



LINDT & SPRÜNGLI

Semi-Annual Report 2002

January-June 2002

Kilchberg, August 27, 2002

☼☼ Lindt & Sprüngli on target

☼☼ Sales increase of + 6.3 % in local currencies, growth in Swiss francs: + 2.7 %

☼☼ Operating result improves by + 8.2 %

Key-Figures	2002	2001	Change
	Jan-Jun	Jan-Jun	
Sales increase in local currencies			+ 6.3 %
Sales (CHF million)	640.3	623.7	+ 2.7 %
Operating profit (CHF million)	(14.5)	(15.8)	+ 8.2 %
Pre-tax loss (CHF million)	(19.0)	(20.8)	+ 8.7 %
Employees	5,640	5,511	+ 2.3 %

Comments

With an increase of both sales and earnings in the first half of 2002, the Lindt & Sprüngli Group confirms once again the long-term growth trend of the recent years. 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

The overall economic situation in the Lindt & Sprüngli Group's most important markets has turned steadily weaker over the past six months. In some markets this had a negative impact on both consumer sentiment and retail sales. The chocolate market has likewise felt the effects of these recent trends. Nevertheless, thanks to efforts made by Lindt &

Sprüngli at the introduction of new products and some highly innovative concepts, the premium chocolate segment showed a slight growth.

Sales

In the first half of 2002 the Lindt & Sprüngli Group reported organic growth of +6.3 % in local currencies, which means the company is once again well on the way to achieving its strategic goal of an annual growth of 5 % to 7 %. As a result of this above-average performance, Lindt & Sprüngli further consolidated its position in a stagnating chocolate market. Sales in Swiss francs rose by +2.7 % to CHF 640.3 million (last year's figure: CHF 623.7 million). The difference between growth in local currencies and Swiss francs can be explained by the weakening of both the euro and the US dollar: Lindt & Sprüngli invoices over 80 % of its sales in these two currencies.

During the first half of the year the Lindt & Sprüngli Group stepped up its marketing activities for both regular business and special events like Valentine's Day, Easter, Mother's

Day and Father's Day. For a company like Lindt & Sprüngli specializing in gift-oriented premium chocolate products seasonal business and special events are becoming increasingly important. To best satisfy the needs of consumers, Lindt & Sprüngli not only offers new, specially designed products for a variety of festive occasions but also offers its traditionally successful products in seasonal appearance. Thanks to a broad range of marketing activities, the company has managed to further consolidate its ties with partners in the trade and – as in the previous year – increased its Easter business in Europe and North America as well as in Australia.

European companies: Despite the difficulty of the prevailing economic environment, Lindt & Sprüngli's European subsidiaries are almost without exception among the fastest-growing in the chocolate market. Development was particularly encouraging in the three principal markets France, Germany and Italy and in expanding markets, where the Group succeeded in increasing its market share across the board.

North American companies: In the North American market Lindt & Sprüngli (USA) Inc. and Lindt & Sprüngli (Canada) Inc. once again posted double-digit sales increases. Expansion of LINDT boutiques in the USA is progressing as planned and around 90 of them will be open for business by the end of the year. During the first half of the year comparable Group-owned outlets reported growth of 7 % over last year; in the current US retail climate this is a truly excellent result. The positive influence of the LINDT boutiques on brand awareness is being reflected through the increased presence of our products in established retail outlets.



Ghirardelli, meanwhile, has continued successfully to shift the emphasis in its operations away from industrial business to branded products. In this segment, the increase in national distribution of Ghirardelli specialties has led to double-digit growth. However, the reduction in industrial-sector operations combined with the effects of a fall-off in tourism led to a slight decrease in Ghirardelli's overall sales for the first half.

Other markets: Our Australian subsidiary posted yet another outstanding first half-year with vigorous double-digit growth. Particularly difficult political and economic conditions, on the other hand, led to a slight decrease in sales in the Latin American, Middle Eastern and Asian markets as well as in the duty-free business.

Costs

Material costs: The futures market price for cocoa beans has risen by over 70 % since November 2001. These huge price increases followed expectations of another harvest shortfall for the cocoa year from October 2001 to September 2002. However, information available today suggests that demand will weaken and that the amount available will rise slightly. Prices on the futures market are expected to stabilize or even fall somewhat in the next few months. Thanks to Lindt & Sprüngli's policy of purchasing raw materials well in advance, the price increases mentioned above had no effect on our margins. Overall, the regulated prices of *sugar* and *dairy products* remained stable. As a result of the overall weakness in the economy, the price increases for packaging materials requested

at the end of 2001 never came through. The result of this was that the ratio of material costs to sales during the first half of the year remained largely at the same level as last year.

Employee costs: During the first half of the year employee costs rose in the same proportion as sales.

Marketing and promotion: Investments in marketing increased again during the first six months, ensuring further consolidation of the LINDT brand in all the world's most important chocolate markets.

Depreciation/Investments: As per June 30, 2002, depreciation and investment stood at the same level as last year.

Income

The **operating result** rose by an encouraging 8.2 %, or CHF 1.3 million, to minus CHF (14.5) million (last year CHF (15.8) million) during the first half of 2002. In view of lower extraordinary expenses, the **loss after tax** fell by 8.7 % or CHF 1.8 million to minus CHF (19.0) million (last year (20.8) million).

Outlook for the Year

In view of the overall depression in the world economy, Lindt & Sprüngli expects consumer sentiment to remain restrained during the second half of the year. Under conditions like these, the consumer's purchase decision – usually made on impulse – will depend increasingly on two criteria: cut-price offers on the one hand and innovative product ideas on the other. Lindt & Sprüngli intends to

stick to its premium brand policy and is confident that genuine innovation combined with persuasive marketing activities, will enable it to successfully master the challenges during the second half of the year as it did in the first. On the basis of current information regarding development of the dollar and the euro, we expect Group sales in both local currencies and Swiss francs to increase at roughly the same rate as during the first half of the year. The same applies to the operating result.

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

28 January 2003

Sales for 2002

1 April 2003

Year-end results

(press conference – morning)

(analysts' conference – afternoon)

25 April 2003 (Friday)

NEW DATE for

Annual General Meeting

26 August 2003

Semi-annual figures January to June 2003



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