Nestle Posts $5B Profit

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GENEVA (AP) -- Swiss food and drinks company Nestle SA reported Wednesday a 7.5 percent rise in half-year net profit to 5.45 billion Swiss francs ($5 billion) and raised its full-year outlook as global sales increased despite adverse currency exchange rates.

The results from the maker of Nescafe, Jenny Craig and Haagen-Dazs beat analyst expectations and compared with a 5.1 billion francs profit a year earlier. Sales rose to 55 billion francs during the six month period to June from 52 billion francs.

Nestle now expects its core food and drinks business excluding currencies effects and one-off events to grow 5 percent, an improvement on its previous forecast of over 3.9 percent.

Shares in Nestle were flat at 51.50 francs ($48.85) on the Zurich exchange.

"We have increased investment in our brands, people and capabilities and have prepared the company for a more challenging second half," said chief executive Paul Bulcke.

Nestle said the biggest growth came from emerging markets, the sale of low-cost alternatives and a strong performance by its premium brands.

Developed markets showed some weaknesses, with lower demand for frozen food in North America and a late start of the ice cream season in Europe.

Exchange rates put a drag on sales as the Swiss franc surged against the euro during the first half.

Nestle, which earns most of its money outside Switzerland, said these adverse currency effects reduced sales in Swiss francs by 1.5 percent.

The Vevey-based company benefited from several acquisitions including the purchase of rival Kraft's frozen pizza business.

Investors have been looking for signs that Nestle is poised for a major takeover, but the company has been coy about spending further cash in recent months. Instead, Nestle has made several smaller investments into companies such as Guatemala's Malher Group and Vitaflo, a British maker of clinical nutritional products.

Chief Financial Officer Jim Singh told investors Nestle will continue to focus on "bolt ons" even as it completes the sale of its remaining stake in eye care company Alcon during the second half, a transaction that is expected to earn it about $28 billion.

Some of that money will go into a 10 billion francs share buyback program, while Nestle also plans to invest further in marketing and developing new products.

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