



LINDT & SPRÜNGLI

Semi-Annual Report
January – June

2019

Letter to Shareholders 2019

Strong growth continues

Strong organic Group sales growth

+6.2% to CHF 1.76 billion (in Swiss Francs +5.4%)

Operating profit (EBIT) increases

+7.8% to CHF 126.2 million (+20 bp)

Net income rises

+2.4% to CHF 88.1 million

Solid organic growth and market share gains in all key markets

+5.0%
«Europe»

+7.2%
«North America»

+8.3%
«Rest of the World»

Dear Shareholders

Lindt & Sprüngli has had a successful start to the financial year 2019, building on the growth of recent years. In the first half of the year, we achieved Group sales of CHF 1.76 billion (previous year: CHF 1.67 billion), which corresponds to strong organic sales growth of +6.2%. This lays the foundation for the Lindt & Sprüngli Group to reach its organic growth target of 5–7% for the full year.

In the first half of 2019, Lindt & Sprüngli further strengthened its market position by achieving good results in mainly saturated or stagnating chocolate markets and expanding its market shares in all the key strategic markets. Strong seasonal business, the launch of numerous innovations within our leading product ranges and our global retail network were the key growth drivers.

In the “Europe” segment, Lindt & Sprüngli generated sales of CHF 874 million in the first half of the year, equivalent to +5.0% organic growth. The UK, Austria, Germany and Switzerland, as well as the Scandinavian countries, all recorded strong results, while the Eastern European markets – Poland, Russia, the Czech Republic, Slovakia and Hungary – did particularly well, posting growth rates in the high double-digits. At the beginning of the year, Lindt & Sprüngli

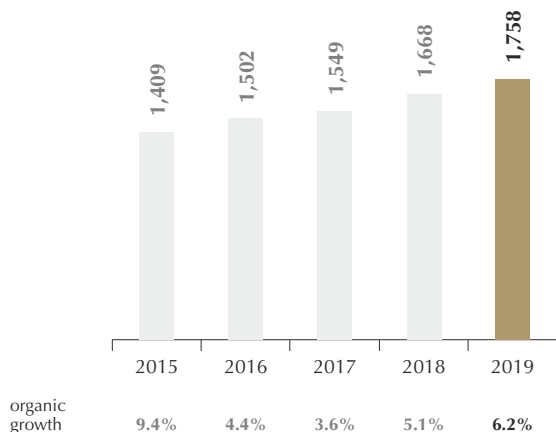
also benefited from the late Easter business, which boosted chocolate consumption. Successful launches within our best-selling Lindor and Excellence ranges were the main growth drivers. Sales in Germany benefited from the limited Easter editions of the iconic Gold Bunny and the Mini Pralinés product line.

In Switzerland, we celebrated the opening of the Lindt Cocoa Center in Olten in June 2019 after only 12 months of construction work on its modernization and expansion. The investment of CHF 30 million in this plant is a clear commitment to Switzerland as a business location and, thanks to increased capacity in cocoa mass production, a major milestone for the further growth of the entire Lindt & Sprüngli Group. One of the main elements of this project is the installation of a state-of-the-art research facility which enables us to conduct tests with cocoa varieties, chocolate recipes and processes. In Germany, we successfully completed the expansion of the logistics building at the Aachen site so that it is now connected to the local production facilities via a fully automated conveyor system.

The “North America” region achieved dynamic organic growth of +7.2% in the first half-year, to which all 3 US companies contributed. Sales rose to CHF 623 million.

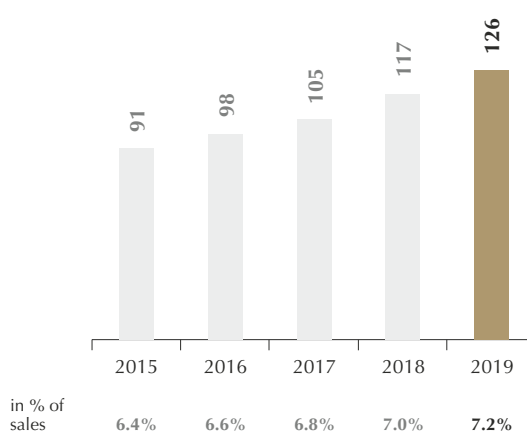
Group Sales

1. Half-year 2019, in CHF million



Operating Profit (EBIT)

1. Half-year 2019, in CHF million



The situation in the US, the world's largest chocolate market, improved and the trading environment recovered slightly after several difficult years of restructuring. Particularly worth mentioning is Lindt USA, which reported a sound result and market share gains following challenging previous periods. Ghirardelli also recorded a positive result. Russell Stover achieved a sales plus in the first half-year thanks to the promising relaunch of the Bow Line praline range, as well as the success of the sugar-free product line with stevia extract. Hence, Russell Stover is on track to meet its growth targets.

“By investing in the expansion of a standardized logistics network for the entire US market, we are laying the foundation for long-term sales growth in the region.” Ernst Tanner

In the US, Lindt & Sprüngli remains No. 1 in the premium chocolate segment and No. 3 in the overall chocolate market thanks to steady sales growth and rising volumes. The expansion of the state-of-the-art facility for cocoa and chocolate mass at the US location in Stratham, approved in 2018, is well under way. The investment project totaling around CHF 200 million will support the planned volume growth over the long term. Additionally, we are investing in the expansion of a standardized logistics network for the entire US market.

The significance of the “Rest of the World” segment for the Lindt & Sprüngli Group is growing year by year. These markets again displayed strong growth, with organic sales up by +8.3% to CHF 261 million. Our growth and sales strategies are tailored to local consumer preferences and paid off especially in Japan, Brazil and China. These markets benefit from the groundwork of previous years and the increasing market presence of premium chocolate products.

“The new markets in the ‘Rest of the World’ segment are performing well and continue to make an ever-larger contribution to Group revenue.” Dieter Weisskopf

The Global Retail business also posted solid results in the first half of 2019. Numerous new stores in prime locations in Japan, Brazil and Europe delighted consumers with their unique brand experience. Service training for Chocolate Advisors continued to play a key role in providing consumers with the high standard of service they are used to in our stores. We will continue to expand our own Global Retail network in the second half of the year.

Prices for our main raw materials, cocoa beans, have increased slightly compared to the previous year due to stronger demand. We compensate for any price fluctuations in the market by entering into forward transactions – a com-

mon industry practice. The prices for our other main ingredients, such as milk, hazelnuts and sugar, have also seen a slight increase year-on-year. However, cocoa butter prices improved slightly for Lindt & Sprüngli.

An effective sourcing strategy for raw materials and additional efficiency improvements helped to reduce material and personnel costs as a percentage of sales. The Group's average headcount increased to 13,556 employees in the first half of the year (previous year: 13,168). Operating profit (EBIT) rose to CHF 126.2 million as of June 30, 2019 (previous year: CHF 117.1 million), which corresponds to a +7.8% increase. Net profit rose to CHF 88.1 million (previous year: CHF 86.0 million). Operating cash flow amounted to CHF 398.2 million (previous year: CHF 333.7 million). Total assets as of June 30, 2019 stood at CHF 7.18 billion, and the equity capital ratio was a solid 57.3% (December 31, 2018: 61.9%).

The required new leasing standard IFRS 16 was adopted in the 2019 semi-annual report, but the previous year was not retroactively adjusted. Under this new standard, future lease payments and the rights of use arising from them are recorded in the balance sheet. This results in higher depreciation and interest expense, while leasing costs in operating expenses are reduced in the income statement. The adoption of this new standard caused a decline of around CHF 4 million in net profit in the first half of 2019, triggered by higher interest expenses at the beginning of a lease ("front-load" impact). In the cash flow statement, operating cash flow rose due to higher depreciation and cash outflow from financing activities owing to the repayment reported for leasing liabilities.

At the beginning of 2018 Lindt & Sprüngli started a buy-back program for registered shares and participation certificates due to its high liquidity levels, solid balance sheet and consistently strong cash flow. The program ran according to

plan, with registered shares and participation certificates worth CHF 455 million repurchased by the end of June 2019, (equivalent to 2.9% of total share capital). The program ends on July 31, 2019.

In addition to our commitment to high quality, sustainability plays an important role in ensuring the long-term success of our business. One of the core elements is the Lindt & Sprüngli Farming Program. Since the program started in 2008, we have made enormous progress with our sustainable cocoa sourcing model. The program is now established in Ghana, Ecuador, Madagascar, Papua New Guinea and the Dominican Republic and is showing a positive impact there.

The next major milestone is in reach, and Lindt & Sprüngli is on target for having a 100% traceable and verified supply chain for cocoa beans by 2020. The 442 field staff in the countries of origin, financed by the Lindt & Sprüngli Farming Program, are involved on a daily basis with the 72,528 farmers, working with great passion to realize this vision. Today, 86% of the sourced cocoa beans are already traceable and externally verified.

Lindt & Sprüngli has realigned its sustainability strategy as it steps up its efforts in this area, and has formulated new concrete commitments. One of the aims is our "no-deforestation" commitment which states that by 2025 our entire cocoa supply will be sourced from areas free from deforestation.

Outlook

The Lindt & Sprüngli Group anticipates continued organic growth of 5–7% for the full financial year. We also expect our operating profit margin (EBIT) to improve by 20–40 basis points in the full year, in line with our mid- to long-term target range.

Ernst Tanner
Executive Chairman of the Board of Directors

Dr. Dieter Weisskopf
CEO Lindt & Sprüngli Group

Consolidated Balance Sheet (unaudited)

CHF million	Note	June 30, 2019		December 31, 2018	
Assets					
Property, plant and equipment		1,348.4		1,344.8	
Right-of-use assets	7	495.1		–	
Intangible assets		1,362.9		1,378.3	
Financial assets		1,675.1		1,534.0	
Deferred tax assets		83.6		59.7	
Total non-current assets		4,965.1	69.2%	4,316.8	59.5%
Inventories		896.1		752.2	
Accounts receivable		408.9		1,023.2	
Other receivables		143.0		118.8	
Accrued income		1.2		2.5	
Derivative assets		36.9		38.6	
Marketable securities and short-term financial assets		0.3		1.6	
Cash and cash equivalents		727.1		996.1	
Total current assets		2,213.5	30.8%	2,933.0	40.5%
Total assets		7,178.6	100.0%	7,249.8	100.0%
Liabilities					
Share and participation capital	4	24.4		24.3	
Treasury stock	4	–537.5		–202.4	
Retained earnings and other reserves		4,615.0		4,655.4	
Equity attributable to shareholders		4,101.9		4,477.3	
Non-controlling interests		9.6		9.1	
Total equity		4,111.5	57.3%	4,486.4	61.9%
Bonds		998.1		997.9	
Loans		0.4		0.8	
Lease liabilities	7	438.9		–	
Deferred tax liabilities		512.8		467.0	
Pension liabilities		186.6		174.9	
Other liabilities		6.2		6.6	
Provisions		87.1		88.1	
Total non-current liabilities		2,230.1	31.0%	1,735.3	23.9%
Accounts payable to suppliers		158.6		214.2	
Other accounts payable		42.1		56.2	
Lease liabilities	7	61.3		–	
Current tax liabilities		40.1		52.5	
Accrued liabilities		498.7		666.4	
Derivative liabilities		13.2		12.1	
Provisions		13.1		14.4	
Bank and other borrowings		9.9		12.3	
Total current liabilities		837.0	11.7%	1,028.1	14.2%
Total liabilities		3,067.1	42.7%	2,763.4	38.1%
Total liabilities and equity		7,178.6	100.0%	7,249.8	100.0%

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

Consolidated Income Statement (unaudited)

CHF million	January–June 2019		January–June 2018	
Income				
Sales	1,757.8	100.0%	1,668.2	100.0%
Other income	7.5		8.4	
Total income	1,765.3	100.4%	1,676.6	100.5%
Expenses				
Material expenses	–658.0	–37.4%	–626.8	–37.6%
Changes in inventories	95.7	5.4%	67.8	4.1%
Personnel expenses	–463.5	–26.4%	–443.3	–26.6%
Operating expenses	–486.3	–27.6%	–470.7	–28.2%
Depreciation, amortization and impairment	–127.0	–7.2%	–86.5	–5.2%
Total expenses	–1,639.1	–93.2%	–1,559.5	–93.5%
Operating profit (EBIT)	126.2	7.2%	117.1	7.0%
Financial income	1.9		1.8	
Financial expense	–16.6		–7.9	
Income before taxes	111.5	6.3%	111.0	6.7%
Taxes	–23.4		–25.0	
Net income	88.1	5.0%	86.0	5.1%
of which attributable to non-controlling interests	0.9		0.8	
of which attributable to shareholders of the parent	87.2		85.2	
Non-diluted earnings per share/10 PC (in CHF)	367.5		355.0	
Diluted earnings per share/10 PC (in CHF)	365.1		353.4	

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

Statement of Comprehensive Income (unaudited)

CHF million	January–June 2019	January–June 2018
Net income	88.1	86.0
Other comprehensive income after taxes		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plan	86.1	71.7
Items that may be reclassified subsequently to profit or loss		
Hedge accounting	–5.7	60.5
Currency translation	–21.9	6.5
Total comprehensive (loss)/income	146.6	224.7
of which attributable to non-controlling interests	1.0	–0.3
of which attributable to shareholders of the parent	145.6	225.0

Consolidated Statement of Changes in Equity (unaudited)

CHF million	Note	Share-/ PC-capital	Treasury stock	Share premium	Hedge accounting	Retained earnings	Currency translation	Equity attrib- utable to share- holders	Non-con- trolling interest	Total equity
Balance as at January 1, 2018		24.1	–84.0	347.0	–27.6	4,135.9	–209.1	4,186.3	8.7	4,195.0
Total comprehensive income		–	–	–	60.5	156.9	7.6	225.0	–0.3	224.7
Capital increase	4	0.2	–	68.3	–	–0.8	–	67.7	–	67.7
Purchase of treasury shares	4	–	–104.4	–	–	–	–	–104.4	–	–104.4
Sale of own shares	4	–	0.6	–	–	0.3	–	0.9	–	0.9
Share-based payment		–	0.6	–	–	7.6	–	8.2	–	8.2
Reclass into retained earnings		–	–	–100.9	–	100.9	–	–	–	–
Distribution of profits		–	–	–	–	–223.4	–	–223.4	–0.4	–223.8
Balance as at June 30, 2018		24.3	–187.2	314.4	32.9	4,177.4	–201.5	4,160.3	8.0	4,168.3
Balance as at January 1, 2019		24.3	–202.4	333.2	24.9	4,539.9	–242.6	4,477.3	9.1	4,486.4
Total comprehensive income		–	–	–	–5.7	173.3	–22.0	145.6	1.0	146.6
Capital increase	4	0.1	–	42.2	–	–	–	42.3	–	42.3
Purchase of treasury shares	4	–	–335.6	–	–	–	–	–335.6	–	–335.6
Share-based payment		–	0.5	–	–	8.6	–	9.1	–	9.1
Reclass into retained earnings		–	–	–85.3	–	85.3	–	–	–	–
Distribution of profits		–	–	–	–	–236.8	–	–236.8	–0.5	–237.3
Balance as at June 30, 2019		24.4	–537.5	290.1	19.2	4,570.3	–264.6	4,101.9	9.6	4,111.5

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

Consolidated Cash Flow Statement (unaudited)

CHF million	January–June 2019		January–June 2018	
Net income	88.1		86.0	
Depreciation, amortization and impairment	127.0		86.5	
Changes in provisions, value adjustments and pension assets	–38.3		–20.8	
Decrease (+)/increase (–) of accounts receivable	638.3		632.7	
Decrease (+)/increase (–) of inventories	–154.6		–128.9	
Decrease (+)/increase (–) of other receivables	–25.2		–12.2	
Decrease (+)/increase (–) of accrued income and derivative assets and liabilities	–1.5		3.9	
Decrease (–)/increase (+) of accounts payable	–54.8		–71.3	
Decrease (–)/increase (+) of other payables and accrued liabilities	–192.7		–253.1	
Non-cash effective items ¹	11.9		10.9	
Cash flow from operating activities (operating cash flow)	398.2		333.7	
Investments in property, plant and equipment	–97.2		–113.7	
Disposals of property, plant and equipment	0.2		0.2	
Investments in intangible assets	–3.1		–3.5	
Disposals (+)/investments (–) in financial assets (excluding pension assets)	–		–0.1	
Investments in marketable securities and short-term financial assets	1.3		–1.5	
Cash flow from investment activities	–98.8		–118.6	
Repayments of borrowings	–3.3		–7.8	
Proceeds from loans	0.6		4.0	
Repayments of lease liabilities	–32.0		–	
Capital increase (including premium)	42.3		67.7	
Purchase of treasury stock	–335.6		–104.4	
Distribution of profits	–236.8		–223.4	
Cash flow with non-controlling interests	–0.5		–0.4	
Cash flow from financing activities	–565.3		–264.3	
Net increase (+)/decrease (–) in cash and cash equivalents	–265.9		–49.2	
Cash and cash equivalents as at January 1	996.1		853.0	
Exchange gains/(losses) on cash and cash equivalents	–3.1	993.0	–4.4	848.6
Cash and cash equivalents as at June 30	727.1		799.4	
Interest received from third parties ²	0.7		0.4	
Interest paid to third parties ²	10.2		2.1	
Income tax paid ²	70.5		91.6	

¹ As of June 30, 2019 movements of CHF 2.1 million result from translation of foreign exchange balances (2018: CHF 1.2 million).

² 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 (unaudited)

1. Accounting Principles

The unaudited consolidated semi-annual report as at June 30, 2019 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, 2018 have been applied consistently. The condensed form of the financial statements has been applied to this report.

New IFRS and interpretations

The Lindt & Sprüngli Group has implemented all new or amended accounting standards and interpretations to the IFRS, which must be applied for the reporting period beginning January 1, 2019, including IFRS 16 – “Leases”.

Impact of first-time application of IFRS 16 – “Leases”

IFRS 16 – “Leases” replaces IAS 17 and sets out principles for the recognition, measurement, presentation and disclosure of leases. The Lindt & Sprüngli Group implemented the new standard on January 1, 2019, applying the modified retrospective method without restating the prior year. The impact of the first-time application and the new accounting principles are disclosed in note 7.

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.

2. Seasonality

When analyzing the Lindt & Sprüngli 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. Segment Information

The Lindt & Sprüngli Group is organized and managed by means of individual countries. For the definition of business segments to be disclosed, the Lindt & Sprüngli Group has aggregated subsidiaries of individual countries on the basis of similar economic structures (foreign exchange risks, growth perspectives, element of an economic areas), products and trading environment, and economic attributes (gross profit margins).

The three business segments to be disclosed are:

- “Europe”, consisting of the European companies and business units including Russia
- “North America”, consisting of the companies in the USA, Canada, and Mexico
- “Rest of the World”, 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 Lindt & Sprüngli Group considers the operating result as the segment result. Transactions between segments are valued and recorded in accordance with the “cost plus” method.

Segment results

	Europe		North America		Rest of the World		Total	
CHF million	2019	2018	2019	2018	2019	2018	2019	2018
Sales	999.5	985.6	626.6	566.9	260.6	248.5	1,886.7	1,801.0
./. Sales between segments	125.5	130.0	3.4	2.8	–	–	128.9	132.8
Third party sales	874.0	855.6	623.2	564.1	260.6	248.5	1,757.8	1,668.2
Operating profit	105.7	96.1	–19.3	–16.0	39.8	37.0	126.2	117.1
Net financial result							–14.7	–6.1
Income before taxes							111.5	111.0
Taxes							–23.4	–25.0
Net income							88.1	86.0

4. Share and Participation Capital

	Number of registered shares ¹	Number of participation certificates ²	Registered shares (CHF million)	Participation certificates (CHF million)	Total (CHF million)
At January 1, 2018	136,088	1,048,153	13.6	10.5	24.1
Capital increase	–	19,005	–	0.2	0.2
At June 30, 2018	136,088	1,067,158	13.6	10.7	24.3
At January 1, 2019	136,088	1,072,535	13.6	10.7	24.3
Capital increase	–	10,010	–	0.1	0.1
At June 30, 2019	136,088	1,082,545	13.6	10.8	24.4

1 At par value of CHF 100

2 At par value of CHF 10

The conditional capital as at June 30, 2019 has a total of 389,697 (405,084 as at June 30, 2018) participation certificates with a par value of CHF 10. Of this total, 235,247 (150,634 as at June 30, 2018) are reserved for employee stock option programs; the remaining 154,450 (254,450 as at June 30, 2018) participation certificates are reserved for capital market transactions. In the six-month period ended June 30, 2019, a total of 10,010 employee options were exercised at an average exercise price of CHF 4,273 (for the six-month period ended June 30, 2018: 19,005 employee options were exercised at an average exercise price of CHF 3,590).

	2019		2018	
Inventory of treasury stock	Registered shares	Participation certificates	Registered shares	Participation certificates
Inventory as at January 1	1,597	18,156	1,524	–
Retirements	–12	–	–27	–
Buy-back program	416	46,615	77	16,005
Inventory as at June 30	2,001	64,771	1,574	16,005
Average sales price of retirements (in CHF)	77,384	–	71,325	–
Average cost of buy-back program (in CHF)	76,016	6,520	74,131	6,166

Since the buy-back program started on March 12, 2018, the Lindt & Sprüngli Group acquired registered shares and participation certificates worth CHF 455.2 million. The program amounting to CHF 500 million will end no later than July 31, 2019.

At the annual general meeting, the shareholders approved a capital reduction through the cancellation of 100 registered shares and 18,156 participation certificates acquired as part of the 2018 share buy-back program. The capital reduction by cancellation is subject to publication in the Swiss Commercial Gazette and entry in the Commercial Register and is expected to be completed in the second half of the year 2019.

5. Dividends

The proposed dividend of CHF 1,000 (CHF 930 in 2018) per registered share and CHF 100 (CHF 93 in 2018) per participation certificate was approved at the annual general meeting held on May 2, 2019. The dividends were paid as of May 9, 2019.

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, 2019		December 31, 2018	
CHF million	Level ¹	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Fair value through profit or loss					
Derivative assets	1	25.7	25.7	27.1	27.1
Derivative assets	2	11.2	11.2	11.5	11.5
Marketable securities and short-term financial assets	1 / 2	0.3	0.3	1.6	1.6
Investments third parties	3	1.1	1.1	1.1	1.1
Total		38.3	38.3	41.3	41.3
Other financial assets at amortized cost ²					
Total		1,203.1	1,203.1	2,097.6	2,097.6
Total financial assets		1,241.4	1,241.4	2,138.9	2,138.9
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	1	0.2	0.2	–	–
Derivative liabilities	2	13.0	13.0	12.1	12.1
Total		13.2	13.2	12.1	12.1
Other financial liabilities at amortized costs					
Bonds	1	998.1	1,032.4	997.9	1,018.5
Loans		0.4	0.4	0.8	0.8
Non-current lease liabilities		438.9	438.9	–	–
Other non-current liabilities		6.2	6.2	6.6	6.6
Accounts payable		158.6	158.6	214.2	214.2
Current lease liabilities		61.3	61.3	–	–
Other accounts payable		42.1	42.1	56.2	56.2
Bank and other borrowings		9.9	9.9	12.3	12.3
Total		1,715.5	1,749.8	1,288.0	1,308.6
Total financial liabilities		1,728.7	1,763.0	1,300.1	1,320.7

1 Level 1 The fair value measurement of some financial instruments is based on quoted prices in active markets.

Level 2 The fair value measurement of some financial instruments is based on observable market data, other than quoted prices in Level 1.

Level 3 Valuation technique using non-observable data.

For financial instruments with a short term maturity date it is expected that the carrying amounts are a reasonable approximation of the respective fair values.

2 Contains cash and cash equivalents, accounts receivable, other receivables (excluding prepayments and current tax assets), and loans to third parties.

7. First-time Application of IFRS 16 – “Leases”

The Lindt & Sprüngli Group implemented the new standard on January 1, 2019, applying the modified retrospective method without restating the prior year. The right-of-use assets as at January 1, 2019 are measured at an amount equal to the lease liability in the balance sheet.

Impact of the first-time application

The future operating lease commitments disclosed on December 31, 2018, and the lease liabilities recorded on January 1, 2019 are reconciled as follows:

CHF million	
Operating lease commitments reported as at December 31, 2018	497.2
Discounting of future lease payments using the incremental borrowing rate	–97.1
Discounted operating lease commitments reported as at December 31, 2018	400.1
Short term and low value leases	–2.8
Adjustment of lease extension and notification options	168.6
Re-assessment of leasing contracts	–49.1
Other	–1.1
Lease liabilities reported as at January 1, 2019	515.7
whereof current	56.4
whereof non-current	459.3

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 3.3%.

The right-of-use assets are split as follows:

Asset categories

CHF million	June 30, 2019	January 1, 2019
Buildings	479.4	498.9
Vehicles	13.4	13.6
Other fixed assets	2.3	3.2
Total	495.1	515.7

Right-of-use assets in buildings contain in particular leasing of external warehouses, own stores and offices.

Reporting segments

CHF million	June 30, 2019	January 1, 2019
Europe	113.6	120.1
North America	317.1	330.8
Rest of the World	64.4	64.8
Total	495.1	515.7

Some property leases contain variable payment terms that are linked to sales generated from a store. For some stores, up to 100 per cent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable lease payments that depend on sales are recognized in the income statement in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in some of the leases across the Lindt & Sprüngli Group. The majority of these options are exercisable only by the Lindt & Sprüngli Group and not by the respective lessor.

The first-time application of IFRS 16 – “Leases” has the following impact on the financial statements:

Balance sheet

- Increase of the balance sheet total due to reporting of right-of-use assets and current and non-current lease liabilities

Income statement

- Increase of depreciation and interest expenses
- Reduction of lease expenses in operating expenses
- The reduction of the net income for half-year 2019 amounts to approximately CHF –4 million, triggered by higher interest expenses at the beginning of a lease (“front-load impact”)

Cash flow statement

- Increase of operating cash flow due to increased depreciation
- Higher cash outflow from financing activities due to repayment of lease liabilities

Accounting Principles

The Lindt & Sprüngli Group assesses whether a contract contains a lease at inception of a contract and recognizes a right-of-use asset and a corresponding lease liability for all arrangements in which it is a lessee, except for short-term leases of 12 months or less and low value leases. For these leases, the Lindt & Sprüngli Group recognizes the lease payments as an operating expense on a straight-line basis over the lease term in the income statement.

Lease liabilities are initially measured at the present value of the future lease payments from the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be determined, the Lindt & Sprüngli Group uses an incremental borrowing rate specific to the term and currency of the contract. Lease payments can include fixed payments, variable payments that depend on an index or rate known at the commencement date and extension option payments or purchase options, if the Lindt & Sprüngli Group is reasonably certain to exercise. The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment of the related right-of-use asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of options being reassessed.

The right-of-use assets are initially recognized on the balance sheet at cost, which comprises the amount of the initial measurement of the corresponding lease liability, adjusted for any lease payments made at or prior to the commencement date of the lease, any lease incentive received and any initial direct costs incurred by the Lindt & Sprüngli Group, and expected costs for obligations to dismantle and remove right-of-use assets when they are no longer used. Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease over the shorter of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are assessed for impairment whenever there is an indication that the balance sheet carrying amount may not be recoverable.

8. Events after the Balance Sheet Date

The unaudited consolidated semi-annual financial statements were approved for publication by the Audit Committee of the Board of Directors on July 22, 2019. No other events have occurred up to July 22, 2019, which would necessitate adjustments to the carrying values of the Lindt & Sprüngli Group's assets or liabilities, or which require additional disclosure.

Information

Agenda

January 14, 2020	Net-sales 2019
March 03, 2020	Full-year results 2019
April 24, 2020	122 nd Annual General Meeting
July 21, 2020	Semi-annual report 2020

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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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Imprint

Project lead: Chocoladefabriken Lindt & Sprüngli AG
Design, production, print: Linkgroup AG, Zürich



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