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Nestlé reports three-month sales for 2018

- Organic growth of 2.8%, with 2.6% real internal growth (RIG) and pricing of 0.2%.
- Total sales increased by 1.4% on a reported basis to CHF 21.3 billion (3M-2017: CHF 21.0 billion). Net acquisitions had a positive impact of 0.2% and foreign exchange reduced sales by 1.6%.
- Portfolio management strategy on track. The acquisition of Atrium Innovations was completed at the beginning of March and the sale of the U.S. confectionery business completed at the end of March. Agreements reached to acquire Terrafertil and to divest the waters business in Brazil.
- Full-year guidance for 2018 confirmed.

	Total Group	Zone AMS	Zone EMENA	Zone AOA	Nestlé Waters	Other Businesses
Sales 3M-2018 (CHF m)	21'264	6'761	4'737	5'286	1'732	2'748
Sales 3M-2017 (CHF m) *restated	20'975	7'058	4'458	5'167	1'784	2'508
RIG	2.6%	1.6%	2.6%	3.9%	-1.2%	5.2%
Pricing	0.2%	-0.4%	-0.4%	0.8%	1.7%	1.2%
Organic growth	2.8%	1.2%	2.2%	4.7%	0.5%	6.4%
Net M&A	0.2%	-0.1%	-0.1%	-0.1%	-0.9%	2.7%
Foreign exchange	-1.6%	-5.3%	4.2%	-2.3%	-2.5%	0.5%
Reported sales growth	1.4%	-4.2%	6.3%	2.3%	-2.9%	9.6%

* Effective as from 1 January 2018, Nestlé Nutrition is reported in the zones as a regionally managed business, with the Gerber Life Insurance business reported in Other Businesses. 2017 sales comparables have been restated mainly to reflect this change of management responsibility and the new accounting standards for revenue measurement following the implementation of IFRS 15.

Mark Schneider, Nestlé CEO: "We are pleased to report a solid start to the year, with all regions contributing to our growth. Our volume growth improved noticeably while pricing remained soft. We are encouraged by our innovation pipeline, continued progress with the implementation of our portfolio management strategy and our efficiency initiatives. Combined with the organic sales development, they put us on track for our 2018 guidance and our 2020 mid-term targets."

Group sales

Organic growth reached 2.8%, and was within our guided range for 2018. Excluding the U.S. confectionery business, organic growth was 2.9%. RIG accelerated to 2.6% and continued to be at the high end of the food and beverage industry. Pricing was 0.2%, largely reflecting lower levels of inflation in emerging markets. Net acquisitions increased sales by 0.2% as the acquisition of Atrium Innovations was completed at the beginning of March. Foreign exchange had a negative impact of 1.6%. Total sales increased by 1.4% on a reported basis to CHF 21.3 billion. All categories had positive growth, led by petcare, coffee and Nestlé Health Science.

Zone Americas (AMS)

- 1.2% organic growth: 1.6% RIG; -0.4% pricing. Excluding U.S. confectionery, organic growth was 1.4%.
- North America returned to positive organic growth, with strong RIG and slightly positive pricing.
- Latin America had positive RIG and organic growth. Pricing was negative, mainly due to Brazil.

	Sales 3M-2018	Sales 3M-2017	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Zone AMS	CHF 6.8 bn	CHF 7.1 bn	1.6%	-0.4%	1.2%	-0.1%	-5.3%	-4.2%

Organic growth was 1.2% with strong RIG of 1.6%, as sales momentum improved in the United States. Pricing had a negative impact of 0.4%, reflecting price reductions mainly in Brazil. Net divestments reduced sales by 0.1% and foreign exchange had a further impact of 5.3%. Reported sales in Zone AMS decreased by 4.2% to CHF 6.8 billion.

The business in the United States returned to positive growth, driven by an improved performance in petcare, particularly in the natural segment and the e-commerce channel. We continued to see strong growth of *Coffee Mate*. The U.S. confectionery business, which was divested at the end of March, weighed on results for the quarter.

In Brazil, the trading environment continued to be challenging, with soft consumer confidence and deflationary pressures. RIG was positive but pricing remained negative, following the price reductions taken in the second half of 2017. Other markets in Latin America sustained good momentum.

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

- 2.2% organic growth: 2.6% RIG; -0.4% pricing.
- Western Europe posted positive RIG. Organic growth was impacted by negative pricing.
- Central and Eastern Europe saw mid single-digit organic growth, based on strong RIG.
- Middle East and North Africa improved to high single-digit organic growth, with positive RIG and pricing.

	Sales 3M-2018	Sales 3M-2017	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Zone EMENA	CHF 4.7 bn	CHF 4.5 bn	2.6%	-0.4%	2.2%	-0.1%	4.2%	6.3%

Organic growth of 2.2% was consistent with the level achieved over the past two years, driven by strong RIG of 2.6%. Deflationary trends in both Western Europe and Eastern Europe resulted in negative pricing of 0.4% for the Zone. Net divestments reduced sales by 0.1%. Foreign exchange had a positive impact of 4.2%. Reported sales in Zone EMENA increased by 6.3% to CHF 4.7 billion.

Zone EMENA continued its solid growth with an acceleration in the Middle East, but saw some softness in Western Europe. Central and Eastern Europe maintained mid single-digit growth. Strong RIG was a result of good growth in petcare, particularly in Russia, and in coffee, which benefitted from the successful relaunch of *Nescafé Gold* in the United Kingdom. Infant formula and dairy performed well in the Middle East as well as Central and Eastern Europe. Pricing pressure was broad-based across categories, particularly reflecting strong comparables in coffee following price increases taken in early 2017.

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

- 4.7% organic growth: 3.9% RIG; 0.8% pricing.
- China saw strong growth, boosted by the timing of Chinese New Year. RIG and pricing were positive.
- South Asia maintained good growth, and South-East Asia had solid results despite strong comparables.
- High single-digit growth in Sub-Saharan Africa.
- Developed markets were positive, with good RIG and pressure on pricing.

	Sales 3M-2018	Sales 3M-2017	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Zone AOA	CHF 5.3 bn	CHF 5.2 bn	3.9%	0.8%	4.7%	-0.1%	-2.3%	2.3%

Organic growth remained strong at 4.7% as RIG accelerated to 3.9%, with pricing at 0.8%. Net divestments and foreign exchange reduced sales by 0.1% and 2.3%, respectively. Reported sales in Zone AOA increased by 2.3% to CHF 5.3 billion.

Zone AOA's growth momentum continued with positive contributions from all sub-regions. There was strong growth in China across all categories, boosted by successful execution around Chinese New Year. Growth in the South Asia region was good, supported by our innovation and renovation pipeline, particularly in *Maggi* and *KitKat*. The South-East Asia region had solid growth despite strong comparables. Sub-Saharan Africa continued to grow, even as inflation-driven pricing slowed significantly. Japan and Oceania achieved positive growth driven by RIG, in a deflationary environment. Nutrition is now Zone AOA's largest category, with first quarter growth below our expectations.

Nestlé Waters

- 0.5% organic growth: -1.2% RIG; 1.7% pricing.
- North America with positive organic growth, driven mainly by pricing. RIG was slightly positive.
- Europe saw a soft quarter, with weak RIG and positive pricing.
- Emerging markets reported soft organic growth as China and Brazil had negative sales development.

	Sales 3M-2018	Sales 3M-2017	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Nestlé Waters	CHF 1.7 bn	CHF 1.8 bn	-1.2%	1.7%	0.5%	-0.9%	-2.5%	-2.9%

Organic growth was 0.5% with RIG declining by 1.2%. Pricing increased by 1.7%, reflecting strong cost inflation, notably in distribution. Net divestments and foreign exchange reduced reported sales by 0.9% and 2.5%, respectively. Reported sales in Nestlé Waters decreased by 2.9% to CHF 1.7 billion.

Growth was affected by inclement weather, impacting demand and distribution across Europe and North America. In the United States we launched sparkling water under our leading regional brands. Emerging markets had weaker sales development, particularly in China and Brazil. The international premium brands, *S.Pellegrino* and *Perrier*, continued to be the key driver of Nestlé Waters worldwide, posting high single-digit growth.

Other Businesses

- 6.4% organic growth: 5.2% RIG; 1.2% pricing.
- Nespresso continued its good organic growth, with further acceleration in North America.
- Nestlé Health Science maintained mid single-digit growth, driven by RIG. Pricing was slightly positive.
- Nestlé Skin Health saw improved growth.

	Sales 3M-2018	Sales 3M-2017	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Other Businesses	CHF 2.7 bn	CHF 2.5 bn	5.2%	1.2%	6.4%	2.7%	0.5%	9.6%

Organic growth of 6.4% was driven by strong RIG of 5.2% and pricing of 1.2%. Net acquisitions increased reported sales by 2.7% and foreign exchange had a positive impact of 0.5%. Reported sales in Other Businesses increased by 9.6% to CHF 2.7 billion.

Nespresso maintained a mid single-digit growth rate. Momentum in Europe decelerated slightly, while growth in North America accelerated further. Nestlé Health Science continued its solid growth, particularly in Medical Nutrition. The Atrium Innovations acquisition was completed and fully consolidated from the beginning of March. Nestlé Skin Health saw improved growth, notably in North America.

Outlook

We confirm our full-year guidance for 2018. We expect organic sales growth between 2% and 4%, and underlying trading operating margin improvement in line with our 2020 target. Restructuring costs¹ are expected at around CHF 700 million. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

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¹ Not including impairment of fixed assets, litigation and onerous contracts

Annex

Three-month sales overview by operating segment

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Three-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 3M-2018 (CHF m)	21'264	5'013	1'631	2'991	3'766	2'841	2'003	3'019
Sales 3M-2017 (CHF m) *	20'975	4'805	1'679	3'082	3'648	2'854	1'950	2'957
RIG	2.6%	2.9%	-1.0%	1.1%	4.0%	0.7%	4.9%	4.1%
Pricing	0.2%	0.6%	1.5%	0.1%	0.1%	0.2%	-1.7%	0.6%
Organic growth	2.8%	3.5%	0.5%	1.2%	4.1%	0.9%	3.2%	4.7%

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