare the rollout of Lightweight and Glade cat litters supported growth, as did the re-introduction of Waggin' Train.

- Overall Latin America performed well with growth in Brazil in most categories despite the effect of the late Easter. Soluble coffee was the highlight in Mexico, and petcare continued its strong momentum in the region, with Dog Chow and Pro Plan driving market share improvements.

Sales of CHF 3.5 billion, -0.8% organic growth, 0.7% real internal growth

- The Zone achieved positive volume growth in a flat retail environment, deflationary pressures kept pricing negative. Innovation ensured we met the expectations of consumers from popularly positioned products to super premium. Nescafé Dolce Gusto gained market share with strong double-digit growth, the successful roll-out of Papyrus cooking papers continued and ice cream, particularly Mövenpick, had a good start to the year. Confectionery was affected by the late Easter although Russia and Spain had strong performances. Petcare continued its momentum, with Felix and Purina ONE Dry Cat delivering strong growth.

- In Western Europe Spain and Portugal showed encouraging early signs of a recovery, while France, Germany and the UK had a slower start to the year.

- In Central and Eastern Europe while Russia continued to grow strongly the current instability and uncertainties affected the rest of the region.

Zone Asia, Oceania and Africa

Sales of CHF 4.4 billion, 5.3% organic growth, 2.9% real internal growth

- In what remains a mixed and volatile economic environment across the Zone, we leveraged our deep and long-standing presence in different markets and launched new products. Nescafé 3 in 1 delivered double-digit growth for soluble coffee, as did Milo for powdered and liquid beverages and KitKat for confectionery. Nescafé Dolce Gusto also grew double-digit.

- In the emerging markets growth was solid. Africa, the Philippines, Pakistan and Turkey were highlights. In the markets with weaker trading conditions like China, India and Malaysia we gained market share in many of our categories.

- Developed markets in the Zone also grew, especially Japan where KitKat and Nescafé continued to perform strongly.

Sales of CHF 1.6 billion, 6.2% organic growth, 8.1% real internal growth

- Nestlé Waters' performance was helped by sustained brand investment and the growth of the category in the United States, due to an increased awareness of bottled water as a healthier alternative, and in emerging markets.

- In developed markets our premium brands Perrier and S.Pellegrino supported growth as well as our regional spring waters, in the United States Deer Park, Arrowhead and Ozarka, in the United Kingdom Buxton, and in France Contrex and Vittel.

- Growth accelerated in the emerging markets with China, Egypt and Brazil the highlights, driven mostly by Nestlé Pure Life and our strong local brands such as Erikli in Turkey.

Sales of CHF 2.3 billion, 6.4% organic growth, 2.2% real internal growth

- Nestlé Nutrition achieved good growth but at a slower rate in the context of tough comparisons. The drivers were the emerging markets, notably China and the Middle East. Infant formula and cereals performed strongly. Our flagship brands continued to do well, with NAN remaining a key growth driver for infant formula, supported by

innovations such as easy scoop packaging. Our super premium offering Illuma also drove performance. In the United States we took a strategic decision to focus on value generation and optimising use of our assets, exiting some contracts which had an impact on growth.

Sales of CHF 2.9 billion, 6.4% organic growth, 5.3% real internal growth

- The out-of-home environment continues to be soft in Western Europe and was affected by the severe weather in North America. Nestlé Professional delivered a good performance in most emerging markets, especially the Middle East, Russia, and the Philippines and there was also a good recovery in China.

- Nespresso maintained its strong growth momentum with additions to the permanent range of Grand Cru coffees, the launch of the new Inissia machine, new boutique openings and further geographic expansion. In North America there was an encouraging early reaction from consumers to the launch of VertuoLine, a system designed to revolutionise the long-cup coffee market.

- Nestlé Health Science had a good start to the year across all regions and businesses even though the pressure on public sector healthcare budgets continued to have an impact. Key brands driving growth included Boost, Peptamen and Alfamino.

We confirm our full-year outlook: performance will be weighted to the second half, outperforming the market, with organic growth around 5% and improvements in margins, underlying earnings per share in constant currencies and capital efficiency.

First Quarter sales overview 2014

By Operating Segment - Zone Americas 6'042 6'632 +4.1 +0.9 - Zone Europe 3'533 3'669 -0.8 +0.7 - Zone Asia, Oceania, Africa 4'436 4'664 +5.3 +2.9 Nestlé Waters 1'603 1'605 +6.2 +8.1 Nestlé Nutrition 2'297 2'482 +6.4 +2.2 Other 2'911 2'887 +6.4 +5.3 Total Group 20'822 21'939 +4.2 +2.6 By Product Powdered and liquid beverages 4'771 4'914 +5.3 Water 1'499 1'501 +6.3 +8.4 Milk products and ice cream 3'764 3'946 +7.9 +2.6 Nutrition & HealthCare 2'758 2'929 +6.6 +3.0 Prepared dishes and cooking aids 3'124 3'378 -1.8 -1.9 Confectionery 2'204 2'524 -0.5 -3.3 Petcare 2'702 2'747 +5.4 +4.7 Total Group 20'822 21'939 +4.2 +2.6

(*) 2013 figures have been restated following the transfer of responsibility for Nestea RTD businesses in the geographic Zones to Nestlé Waters effective as from January 2014.

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