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Nestlé first-quarter sales: 4.3% organic growth, full-year outlook confirmed

- Sales up 5.4% to CHF 21.9 billion
- Organic growth of 4.3% with real internal growth of 2.3%
- Full-year outlook unchanged: organic growth between 5% and 6% together with an improved trading operating profit margin and underlying earnings per share in constant currency, as well as improvement in our capital efficiency.

Nestlé CEO Paul Bulcke: “The start to the year reflects the caution we expressed in February. We continue to expect some volatility throughout 2013 but reconfirm our expectation to deliver on our commitments for the full year: top line, bottom line and capital efficiency. We are outperforming the market in Europe where consumer sentiment remains low. We are seeing progress in our North American business and we expect to see stronger momentum in key emerging markets. Our global presence, unrivalled category diversity and our proven ability to bring innovative products and services to our consumers allow us to deliver in the short term while at the same time creating the right conditions for continued success over the long term.”

Business Review

Vevey, 18 April 2013 - In the first three months of 2013, sales increased 5.4% to CHF 21.9 billion. Organic growth was 4.3%, composed of 2.3% real internal growth and 2.0% pricing. Acquisitions, net of divestitures, added 2.0% to sales, whilst foreign exchange had an impact of -0.9%.

Our three geographies all contributed to the first quarter's 4.3% organic growth, which builds on the 7.2% organic growth achieved in the first quarter of 2012. The Americas grew by 5.1%, Europe by 1.0% and Asia, Oceania and Africa by 6.1%. Our business grew 8.4% in emerging markets, 0.9% in developed markets, reflecting contrasting trading conditions across different regions.

Zone Americas

Sales of CHF 6.6 billion, 5.3% organic growth, 1.5% real internal growth

- The Zone grew in both North America and Latin America. This growth was broad-based with highlights including petcare, dairy, chocolate, powdered beverages and culinary.
- In **North America** *Coffee-Mate*, *DiGiorno* pizza, *Nescafé*, ice cream, chocolate and petcare contributed positively. Frozen delivered mixed results with weak sales in *Lean Cuisine* offset by *Stouffer's* growth. New launches including *Häagen-Dazs Gelato*, *Pizzeria!* and, in petcare, *Beneful Medleys* helped to drive momentum in their categories.
- In **Latin America**, Mexico saw strong growth in dairy and ice cream. In Brazil, all key categories performed well. Growth was generally positive in the other regions. The continuing rollout of *Nescafé Dolce Gusto* is proceeding well and petcare maintained its strong momentum, confirming our strategy for the category.

Zone Europe

Sales of CHF 3.7 billion, 1.5% organic growth, 1.7% real internal growth

- The Zone grew in both Western and Central and Eastern Europe, with a general improvement in market shares. Purina Petcare Europe maintained its strong growth momentum through innovation in brands like *Gourmet* and *Felix* and expanded distribution. Coffee performed well, particularly in two of its biggest markets Great Britain and Russia, with *Nescafé Dolce Gusto* and *Nescafé Gold* highlights. The frozen and pizza categories had a weak start while ice cream was impacted by the late arrival of spring. *Nesquik* and confectionery both started the year well.
- In **Western Europe**, the Great Britain region and Benelux had a good start to the year. France had a slow start following a strong performance last year, while Germany began to build momentum. Greece and Portugal achieved good performances despite the tough trading environment.
- In **Central Europe and Eastern Europe** performance was more positive than it has been in the recent past, especially in Russia which delivered strong real internal growth across categories.

Zone Asia, Oceania and Africa

Sales of CHF 4.7 billion, 4.4% organic growth, 3.3% real internal growth

- The Zone grew in both developed and emerging markets generally holding its shares. There were good performances in ambient dairy, ice cream, confectionery, ready-to-drink beverages and cereals while *Nescafé Dolce Gusto* continued to grow as the rollout continued.

- Among the **developed markets**, Oceania regained its momentum while in Japan success in soluble coffee and systems, and in chocolate, continued to deliver good growth.
- In the **emerging markets** there were different dynamics across the Zone. There was some softening in certain markets, especially in comparison to the first quarter of 2012, and events in the Middle East were disruptive. However, there was a very good performance in China in general and specifically our new partnerships Yinlu and Hsu Fu Chi. Turkey, parts of Africa and Indonesia also performed well.

Nestlé Waters

Sales of CHF 1.6 billion, 1.8% organic growth, 0.1% real internal growth

- The late arrival of spring affected the **developed markets**. The North American business grew, helped by the performance of our premium brands *S.Pellegrino* and *Perrier*, as well as *Nestlé Pure Life*. Our US regional brands faced intense price pressure. In Europe, *Perrier* continued to be a highlight, as was the UK where we inaugurated a new factory in Buxton. Elsewhere the business was resilient in view of the prevailing trading conditions.
- The **emerging markets** continued to grow double-digit led by *Nestlé Pure Life* and our strong local brands, supported by production capacity investment in Brazil, Nigeria, Vietnam and China.

Nestlé Nutrition

Sales of CHF 2.5 billion, 7.6% organic growth, 5.0% real internal growth

- **Infant Nutrition** performed very well, growing double-digit in the first quarter, resulting in market share gains in all zones, especially Russia, France, Brazil, the US, China and South Asia. The key drivers of growth globally were the rollout of major innovations in formula, meals and drinks and cereals, and an appropriate level of brand support. Wyeth Nutrition, acquired at the end of 2012, performed well, in line with our expectations and the integration of the business is on track.
- **Performance Nutrition** had a weak start to the year. **Weight Management's** sales continued to decline as we implemented a turnaround plan.

Other

Sales of CHF 2.9 billion, 4.2% organic growth, 2.7% real internal growth

- **Nestlé Professional** grew in North America, despite a general deterioration in the out-of-home trading environment. We also grew in emerging markets. The growth was led by the higher-value strategic platforms, beverage solutions which grew double-digit, and culinary solutions. This growth helped offset the weaker performance of the ingredients businesses.

- **Nespresso** continued to broaden its geographic footprint, accelerating its expansion outside Europe. The very successful launches of new products like *Linizio Lungo*, the first *Nespresso* 'morning' coffee, and the *Trieste* and *Napoli* limited editions helped the business grow in all regions.
- **Nestlé Health Science's** sales were affected by changes in the reimbursement model in Southern Europe and new competition in the United States. The acquisition of the US-based Pamlab further strengthened our capability to deliver personalised healthcare through nutrition, especially in the areas of metabolic and brain health. The business also received regulatory approval for the joint venture with Chi-Med 'Nutrition Science Partners Limited' which will strengthen our capabilities to research, develop, manufacture and market medicinal products derived from botanical plants as well as provide access to one of the world's leading Traditional Chinese Medicine libraries.

2013 Outlook

The start to the year was as demanding as expected. We continue to expect some volatility throughout the year but reconfirm our expectation to deliver the Nestlé Model once again in 2013: organic growth between 5% and 6% together with an improved trading operating profit margin and underlying earnings per share in constant currency, as well as improvement in our capital efficiency.

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Annex

First Quarter sales overview 2013

	Jan.-Mar. 2013 Sales in CHF millions	Jan.-Mar. 2012 Sales in CHF millions (*)	Jan.-Mar. 2013 Organic Growth (%)	Jan.-Mar. 2013 Real Internal Growth (%)
By Operating Segment				
• Zone Americas	6'638	6'460	+5.3	+1.5
• Zone Europe	3'669	3'580	+1.5	+1.7
• Zone Asia, Oceania, Africa	4'666	4'579	+4.4	+3.3
Nestlé Waters	1'597	1'552	+1.8	+0.1
Nestlé Nutrition	2'482	1'877	+7.6	+5.0
Other	2'887	2'775	+4.2	+2.7
Total Group	21'939	20'823	+4.3	+2.3
By Product				
Powdered and liquid beverages	4'914	4'718	+4.4	+3.7
Water	1'501	1'463	+1.7	+0.1
Milk products and ice cream	3'946	3'911	+4.1	+1.7
Nutrition & HealthCare	2'929	2'322	+6.3	+3.9
Prepared dishes and cooking aids	3'378	3'387	-0.1	-0.7
Confectionery	2'524	2'477	+5.8	+3.1
PetCare	2'747	2'545	+7.9	+3.6
Total Group	21'939	20'823	+4.3	+2.3

(*) 2012 restated for IFRS 11 – Joint Ventures. Moreover, beverages other than water sold by Nestlé Waters (mainly RTD teas and juices) have been reclassified as powdered and liquid beverages.