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UPDATE 3-Lindt H1 sales undershoot, sticks to 2009 forecast

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*** Sales 979 million Sfr vs 1.1 bln Sfr forecast**

*** Net profit 2.7 million Sfr vs 400,000 Sfr forecast**

*** Sticks to 2009 outlook**

*** Shares down 2.3 percent, underperform index**

(Adds CEO interview, updates shares

By Katie Reid and Silke Koltrowitz

ZURICH, Aug 25 (Reuters) - Switzerland's Lindt & Spruengli expects weak demand for its chocolates this year after first-half sales missed expectations, pushing its shares lower.

The maker of Lindor pralines and gold-wrapped Easter bunnies said sales fell 5.4 percent to 979 million Swiss francs ($923.6 million), trailing an average forecast from analysts of 1.1 billion francs, as the strong franc weighed and weak consumer spending prompted retailers to run down stocks.

While the chocolate industry is traditionally seen as resilient in a downturn, premium producers like Lindt, which had enjoyed years of strong growth, are suffering as shoppers turn to cheaper brands for their chocolate fix, analysts said.

"Germany remains a difficult market as the economic downturn is increasingly pushing consumers to cheaper products," Chief Executive Ernst Tanner told Reuters.

Lindt recorded organic growth in local currencies of 0.2 percent for the first six months and repeated that it expected sales to increase by between 2 and 5 percent in 2009, well below its long-term objective of 6 to 8 percent.

"Compared to expectations, Lindt & Spruengli reported a weak set of first-half 2009 numbers. We are surprised as peers reported significantly better numbers," said Helvea analyst Andreas von Arx.

Cadbury said first-half chocolate sales rose 10 percent, while Hershey Co said last month said it had seen thrifty consumers switching to its chocolates from gourmet brands.

But Tanner said Lindt should see sales growth back within its long-term target bracket by 2011 once the economy starts to recover, adding he expected Europe, and in particular Germany, to return to growth in the second half of the year.

"As soon as there is light at the end of the tunnel, the consumer will not want to forego his little bit of luxury," he said.

By 1255 GMT, the group's stock was trading 2.6 percent lower at 2,253 francs, underperfoming a near flat DJ Stoxx European food and beverage index.

"While the U.S. looks positive and looks to have recovered, the situation in Europe remains weak," said Kepler Capital Markets analyst Jon Cox.

"In addition, the rest of the world segment was impacted by lower duty free sales given the travel slowdown. I guess some were hoping for a positive surprise and this was clearly not one," Cox said.

Lindt said its outlook for the second half was contingent on the global economy continuing to stabilise and the swine flu pandemic not reaching drastic levels. There are fears that flu could further hamper travel and stymie a pickup in consumer spending.

COCOA PRICES RISING

The group said it had only partly been able to pass on rising cocoa prices because of the downturn, meaning higher raw material costs and negative currency swings were not fully compensated for.

The group said it expects raw material prices to remain volatile and only sees moderate price increases next year.

"I find it disappointing that the company was unable to pass on necessary price increases," said independent analyst James Amoroso.

"Lindt merely missed its chance last year when such price increases would have been readily accepted, as was the case for Cadbury, Nestle, Hershey," he said

First-half net profit dropped 88 percent to 2.7 million francs, beating the average estimate of 400,000 francs in a Reuters poll.

The group, which traces its origins to a Zurich confectionary shop in the 1840s, trades at around 19.4 times expected 2010 earnings compared with Swiss peer Barry Callebaut at 12.6 times, according to Reuters Estimates.

(Additional reporting by Nigel Hunt; Editing by Erica Billingham and Jon Loades-Carter)