

Lindt Boosts Profit After Increasing Chocolate Prices (Update4)

By Thomas Mulier

Aug. 26 (Bloomberg) -- Lindt & Spruengli AG, Switzerland's oldest chocolate maker, said first-half profit rose 4.6 percent after the company passed on higher cocoa costs to consumers by increasing prices for premium confections.

Lindt jumped the most in a month in Zurich trading. Net income climbed to 22.9 million Swiss francs (\$21 million) from 21.9 million francs in the year-earlier period, the Kilchberg, Switzerland-based maker of Ghirardelli chocolate said today.

Chairman Ernst Tanner said Lindt will probably raise prices during 2009, likely matching this year's average increase of 4 percent to 6 percent if cocoa expenses don't fall by the end of 2008. It's the first time Lindt charged more for chocolate in four years as cocoa futures have surged 69 percent over 12 months. Sales of dark chocolate, which has less fat and sugar than other varieties, have held up as consumers opt for healthier treats.

"Lindt has never had a problem increasing prices," said *James Amoroso*, a food industry consultant at *Amoroso* in Walchwil, Switzerland.

Lindt, whose roots go back to 1845, sells a bar with cocoa content of as much as 99 percent and makes other confections with special ingredients, such as ginger. That's helped the company resist supermarkets' pressure for price cuts.

The stock rose 1,935 francs, or 6.8 percent, to 30,435 francs in Swiss trading, reducing its drop this year to 23 percent.

Cocoa Shortfall

The International Cocoa Organization said last week that a global shortfall will be twice as large as had been forecast in May. Rival Hershey Co. raised prices about 10 percent earlier this month in its home U.S. market.

"In the year 2008, you've had basically everything that could go wrong going against you," Tanner said by telephone.

Sales rose 2.9 percent to 1.17 billion francs. Cocoa prices will probably fall in the "medium and long" term, Lindt said. Lindt has said it will spend 750 million francs over the coming three years, its biggest investment program ever, to develop new confections and improve production.

Lindt said it will build an extra production line for Lindor balls in the U.S. at the end of this year, as well as a tablet production line and cocoa processing center next year.

The growth rate of the dark-chocolate market this year has decelerated to between 12 and 15 percent from as much as 30 percent in past years, Tanner said. Lindt still expects premium chocolate demand to outpace the rest of the market.

Lindt today said it expects its operating margin to improve by 0.2 percentage points this year, at the low end of its targeted range of an increase between 0.2 to 0.4 percentage point the coming years. Sales excluding currency fluctuations should rise between 8 and 10 percent this year, Lindt said.

Lindt has explored acquisitions in past years, though it doesn't have anything ``earmarked'' right now, Tanner said, adding the company is focusing on expanding in North America.

The lower dollar cut earnings from Ghirardelli in the U.S. The dollar was on average 14 percent lower against the franc during the first half of 2008 compared with a year earlier.

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