

Nestle Profit Falls on Stronger Swiss Franc

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FRANKFURT, Germany (AP) — Nestle SA saw its sales and profits fall in the first half of the year as a stronger Swiss franc and anemic prices in Europe weighed on the bottom line.

The maker of the Haagen-Dazs, Stouffer's and Nescafe brands said Thursday its performance had been "resilient" in a global economy where emerging-market growth has slowed and developed markets face deflationary pressures and weak consumer confidence. The company said it saw some higher prices for raw materials, particularly in milk products.

The Vevey, Switzerland-based company reaffirmed its outlook and announced an 8 billion Swiss franc (\$8.8 billion) share buyback to be completed by the end of 2015.

Sales fell 4.8 percent to 42.981 billion francs (\$47.279 billion) from the same period a year ago. Net profit fell 9.4 percent to 4.634 billion francs.

Chief financial officer Wan Ling Martello said the stronger Swiss franc was a "very significant headwind" on the company's figures.

A stronger franc shrinks earnings in euros, dollars and other currencies when those earnings are restated in francs. Martello said that the stronger franc had primarily a translation effect on the figures since Nestle makes products in the same countries where it sells them, removing the currency impact on the actual business.

Martello said some European markets had improved. She cited Spain, Portugal, Switzerland, the Netherlands and Austria. But she said western Europe faced weak prices generally. "We do not anticipate the deflationary environment will go away anytime soon," she said.

Inflation was only 0.4 percent in June for the 18 countries that use the euro currency. That has raised concerns among economists and policymakers that Europe may slip into a chronic downward price spiral.

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