

Nestle Expects Better Results in 1999

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ZURICH - Nestle SA said it expects to report higher sales and profits in 1999 despite a continuation of difficult market conditions. The Swiss food giant posted a higher-than-anticipated 2.6% increase in net profit in 1998.

In a release on Friday, Nestle said net profit last year rose to 4.29 billion Swiss francs (\$2.91 billion), up from 4.18 billion francs a year earlier, despite difficult conditions "marked by severe economic and financial crises in Asia, Eastern Europe and Latin America."

Challenging Environment

Sales increased in 1998 to 71.75 billion francs, a 2.5% advance from 70 billion francs in 1997. Sales were boosted by demand in industrialized countries, primarily in the U.S., Nestle said. Although most product groups benefited from this demand, Nestle noted that "particularly positive" results were achieved by prepared frozen dishes, mineral water and pharmaceutical businesses.

Nestle described its performance as

"good" in a challenging environment, pointing out that it managed to maintain a net profit margin of 6%.

In trading Friday on the Swiss Exchange, Nestle shares gained 35 francs, or 1.3%, to close at 2,705 francs. Bank Julius Baer food-industry analyst James Amoroso said that, "overall Nestle's performance in 1998 was better than expected."

Turning to 1999, Nestle said, once again "the present year will be marked by a volatile and difficult economic climate." However, it added, "barring events of exceptional gravity, also with regard to the evolution of foreign-exchange markets, Nestle expects again to be able to improve both sales and results."

Limited Interest

Finance director Mario Corti told financial analysts after the release that the mood at Nestle for the current year was one of "prudent optimism." Mr. Corti said that there are signs of a revival in Asia.

Nestle said it will raise the 1998 dividend to be paid on each share by 8.6% to 38 Swiss francs from the previous year's 35 francs.

Nevertheless, analysts said there is limited interest in Nestle stock as the concern goes through a somewhat dull phase. Since the start of the year, Nestle's share price has lost 9.5%.

"Nestle is doing all the right things, but there are a lot of question marks on a macroeconomic level where Nestle has no influence," said Mr. Amoroso. "As a consequence 1999 should be soft and floppy as in 1998." Mr. Amoroso said question marks include: the strength of an Asian economic revival; the likelihood that there will be no great consumer surge in Europe; and the possibility of a consumer slowdown in the U.S.

Bank Sarasin food analyst Denise Anderson said that a difficult 1999 should be followed by "high single-digit" net profit growth in 2000 and 2001. As a result, said Ms. Anderson, she is considering upgrading Nestle from a present assessment of Swiss market underperformer.

Meanwhile, Nestle said Lord Simpson, chief executive officer of General Electric Co. PLC, London, has agreed to join its board of directors.