

Letter to Shareholders 2023

Dear Shareholders,

The Lindt & Sprüngli Group can look back on a very successful financial year 2023. The renewed double-digit organic sales growth is broad-based, with all three regions contributing to the growth. Lindt & Sprüngli has thus been able to further expand its market leadership in the globally growing premium segment. This achievement is all the more remarkable given the challenging environment that characterized the reporting period. The year began with persistently stubborn inflation and, as a result, subdued consumer sentiment, particularly in Europe. Cocoa prices rose to historic highs over the course of the year due to the global shortage of cocoa beans. Weather conditions and climate played a major role here. The Swiss franc also strengthened further against major currencies, which is directly reflected in our annual financial statements.

We are proud of how successfully the management team and its workforce of more than 14,500 dedicated employees navigated through this turbulent year, creating value for shareholders.

Double-digit organic growth once again

The key figures show just how Lindt & Sprüngli has created value. In 2023, the Group increased sales by 4.6% to CHF 5.20 billion (previous year: CHF 4.97 billion), with organic growth of 10.3%, while the currency effect had a negative impact of –5.4%, in particular due to the weakening of the US dollar and the Euro. As a result, we have recorded double-digit organic sales growth for the third time in succession. Despite a slowdown in the global chocolate market, we are able to report volume/mix growth. The improvement in volumes in the second half of the year is encouraging. Most of the growth is attributable to price increases as a result of higher raw material prices.

Operating profit (EBIT) increased by 9.2% year-on-year to CHF 813.1 million, which equates to an EBIT margin of 15.6% (previous year: CHF 744.6 million and 15.0%). We have increased profitability with tight cost control and continuous optimization. At the same time, we are continuing to invest in the expansion of our capacities, in particular in the current expansion of the production plants in Olten, Switzerland, and Stratham, New Hampshire, USA. This resulted in a net income of CHF 671.4 million (previous year: CHF 569.7 million) with a return on sales of 12.9%. There was a notable positive effect on net income, resulting in a one-off tax rate of less than 15%. This is due to the introduction of a global minimum taxation system and the “Tax Reform and AHV Financing” (TRAF) bill in Switzerland. The reported net income is 17.9% up on the previous year; without the one-off tax effect, it would have been 5.6%. At CHF 476.8 million, free cash flow was lower than in the previous year due to higher inventories. The cash flow margin reached 9.2%. The tax effect had no impact on free cash flow.

The Group's balance sheet is very sound. As at December 31, 2023, the equity ratio was 54.2% (previous year: 55.4%). Lindt & Sprüngli can once again enable its shareholders to participate in the company's success with an increased dividend. The Board of Directors will propose a distribution of CHF 1,400 (previous year: CHF 1,300) per registered share and CHF 140 (previous year: CHF 130) per participation certificate to the 126th Annual General Meeting on April 18, 2024. The increase in dividend of CHF 100 and CHF 10 respectively is the 28th consecutive increase in the distribution.



Ernst Tanner, Executive Chairman of the Board of Directors, and Adalbert Lechner, CEO of the Lindt & Sprüngli Group, in front of the company's purpose "We Enchant the World with Chocolate".

The buyback program of registered shares and participation certificates in the amount of CHF 1 billion launched in 2022 will last until July 31, 2024 at the latest. Registered shares and participation certificates to the value of CHF 0.85 billion had been repurchased by December 31, 2023.

Dynamic development in the retail business

Global Retail, where we operate stores ourselves under the Lindt, Ghirardelli and Russell Stover brands, made significant gains in the reporting year.

Sales in our shops posted double-digit growth in all market regions (overall 16,5%). On the one hand, this can be attributed to higher sales by the individual stores, while on the other hand, we opened 20 new shops in the course of the year. By the end of the year, there were 520.

The Global Travel Retail business, where Lindt products are sold in duty-free shops, returned almost to pre-Covid levels; the distribution channel benefited from the return to high passenger numbers. Organic sales growth amounted to 20.1%. This is partly attributable to base improvements, particularly as the business was still suffering from Covid restrictions in the first quarter of 2022.

Growth in all regions

The results for the three regional segments show how broadly based the Group result is. The "Europe" segment, which is the region with the highest sales, grew by 4.9% and posted sales of CHF 2.41 billion (previous year: CHF 2.30 billion). The region grew organically by 9.1%. We achieved double-digit growth in many European markets, including Switzerland, Italy, the UK and Eastern Europe. The Group also generated solid growth in Germany and France. It should also be noted that the withdrawal from Russia is included in this growth rate.

In 2023, the "North America" segment increased sales by 4.1% to CHF 2.11 billion (previous year: CHF 2.03 billion), an organic growth of 11.0%. We are gradually expanding our presence

in the USA, the world's largest chocolate market, which was largely unaffected by the high inflation rate. In the USA, we focus on the premium segment, which we serve with our various premium brands. Lindor remains the bestseller. The Lindt and Ghirardelli brands once again recorded double-digit growth rates during the reporting period. Russell Stover, which celebrated its 100th anniversary in 2023, also posted solid growth.

In the “Rest of the World” segment, sales increased by 5.8% to CHF 683 million (previous year: CHF 646 million). Organic growth was 12.9%. Business was particularly buoyant once again in Japan and Brazil, with Australia maintaining its position as the top-selling country in this segment. In contrast, our still small business in China, while still growing, fell short of expectations. Like our competitors, we are feeling the effects of the depressed consumer sentiment in China. We are confident that this will improve once again.

Lindor continues to perform strongly – the brand celebrates its 75th anniversary in 2024

In our product mix, the trend towards gifting, pralines and hollow figures continued. The Group is benefiting from their higher added value. Lindor Pralines, Lindt & Sprüngli's most important product line, continued to shine in 2023 with renewed double-digit growth in all regions. The product line with the unmistakable, smooth melting filling is celebrating its 75th anniversary in 2024 – see also the Focus chapter on page 77.

In 2023, we once again launched various innovations on the market. In the UK, Italy and Bulgaria, we launched the new Choco Wafer – an example of how we are breaking into new categories; in this case, the wafer segment. In the USA, we are gaining our first experiences with non-dairy “Lindor Oatmilk” truffles. They represent our innovation program, in which we vary existing brands and products, be it with new flavors or packaging.

“Consumers are reaching for our Lindt, Ghirardelli and Russell Stover brands, even in a challenging environment, as demonstrated by the positive development in the past financial year.”

Ernst Tanner, Executive Chairman of the Board of Directors of the Lindt & Sprüngli Group

To further stimulate demand, we invested heavily in TV advertising in 2023 in the target markets, as well as increasingly in digital media. This has further strengthened the appeal of our brands.

Mixed picture on the procurement markets

The situation on the procurement markets normalized to some extent during the reporting year. However, the volatility in individual commodities remained high. This is particularly true for cocoa, our most important raw material, the price of which almost doubled over the course of the year, reaching a new all-time high on the commodity futures exchange in London at the end of the year. Due to crop failures, cocoa production is below consumption for the third consecutive year. This is important for Lindt & Sprüngli as our high-quality chocolate recipes contain high proportions of cocoa and cocoa butter. We expect that prices will remain at a high

level. In contrast, the sugar price stabilized after a surge in the first half of the year. The strained situation has also eased with regard to energy prices and packaging materials. As a Group, we were able to offset some of these various effects thanks to long-term contracts and improvements in efficiency.

Our contribution to a more sustainable tomorrow

Prudent corporate governance is reflected not only in good figures, but also in sustainable business practices.

In 2023, we further expanded our responsible sourcing activities. In the reporting year, the Lindt & Sprüngli Group sourced 72,3% of its cocoa, which includes beans, butter, powder, and chocolate mass, through its own Farming Program or other sustainability programs. Our target is to achieve 100% by 2025.

About 131,000 farmers in seven cocoa producing countries are now part of the Lindt & Sprüngli Farming Program. The Program aims to increase the income of farming households and to contribute to the conservation of biodiversity and natural ecosystems. The program is also designed to address and, if possible, prevent child labor in the cocoa supply chain.

Furthermore, Lindt & Sprüngli is committed to achieving near and long-term science-based climate targets and reaching net-zero greenhouse gas emissions across the value chain by 2050. The Science Based Targets Initiative (SBTi) validated Lindt & Sprüngli's targets in 2023.

The Board of Directors has also anchored the importance of sustainable business practices in the remuneration model of Group Management. Their bonus is now linked to achieving selected sustainability goals. The Board of Directors also decided to expand Group Management with the addition of Nicole Uhrmeister as the new Chief Human Resources Officer. It thus acknowledges the high level of importance of our employees.

In the interests of sustainability, we have also adjusted our reporting process to save paper – we will now be sending a short report to all shareholders. The full annual report will still be available on our website and can be downloaded as a PDF.

“All regions contributed to our positive result last year. This shows that our long-term strategy is effective and that we are well-prepared for 2024.”

Adalbert Lechner, CEO of the Lindt & Sprüngli Group

Outlook

Despite the uncertain economic and political situation, we are very confident that we will be able to continue on our successful path. We are convinced that the long-term trend towards premium products will continue. In this respect, we trust in our long-term strategy. Thanks to our high investment in advertising, regular product innovations, our high quality and positioning as a leading brand in the premium segment, as well as our in-depth knowledge of consumer needs, we are in an excellent position. For 2024, we are aiming for organic growth of 6% to 8% and an improvement in the operating margin of 20 to 40 basis points. Both ranges lie within the medium to long-term target range that we have defined for our Group.

Our sincere thanks go to all employees of the Lindt & Sprüngli Group. Their commitment is the core of our success. They have mastered the many challenges of the past year with an impressive team spirit. We are proud of the passion with which they work, always on the lookout for new ways to improve our products and enchant our consumers with chocolate.

We would like to thank you, our shareholders, for your trust. We look forward to welcoming many of you to the upcoming Annual General Meeting. This will take place on April 18, 2024 at our traditional venue, the Kongresshaus in Zurich.



Ernst Tanner
Executive Chairman
of the Board of Directors



Adalbert Lechner
CEO Lindt & Sprüngli Group