Nestlé reports nine-month sales for 2019

- Organic growth of 3.7%, with real internal growth (RIG) of 3.0% and pricing of 0.7%. Growth was supported by strong momentum in the United States and Purina PetCare.
- Total reported sales increased by 2.9% to CHF 68.4 billion (9M-2018: CHF 66.4 billion). Net acquisitions had a positive impact of 0.7% and foreign exchange reduced sales by 1.5%.
- Portfolio management fully on track. The sale of Nestlé Skin Health for CHF 10.2 billion was completed on October 1, 2019. The strategic review of the Herta charcuterie business is ongoing and expected to be completed by the end of the year.
- Nestlé’s Board of Directors has decided to distribute an amount of up to CHF 20 billion to Nestlé shareholders over the period 2020 to 2022, primarily in the form of share buybacks.
- Full-year guidance for 2019 confirmed. We expect organic sales growth around 3.5% and the full-year underlying trading operating profit margin at or above 17.5%. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

Mark Schneider, Nestlé CEO:

“We are pleased with our nine-month results and have made further progress towards our 2020 financial goals. We continue to see good momentum in our largest market, the United States and very strong growth for Purina PetCare globally. Nestlé’s growth was supported by investment behind our brands, rapid innovation and disciplined execution. During the third quarter, the roll-out of Starbucks products continued, now reaching 34 countries. Our portfolio transformation is fully on track, as shown by the timely completion of the Nestlé Skin Health disposal. With prudent investments and a disciplined approach to acquisitions our value creation model is generating profitable growth and attractive cash returns for our shareholders.”
Group sales

Organic growth reached 3.7%. RIG of 3.0% remained at the high end of the food and beverage industry. Pricing contributed 0.7% with temporary softness in the third quarter, mainly related to the phasing of pricing steps and decreasing coffee prices. Organic growth was 3.5% excluding businesses under review.

Year-on-year growth acceleration was supported by the United States and Brazil. EMENA contributed to the improved momentum with strong mid single-digit RIG in the third quarter. AOA saw solid growth despite softness in some categories in China. Organic growth was 2.7% in developed markets, supported by strong RIG. Growth in emerging markets was 5.0%.

All product categories saw positive growth, led by Purina PetCare and coffee. The newly launched Starbucks products saw strong demand with further expansion into new countries. Nestlé Health Science showed good progress with high single-digit growth in the third quarter. Growth in water remained subdued, reflecting high pricing comparables and a disappointing summer season in Europe.

Net acquisitions increased sales by 0.7%. The acquisitions of the Starbucks license and Atrium Innovations more than offset divestments, mainly Gerber Life Insurance. Foreign exchange had a negative impact of 1.5%. Total reported sales increased by 2.9% to CHF 68.4 billion.

Zone Americas (AMS)

- 4.1% organic growth: 2.7% RIG; 1.4% pricing.
- North America saw mid single-digit organic growth, with positive RIG and pricing.
- Latin America reported mid single-digit organic growth, with positive RIG and pricing.

Organic growth increased to 4.1%, supported by higher RIG of 2.7%. Pricing was positive at 1.4%. Growth improved in both North and Latin America year-on-year, with North America accelerating further in the third quarter. Net acquisitions increased sales by 5.5%, largely related to the acquisition of the Starbucks license. Foreign exchange decreased sales by 0.1%. Reported sales in Zone AMS increased by 9.5% to CHF 24.0 billion.
North America grew mid-single digit. RIG was strong, reflecting a robust pipeline of new product launches. The largest contributor to growth was Purina PetCare, which saw strong sales development in e-commerce and premium brands. Purina Pro Plan, Purina One, Tidy Cats litter and veterinary products grew at a double-digit rate. The beverages category, comprising Coffee mate creamers, Starbucks and Nescafé coffee, saw mid single-digit growth. The launch of Starbucks creamers generated strong demand. The transition of the U.S. pizza and ice cream businesses from a frozen Direct-Store-Delivery system to a warehouse distribution model is fully on track. Ice cream grew at mid single-digit rate, with strong performances by Häagen-Dazs and natural, non-GMO Outshine bars. Frozen food posted low single-digit growth, supported by pizza, Hot Pockets and Stouffer’s.

Latin America reported mid single-digit growth, with positive contributions in most markets and categories. Brazil posted mid single-digit growth, supported by strong performance in dairy, infant nutrition and KitKat. Mexico grew at a mid single-digit rate, with continued strong demand for Nescafé. Latin America recorded high single-digit growth for coffee, Purina PetCare and dairy categories.

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

- 2.9% organic growth: 4.6% RIG; -1.7% pricing.
- Western Europe posted strong RIG, partially offset by negative pricing.
- Central and Eastern Europe had mid single-digit organic growth with strong RIG. Pricing was negative.
- Middle East and North Africa saw mid single-digit organic growth, with strong RIG and positive pricing.

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<tr>
<td>Zone EMENA</td>
<td>CHF 13.7 bn</td>
<td>CHF 13.7 bn</td>
<td>4.6%</td>
<td>-1.7%</td>
<td>2.9%</td>
<td>-0.1%</td>
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Organic growth was 2.9%, with strong RIG of 4.6%. Pricing declined by 1.7%, mainly due to decreasing coffee prices. Net acquisitions decreased sales by 0.1%. Foreign exchange negatively impacted sales by 3.4%. Reported sales in Zone EMENA decreased by 0.6% to CHF 13.7 billion.

Zone EMENA reported mid single-digit RIG with increased momentum in the third quarter. Each sub-region made good contributions to this positive trend with market share gains across categories. Pricing remained negative, especially in coffee. Overall the positive organic sales development was supported by high growth in Purina PetCare and infant nutrition. Coffee saw positive growth with high single-digit RIG in the third quarter, helped by the launch of Starbucks products across 20 countries in the Zone. Confectionery maintained good momentum with double-digit growth for KitKat. Vegetarian and plant-based food products posted double-digit growth, supported by the launch of the Garden Gourmet Incredible Burger in 10 countries across the Zone.

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

- 3.1% organic growth: 2.5% RIG; 0.6% pricing.
- China saw flat growth, with flat RIG and pricing.
- South-East Asia maintained mid single-digit organic growth, supported by strong RIG and positive pricing.
- South Asia had mid single-digit organic growth. Both RIG and pricing were positive.
- Sub-Saharan Africa reported mid single-digit organic growth, with strong RIG and positive pricing.
- Japan and Oceania posted low single-digit organic growth, with strong RIG and negative pricing.
Organic growth was 3.1%, with RIG of 2.5% and pricing of 0.6%. Net acquisitions had a minimal negative impact of 0.1%. Foreign exchange reduced sales by 2.1%. Reported sales in Zone AOA increased by 0.9% to CHF 15.9 billion.

Zone AOA reported solid growth despite slower momentum in China and a challenging environment in Pakistan.

China reported flat growth due to softness in some categories. Culinary, coffee and ice cream performed well. Infant nutrition slowed to low single-digit growth following a sales decline for the S-26 range. Yinlu peanut milk and congee saw a decrease in sales.

South-East Asia posted good growth, with strong momentum in Vietnam and Indonesia. Bear Brand, ready-to-drink Milo and Nescafé grew double-digit. South Asia accelerated to mid single-digit growth despite market-specific challenges in Pakistan. NAN, Maggi and KitKat continued to perform well, helped by new product launches and distribution expansion. Sub-Saharan Africa reported mid single-digit growth, supported by infant nutrition, Maggi and Nescafé. Japan and Oceania saw solid growth with strong demand for Purina PetCare products, KitKat and the newly launched Starbucks range.

By product category, the largest contributions to the Zone growth came from infant nutrition, culinary products and Purina PetCare. Infant nutrition reported mid single-digit growth, supported by strong growth outside of China.

**Nestlé Waters**

- 0.5% organic growth: -2.5% RIG; 3.0% pricing.
- North America reported flat organic growth. Positive pricing was offset by negative RIG.
- Europe saw negative organic growth. Both RIG and pricing declined.
- Emerging markets posted high single-digit organic growth, with strong pricing and positive RIG.

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<tr>
<td>Zone AOA</td>
<td>CHF 15.9 bn</td>
<td>CHF 15.8 bn</td>
<td>2.5%</td>
<td>0.6%</td>
<td>3.1%</td>
<td>-0.1%</td>
<td>-2.1%</td>
<td>0.9%</td>
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Organic growth was 0.5%. Pricing increased by 3.0%, RIG declined by 2.5%. In the third quarter, growth slowed due to high pricing comparables in North America and a disappointing summer season in Europe. Net acquisitions reduced sales by 0.2%. Foreign exchange negatively impacted sales by 0.8%. Reported sales in Nestlé Waters decreased by 0.5% to CHF 6.1 billion.

In North America organic growth was flat. Premium brands S.Pellegrino, Perrier, and Acqua Panna saw double-digit growth as they benefited from a strong innovation pipeline focused on flavored and functional offerings. The ReadyRefresh direct-to-consumer business grew at a mid single-digit rate, helped by pricing and a new user-friendly online platform. The lapping of the 2018 price increases weighed negatively on growth for the case-pack format and Nestlé Pure Life.
Europe had negative growth following a disappointing summer season and high comparables in the third quarter. Emerging markets posted high single-digit growth. Nestlé Pure Life in Egypt, Erikli in Turkey and La Vie in Vietnam grew at double-digit rates, supported by expansion in the sparkling and flavored segments.

### Other Businesses

- 7.1% organic growth: 6.4% RIG; 0.7% pricing.
- Nespresso reported mid single-digit organic growth, with strong RIG and positive pricing.
- Nestlé Health Science reached high single-digit organic growth based entirely on strong RIG.
- Nestlé Skin Health posted high single-digit organic growth, with strong RIG and slightly positive pricing.

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<td></td>
<td>CHF 8.7 bn</td>
<td>CHF 8.8 bn</td>
<td>6.4%</td>
<td>0.7%</td>
<td>7.1%</td>
<td>-7.3%</td>
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<td>-1.8%</td>
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Organic growth of 7.1% was driven by strong RIG of 6.4% and pricing of 0.7%. Net acquisitions reduced sales by 7.3%, mainly due to the disposal of Gerber Life Insurance, which more than offset the consolidation of Atrium Innovations. Foreign exchange negatively impacted sales by 1.6%. Reported sales in Other Businesses decreased by 1.8% to CHF 8.7 billion.

Nespresso maintained solid mid single-digit organic growth. North America and emerging markets grew at strong double-digit rates. Europe maintained positive growth. The Vertuo system, now available in 21 markets, continued to generate strong consumer demand. Nestlé Health Science grew at a mid single-digit pace with an acceleration to high single-digit in the third quarter. Medical nutrition and Atrium Innovations were the largest contributors. Nestlé Skin Health grew at a high single-digit rate, with mid single-digit growth in the third quarter.

### Distribution of cash to Nestlé shareholders

Nestlé’s Board of Directors has decided to distribute an amount of up to CHF 20 billion to Nestlé shareholders over the period 2020 to 2022, while maintaining the company’s longstanding sustainable dividend practice. The distribution reflects Nestlé’s continued strong cash generation as well as significant cash inflows from disposals.

The distribution is expected to be primarily in the form of a share buyback program commencing in January 2020. The Board may consider distributing part of the total amount as one or more special dividends over the period 2020 to 2022. The volume of monthly share buybacks and the amount of potential special dividend payments will depend on market conditions.

Nestlé’s Board of Directors and executive management reiterate their preference for value-creating investments to expand the company’s core food, beverage and nutritional health products business. Should any sizable acquisitions take place during this period, the amount of cash to be distributed to shareholders will be adjusted accordingly.

### Our business as a force for good: Working together to end deforestation

Forests are essential for the health of our planet: they help stabilize the climate, regulate ecosystems and host significant biodiversity. Nestlé is dependent on healthy forests to ensure a sustainable supply of resources. The ongoing loss of forests, particularly in the biodiversity-rich tropical zone, demands urgent action.
Committed to having deforestation-free products. Over the past 10 years, Nestlé has been leading the way in its efforts to end deforestation across its supply chain. The company has developed an integrated approach with a combination of certification, supply chain mapping, on-the-ground verification and satellite surveillance. As of April 2019, 77% of the key agricultural commodities Nestlé buys, including soy and palm oil, were verified deforestation-free. That figure will surpass 90% by the end of 2020. Nestlé’s efforts will not stop there. The company will continue to work with smallholder farmers and large suppliers alike to be close to 100% deforestation-free within the next three years. To this end, Nestlé continues to act on three fronts:

1. Utilizing technology. Transparency builds trust and ensures accountability. Nestlé has pioneered the deployment of technologies that make this possible. The company was the first in the food industry to utilize Starling, Airbus’s satellite-based imagery system. This enables the real-time detection of deforestation. Nestlé was also the first to make its supply chain transparent. The company discloses a list of direct suppliers, upstream locations and country of origins, as well as total volume sourced for key agricultural commodities.

2. Supporting smallholder farmers. Experience shows that preventing deforestation requires engaging with smallholder farmers. In the case of palm oil, these farmers account for 40% of global production and frequently operate in areas near forests without conservation measures. Actions need to support livelihoods and sustain communities. To do this, Nestlé provides technical assistance to almost 50,000 smallholder farmers. The company is scaling up initiatives to help them increase crop productivity and diversify incomes. The aim is to make forest conservation economically attractive, restore forestry stocks and promote regenerative agriculture, which help capture carbon from the atmosphere. This will be a key aspect in fulfilling Nestlé’s ambition of zero net greenhouse gas emissions across its value chain by 2050.

3. Advocating for disclosure. Nestlé works to create sector-wide approaches, share know-how and bring solutions to scale. The company is an advocate for increased transparency, and harmonized disclosure and reporting at industry level. Addressing deforestation requires that all parties step up, be accountable and assume responsibility for forest stewardship.

Outlook

Nestlé confirms its full-year guidance for 2019. We expect organic sales growth around 3.5% and the full-year underlying trading operating profit margin at or above 17.5%. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

Contacts

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<tr>
<th>Media</th>
<th>Christoph Meier</th>
<th>Tel.: +41 21 924 22 00</th>
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<tr>
<td>Investors</td>
<td>Luca Borlini</td>
<td>Tel.: +41 21 924 38 20</td>
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Annex

Nine-month sales overview by operating segment

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<tr>
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<th>Total Group</th>
<th>Zone AMS</th>
<th>Zone EMENA</th>
<th>Zone AOA</th>
<th>Nestlé Waters</th>
<th>Other Businesses</th>
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<tr>
<td>Sales 9M-2019 (CHF m)</td>
<td>68 367</td>
<td>23 995</td>
<td>13 650</td>
<td>15 938</td>
<td>6 097</td>
<td>8 687</td>
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<td>Sales 9M-2018 (CHF m)</td>
<td>66 424</td>
<td>21 918</td>
<td>13 731</td>
<td>15 799</td>
<td>6 127</td>
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<tr>
<td>Organic growth</td>
<td>3.7%</td>
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<td>2.9%</td>
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<td>Net M&amp;A</td>
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<td>Foreign exchange</td>
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<td>Reported sales growth</td>
<td>2.9%</td>
<td>9.5%</td>
<td>-0.6%</td>
<td>0.9%</td>
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<td>-1.8%</td>
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Nine-month sales overview by product

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<tr>
<th></th>
<th>Total Group</th>
<th>Powdered &amp; liquid beverages</th>
<th>Water</th>
<th>Milk products &amp; ice cream</th>
<th>Nutrition &amp; Health Science</th>
<th>Prepared dishes &amp; cooking aids</th>
<th>Confectionery</th>
<th>PetCare</th>
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<tr>
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<td>68 367</td>
<td>16 880</td>
<td>5 764</td>
<td>9 806</td>
<td>11 698</td>
<td>8 888</td>
<td>5 358</td>
<td>9 973</td>
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<tr>
<td>Sales 9M-2018 (CHF m)</td>
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<td>15 388</td>
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<td>0.7%</td>
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<td>3.7%</td>
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