
Press release

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Nestlé nine-month sales: 3.3% organic growth, 2.5% real internal growth Full-year outlook: organic growth around 3.5% with margin improvement

- Total sales of CHF 65.5 billion, up 1.0%
- 3.3% organic growth, 2.5% real internal growth, 0.8% pricing
- For the full year 2016 we expect organic growth of around 3.5%, improvements in margins and underlying earnings per share in constant currencies, and increased capital efficiency

Paul Bulcke, Nestlé CEO: “In an environment marked by deflation and low raw material prices, we continued to privilege volume growth, resulting in real internal growth at the higher end of the industry in both emerging and developed markets. Pricing remained soft but increasing.

Our growth was broad-based across categories, allowing us to gain or maintain market share in most of our businesses. We are making progress in addressing our challenges and driving our different initiatives amidst a generally softer trading environment.

In line with our strategy we continue to invest for the future. We maintain a high level of brand support while building our innovation pipeline, both globally and locally. At the same time, we drive more operational and structural efficiencies by standardizing, sharing and scaling more activities above market.

For the full year 2016, considering the current softer environment, we expect organic growth of around 3.5%, improvements in margins and underlying earnings per share in constant currencies, and increased capital efficiency.”

Business Review

- **Sales** of CHF 65.5 billion, with a **foreign exchange** impact of -1.7%. The net result of acquisitions and divestitures impacted sales growth by -0.6%.
- **Organic growth** was 3.3%, composed of 2.5% real internal growth and 0.8% pricing. All geographies delivered positive growth in generally subdued trading environments.
 - 4.8% in the Americas (AMS)
 - 2.1% in Europe, Middle East and North Africa (EMENA)
 - 2.5% in Asia, Oceania and sub-Saharan Africa (AOA)
- **Real internal growth** was broad based across geographies and categories.
 - 2.3% in AMS
 - 2.4% in EMENA
 - 3.0% in AOA
- We continued to grow both in **developed markets** with organic growth of 1.9% (real internal growth of 2.5%) and in **emerging markets** with 5.3% (real internal growth of 2.5%).
- **Pricing** showed some pick-up but remained soft.
- We gained or maintained market share in close to 60% of our businesses.
- Effective January 2017, **Nestlé Professional** is moving from a globally-managed business to regionally managed businesses integrated in the Zones and supported by a Nestlé Professional Strategic Business Unit. This will facilitate greater focus on customers and enhance alignment and execution in each region and market.
- In early October we completed the transaction with R&R to create **Froneri**, a new joint venture in ice cream, frozen food and chilled dairy, combining activities in Europe, the Middle East (excluding Israel), Argentina, Australia, Brazil, the Philippines and South Africa.

Zone AMS

Sales of CHF 18.8 billion, 4.5% organic growth, 1.6% real internal growth

- In **North America** growth was driven by *Coffee-mate* and petcare as well as *Lean Cuisine* and *Stouffer's* which continued to do well with ongoing product innovation and brand support, especially single-serve meals and the *Fit Kitchen* platform. *Lean Cuisine* and *Stouffer's* as well as Nestlé USA overall continued to gain market share. Canada delivered solid growth with chocolate and ice cream the highlights.
- Overall **Latin America** delivered good growth driven by Mexico across dairy, *Nescafé* and confectionery. The Plata region as well as Colombia did well, and petcare remained a key growth contributor across Latin America. Growth in Brazil was resilient but affected by necessary price increases, particularly in dairy and confectionery.

Zone EMENA

Sales of CHF 12.2 billion, 2.2% organic growth, 2.7% real internal growth

- The growth momentum is based on real internal growth which drove market share gains across the Zone. Most countries and categories grew well.
- **Western Europe** continued to deliver positive growth despite the deflationary environment. *Nescafé Dolce Gusto*, petcare and frozen pizza were the main growth drivers again. Italy and the Iberian region were the highlights.
- In **Central and Eastern Europe** Russia delivered double-digit growth. *Nescafé* and petcare were the main contributors in the region. Romania, Hungary and the Czech Republic also contributed to good results.
- In the **Middle East and North Africa** growth was driven by *Nescafé* and ambient culinary. Turkey grew double digit again with *Nescafé* and confectionery doing particularly well and North Africa also contributed positively. In the Middle East, however, instability continued to affect our business.

Zone AOA

Sales of CHF 10.6 billion, 2.8% organic growth, 2.7% real internal growth

- The majority of the Zone's businesses saw good, sustainable growth and market share momentum. South East Asia with the Philippines, Indonesia and Vietnam showed strong growth. Sub-Saharan Africa also did well, growing despite continued economic volatility. The sustained recovery of *Maggi* noodles in India was also encouraging. Yinlu in China, as expected, continued to weigh on the Zone's performance.
- In **China** the environment remained challenging in the food and beverage category. Within this context Yinlu continued to have a negative impact on Zone performance as we worked on our turnaround initiatives. However, we maintained positive momentum in *Nescafé*, both soluble and ready-to-drink, as well as confectionery wafers.
- **India** grew strongly as the *Maggi* noodles business continued to gain back market share and comparatives turned favourable. Chocolate, driven by *KitKat*, also did well.
- **South East Asia** delivered high single-digit growth and most markets performed well with Vietnam and Indonesia delivering double-digit growth led by a strong performance of *Milo*. The Philippines grew high single-digit, driven by *Nescafé* and *Bear Brand*.

- **Sub-Saharan Africa** continued to grow well across all categories, especially with *Maggi*. Nigeria, Ghana and the Ivory Coast remained the highlights.
- In **developed markets**, Japan's solid growth continued to build on product and business model innovation around *Nescafé* and *KitKat*, while competitive intensity amongst retailers impacted results in Oceania.

Nestlé Waters

Sales of CHF 6.1 billion, 4.2% organic growth, 4.4% real internal growth

- Nestlé Waters maintained good momentum, driven by strong growth in emerging markets as well as in developed markets with good results in both the US and Europe.
- Across the business, international premium sparkling brands *S.Pellegrino* and *Perrier* continued to drive performance. There was sustained good growth in *Nestlé Pure Life* and strong contributions from iconic local brands such as *Poland Spring* in the US, *Buxton* in the UK, and *Sta.María* in Mexico.

Nestlé Nutrition

Sales of CHF 7.7 billion, 1.3% organic growth, 0.8% real internal growth

- Nestlé Nutrition maintained modest growth in the context of changed category dynamics, especially in **China** where negative pricing and inventory adjustments ahead of new regulation caused category growth to stall. Despite this, the performance of our super premium brand *illumina* remained solid with double-digit organic growth.
- In the US, the transition to new packaging formats and temporary supply constraints weighed on organic growth but these issues are now largely resolved.
- The Middle East was impacted by political instability causing supply constraints while there was solid growth across other markets in Latin America and Asia, with Brazil, Mexico, the Philippines and Indonesia the highlights.

Other businesses

Sales of CHF 10.1 billion, 4.6% organic growth, 4.0% real internal growth

- Growth in **Nestlé Professional** was driven by emerging markets, particularly China, Russia and Mexico. The US maintained its solid performance despite pricing pressure, whilst Canada and Western European markets were more challenged.

- **Nespresso** maintained good growth with strong momentum in AMS and AOA and with a solid performance in EMENA. Following the success of the *VertuoLine* system in North America, it will be launched in France this month. Nespresso's ongoing geographic expansion continued during the period with the opening of 21 new boutiques across the world.
- **Nestlé Health Science** delivered good growth, with double-digit growth in Consumer Care thanks to strong performances of *Boost* and *Carnation Breakfast Essentials* in the US, as well as the continued roll-out of *Meritene* in Europe. Good growth in Medical Nutrition was driven by the allergy portfolio, particularly in China.
- In **Nestlé Skin Health** the consumer business performed well fuelled by *Cetaphil* cleansers and moisturisers, the *Cetaphil Baby* line extension in the US, and *Daylong* sun protection in Europe. The prescription business was supported by product innovation such as *Epiduo Forte* (acne) and *Soolantra* (rosacea), while facing generic pressure on *Oracea* and *Differin* in the US.

Outlook

For the full year 2016, considering the current softer environment, we expect organic growth of around 3.5%, improvements in margins and underlying earnings per share in constant currencies, and increased capital efficiency.

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Annex

Nine-month sales overview 2016

	Jan.-Sept. 2016 Sales in CHF millions	Jan.-Sept. 2015 Sales in CHF millions	Jan.-Sept. 2016 Organic Growth (%)	Jan.-Sept. 2016 Real Internal Growth (%)
By Operating Segment				
• Zone AMS	18'805	18'503	+4.5	+1.6
• Zone EMENA	12'155	12'023	+2.2	+2.7
• Zone AOA	10'571	10'464	+2.8	+2.7
Nestlé Waters	6'134	5'891	+4.2	+4.4
Nestlé Nutrition	7'707	7'842	+1.3	+0.8
Other businesses	10'142	10'140	+4.6	+4.0
Total Group	65'514	64'863	+3.3	+2.5
By Product				
Powdered and liquid beverages	14'417	13'979	+4.9	+4.1
Water	5'735	5'489	+4.7	+4.9
Milk products and ice cream	10'779	10'997	+0.9	+0.6
Nutrition and Health Science	11'022	10'854	+2.8	+2.1
Prepared dishes and cooking aids	8'812	9'084	+3.0	+2.4
Confectionery	5'929	6'152	+1.6	-1.4
Petcare	8'820	8'308	+5.5	+4.3
Total Group	65'514	64'863	+3.3	+2.5