LINDT & SPRÜNGLI

SEMI-ANNUAL REPORT
JANUARY – JUNE 2014

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SEMI-ANNUAL REPORT 2014

Lindt & Sprüngli continues its long-standing track for growth
Above-average organic growth of 9.2%
Sales up 6.0% in Swiss francs at CHF 1.2 billion
Market share gains in all key markets
Accelerated geographical expansion
Operating profit (EBIT) 17.7% higher at CHF 77.1 million
Medium to long-term strategic sales and earnings targets for the whole year confirmed

DEAR SHAREHOLDERS

Lindt & Sprüngli has made a successful start into the financial year 2014. Sales and profit growth in the first half of 2014 was once again well above the market average. This led to further market share gains in all our important markets and strengthened accordingly our already leading position in the premium chocolate segment. The acquisition of the US family business Russell Stover / Whitman's, announced on July 14, 2014, is clear evidence of Lindt & Sprüngli's determination to expand its position in North America and further enhance its already substantial contribution to the dynamic growth of the premium chocolate segment in the world's biggest chocolate market. In response to the generally good progress of business and the accompanying above-average volume growth, considerable further investments have been made to expand the capacity of our production facilities in Switzerland, Germany, France, and the USA.

The first half of 2014 saw a further slight improvement of the general economic background in most countries. Early signs of stabilization have even been observed in Southern Europe, but this has not yet been fully reflected in consumer sentiment. The strong pressure of competition in the retail trade and the sustained weakness of a number of foreign currencies against the Swiss franc continue to be very challenging. The same applies for the raw materials sector, where the prices of almost all the commodities that are important for our business stepped up further, in particular cocoa beans, cocoa butter, milk, and nuts. In view of this upward trend, Lindt & Sprüngli, alike other companies, had to make occasional price adjustments on selected products.

Our already sound position in the key European markets of Germany, France and the U.K., as well as Switzerland, became even stronger due to above-average growth rates and further market share gains. Good progress has also been reported in Italy, although sales in the traditional distribution channels are still under pressure. On the other hand, growth of business in the modern Italian retail trade is proving very satisfactory.

In North America, Lindt & Sprüngli achieved organic sales growth of 13.7% with its LINDT and GHIRARDELLI brands, and is not only continuing to grow considerably faster than the overall chocolate market, but is even outperforming the general trend of the dynamic premium segment. All three North American subsidiaries in the USA and Canada reflected this very positive development. Following the acquisition of Russell Stover / Whitman's, an American family business with a long-standing tradition, Lindt & Sprüngli gains momentum in the path of geographical expansion. This, the biggest and strategically most important acquisition in the company's history, strengthens Lindt & Sprüngli's clear leadership in the American premium chocolate segment and consolidates its status as the third-largest manufacturer in the USA, the world's biggest chocolate market.

In Australia too, Lindt & Sprüngli has been stepping up its growth rate year on year and is increasingly consolidating its leading position in the premium chocolate segment. The Brazilian Lindt & Sprüngli subsidiary, which was incorporated in the first half of 2014, has entered into a joint venture with the CRM Group, Brazil's market leader for premium chocolate. The establishment of this joint venture, in which Lindt & Sprüngli holds a 51% majority interest, is a clear sign for our long-term commitment to the world's fifth-largest chocolate market and to its ongoing expansion into new and fast-growing emerging countries.

The sales performance of our worldwide Lindt & Sprüngli retail network continues to report a highly dynamic growth, gaining 19.3% in the first half of 2014. Amounting to some 10% of Group sales, the "Global Retail" Division has become a mainstay of our business model and makes an ever-growing contribution to Group-wide sales. In our own LINDT Boutiques and Chocolate Cafés – especially in the new emerging markets – we are able to present effectively our extensive product range to consumers. At the same time a unique shopping experience is being created, generating long-lasting brand awareness and close customer ties. For this purpose, new LINDT shops were newly opened at prime locations in the first half of 2014. A special highlight was the inauguration of the LINDT "Swiss Chocolate Heaven" by LINDT brand ambassador Roger Federer on the Jungfrau. The spectacular opening event with an exhibition tennis match between Roger Federer and the US ski champion Lindsey Vonn generated global media interest. The new LINDT Experience Shop will now sweeten the excursion to the "Top of Europe" (3,454 m above sea level) for nearly one million tourists from all over the world. This will generate an unforgettable afterglow of the LINDT brand in the minds of the primarily Asian guests.

We are aware of the national and international importance of the Swiss chocolate industry and are therefore actively committed to safeguarding Switzerland's long-term importance as a worldwide center of chocolate manufacturing. With that aim in mind, the LINDT Chocolate Competence Foundation was set up in 2013 with a view to broadening professional expertise and knowledge in the field of chocolate. The widely acclaimed "Swiss Chocolate Adventure" multimedia experience world in the Lucerne Museum of Transport was established thanks to the financial support of the foundation. It was opened in mid-June 2014 and gives the general public an information platform covering all aspects of Swiss chocolate.

As at June 30, 2014, Group sales reached CHF 1.2 billion. This represents a gain of 6.0% in Swiss francs and organic growth in local currencies of 9.2% against the first half of 2013, and has been accompanied by the gain of further market shares.

As at June 30, 2014, the operating profit (EBIT) stood at CHF 77.1 million, equivalent to growth of CHF 11.6 million or 17.7% on the comparable period of 2013. After deducting income taxes at the increased rate of 27.0%, the Group's net income of CHF 55.8 million for the first half of 2014 was also higher than in the same period of 2013. In comparison with the previous year's figure (CHF 48.8 million) this represents an increase of CHF 7.0 million or 14.3%.

Outlook — Excluding the anticipated pro rata contribution to sales and income of the newly acquired, American-based Russell Stover / Whitman's company, Lindt & Sprüngli is confirming its medium to long-term strategic performance targets for the year as a whole and forecasts organic sales growth of 6 to 8%. The EBIT-margin will be 20 to 40 basis points higher than in the previous year, well within the target range.

Ernst Tanner
Chairman and Chief Executive Officer
Chocoladefabriken Lindt & Sprüngli AG

COMMENT

When interpreting the first half-year results, it must be considered that Lindt & Sprüngli is active in the seasonal, gift-oriented premium chocolate segment in which less than 40% of total annual sales are achieved in the first half of the year. However, these figures must be set against the fact that around one-half of the fixed costs of production, administration, and marketing are already booked at the end of June. In the first half-year, profitability in relation to sales is therefore as always well below the figures stated for the year as a whole.

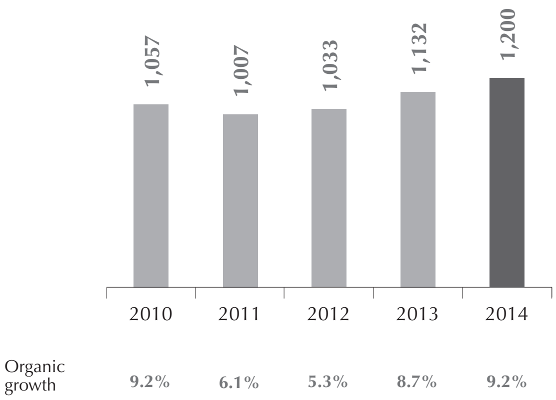
MARKET ENVIRONMENT

The economic recovery in Lindt & Sprüngli's European main markets and also in the USA continued. The ongoing expansive monetary policy pursued by the central banks has, in particular, brought early signs of stabilization in Southern Europe. No significant inflationary trends have been noted as yet. This stabilization was reflected primarily in a slight improvement of consumer sentiment in practically all markets. However, the continuing strong pressure of competition in the retail trade remained a great challenge, as well did the sustained weakness of various foreign currencies against the Swiss franc. In addition, the continuous price increases on the raw material markets are hard to pass on to the trade.

Chocolate market — Despite the consumerfriendly cool and rainy weather in Europe most of the chocolate markets which are relevant to Lindt & Sprüngli made modest progress in both value and volume in the first half of 2014. As no significant price adjustments could be implemented in the highly competitive chocolate segment, growth was mainly driven by volume increases. Once again, the premium chocolate segment benefited most from this trend. Thanks to the uncompromising positioning in this particular category and the broad product acceptance, Lindt & Sprüngli managed again to exceed the average rate of market growth and further increased its shares in all the markets that are important to the company.

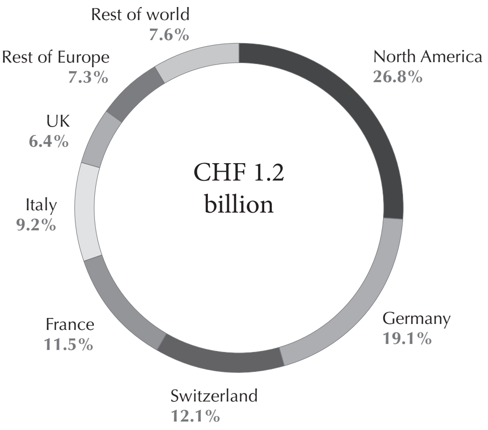
GROUP SALES

Half-year 2014, in CHF million



SALES BY REGIONS

Half-year 2014



Currencies — The foreign currencies which are relevant to Lindt & Sprüngli remain weak against the Swiss franc. This trend has hit the US, the Canadian, and the Australian dollar particularly hard while the euro reported just small losses. The pound sterling was the only important currency to gain slightly in value.

Raw materials — Prices of practically all the raw materials which are essential for chocolate manufacture continued to rise substantially in the first half of the year. This applies in particular to cocoa beans and cocoa butter where the anticipation of a harvest shortfall resulted in higher prices. The price of milk and – due to climate factors – also of hazelnuts and almonds rose sharply.

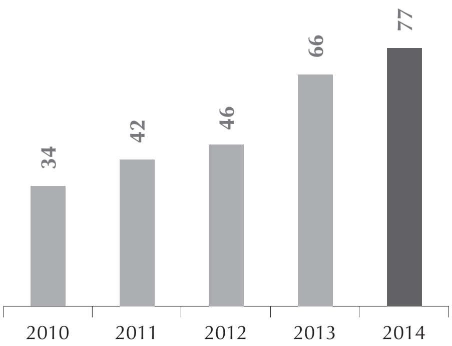
Trade — Competition in the retail trade remains very challenging and is, evermore, driven by prices. However, the scale of promotional activities decreased somewhat compared to the same period of the previous year. This is explained largely by the pressure on prices caused by higher raw material costs which could only be passed on to the consumer to a very limited extent. A wide range of permanent and seasonal activities at the point of sale and many innovative product offerings which are very well accepted make Lindt & Sprüngli a particularly important partner for the trade in the premium chocolate segment.

SALES

As of June 30, 2014, the Lindt & Sprüngli Group achieved sales worth CHF 1.2 billion. This is equivalent to an increase against the same period of the previous year of 6.0% in Swiss francs and organic growth of 9.2% in local currencies. The group of companies is hence once again growing substantially faster than the overall chocolate markets and is increasing its market shares accordingly. All three geographical segments contributed to this impressive growth: “Europe” with +6.9%, “NAFTA” with +13.7%, and the “Rest of the World” with +11.3%. Moderate price adjustments were only made on some selected products so that sales growth was achieved in the first

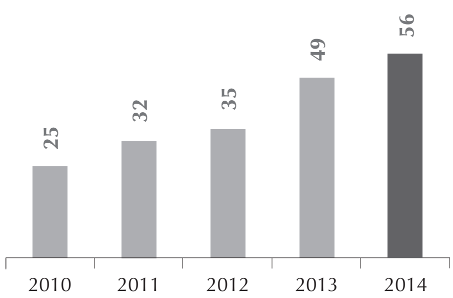
OPERATING PROFIT (EBIT)

Half-year 2014 , in CHF million



NET INCOME

Half-year 2014, in CHF million



instance through higher volume. Above-average growth was reported primarily thanks to the ongoing optimization of the product mix, a clear focus on the key brands LINDOR and EXCELLENCE, and a wider distribution of the HELLO lifestyle line. Seasonal business in which Lindt & Sprüngli holds a strong leadership position also made an important contribution to this solid sales increase. With an organic growth of 19.3%, the "Global Retail" division with its own worldwide distribution network continued its positive development and contributes at present around 10% to overall Group sales. In the first half of the year further LINDT shops were opened at prime locations. The latest example is the boutique with an adjoining chocolate experience world, the LINDT "Swiss Chocolate Heaven," on the Jungfrau (at 3,454 m above sea level) which was inaugurated by the LINDT brand ambassador Roger Federer on July 16, 2014.

PRODUCT SEGMENTS

Seasonal segment — The first half of the year is always characterized by seasonal highlights such as Valentine's Day, Easter and Mother's Day. As a leading global producer of premium chocolate, Lindt & Sprüngli is particularly well positioned in this specific segment. On traditional holidays and more generally when it comes to any other chocolate gifting occasions, Lindt & Sprüngli is continuously extending its existing leadership. Every year new collections are offered to consumers, together with many product innovations in festive packaging. The acknowledged image value makes these a perfect gift for every occurrence. Once again, festive products of the LINDOR line and the traditional GOLD BUNNY proved particularly popular, as did many other offerings specially created for the respective event.

Pralinés segment — In this category, LINDOR is the worldwide most important product for the group of companies. The universally popular traditional recipes of this smooth melting truffle creation are now being specially supplemented by local taste versions for each country. As a result, this product now enjoys popularity in a total of 19 varieties all over the world. Continuously rising demand led to the commissioning of a new LINDOR facility at the Kilchberg production site in the first half of 2014. The exceptional degree of product acceptance provides an excellent basis for prospecting the new markets in the emerging countries. In the first half of the year, the pralinés segment once again achieved above-average growth both with LINDOR and with a wide range of assorted pralinés.

Tablet segment — The tablet segment with the leading brands EXCELLENCE, CREATION, PASSION CHOCOLAT, LES GRANDES and CHOCOLETTI reported impressive growth rates in every market in the first half of the year. Lindt & Sprüngli repeatedly comes up with surprising new offerings in this particular segment which reflect the spirit of the times and the latest fashions in recipe, format, and styling, and often even set entirely new trends. This applies in particular to the dark chocolate segment with a high cocoa content in which LINDT has been one of the most innovative manufacturers for decades.

MARKET SEGMENTS

Europe — In the first half of 2014 organic growth in local currencies reached 6.9% in the "Europe" segment. As the euro lost slightly in value compared to the same period of the previous year, the conversion into Swiss francs shows an increase of 6.5% to CHF 718 million. The Swiss subsidiary strengthened its position in the domestic market by gaining further market shares. In Germany and France, Lindt & Sprüngli once again outperformed the trend of the overall chocolate markets. The UK, Poland and the Czech Republic, where double-digit growth rates were achieved, deserve special mention. Despite continuing subdued consumer sentiment and further flat sales in the specialty outlets, good growth rates were achieved overall in Italy and Spain.

North America — With total sales of CHF 322 million, Lindt & Sprüngli reached excellent organic growth of 13.7% in local currency terms in North America. As the US and Canadian dollar both lost ground against the Swiss franc by comparison with the same period of the previous year, growth expressed in Swiss francs proved correspondingly lower at 7.0%. All three North American subsidiaries with the LINDT and GHIRARDELLI brands contributed to this good result and increased their market shares yet again. Growth was once more boosted by LINDOR and EXCELLENCE and also by the SQUARES from GHIRARDELLI. The growth strategy in North America was confirmed in early July 2014 by the acquisition of the traditional American family business Russell Stover/Whitman's. This acquisition, the biggest and strategically most important in the company's history, enables Lindt & Sprüngli to strengthen its number one leadership in the premium chocolate segment while also further consolidating its position as the third-largest manufacturer in the USA, the world's largest chocolate market.

Rest of the world — In the "Rest of the World" geographical segment, Group sales in local currencies were 11.3% higher at CHF 159.9 million in the first half of 2014. This represents an increase of 2.0% after translation into Swiss francs. The lower growth in Swiss franc terms is explained primarily by the fact that the AUD, JPY and ZAR currencies are much weaker against the Swiss franc. Australia, LINDT's biggest market in this geographical segment, continues to report pleasing growth. The new subsidiaries in Japan, China, and South Africa are making good to very good progress. A particular mention deserves the global Duty-Free and distributors business which is run mainly from Switzerland and made a double-digit growth contribution to first-half sales. The build-up of the new Lindt & Sprüngli (Brazil) Holding Ltd. in South America is proceeding on schedule. The company has entered into a joint venture, in which it has a majority interest of 51%, with the CRM Group, Brazil's market leader in premium chocolate. The first two LINDT shops will open in big shopping centers in São Paulo in the course of this summer. Further boutiques are due to be inaugurated in Brazil by the end of the year.

COSTS

Further efficiency measures were implemented in the first half-year and substantial investments were made to extend the production capacity in Switzerland as well as in other production sites. Total material costs and changes in inventory show a combined expense ratio of 35.2% (previous year 33.4%). This increase is explained in large measure by significantly higher raw material prices, especially for cocoa beans and cocoa butter. The number of full-time employees worldwide rose in the first half-year by a total of 558 to 8,745. Because of increasing volumes, the newly created jobs are based primarily in the production sector. Thanks to the actions taken to improve efficiency, personnel expenditure in percent of sales was nevertheless 120 basis points lower at 25.8% (previous year: 27.0%). The operating expenditure ratio reached 29.0%, just slightly below the previous year's figure (29.8%). Marketing investments in both existing and new markets were stepped up continuously in the first half of 2014. The stated reduction of the operating expense ratio is essentially attributable to an increase in sales and administration costs that resulted to be under-proportional compared with sales growth.

INCOME

Despite the substantially higher material costs, good progress was made in terms of absolute performance figures compared to the previous year. The main contributory factors were efficiency optimizations in production and the positive impact of above-average volume growth. At the end of June 2014, the operating profit (EBIT) amounted to CHF 77.1 million, equivalent to an increase of CHF 11.6 million or 17.7% compared to the same period in 2013 (CHF 65.5 million). Lindt & Sprüngli remains loyal to its conservative long-term investment strategy. Liquidity was placed in short-term Swiss franc investments. In the first half of 2014, the Group reported a net financial result of CHF –0.7 million (previous year CHF –0.5 million). After having fully used the tax loss carry-forwards in the USA at the end of 2013, the income tax rate for the Group rose to 27.0% on June 30, 2014 (previous year: 25.0%). After deduction of taxes, the net income for the first half of 2014 amounted to CHF 55.8 million. This represents an improvement of CHF 7.0 million or 14.3% compared to the same period of the previous year (CHF 48.8 million).

BALANCE SHEET

Compared to the 2013 year-end, total assets as of 30 June, 2014, fell by around CHF 154 million to CHF 3,727 million. On the assets side this reduction is related to the usual seasonal decline in accounts receivable compared to the end of the past year, higher inventories attributable to rising material prices, and an increase in property, plant, and equipment. As of June 30, 2014, the net financial position reached CHF 644.2 million. The reduction versus the end of 2013 of CHF 79 million is mainly explained by dividend payment and capital expenditure which were partly compensated by the operating cash flow of the first half-year. Expressed as a percentage of the total assets, the equity ratio rose to 70.6% (31 December, 2013: 67.9%).

OUTLOOK FOR THE FULL YEAR 2014

OUTLOOK

The following comments concerning sales and earnings of the Lindt & Sprüngli Group for the full year 2014 exclude the expected contributions to sales and income of Russell Stover / Whitman's, as the closing date of the transaction is not yet defined. This depends primarily on the date on which the necessary permit is granted by the US antitrust authorities. In addition the impact of the application of IFRS 3 "Business Combinations" on earnings in connection with the purchase price allocation cannot be determined until the effective date of the acquisition. This applies in particular to the required revaluation of the seasonally high inventory balance and the estimated margins resulting from the sale of these stocks in the first few months after the acquisition.

Sales — For the year 2014 as a whole, Lindt & Sprüngli confirms the known medium to long-term strategic sales growth forecast in local currency terms of 6 to 8%. In the second half of the year, growth will once again be achieved largely through higher volumes and only in isolated cases through price adjustments.

Income — For the year 2014 as a whole, the group of companies expects to see its operating profit margin rise by 20 to 40 basis points in line with the medium to long-term annual target.

Investments — Lindt & Sprüngli has full control over the entire value chain, from the selection of the finest cocoa beans and other high-quality raw materials through careful production to elegant packaging of the end products. This self-contained process, which goes hand in hand with an uncompromising commitment to premium quality, gives the consumer long-term added value in the sense of guaranteed high product quality and security and also in relation to the sustainability of raw material sourcing. To satisfy the high volume growth of recent years and enable future demand to be met, Lindt & Sprüngli will continue to step up its investments in buildings and production facilities at all its manufacturing sites in 2014. The investment volume in the current year is therefore estimated at around CHF 250 million.

CONSOLIDATED BALANCE SHEET
(UNAUDITED)

CHF million	June 30, 2014		December 31, 2013	
ASSETS				
Property, plant, and equipment	900.3		853.3	
Intangible assets	23.4		20.6	
Financial assets	1,168.9		1,019.2	
Deferred tax assets	19.7		21.9	
Total non-current assets	**2,112.3**	**56.7%**	**1,915.0**	**49.3%**
Inventories	518.6		454.8	
Accounts receivable	322.5		683.7	
Other receivables	100.5		78.5	
Accrued income	8.4		1.9	
Derivative assets	17.6		16.3	
Marketable securities	111.9		111.1	
Cash and cash equivalents	535.3		619.4	
Total current assets	**1,614.8**	**43.3%**	**1,965.7**	**50.7%**
Total assets	**3,727.1**	**100.0%**	**3,880.7**	**100.0%**
LIABILITIES				
Share and participation capital	23.1		22.9	
Treasury stock	–112.2		–71.3	
Retained earnings and other reserves	2,720.2		2,683.1	
Total shareholders' equity	**2,631.1**	**70.6%**	**2,634.7**	**67.9%**
Loans	0.7		1.0	
Deferred tax liabilities	341.4		301.6	
Pension liabilities	141.5		118.8	
Other non-current liabilities	9.3		10.9	
Provisions	75.1		75.1	
Total non-current liabilities	**568.0**	**15.2%**	**507.4**	**13.1%**
Accounts payable to suppliers	127.1		181.5	
Other accounts payable	15.9		40.6	
Current tax liabilities	18.1		33.7	
Accrued liabilities	360.1		473.2	
Derivative liabilities	4.5		3.6	
Bank and other borrowings	2.3		6.0	
Total current liabilities	**528.0**	**14.2%**	**738.6**	**19.0%**
Total liabilities	**1,096.0**	**29.4%**	**1,246.0**	**32.1%**
Total liabilities and shareholders' equity	**3,727.1**	**100.0%**	**3,880.7**	**100.0%**

The accompanying notes form an integral part of the consolidated semi-annual statements.

CONSOLIDATED INCOME STATEMENT
(UNAUDITED)

CHF million	January–June 2014		January–June 2013	
INCOME				
Sales	1,199.9	100.0%	1,132.0	100.0%
Other income	7.9		4.2	
Total income	**1,207.8**	**100.7%**	**1,136.2**	**100.4%**
EXPENSES				
Material expenses	–444.1	–37.0%	–423.7	–37.4%
Changes in inventories	21.1	1.8%	45.1	4.0%
Personnel expenses	–309.1	–25.8%	–305.9	–27.0%
Operating expenses	–347.7	–29.0%	–337.7	–29.8%
Depreciation and amortization	–50.9	–4.2%	–48.5	–4.3%
Total expenses	**–1,130.7**	**–94.2%**	**–1,070.7**	**–94.6%**
Operating profit	77.1	6.4%	65.5	5.8%
Income from financial assets	2.5		1.1	
Expense from financial assets	–3.2		–1.6	
Income before taxes	76.4	6.4%	65.0	5.7%
Taxes	–20.6		–16.2	
Net income	**55.8**	**4.7%**	**48.8**	**4.3%**
Attributable to shareholders	55.8		48.8	
Non-diluted earnings per share/10 PC (in CHF)	243.2		217.6	
Diluted earnings per share/10 PC (in CHF)	234.8		213.0	

The accompanying notes form an integral part of the consolidated semi-annual statements.

STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

CHF million	January–June 2014	January–June 2013
Net income	55.8	48.8
Other comprehensive income after taxes		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plan	75.8	539.6
Items that may be reclassified subsequently to profit or loss		
Hedge accounting	0.1	6.3
Currency translation	–4.4	13.1
Total comprehensive income	**127.3**	**607.8**
Attributable to shareholders	127.3	607.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)

CHF million	Share/ PC capital	Treasury stock	Share premium	Hedge accounting	Retained earnings	Currency translation	Share-holders' equity
Balance as at January 1, 2013	**22.6**	**–113.8**	**362.4**	**–6.3**	**1,671.4**	**–241.9**	**1,694.4**
Total comprehensive income/(loss)				6.3	588.4	13.1	607.8
Capital increase [1]	0.4		86.6				87.0
Purchase of own shares and participation certificates [2]		–4.3					–4.3
Share-based payment [3]		2.4			9.9		12.3
Reclass into retained earnings			–120.7		120.7		–
Distribution of profits					–129.7		–129.7
Balance as at June 30, 2013	**23.0**	**–115.7**	**328.3**	**–**	**2,260.7**	**–228.8**	**2,267.5**
Balance as at January 1, 2014	**22.9**	**–71.3**	**371.4**	**10.5**	**2,554.8**	**–253.4**	**2,634.7**
Total comprehensive income/(loss)				0.1	131.6	–4.4	127.3
Capital increase [1]	0.2		48.6				48.7
Purchase of own shares and participation certificates [4]		–42.1					–42.1
Share-based payment [3]		1.2			9.2		10.4
Reclass into retained earnings			–126.3		126.3		–
Distribution of profits					–148.0		–148.0
Balance as at June 30, 2014	**23.1**	**–112.2**	**293.7**	**10.6**	**2,673.9**	**–257.8**	**2,631.1**

1) All directly attributable transaction costs are netted against the premium realized on exercise of options (2013: TCHF 1,136, 2012: TCHF 313).
2) The Group acquired 120 of its own registered shares in January 2013. The amount paid per share was CHF 36,140.
3) In 2014 the position "Share-based payments" also includes the distribution of 50 own registered shares to the CEO of the Group with a total value of CHF 2.4 million (2013: 100 own registered shares with a total value of CHF 3.6 million)
4) Within the framework of the share buy-back program the Group acquired 625 of its own registered shares and 20,260 of its own participation certificates between January and June 2012. The average amount paid was CHF 32,541 for the registered shares and CHF 2,822 for the participation certificates.

The accompanying notes form an integral part of the consolidated statements.

CONSOLIDATED CASH FLOW STATEMENT
(UNAUDITED)

CHF million	January–June 2014		January–June 2013	
Net income	55.8		48.8	
Depreciation, amortization and impairment	50.9		48.5	
Changes in provisions, value adjustments and pension assets	–5.3		–4.4	
Decrease (+)/increase (–) of accounts receivable	361.0		368.7	
Decrease (+)/increase (–) of inventories	–66.4		–67.2	
Decrease (+)/increase (–) of prepayments and other receivables	–23.8		–6.6	
Decrease (+)/increase (–) of accrued income and derivative assets and liabilities	–6.7		–6.0	
Decrease (–)/increase (+) of accounts payable	–53.6		–40.6	
Decrease (–)/increase (+) of other payables and accrued liabilities	–152.1		–138.5	
Non-cash effective items	11.0		7.8	
Cash flow from operating activities (operating cash flow)		**170.8**		**210.5**
Investments in property, plant, and equipment	–99.3		–75.9	
Disposals of property, plant, and equipment	0.6		0.4	
Investments in intangible assets	–5.8		–8.4	
Disposals (+)/investments (–) in financial assets (excluding pension assets)	–2.5		–0.1	
Marketable securities and short-term financial assets				
Investments	–254.1		–5.6	
Disposals	252.9		153.4	
Cash flow from investment activities		**–108.2**		**63.8**
Proceeds from borrowings	–		13.6	
Repayments of bonds/borrowings	–2.0		–	
Proceeds from loans	–		4.0	
Repayments of loans	–1.9		–	
Capital increase (including premium)	48.7		87.0	
Purchase of treasury stock and PC-capital	–42.1		–4.3	
Distribution of profits	–148.0		–129.7	
Cash flow from financing activities		**–145.3**		**–29.4**
Net increase (+)/decrease (–) in cash and cash equivalents		**–82.7**		**244.9**
Cash and cash equivalents as at January 1	619.4		295.8	
Exchange gains/(losses) on cash and cash equivalents	**–1.4**	**618.0**	**1.2**	**297.0**
Cash and cash equivalents as at June 30		**535.3**		**541.9**
Interest received from third parties [1]		0.6		0.8
Interest paid to third parties [1]		0.8		1.2
Income tax paid [1]		48.3		42.7

1) Included in cash flow from operating activities.

The accompanying notes form an integral part of the consolidated semi-annual statements.

NOTES TO THE SEMI-ANNUAL REPORT

1. ACCOUNTING PRINCIPLES

The unaudited consolidated semi-annual report as at June 30, 2014, has been prepared in accordance with the requirements of IAS 34 – Interim Financial Reporting. Except for the changes described hereafter, the accounting principles outlined in the annual financial statements for the year ended December 31, 2013 have been applied. The condensed form of financial statements has been applied to this report.

New IFRS standards and interpretations

The Group has reviewed changes to IFRS, its amendments and interpretations, which must be applied for the reporting period beginning January 1, 2014, and concluded that they have no impact on these semi-annual consolidated financial statements.

Estimates and assumptions

When preparing the semi-annual report, Management makes estimates and assumptions that have an impact on the disclosed assets and liabilities at the balance sheet date, as well as the disclosed expenses and income in the reporting period. The actual results may differ from these estimates.

Validation of a Pension Plan in the U.S.

The Group operates several defined contribution and defined benefit pension plans in the US. During an analysis of the benefits criteria of the plans, it was noted that an additional plan could potentially qualify as a defined benefit plan resulting in an additional liability. The Group is currently analyzing the situation in detail.

2. SEASONALITY

When analyzing the Group's results in the first half of the year, it is important to bear in mind the seasonal and gift-oriented nature of the premium chocolate business. Experience shows that the Lindt & Sprüngli Group makes less than 40% of its annual sales during the first half of each year, but at the end of June these sales are charged with approximately half of the fixed costs of production, administration, and marketing. This means that the profitability of the Lindt & Sprüngli Group in relation to sales in the first half of the year cannot be equated with its profitability over the year as a whole. Likewise, the balance of accounts receivable is substantially lower at the end of the first half of the year than at the end of the year (declining orders during the summer season compared to the Christmas business).

3. SHARE AND PARTICIPATION CAPITAL

The conditional capital as at June 30, 2014, has a total of 539,952 (575,017 as at June 30, 2013) participation certificates with a par value of CHF 10. Of this total, 185,502 (220,567 as at June 30, 2013) are reserved for employee stock option programs; the remaining 354,450 (354,450 as at June 30, 2013) participation certificates are reserved for capital market transactions. In the six-month period ended June 30, 2014, a total of 19,709 employee options were exercised at an average exercise price of CHF 2,506.45 (for the six-month period ended June 30, 2013: 37,720 employee options were exercised at an average exercise price of CHF 2,335.80).

4. DIVIDENDS

The proposed dividend – CHF 650 (CHF 575 in 2013) per registered share and CHF 65 (CHF 57.50 in 2013) per participation certificate – was approved at the annual shareholders' meeting held on April 24, 2014. The dividends were paid as of May 2, 2014.

5. SEGMENT INFORMATION

The management of the Group is organized by means of companies of individual countries. For the definition of business segments to be disclosed, the Group has aggregated subsidiaries of individual countries on the basis of similar economic characteristics (foreign exchange risks, growth outlooks, same economic areas), similar products and trading environment, and economic attributes (gross profit margins).

The three segments to be disclosed are:

- Business segment "Europe", consisting of the European companies and business units.
- Business segment "NAFTA", consisting of the companies in the USA, Canada, and Mexico.
- Business segment "All other segments", consisting of the companies in Australia, Japan, South Africa, Hong Kong, China and Brazil as well as the business units distributors and duty free.

The Group considers the operating result as the segment result. Transactions between segments are valued and recorded in accordance with the cost plus method.

SEGMENT INCOME

	Segment Europe		Segment NAFTA		All other segments		Total	
CHF million	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Sales	829.3	771.5	327.7	303.8	159.9	156.8	1,316.9	1,232.1
./. Sales between segments	111.3	97.3	5.7	2.8	–	–	117.0	100.1
Third party sales	**718.0**	**674.2**	**322.0**	**301.0**	**159.9**	**156.8**	**1,199.9**	**1,132.0**
Operating profit	53.4	44.9	7.4	6.7	16.3	13.9	77.1	65.5
Net financial result							–0.7	–0.5
Income before taxes							**76.4**	**65.0**
Taxes							–20.6	–16.2
Net income							**55.8**	**48.8**

6. FINANCIAL INSTRUMENTS, FAIR VALUE, AND HIERARCHY LEVELS

The following table shows the carrying amounts and fair values of financial instruments recognized in the consolidated balance sheet, analyzed by categories and hierarchy levels:

		June 30, 2014		December 31,2013	
CHF million	Level [1]	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS					
Fair value through profit or loss					
Derivatives	1	9.2	9.2	7.9	7.9
Derivatives	2	8.4	8.4	8.4	8.4
Marketable securities and short-term financial assets	1/2	11.9	11.9	11.1	11.1
Total fair value through profit or loss		**29.5**	**29.5**	**27.4**	**27.4**
Held to maturity					
Deposit	2	100.0	100.0	100.0	100.0
Total held to maturity		**100.0**	**100.0**	**100.0**	**100.0**
Available for sale					
Investments third parties	3	2.3	2.3	2.3	2.3
Total available for sale		**2.3**	**2.3**	**2.3**	**2.3**
Total cash and cash equivalents, loans and receivables [2]		**905.4**	**905.4**	**1,353.6**	**1,353.6**
Total financial assets		**1,037.2**	**1,037.2**	**1,483.3**	**1,483.3**
FINANCIAL LIABILITIES					
Fair value through profit or loss					
Derivatives	2	4.5	4.5	3.6	3.6
Total fair value through profit or loss		**4.5**	**4.5**	**3.6**	**3.6**
Total loans and payables [3]		**155.4**	**155.4**	**240.0**	**240.0**
Total financial liabilities		**159.9**	**159.9**	**243.6**	**243.6**

1) Level 1 – The fair value measurement of same financial instruments is based on quoted prices in active markets.
Level 2 – The fair value measurement of same financial instruments is based on observable market data, other than quoted prices in Level 1.
Level 3 – Valuation technique using non-observable data.
2) Contains cash and cash equivalents, accounts receivable, other receivables, and loans to third parties.
3) Contains loans, other non-current liabilities, accounts payable, other accounts payable and bank and other borrowings.

7. EVENTS AFTER THE BALANCE SHEET DATE

On July 14, 2014 the Group announced that it had reached a definitive agreement to purchase Russel Stover Candies, Inc., USA, a leading manufacturer of pralines and seasonal candies in North America. Closing of the transaction is subject to approval of the U.S Federal Trade Commission and Department of Justice. The assets and liabilities arising from the acquisition are being determined in detail and will be disclosed at year end.

The unaudited consolidated semi-annual financial statements were approved for publication by the Group Management on August 19, 2014. No other events have occurred up to August 19, 2014, which would necessitate adjustments to the carrying values of the Group's assets or liabilities, or which require additional disclosure.

INFORMATION

AGENDA

January 13, 2015	Net sales 2014
March 10, 2015	Full-year results 2014
April 23, 2015	117th Annual Shareholders' Meeting
July 14, 2015	Half-year sales 2015
August 18, 2015	Semi-annual report 2015

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Forward-looking statements:
Some of the statements expressed in the semi-annual report are based on forward-looking assumptions. The actual results may vary from these for a variety of reasons, including among others factors such as general economic conditions, fluctuations within the currency and raw materials sector, and changes to the regulatory landscape. Forward-looking statements made in this report are neither updated nor revised. The semi-annual report is published in German and English, with the German version being binding.

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