LINDT & SPRÜNGLI

Lindt & Sprüngli achieves dynamic sales and profit growth

Press release: Half-Year 2018

Key figures of the Lindt & Sprüngli Group

- **Strong Group sales in Swiss francs up by +7.7% to CHF 1.67 billion (organic growth +5.1%)**
- **Increase in operating profit (EBIT) by +11.5% to CHF 117.1 million (+20 bp)**
- **Rise in net income by +12.7% to CHF 86.0 million**
- **Solid organic growth and market share gains in all regions: "Europe" +5.0%; "NAFTA" +4.0%; "Rest of the World" +8.4%;**

Kilchberg, July 24, 2018 – Lindt & Sprüngli has had a successful start to the financial year 2018. The Group achieved strong group sales of +7.7% in the first half-year, generating consolidated sales of CHF 1.67 billion. Organic growth increased to +5.1%. The Group is therefore on track to achieve its strategic target of organic sales growth of around +5% for the full financial year. Market share gains were particularly impressive in the large markets in Europe, considering the highly saturated chocolate markets and an exceptionally challenging trading environment. A vibrant seasonal business, the launch of product innovations and the good performance of own chocolate boutiques and cafés are building the base for this success.

Good sales growth in Europe

The "Europe" segment generated sales of CHF 855.6 million, which represents an organic growth of +5.0%. Germany and Italy reported sound results, while sales growth in the UK, Austria, Spain, and the "Nordics" was well above average. Growth rates even hit the high double-digits in the Eastern European markets of Russia, the Czech Republic, Slovakia, and Hungary. Key growth drivers in this segment were the core product lines Lindor and Excellence as well as limited editions of the famous Gold Bunny at Easter. In addition, a sugar-free product line from Italy attracted attention.

Investments in capacities for future growth

As part of the ongoing growth drive in Europe, major investment projects were instigated in the first half of 2018 in order to expand capacities at the production facilities in Switzerland and Germany. In 2018, Lindt & Sprüngli is investing over CHF 30 million in modernizing and expanding the Lindt Cocoa Center in Olten, Switzerland, where cocoa mass for the European production companies is produced. This investment is an important step towards strengthening Switzerland's long-term position as a key business location. At the same time, construction work has started at the Aachen plant in Germany, where Lindt & Sprüngli is investing more than CHF 25 million in upgrading the logistics warehouse and linking the logistics and production facilities via a fully automated conveyor system.

Solid growth in the "NAFTA" region

Despite a challenging trading environment, the "NAFTA" segment was able to report solid organic growth of +4.0% in the first half of 2018, with total sales amounting to CHF 564.1 million. A highlight in this segment was the excellent results achieved by Lindt in Canada and Lindt USA. After a challenging previous period in a stagnating market, Lindt achieved good growth during the reporting period, mainly thanks to more eye-catching point-of-sale displays for the leading brands Lindor and Excellence. Ghirardelli's sales also grew faster than the overall market. Russell Stover posted good sales with an innovative sugar-free chocolate range launched in the second half of 2017 containing Stevia, a natural plant extract. Overall, Russell Stover managed to stabilize its sales, with only a modest dip in the first half of 2018. In addition, the integration of the US companies in terms of sales, logistics and administration is progressing according to plan.

Expansion of the US-facility in Stratham

As No. 1 in the premium segment and No. 3 in the US chocolate market as a whole, Lindt & Sprüngli has an almost unbroken record of consistent sales and volume growth in recent years. To support Lindt & Sprüngli's expansion plan in North America, around CHF 200 million will be invested in the construction of new high-tech production lines for cocoa and chocolate mass within the next 3 to 4 years in the US-plant in Stratham.

Stronger market presence in "Rest of the World"

The "Rest of the World" segment once again reported impressive organic sales growth of +8.4%, amounting to CHF 248.5 million, which underlines the growing importance of these markets for the Lindt & Sprüngli Group. Sales in China doubled, but are still at a modest level. Growth rates in Brazil, Japan, and South Africa were once again in the high double-digits. Growth and distribution strategies specifically tailored to local consumer preferences are starting to pay off. The global distributor business also reported a dynamic sales performance.

40 to 50 shop openings planned

The Global Retail business with own chocolate boutiques and cafés, again achieved impressive growth. Many new openings at locations enjoying a high footfall, like at Europa-Park (Germany), in Siena (Italy), and in Okayama (Japan) were celebrated. A total of 40 to 50 new store openings worldwide are planned.

Sourcing strategy and efficiency gains promoting EBIT growth

The improvement in markets for our most important raw material, cocoa beans, was only temporary. Although prices briefly dipped to a multi-year low around the turn of the year, they have since rebounded sharply. Prices for cocoa butter have also risen significantly since 2017 and are still high – currently at a 10-year peak (apart from a short interruption). Prices eased slightly for other key ingredients such as hazelnuts and sugar.

A successful sourcing strategy for raw materials and additional efficiency improvements helped to reduce material and personnel costs as a percentage of sales. The Group's average headcount increased from 12,784 in the previous year to 13,168 in the first half of 2018. At the same time, investments in the brands were made. This led to an improvement in operating profit (EBIT) to CHF 117.1 million as of June 30, 2018, an increase of +11.5%. Net profit improved by 12.7% year-on-year to CHF 86.0 million. Operational cash flow amounted to CHF 333.7 million. Total assets as at June 30, 2018, amounted to CHF 6.6 billion and the already solid equity ratio further increased to 62.9% (December 31, 2017: 60.1%).

Buyback program for registered shares and participation certificates
In March 2018, Lindt & Sprüngli started a buyback program for its registered shares and participation certificates worth up to CHF 500 million, running till the end of July 2019. The buyback program is proceeding as planned. On June 30, 2018 shares and participation certificates worth CHF 104.4 million had already been repurchased, equivalent to 0.7% of the total share capital.

Expansion of the Lindt & Sprüngli Farming Program
The continuing successful expansion of the Lindt & Sprüngli Farming Program is showing a positive impact: in 2017 over 60,000 farmers already benefited from Lindt & Sprüngli's own sustainable sourcing model, and 79% of the sourced cocoa beans were traceable and externally verified. After initial success in Ghana, Ecuador, Madagascar, and Papua New Guinea, the Program was expanded to the Dominican Republic in the first half of 2018. As a result, all the countries Lindt & Sprüngli sources cocoa beans from are covered by the Program. Lindt & Sprüngli is therefore well on track to achieve its declared goal of having a 100% traceable and verified supply chain for cocoa beans by 2020. Important elements of the Program are a farmer premium for every ton of cocoa beans they supply, as well as professional training in business skills, good farming practices, and socially and environmentally responsible cultivation methods in order to increase crop yields and consequently family income. On top of that, improvements in the local infrastructure, such as the water supply, support the development of village communities. In short, the Program allows the continuous improvement of a sustainable supply chain while at the same time guaranteeing the high quality of cocoa beans that Lindt & Sprüngli demands.

> *"We are well on track to achieve our goal of having a 100% verified supply chain for cocoa beans by 2020." Dieter Weisskopf*

Outlook
The Lindt & Sprüngli Group anticipates continuing organic growth of around +5% for the full financial year. In the second half of the year, growth is expected to stay roughly the same as in the first half. Also operating profit (EBIT) margin is expected to improve by 20-40 basis points in the full year, in line with the mid- to long-term target range.

Please find the Semi-Annual Report here:
https://www.lindt-spruengli.com/investors/financial-information/annual-semi-annual-reports/

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Key Figures Income Statement

CHF million	January–June 2018	January–June 2017	Change in %
Sales growth (in local currencies)			**5.1**
Sales	**1,668.2**	**1,548.7**	**7.7**
Other income	8.4	7.3	15.1
Total income	**1,676.6**	**1,556.0**	**7.8**
Total expenses	–1,559.5	–1,451.0	7.5
Operating profit (EBIT)	**117.1**	**105.0**	**11.5**
Net financial result	–6.1	–4.3	41.9
Income before taxes	**111.0**	**100.7**	**10.2**
Taxes	–25.0	–24.4	2.5
Net income	**86.0**	**76.3**	**12.7**

Key Figures Balance Sheet

CHF million	June 30, 2018	%	December 31, 2017	%
Assets				
Property, plant and equipment	1,321.7		1,289.3	
Other non-current assets	3,030.8		2,905.2	
Total non-current assets	**4,352.5**	**65.7%**	**4,194.5**	**60.1%**
Inventories	859.4		731.4	
Accounts receivable and other assets	611.8		1,196.5	
Securities and cash	801.0		853.2	
Total current assets	**2,272.2**	**34.3%**	**2,781.1**	**39.9%**
Total assets	**6,624.7**	**100.0%**	**6,975.6**	**100.0%**
Liabilities				
Total shareholders' equity	**4,168.3**	**62.9%**	**4,195.0**	**60.1%**
Total non-current liabilities	**1,770.9**	**26.7%**	**1,730.8**	**24.8%**
Accounts payable and other payables	203.6		325.5	
Accrued liabilities	466.9		677.6	
Bank and other financial liabilities	15.0		46.7	
Total current liabilities	**685.5**	**10.4%**	**1,049.8**	**15.1%**
Total liabilities and shareholders' equity	**6,624.7**	**100.0%**	**6,975.6**	**100.0%**

Employees

		January–June 2018	January–June 2017	Change in %
Average number of employees		13,168	12,784	3.0
Sales per employee	TCHF	126.7	121.1	4.6

More details will be available when the full-year results are published at 7:00 a.m. on Tuesday, March 5, 2019.

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