

Press release

Vevey, October 19, 2017



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Nestlé reports nine-month sales for 2017

- Organic growth of 2.6%, with 1.8% of real internal growth (RIG) and pricing of 0.8%.
- Total reported sales decreased by 0.4% to CHF 65.3 billion (9M-2016: CHF 65.5 billion), reduced by net divestments of 2.6% (mainly due to the creation of the Froneri joint venture) and negative foreign exchange effects of 0.4%.
- Organic growth was 0.8% in developed markets and 5.1% in emerging markets.
- We confirm our sales guidance for 2017, and now expect organic growth for the full year to be around the level of the nine-month period. The underlying trading operating profit margin for 2017 is set to improve by at least 20 basis points in constant currency, in line with our expectations. Our structural savings initiatives are progressing faster than originally planned, leading to an additional increase of CHF 400-500 million in restructuring and related expenses in 2017. As a result, our trading operating profit margin will decrease by 40-60 basis points in constant currency. We expect underlying earnings per share in constant currency and capital efficiency to increase.

	Total Group	Zone AMS	Zone EMENA	Zone AOA	Nestlé Waters	Nestlé Nutrition	Other businesses
Sales 9M-2017 (CHF million)	65'272	20'490	11'821	11'853	6'150	7'711	7'247
Sales 9M-2016 (CHF million)	65'514	20'086	13'046	11'623	6'134	7'707	6'918
RIG	1.8%	0.3%	1.4%	3.6%	2.1%	0.4%	5.0%
Pricing	0.8%	1.0%	0.5%	1.7%	0.1%	0.6%	0.1%
Organic growth	2.6%	1.3%	1.9%	5.3%	2.2%	1.0%	5.1%
Net M&A	-2.6%	-0.7%	-10.5%	-0.5%	-0.4%	-0.4%	-0.6%
Foreign exchange	-0.4%	1.4%	-0.8%	-2.8%	-1.7%	-0.4%	0.3%
Reported sales growth	-0.4%	2.0%	-9.4%	2.0%	0.1%	0.2%	4.8%

Mark Schneider, Nestlé CEO: "Our sales results for the nine-month period are in line with our expectations communicated in July.

Organic sales growth continued to benefit from industry-leading volume growth, which illustrates our ability to innovate and meet consumer demand. Pricing remained soft. Zone AOA saw further improvement in organic growth. As expected, Western Europe returned to positive organic growth, with significant contributions from coffee and confectionery.

Improving our efficiency is a key priority. We have identified further opportunities to accelerate our margin improvement, leading to a further increase in restructuring and related expenses in 2017. Consequently, we now expect our trading operating profit margin to decrease by 40-60 basis points. The development of our underlying trading operating profit margin is fully in line with our expectations for 2017.”

Group sales

Organic growth increased to 2.6%, supported by improved RIG of 1.8%. Pricing softened slightly to 0.8%. Net divestments had a negative impact of 2.6%, largely related to the creation of the Froneri joint venture. Foreign exchange reduced reported sales by a further 0.4%. Total reported sales were CHF 65.3 billion (-0.4%).

Growth in Zone AMS remained subdued. North America was flat in the context of negative category dynamics. Brazil was affected by the difficult trading environment, while Mexico remained resilient and other parts of Latin America continued to deliver good growth. Zone EMENA saw a significant improvement in growth compared to the half year, as the coffee and petcare categories drove strong RIG in the third quarter. Zone AOA's growth was strong, with steady improvement in China and sustained high growth in other sub-regions supporting the positive trend. Nestlé Waters was impacted by poor weather, which weighed on growth in the third quarter. Growth in Nestlé Nutrition remained soft. Nespresso reported mid-single-digit growth, with double-digit growth in North America. Nestlé Skin Health benefited from the phasing of several new product launches. Nestlé Health Science reported mid-single-digit growth.

Growth by category was broad-based, led by coffee, petcare and ambient culinary.

Zone Americas (AMS)

- 1.3% organic growth: 0.3% RIG, 1.0% pricing.
- Sales in North America remained flat.
- Latin America maintained mid-single-digit organic growth. RIG improved in the third quarter but pricing declined.

	Sales 9M-2017	Sales 9M-2016	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Zone AMS	CHF 20.5 billion	CHF 20.1 billion	0.3%	1.0%	1.3%	-0.7%	1.4%	2.0%

Organic growth remained at 1.3% but the RIG component improved to 0.3%. This was due to stronger RIG in Latin America during the third quarter. Positive contributions in both North America and Latin America contributed to pricing of 1.0%. However pricing dynamics shifted during the third quarter, as North America's pricing improved while Latin America's pricing declined. Net divestments reduced reported sales by 0.7%. Foreign exchange increased reported sales by 1.4%. Reported sales in Zone Americas increased by 2.0% to CHF 20.5 billion.

Our organic growth in North America was flat in a context of soft consumer demand. RIG was slightly negative, but there was a modest improvement in pricing. Our coffee creamers, petcare, U.S. frozen food and pizza businesses generated growth, offset by declines in confectionery and ice cream. In Brazil, RIG increased significantly during the third quarter, as broad-based price decreases were introduced in line with market dynamics and input cost deflation. Mexico maintained a resilient level of growth despite the impact of natural disasters. Petcare continued to see double-digit growth across Latin America.

Zone Europe, Middle East and North Africa (EMENA)

- 1.9% organic growth: 1.4% RIG, 0.5% pricing.
- Western Europe returned to positive organic growth, with both positive RIG and pricing.
- Central and Eastern Europe maintained mid-single-digit organic growth, with strong RIG and slightly negative pricing.
- Middle East and North Africa saw low single-digit organic growth, with positive RIG and pricing.

	Sales 9M-2017	Sales 9M-2016	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Zone EMENA	CHF 11.8 billion	CHF 13.0 billion	1.4%	0.5%	1.9%	-10.5%	-0.8%	-9.4%

Organic growth improved to 1.9%, supported by higher RIG of 1.4% and sustained positive pricing. Net divestments reduced reported sales by 10.5%, mainly due to the transfer of ice cream to the Froneri joint venture. Foreign exchange effects reduced reported sales by a further 0.8%. Reported sales in Zone EMENA declined by 9.4% to CHF 11.8 billion.

Organic growth accelerated across all sub-regions. RIG improved significantly in Western Europe, with good third-quarter growth in coffee, confectionery and culinary. Central and Eastern Europe continued its strong momentum, particularly in Russia, reflecting increased distribution. Petcare was strong across the zone, with double-digit organic growth in Central and Eastern Europe. Growth in the Middle East and North Africa improved in the third quarter, but the trading environment remained challenging overall.

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

- 5.3% organic growth: 3.6% RIG, 1.7% pricing.
- South-East Asia continued its good organic growth, based on RIG.
- China's organic growth was positive, supported by both RIG and pricing.
- Sub-Saharan Africa continued to grow, and the South Asia region maintained strong RIG momentum.
- Japan maintained solid organic growth with strong RIG.

	Sales 9M-2017	Sales 9M-2016	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Zone AOA	CHF 11.9 billion	CHF 11.6 billion	3.6%	1.7%	5.3%	-0.5%	-2.8%	2.0%

Organic growth was strong, reaching 5.3% at the end of September. RIG improved to 3.6% with pricing at 1.7%. Net divestments and foreign exchange reduced reported sales by 0.5% and 2.8%, respectively. Reported sales in Zone AOA increased by 2.0% to CHF 11.9 billion.

Growth in China continued to improve in the third quarter with positive momentum across the portfolio, particularly in coffee and culinary. South-East Asia maintained mid-single-digit growth, and sub-Saharan Africa reported double-digit growth. South Asia also delivered solid growth, successfully managing the introduction of a Goods and Services Tax (GST) in India that had a negative impact on pricing.

Nestlé Waters

- 2.2% organic growth: 2.1% RIG, 0.1% pricing.
- In the United States positive organic growth was maintained over the nine-month period, while the third quarter saw a decline.
- Europe saw low single-digit organic growth with negative RIG in the third quarter.
- Growth remained strong across Latin America and solid in AOA.

	Sales 9M-2017	Sales 9M-2016	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Nestlé Waters	CHF 6.2 billion	CHF 6.1 billion	2.1%	0.1%	2.2%	-0.4%	-1.7%	0.1%

Organic growth slowed to 2.2%, with 2.1% RIG and 0.1% pricing. Net divestments and foreign exchange reduced reported sales by 0.4% and 1.7%, respectively. Reported sales in Nestlé Waters were broadly flat at CHF 6.2 billion.

Nestlé Waters saw a decline in developed markets in the third quarter. This was largely due to difficult comparables and poor weather that impacted demand in North America and Europe. Competition remained intense, with sustained pricing pressure across all developed markets. There was good momentum in emerging markets. The international premium brands continued to drive growth globally.

Nestlé Nutrition

- 1.0% organic growth: 0.4% RIG, 0.6% pricing.
- In China organic growth remained subdued but with an improvement in the third quarter.
- The United States and Mexico had slightly positive organic growth but Brazil declined on lower pricing.
- Organic growth in South Asia and Africa remained strong.

	Sales 9M-2017	Sales 9M-2016	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Nestlé Nutrition	CHF 7.7 billion	CHF 7.7 billion	0.4%	0.6%	1.0%	-0.4%	-0.4%	0.2%

Organic growth remained soft at 1.0%, comprised of 0.4% RIG and 0.6% pricing. Net divestments and foreign exchange reduced reported sales by 0.4% and 0.4%, respectively. Reported sales in Nestlé Nutrition increased slightly by 0.2% to CHF 7.7 billion.

Growth in China improved in the third quarter due to the good momentum of *NAN* and *Illuma*. Growth in the United States remained generally subdued, while infant cereals performed well. The comprehensive re-launch of Gerber, including organic and natural ranges, began during September. Brazil declined as price adjustments were made to reflect local input cost deflation.

Other businesses

- 5.1% organic growth: 5.0% RIG, 0.1% pricing.
- Nespresso continued its mid-single-digit organic growth, including double-digit growth in North America.
- Nestlé Health Science maintained mid-single-digit organic growth with positive RIG and pricing.
- Nestlé Skin Health reported mid-single-digit organic growth based entirely on RIG.

	Sales 9M-2017	Sales 9M-2016	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Other businesses	CHF 7.2 billion	CHF 6.9 billion	5.0%	0.1%	5.1%	-0.6%	0.3%	4.8%

Organic growth accelerated to 5.1% driven by strong RIG of 5.0% and improved pricing, which was broadly flat. Net divestments reduced reported sales by 0.6% but foreign exchange effects had a positive impact of 0.3%. Reported sales in Other businesses increased by 4.8% to CHF 7.2 billion.

Nespresso's consistent mid-single-digit organic growth was supported by double-digit growth from North America, solid growth in EMENA and strong growth in AOA. Nestlé Skin Health benefited from several new product launches during the third quarter. Nestlé Health Science maintained mid-single-digit growth driven by medical nutrition, particularly in pediatric care and specialty products.

Outlook

We confirm our sales guidance for 2017, and now expect organic growth for the full year to be around the level of the nine-month period. The underlying trading operating profit margin for 2017 is set to improve by at least 20 basis points in constant currency, in line with our expectations. Our structural savings initiatives are progressing faster than originally planned, leading to an additional increase of CHF 400-500 million in restructuring and related expenses in 2017. As a result, our trading operating profit margin will decrease by 40-60 basis points in constant currency. We expect underlying earnings per share in constant currency and capital efficiency to increase.

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Annex

Nine-month sales overview by operating segment

	Total Group	Zone AMS	Zone EMENA	Zone AOA	Nestlé Waters	Nestlé Nutrition	Other businesses
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Net M&A	-2.6%	-0.7%	-10.5%	-0.5%	-0.4%	-0.4%	-0.6%
Foreign exchange	-0.4%	1.4%	-0.8%	-2.8%	-1.7%	-0.4%	0.3%
Reported sales growth	-0.4%	2.0%	-9.4%	2.0%	0.1%	0.2%	4.8%

Effective as from 1 January 2017, Nestlé Professional is reported as a regionally managed business included in the zones. Effective same date, Venezuela is excluded from RIG, pricing and organic growth to better reflect the underlying business performance.

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-2017 (CHF million)	65'272	14'745	5'758	9'891	11'197	8'614	5'978	9'089
Sales 9M-2016 (CHF million)	65'514	14'417	5'735	10'779	11'022	8'812	5'929	8'820
RIG	1.8%	2.0%	2.3%	0.8%	1.9%	1.4%	1.4%	2.7%
Pricing	0.8%	1.5%	0.1%	1.7%	0.4%	1.7%	-1.4%	0.3%
Organic growth	2.6%	3.5%	2.4%	2.5%	2.3%	3.1%	0.0%	3.0%

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