

The seal is circular with a gold border. The outer ring contains the text 'LINDT & SPRÜNGLI' at the top and 'MAÎTRE CHOCOLATIER SUISSE DEPUIS 1845' at the bottom. In the center, the number '175' is prominently displayed in a large, serif font, with the word 'YEARS' written below it in a smaller, similar font. A small crown-like emblem is positioned above the '175'.

Letter to Shareholders 2020

Dear Shareholders

The global pandemic has been with us for a year now and has presented immense challenges not only for our company, but for society as a whole. Lindt & Sprüngli has been strongly affected by the restrictions and regulations introduced to contain Covid-19. Our focus has been to implement comprehensive measures in all areas of our business to protect our employees, consumers, business partners, and suppliers, as well as to preserve business continuity. Despite this difficult year, we still managed to reach important milestones in our company's long-standing successful history: in the area of sustainability, we achieved key targets not just for the supply of our important raw material cocoa beans, but also in the reduction of greenhouse gas emissions and water consumption. We are particularly proud that the Lindt Chocolate Competence Foundation was able to open the Lindt Home of Chocolate in Kilchberg, Switzerland, in the same year as Lindt & Sprüngli's 175th anniversary. Since September 2020, over 100,000 visitors have already been welcomed to the new attraction at the Lake of Zurich. Even in the difficult market environment, the Lindt & Sprüngli Group managed to achieve significant progress – as so often in its 175-year history. We are delighted to report a solid result and share a selection of highlights with you, despite the global challenges.

Chocoladefabriken Lindt & Sprüngli AG had a very dynamic start to the 2020 financial year. The Group achieved a solid increase both in sales and profit until March. However, the stringent measures subsequently introduced worldwide to contain the Covid-19 pandemic had a negative impact on key areas of our business and thus on the Group's full-year result. The global network of own shops suffered from temporary closures and lower frequency. Christmas and especially Easter as important seasonal gifting occasions were affected across all sales channels. The restrictions had a particularly negative impact on sales in North America's food-service business and Italy's traditional trade. Tight restrictions on air travel caused a sharp decline in sales in the Travel Retail segment.

Fortunately, sales growth in the premium segment, where we are market leader, was above average, particularly in the second half of the year. The company benefited from this trend and was able to meet increased demand for products destined for self-consumption at home with its diverse portfolio of high-quality products. This helped to drive retail trade sales of our leader products Excellence and Lindor. The Excellence range even recorded a double-digit growth. We responded quickly and innovatively to the changes in consumer behavior caused by the pandemic with numerous entrepreneurial initiatives such as home deliveries, click & collect services, and the expansion of e-commerce. Online sales doubled to around 5% of Group sales. We plan to proceed with this positive development in 2021 with the launch of new e-shops in different countries. From own shops through to e-shopping and corporate gifting, teleshopping, and subscription programs – all these channels are part of an overarching omni-channel strategy designed to ensure a seamless consumer experience across all platforms.



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

For the financial year 2020, the Lindt & Sprüngli Group reported sales of CHF 4.02 billion, equivalent to a decline of –6.1% in organic growth. However, we were able to increase our market shares in almost every country and grow sales in important markets. Over the past financial year, the Swiss franc again strengthened substantially compared to all major currencies. The resulting negative currency effect on the consolidated result led to a decrease in sales of –10.9% in domestic currency.

Lindt & Sprüngli was able to secure a continuous supply of raw materials to all its production facilities, despite the huge challenges on global supply chains. In addition, a successful and forward-looking procurement strategy allowed Lindt & Sprüngli to compensate for the fluctuation in raw material prices and keep costs stable. Prices for the important raw materials, including hazelnuts and milk powder, rose sharply, while almond prices were considerably lower thanks to a plentiful harvest. Cocoa butter prices declined from a high level toward the end of the financial year in response to a weaker global demand. However, cocoa bean prices remained stable.

Despite the difficult market environment created by repeated local lockdowns, the region of “Europe” achieved a pleasing result, with only a modest decline of –2.9% in organic sales growth. Sales in the markets of Germany, the United Kingdom, and Spain actually increased, with Eastern Europe and Scandinavia (Nordic) even reporting double-digit growth. At the same time, we managed to gain important market shares and present our premium brands very successfully in retail trade. However, the Swiss home market suffered especially from the sharp decrease in frequency at top tourist destinations and the temporary closures of own shops. Our subsidiaries in Italy and Austria also had to cope with the decline in tourism. Also the traditional trade in Italy – an important retail channel for our business – was almost completely closed.

The “North America” region was severely affected by the pandemic and reported a decline of –6.8% in organic growth. Nevertheless, significant market share gains were achieved in the chocolate bar segment for Lindt and Ghirardelli, as well as in Russell Stover’s sugar-free product line. The losses were partly offset by rising self-consumption of chocolate bars and the great success of the baking products segment of our subsidiary Ghirardelli. The measures to contain the virus particularly affected the network of our own shops due to repeated closures, and also hit the food-service business due to restaurant closures. Our subsidiary Russell Stover, which is mainly active in the gifting segment, suffered particularly from the restrictions imposed under the pandemic at Easter and Christmas. However, an increase in efficiency in the supply chain helped to improve the profitability of the “North America” region and to invest in brand advertising to maintain our position as No. 1 in the premium segment and No. 3 in the overall US chocolate market.

The “Rest of the World” segment recorded a decrease of –16.1%, in particular due to the sharp decline in the Travel Retail business and the temporary shop closures resulting from the lockdowns. Positive news included strong sales growth and market share gains in the important growth markets of China and Japan. Although the Duty Free business started the financial year 2020 with double-digit sales growth, the all-year travel restrictions triggered a steep decline in sales.

The company's own worldwide shop network "Global Retail" continued to make progress despite many lockdown-related temporary closures. Improvements included new design elements in our shops introduced during the reporting year to provide an even more intense brand experience. One highlight was the opening of the world's biggest Lindt Shop (500 m²) in the Lindt Home of Chocolate in Kilchberg, Switzerland.

The past year has clearly shown how closely the world's society, health, economy, and environment are interlinked and how quickly everything can get out of balance. Taking responsibility is no easy task, but as a company we try to make a contribution every day. We wanted to think of those who are helping and providing an important service to society. During the pandemic, Lindt & Sprüngli launched numerous local initiatives to offer a chocolate treat to those who have worked tirelessly since the outbreak of the pandemic. In addition, we made a significant contribution of one million Swiss francs to the charity Glückskette to provide emergency and social aid to those most in need in Switzerland.

Lindt & Sprüngli reported Group operating profit (EBIT) of CHF 420.3 million (-29.1% compared to previous year). This represents an EBIT margin of 10.5% (previous year: 13.2%). Net income amounted to CHF 320.1 million (-37.5% compared to previous year), providing a return on sales of 8.0%. Operating cash flow reached CHF 787.6 million (previous year: CHF 830.9 million). Our balance sheet is still very solid with a high equity ratio of 57.2%. As a public company we are dedicated to creating added value for our shareholders and other stakeholders. Our cash flow development allows us to continue our attractive payout policy. The Board of Directors is therefore proposing to the 123rd Annual General Meeting scheduled for May 4, 2021, a payout of CHF 1,100.- per registered share and CHF 110.- per participation certificate.

Due to the high liquidity, the solid balance sheet and the continuously high cash flow, the Board of Directors of Chocoladefabriken Lindt & Sprüngli AG has decided to launch a buyback program for Lindt & Sprüngli registered shares and participation certificates in the amount of CHF 750 million. The start of the buyback is planned – after approval by the responsible authorities – as of June 1, 2021 until December 31, 2022 at the latest. For the buyback, a separate trading line will be opened for registered shares and participation certificates on the SIX Swiss Exchange AG.

“100% traceable and externally verified cocoa bean supply chain”

For many years now, we have taken responsibility in our cocoa bean supply chain. We are proud of this commitment and are delighted that we have achieved a major interim goal in our anniversary year 2020: all our cocoa beans are now 100% traceable and externally verified by a third party. This is a major step toward the sustainable manufacturing of our chocolate products and at the same time we are laying the foundation for future success. Given its importance, we dedicated a special chapter in this year's Annual Report outlining our commitment to a fully verified cocoa bean supply chain and our contribution towards a better tomorrow.

In 2020, we also reached some important milestones in the areas of water consumption and reduction of CO₂-emissions: On the one hand, we achieved a 10% reduction in greenhouse gas emissions per ton of production compared to 2015 in our production process. On the other hand, we managed a 10% decrease in municipal water consumption per ton of production in our manufacturing process compared to 2015. We are currently working on new targets in these areas and will be announcing them in spring 2021.

“With the Lindt & Sprüngli Farming Program for cocoa beans, we can improve the livelihood of cocoa farmers and their families, sustainably intensify cultivation, and at the same time secure the supply of high-quality cocoa beans.” Dr Dieter Weisskopf, CEO Lindt & Sprüngli Group

We are particularly pleased to inform you that since September last year, the world has been enriched by a chocolate attraction. Exactly at the same time as the big 175th anniversary of Lindt & Sprüngli, the Lindt Chocolate Competence Foundation had the pleasure to officially open the unique chocolate competence center with interactive museum, research facility, show production and many other highlights on September 10, 2020 in Kilchberg, Switzerland. In a spectacular opening ceremony, Swiss Federal Councilor Ueli Maurer, President of the Foundation Ernst Tanner, and Lindt brand ambassador Roger Federer unveiled the centerpiece of the new Lindt Home of Chocolate – a chocolate fountain over nine meters high. More than 100,000 visitors have already visited the Lindt Home of Chocolate in Kilchberg to be enchanted by the magic of the Master Chocolatiers and their chocolate creations.

“The Lindt Home of Chocolate will play an important role in safeguarding Switzerland’s position as a center of excellence for chocolate in the longterm, as well as contribute to the transfer of knowledge across the entire industry.” Ernst Tanner, President of the Lindt Chocolate Competence Foundation and Executive Chairman of the Board of Directors of the Lindt & Sprüngli Group

But the successful inauguration of the research facility of the Lindt Chocolate Competence Foundation in the Lindt Home of Chocolate is even more crucial for the future. From May to December 2020, experiments were carried out on around 100 days at the state-of-the-art “pilot plant”. Various research teams are working on 20 different projects to develop future innovations and optimize production processes.

In this very eventful year, our special thanks go to our employees, who have consistently shown enormous flexibility and commitment in responding to unforeseen challenges. We have been able to maintain daily operations at Lindt & Sprüngli due to stricter and extensive safety precautions in our offices and production facilities, working from home was introduced, safety protocols in our own shops, and many other measures. Through their determination and continuous efforts, our employees have made a huge contribution to combating the virus. Many thanks for the great and tireless commitment!

Dear shareholders, we are confident that we will master the current economic downturn and emerge stronger from this global crisis. Thanks to our solid foundation – built on a strong business model, stable finances and high liquidity, improved efficiency in many areas, and great employee commitment – Lindt & Sprüngli is in an excellent position for the future. By continuing to invest heavily in advertising and product innovation, and consistently focusing on our consumers, we have laid the basis for expanding market shares further. Furthermore, we are certain that the positive growth of the chocolate markets, especially the premium segment, will continue in the future.

Distinguished shareholders, we particularly appreciate your great trust in these extraordinary times. Thank you for your support and we wish you the best of health.



Ernst Tanner
Executive Chairman of the Board of Directors



Dr Dieter Weisskopf
CEO Lindt & Sprüngli Group