

Nestlé nine-month sales: broad-based organic growth of 4.5% in a volatile environment



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- Sales of CHF 66.2 billion, organic growth of 4.5%, real internal growth of 2.3%
- Growth in developed markets 0.5%, emerging markets 9.5%
- Full-year outlook unchanged: we are still aiming for organic growth around 5% with improvements in margins, underlying earnings per share in constant currencies and capital efficiency

Paul Bulcke, Nestlé CEO:

In a volatile global trading environment where there are no tailwinds, we achieved good broad-based growth. While focusing on delivery today, we have taken decisions that reshape and strengthen our business for tomorrow. We have created 'Nestlé Business Excellence' to better leverage our scale and ensure that our markets can concentrate on growing their respective businesses. Despite the tough environment, in view of our year-to-date performance, we are still aiming for organic growth of around 5% for 2014 with improvements in margins, underlying earnings per share in constant currencies and capital efficiency.

In the first nine months of 2014, organic growth was 4.5%, composed of 2.3% real internal growth and 2.2% pricing. Sales were CHF 66.2 billion, impacted by substantial negative foreign exchange of -7.5%, and divestitures, net of acquisitions, further reduced sales growth by -0.1%. As a result the total evolution of sales was -3.1%.

We continued to grow in all geographies: 5.1% in the Americas, 1.4% in Europe and 6.5% in Asia, Oceania and Africa. The developed

markets grew 0.5 % and the emerging markets 9.5%.

Sales of CHF 19.3 billion, 4.8% organic growth, 1.1% real internal growth

- In North America, where the continuing challenges in the frozen food category had an impact on sales, we remain focused on turning around the business. We had positive performances in other categories where innovation was the key to success. There were good starts for new items in pizzas, particularly DiGiorno's Thin and Crispy, and in ice cream continued momentum behind the super premium Gelato. Strong growth for coffee creamers was helped by the Girl Scout Cookie flavours for Coffee-mate. The recently launched Butterfinger Cups continued to contribute to the growth in confectionery. The divestment of Juicy Juice was announced as part of the ongoing portfolio management process. In petcare we launched Beyond in the growing natural dog food segment.

- In Latin America consumer sentiment varied across the region and pricing had an impact. In Brazil there were good performances across the categories. The highlights were ambient dairy, particularly in growing-up milks, cocoa and malt beverages such as Nescau, and biscuits. KitKat continued its good momentum delivering double-digit growth. The changes in fiscal legislation in Mexico affected the market. The soluble coffee category there remained very competitive. Across the region petcare continued to perform exceptionally well with Dog Chow and Pro Plan leading the growth.

Sales of CHF 11.1 billion, 1.0% organic growth, 2.0% real internal growth

- Despite the headwinds, growth in the Zone was positive, driven by innovation and premiumisation. Consumer confidence remains fragile in Europe and the environment made pricing hard to achieve.

- Western Europe grew, with Spain and Portugal, France, Austria and the Netherlands contributing to the growth, while the Great Britain region, Germany and Italy were weaker. Nescafé Dolce Gusto continued to grow well and soluble coffee with Nescafé Gold performed strongly in many markets. Frozen pizza continued its positive growth momentum while ice cream had a challenging summer season in most of Europe. Petcare also grew well, especially Felix, Purina ONE, Gourmet, and snacks.

- Central and Eastern Europe continued the trends seen earlier in the year. Russia performed well with the confectionery and ice cream categories and Nescafé Dolce Gusto achieving double-digit growth. Ukraine delivered a good performance. In other parts of the region there was a mixed picture. Improved consumer sentiment in some markets helped sales, particularly in confectionery and coffee. The culinary category declined in several markets and poor weather affected ice cream. The highlights for petcare, which grew strongly across the region, were Russia and Poland.

Zone Asia, Oceania and Africa

Sales of CHF 13.4 billion, 3.5% organic growth, 0.7% real internal growth

- The environment was also challenging in Zone AOA, especially in China, although we remain confident in the long-term prospects for the business there. While many markets across the Zone delivered good growth, the political unrest in several countries had a significant impact. The growth drivers for the Zone were innovations and premium businesses like Nescafé Dolce Gusto.

- From a category and brand perspective Milo, Maggi, coffee, and tea and coffee enhancers contributed to the emerging market growth across the Zone. The Philippines, Turkey, Pakistan and many markets in Africa were strong performers.

- In the developed markets, constant innovation and the development of new business models helped Japan deliver good results while Oceania was challenged, in spite of successful rollouts of new products including low fat Carnation Cooking Cream and Felix cat food.

Sales of CHF 5.7 billion, 5.1% organic growth, 5.8% real internal growth

- Nestlé Waters delivered good growth in both developed and emerging markets. In the highly competitive North American market the regional spring waters such as Ozarka and Deer Park did well, as did the premium brands Perrier and S.Pellegrino. Nestea also contributed. Despite the cooler summer, Europe continued to show solid growth. The UK, France and Belgium were the highlights. Nestlé Pure Life continued to drive the double-digit growth in the emerging

markets, along with strong performances from local brands, especially in Turkey, China, Brazil and Egypt.

Sales of CHF 7.1 billion, 7.8% organic growth, 3.4% real internal growth

- Nestlé Nutrition maintained its good momentum in infant formula and infant cereals. The emerging markets delivered double-digit growth, despite the political unrest in parts of the Middle East region that hindered the distribution of products there. In the developed markets the meals and drinks category was slow but innovations, such as Gerber pouches in the United States, performed well. The innovations behind NAN, along with our premium brands S26 and Illuma, continued to differentiate us from the competition.

Sales of CHF 9.6 billion, 6.6% organic growth, 4.9% real internal growth

- Nestlé Professional continued to make progress, helped by strong growth in Russia, China, the Middle East, Indochina and the Philippines. This compensated for the challenges faced in Western Europe, North America, and Mexico. The beverage solutions business delivered good performances while desserts solutions drove growth for the food business.

- Nespresso drove performance with innovation in services and machines, and with new Limited Editions enhancing the range of Grand Cru coffees. The business grew in both established and in newer markets as its geographic expansion continued with new boutique openings around the world. The launches of the new Inissia machine, and in North America the VertuoLine system, are on track and have been well-received by consumers.

- Nestlé Health Science grew solidly in all regions with Europe a highlight, despite the impact of the pressure on public sector healthcare budgets which affects reimbursement. The key contributors were Peptamen and Impact, and the solid growth in the retail and self-paid category led by Boost in the United States, Meritene in Europe and Nutren in Brazil.

- The establishment of Nestlé Skin Health is proceeding as planned. Galderma performed well in the United States, Asia and Latin America. The recently acquired medical aesthetics portfolio in North

America was successfully integrated.

Despite the tough environment, in view of our year-to-date performance, we are still aiming for organic growth of around 5% for 2014 with improvements in margins, underlying earnings per share in constant currencies and capital efficiency.

Nine-month sales overview 2014

By Operating Segment - Zone Americas 19'315 20'788 +4.8 +1.1 -
Zone Europe 11'087 11'375 +1.0 +2.0 - Zone Asia, Oceania, Africa
13'440 14'065 +3.5 +0.7 Nestlé Waters 5'686 5'699 +5.1 +5.8 Nestlé
Nutrition 7'117 7'467 +7.8 +3.4 Other Businesses (1) 9'579 8'956 +6.6
+4.9 Total Group 66'224 68'350 +4.5 +2.3 By Product Powdered and
liquid beverages 14'701 15'041 +5.2 +4.2 Water 5'280 5'313 +5.0 +5.7
Milk products and ice cream 12'498 13'151 +4.7 -0.2 Nutrition &
Health Science (1) 9'152 8'953 +8.0 +4.0 Prepared dishes and
cooking aids 9'683 10'320 -0.2 -1.1 Confectionery 6'702 7'223 +4.1
+0.3 Petcare 8'208 8'349 +5.0 +4.7 Total Group 66'224 68'350 +4.5
+2.3

(*) 2013 comparatives have been restated following the transfer of responsibility for Nestea RTD businesses in the geographic Zones to Nestlé Waters effective as from 1 January 2014.

(1) Renamed following the integration of Galderma as from 1 July 2014

Please note the changes in the makeup of Zone AOA and Zone Europe announced in September will come into effect on 1 January 2015.

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