

Investor Conference Financial Year 2017



LINDT & SPRÜNGLI

Group Management



Dr Dieter Weisskopf
Group CEO



Martin Hug
Group CFO



Rolf Fallegger
Group Management Member
with Country Responsibility



Alain Germiquet
Group Management Member
with Country Responsibility



Dr Adalbert Lechner
Group Management Member
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Andreas Pfluger
Group Management Member
with Country Responsibility



Guido Steiner
International Operations

Agenda

-  Financial Year in brief 2017
-  Market Insights and Highlights
-  Financial Figures 2017
-  Outlook
-  Q&A




Financial Year in brief 2017



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Financial Year in brief

Key challenges in the confectionery landscape

 <p>Europe: Largely saturated chocolate markets</p>	<ul style="list-style-type: none">• Slight GDP growth and political uncertainties• Slow positive development of consumer sentiment
 <p>USA: Changing retail landscape</p>	<ul style="list-style-type: none">• Drug store channel: re-positioning of assortment• Traditional department stores facing less customer traffic
 <p>Trading environment: Continued aggressive price demand from partners</p>	<ul style="list-style-type: none">• Digital disruption: embedding e-commerce in multi-channel strategy• Expansion of hard discounters• Shopping tourism (Switzerland)

Financial Year in brief: Key Figures





Global Retail: Half a Billion Sales



Lindt Shop – Florence



Lindt Shop - Vienna



Lindt Shop - Scarborough



Lindt Shop – Trier



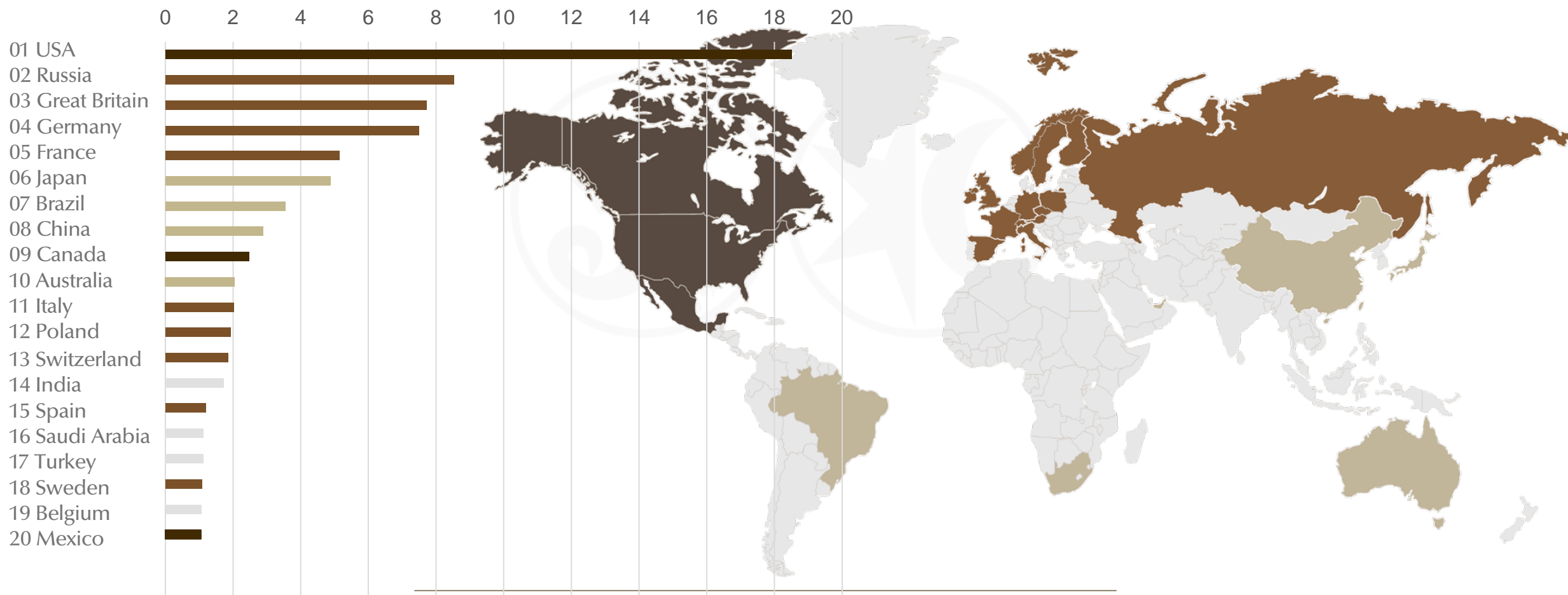
Lindt Shop – Hiroshima



Caffarel - Turin

16 Subsidiaries in Top 20 Chocolate Markets

Top 20 Chocolate Markets worldwide
Sales in bn CHF per year (retail value)

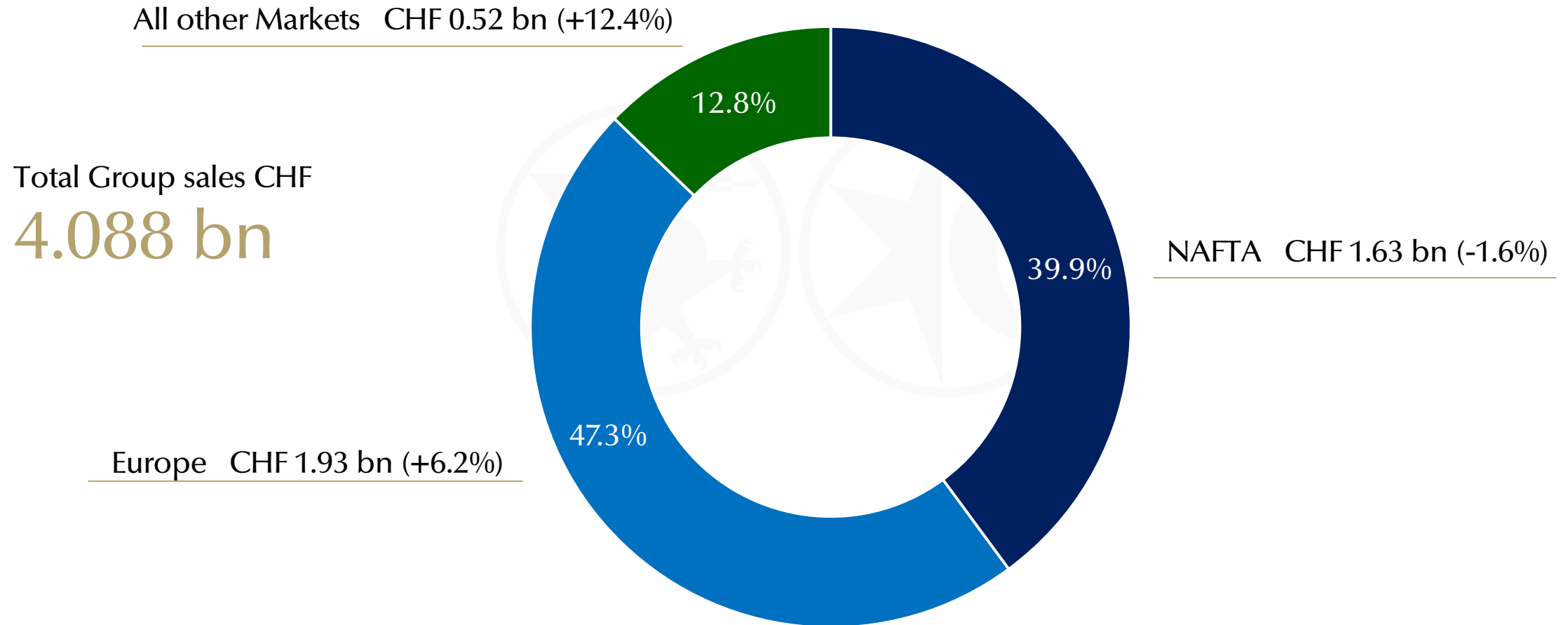


Market Insights and Highlights



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Sales Analysis – Markets



Europe: Overview

Confectionery Market Europe

- Largely saturated chocolate markets – low value growth, declining volume
- Continued aggressive price pressure by trade partners and expansion of hard discounters
- Slow but positive development of consumer sentiment in most European countries

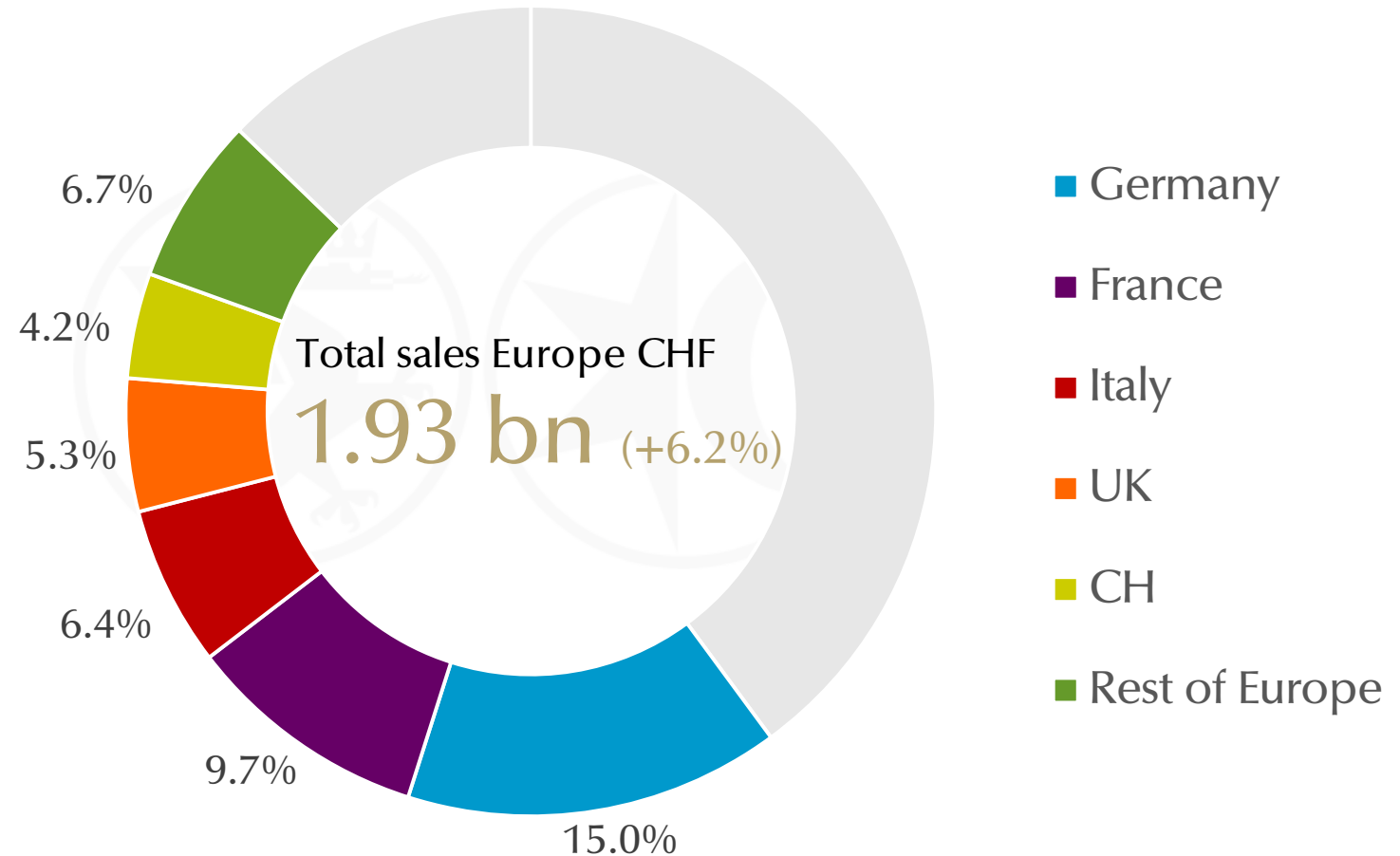
Lindt & Sprüngli in Europe

- Organic sales growth of + 6.2%
- Strong organic growth of subsidiaries Germany and U.K. - biggest European chocolate markets - as well as double-digit organic growth in smaller markets like Scandinavia, Russia, Czech Republic, Poland and Austria

Innovations, such as Sensation Fruit, are complementing the three strong key brands: Lindor, Excellence and Gold Bunny.

Europe: Market Split

Total Group sales CHF
4.088 bn



Europe Switzerland: Highlights

- Confectionery market in Switzerland is still regressing; challenges include continued shopping tourism into neighbouring countries and price pressure driven by the growing influence of hard discounters
- +5.6% organic growth including export business by Switzerland
- +0.7% growth for the Swiss domestic market; market share gains in pralines and tablet category
- Strong POS presentation with new premium shelves and shop-in-shop concepts
- Successful launch of innovations, e.g. Excellence Pink Grapefruit or the Edition of classic “Kirschstengeli” Extra Strong
- Easter Charity event in childrens’ hospitals with Roger Federer



Europe Switzerland: New CEO

Marco Peter



As of 1 January 2018, Marco Peter has been appointed CEO of Lindt & Sprüngli (Switzerland) AG.

Marco Peter joined the Lindt & Sprüngli Group in 2014. Before his CEO assignment in Switzerland, he acted as Country Manager of the Italian subsidiary Caffarel.

Western Europe: Highlights

- Improved consumer sentiment in most countries, but generally saturated chocolate markets
- Strong sales performance: UK +10.6%; Germany +8.0%; France +1.2%; Italy incl. Caffarel +4.0%, Austria +10.4%, Nordics +12.4%; Spain +9.9%; market share gains
- Overall focus on strong key brands, such as Lindor, Excellence and Gold Bunny with attractive range additions e.g. Gold Bunny Limited Flower Edition, new Excellence 78%,
- New product formats focusing on sharing and snacking, e.g. Sensation Fruit, Lindt Hello hearts, Mini Pralines Macaron



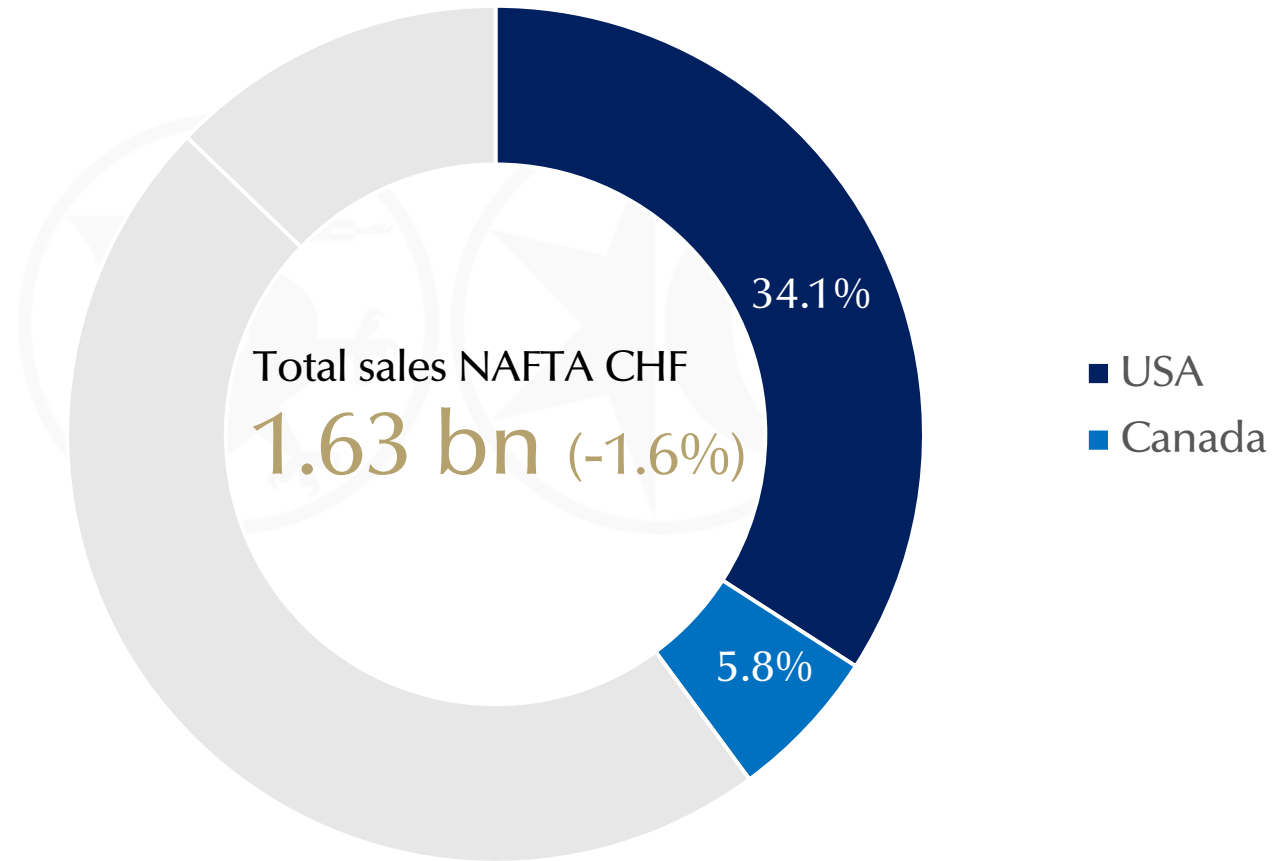
Eastern Europe: Highlights

- Strongly growing chocolate markets in Eastern Europe
- Impressive growth rates in all smaller markets: Russia +24.5%; Czech Republic +13.4% and Poland +22.1%
- Russia, Poland, Czech Republic and Slovakia growing fast particularly in the dark chocolate segment



NAFTA: Market Split

Total Group sales CHF
4.088 bn



NAFTA: Overview

Confectionery Market NAFTA

- Highly competitive total chocolate market in the USA showing a slightly positive development
- Fast-changing retail environment: repositioning of drug store channel, which is an important channel for chocolate and traditional department stores facing less customer traffic
- Premium chocolate segment continues to outperform total chocolate market growth – trading up
- Canadian chocolate market continues to grow at fast pace

Lindt & Sprüngli in the NAFTA region

- Slight -1.6% organic decline in sales
- Strong double-digit results by L&S Canada (+18.7%)

Lindt & Sprüngli remains on track in the world's largest chocolate market and sets the foundation for further profitable growth.

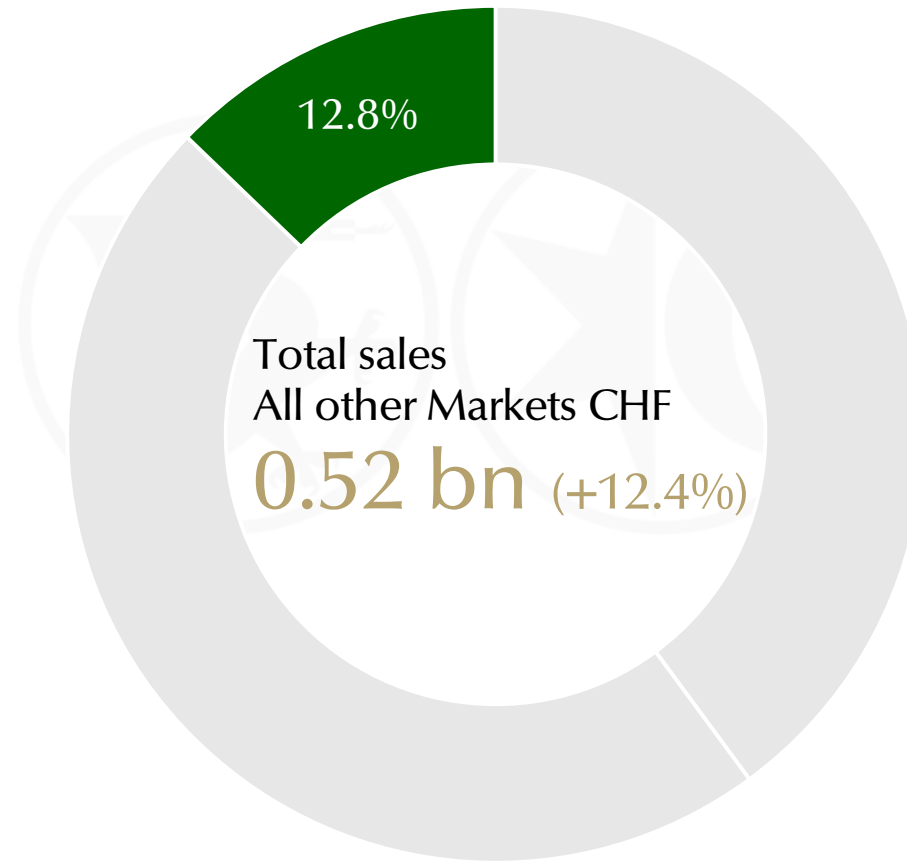
NAFTA: Highlights

- Slight growth of Lindt & Sprüngli USA and Ghirardelli:
 - Lindt: Key Lindt products remain strong with Lindor and the seasonal business as important growth drivers. Excellence as clear Nr. 1 in the US-premium segment.
 - Ghirardelli: Growth drivers Ghirardelli Squares (e.g. new Bourbon Caramel) and baking segment
- Double-digit growth of Lindt & Sprüngli Canada: Lindt voted “Most Trusted Chocolate Brand in Canada” by 45,000 consumers
- Russell Stover: Decrease in sales due to strategic portfolio realignment, and challenges for individual retail partners but successful relaunch of sugar-free chocolate range based on Stevia extract; Canadian Russell Stover business moved to Lindt & Sprüngli Canada



All other Markets: Market Split

Total Group sales CHF
4.088 bn



All other Markets: Overview

All other Confectionery Markets

- Dynamic premium chocolate markets – growth in all markets
- Demand for chocolate increasing
- Segment All other markets becoming increasingly important and making an ever greater contribution to the development of the Lindt & Sprüngli Group
- Potential for promising future growth with locally adapted strategies

Lindt & Sprüngli in All other Markets

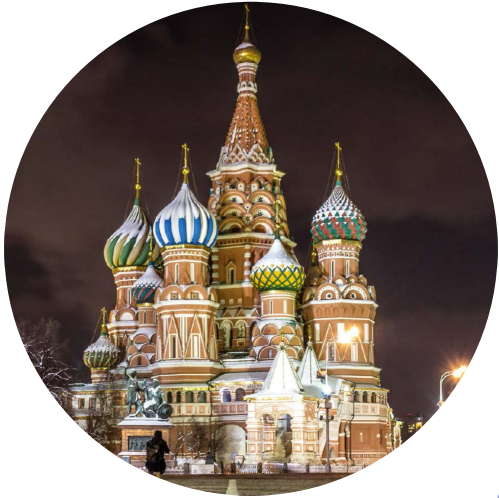
- Faster than average organic sales growth of +12.4% in total
- Global retail supporting expansion strategy
- Duty Free Business showing continued growth due to products developed for travellers and close collaborations with travel retail partners

New Growth Markets



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Growth Markets



Russia

Japan



Brazil

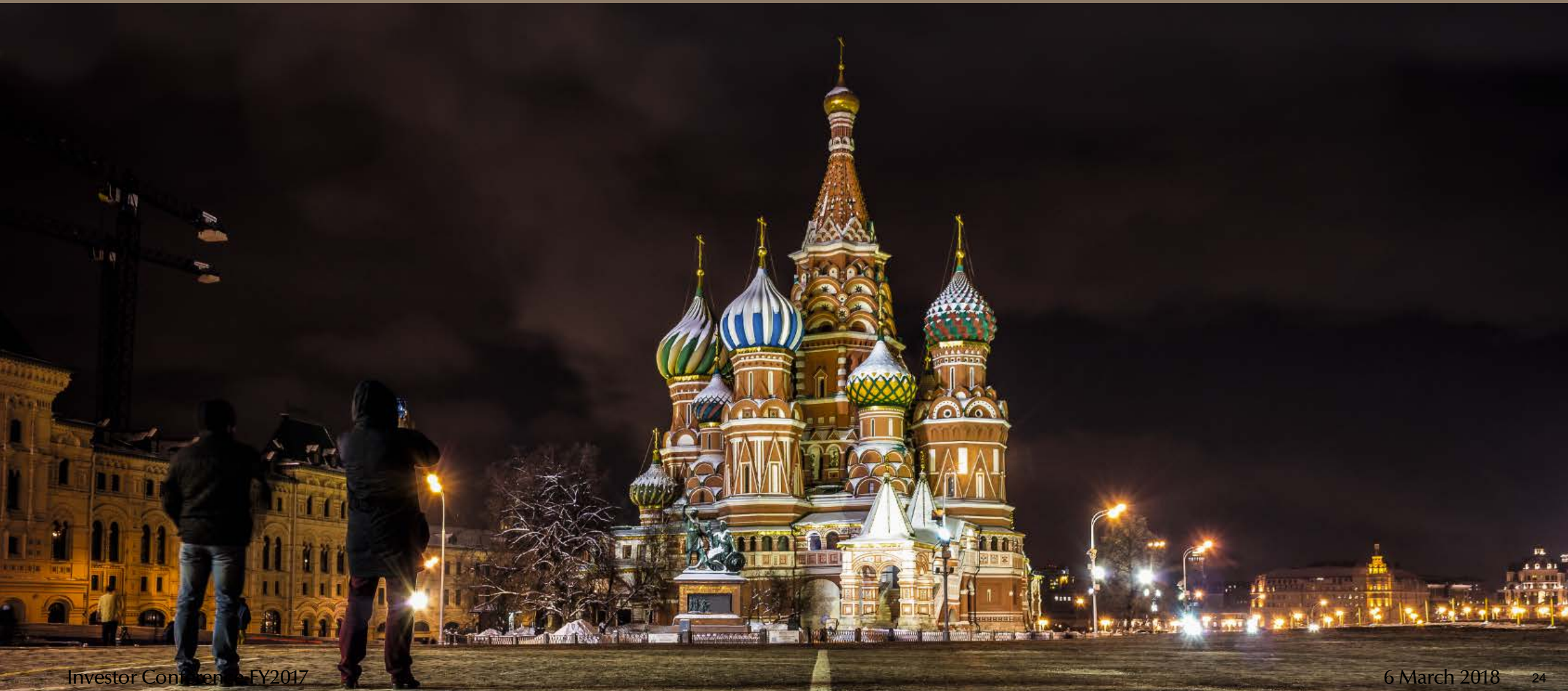
China



South Africa



Russia



Russia

- International Chocolate Market No. 2 – CHF 8.5 bn retail value
- Per capita chocolate consumption: 4.8 kg
- 144 million inhabitants
- Chocolate to complement tea and for special festive days, such as Russian women's day
- 2 Boutiques in most popular shopping malls in Moscow

The Lindt Way in Russia



Japan



Japan

- International Chocolate Market No. 6 – CHF 4.9 bn retail value
- Per capita chocolate consumption: 1.2 kg
- 127 million inhabitants
- Lindt & Sprüngli Boutique and Café concept with exclusive assortment
- 30 own shops: 12 Boutiques and 18 Cafés and presence in specialty trade

The Lindt Way in Japan



Brazil



Brazil

- International Chocolate Market No. 7 – CHF 3.5 bn retail value
- Per capita chocolate consumption: 1.2 kg
- 208 million inhabitants
- Joint Venture with CRM Group
- Currently 30 Boutiques – goal by 2020: 50 own shops

The Lindt Way in Brazil



China



China

- International Chocolate Market No. 8 – CHF 2.9 bn retail value
- Per capita chocolate consumption: 0.1 kg
- 1.39 billion inhabitants
- Presence at popular wedding fairs with special products for gifting
- Special flagship e-stores on Tmall and JD

The Lindt Way in China



South Africa



South Africa

- International Chocolate Market No. 31 – CHF 0.6 bn retail value
- Per capita chocolate consumption: 0.9 kg
- 56 million inhabitants with a growing middle class and young generation with an interest for premium chocolate
- 12 Boutiques and 2 Lindt chocolate studios in top locations and special collaboration with influencers to raise awareness for the brand and target young people

The Lindt Way in South Africa



Our Commitment to Switzerland



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Investment Lindt Cocoa Center Olten

- Allocation of CHF 30 million in plant expansion of Lindt Cocoa Center in Olten
- Investment strengthens Switzerland as a business location
- Production of cocoa mass for the European Lindt plants and biggest cocoa mass plant within the global production network
- Modernisation and reconstruction includes additional line for roasting cocoa, new loading bay and installation of a state-of-the-art research facility for tests on beans, recipes and processes



Roger Federer: Extension of Partnership



Update

Chocolate Competence Center



Milestone – Laying of Foundation Stone



Detailed Financial Figures



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P&L Statement L&S Group

Organic growth of +3.7% and EBIT margin increase of +20 BP

CHF million	2017	2016	Growth in CHF
Sales	4 088.4	3 900.9	+4.8%
Growth in local currency			+3.7%
EBIT	595.4	562.5	+5.8%
Margin	14.6%	14.4%	
EBITDA	764.4	714.0	+7.1%
Margin	18.7%	18.3%	
Net Income	452.5	419.8	+7.8%
Margin	11.1%	10.8%	

Shareholder Return

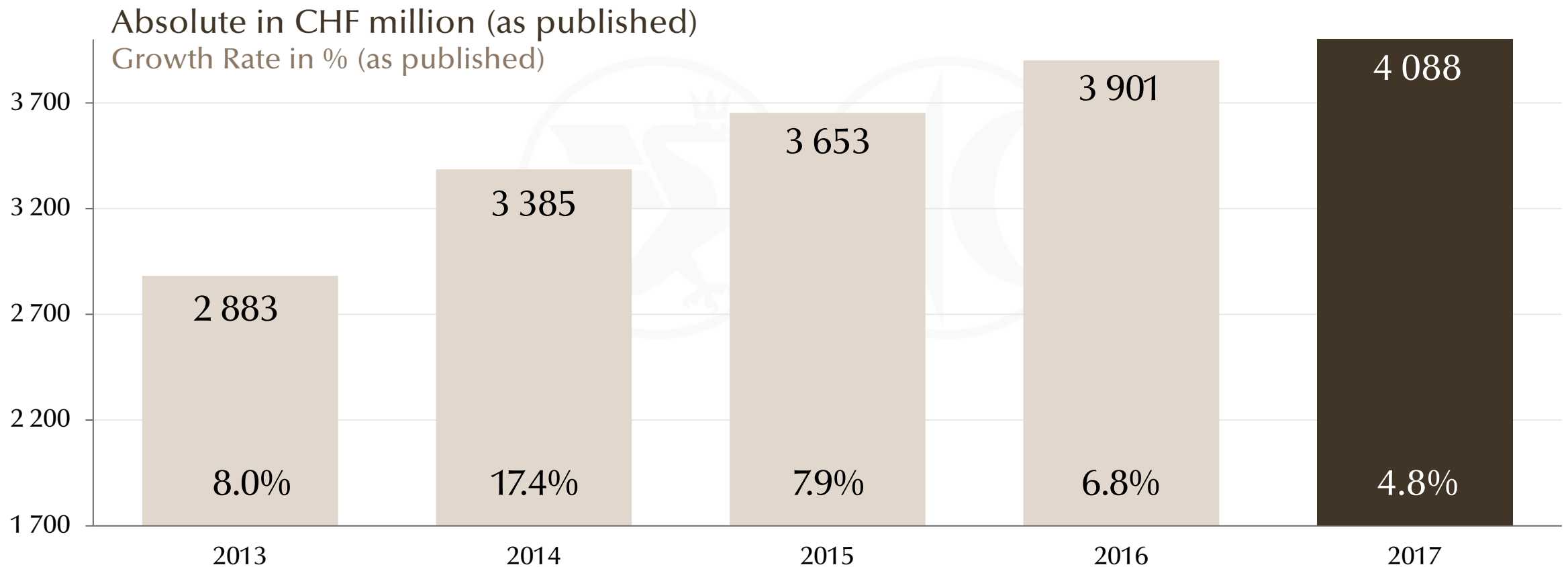
Dividend payment of CHF 930 (reg.) or +5.7% vs. 2016 / continuous increase over the past 25 years

	1992	2013	2014	2015	2016	2017*
Dividend Reg. (CHF)	39	650	725	800	880	930
• From Agio		555	325	400	300	420
• From Retained Earnings		95	400	400	580	510
Increase (CHF)		75	75	75	80	50
Dividend Yield Reg.	1.4%	1.4%	1.3%	1.1%	1.4%	1.3%
Payout Ratio Reg.	16.9%	49.0%	49.0%	49.4%	49.8%	49.5%
Registered Shares (at year-end in CHF)	2 800	48 100	57 160	74 620	61 900	70 485
Market Capitalisation (CHF million)	492	10 268	12 495	16 338	13 768	15 829

* Subject to approval by the AGM

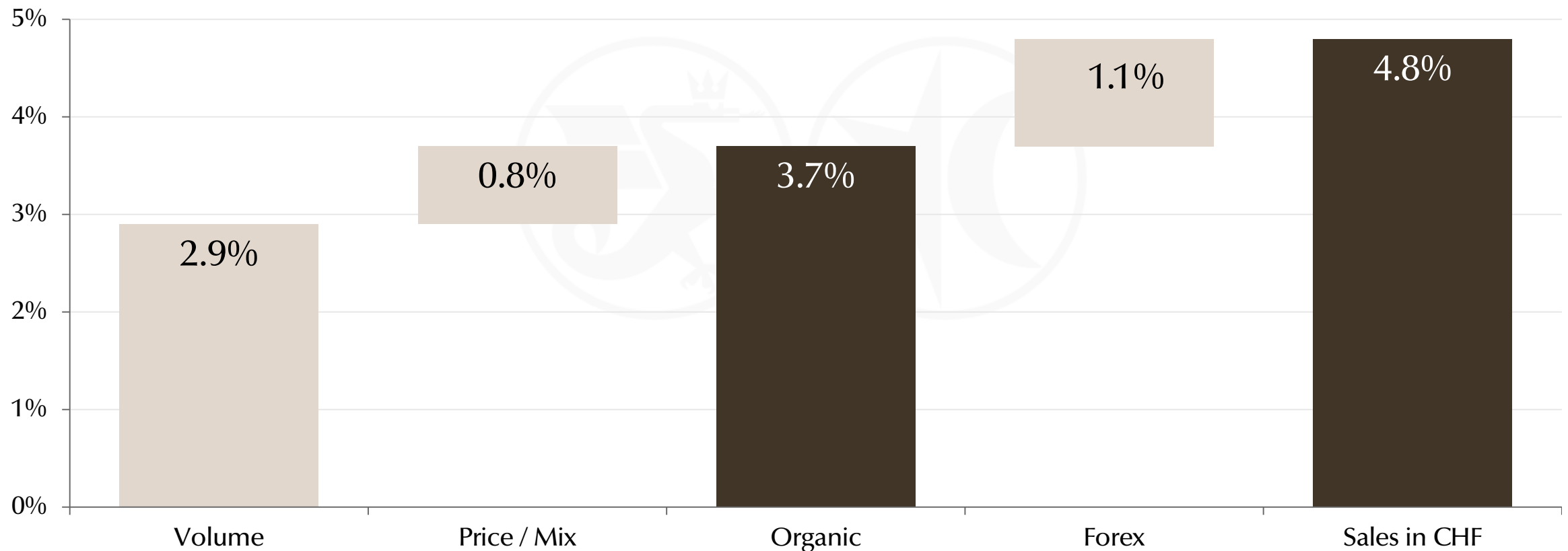
Sales Growth – In CHF

Continuation of growth path



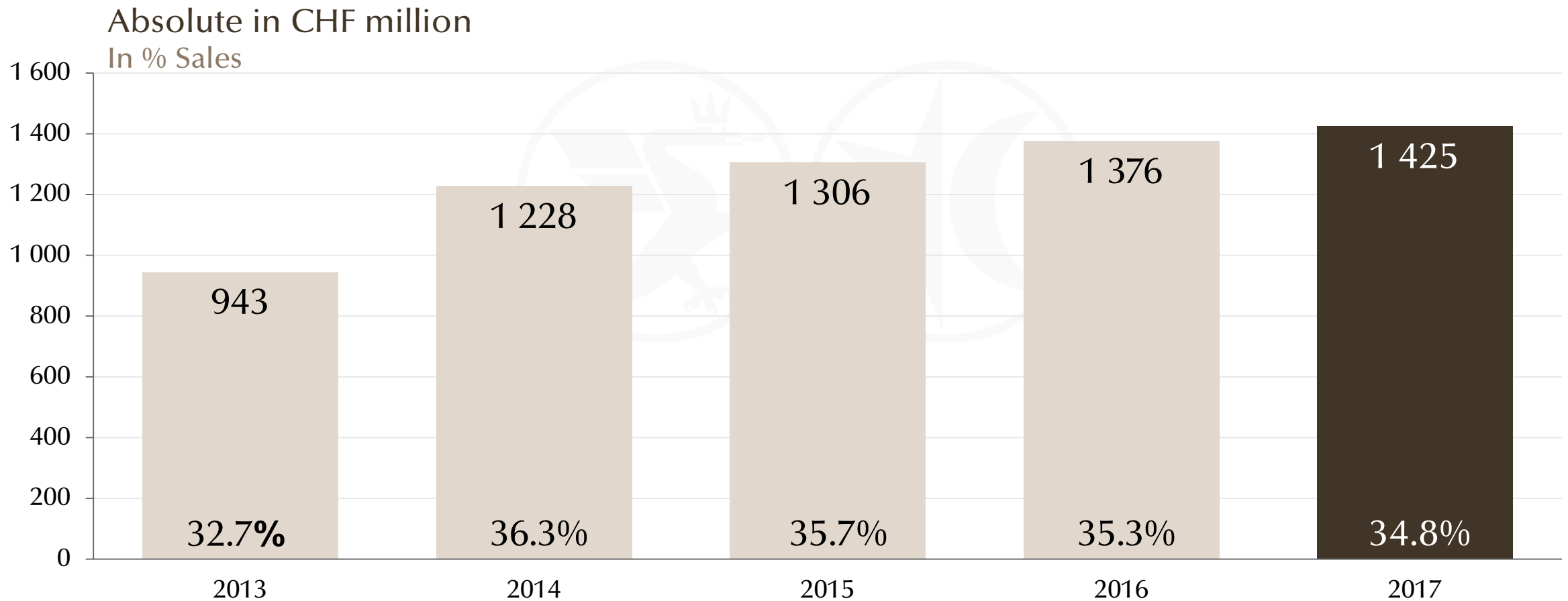
Sales – Growth Factors

Higher growth in CHF due to strengthening of Euro



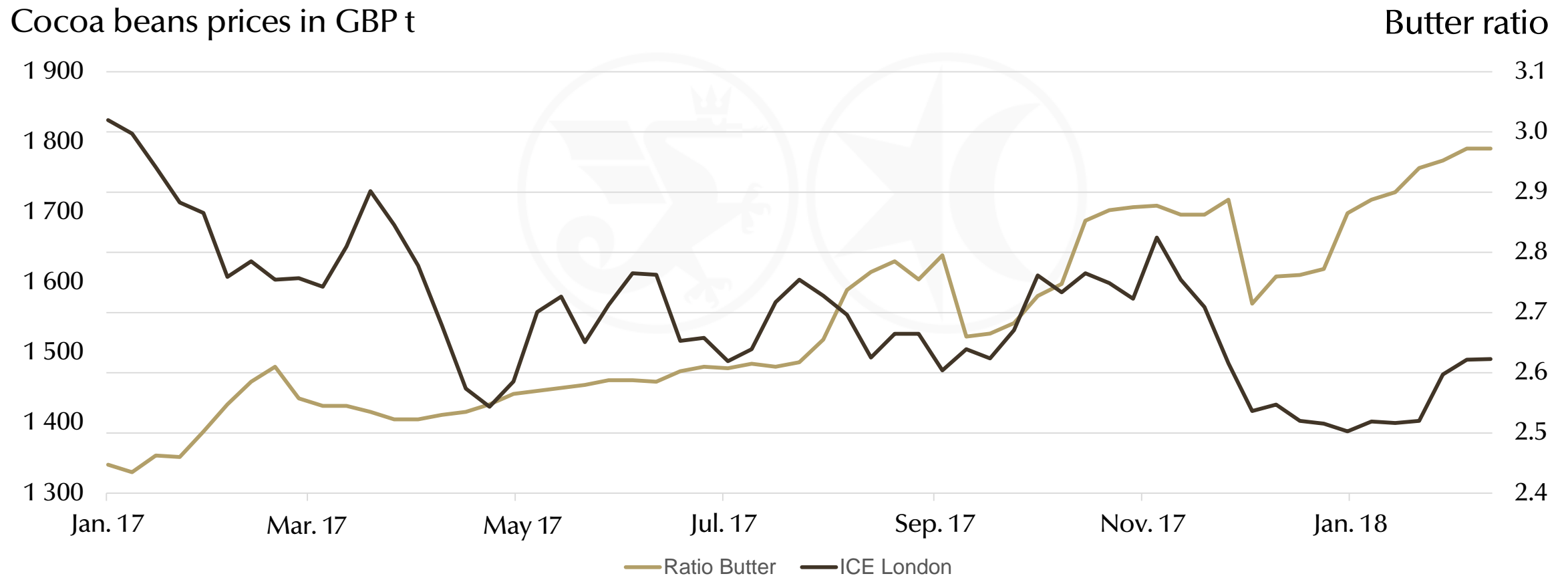
Material Costs

Material costs including inventory-changes decreased by -50 BP



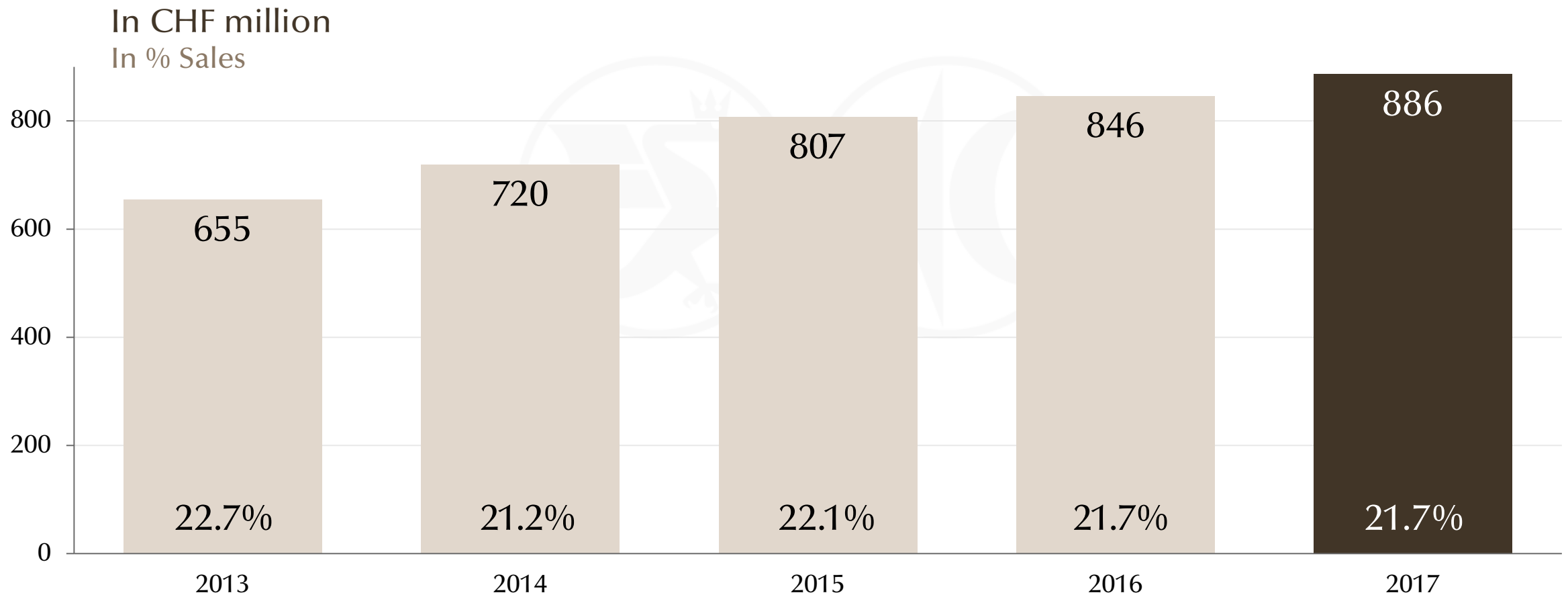
Cocoa Price and Butter Ratio

Price of cocoa butter remains unchanged due to opposite trends in cocoa beans price and butter ratio



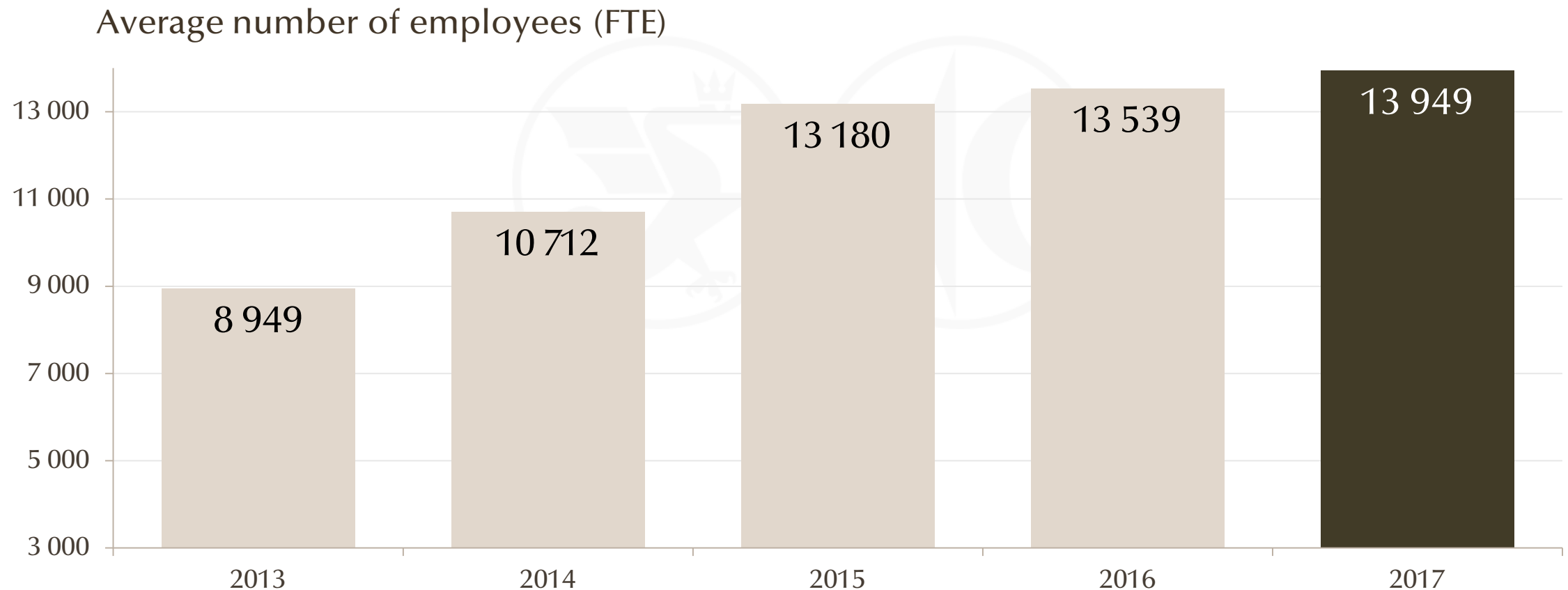
Personnel Expenses

Stable expense ratio – higher costs in Retail compensated by efficiency gains



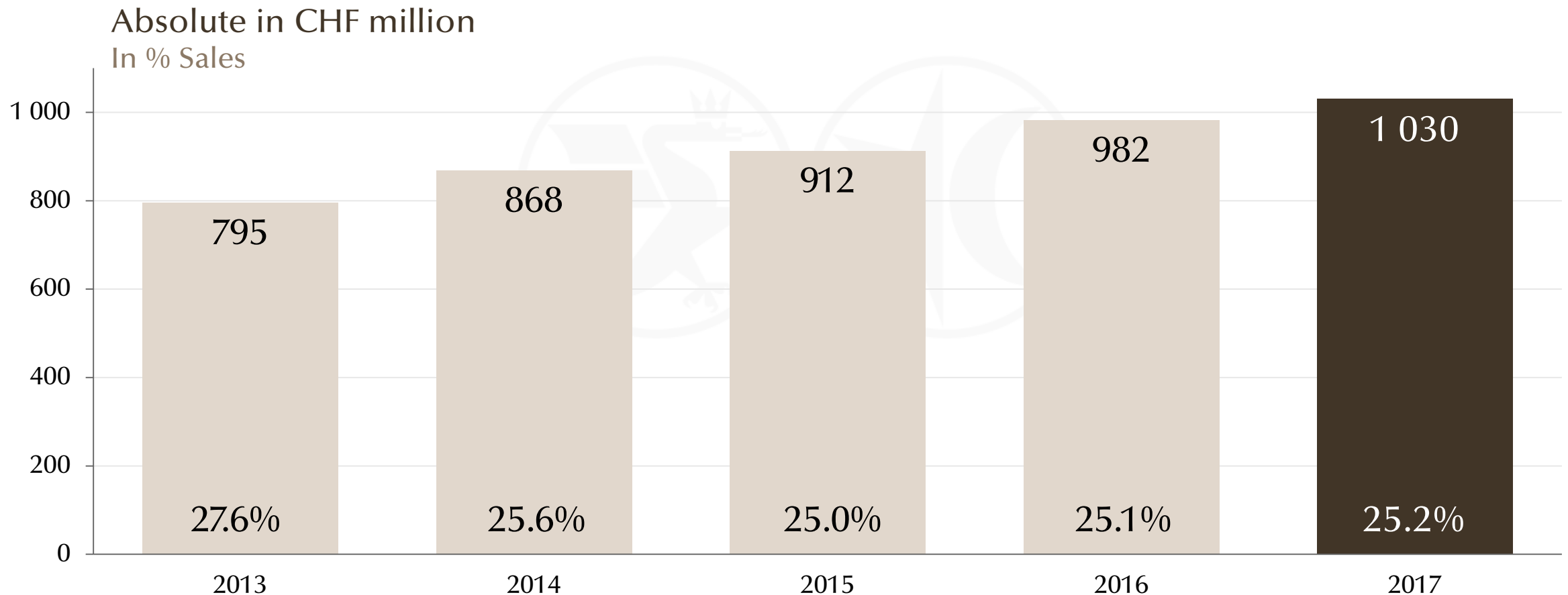
Number of Employees (FTE)

Increase by 410 employees – driven by expansion of Global Retail



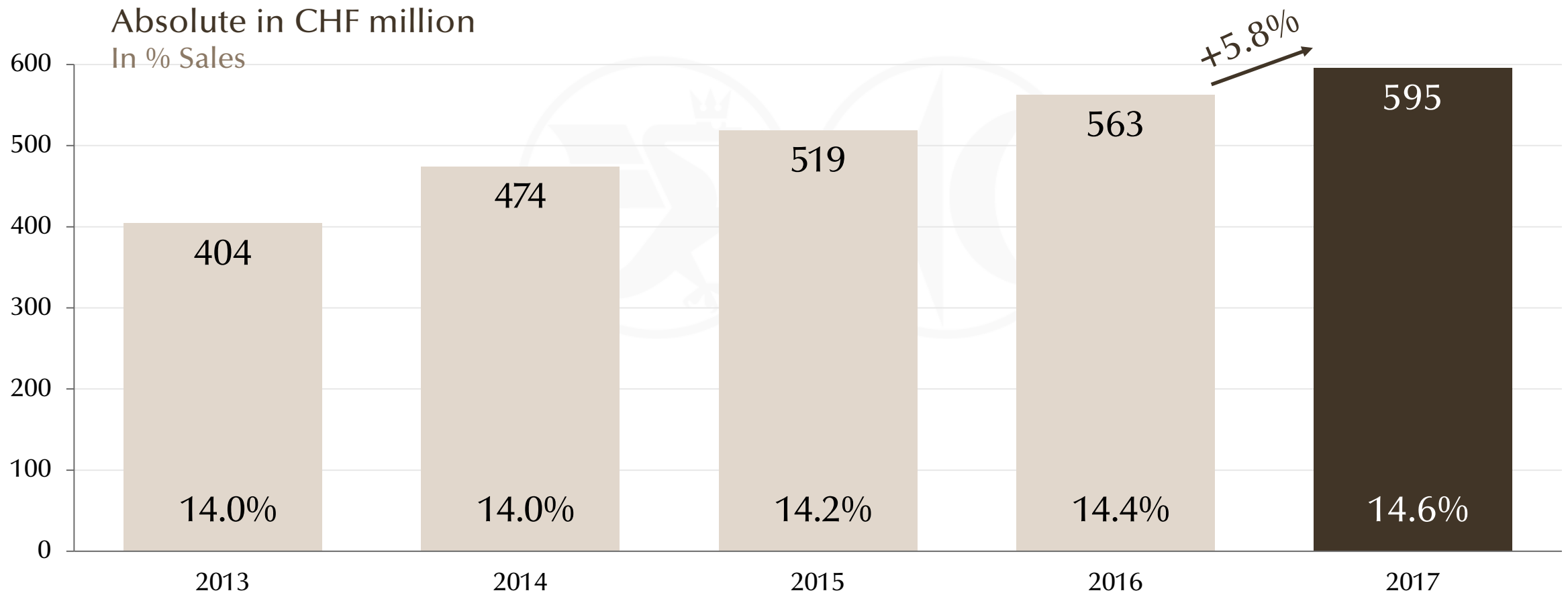
Operating Expenses

Continued support of marketing investments in 2017



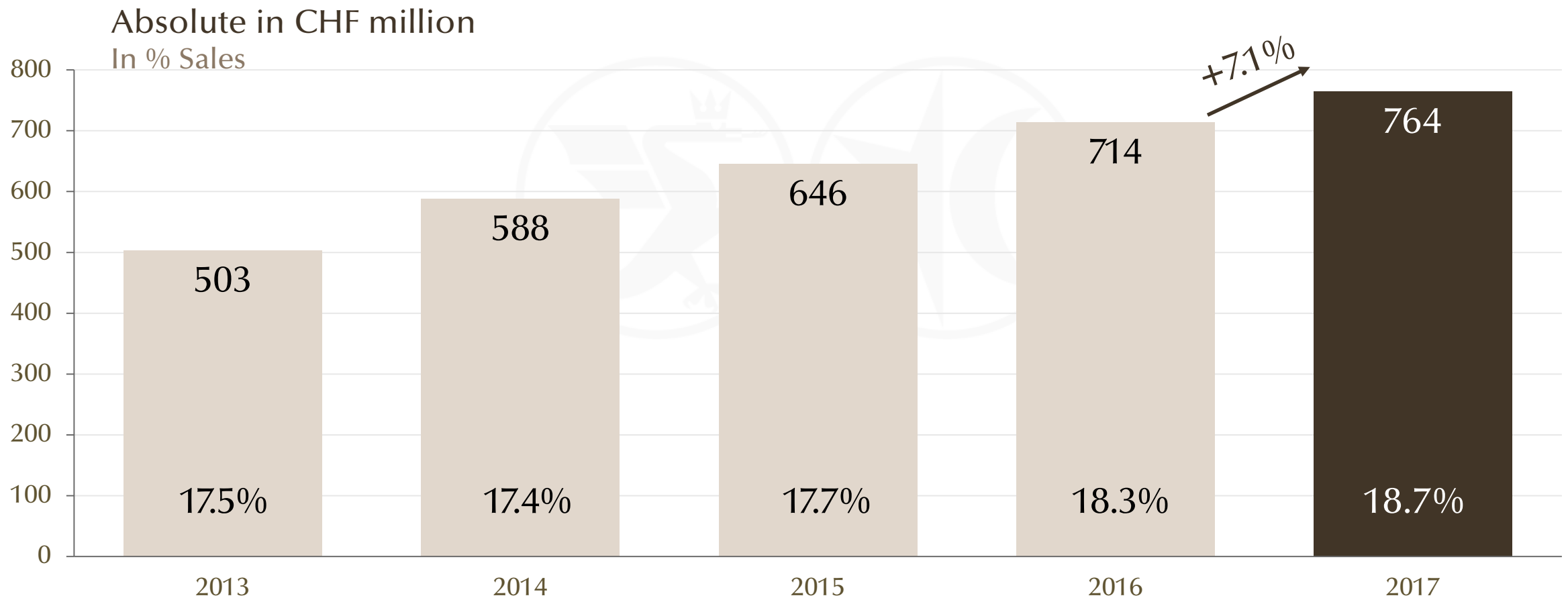
Operating Profit (EBIT)

Increase in EBIT Margin by +20 BP to 14.6% (EBITA margin 14.8%)



EBITDA

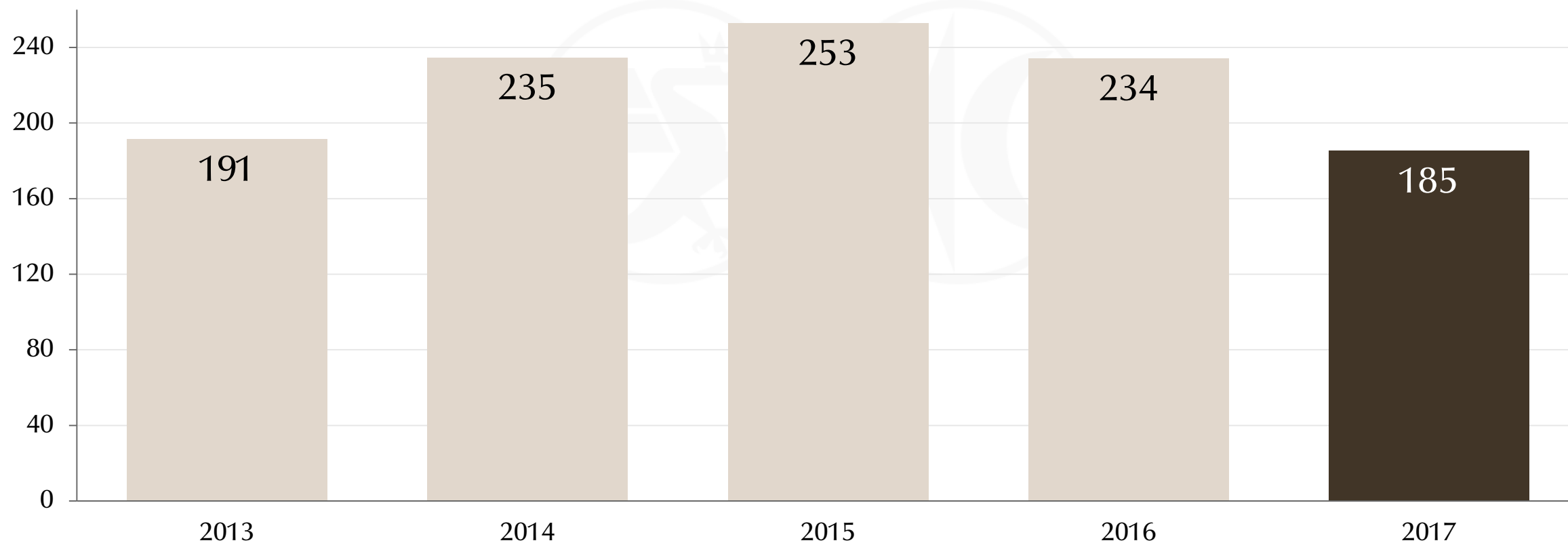
Strong EBITDA Margin increase by 40 BP



Capital Investments

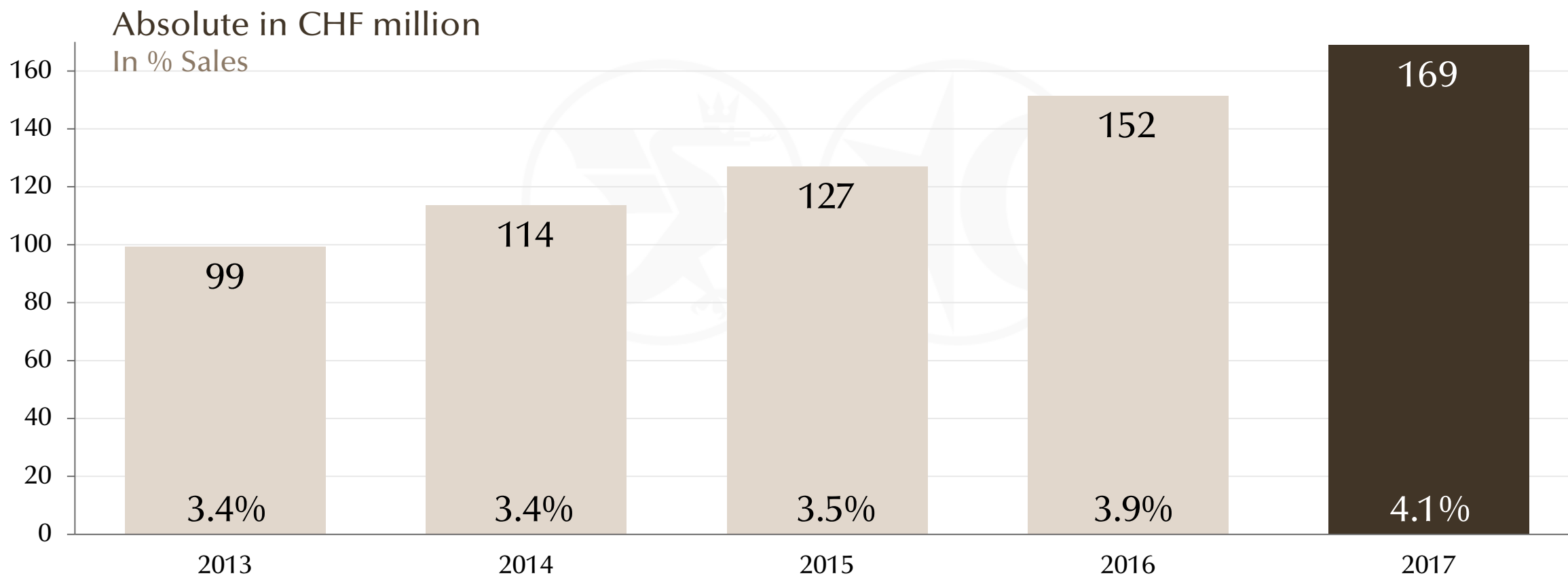
Lower CAPEX due to carry-overs into 2018

Absolute in CHF million



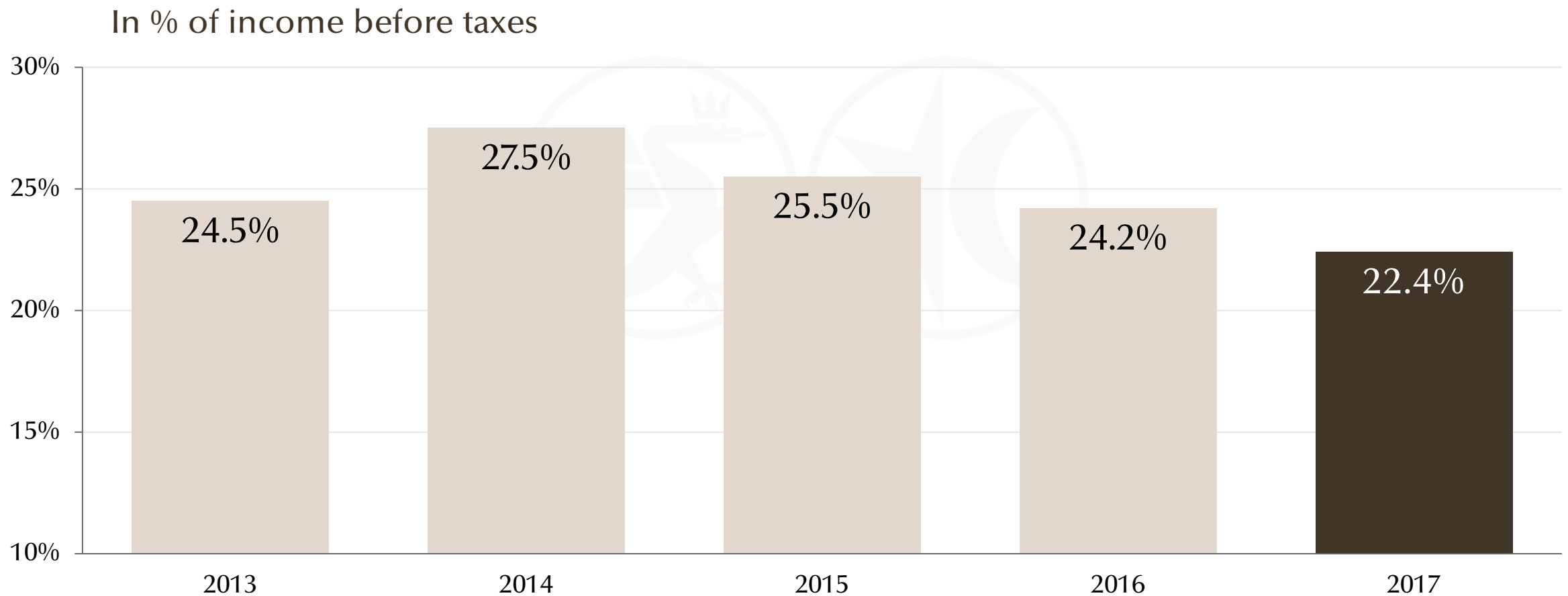
Depreciation and Impairments

Increased depreciation ratio due to CAPEX (> CHF 200 mio) in the past years



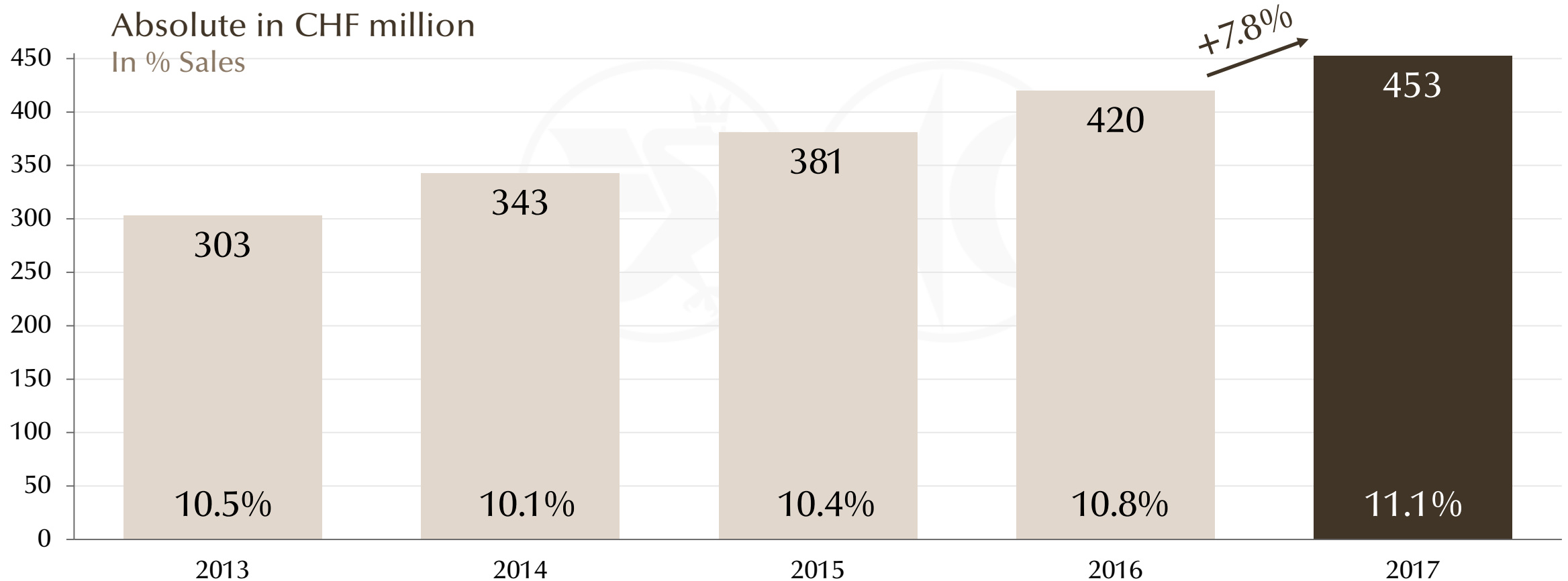
Tax Rate

Decrease in 2017 due to further tax optimization; US tax impact -50 BP



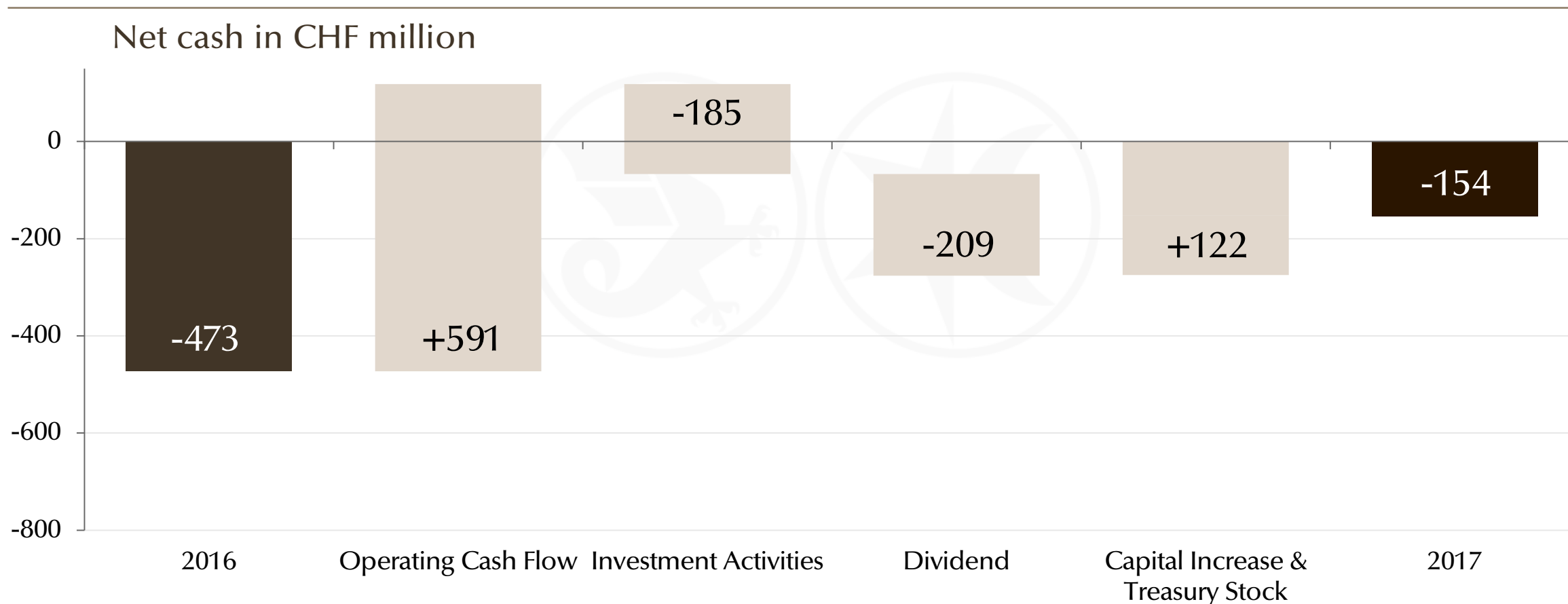
Net Income

Increase in net income margin by +30 BP



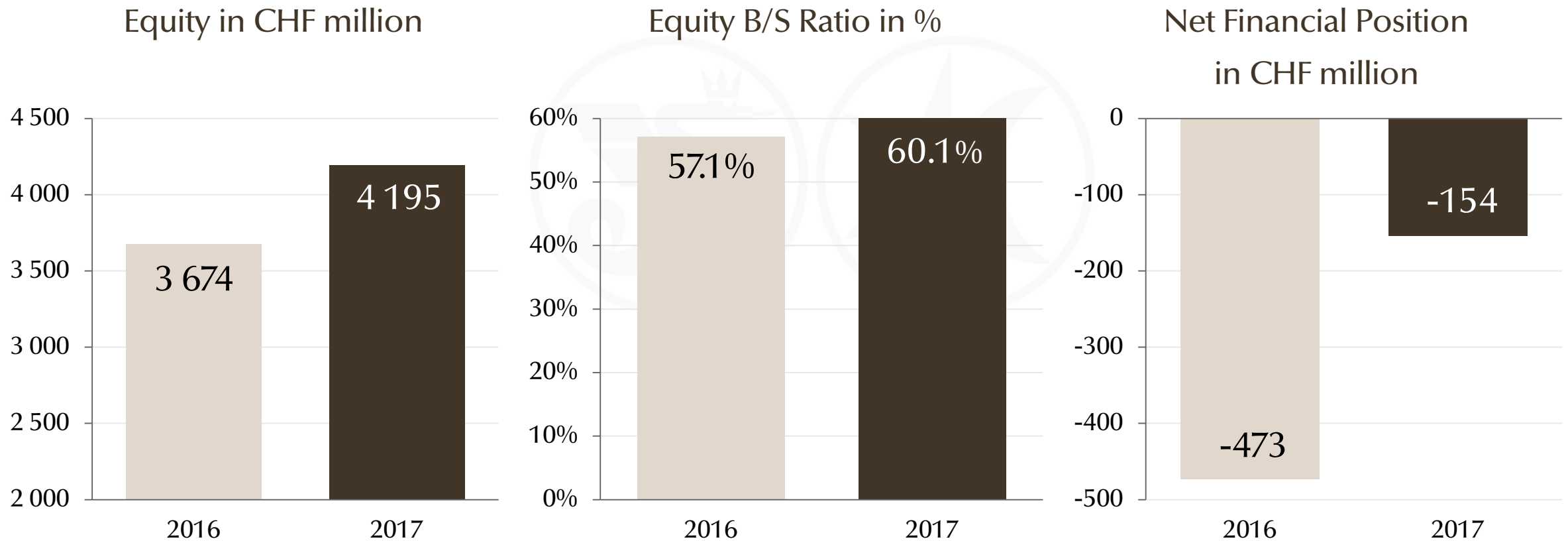
Net Financial Position – Development

Decrease of net debt mainly driven by high free cash flow generation



Balance Sheet

Strong equity further strengthened



Lindt & Sprüngli Farming Program

Currently 5 countries of the
Lindt & Sprüngli Farming
Program for Cocoa

Ghana

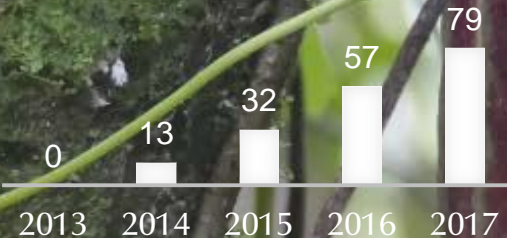
Ecuador

Madagascar

Papua New Guinea
& Dom. Rep

92%
traceable
Cocoa Beans

79% traceable and
verified cocoa beans



20% Sustainable
Cocoa Butter
(in 2018)

Investments
>CHF 10 Mio p.a.

More than 60.000
farmers participate
in the programs

New Website
www.farming-program.com

Outlook



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Buyback Program 2018/2019

Repurchase of RCs and PCs of max. CHF 500 mio for the purpose of a capital reduction

Key Drivers:

- Record free cash flow of CHF 406 mio in 2017
- Solid long term financing - CHF 250 mio 10 year bond issued in 2017 at 0.3% interest rate
- Strong Balance Sheet (60% Equity Ratio) with high liquidity coupled with negative interest rates in Switzerland
- Net Debt to EBITDA at 0.2x

Details Buyback Program:

- Maximum amount of CHF 500 mio for combined categories (RSs and PCs)
- Repurchase expected to start on 12 March 2018 with duration up to 31 July 2019
- Buyback is carried out on a second trading line on SIX Swiss Exchange
- Repurchased RCs and PCs shall be destroyed by means of capital reduction

Outlook - Environment

Key challenges in confectionery landscape

Chocolate Markets

- Slow growth of worldwide chocolate markets
- Continued challenging environment in the US (changing drug and department store trade partners suffer from lower customer traffic)
- Growing niche brands
- Growing e-commerce trade in food
- Health/sustainability focus

Lindt & Sprüngli Answers

- Strengthening US-business supported by cost synergies between 3 North American companies
- Global efficiency gains via improved planning and overall supply chain process
- Increase rate of sales of core business «Lindor», «Excellence» and «Seasonal» in all subsidiaries
- Launch of innovative new products meeting consumer needs
- Special focus on dark competence
- Embedding E-commerce in multichannel strategy
- Expansion of store network by 30 – 40 p.a.
- Continued focus on sustainability

Outlook - Summary

The Group confirms its mid/long-term goal of an organic sales growth target of 6 – 8% combined with an increase in EBIT of 20 – 40 basis points

For the 2018 financial year, due to the ongoing strategic realignment of Russell Stover and the current challenges specific to the US market, the Group expects organic sales growth to be around 5%. The Group nonetheless expects a further improvement in its 2018 operating margin that is in line with its longer-term guidance.

Changes in Board of Directors

Silvio W. Denz



- For personal reasons Ms Petra Schadeberg-Herrmann has decided not to stand for re-election at the forthcoming Annual Shareholders Meeting due to personal reasons.
- The Board proposes Mr Silvio W. Denz to be elected as a new Board Member



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Q&A

DISCLAIMER

This presentation contains forward-looking statements which reflect Management's current views and estimates. The forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange and commodity price fluctuations, competitive product and pricing pressures and regulatory developments.