



**Chocoladefabriken  
LINDT & SPRÜNGLI AG**

Kilchberg, August 26<sup>th</sup>, 2003

www.lindt.com

**Media-Release**

**SEMI-ANNUAL REPORT**

January – June 2003

- ➔ **Lindt & Sprüngli continues to grow**
- ➔ **Sales growth in local currencies +7.4 %, in Swiss francs +3.3 %**
- ➔ **Earnings continue to improve**

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<b>KEY FIGURES</b>	<b>2003 <u>Jan-Jun</u></b>	<b>2002 <u>Jan-Jun</u></b>	<b><u>Change</u></b>
Sales increase in local currencies			+ 7.4 %
Sales (CHF million) *	<b>673.0</b>	651.3	+ 3.3 %
Operating result-EBIT (CHF million)	<b>(10.3)</b>	(14.5)	+ 4.2 CHF million
Pre-tax loss (CHF million)	<b>(13.4)</b>	(19.0)	+ 5.6 CHF million
Employees	<b>5,431</b>	5,640	- 3.7 %

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\* Sales for 2002 "restated" due to accountancy change at L&S France

**COMMENTS**

In 2003, the Lindt & Sprüngli Group is once again able to look back on a very successful first half. In a particularly difficult market environment, Lindt & Sprüngli achieved sales growth in local currencies of +7.4%. Profitability also improved substantially vs. last year. As in previous years, when analyzing the Group's earnings it is important to bear in mind the effects of the seasonal nature of the gift-orientated 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 advertising/promotion. For this reason, the Lindt & Sprüngli Group always ends the first half of the year at a loss.

**MARKET**

Economic growth in the Lindt & Sprüngli Group's principal markets weakened further in the past six months. The declining consumer confidence had a negative impact on retail sales. The chocolate market was in step with the general economic environment. The price increases made across the board due to higher cocoa costs were returned to consumers via aggressive price promotions by many competitors. Thanks to the successful introduction of innovative products and attractive offerings at seasonal events, Lindt & Sprüngli was able to avoid this trend and achieve growth well above market average.

## SALES

In the first half of 2003, the Lindt & Sprüngli Group achieved organic growth in local currencies of +7.4%. The Group is therefore once again more than able to confirm its long-term annual growth target of 5% to 7%. On the basis of the growth figures achieved, Lindt & Sprüngli further strengthened its market position. Sales expressed in Swiss francs rose on a comparable basis by +3.3% to CHF 673 million (previous year "restated" CHF 651.3 million). The restatement for the previous year concerns the adjustment of the sales definition at the French subsidiary which, as already announced, was undertaken at the year-end for the whole of 2002. The difference between growth in local currencies and growth in Swiss francs is explained by the weakening of the dollar-linked currencies against the Swiss franc when compared to the previous year. The exchange rate of the euro against the Swiss franc, which is of importance to the Group, remained practically unchanged against the first half of 2002.

Spring business with the major seasonal highlights of Valentine's day and Easter proved extremely successful for the Lindt & Sprüngli Group. For **seasonal products**, the North American subsidiaries reported good growth in Valentine's day sales because of wider distribution and the launch of new products. Easter business of the European companies also reported good growth rates. Market successes in England, France, Italy and Canada deserve a special mention. As was the case in previous years, sales of the "Lindt Gold Bunny" proved very positive in all markets. In the **chocolate bar segment**, successful new product launches were made in the first half of the year, i.e. the "Les Petits Desserts Range" (France) or the "Les Intenses Range" (Switzerland) and various new creations with spring and summer recipes in several markets. All these innovations in the chocolate bar segment were well received by the trade and consumers alike. In the **praliné segment** the successful introduction and wider distribution of „Lindor“ Balls in the English and American market and summer variants of "Nouvelle Confiserie" were important developments.

**European companies:** Backed by very strong Easter business, combined with the introduction of new products and broader distribution, the subsidiaries in France, Italy, England and Spain reported excellent double-digit growth rates in the first half. Despite the very difficult market environment, the other European companies, especially the big German market, also reported progress. The promising start in Switzerland came to a halt in May/June due to the extreme heat wave. Thanks to these results, all the companies were able to achieve higher market shares in the first six months of 2003.

**North American companies:** All three North American companies reported double-digit growth rates in the first half of 2003. Growth at Lindt & Sprüngli USA, Ghirardelli and Lindt & Sprüngli Canada was boosted mainly by progress in the expansion of the distribution of "Lindor" and "Ghirardelli Chocolate Square" products through national retail chains. Given the growth of the premium chocolate segment in recent years which was substantially driven by Lindt & Sprüngli, the food retail trade is increasingly willing to include premium quality chocolate in the higher-priced segment, whereby the LINDT and Ghirardelli brands largely benefit from. The own LINDT and Ghirardelli retail outlets as well show a growth in sales which can be primarily attributed to the opening of new Boutiques. As at 30 June 2003, a total of 90 LINDT boutiques and 17 Ghirardelli stores were open to the public.

**Other markets:** The Australian subsidiary once again reported excellent double-digit growth in the first six months. The gains were mainly due to successful market launches for the Easter season and higher sales of "Lindor" products. The very challenging economic environment, SARS, the declining tourism, a weaker US-dollar against the Swiss franc etc. had a negative impact on the export business in regions such as Asia, Latin America and Eastern Europe and also in the duty free sector.

## COSTS

The costs of **cocoa products** have increased in the past 18 months because of rising prices on the cocoa futures market. Faced with higher material costs, Lindt & Sprüngli – like the rest of the chocolate industry – had to make price increases, which were fully accepted by the trade and consumers as well. As a result of continuing investments in the areas of production and information technology, which have led to significant improvements in efficiency, **employee costs** grew at a slightly lower rate than sales. **Marketing investments** were again stepped up in the first half of the year in order to further strengthen the LINDT brand.

## INCOME

Thanks to the significant sales increase, efficiency improvements in all areas, price increases as well as optimized cost control, the Group's **operating result (EBIT)** improved in the first half of 2003 against the previous year by CHF 4.2 million to minus CHF (10.3) million (previous year: minus CHF (14.5) million). Due to the reduction in net financial expenses, the **pre-tax loss** even improved by CHF 5.6 million to minus CHF (13.4) million (previous year: minus CHF (19.0) million).

## OUTLOOK FOR THE YEAR 2003

**Sales:** Lindt & Sprüngli does not expect to see any significant improvement in consumer attitude in the second half of the year. The competitive environment will not change substantially either. When considering growth rate prospects for the second half of 2003, it must be taken into account that the comparison is being made with a strong previous year period. Assuming that the meteorological climate in Central Europe moves back to long-term average temperatures in September, and that the consumer confidence will improve, Lindt & Sprüngli is positive that new product launches in the second half of 2003, coupled with the planned attractive market activities will once again confirm the strategic growth target of 5% to 7%. **Profit:** As things stand today, the operating profit (EBIT) and net income for the year are expected to meet current market expectations.

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

- **January 27, 2004** Sales for 2003
- **April 6, 2004** Year-end results 2003
  - - press conference - morning
  - - analysts' conference - afternoon
- **April 29, 2004** 106<sup>th</sup> Annual Shareholders' Meeting
- **August 24, 2004** Semi-annual report January to June 2004