

Letter to Shareholders 2021

Dear Shareholders

The Lindt & Sprüngli Group remains on track for continuous success and looks back on a very positive financial year 2021. Increases in market share in all key markets, combined with high levels of profitability, contributed to growth. Group sales of Chocoladefabriken Lindt & Sprüngli AG increased to CHF 4.59 billion, equating to remarkable growth in Swiss Francs of 14.2% and organic growth of 13.3%. We have once again benefited from the strength of our business model and our solid financial base. The significant improvement in sales was driven by a wide range of trends, which varied between market regions, but some of which proved to be consistent across the globe: digital sales channels – whether operated directly by us or by our business partners – continue to grow in importance. We are very proud that our leading product line Lindor, in particular, once again recorded very pleasing sales growth. This year's success is to a very large extent due to our around 14,000 employees worldwide. Once again, they have demonstrated their innovative strength, adaptability and tremendous dedication by continually coming up with new solutions to the constantly changing challenges. Thanks to this we have succeeded in achieving disproportionate gains in an expanding overall market. Lindt & Sprüngli sales have increased in all our markets, and we have therefore been able to continue expanding our market shares in all major countries.

Based on the trends described above, as well as on increased investments in advertising and adaptation to changing consumer needs and distribution channels, Chocoladefabriken Lindt & Sprüngli AG achieved sales growth in Swiss francs of 14.2% to CHF 4.59 billion (previous year: CHF 4.02 billion), which equates to organic growth of 13.3%. The operating profit (EBIT) was CHF 644.9 million, representing an EBIT margin of 14.1% (previous year: CHF 420.3 million and 10.5%). These results are remarkable because the sales gap which occurred in the pandemic year 2020 was not only closed, but Lindt & Sprüngli outperformed the good results from 2019, the year before the pandemic, organically by 6.4%. This underlines the performance of the company and its employees, who in a challenging business environment did not content themselves with merely making up for lost sales but generated additional growth. This resulted in a net income for the financial year 2021 of CHF 490.5 million (previous year: CHF 320.1 million), with a return on sales of 10.7%. The free cash flow amounted to CHF 586.0 million, enabling us to achieve a cash flow margin of 12.8%. In 2021, the Swiss franc depreciated against many major currencies. This resulted in a positive currency translation effect of 0.4%. As at December 31, 2021, total assets amounted to CHF 8.956 billion (previous year: CHF 8.051 billion) and the equity ratio was 58.3%, showing that Lindt & Sprüngli continues to be very solidly financed.

Based on the encouraging trend in sales and earnings, we feel justified in making an attractive payout, allowing our shareholders again to participate in the company's success. The Board of Directors is therefore proposing to the 124th Annual General Meeting scheduled for April 28, 2022, a higher payout than last year, of CHF 1,200 per registered share and CHF 120 per participation certificate. Due to the high liquidity, the strong balance sheet and the continuously high cash flow, the Board of Directors furthermore has decided to launch a buyback program for Lindt & Sprüngli registered shares and participation certificates in the amount of CHF 750 million. The buyback has been running since June 1, 2021, and by December 31, 2021, securities with an equivalent value of CHF 444.8 million had been bought back, which equates



Ernst Tanner, Executive Chairman of the Board of Directors, and **Dr Dieter Weisskopf**, CEO Lindt & Sprüngli Group, at the Lindt & Sprüngli headquarters in Kilchberg, Switzerland.

to 1.75% of the outstanding registered shares and participation certificates. The buyback program operates via a separate trading line on the SIX Swiss Exchange AG and will continue until December 31, 2022 at the latest.

The positive Group results are driven by the results in all segments, as all three business regions have achieved good double-digit growth.

In the “Europe” segment, organic growth was at 13.8%. Sales of CHF 2.33 billion (previous year: CHF 2.01 billion) were achieved, with Germany, France and the UK remaining the strongest markets in terms of sales. Particularly striking was the exceptional organic growth of 18.2% in the UK. There, the strongest growth was seen in sales of Lindor gift lines and items which are given as gifts or enjoyed together on festive occasions. In addition, we have noticed that existing trends have continued to accelerate. Furthermore, we are seeing stronger sales in online business and of products which are typically consumed at home or given as gifts, most notably Lindor truffles. In Switzerland, Lindt products were listed for the first time at the country’s two largest retailers. This, together with other improvements, compensated for the continued decline in tourism retail sales.

Organic growth in the “North America” segment was 10.7%, with sales increasing to CHF 1.69 billion (previous year: CHF 1.54 billion). In the USA, Lindt & Sprüngli grew faster than the overall market, thereby once again increasing its market share in the world’s most important chocolate market. As a result, we maintained our positions as the number 1 supplier of premium chocolate products and the number 3 supplier in the overall market. The Lindt and Ghirardelli brands were the main drivers of this growth in both the retail trade and especially online channels. The latter include our own e-shops, internet marketplaces, and the digital sales activities of our trade partners.

In the “Rest of the World” segment, organic sales growth was strongest at 19.7%, reaching sales of CHF 568 million (previous year: CHF 469 million). Markets such as China, Japan, Brazil, Australia, and South Africa continue to show great sales potential and recorded particularly good growth. In addition, our subsidiary in Brazil took over our joint venture partner’s minority stake at the beginning of the year, which will allow it to operate even more effectively in the future. Additionally, smaller markets around the world operating via distributors recovered also very well. Despite the massive impact of lockdowns, modest growth was achieved in Australia and New Zealand, the region with the strongest sales in this segment.

Our direct sales to consumer business with our own shops – “Global Retail” – achieved a significant double-digit increase compared to a difficult previous year. Due to ongoing lockdowns and a continued lack of footfall at key tourist locations, 2019 sales levels have almost been reached. Our “Direct-to-Customer” initiative, which started with the development of our own shops, now serves consumers via a wide range of channels. First and foremost are our Lindt Shops, but new concepts such as our own e-commerce shops and our retail partners’ online marketplaces, as well as corporate gifting, teleshopping, and delivery apps, have also increased in importance over the last few years. This omni-channel strategy is designed to provide a seamless consumer experience at all touchpoints.

The pandemic triggered sharp fluctuations in the markets for raw materials and intermediate products. This volatility hit many industries hard and led to disruptions and even production interruptions. Despite this volatility, Lindt & Sprüngli succeeded in securing the supply of raw and packaging materials to most of its production sites in 2021, thanks to forward planning coupled with the ability to adapt quickly. Due to the increasing global demand for materials, Lindt & Sprüngli also faced rising costs in the financial year 2021. In particular, the prices of sugar, milk products, almonds, and various vegetable fats rose significantly. The cost of hazelnuts, cocoa beans, and cocoa butter, by contrast, changed only slightly. There have been steep increases in the cost of packaging materials, in particular aluminum, plastic, and corrugated cardboard, which will continue in 2022.

In the last financial year, we not only achieved good financial results, but also made further progress in terms of sustainability. For the 2020/21 cocoa season, we achieved our goal of 100% traceability of our cocoa beans. This third-party-verified traceable supply chain represents another important milestone for our Lindt & Sprüngli Farming Program (www.farming-program.com). The traceability of this key raw material is one of the most important elements of our “Bean to Bar” approach. In this way, Lindt & Sprüngli takes responsibility for the entire value chain, from the bean to the chocolate bar.

Besides the raw materials, we also attach great importance to the sustainability of our packaging. Today, it is no longer enough for packaging simply preserving the quality of our product all the way to our consumers and to be aesthetically pleasing. We also require it to be recyclable and not to pollute the environment. The aim is therefore that by 2025 our packaging, including the plastics, will be 100% recyclable or reusable. In addition, all cellulose and paper packaging will be procured from a certified sustainable source.

In 2020, we achieved our five-year target for the third major aspect of our sustainability efforts, the reduction of greenhouse gases: the emission of greenhouse gases in our production processes per ton of chocolate produced has been reduced by more than 20% compared to the base year 2015. However, this is just an important first step. In 2021, Lindt & Sprüngli has committed itself to setting measurable targets in order to achieve net zero emissions in the long term. We are currently concentrating on determining our carbon footprint along the entire value chain. In 2022, we will use the resulting data to draw up our strategy, and in 2023, we will publish our science-based targets for reducing greenhouse gas emissions. In future, the targets set will be reviewed and published annually.

Lindt & Sprüngli was only able to achieve such success in yet another challenging year, because our employees worked together to do everything in their power to consistently fulfill our quality promise. Despite all the challenges, we did not make any compromises in terms of quality but continued to accomplish and live up to our company’s purpose “We enchant the world with chocolate”. Read more about this topic on page 59 of this report.

“Lindt & Sprüngli again achieved very good results in 2021. We owe this success mainly to our global teams, who implement, live and exemplify our corporate purpose ‘We enchant the world with chocolate’ every day. They have acted in an entrepreneurial manner with tireless dedication and have taken on great responsibility. With a lot of passion, new solutions were found together again and again. In doing so, our most valuable asset – the quality of our products – could be maintained at all times and without compromise.” Dr Dieter Weisskopf, CEO Lindt & Sprüngli Group

As in the previous year, we would like to express our sincere thanks to our employees: they have all demonstrated a high degree of flexibility and creativity in helping the company cope with the pandemic crisis. In the process, employees accepted adjustments in personal areas of their lives, worked from home with only virtual contact, or had to continue working in our plants under protective measures that made their jobs more difficult. Thanks to this amazing dedication, they not only kept production and distribution running, but made the economic success of 2021 possible. It is only because of our employees that we can once again enchant the world with chocolate. We would therefore like to say a big thank you to all of them.

“The focused assignment of our talents and our expertise in developing, manufacturing and marketing our products have made us the world’s number 1 in the premium chocolate market.” Ernst Tanner, President of the Lindt Chocolate Competence Foundation and Executive Chairman of the Board of Directors of the Lindt & Sprüngli Group

Over the past year, Lindt & Sprüngli has emphatically demonstrated the ability of our business model to overcome the challenges posed by public health interventions and supply chain bottlenecks. In future, of course, we hope that we will all gradually be able to resume our normal daily lives. That is what we are basing our plans on, but at the same time we are holding on to the skills which brought us success in 2021.

For 2022, an organic sales growth at the upper end of the bandwidth of 6–8% and an operating profit margin of 15% are expected. In the mid- to long-term, we expect organic sales growth of 6–8% (previously 5–7%) with a continuous improvement of the operating profit margin of 20–40 basis points per year. In the future, as in the past financial year, we plan to continue to grow at a rate above the market average and to increase our market share, assuming good global growth in the premium chocolate segment.

Valued shareholders, we thank you for your continued support in another very challenging year and for the trust you have placed in us. We wish you, our consumers, business partners, suppliers, and employees the best of health in the coming year.



Ernst Tanner
Executive Chairman of the Board of Directors



Dr Dieter Weisskopf
CEO Lindt & Sprüngli Group