



LINDT & SPRÜNGLI

Alternative Performance Measures

Half-Year 2020

Preface

Group Management communicates certain performance measures, be it in the annual report, the semi-annual report or other announcements, which they believe provide meaningful insights about the financial and operational performance of the Lindt & Sprüngli Group. These performance measures are not always defined by IFRS and are potentially not calculated the same way by other companies. The most relevant performance measures for the Lindt & Sprüngli Group are defined within this manual and derived based on the consolidated results.

Sales Development

Sales development is an important performance measure for the Lindt & Sprüngli Group. The Lindt & Sprüngli Group monitors the sales development through two key measures: sales growth in Swiss francs and organic growth.

Both growth measures include volume and price impacts. However, in contrast to sales growth in Swiss francs, organic growth adjusts for foreign currency impacts. Therefore, to calculate organic growth figures both current and prior year sales numbers are translated with current year exchange rates into group currency (CHF). Furthermore, organic growth is also corrected for changes in the consolidation scope, such as disposals or acquisitions. The two sales growth measures are derived as follows:

Sales development	January – June 2020	January – June 2019
Sales in CHF million	1,534.9	1,757.8
Growth in CHF in %	-12.7%	5.4%
Currency translation impact in % ¹	4.6%	0.8%
Organic Growth in %	-8.1%	6.2%

¹ To translate into group currency (CHF), exchange rates of the current reporting period were used.

Operating Profit EBIT before one-off Effects

To derive the operating profit before one-off effects based on the disclosed operating profit (after one-off effects), the disclosed operating profit is neutralized for so called one-off effects. One-off effects consist of expenses that are of exceptional nature, such as changes in laws, legal cases and restructuring. Thus, the operating profit before one-off effects allows meaningful comparisons of profit numbers across several financial years. One-off effects are also disclosed in the annual report.

Neither in the first half of 2020 nor of prior year there were any one-off costs, therefore the derivation of the recurring operating profit based on the disclosed operating profit is dispensed.

Free Cash Flow

Free cash flow allows drawing a conclusion about the company's ability to generate free funds from its operating activities after its investments in fixed assets (property, plant and equipment, as well as intangible assets) and repayments of lease liabilities (excluding interests). Free cash flow is derived as follows from the consolidated cash flow statement:

CHF million	January - June 2020	January - June 2019
Operating cash flow	305.5	398.2
Investments in property, plant and equipment	-104.4	-97.2
Investments in intangible assets	-12.4	-3.1
Repayments of lease liabilities (excluding interests)	-32.3	-32.0
Total free cash flow	156.4	265.9
in % of sales	10.2%	15.1%

Net Debt (Net Financial Position)

Net debt, also referred to as net financial position, consists of financial debt against 3rd parties (for example bonds, loans, bank borrowings or other financial debt), under consideration of cash and cash equivalents, marketable securities and short-term financial assets. The below table illustrates how net debt is derived from the consolidated balance sheet:

CHF million	June 30, 2020	December 31, 2019
Marketable securities and short-term financial assets	403.4	405.2
Cash and cash equivalents	530.6	654.8
Bonds long-term	-498.6	-498.5
Lease liabilities long-term	-405.0	-411.6
Lease liabilities short-term	-68.0	-67.5
Bonds short-term	-500.0	-499.9
Bank and other borrowings	-29.7	-5.6
Total net debt	-567.3	-423.1

Net debt shows the amount of additional current or non-current assets needed besides cash and cash equivalent, marketable securities and other short-term financial assets to settle financial debt.



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