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Nestlé reports nine-month sales for 2018

- Organic growth of 2.8%, with 2.3% real internal growth (RIG) and pricing of 0.5%, in line with our expectations.
- Total reported sales increased by 2.0% to CHF 66.4 billion (9M-2017: CHF 65.1 billion). Net acquisitions had a positive impact of 0.1% and foreign exchange reduced sales by 0.9%.
- Further progress was made in positioning the portfolio towards attractive high-growth categories. Nestlé acquired the global perpetual license of Starbucks consumer packaged goods and foodservice products. The company also reached an agreement for the sale of Gerber Life Insurance Co. and has started to explore strategic options for Nestlé Skin Health.
- Full-year guidance for 2018 confirmed, with organic sales growth expected to be around 3%; underlying trading operating profit margin improvement in line with our 2020 target. Restructuring costs¹ are expected to be around CHF 700 million. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

Mark Schneider, Nestlé CEO: *"We are encouraged by the progress on our path of accelerated value creation. The nine-month sales show solid growth across most geographies and product categories. We are starting to see improved momentum in North America and in our infant nutrition category globally. Our business in China continued to grow at a mid single-digit pace. Our growth was supported by disciplined execution and faster innovation. We have reached significant milestones in portfolio management and are particularly pleased with the early closing of the Starbucks transaction. We have also made good progress on our various cost reduction programs. Our growth and efficiency initiatives put us on track to meet our full-year 2018 guidance and 2020 targets."*

¹ Not including impairment of fixed assets, litigation and onerous contracts

	Total Group	Zone AMS	Zone EMENA	Zone AOA	Nestlé Waters	Other Businesses
Sales 9M-2018 (CHF m)	66'424	21'918	13'731	15'799	6'127	8'849
Sales 9M-2017 (CHF m) *	65'124	22'569	13'241	15'331	6'093	7'890
RIG	2.3%	0.8%	2.3%	3.7%	-0.2%	5.7%
Pricing	0.5%	0.6%	-0.7%	0.7%	2.3%	0.3%
Organic growth	2.8%	1.4%	1.6%	4.4%	2.1%	6.0%
Net M&A	0.1%	-1.1%	-0.1%	0.0%	-0.8%	5.4%
Foreign exchange	-0.9%	-3.2%	2.2%	-1.3%	-0.7%	0.7%
Reported sales growth	2.0%	-2.9%	3.7%	3.1%	0.6%	12.1%

* Effective as from January 1, 2018, Nestlé Nutrition is reported in the Zones as a regionally managed business, with the Gerber Life Insurance business reported in Other Businesses. 2017 sales comparables have been restated mainly to reflect this change of management responsibility and the new accounting standards for revenue measurement following the implementation of IFRS 15.

Group sales

Organic growth was 2.8%, reaching 2.9% in the third quarter despite high comparables. RIG was 2.3% and continued to be at the high end of the food and beverage industry. Pricing increased by 0.5% with improvements in the Americas. In the third quarter, organic growth continued to improve in North America and for infant nutrition globally. Growth in China remained at a mid single-digit pace. Zone EMENA saw slower growth, largely due to high comparables. All categories had positive growth led by coffee, *Purina* petcare, infant nutrition and Nestlé Health Science.

Net acquisitions increased sales by 0.1% as the acquisition of Atrium Innovations, the Starbucks license and other transactions were offset by divestments, mainly the U.S. confectionery business. Foreign exchange had a negative impact of 0.9%, largely due to the devaluation of several emerging market currencies against the Swiss Franc. Total reported sales increased by 2.0% to CHF 66.4 billion.

Zone Americas (AMS)

- 1.4% organic growth: 0.8% RIG; 0.6% pricing.
- North America saw positive organic growth, with both RIG and pricing contributing.
- Latin America reported positive organic growth, with a sequential improvement in both RIG and pricing.

	Sales 9M-2018	Sales 9M-2017	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Zone AMS	CHF 21.9 bn	CHF 22.6 bn	0.8%	0.6%	1.4%	-1.1%	-3.2%	-2.9%

Organic growth was 1.4%, with RIG of 0.8% and pricing of 0.6%. Net acquisitions reduced sales by 1.1%, largely related to the divestment of the U.S. confectionery business. Foreign exchange had a further negative impact on sales of 3.2%. Reported sales in Zone AMS decreased by 2.9% to CHF 21.9 billion.

North America had positive organic growth in the nine-month period. Pricing increased in the third quarter, reflecting inflation in commodity and freight costs. We saw continued solid growth in *Purina* petcare, *Coffee-mate* creamers and coffee, particularly in e-commerce. Ice cream grew at a mid-single digit pace in the third quarter, supported by *Häagen-Dazs* and *Outshine*.

Latin America saw positive organic growth and accelerated to a mid single-digit pace in the third quarter. Despite the challenging trading environment, Brazil returned to positive growth in the third quarter. Mexico saw mid single-digit organic growth, with contributions from most categories, in particular *Nescafé*. There was continued strong momentum for *Purina* petcare, confectionery and professional across the region.

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

- 1.6% organic growth: 2.3% RIG; -0.7% pricing.
- Western Europe saw slightly negative organic growth as positive RIG was offset by negative pricing.
- Central and Eastern Europe posted mid single-digit organic growth, based on strong RIG and flat pricing.
- Middle East and North Africa maintained mid single-digit organic growth, with positive RIG and pricing.

	Sales 9M-2018	Sales 9M-2017	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Zone EMENA	CHF 13.7 bn	CHF 13.2 bn	2.3%	-0.7%	1.6%	-0.1%	2.2%	3.7%

Organic growth was 1.6%, with solid RIG of 2.3%. Pricing declined by 0.7% as deflationary trends in Western Europe persisted. Net acquisitions reduced sales by 0.1%. Foreign exchange increased sales by 2.2%. Reported sales in Zone EMENA rose by 3.7% to CHF 13.7 billion.

Zone EMENA posted resilient RIG in the context of a low-growth environment, particularly in Western Europe. *Nescafé* growth was positive in a competitive market and in spite of difficult comparables. The *Purina* petcare, infant nutrition and professional businesses were the main contributors to growth across the Zone. Premium products had strong momentum in these categories, especially *Gourmet* cat food and *NAN* infant formula with Human Milk Oligosaccharides (HMOs). Confectionery posted positive growth with a strong performance from *KitKat*.

Zone Asia, Oceania and sub-Saharan Africa (AOA)

- 4.4% organic growth: 3.7% RIG; 0.7% pricing.
- China reported mid single-digit organic growth, significantly above the prior year, supported by RIG.
- South East Asia saw mid single-digit organic growth, with positive RIG and pricing.
- South Asia had mid single-digit organic growth, with strong RIG and positive pricing.
- Sub-Saharan Africa reported mid single-digit organic growth, with solid RIG and positive pricing.
- Japan and Oceania posted slightly positive organic growth as robust RIG was partially offset by negative pricing.

	Sales 9M-2018	Sales 9M-2017	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Zone AOA	CHF 15.8 bn	CHF 15.3 bn	3.7%	0.7%	4.4%	0.0%	-1.3%	3.1%

Organic growth was 4.4%, with RIG of 3.7% and pricing of 0.7%. There was no impact on sales from acquisitions and divestments. Foreign exchange reduced sales by 1.3%. Reported sales in Zone AOA increased by 3.1% to CHF 15.8 billion.

Zone AOA delivered consistent mid single-digit organic growth, supported by all geographies and categories. China saw mid single-digit growth, driven by innovations in infant nutrition, coffee and culinary. South-East Asia saw solid growth, led by Vietnam and Indonesia with *Milo* and *Bear Brand*. The South Asian region also delivered mid single-digit growth, with strong momentum in *Maggi*, *Nescafé* and *KitKat*. Growth in sub-Saharan Africa was based on strong contributions from *Maggi* and *Milo* in the Central and West Africa region. Japan and Oceania had positive growth despite difficult trading environments, helped by the launches of *Nescafé Gold* and *KitKat Gold* in Australia. Overall for the Zone, infant nutrition and *Purina* petcare accelerated in the third quarter, posting high single-digit growth.

Nestlé Waters

- 2.1% organic growth: -0.2% RIG; 2.3% pricing.
- North America saw positive organic growth, with flat RIG and increased pricing.
- Europe returned to positive organic growth, supported by strong RIG in the third quarter.
- Emerging markets posted low single-digit organic growth, driven entirely by pricing.

	Sales 9M-2018	Sales 9M-2017	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Nestlé Waters	CHF 6.1 bn	CHF 6.1 bn	-0.2%	2.3%	2.1%	-0.8%	-0.7%	0.6%

Organic growth was 2.1%, reaching 4.1% in the third quarter. Pricing increased by 2.3% and RIG declined by 0.2%. Net acquisitions and foreign exchange reduced sales by 0.8% and 0.7%, respectively. Reported sales in Nestlé Waters increased by 0.6% to CHF 6.1 billion.

In the United States, price increases were implemented in June to reflect significant inflation in packaging and distribution costs. The recently launched sparkling range under our regional spring water brands continued to see encouraging consumer demand, particularly for *Poland Spring*, *Ice Mountain* and *Ozarka*. Europe returned to positive growth, helped by innovations such as *Perrier & Juice* and *Levissima+*. The international premium brands, *S.Pellegrino* and *Perrier*, continued to deliver high single-digit growth globally.

Other Businesses

- 6.0% organic growth: 5.7% RIG; 0.3% pricing.
- Nespresso reported mid single-digit organic growth, with strong momentum in the Americas and Asia.
- Nestlé Health Science saw mid single-digit organic growth, with strong RIG.
- Nestlé Skin Health posted high single-digit organic growth, with strong RIG and flat pricing.

	Sales 9M-2018	Sales 9M-2017	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Other Businesses	CHF 8.9 bn	CHF 7.9 bn	5.7%	0.3%	6.0%	5.4%	0.7%	12.1%

Organic growth of 6.0% was driven by strong RIG of 5.7% and pricing of 0.3%. Net acquisitions increased sales by 5.4%, mainly due to the consolidation of Atrium Innovations in Nestlé Health Science. Foreign exchange increased sales by 0.7%. Reported sales in Other Businesses increased by 12.1% to CHF 8.9 billion.

Nespresso maintained a mid single-digit organic growth rate with strong growth in the Americas and Asia. Europe was resilient in a competitive environment. Growth was supported by the launch of the Vertuo system in six new markets in the third quarter. Vertuo, a versatile coffee system with three capsule sizes, is now available in fourteen markets. Nestlé Health Science continued to deliver mid single-digit growth supported by medical nutrition and consumer care products. The distribution of Atrium Innovation's brands in mass retail provided additional growth momentum. Nestlé Skin Health posted high single-digit growth.

Outlook

Full-year guidance for 2018 confirmed, with organic sales growth expected to be around 3%; underlying trading operating profit margin improvement in line with our 2020 target. Restructuring costs² are expected to be around CHF 700 million. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

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Annex

Nine-month sales overview by operating segment

	Total Group	Zone AMS	Zone EMENA	Zone AOA	Nestlé Waters	Other Businesses
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Net M&A	0.1%	-1.1%	-0.1%	0.0%	-0.8%	5.4%
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Nine-month sales overview by product

	Total Group	Powdered & liquid beverages	Water	Milk products & ice cream	Nutrition & Health Science	Prepared dishes & cooking aids	Confectionery	Petcare
Sales 9M-2018 (CHF m)	66'424	15'388	5'765	9'758	11'905	8'716	5'542	9'350
Sales 9M-2017 (CHF m) *	65'124	14'732	5'700	9'880	11'189	8'601	5'974	9'048
RIG	2.3%	2.3%	0.0%	0.8%	4.8%	1.0%	3.0%	3.2%
Pricing	0.5%	0.6%	2.4%	0.8%	-0.4%	0.1%	-1.0%	0.8%
Organic growth	2.8%	2.9%	2.4%	1.6%	4.4%	1.1%	2.0%	4.0%

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