

## Nestlé 9-month sales: continuation of strong first-half momentum

- Group sales of CHF 82.8 billion, 6.1% organic growth, 4.5% real internal growth
- Food and Beverages sales of CHF 77.0 billion, 5.7% organic growth, 4.2% real internal growth
- Growth in all regions and categories, double-digit organic growth in emerging markets
- Full-year Food and Beverages outlook unchanged: organic growth of around 5% combined with an EBIT margin increase in constant currencies

**Paul Bulcke, Nestlé CEO: “Our performance is the result of clear strategic alignment and focus on execution throughout the whole organisation, both in developed and in emerging markets. Our ongoing efforts on the cost side combined with increased investment in our brands, innovation, capabilities and people have, as previously stated, prepared us well for the second half. Indeed, the first half’s growth momentum continued unabated in the third quarter, providing a good base for the full year as we face challenging comparatives in the final quarter. We therefore reconfirm that our Food and Beverages business will achieve organic growth of around 5% combined with an increase in EBIT margin in constant currencies for 2010 as a whole.”**

Vevey, 22 October 2010 – In the first nine months of 2010, **Group** sales amounted to CHF 82.8 billion, consisting of 6.1% organic growth, including 4.5% real internal growth. Foreign exchange impacted sales by -2.7%, whilst acquisitions, net of divestitures, added 0.7%. Overall, Group sales increased by 4.1%. **Food and Beverages** sales reached CHF 77.0 billion, consisting of 5.7% organic growth, including 4.2% real internal growth. Foreign exchange impacted sales by -2.8%, whilst acquisitions, net of divestitures, added 1.6%. Overall, Food and Beverages sales rose by 4.5%.

The nine month sales reflect a continuation of the strong, broad-based growth seen earlier in the year, with the organic growth for both the Group and the Food and Beverages business unchanged from the first half.

- The organic growth for all Food and Beverages operations was 5.5% in the Americas, 3.3% in Europe and 10.7% in Asia, Oceania and Africa. Western Europe and North America grew and emerging markets achieved around 11% organic growth.
- Key drivers of this consistent performance included deeper distribution in emerging markets in support of our value-priced popularly positioned products (PPPs); a strong pipeline of targeted innovation combined with increased brand support; and the continued success of premium product initiatives around the world.

## Business Review

### Zone Americas

Sales of CHF 25.0 billion, 5.7% organic growth, 2.7% real internal growth

- The North American business performed well, achieving growth and broad-based improvements in market shares. A key contributor was innovation backed by increased brand support, including the launches of *Willy Wonka* in chocolate, *Market Creations* in *Lean Cuisine*, *Café Collection* in *CoffeeMate*, *Nescafé Dolce Gusto*, *Dollar Cups* in *Dreyer's* and *Häagen Dazs*, as well as a range of innovations in petcare under the *ONE* and *ProPlan* brands.

The trends in frozen food's nutritional segment remained unchanged, with subdued consumer demand for *Lean Cuisine* and *Lean Pockets*. The family packs and more value-focused offerings of *Stouffer's* and *Hot Pockets* saw a pick-up in growth, whilst frozen pizza and *Buitoni*, in chilled, continued to gain share. The petcare business performed well with all segments showing good growth, and a positive reception for the relaunches of *ONE* and *Dog Chow*. Confectionery also continued to achieve good growth. The premium segment of the ice cream market remained weak, but the snacks segment with brands such as *Nestlé Drumstick* and *Skinny Cow*, together with *Häagen Dazs* in super-premium, compensated.

- Latin America continued to perform strongly, particularly Brazil and Mexico. Culinary, beverages and petcare were among the categories which achieved double-digit organic growth. Milk benefited from launches in ready-to-drink and a range of nutritionally enhanced products with fortified or lactose-free options. The whole region benefited from a multi-tier strategy with products adapted to different price levels, from PPPs such as *Nescafé* sticks to premium offerings such as *Nescafé Dolce Gusto*, which is now launched in a number of markets including Brazil, Mexico, Argentina and Chile.

### Zone Europe

Sales of CHF 15.9 billion, 2.0% organic growth, 1.3% real internal growth

- All key Western European markets, including Germany, France, the UK, Italy and the Iberian region, saw good growth, helped by the continued strong performance of recent innovations and roll-outs such as *Nescafé Dolce Gusto*, *Nescafé Green Blend*, *Maggi Juicy Chicken* and *Nestlé Grand Chocolat*. Our market share performance was good, with gains in most countries and categories. Increased distribution, improved customer service level and the development of PPPs as well as premium offerings were driving performance.
- Central and Eastern Europe were recovering. Consumption levels in Russia remained challenging, but our market shares are improving, and there are some signs of a pick-up in the market.
- The Zone's performance was broad-based by category, with good contributions from frozen and chilled culinary, brands such as *Herta* in charcuterie, and *Buitoni* and *Wagner* in pizza, as well as *Maggi* in culinary and *Friskies*, *Gourmet* and *ProPlan* in petcare. Chocolate, in the 75<sup>th</sup> anniversary year of the launch of *KitKat*, also performed well in Western Europe.

## Zone Asia, Oceania and Africa

Sales of CHF 12.9 billion, 9.2% organic growth, 7.7% real internal growth

- The Zone's emerging markets achieved double-digit organic growth, with PPPs such as *Maggi Noodles* and *Nestea Litro* as a key growth driver. The performance was broad-based by market and region, with Greater China, Indonesia, the Philippines, Africa, the Middle East, South Asia, which includes India, and Indochina, which includes Vietnam, all contributing well.
- Growth in Oceania and Japan was good, driven primarily by Japan where the *Nescafé* systems *Dolce Gusto* and *Barista* performed well. Innovation also brought increased interest to the *Nescafé* sticks and jars segment.
- The Zone's performance reflects high single-digit or double-digit organic growth in most categories. Among highlights were dairy and culinary, ready-to-drink and powdered beverages, as well as confectionery.

## Nestlé Waters

Sales of CHF 7.3 billion, 4.3% organic growth, 4.6% real internal growth

- The global water market returned to growth in 2010. Nestlé Waters maintained its recent trend of acceleration and achieved share gains in many key markets including the United States, France, Switzerland and the UK.
- The business grew in both Europe and North America and achieved double-digit organic growth in the emerging markets with particularly strong performances in Asia and the Middle East, Brazil and Mexico. The whole portfolio contributed, with the premium brands, *Perrier* and *S. Pellegrino*, enjoying high single-digit organic growth, and the value-priced brand, *Nestlé Pure Life*, achieving mid-teens organic growth.

## Nestlé Nutrition

Sales of CHF 7.8 billion, 6.8% organic growth, 5.9% real internal growth

- **Infant Nutrition** accelerated during the year with, in general, good market share performances. Infant formula achieved double-digit organic growth whilst baby food was high single-digit. Many emerging markets, including Russia, Brazil, South Asia, Indonesia, China and the Middle East, achieved double-digit organic growth. Recent launches such as anti-colic infant formula and infant cereals with probiotics were well received, with increased brand support adding further impetus to the division. The performance in the United States continued to be very strong, with *Gerber* bringing momentum to both the baby food and infant formula categories. In Western Europe, infant formula grew strongly.
- **Healthcare Nutrition** maintained its sales momentum with good contributions from France, Spain and the emerging markets. All key strategic platforms showed good growth with particularly strong performances in critical care and pediatrics.

- **Weight Management** remained challenged by the tough economic environment in the United States, but growth in Jenny Craig At Home (the Home delivery business) was compensating the lower number of visitors to Jenny Craig Centers. Europe saw encouraging early results of the French and British Jenny Craig roll-outs.

## Other Food and Beverages

Sales of CHF 8.0 billion, 9.5% organic growth, 8.3% real internal growth

- **Nestlé Professional** achieved good growth, mainly due to its exposure to the emerging markets, where it continued to enjoy strong growth. The out-of-home industry in developed markets continued to be subdued in line with general economic conditions, but our business benefited from increased distribution in European commercial channels and from good performance in the North American beverage business. This was partly due to proprietary *Nescafé* solutions and the successful integration of the Vitality business acquired in 2009.
- **Nespresso** continued to perform at a high level around the world, including in its biggest European markets, with organic growth above 20%. It continued its global roll-out of boutiques, with openings in Shanghai, Munich and New York in recent months, and is expected to have over 220 boutiques around the world by the end of the year.
- The joint ventures, **Cereal Partners Worldwide** and **Beverage Partners Worldwide**, continued to achieve good growth.

## Pharma

Sales of CHF 5.8 billion, 10.6% organic growth, 8.9% real internal growth

- This includes Alcon for about eight months only. All constituents contributed well.

## Corporate highlights

Over the third quarter of 2010, we

- completed the sale of our remaining shares in Alcon to Novartis, representing around 52% of Alcon's share capital, for USD 28.3 billion
- announced the creation of Nestlé Health Science S.A. and the Nestlé Institute of Health Sciences to pioneer a new industry between food and pharma
- launched the Nescafé Plan in Mexico City, announcing investments of CHF 500 million over ten years in coffee projects and doubling of direct coffee purchases
- announced the establishment of an R&D Centre in India, mainly dedicated to the development of PPPs

- acquired Waggin' Train, a leading marketer in the fast growing dog snacks segment based in the United States, as well as a majority participation in Malher Group in Guatemala, a marketer and distributor of culinary products and powdered beverages under brands such as *Malher*, *Yus* and *Toki*
- inaugurated new facilities in emerging markets such as an infant cereal plant in Ghana and a CoffeeMate factory for Latin America and the Caribbean in Mexico
- announced the investment of CHF 25 million in a new shared service center in L'viv, Ukraine, to consolidate our financial and Human Resources services in Central and Eastern Europe

## Outlook

Our performance year-to-date, even as we face challenging comparatives in the final quarter, enables us to reconfirm our full-year guidance, that the Food and Beverages business will achieve organic growth around 5% as well as an improvement in the EBIT margin in constant currencies.

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15:30 CET / 9:30 EST [Press Conference webcast](#) (Video), held in New York, USA

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## Annex

### 9-month sales overview 2010

	Jan.-Sept. 2010 Sales in CHF millions	Jan.-Sept. 2009 Sales in CHF millions	Jan.- Sept. 2010 Organic Growth (%)	Jan.-Sept. 2010 Real Internal Growth (%)
<b>By operating segment</b>				
Food and Beverages				
• Zone Americas	24'985	23'393	5.7	2.7
• Zone Europe	15'946	16'514	2.0	1.3
• Zone Asia, Oceania, Africa	12'941	11'713	9.2	7.7
Nestlé Waters	7'274	7'220	4.3	4.6
Nestlé Nutrition	7'842	7'479	6.8	5.9
Other Food & Beverages	8'034	7'390	9.5	8.3
Nestlé Food and Beverages	77'022	73'709	5.7	4.2
Pharma (incl. Alcon)	5'748	5'838	10.6	8.9
<b>Total Group</b>	<b>82'770</b>	<b>79'547</b>	<b>6.1</b>	<b>4.5</b>
<b>By Product</b>				
Powdered and liquid beverages	15'006	13'952	8.0	6.3
Water	7'280	7'224	4.3	4.6
Milk products and ice cream	15'531	14'883	6.1	3.8
Nutrition	7'844	7'481	6.8	5.9
Prepared dishes and cooking aids	13'162	12'379	3.5	2.9
Confectionery	8'535	8'177	7.4	3.7
PetCare	9'664	9'613	4.0	2.6
Pharmaceutical products	5'748	5'838	10.6	8.9
<b>Total Group</b>	<b>82'770</b>	<b>79'547</b>	<b>6.1</b>	<b>4.5</b>

*Nestlé Waters, Nestlé Nutrition and Other Food & Beverages (including Nestlé Professional) are not included in the Zones. The slight difference in the figures for water and nutrition between the "Sales by operating segment" and "Sales by product" tables is due to the fact that some water and nutrition products are also sold by operating segments other than Nestlé Waters and Nestlé Nutrition.*

*Pharmaceutical activities include Alcon discontinued operations until August 25<sup>th</sup> 2010, the date of the disposal of Nestlé's interest in Alcon to Novartis.*