



Good food, Good life

# Press Release

Ad hoc announcement pursuant to Art. 53 LR

Vevey, July 28, 2022

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## Nestlé reports half-year results for 2022

- Organic growth reached 8.1%, with real internal growth (RIG) of 1.7% and pricing of 6.5%. Growth was broad-based across most geographies and categories, with increased pricing and resilient RIG.
- Total reported sales increased by 9.2% to CHF 45.6 billion (6M-2021: CHF 41.8 billion). Net acquisitions had a positive impact of 1.0%. Foreign exchange increased sales by 0.1%.
- The underlying trading operating profit (UTOP) margin was 16.9%, decreasing by 50 basis points. The trading operating profit (TOP) margin decreased by 200 basis points to 14.7%, mainly due to one-off items.
- Underlying earnings per share increased by 8.1% in constant currency and increased by 7.3% on a reported basis to CHF 2.33. Earnings per share decreased by 9.5% to CHF 1.92 on a reported basis.
- Free cash flow was CHF 1.5 billion, as working capital and capital expenditure increased temporarily in the context of supply chain constraints and high volume demand.
- Continued portfolio management progress. In the second quarter, Nestlé Health Science agreed to acquire Puravida in Brazil and The Better Health Company in New Zealand.
- **Full-year 2022 outlook updated:** we expect organic sales growth between 7% and 8%. The underlying trading operating profit margin is now expected around 17.0%. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

**Mark Schneider, Nestlé CEO, commented:** *"In the first half of the year, we delivered strong organic growth and a significant increase in underlying earnings per share. Our local teams implemented price increases in a responsible manner. Volume and product mix were resilient, based on our strong brands, differentiated offerings and leading market positions. We limited the impact of unprecedented inflationary pressures and supply chain constraints on our margin development through disciplined cost control and operational efficiencies. At the same time, investments behind capital expenditure, digitalization and sustainability increased significantly.*

*We are focused on creating shared value over both the short and long term. Growing food insecurity around the world and heightened climate concerns, following an increase in unusual weather patterns, underlines the importance of this strategic direction. Good for you and good for the planet are the two key strategic pillars that our company pursues in an unwavering manner, even in the face of significant short-term challenges.”*

	Total Group	Zone North America	Zone Europe	Zone AOA	Zone Latin America	Zone Greater China	Nespresso	Nestlé Health Science	Other Businesses
Sales 6M-2022 (CHF m)	45 580	12 138	9 283	9 335	5 659	2 677	3 190	3 167	131
Sales 6M-2021 (CHF m)*	41 755	11 364	9 022	8 878	4 798	2 524	3 158	1 914	97
Real internal growth (RIG)**	1.7%	-0.2%	2.1%	2.1%	4.2%	1.6%	-1.6%	4.4%	31.1%
Pricing**	6.5%	9.8%	4.9%	6.1%	9.4%	0.7%	4.2%	2.2%	2.7%
Organic growth**	8.1%	9.6%	7.1%	8.2%	13.6%	2.3%	2.6%	6.6%	33.8%
Net M&A**	1.0%	-7.1%	1.6%	-0.1%	0.1%	0.0%	0.1%	57.2%	0.0%
Foreign exchange	0.1%	4.3%	-5.7%	-3.0%	4.3%	3.8%	-1.7%	1.7%	0.3%
Reported sales growth	9.2%	6.8%	2.9%	5.2%	17.9%	6.0%	1.0%	65.5%	34.1%
6M-2022 Underlying TOP Margin	16.9%	18.8%	17.3%	23.5%	21.1%	15.0%	24.3%	13.7%	-3.6%
6M-2021 Underlying TOP Margin*	17.4%	18.5%	18.7%	24.4%	21.0%	14.0%	26.0%	13.5%	7.6%

\* 2021 figures restated following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022. Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA

\*\*RIG, pricing and organic growth figures exclude the Russia region, with a corresponding impact on the M&A and foreign exchange lines

## Group sales

Organic growth was 8.1%. Pricing increased to 6.5% to reflect significant and unprecedented cost inflation. RIG was resilient at 1.7%, given the high base of comparison in 2021 and supply chain constraints.

Organic growth was 6.9% in developed markets, with strong pricing and positive RIG. Organic growth in emerging markets was 10.0%, with increased pricing and solid RIG.

By product category, Purina PetCare was the largest contributor to organic growth, with continued momentum for science-based and premium brands *Purina Pro Plan*, *Purina ONE* and *Fancy Feast* as well as veterinary products. Sales in coffee grew at a high single-digit rate, with broad-based growth across brands and geographies, supported by a strong recovery of out-of-home channels. Confectionery reported double-digit growth, reflecting particular strength for *KitKat* and seasonal products. Growth in Infant Nutrition reached a high single-digit rate, with a return to positive growth in China and improving market share trends. Water posted double-digit growth, led by premium brands and a further recovery of out-of-home channels. Nestlé Health Science recorded high single-digit growth, driven by Medical Nutrition and

healthy-aging products. Dairy reported mid single-digit growth, with strong sales developments for coffee creamers and affordable nutrition offerings. Prepared dishes and cooking aids posted low single-digit growth, following a high base of comparison in 2021, with continued strong demand for *Maggi*. Sales in vegetarian and plant-based food continued to grow at a double-digit rate, led by *Garden Gourmet*.

By channel, organic growth in retail sales remained robust at 6.7%. Within retail, e-commerce sales grew by 8.3%, building on growth of 19.2% in the first half of 2021. Organic growth in out-of-home channels reached 29.6%, with sales exceeding 2019 levels.

Net acquisitions increased sales by 1.0%, largely related to the acquisitions of the core brands of The Bountiful Company as well as Orgain. The impact on sales from foreign exchange was positive at 0.1%. Total reported sales increased by 9.2% to CHF 45.6 billion.

### **Underlying Trading Operating Profit**

Underlying trading operating profit increased by 6.0% to CHF 7.7 billion. The underlying trading operating profit margin decreased by 50 basis points to 16.9% in constant currency and on a reported basis, reflecting time delays between cost inflation and pricing actions.

Gross margin decreased by 280 basis points to 46.0%, following significant broad-based inflation for commodity, packaging, freight and energy costs. Pricing, growth leverage and efficiencies helped to significantly offset the impact of cost inflation.

Distribution costs as a percentage of sales decreased by 10 basis points, mainly as a result of the divestment of the Nestlé Waters North America brands.

Marketing and administration expenses as a percentage of sales decreased by 210 basis points, supported by sales growth leverage and disciplined cost control. Marketing spend decreased temporarily, following a lower level of promotion and marketing activities in the context of supply chain constraints.

Restructuring expenses and net other trading items were CHF 1.0 billion, reflecting higher impairments. As a result, trading operating profit decreased by 4.3% to CHF 6.7 billion, and the trading operating profit margin decreased by 200 basis points on a reported basis to 14.7%.

### **Net Financial Expenses and Income Tax**

Net financial expenses increased by 4.5% to CHF 434 million, reflecting higher average net debt.

The Group reported tax rate increased by 680 basis points to 24.2% as a result of one-off items. The underlying tax rate increased by 70 basis points to 20.9%, mainly due to the geographic and business mix.

### **Net Profit and Earnings Per Share**

Net profit decreased by 11.7% to CHF 5.2 billion. Net profit margin decreased by 270 basis points to 11.5% as a result of one-off items, including higher impairments and taxes. As a consequence, earnings per share decreased by 9.5% to CHF 1.92 on a reported basis.

Underlying earnings per share increased by 8.1% in constant currency and by 7.3% on a reported basis to CHF 2.33. The increase was mainly the result of strong organic growth. Nestlé's share buyback program contributed 1.7% to the underlying earnings per share increase, net of finance costs.

### **Cash Flow**

Cash generated from operations decreased from CHF 5.8 billion to CHF 5.7 billion mainly due to an increase in working capital. The Group increased its inventory levels temporarily, due to significant supply chain constraints. Excluding the increase in working capital, cash generated from operations increased from CHF 7.9 billion to CHF 8.8 billion, driven by strong organic growth. Free cash flow decreased from CHF 2.8 billion to CHF 1.5 billion reflecting higher taxes and a temporary increase in capital expenditure to meet strong volume demand, particularly for Purina PetCare and coffee.

### **Share Buyback Program**

In the first half, the Group repurchased CHF 6.9 billion of Nestlé shares as part of the three-year CHF 20 billion share buyback program, which began in January 2022.

### **Net Debt**

Net debt increased to CHF 48.5 billion as at June 30, 2022, compared to CHF 32.9 billion at December 31, 2021. The increase largely reflected the dividend payment of CHF 7.6 billion and share buybacks of CHF 6.7 billion.

### **Portfolio Management**

On April 1, 2022, Nestlé Health Science completed the acquisition of a majority stake in Orgain, a leader in plant-based nutrition. Orgain complements Nestlé Health Science's existing portfolio of nutrition products that support healthier lives. The deal is expected to be slightly accretive to Nestlé's organic growth, while slightly dilutive to the Group's underlying trading operating profit margin in 2022. The agreement includes the option for Nestlé Health Science to fully acquire Orgain in 2024.

On May 23, 2022, Nestlé Health Science agreed to acquire Puravida, a premium Brazilian nutrition and health lifestyle brand. The acquisition will enable Nestlé Health Science to expand its consumer health portfolio in Latin America.

On June 25, 2022, Nestlé Health Science agreed to acquire The Better Health Company. The acquisition includes the GO Healthy brand, New Zealand's leading supplement brand, and New Zealand Health Manufacturing, an Auckland-based manufacturing facility for vitamins, minerals and supplements. The acquisition will

expand Nestlé Health Science’s portfolio of vitamins, minerals and supplements in AOA.

## Zone North America

- 9.6% organic growth: -0.2% RIG; 9.8% pricing.
- The underlying trading operating profit margin increased by 30 basis points to 18.8% as a result of the Nestlé Waters North America brands divestment.

	Sales 6M-2022	Sales 6M-2021	RIG	Pricing	Organic growth	UTOP 6M-2022	UTOP 6M-2021	Margin 6M-2022	Margin 6M-2021
Zone North America	CHF 12.1 bn	CHF 11.4 bn	-0.2%	9.8%	9.6%	CHF 2.3 bn	CHF 2.1 bn	18.8%	18.5%

Organic growth was 9.6%, with increased pricing of 9.8%. RIG was -0.2%, following a high base of comparison in 2021 and supply chain constraints. Net divestitures reduced sales by 7.1%, mainly due to the divestment of the Nestlé Waters North America brands. Foreign exchange had a positive impact of 4.3%. Reported sales in Zone North America increased by 6.8% to CHF 12.1 billion.

Organic growth in Zone North America was close to a double-digit rate, led by increased pricing, strong momentum in e-commerce and a further recovery of out-of-home channels. The Zone saw continued broad-based market share gains, particularly in pet food, coffee and creamers as well as premium water.

By product category, Purina PetCare was the largest growth contributor with strong momentum across channels and brands. *Purina Pro Plan*, including veterinary products, *Fancy Feast* and *Purina ONE* all posted strong double-digit growth, helped by continued innovation such as *Purina ONE Microbiome Balance*. Sales in Nestlé Professional and Starbucks out-of-home products grew at a strong double-digit rate. The beverages category, including Starbucks at-home products, *Coffee mate* and *Nescafé*, saw mid single-digit growth, following a high base of comparison in 2021. Sales in premium water grew at a double-digit rate, with strong momentum for *S.Pellegrino*, *Perrier* and *Essentia*. Infant formula recorded strong growth, following supply shortages in the market. Nestlé helped address the needs of parents and caregivers by importing essential infant formula products to the United States. Baby food also posted strong growth, fueled by new launches for *Gerber* in healthy snacking and high demand for organic plant-based offerings. Frozen food reported low single-digit growth, impacted by a high base of comparison in 2021 for frozen meals. *DiGiorno* and *Hot Pockets* saw solid demand, and growth in *Stouffer’s* turned positive in the second quarter. Ready-to-drink *Nesquik* in the U.S. and confectionery in Canada saw double-digit growth, supported by new product launches.

The Zone’s underlying trading operating profit margin increased by 30 basis points. Excluding the impact of the Nestlé Waters North America brands divestment, the Zone’s margin development was negative as pricing did not fully offset significant cost inflation.

## Zone Europe

- 7.1% organic growth: 2.1% RIG; 4.9% pricing.
- The underlying trading operating profit margin decreased by 140 basis points to 17.3%.

	Sales 6M-2022	Sales 6M-2021	RIG	Pricing	Organic growth	UTOP 6M-2022	UTOP 6M-2021	Margin 6M-2022	Margin 6M-2021
Zone Europe*	CHF 9.3 bn	CHF 9.0 bn	2.1%	4.9%	7.1%	CHF 1.6 bn	CHF 1.7 bn	17.3%	18.7%

\*RIG, pricing and organic growth figures exclude the Russia region, with a corresponding impact on the M&A and foreign exchange lines

Organic growth was 7.1%. Pricing reached 4.9%. RIG remained solid at 2.1%, despite a high base of comparison in 2021 and supply chain constraints. Foreign exchange negatively impacted sales by 5.7%. Reported sales in Zone Europe increased by 2.9% to CHF 9.3 billion.

Zone Europe reported high single-digit organic growth, reflecting increased pricing, a further recovery of out-of-home channels and innovation. The Zone continued to see market share gains, particularly in pet food, coffee and Infant Nutrition.

By product category, the key growth driver was Purina PetCare, fueled by premium brands *Gourmet*, *Purina ONE* and *Purina Pro Plan*, including veterinary products. Growth was broad-based across channels, particularly in e-commerce and pet specialty stores. *Gourmet Revelations*, the recently launched super-premium cat food, saw strong demand. Sales in Nestlé Professional grew at a double-digit rate, led by beverages. Water posted double-digit growth, driven by *S.Pellegrino*, *Perrier* and *Acqua Panna*. Sales in Infant Nutrition grew at a double-digit rate, based on strong momentum for human milk oligosaccharides (HMOs) products. Confectionery reported mid single-digit growth, with strong demand for *KitKat* across most geographies and *Baci* in Italy. Coffee posted low single-digit growth, led by *Nescafé* soluble coffee. *Starbucks by Nespresso* and other Nespresso-compatible capsules saw further market share gains in the retail segment. Culinary reported a sales decrease, impacted by negative growth in pizza and noodles. *Garden Gourmet* plant-based products continued to see strong momentum, reflecting new product launches.

The Zone's underlying trading operating profit margin decreased by 140 basis points. Significant cost inflation more than offset pricing, growth leverage and disciplined cost control.

## Zone Asia, Oceania and Africa (AOA)

- 8.2% organic growth: 2.1% RIG; 6.1% pricing.
- The underlying trading operating profit margin decreased by 90 basis points to 23.5%.

	Sales 6M-2022	Sales 6M-2021	RIG	Pricing	Organic growth	UTOP 6M-2022	UTOP 6M-2021	Margin 6M-2022	Margin 6M-2021
Zone AOA	CHF 9.3 bn	CHF 8.9 bn	2.1%	6.1%	8.2%	CHF 2.2 bn	CHF 2.2 bn	23.5%	24.4%

Organic growth reached 8.2%, with RIG of 2.1%. Pricing increased to 6.1%, with broad-based contributions from all geographies and categories. Foreign exchange reduced sales by 3.0%. Reported sales in Zone AOA increased by 5.2% to CHF 9.3 billion.

Organic growth in Zone AOA accelerated to a high single-digit rate, driven by increased pricing, a further recovery of out-of-home channels and strong supply chain execution. The Zone saw market share gains across categories, particularly in culinary, portioned and ready-to-drink coffee as well as dairy.

South-East Asia posted mid single-digit growth, with positive contributions from most geographies, led by Malaysia. *Nescafé*, particularly ready-to-drink offerings, as well as *Maggi* and *KitKat* saw strong demand. South Asia recorded broad-based double-digit growth, due to distribution expansion and increased brand equity, particularly for *Maggi*, *KitKat* and *Nescafé*. Growth in Middle East and Africa was close to a double-digit rate, based on strong momentum for affordable offerings in Central and West Africa. Japan reported mid single-digit growth, based on solid demand for coffee and Purina PetCare. Sales in South Korea grew at a double-digit rate, driven by Starbucks products. Oceania reported high single-digit growth, fueled by new product launches, including *KitKat Dark Tablet* and the relaunch of *Nescafé* coffee mixes.

By product category, culinary was the largest growth contributor, led by *Maggi*. Coffee posted high single-digit growth, with continued strong demand for *Nescafé* and Starbucks products. Sales in Nestlé Professional grew at a double-digit rate. Infant Nutrition reported mid single-digit growth, with a broad-based recovery in the second quarter. Sales in cocoa and malt beverages as well as confectionery saw double-digit growth, based on strong demand for *Milo* and *KitKat*. Purina PetCare recorded high single-digit growth, with continued momentum for *Purina ONE*, *Purina Pro Plan* and *Felix*.

The Zone's underlying trading operating profit margin decreased by 90 basis points. Significant cost inflation more than offset pricing, growth leverage and disciplined cost control.

### Zone Latin America

- 13.6% organic growth: 4.2% RIG; 9.4% pricing.
- The underlying trading operating profit margin increased by 10 basis points to 21.1%.

	Sales 6M-2022	Sales 6M-2021	RIG	Pricing	Organic growth	UTOP 6M-2022	UTOP 6M-2021	Margin 6M-2022	Margin 6M-2021
Zone Latin America	CHF 5.7 bn	CHF 4.8 bn	4.2%	9.4%	13.6%	CHF 1.2 bn	CHF 1.0 bn	21.1%	21.0%

Organic growth was 13.6%, with increased pricing of 9.4%. RIG remained strong at 4.2%, following high single-digit growth in 2021. Foreign exchange had a positive impact of 4.3%. Reported sales in Zone Latin America increased by 17.9% to CHF 5.7 billion.

Zone Latin America maintained double-digit organic growth, with broad-based contributions across geographies and categories. Growth was supported by increased pricing, a further recovery of out-of-home channels and sustained momentum for retail sales. The Zone saw market share gains in Infant Nutrition, pet food and coffee creamers.

Sales in Brazil grew at a double-digit rate, with strong momentum for confectionery, cocoa and malt beverages as well as Infant Nutrition. Mexico reported high single-digit growth, with strong sales developments for Purina PetCare, *Nescafé* and *Carnation*. Sales in Chile grew at a double-digit rate, led by confectionery, Purina PetCare and coffee. Colombia and the Plata Region also saw strong growth, supported by volumes.

By product category, confectionery was the largest growth contributor, reflecting strong demand for *KitKat* and key local brands, particularly *Garoto* in Brazil. Sales in Purina PetCare grew at a double-digit rate, fueled by *Dog Chow*, *Cat Chow* and *Purina Pro Plan*. Distribution of *Purina ONE* continued to expand across the Zone. Coffee reported broad-based double-digit growth, supported by *Nescafé* soluble coffee, *Nescafé Dolce Gusto* and the further roll-out of Starbucks products. Sales in Nestlé Professional grew at a strong double-digit rate, with particular strength for beverages. Infant Nutrition saw high single-digit growth, based on solid momentum for *Nido* and *NAN*. Dairy posted mid single-digit growth, led by fortified milks and dairy culinary solutions.

The Zone's underlying trading operating profit margin increased by 10 basis points. Pricing, growth leverage and disciplined cost control more than offset cost inflation.

### Zone Greater China

- 2.3% organic growth: 1.6% RIG; 0.7% pricing.
- The underlying trading operating profit margin increased by 100 basis points to 15.0%.

	Sales 6M-2022	Sales 6M-2021	RIG	Pricing	Organic growth	UTOP 6M-2022	UTOP 6M-2021	Margin 6M-2022	Margin 6M-2021
Zone Greater China	CHF 2.7 bn	CHF 2.5 bn	1.6%	0.7%	2.3%	CHF 0.4 bn	CHF 0.4 bn	15.0%	14.0%



Organic growth was 2.3%, with RIG of 1.6%. Pricing reached 0.7%, turning positive in the second quarter. Foreign exchange had a positive impact of 3.8%. Reported sales in Zone Greater China increased by 6.0% to CHF 2.7 billion.

Zone Greater China reported low single-digit organic growth, impacted by COVID-19-related movement restrictions. Growth was supported by robust demand in e-commerce channels and continued innovation.

By product category, coffee posted mid single-digit growth. Starbucks products and *Nescafé* soluble coffee saw continued momentum. Culinary reported mid single-digit growth, helped by increased distribution and new product launches. Confectionery recorded mid single-digit growth, led by strong sales development for *Shark* wafer chocolate and solid demand for *Hsu Fu Chi*. Purina PetCare posted high single-digit growth, with particular strength for *Mon Petit*, *Fancy Feast* and recently launched *DentaLife*. Growth in Infant Nutrition turned positive, with improving market share trends. The business saw a strong recovery in the second quarter, particularly for *NAN* and *illumina*. Nestlé Professional reported a sales decrease, reflecting restrictions on out-of-home channels.

The Zone's underlying trading operating profit margin increased by 100 basis points. Favorable mix and disciplined cost control more than offset cost inflation.

## Nespresso

- 2.6% organic growth: -1.6% RIG; 4.2% pricing.
- The underlying trading operating profit margin decreased by 170 basis points to 24.3%.

	Sales 6M-2022	Sales 6M-2021	RIG	Pricing	Organic growth	UTOP 6M-2022	UTOP 6M-2021	Margin 6M-2022	Margin 6M-2021
Nespresso*	CHF 3.2 bn	CHF 3.2 bn	-1.6%	4.2%	2.6%	CHF 0.8 bn	CHF 0.8 bn	24.3%	26.0%

\*RIG, pricing and organic growth figures exclude the Russia region, with a corresponding impact on the M&A and foreign exchange lines

Organic growth was 2.6%, with increased pricing of 4.2%. RIG was -1.6% following strong double-digit growth in 2021 during the pandemic. Foreign exchange negatively impacted sales by 1.7%. Reported sales in Nespresso increased by 1.0% to CHF 3.2 billion.

Nespresso reported low single-digit organic growth, following strong double-digit growth in 2021. Out-of-home channels saw further recovery, with strong demand for the *Momento* system. The *Vertuo* system saw sustained momentum and is now sold in 44 countries. Innovation continued to resonate with consumers with new product launches, including the summer collection of *Barista Creations Liminha over Ice* and *Exotic Liminha over Ice*.

By geography, North America posted double-digit growth with continued market share gains. Europe reported a sales decrease, following a high base of comparison in 2021. Other regions combined recorded high single-digit growth.

In the second quarter, Nespresso obtained global certification as a B Corp, reflecting the business's ongoing commitment to sustainability and transparency.

The underlying trading operating profit margin of Nespresso decreased by 170 basis points, impacted by investments in the roll-out of the *Vertuo* system and cost inflation.

### Nestlé Health Science

- 6.6% organic growth: 4.4% RIG; 2.2% pricing.
- The underlying trading operating profit margin increased by 20 basis points to 13.7%.

	Sales 6M-2022	Sales 6M-2021	RIG	Pricing	Organic growth	UTOP 6M-2022	UTOP 6M-2021	Margin 6M-2022	Margin 6M-2021
Nestlé Health Science*	CHF 3.2 bn	CHF 1.9 bn	4.4%	2.2%	6.6%	CHF 0.4 bn	CHF 0.3 bn	13.7%	13.5%

\*RIG, pricing and organic growth figures exclude the Russia region, with a corresponding impact on the M&A and foreign exchange lines

Organic growth was 6.6%, with robust RIG of 4.4% and increased pricing of 2.2%. Net acquisitions increased sales by 57.2%, largely related to the acquisition of the core brands of The Bountiful Company as well as Orgain. Foreign exchange positively impacted sales by 1.7%. Reported sales in Nestlé Health Science increased by 65.5% to CHF 3.2 billion.

Nestlé Health Science posted high single-digit organic growth, building on strong sales developments in 2020 and 2021. Growth was supported by innovation, geographic expansion and market share gains.

Consumer Care posted mid single-digit growth. Healthy-aging products grew at a double-digit rate, supported by *Boost* and *Nutren*. Vitamins, minerals and supplements reported low single-digit growth, following a high base of comparison and supply chain constraints. Sales of *Pure Encapsulations*, a super-premium offering recommended by healthcare professionals, grew at a double-digit rate. Vital Proteins saw robust demand, helped by geographic expansion. Orgain, the newly acquired plant-based nutrition business, posted strong double-digit growth, based on innovation and increased distribution.

Medical Nutrition reported double-digit growth, with strong sales developments for pediatric products, *Althéra*, *Alfaré* and *Alfamino*. *Zenpep* posted strong growth with market share gains. *Palforzia*, the peanut allergy treatment, saw further patient adoption.

By geography, sales in North America grew at a high single-digit rate. Europe saw positive growth. Other regions combined posted double-digit growth.

The underlying trading operating profit margin of Nestlé Health Science increased by 20 basis points. Growth leverage and acquisition synergies more than offset cost inflation and growth investments.

### **Business as a force for good: Improving the lives of lower-income consumers through affordable nutrition**

Supply chain disruptions and inflationary pressures have been exacerbated by the war in Ukraine and extreme weather events related to climate change. People's purchasing power has been reduced. In this context, offering affordable, nutritious food to lower-income consumers is more important than ever.

Working to make nutritious food products affordable and accessible is part of Nestlé's mission. The company focuses on four areas:

- Micronutrient deficiencies are widespread globally. Nestlé helps tackle the issue through **micronutrient fortification** based on local needs. In Pakistan, for example, one out of two children are deficient in iron. The company recently launched *BUNYAD IRON+*, an affordable dairy-based drink fortified with a new source of iron that is more easily absorbed in the body. In the Central and West Africa Region (CWAR), where iron deficiency is also widespread, Nestlé fortifies *Maggi* bouillon with iron and iodine. These products are used widely and regularly in the region to add flavor to home-cooked meals. Last year, Nestlé sold 82 billion fortified servings of affordable *Maggi* bouillon in CWAR alone. Nestlé also addresses inadequacies in macronutrients, like fiber, healthy fats and protein, through its products.
- To increase the **availability and accessibility** of affordable nutrition products, Nestlé aims to offer them at a price people can afford on their daily wages. It's also about making products available wherever consumers shop. In remote areas around the world, Nestlé leverages different channels specific to local markets to distribute its affordable nutrition products. The traditional open markets in CWAR, where *Maggi* bouillon is sold, is just one example.
- Nestlé works on **value chain optimization** to keep costs low and secure supply. It sources ingredients from local producers and strives to minimize food waste. *Nestlé Cerevita* Instant Sour Porridge, for instance, is an affordable nutritious solution for consumers in southern Africa. It uses high-quality ingredients that are locally and sustainably sourced. Production of the product leverages existing roller drying and dry-mixing technologies. In this way, Nestlé minimizes production costs and provides a porridge that is adapted to local consumer taste preferences and nutritional requirements.

- Nestlé is expanding its **nutrition education programs and partnerships** to help consumers. For example, its 'Live Strong with Iron' campaign in CWAR promotes the awareness and consumption of iron-rich foods. In Australia, Nestlé developed and produced the first custom-made product for Foodbank, a food relief organization. The *Maggi* Hearty One Pot Recipe Mix is used in combination with the fresh ingredients Foodbank provides and has added flavor to one million meals so far. The product is helping fight food insecurity and minimizing food waste at the same time.

## Outlook

**Full-year 2022 outlook updated:** we expect organic sales growth between 7% and 8%. The underlying trading operating profit margin is now expected around 17.0%. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

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## Annex

### Half-year sales and underlying trading operating profit (UTOP) overview by operating segment

	Total Group	Zone North America	Zone Europe	Zone AOA	Zone Latin America	Zone Greater China	Nespresso	Nestlé Health Science	Other Businesses
Sales 6M-2022 (CHF m)	45 580	12 138	9 283	9 335	5 659	2 677	3 190	3 167	131
Sales 6M-2021 (CHF m)*	41 755	11 364	9 022	8 878	4 798	2 524	3 158	1 914	97
Real internal growth (RIG)**	1.7%	-0.2%	2.1%	2.1%	4.2%	1.6%	-1.6%	4.4%	31.1%
Pricing**	6.5%	9.8%	4.9%	6.1%	9.4%	0.7%	4.2%	2.2%	2.7%
Organic growth**	8.1%	9.6%	7.1%	8.2%	13.6%	2.3%	2.6%	6.6%	33.8%
Net M&A**	1.0%	-7.1%	1.6%	-0.1%	0.1%	0.0%	0.1%	57.2%	0.0%
Foreign exchange	0.1%	4.3%	-5.7%	-3.0%	4.3%	3.8%	-1.7%	1.7%	0.3%
Reported sales growth	9.2%	6.8%	2.9%	5.2%	17.9%	6.0%	1.0%	65.5%	34.1%
6M-2022 Underlying TOP (CHF m)	7 683	2 284	1 606	2 198	1 196	400	777	435	-5
6M-2021 Underlying TOP (CHF m)*	7 251	2 104	1 686	2 162	1 008	352	822	258	7
6M-2022 Underlying TOP Margin	16.9%	18.8%	17.3%	23.5%	21.1%	15.0%	24.3%	13.7%	-3.6%
6M-2021 Underlying TOP Margin*	17.4%	18.5%	18.7%	24.4%	21.0%	14.0%	26.0%	13.5%	7.6%

\* 2021 figures restated following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022. Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA

\*\*RIG, pricing and organic growth figures exclude the Russia region, with a corresponding impact on the M&A and foreign exchange lines

### Half-year sales and underlying trading operating profit (UTOP) overview by product

	Total Group	Powdered & liquid beverages	Water	Milk products & ice cream	Nutrition & Health Science	Prepared dishes & cooking aids	Confectionery	PetCare
Sales 6M-2022 (CHF m)	45 580	12 335	1 792	5 443	7 689	6 137	3 595	8 589
Sales 6M-2021 (CHF m)	41 755	11 648	2 291	5 205	6 060	5 919	3 229	7 403
Real internal growth (RIG)**	1.7%	1.3%	8.8%	-3.3%	4.2%	-5.0%	6.8%	5.1%
Pricing**	6.5%	6.2%	8.4%	6.8%	3.6%	7.9%	4.0%	8.8%
Organic growth**	8.1%	7.6%	17.2%	3.5%	7.8%	2.9%	10.8%	13.9%
6M-2022 Underlying TOP (CHF m)	7 683	2 915	175	1 192	1 502	974	498	1 635
6M-2021 Underlying TOP (CHF m)	7 251	2 905	204	1 309	1 079	962	372	1 568
6M-2022 Underlying TOP Margin	16.9%	23.6%	9.7%	21.9%	19.5%	15.9%	13.8%	19.0%
6M-2021 Underlying TOP Margin	17.4%	24.9%	8.9%	25.2%	17.8%	16.3%	11.5%	21.2%

\*\*RIG, pricing and organic growth figures exclude the Russia region, with a corresponding impact on the M&A and foreign exchange lines