



### THE MARKET

Chocolate is a perennial American favorite when it comes to confectionery products, and the United States is near the top in per-capita chocolate consumption. Polls show that more than half of American men and women choose chocolate as their favorite flavor for confectionery products and desserts.

### HISTORY

M&M'S Chocolate Candies started in one man's kitchen and grew into an international brand. As the story goes, Forrest Mars Sr. visited Spain during the Spanish Civil War and encountered soldiers who were eating pellets of chocolate in a hard, sugary coating, which kept the chocolate from melting. Inspired by the idea, Mr. Mars went

household staple, with the help of the now-famous advertising slogan, "The Milk Chocolate Melts in Your Mouth — Not in Your Hand."

In the 1980s, M&M'S Chocolate Candies broadened their horizons by becoming part of the American space program. In 1984, M&M'S Candies made their first trip on the Space Shuttle and have been a part of Shuttle missions ever since.

Aside from venturing into space, M&M'S Chocolate Candies also began establishing an international presence, sponsoring the 1984 Olympic Games in Los Angeles.

As the twentieth century came to an end, the M&M'S Brand characters proclaimed themselves the official candy of the new millennium.

### THE PRODUCT

M&M'S Chocolate Candies are a unique blend of the highest-quality milk chocolate with a flavor that is not too sweet or satiating. Individual candies are covered with a thin, crisp, colorful sugar shell that imparts the M&M'S Candies texture. The shell colors are bright, shiny, and

lustrous. The milk chocolate inside and the crisp outside sugar shells provide all the taste; the color is actually flavorless.

M&M'S come in nine varieties: Milk Chocolate Candies, Peanut Chocolate Candies, Peanut Butter Candies, Almond Chocolate Candies, Crispy Chocolate Candies, MINIS Milk Chocolate Candies, MEGA M&M'S Milk Chocolate Candies, Milk Chocolate and Semisweet Baking Bits, and MY M&M'S Chocolate Candies.

MY M&M'S Chocolate Candies are a collection of 21 vibrant colors that can be selected in any combination to create personal color blends.

Thirteen of these colors can also be custom-printed with personalized messages to add creative touches to parties and conferences, and to give as gifts.

### RECENT DEVELOPMENTS

Over the years, the M&M'S Brand has grown into an American icon while continually adapting to changing times. New developments keep the brand fresh and fun for chocolate lovers.



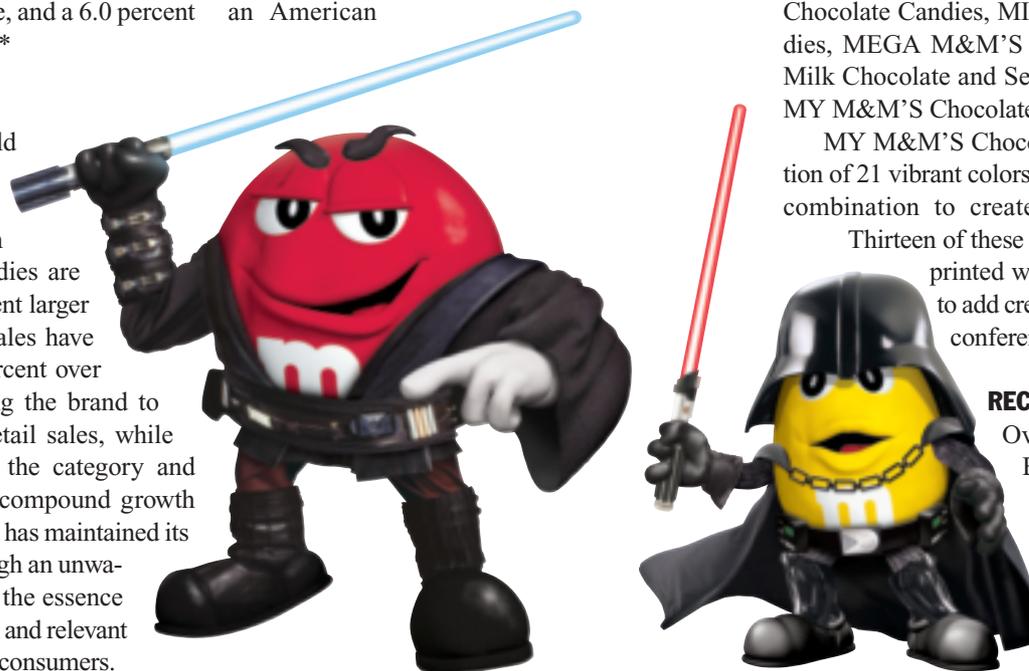
Out of the \$26.3 billion in 2004 retail confectionery sales, \$15.1 billion alone was from chocolate retail sales. Candy sales often increase during holiday seasons — Halloween, Christmas, Easter, and Valentine's Day, in order of volume. The year 2004 saw a 2.4 percent increase in Halloween candy sales over the year before, and a 6.0 percent increase in Easter candy sales.\*

back to his kitchen in America and invented the recipe for M&M'S Plain Chocolate Candies. They were introduced in 1941 and immediately became part of American GIs' rations during World War II.

During the 1950s, M&M'S Chocolate Candies quickly became an American

### ACHIEVEMENTS

Today, the M&M'S Brand is sold in more than 100 countries and is the most popular confectionery brand in the world. In North America, M&M'S Candies are the number-one brand, 50 percent larger than the number-two brand. Sales have grown by more than 1,000 percent over the last two decades, rocketing the brand to approximately \$2 billion in retail sales, while growing at twice the rate of the category and achieving nearly double-digit compound growth since 1995. The M&M'S Brand has maintained its leadership in the category through an unwavering commitment to making the essence of "colorful chocolate fun" fresh and relevant to its millions of loyal and new consumers.





In 1995, more than 10 million Americans voted to add blue to the M&M'S Brand color mix, which has become a permanent addition. M&M'S Chocolate Candies entered the virtual age in 1996 with the launch of mms.com. Today, the Web site features games, fun facts, an online store, and more. As the M&M'S Brand Characters have evolved, the line of M&M'S Brand merchandise has grown, and much of it can be found on the Web site.

#### PROMOTION

The M&M'S Brand began its television advertising in 1954, and the M&M'S Brand Characters were also introduced that year. Over the decades, they continued to evolve, eventually becoming the most recognized cartoon characters in America in 1996. Green (the first female character) was introduced in 1997, and Orange arrived in 1999. All of the M&M'S Brand Characters can be found on the Web site.

The M&M'S Brand also sponsors a successful NASCAR Nextel Cup program. Elliott Sadler began driving the #38 car in the 2003 season. In 2004, he finished the season with two wins and an impressive ninth place in the points race.

Also in 2003, the M&M'S Brand began an ongoing promotion with the Susan G. Komen Breast Cancer Foundation. Special M&M'S Chocolate Candies in two shades of pink help further the Foundation's cause; a donation from the sale of the product goes toward the Foundation's goals of breast cancer research, treatment, screening, and education.

The M&M'S Brand also runs several other promotions each year. At midnight on January 1, 2004, M&M'S Chocolate Candies everywhere lost their colors. Only black and white M&M'S Candies remained until March of that year, except for the six lucky consumers who found special bags and received a special-edition Volkswagen New Beetle.

Launching in June 2005, MEGA M&M'S Chocolate Candies are the newest addition to the core M&M'S Brand. The new, richer colors are, on average, 55 percent bigger in size. Available in Milk Chocolate and Peanut varieties, MEGA

M&M'S are "perfectly big" and add a hint of contemporary sophistication with more of what adults love — more chocolate, more peanut, more candy-coated shell, and a more adult color pallet. The MEGA M&M'S colors are maroon, blue/gray, beige, turquoise, and brown.

#### BRAND VALUES

The M&M'S Brand has represented superior quality and enjoyment to customers since Mr. Mars developed the brand in 1940. The appeal of M&M'S Chocolate Candies is universal, crossing age, gender, and national boundaries, bringing colorful chocolate fun to everyone.

\* National Confectioners' Association, U.S. Department of Commerce.



The newest consumer trend in chocolate is the increase in consumption of dark chocolate. In 2004 alone, dark chocolate sales grew by 17 percent. The M&M'S Brand capitalized on this in 2005 with the launch of special-edition dark chocolate M&M'S Chocolate Candies, as well as working with LucasFilm Ltd. to release the new, limited-edition variety in conjunction with the last installment of the *Star Wars* series, *Revenge of the Sith*. The two brands together challenged consumers to "go to the dark side" and try the latest variety of M&M'S Chocolate Candies.

#### THINGS YOU DIDN'T KNOW ABOUT M&M'S CHOCOLATE CANDIES

- The original M&M'S Brand color mix contained brown, yellow, red, orange, green, and violet candies.
- The "M" imprint was not added to M&M'S Chocolate Candies until 1950 — in black. Today's white "M" imprint was introduced in 1954.
- A special machine imprints the "M" onto each M&M'S Chocolate Candy. The machine is carefully calibrated so as not to crack the candy shell.
- Four to eight hours are needed to make an M&M'S Chocolate Candy, depending on the variety — Milk Chocolate, Peanut, Almond, Peanut Butter, or Crispy.
- The original M&M'S Chocolate Candies were somewhat larger than today's product and were sold in a tube for five cents.