



LINDT & SPRÜNGLI

Kilchberg, August 24, 2004

Semi-Annual Report

JANUARY – JUNE 2004

Lindt & Sprüngli continues to grow, picking up speed over 2003

Growth: +12.1% in local currencies, +15.6% in Swiss francs

Operating result: First ever year with no first-half loss

KEY FIGURES

	2004 January–June	2003 January–June	Change
Sales increase in local currencies			+12.1%
Sales (CHF million)	778.0	673.0	+15.6%
Operating profit (loss) EBIT (CHF million)	0.1	(10.3)	+CHF 10.4 m
Pre-tax profit (loss) (CHF million)	(2.5)	(13.4)	+CHF 10.9 m
Employees	5 644	5 431	+3.9%

COMMENTS

The first half of 2004 saw Chocolate-fabriken Lindt & Sprüngli AG continue the same positive trend as in previous years. Organic growth increased by 12.1% in local currencies (+ 15.6% in Swiss francs). When analyzing the Group's half-year earnings it is important to bear in mind the seasonal and gift-oriented nature of the premium chocolate business: the Lindt & Sprüngli Group makes less than 40% of its annual sales during the first half of each year, but at the end of June these sales are charged with around half of the fixed costs of production, administration and marketing. This has to date always meant that the Lindt & Sprüngli Group has ended the first half of the year with an operating loss. However, thanks to the excellent sales growth in the first half of the year, 2004 has seen the Group post its first positive semi-annual operating result.

MARKET

In recent months, Lindt & Sprüngli's principal markets have shown signs of a moderate economic upturn, with retail sales and consumer sentiment slowly recovering. In the European markets Germany, France, Switzerland, Italy, Spain and the UK, positive trends were in evidence in the pralinés and chocolate bar markets. The chocolate bar segment showed particular momentum thanks to a large number

of new products, originating mostly from the Lindt & Sprüngli brands. Particularly in this segment and in the Easter trade, Lindt & Sprüngli set some noteworthy signals with innovative product launches and creative marketing activities.

SALES

In the first half of 2004, the Lindt & Sprüngli Group increased its sales by 15.6% in Swiss franc terms to CHF 778 million, strengthening its market position in all segments. In local currencies, organic growth stands at 12.1%. With the exception of the Polish company, all subsidiaries contributed to this very positive showing, which was well above the market average. Worthy of mention is that growth has been higher in Swiss franc terms than in local currencies for the first time in three years. This is explained by the fact that the euro and pound sterling have firmed against the Swiss franc while the dollar-linked currencies have on balance remained unchanged. The gratifying growth momentum in the first half of 2004 stems partly from flourishing spring sales, which include Valentine's Day and Easter, and partly from the exceptionally positive performance delivered in the chocolate bar segment with EXCELLENCE. The results were also boosted by external factors, such as a slight improvement in consumer sentiment and cool summer temperatures so far this year. The company is still sticking to its

long-term strategic growth target of 5% to 7% per annum. After the results posted in 2003 and in the first half of 2004, this appears to be within reach even under difficult market conditions.

PRODUCT SEGMENTS

During a thoroughly successful **spring business** season, the company's highly popular LINDOR Balls helped to bolster Valentine's Day sales further, especially in the US, Canada and Australia. Easter trade was very encouraging in all other markets, including in particular the "new Easter markets", Britain and France. The LINDT GOLD BUNNY continued its success of recent years without let-up, even in countries with no previous tradition of consuming chocolate at Easter. As a result of the growing interest among the trade, LINDT was able to expand the distribution of its attractive Easter range across a broad front. A combination of the wider distribution of EXCELLENCE bars in existing markets, the development of new markets and the launch of innovative recipes (Caramel Croquant, Orange Intense) enabled the Group to further strengthen and expand its market share in the **chocolate bar segment**. The innovative premium-quality EXCELLENCE bars have given new momentum to the chocolate bar markets in Germany and the US in particular, which have been flat to declining in recent years. With the successful launch of "Les Grandes" in Switzerland and "Les Blocs" in France, Lindt & Sprüngli has also set some important trends in the 150 gram and 200 gram solid bar segment with exquisite recipes and a higher proportion of specially refined nuts and almonds. Lindt & Sprüngli has also made progress distribution-wise in the 150 gram filled-bar segment with "Les Petits Desserts" and "Les Intenses." This year, summer chocolate bars featuring new light

recipes once again promise a special treat for the warm months in Switzerland and Germany. In the **pralinés segment**, the LINDOR success story continues unabated, having spanned more than 50 years.

LINDOR Balls have achieved a dynamic performance in the Anglo-Saxon markets, but have also continued to make progress in the Swiss domestic market thanks to intensive sales promotions and attractive offers. Novel mixtures such as the successfully launched “Petits Desserts au Chocolat” have been giving a further boost to business in the assorted pralinés segment.

COMPANIES

European companies: The subsidiaries in the UK, Spain and France posted double-digit growth rates in the first half of 2004 thanks to a further increase in Easter trade, innovative product launches and the ongoing expansion of distribution. The Swiss domestic market and Germany, Italy and Austria posted growth of 3% to 6%. On the back of the positive sales trend, all group companies were once again able to secure additional market share in the first six months of 2004.

North American companies: The retail sector responded very positively to the steadily increasing interest of US and Canadian consumers in premium-quality chocolates, a development which is having a very positive impact on sales of LINDT and GHIRARDELLI products. Not least as a result of intensive advertising support, the distribution of LINDOR, EXCELLENCE and GHIRARDELLI SQUARES via national retail channels has been further expanded. Considerable headway was also made in terms of seasonal business (Valentine’s Day and Easter). All these success factors are adding up to double-digit growth rates at the three North American Lindt & Sprüngli subsidiaries. It is especially pleasing to note that the tremendous potential for the LINDT and GHIRARDELLI brands in the huge North American market is still far from exhausted. As at June 30, 2004, a total of 12 GHIRARDELLI stores and 88 LINDT boutiques were open to the public. Here the broad, attractive product range, coupled with an improvement in consumer sentiment, contributed toward a gratifying increase in

sales on a “same stores” basis. In the second half of the year, the LINDT Boutique network is to be expanded by a further 8 to 10 stores.

Other markets:

In **Australia** the high double-digit growth of recent years is continuing at the same rate as ever. In addition to a further increase in the pralinés and Easter business, the Australian subsidiary posted some good results following its entry into the chocolate bar segment with EXCELLENCE. Based on its continuing success and the increasingly high profile of the LINDT brand name, it plans to open a “Flagship Store” in Sydney in the second half of the year. The **duty-free business** also made good – and in some cases outstanding – progress as did the **export markets** in all regions.

COSTS

On balance in the first half of 2004, the cost of raw materials and packaging remained unchanged compared with the previous year. While the price of cocoa beans fell on the futures market, **cocoa butter, hazel nuts and almonds** became more expensive. The cost of **packaging materials** remained roughly the same. Additional staff was needed to cope with the substantial increase in production volumes, causing a corresponding increase in personnel costs. However, efficiency optimization measures running at the same time mean that the increase in **personnel costs** is still proportionally lower than the reported sales growth. In light of the very gratifying business performance, the company continued to step up **marketing investments** in all major markets with a view to continuously strengthening the LINDT brand.

INCOME

Thanks to the significant increase in sales, higher production capacity utilization, efficiency gains in all areas and optimized cost control, as of June 30, 2004, the **operating result (EBIT)** improved by a substantial CHF 10.4 million to CHF 0.1 million. Despite the disproportionately high fixed cost apportionment in the first six months of the year owing to seasonal factors (cf. introductory comments), for the first

time in its history the Lindt & Sprüngli Group has posted a positive operating result for the first half of the year (previous year: minus CHF 10.3 million). Its **pre-tax result** improved by an equally substantial CHF 10.9 million to minus CHF 2.5 million (previous year: minus CHF 13.4 million), thanks to a reduction in net financial expenditures.

OUTLOOK FOR THE YEAR 2004

Sales: Assuming that macroeconomic and political parameters remain unchanged, Lindt & Sprüngli is confident of its ability to exceed its strategic annual growth target of 5% to 7% in 2004. **Investments:** Additional investments will be made to expand capacity with a view to keeping pace with the increased volume growth. This will bring investment levels in 2004 and 2005 above the CHF 90 million mark. **Profit:** As things stand today, the operating profit (EBIT) and net income for the year are expected to meet current market expectations.

The Lindt & Sprüngli Group will publish financial information on the following dates:

- **January 25, 2005**
Sales for 2004
- **March 15, 2005**
Year-end results 2004
(press conference – morning)
(analysts’ conference – afternoon)
- **April 28, 2005**
107th Annual Shareholders’ Meeting
- **First Half of August 2005**
Semi-annual report January to June 2005