THE WALL STREET JOURNAL

CORPORATE NEWS

Nestle net rises on solid demand, price increases

By Martin Gelnar, 8 August 2008, The Wall Street Journal Europe

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ZURICH -- Nestle SA, the world's largest food and beverages company by sales, reported a 6.1% increase in first-half net profit and raised its forecast for the full year.

Net profit rose to 5.21 billion Swiss francs ($4.9 billion) from 4.92 billion francs a year earlier, while sales were up 3.8% to 53.07 billion francs. Strong demand, price increases and contributions from recently acquired baby-food brand Gerber boosted the bottom line, said Nestle, which produces Nescafe coffee, Maggi instant meals and Perrier mineral water.

The net-profit figure didn't include the contribution from the partial sale of eye-care company Alcon Inc., as those proceeds will be booked in the second half.

Some softness in demand was registered in Europe, particularly Germany and France, and in the water division, said Nestle. The beverages, dairy, pet-food and confectionary divisions, on the other hand, showed an improving trend compared with the first quarter.

As a result of the improved performance, Nestle said it expects to post full-year organic growth at least at last year's level of 7.4% -- using a more optimistic wording than in its previous outlook.

The figures were solid in light of negative factors such as the weakness of the dollar against the Swiss franc and softness in consumer sentiment in certain countries, said ***James Amoroso***, head of the consultancy ***Amoroso***. He added, however, that some investors may have concerns regarding the high price of Nestle's products.

"The figures should again confirm Nestle is the strongest and most balanced of all of the European food groups," said Andrew Wood of Bernstein Research. He also highlighted the company's acceleration of a share-buyback program valued at 25 billion francs, which the company launched last year.

Other major food companies recently published mixed results. Unilever PLC reported a 20% decline in net profit, while Groupe Danone SA's net profit was up 34%.