Nestlé Good food, Good life

Press Release

Ad hoc announcement pursuant to Art. 53 LR

Vevey, February 22, 2024 FR | DE

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Nestlé reports full-year results for 2023

- Organic growth reached 7.2%, with pricing of 7.5% and real internal growth (RIG) of -0.3%. Growth was broad-based across geographies and categories.
- Total reported sales were CHF 93.0 billion, a decrease of 1.5% (FY-2022: CHF 94.4 billion). Foreign exchange decreased sales by 7.8%. Net divestitures had a negative impact of 0.9%.
- The underlying trading operating profit (UTOP) margin was 17.3%, increasing by 20 basis points on a reported basis and by 40 basis points in constant currency. The trading operating profit (TOP) margin was 15.6%, increasing by 160 basis points.
- Underlying earnings per share increased by 8.4% in constant currency and by 0.1% on a reported basis to CHF 4.80. Earnings per share increased by 23.7% to CHF 4.24 on a reported basis, mainly reflecting one-off items in the prior year.
- Free cash flow was CHF 10.4 billion, an increase of CHF 3.8 billion following a significant reduction in working capital.
- Board proposes a dividend of CHF 3.00 per share, an increase of 5 centimes, marking 29 consecutive years of dividend growth. In 2023, CHF 12.8 billion were returned to shareholders through a combination of dividend and share buybacks.
- **2024 outlook:** we expect organic sales growth around 4% and a moderate increase in the underlying trading operating profit margin. Underlying earnings per share in constant currency is expected to increase between 6% and 10%.
- **2025 mid-term targets fully confirmed:** mid single-digit organic sales growth and an underlying trading operating profit margin range of 17.5% to 18.5% by 2025. Underlying earnings per share in constant currency to increase between 6% and 10%.

Mark Schneider, Nestlé CEO, commented: "*Unprecedented inflation over the last two years has increased pressure on many consumers and impacted demand for food and beverage products. In this challenging context, we delivered strong organic growth and solid margin improvement with increased marketing and other growth investments. Our free cash flow generation returned to historical levels.*

Looking to 2024, we are prioritizing volume- and mix-led growth with increased brand support, as we enhance value for consumers through active innovation and renovation, *premiumization, affordability and more nutritious options. We will continue to focus capital allocation on our fast-growing billionaire brands, which enables us to deliver dependable growth while enhancing brand loyalty.*

To drive market share gains, our key priorities are delighting consumers through differentiated offerings and focusing on superior execution. We are confident that we have the right strategy, portfolio and capabilities to deliver on our 2025 targets."

Group Results

	Total Group	Zone North America	Zone Europe	Zone AOA	Zone Latin America	Zone Greater China	Nestlé Health Science	Nespresso	Other Businesses
Sales FY-2023 (CHF m)	92 998	25 995	19 098	17 519	12 196	5 037	6 498	6 372	283
Sales FY-2022 (CHF m)	94 424	26 328	19 128	18 484	11 819	5 351	6 602	6 448	264
Real internal growth (RIG)	-0.3%	-0.3%	-2.4%	0.3%	0.3%	2.5%	-3.2%	2.0%	11.5%
Pricing	7.5%	7.6%	10.6%	8.0%	8.9%	1.7%	4.8%	3.3%	1.7%
Organic growth	7.2%	7.3%	8.2%	8.3%	9.2%	4.2%	1.6%	5.3%	13.2%
Net M&A	-0.9%	-1.7%	-3.4%	-0.1%	-0.2%	0.1%	3.1%	-0.5%	-0.0%
Foreign exchange	-7.8%	-6.8%	-4.9%	-13.5%	-5.8%	-10.2%	-6.2%	-6.0%	-5.7%
Reported sales growth	-1.5%	-1.3%	-0.2%	-5.2%	3.2%	-5.9%	-1.6%	-1.2%	7.4%
FY-2023 Underlying TOP Margin	17.3%	22.2%	16.4%	23.5%	20.7%	16.5%	12.0%	20.3%	-4.3%
FY-2022 Underlying TOP Margin	17.1%	21.0%	16.4%	22.9%	21.2%	16.1%	13.6%	21.5%	-6.1%

Group sales

Organic growth was 7.2%. Pricing was 7.5%, reflecting cost inflation over the last two years. RIG was -0.3%, impacted by soft consumer demand, capacity constraints and a temporary supply disruption for vitamins, minerals and supplements in the second half. As expected, RIG turned positive in both the fourth quarter and the second half, supported by the benefits from portfolio optimization, improving customer service levels and increased brand support.

Growth was broad-based across most geographies and categories. In developed markets, organic growth was 6.4%, led by pricing with negative RIG. In emerging markets, organic growth was 8.4%, driven by pricing and positive RIG.

By product category, Purina PetCare was the largest contributor to organic growth, with strong momentum across all channels. *Purina ONE, Purina Pro Plan* and *Friskies* all recorded double-digit growth. Sales of *Purina Pro Plan* reached almost CHF 3 billion. Coffee saw high single-digit growth, with positive sales developments across brands, supported by strong demand in out-of-home channels. Infant Nutrition posted high single-digit growth, based on continued momentum for premium infant formula, including human milk oligosaccharides (HMOs) products as well as specialty formulas.

Dairy reported mid single-digit growth, led by fortified milks, coffee creamers and home-baking products. Confectionery recorded high single-digit growth, fueled by continued double-digit growth for *KitKat*. Prepared dishes and cooking aids posted mid single-digit growth, with robust demand for *Maggi* across geographies and segments. Water posted mid single-digit growth, led by *S.Pellegrino* and *Acqua Panna*. Nestlé Health Science recorded low single-digit growth, as continued strong momentum for Medical Nutrition was partly offset by temporary supply constraints in vitamins, minerals and supplements.

By channel, organic growth in retail sales remained robust at 6.5%. E-commerce sales grew by 13.4%, reaching 17.1% of total Group sales. Organic growth of out-of-home channels was 15.9%.

Net divestitures decreased sales by 0.9%, largely related to the divestment of a majority stake in Freshly as well as the disposal of the *Gerber Good Start* infant formula brand in 2022. The impact on sales from foreign exchange was negative at 7.8%, following significant and broad-based appreciation of the Swiss franc. Total reported sales decreased by 1.5% to CHF 93.0 billion.

Underlying Trading Operating Profit

The underlying trading operating profit margin increased by 20 basis points to 17.3% on a reported basis and by 40 basis points in constant currency. Underlying trading operating profit decreased by 0.3% to CHF 16.1 billion, due to currency appreciation.

Gross profit margin increased by 70 basis points to 45.9%. Pricing, cost efficiencies and portfolio optimization more than offset significant cost inflation.

Distribution costs as a percentage of sales decreased by 60 basis points to 8.3% of sales, mainly as a result of lower freight and energy costs.

Marketing and administration expenses as a percentage of sales were 18.9%. Within this line item, advertising and marketing expenses were 7.7% of sales, an increase of 80 basis points compared to the prior year.

Restructuring and net other trading items decreased from CHF 2.9 billion to CHF 1.5 billion, reflecting one-off items in the prior year, particularly asset impairments. As a result, trading operating profit increased by 10.0% to CHF 14.5 billion. The trading operating profit margin reached 15.6%, an increase of 160 basis points on a reported basis and 190 basis points in constant currency.

Net Financial Expenses and Income Tax

Net financial expenses increased to CHF 1.4 billion, reflecting an increase in interest rates and a higher level of average net debt. The average cost of net debt was 2.5% compared to 2.2% in 2022.

The Group reported tax rate decreased by 600 basis points to 18.2% as a result of one-off items. The underlying tax rate increased by 30 basis points to 21.2%, mainly due to the geographic and business mix.

Net Profit and Earnings Per Share
Net profit increased by 20.9% to CHF 11.2 billion. Net profit margin increased by 230 basis points to 12.1% on a reported basis and by 240 basis points in constant currency. The increase was mainly due to lower asset impairments, a decrease in reported taxes and higher income from associates. As a result, earnings per share increased by 23.7% to CHF 4.24 on a reported basis.

Underlying earnings per share increased by 8.4% in constant currency and by 0.1% on a reported basis to CHF 4.80. The increase was mainly the result of strong organic growth and improved underlying trading operating profit margin. Nestlé's share buyback program contributed 1.2% to the underlying earnings per share increase, net of finance costs.

Cash Flow
Free cash flow increased to CHF 10.4 billion from CHF 6.6 billion, mainly due to lower inventory levels.

Dividend
At the Annual General Meeting on April 18, 2024, the Board of Directors will propose a dividend of CHF 3.00 per share, an increase of 5 centimes. If approved, this will be the company's 29th consecutive annual dividend increase. The company has maintained or increased its dividend in Swiss francs over the last 64 years. Nestlé is committed to maintaining this long-held practice of increasing the dividend in Swiss francs every year.

The last trading day with entitlement to receive the dividend will be April 19, 2024. The net dividend will be payable as from April 24, 2024.

Shareholders entered in the share register with voting rights on April 11, 2024, at 12:00 noon (CEST) will be entitled to exercise their voting rights.

Share Buyback Program
In 2023, the Group repurchased CHF 5.0 billion of Nestlé shares as part of the three-year CHF 20 billion share buyback program, which began in January 2022. At the upcoming Annual General Meeting, the Board of Directors will propose a reduction of the share capital by 50 million shares from CHF 267 million to CHF 262 million, through the cancellation of shares purchased as part of the share buyback program.

Net Debt
Net debt was CHF 49.6 billion as at December 31, 2023, compared to CHF 48.2 billion at December 31, 2022. The increase largely reflected the dividend payment of CHF 7.8 billion and share buybacks of CHF 5.1 billion.

Return on Invested Capital (ROIC)
The Group's ROIC was 13.9%, up by 170 basis points.

Portfolio Management
Effective September 1, 2023, Nestlé and private equity firm PAI Partners completed the transaction to create a joint venture for Nestlé's frozen pizza business in Europe. Nestlé retains a non-controlling stake with equal voting rights alongside PAI Partners, remaining invested in this business and participating in future growth and value creation in the category.

On September 4, 2023, Nestlé divested *Palforzia*, its peanut allergy treatment business, to Stallergenes Greer, a biopharmaceutical company that specializes in the diagnosis and treatment of allergies. The transaction was closed upon signing.

On September 7, 2023, Nestlé announced an agreement with Advent International to acquire a majority stake in Grupo CRM, a premium chocolate player in Brazil. The transaction is expected to close in 2024, subject to customary regulatory approvals.

Nestlé Waters Operations
Following a transformation plan in France, Nestlé is reviewing operating practices in its natural mineral water operations in several countries. With food safety as a primary goal, practices at some of its production sites may not be in line with the applicable regulatory framework. Nestlé regrets the situation and is currently engaging with the relevant authorities to ensure that its operating practices are fully compliant. The company emphasizes that its water products have always been, and remain, safe to drink. In addition, the unique mineral composition of its natural mineral water brands has always been consistent with the label.

Zone North America

- 7.3% organic growth: -0.3% RIG; 7.6% pricing.
- The Zone's underlying trading operating profit margin increased by 120 basis points to 22.2%.

	Sales 2023	Sales 2022	RIG	Pricing	Organic growth	UTOP 2023	UTOP 2022	Margin 2023	Margin 2022
Zone North America	CHF 26.0 bn	CHF 26.3 bn	-0.3%	7.6%	7.3%	CHF 5.8 bn	CHF 5.5 bn	22.2%	21.0%

Organic growth was 7.3%, with pricing of 7.6%. RIG was -0.3%, reflecting soft consumer demand, capacity constraints and the winding down of the frozen meals and pizza business in Canada. RIG turned positive in the fourth quarter. Net divestitures reduced sales by 1.7%, as a result of the divestment of a majority stake in Freshly as well as the disposal of the *Gerber Good Start* infant formula brand in 2022. Foreign exchange had a negative impact of 6.8%. Reported sales in Zone North America decreased by 1.3% to CHF 26.0 billion.

Growth in Zone North America was broad-based, driven by pricing as well as continued strong momentum for e-commerce and out-of-home channels. The Zone saw market share gains in pet food, coffee and frozen meals.

By product category, Purina PetCare was the largest growth contributor, with broad-based demand across segments, channels and brands, particularly *Purina ONE, Purina Pro Plan* and *Friskies*. Sales for Nestlé Professional and *Starbucks* out-of-home continued to grow at a double-digit rate, led by new customer acquisition. The beverages category, including *Starbucks* products, *Coffee mate* and *Nescafé,* posted mid single-digit growth. *Nido* growing-up milks posted strong double-digit growth. Confectionery in Canada recorded high single-digit growth, driven by *KitKat* and *Aero*. Water saw low single-digit growth, based on a strong sales development in the fourth quarter. *S.Pellegrino* and *Acqua Panna* posted double-digit growth, which more than offset the impact of capacity constraints for *Perrier*. Growth in frozen food was negative, impacted by soft consumer demand and the winding down of the frozen meals and pizza business in Canada. In the U.S., growth in frozen food was close to flat, supported by *Stouffer's*, *Jack's* and *Tombstone*.

The Zone's underlying trading operating profit margin increased by 120 basis points, mainly as a result of the divestment of a majority stake in Freshly and portfolio optimization actions. Pricing and mix also helped to offset cost inflation and a significant increase in advertising and marketing expenses.

Zone Europe

- 8.2% organic growth: -2.4% RIG; 10.6% pricing.
- The Zone's underlying trading operating profit margin was unchanged at 16.4%.

	Sales 2023	Sales 2022	RIG	Pricing	Organic growth	UTOP 2023	UTOP 2022	Margin 2023	Margin 2022
Zone Europe	CHF 19.1 bn	CHF 19.1 bn	-2.4%	10.6%	8.2%	CHF 3.1 bn	CHF 3.1 bn	16.4%	16.4%

Organic growth was 8.2%, with pricing of 10.6%. RIG was -2.4%, reflecting demand elasticity and capacity constraints. Foreign exchange negatively impacted sales by 4.9%. Net divestitures reduced sales by 3.4%. Reported sales in Zone Europe decreased by 0.2% to CHF 19.1 billion.

Growth in Zone Europe was supported by pricing, strong sales development for e-commerce and continued momentum for out-of-home channels. The Zone saw market share gains in pet food and Infant Nutrition.

By product category, the key contributor to growth was Purina PetCare, driven by differentiated offerings across premium brands *Felix, Gourmet* and *Purina ONE*. Coffee saw mid single-digit growth, led by *Nescafé* soluble and ready-to-drink products. Confectionery reported high single-digit growth, with continued market share gains for *KitKat*. Nestlé Professional posted double-digit growth, led by beverages. Infant Nutrition recorded high single-digit growth, based on continued momentum for premium infant formula, particularly *NAN*. Culinary posted mid single-digit growth, with robust sales developments for *Maggi* and *Thomy*. Water saw low single-digit growth, as strong momentum for *S.Pellegrino* and *Acqua Panna* was largely offset by the impact of temporary capacity constraints for *Perrier*.

The Zone's underlying trading operating profit margin was unchanged versus the prior year. Significant cost inflation and higher advertising and marketing expenses offset pricing and portfolio optimization actions.

Zone Asia, Oceania and Africa (AOA)

- 8.3% organic growth: 0.3% RIG; 8.0% pricing.
- The Zone's underlying trading operating profit margin increased by 60 basis points to 23.5%.

	Sales 2023	Sales 2022	RIG	Pricing	Organic growth	UTOP 2023	UTOP 2022	Margin 2023	Margin 2022
Zone AOA	CHF 17.5 bn	CHF 18.5 bn	0.3%	8.0%	8.3%	CHF 4.1 bn	CHF 4.2 bn	23.5%	22.9%

Organic growth was 8.3%, with 0.3% RIG. Pricing increased to 8.0%, with broad-based contributions from all geographies and categories. Foreign exchange reduced sales by 13.5%, impacted by significant currency depreciation. Reported sales in Zone AOA decreased by 5.2% to CHF 17.5 billion.

Growth in Zone AOA was supported by pricing as well as continued momentum of e-commerce and out-of-home channels. The Zone saw market share gains in confectionery and coffee.

South-East Asia posted mid single-digit growth, led by the Philippines, with strong sales developments for *Nescafé* and *Maggi*. South Asia recorded strong double-digit growth across most categories. Growth in India was based on continued distribution expansion and new product launches, with strong momentum for *Maggi, KitKat* and *Nescafé*. Middle East and Africa saw double-digit growth, with particular strength for affordable offerings in *Maggi, NAN* and *Milo*. Japan reported mid single-digit growth, led by Purina PetCare, *KitKat* and ready-to-drink *Nescafé*. South Korea posted high single-digit growth, fueled by *Starbucks* products. The new *Starbucks* soluble coffee offering resonated strongly with consumers. Oceania recorded high single-digit growth, supported by innovation for *KitKat,* Purina PetCare and *Nescafé*.

By product category, Infant Nutrition was the largest growth contributor, led by *NAN, Lactogen* and *Cerelac*. Culinary recorded double-digit growth, with continued strength for *Maggi*. Coffee saw high single-digit growth, with robust demand for *Nescafé* and *Starbucks* products, particularly for ready-to-drink offerings. Ambient dairy posted mid single-digit growth, based on increased focus on products with functional benefits. Sales for Nestlé Professional grew at a strong double-digit rate across most geographies and categories, supported by channel penetration and customer acquisition. Confectionery reported high single-digit growth, fueled by strong momentum for *KitKat*. Purina PetCare saw mid single-digit growth, led by *Purina ONE*, *Supercoat* and *Felix*.

The Zone's underlying trading operating profit margin increased by 60 basis points. Pricing, disciplined cost control and portfolio optimization more than offset the impact of input cost inflation and higher advertising and marketing expenses.

Zone Latin America

- 9.2% organic growth: 0.3% RIG; 8.9% pricing.
- The Zone's underlying trading operating profit margin decreased by 50 basis points to 20.7%.

	Sales 2023	Sales 2022	RIG	Pricing	Organic growth	UTOP 2023	UTOP 2022	Margin 2023	Margin 2022
Zone Latin America	CHF 12.2 bn	CHF 11.8 bn	0.3%	8.9%	9.2%	CHF 2.5 bn	CHF 2.5 bn	20.7%	21.2%

Organic growth was 9.2%, with pricing of 8.9%. RIG was 0.3%, turning positive in the second half. Foreign exchange had a negative impact of 5.8%. Reported sales in Zone Latin America increased by 3.2% to CHF 12.2 billion.

Zone Latin America recorded strong growth across all geographies and product categories. Growth was supported by pricing, strong operational execution and continued momentum for out-of-home channels. The Zone saw market share gains in pet food, Infant Nutrition and culinary.

Brazil posted strong double-digit growth, with continued momentum for confectionery, Infant Nutrition and beverages. Within beverages, *Nescafé* posted strong sales growth driven by portioned coffee. Mexico reported high single-digit growth, with strong sales developments for dairy, coffee and Nestlé Professional.

By product category, confectionery was the largest growth contributor, reflecting strong demand for *KitKat* and key local brands. In this category, *Chocobiscuits* saw particularly strong growth. Coffee reported high single-digit growth, led by *Nescafé* soluble and ready-to-drink coffee. Dairy posted high single-digit growth, supported by dairy culinary solutions and fortified milks. Infant Nutrition saw high single-digit growth, based on solid momentum for *NAN* infant formula, *Mucilon* infant cereal and *Materna* products. Sales for Nestlé Professional grew at a strong double-digit rate, with continued customer expansion for branded coffee solutions. Culinary posted high single-digit growth, based on new product launches and further traction for *Recetas Nestlé*, the largest online recipe platform in Latin America. Purina PetCare saw mid single-digit growth, following a high base of comparison in 2022.

The Zone's underlying trading operating profit margin decreased by 50 basis points. One-off items in the prior year more than offset pricing and cost efficiencies.

Zone Greater China

- 4.2% organic growth: 2.5% RIG; 1.7% pricing.
- The Zone's underlying trading operating profit margin increased by 40 basis points to 16.5%.

	Sales 2023	Sales 2022	RIG	Pricing	Organic growth	UTOP 2023	UTOP 2022	Margin 2023	Margin 2022
Zone Greater China	CHF 5.0 bn	CHF 5.4 bn	2.5%	1.7%	4.2%	CHF 0.8 bn	CHF 0.9 bn	16.5%	16.1%

Organic growth was 4.2%, with RIG of 2.5% and pricing of 1.7%. Foreign exchange had a negative impact of 10.2%. Reported sales in Zone Greater China decreased by 5.9% to CHF 5.0 billion.

Growth in Zone Greater China was supported by strong sales developments for out-of-home businesses and e-commerce momentum. The Zone saw market share gains in soluble coffee, pet food and confectionery.

By product category, Nestlé Professional was the largest growth contributor, supported by innovation and distribution expansion. Culinary posted high single-digit growth, with increased demand for *Totole* in out-of-home channels and new product launches. Confectionery recorded mid single-digit growth, led by *Shark* wafer and *Hsu Fu Chi*. Infant Nutrition saw positive growth, led by *NAN* hypoallergenic and specialty offerings. In the fourth quarter, the Zone launched a growing-up milk solution for *illuma* containing human milk oligosaccharides (HMOs). Sales of healthy aging products grew at a double-digit rate, supported by the launch of *N3* milk, a unique science-based innovation that is as nutritious as milk and low in lactose. Coffee reported low single-digit growth, supported by ready-to-drink offerings. Sales for Purina PetCare grew at a double-digit rate, based on new product launches and strong e-commerce momentum.

The Zone's underlying trading operating profit margin increased by 40 basis points, supported by favorable mix and disciplined cost control.

Nestlé Health Science

- 1.6% organic growth: -3.2% RIG; 4.8% pricing.
- The underlying trading operating profit margin decreased by 160 basis points to 12.0%.

	Sales 2023	Sales 2022	RIG	Pricing	Organic growth	UTOP 2023	UTOP 2022	Margin 2023	Margin 2022
Nestlé Health Science	CHF 6.5 bn	CHF 6.6 bn	-3.2%	4.8%	1.6%	CHF 0.8 bn	CHF 0.9 bn	12.0%	13.6%

Organic growth was 1.6%, with pricing of 4.8%. RIG was -3.2%, impacted by a temporary supply constraint for the vitamins, minerals and supplements business. Net acquisitions increased sales by 3.1%, largely related to the consolidation of *Orgain* from April 2022. Foreign exchange negatively impacted sales by 6.2%. Reported sales in Nestlé Health Science decreased by 1.6% to CHF 6.5 billion.

Vitamins, minerals and supplements saw negative growth. Sales in the second half decreased following an IT integration issue encountered during the consolidation of U.S. packaging sites. The recovery is taking longer than expected as the extent of the issue was deeper and more complex than initially thought. The resulting supply constraints are expected to be fully resolved by the end of the first half of 2024, with an acceleration of growth expected in the second half of the year. Vitamins, minerals and supplements brand *Pure Encapsulations* was not affected by the supply issue and saw double-digit growth.

Active Nutrition reported mid single-digit growth, with robust sales developments for *Orgain* and *Vital Proteins*.

Medical Nutrition recorded strong double-digit growth, with market share gains across all segments. Growth was led by adult medical care products, pediatric products and *Vitaflo*. The gastrointestinal portfolio, including *Vowst* and *Zenpep,* saw strong double-digit growth.

By geography, North America saw a sales decrease. Europe reported mid single-digit growth. Other regions combined posted high single-digit growth.

The underlying trading operating profit margin of Nestlé Health Science decreased by 160 basis points, as a result of the impact of temporary supply constraints.

Nespresso

- 5.3% organic growth: 2.0% RIG; 3.3% pricing.
- The underlying trading operating profit margin of Nespresso decreased by 120 basis points to 20.3%.

	Sales 2023	Sales 2022	RIG	Pricing	Organic growth	UTOP 2023	UTOP 2022	Margin 2023	Margin 2022
Nespresso	CHF 6.4 bn	CHF 6.4 bn	2.0%	3.3%	5.3%	CHF 1.3 bn	CHF 1.4 bn	20.3%	21.5%

Organic growth was 5.3%, with pricing of 3.3%. RIG was 2.0%. Foreign exchange negatively impacted sales by 6.0%. Reported sales in Nespresso decreased by 1.2% to CHF 6.4 billion.

The key growth contributor was the *Vertuo* system, which continued to see broad-based momentum. Growth in out-of-home channels was also strong, with further adoption of the *Momento* system, particularly in the office segment. Innovation continued to resonate with consumers, including the launch of home compostable coffee capsules and the ultra-premium *Nº 20* limited edition, a unique arabica variety. In 2023, *Nespresso* was recognized as one of the top 100 most valuable brands in the world[1].

By geography, North America posted double-digit growth, with continued market share gains. Europe reported low single-digit growth. Other regions combined saw mid single-digit growth.

The underlying trading operating profit margin of Nespresso decreased by 120 basis points. Significant cost inflation and the appreciation of the Swiss franc more than offset pricing actions and cost efficiencies. The business continued to invest in the rollout of the *Vertuo* system as well as in brand marketing.

Business as a force for good: Net Zero plan on track

Nestlé has achieved a net reduction of 13.5% of its greenhouse gas (GHG) emissions versus its 2018 baseline, while continuing on its growth path over the same period. Advancing towards Net Zero, the company moved past peak carbon in 2019 and has successfully decoupled its growth from emissions. Nestlé is on track to reach a 20% reduction of GHG emissions by 2025.

For the first time, the company now also provides transparency on the reductions of specific gases. For example, it has achieved a reduction of 15.3% of methane versus the 2018 baseline. This significant reduction was possible due to Nestlé's focus on dairy, as its single largest source of methane emissions.

Nestlé is making its own operations more energy efficient and is increasing its use of renewable electricity. As of the end of 2023, 91.9% of the electricity in its global manufacturing sites was from renewable sources. The goal is to reach 100%.

[1] Interbrand annual ranking

The company is additionally continuing to reduce its value chain emissions (Scope 3). It works with its suppliers and the farmers it sources from to help them tackle their emissions and transition to regenerative agriculture. At the end of last year, 15.2% of Nestlé's raw materials were sourced from farmers adopting such practices. The company's ambition is to get to 20% by 2025. It has also reduced the use of fossil fuels in areas such as product packaging and distribution.

More details can be found in Nestlé's Creating Shared Value and Sustainability Report, which was published today.

Outlook

2024 outlook: we expect organic sales growth around 4% and a moderate increase in the underlying trading operating profit margin. Underlying earnings per share in constant currency is expected to increase between 6% and 10%.

2025 mid-term targets fully confirmed: mid single-digit organic sales growth and an underlying trading operating profit margin range of 17.5% to 18.5% by 2025. Underlying earnings per share in constant currency to increase between 6% and 10%.

Reports published today
2023 Financial Statements (pdf)
Annual Review (pdf)
Corporate Governance Report (pdf)
Creating Shared Value and Sustainability Report (pdf)
Other language versions available in Publications

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Annex

Full-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	Nestlé Health Science	Nespresso	Other Businesses
Sales FY-2023 (CHF m)	92 998	25 995	19 098	17 519	12 196	5 037	6 498	6 372	283
Sales FY-2022 (CHF m)	94 424	26 328	19 128	18 484	11 819	5 351	6 602	6 448	264
Real internal growth (RIG)	-0.3%	-0.3%	-2.4%	0.3%	0.3%	2.5%	-3.2%	2.0%	11.5%
Pricing	7.5%	7.6%	10.6%	8.0%	8.9%	1.7%	4.8%	3.3%	1.7%
Organic growth	7.2%	7.3%	8.2%	8.3%	9.2%	4.2%	1.6%	5.3%	13.2%
Net M&A	-0.9%	-1.7%	-3.4%	-0.1%	-0.2%	0.1%	3.1%	-0.5%	-0.0%
Foreign exchange	-7.8%	-6.8%	-4.9%	-13.5%	-5.8%	-10.2%	-6.2%	-6.0%	-5.7%
Reported sales growth	-1.5%	-1.3%	-0.2%	-5.2%	3.2%	-5.9%	-1.6%	-1.2%	7.4%
FY-2023 Underlying TOP (CHF m)	16 053	5 768	3 127	4 109	2 520	832	777	1 291	-12
FY-2022 Underlying TOP (CHF m)	16 103	5 528	3 138	4 237	2 501	862	899	1 388	-17
FY-2023 Underlying TOP Margin	17.3%	22.2%	16.4%	23.5%	20.7%	16.5%	12.0%	20.3%	-4.3%
FY-2022 Underlying TOP Margin	17.1%	21.0%	16.4%	22.9%	21.2%	16.1%	13.6%	21.5%	-6.1%

Full-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	Confec-tionery	PetCare
Sales FY-2023 (CHF m)	92 998	24 786	3 320	10 981	15 278	11 666	8 107	18 860
Sales FY-2022 (CHF m)	94 424	25 218	3 536	11 289	15 678	12 484	8 118	18 101
Real internal growth (RIG)	-0.3%	0.0%	-5.1%	-1.6%	-1.6%	-2.5%	1.5%	2.8%
Pricing	7.5%	6.4%	10.0%	7.7%	7.0%	7.4%	7.0%	9.3%
Organic growth	7.2%	6.4%	4.9%	6.1%	5.4%	4.9%	8.5%	12.1%
FY-2023 Underlying TOP (CHF m)	16 053	5 130	351	2 688	2 831	2 136	1 364	3 912
FY-2022 Underlying TOP (CHF m)	16 103	5 593	277	2 568	2 990	2 038	1 364	3 706
FY-2023 Underlying TOP Margin	17.3%	20.7%	10.6%	24.5%	18.5%	18.3%	16.8%	20.7%
FY-2022 Underlying TOP Margin	17.1%	22.2%	7.8%	22.7%	19.1%	16.3%	16.8%	20.5%