



LINDT & SPRÜNGLI

ANNUAL REPORT 2011

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For the past 165 years, premium chocolate manufacturer Lindt & Sprüngli has been committed to render top quality. With six production sites in Europe and two in the USA, 18 subsidiaries as well as numerous independent distribution partners, LINDT products are in the meantime available nearly all around the globe.

To ensure an impressive presentation of the LINDT product variety and to grant our loyal chocolate lovers an extraordinary shopping experience, increased investments have been made in the past years for the expansion of the LINDT retail department.

For this reason, we will take you in this annual report on a journey, starting in New York, with stopovers in Zurich, Tokyo, Sydney and San Francisco where we will show you some impressions of selected worldwide LINDT Boutiques, Shops and Chocolate Cafés.

We look forward to welcoming you during your next trip in one of our stores.

INCOME STATEMENT

		2011	2010	Change in %
Sales	CHF million	2,488.6	2,579.3	–3.5
EBITDA	CHF million	421.9	423.3	–0.3
in % of sales	%	17.0	16.4	
EBIT	CHF million	328.7	325.3	1.0
in % of sales	%	13.2	12.6	
Net income	CHF million	246.5	241.9	1.9
in % of sales	%	9.9	9.4	
Operating cash flow	CHF million	345.4	363.7	–5.0
in % of sales	%	13.9	14.1	

BALANCE SHEET

		2011	2010	Change in %
Total assets	CHF million	2,516.0	2,524.7	–0.3
Current assets	CHF million	1,643.5	1,672.7	–1.7
in % of total assets	%	65.3	66.3	
Non-current assets	CHF million	872.5	852.0	2.4
in % of total assets	%	34.7	33.7	
Non-current liabilities	CHF million	214.2	209.6	2.2
in % of total assets	%	8.5	8.3	
Shareholders' equity	CHF million	1,619.1	1,672.5	–3.2
in % of total assets	%	64.4	66.2	
Investments in PPE / intangible assets	CHF million	104.2	88.6	17.6
in % of operating cash flow	%	30.2	24.4	

EMPLOYEES

		2011	2010	Change in %
Average number of employees		7,779	7,572	2.7
Sales per employee	TCHF	319.9	340.6	–6.1

DATA PER SHARE

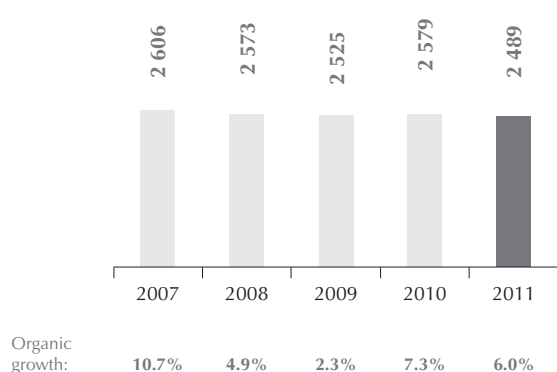
		2011	2010	Change in %
Non-diluted earnings per share/10 PC ¹⁾	CHF	1,084	1,061	2.2
Operating cash flow per share/10 PC	CHF	1,485	1,580	-6.0
Dividend per share/10 PC	CHF	500 ²⁾	450	11.1
Payout ratio	%	47.2	42.8	
Shareholders' equity per share/10 PC	CHF	6,960	7,266	-4.2
Price registered share at December 31	CHF	31,390	30,100	4.3
Price participation certificate at December 31	CHF	2,794	2,826	-1.1
Market capitalization at December 31	CHF million	6,982.3	6,762.5	3.3

1) Based on weighted average number of registered shares/10 participation certificates

2) Proposal of the Board of Directors

SALES

(CHF million)



OPERATING PROFIT (EBIT)

(CHF million)



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FINANCIAL YEAR 2011

CHAIRMAN'S REPORT



DEAR SHAREHOLDERS

I have pleasure in reporting that we met our growth and earnings targets once again in the last financial year. This achievement is all the more pleasing as global economic conditions worsened steadily in the second half of the year. The debt crisis gradually spread to more and more eurozone countries, creating massive uncertainty, not just for the financial sector but also for large parts of the population. As a result, unemployment rates in some countries rose significantly and consumer sentiment was correspondingly depressed. Practically all the national economies have had to revise their growth forecasts downwards – including countries outside the European Union. The global debt crisis and the strong franc also affected the Swiss economy, especially its important export sector. The USA was the only country in which economic performance and the situation on the employment market showed a slight improvement, even if that trend did fall short of expectations.

The increasingly rapid stream of worrying news from the economic and financial sector left its mark on the retail trade, too. Again, retailers were more reluctant to place orders and cut back their stocks in order to avoid possible cash flow difficulties. Especially in the Christmas business, which is particularly important for Lindt & Sprüngli as a premium supplier, the result often was that some products were already sold out before Christmas with no subsequent reordering.

Against this difficult economic background, the Lindt & Sprüngli Group succeeded once again in outperforming the market trend with organic growth of +6%. Converted into Swiss francs this result is equivalent to consolidated sales of CHF 2.489 billion (previous year:

CHF 2.579 billion); that figure clearly points out the negative impact of the strong national currency resulting in a currency-related decrease of 9.5% against sales expressed in local currency terms.

With its strong and flexible business model, Lindt & Sprüngli was well prepared to face the challenges and able to react fast and efficiently to the changed economic situation. Hence, we managed once again to achieve above-average growth in most of the European main markets and to gain new market shares. On the saturated Swiss domestic market where competition is particularly strong, we improved our position in all the segments month on month for more than one year, and even achieved the highest market share rate in the company's history in the pralinés segment. In the USA, our biggest and most important single market, growth once again exceeded the Group average. Both LINDT and GHIRARDELLI made an equal contribution to this sustained success. The strong Swiss franc as well as the prolonged downturn in some markets affected most notably exports from Switzerland as well as the travel retail business.

This sales performance, which proved very satisfactory on the whole, accompanied by significant market share gains, is the outcome of a long-term strategy designed to maintain our competitiveness even in difficult circumstances, and to secure the growth of the company on a sustainable basis. The main factors of our tried-and-tested business model have been clearly defined and are being implemented consistently. Alongside our uncompromising commitment to top quality, exclusive positioning in the premium segment and active innovation, geographical expansion plays a key role here with a view to generating profitable growth. We have been working for nearly 20 years on the attainment of this objective and have done so with demonstrable success. The premium position of the LINDT brand has been built up all over the world and placed on a strong basement. As a consequence, the export-oriented family business has grown into a globally operating group of companies with stout Swiss roots.

With external acquisitions in the USA, Italy, and Austria, the incorporation of our own subsidiaries in key markets and the accompanying responsibility for local business, as well as the successful search for new distribution channels, we have advanced our global presence step by step and are now active with the LINDT brand and our products in over 100 countries round the globe. Still more importantly, we have managed over a relatively short period to set up a permanent establishment in the USA, the world's biggest chocolate market, where we were still practically unknown just 20 years ago. That is an exceptional achievement in a challenging market in which many manufacturers have failed in the past. Today, the USA makes the biggest contribution to Lindt & Sprüngli Group sales, and is an excellent example of our systematic approach to successfully entering new markets.

Emerging markets in Eastern Europe, Asia, and South America have made their entrance onto this world economic stage in recent years. We needed to make a rapid analysis of the opportunities and risks presented by these new markets in order to exploit them fully with an eye to the future. This was done by developing a range of different concepts with a view to expediting

the geographical expansion of our group of companies. Not only did the formation of new subsidiaries prove to be an excellent and efficient approach, so too was the establishment of our own distribution concept which was adapted to the distinctive requirements of each individual market. Experience gained with our LINDT Chocolate Cafés in Australia showed how familiarity with the brand can be permanently established on a market with no traditional chocolate culture, and also how synergies can be achieved with the trade. The idea of opening our own points of sale in the shape of prestigious boutiques in downtown areas, or outlets in shopping centers, which do not compete in any way with the important trade partners, soon created the need for a special organization. In 2009, we therefore set up a separate International Retail department at Group level which is responsible for the attainment of the strategic objectives of our own distribution models.

To respond to these new challenges, the management structure of the Group was strengthened with the creation of an Extended Group Management. This team of four people supports the Group Management and assumes responsibility at the highest level. In this way the management expertise of the Group of companies is being extended and the path mapped out for the successful implementation of our strategic objectives in future.

A special highlight of the past financial year was the inauguration of the LINDT Chocolateria in Kilchberg on November 14 by our brand ambassador Roger Federer. With this new format which attests to our passion and expertise in the chocolate sector, we intend to bring the fascinating world of our Master Chocolatiers closer to a broad public audience through courses and experience workshops. The open days held until the end of the year proved an overwhelming success which will be continued with a regular program of activities.

The operating profit (EBIT) rose by 1.0% to CHF 328.7 million, equalling an improvement of the EBIT-margin of 60 basis points as compared to the previous year (CHF 325.3 million). The same goes for our net profit which increased by 1.9% to CHF 246.5 million (previous year: CHF 241.9 million) with a yield on sales of 9.9%. Hence, profit growth in 2011 exceeded the longterm target previously announced. The company's capital structure remains perfectly sound. At the end of 2011, cash flow stood at CHF 345.4 million. The current share buyback program, amounting to a maximum of 5% of the registered capital, was used to buy back registered shares and participation certificates with a total value of CHF 220 million by the end of 2011. This had a correspondingly positive impact on the average return on equity.

The price trend of Lindt & Sprüngli papers also proved favorable. They stood out as stable securities in a stock market environment which was confronted with uncertainty, especially in the second half of the year. With a value gain of 4.3% the Lindt & Sprüngli registered share clearly outperformed the SMI on the year (– 7.8%), reflecting the company's strong asset value.

At the Annual Shareholder's Meeting scheduled for April 26, 2012, the Board of Directors will be proposing a dividend of CHF 500.– per registered share and CHF 50.– per participation certificate in the form of withholding-tax-free distribution from the capital contributions reserve. This is equivalent to a increase of 11.1% on the dividend distribution of the previous year.

Good results are also always the outcome of shared efforts and the commitment of all our personnel, especially in challenging times. I therefore owe a debt of gratitude to the more than 7,700 highly motivated employees at every level whose performance is also recognized by the Group Management and Board of Directors. We also wish to thank all our business partners, customers and suppliers for their close and valued cooperation, and of course our shareholders who place their trust in the company .

OUTLOOK

The debt crisis is spreading more and more widely and increasingly influencing the global, financial and economic scene. The lasting consequences of this trend are hard to assess and reliable forecasts of any kind are practically impossible to make. This situation is compounded by volatility on the commodity markets and the uncertainty felt by consumers because of the worsening employment market. Overall, the economy must be ready to face exceptional challenges which may possibly be followed by major changes. We in the Group Management are convinced that, with our sound and reliable income and financial situation and a forward-looking corporate strategy which has proved its merit even in difficult times, we remain well placed to accept these challenges and achieve lasting success. We are therefore confirming our long-term growth and earnings targets and continuing to aim for sales growth of 6 to 8% and an increase in our operating profit margin of 20 to 40 basis points per year.



Ernst Tanner
Chairman and Chief Executive Officer

REVIEW OF 2011

HIGHLIGHTS

EXTRAORDINARY CREATIONS



In 2011, the LINDT Master Chocolatiers devoted themselves to the development of an especially innovative chocolate creation. Dark chocolate combined with Wasabi tackles all senses and complements perfectly the already existing variants with sea salt and chili.

GOLD BUNNY HELPS GOOD CAUSES



In a large-scale PR campaign under the auspices of singer Toni Braxton, Hollywood stars from the film and music industry signed LINDT GOLD BUNNIES made of porcelain. The GOLD BUNNIES were subsequently auctioned in favor of the charity organization “Autism Speaks.”

WORLD CHOCOLATE WONDERLAND



The chocolate market in China grows continuously. At the World Chocolate Wonderland in Shanghai the LINDT Master Chocolatiers presented their craftsmanship. The freshly made pralinés were handed out for tasting to an excited audience of more than 400,000 visitors.

LINDT BEAR AND CREDIT SUISSE



Lindt & Sprüngli is one of the first clients in the founding year of Credit Suisse in 1856. In 2011, Lindt & Sprüngli becomes part of a global image campaign of Credit Suisse and gets a prominent placement with the LINDT BEAR which causes a worldwide stir.

PLANT EXPANSION IN GERMANY



Autumn saw the ground-breaking ceremony of the extensive plant expansion at the German production site in Aachen, where around EUR 15 million has been invested in building a new logistics center, providing space for around 15,000 pallets in an area of 7,400 m².

ANNIVERSARY: 80 YEARS OF BATONS



The fine combination of select Swiss cherry brandy and the best LINDT chocolate has been a LINDT classic for 80 years. This quality product is made with the utmost care using traditional methods. Pure pleasure for chocolate lovers and connoisseurs!

SPICY CHOCOLATE FOR HALLOWEEN



The popular GHIRARDELLI SQUARES were launched just in time for Halloween in a matching seasonal flavor with pumpkin, spices, and soft melting caramel. These squares are available only for a limited time period and irresistibly good!

SUCCESSFUL LAUNCH OF LINDT BEAR



When something comes from the heart, say it in style with the new LINDT BEAR. Lovingly created by the LINDT Master Chocolatiers, it turns every message into a sweet little gift. The new LINDT BEAR sets gourmets' hearts racing.

BRAND AMBASSADOR

ROGER FEDERER

AUGUST 2011

SWEET BIRTHDAY GREETINGS



The LINDT Master Chocolatiers warmly congratulated Roger Federer on his 30th birthday, and sent him their sweetest greetings in the form of a hand-decorated chocolate box full of exquisite LINDT pralinés.



In addition, the LINDT Master Chocolatiers gave him a lovingly crafted card with birthday wishes from numerous LINDT chocolate lovers who contacted us from all over the world via Facebook.

NOVEMBER 2011

GRAND OPENING OF THE NEW LINDT CHOCOLATERIA



Brand ambassador Roger Federer opened the LINDT Chocolateria in Kilchberg with Ernst Tanner, CEO of Lindt & Sprüngli. Chocolate lovers will be able to watch the LINDT Master Chocolatiers behind the scenes, and make their own chocolate creations here in future.



During the opening ceremony, Roger Federer signed five copies of the new LINDT BEAR made of fine porcelain. These were auctioned at the Swiss online platform Ricardo in support of the Swiss winter relief charity Winterhilfe Schweiz, which celebrated its 75th anniversary in 2011.

NOVEMBER 2011

GRAND OPENING OF THE NEW LINDT CHOCOLATERIA





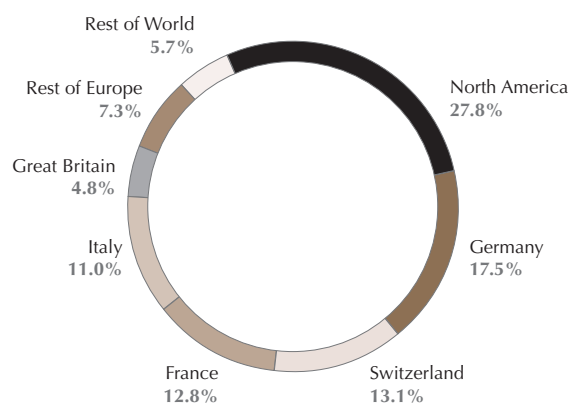


MARKETS

With eight production sites in Europe and the USA, 18 subsidiary companies and many independent distribution partners, Lindt & Sprüngli is the leading supplier in the global premium chocolate segment. The following summary gives a comprehensive overview of the main sales markets.

SALES BY REGIONS

in percentages



SWITZERLAND

In 2011 Chocoladefabriken Lindt & Sprüngli (Schweiz) AG reported sales worth around CHF 324.4 million. Because of currency factors in our export business, this was equivalent to a slight downturn of 1.2%.

Because of the bad news from the international financial world, consumer sentiment on the Swiss market worsened more and more as the year progressed. The exceptional strength of the franc brought weaker export activities, declining tourist numbers and a greater tendency for Swiss residents to do their shopping across the national borders. The chocolate market as a whole was not spared by these prevailing conditions, and consequently became less dynamic. Although exports to overseas markets proved just as difficult for LINDT as they did for others in this challenging environment, Lindt & Sprüngli did succeed in gaining market shares and achieving overall growth on the domestic market, thanks to the consistent pursuit of its premium brand strategy and intensified marketing activities. The opening ceremony of the new LINDT Chocolateria

in Kilchberg on November 14 by brand ambassador Roger Federer proved an unforgettable event. In the future, visitors will have the opportunity to get to know the fascinating world of the LINDT Master Chocolatiers and create their own chocolate masterpieces with their help.

GERMANY

In the year under review, Chocoladefabriken Lindt & Sprüngli GmbH achieved sales growth of 7.0% to EUR 350.8 million (previous year: EUR 327.7 million) and won further market shares in all categories.

The German economy benefited primarily from greater demand from the emerging countries and accompanying export growth. Because of higher disposable incomes and a decline in the number of unemployed persons, private consumption rose again for the first time in years. Despite the favorable prevailing conditions, the trend on the chocolate market as a whole remained flat. This is explained by ongoing intensive price promotions and the growth of low cost private labels, which amplify the price sensitivity of consumers. In this not altogether easy environment, the fact that LINDT succeeded in achieving strong growth in all product segments in Germany is therefore all the more welcome. As a result, further substantial market shares were gained once again. One special highlight was the product launch of the LINDT TEDDY, the new star of the Christmas assortment. To satisfy rising demand for LINDT premium chocolate the foundation stone was laid in 2011 for the construction of a new logistic center as part of a major investment project.

FRANCE

Lindt & Sprüngli SAS sales rose by 10.3% to EUR 257.6 million (previous year: EUR 233.5 million). LINDT was able to further extend its leading position once again.

Because of the bad weather prevailing in the summer months, the French chocolate market as a whole grew continuously throughout the year. LINDT was able to strengthen its position and win new market shares in all segments. In the chocolate tablet segment, LINDT remained the strong number one and was a dependable growth driver yet again. Seven new products were acknowledged among the top ten

innovations. This not only reflects the strength of the brand in its own right but also proves once again that LINDT is a leader in new product launches. The universally popular CHAMPS-ELYSEES pralinés were restyled in the year under review by the French star designer Ora-Íto and produced in a limited edition. A highlight of the year was the appearance of the LINDT Master Chocolatiers at the “Salon du Chocolat” in Paris, where they were able to give an impressive demonstration of their exceptional creativity and perfect craft skills to a big audience.

ITALY

Lindt & Sprüngli SpA and Caffarel SpA reported consolidated sales of EUR 221.4 million (previous year: EUR 215 million). This represents an improvement of 3.0% on the previous year.

Because of the euro crisis and the high level of Italian State debt, the government came under increasing pressure as the year advanced. This was accompanied by depressed consumer sentiment. Despite these circumstances, LINDT succeeded not only in maintaining its leadership in all segments but even gained further market shares. In the year under review, five new LINDT stores were also opened in big premium outlets. Because of our extensive presence in both the modern and traditional trade and our own LINDT shops, LINDT products are now available in almost every retail channel. The impressive appearance of the LINDT Master Chocolatiers at “Eurochocolate” in Perugia, by far the biggest chocolate trade fair in Italy with over two million visitors, was particularly noteworthy. This year attention focused especially on the launch of the LINDT BEAR which was prominently staged on the central Piazza in Perugia with a three-meter high sculpture made of LINDT chocolate. All the big shops in Perugia were decorated with the LINDT BEAR and LINDOR truffles, so creating millions of points of contact with consumers.

CAFFAREL specialties continue to be available through the traditional retail channels only which found it hard to maintain their position alongside the modern trade. Despite these not altogether easy conditions, CAFFAREL was able to defend its position. Its products were admired and presented in over 10,000 specialty stores. The typical GIANDUIOTTI

pralinés remain the most popular product admired for its outstanding quality.

NORTH AMERICA

With the LINDT and GHIRARDELLI brands in the USA and LINDT in Canada, Lindt & Sprüngli increased its cumulative sales in this region by 8.5% to USD 775.1 million (previous year: USD 714.2 million). LINDT and GHIRARDELLI once again enjoyed a leading position and proved to be the fastest-growing chocolate brands.

The sluggish economy and downgrading of the US credit rating were reflected in a high rate of unemployment and inflation, resulting in an extremely weak consumer sentiment.

Lindt & Sprüngli (USA) Inc. The American chocolate market as a whole grew by around 6%, which was largely attributable to price increases. On the other hand, the volume trend remained flat. With rising raw-material costs, Lindt & Sprüngli found itself obliged to make price adjustments. Then there was the fact that many trade partners made only very cautious advance purchases of seasonal products. The fact that LINDT again succeeded in maintaining the growth trend of previous years with growth amounting to 8.7% was all the more pleasing, thus enabling LINDT to remain the uncontested market leader in the US premium chocolate segment.

Ghirardelli Chocolate Company achieved growth of 10.5% and was therefore able to further expand its market leadership. The popular SQUARES reported particularly strong growth but also the chocolate specialty “Intense Dark” is showing an increasing appeal to chocolate lovers. An extensive marketing package as well as national TV spots and numerous other activities ensure that GHIRARDELLI is ever-present and enjoys a firmly established place in consumer awareness. Business in own retail outlets also continue to show substantial growth. This pleasing development will be promoted further with the inauguration of new units.

Lindt & Sprüngli (Canada) Inc. In Canada, too, LINDT remains the leading premium chocolate brand and with 3.9% grew faster than the chocolate market as a whole again. This was reflected anew in substantial market share gains. In the

course of the year under review, two new LINDT outlets were opened in Montreal and Quebec. Familiarity with the LINDT brand was further enhanced by its presence at selected events such as the “International Toronto Film Festival” or the “Stars on Ice” show.

GREAT BRITAIN

Lindt & Sprüngli (UK) Ltd. achieved sales growth of 3.2% in an extremely challenging economic environment marked by tax increases and the accompanying somewhat depressed consumer sentiment. Great Britain is Europe’s biggest chocolate market, making it vitally important for our group of companies to bring home to local consumers the traditional expertise of the LINDT Master Chocolatiers and the high quality of LINDT products. The premium brand values were therefore impressively demonstrated by frequent appearances of the LINDT Master Chocolatiers at seasonal events such as Valentine’s Day and Mother’s Day or at the “Chocolate Week” in London in mid-October 2011. Also worth mentioning is the fact that Lindt & Sprüngli (UK) Ltd. managed to achieve an outstanding performance in an overall declining market during the important Christmas period.

REST OF EUROPE

Lindt & Sprüngli (Austria) Ges.m.b.H. reported an above-average growth with 7.2%. The LINDT brand gained a record achievement in terms of market shares and is the fastest growing brand in Austria. **Lindt & Sprüngli (España) SA** managed to grow 2.0% under very difficult economic background conditions thus consolidating its position in a sluggish to declining market environment. **Lindt & Sprüngli (Sweden) AB** also serves the markets in Finland and Norway. Despite a flat chocolate market, welcome sales growth running into double digits was achieved in all three areas. In Sweden, LINDT has now become one of the leading brands in the premium chocolate segment. **Lindt & Sprüngli (Czechia) s.r.o.** ended the year successfully with high double-digit growth. This favorable trend is backed primarily by a strengthened brand presence and the expansion of distribution. These measures enabled our company to perform well above the trend of the chocolate market as a whole. In a price-sensitive market, **Lindt & Sprüngli (Poland) Sp. z o.o.** managed to win market shares.

In Russia, the chocolate market as a whole began to expand again for the first time in years whereby LINDT grew faster than the general market average. To bring the brand home to consumers, more television advertising was used in the big cities of Moscow and St Petersburg.

REST OF WORLD

In the year under review, **Lindt & Sprüngli (Australia) Pty. Ltd.** achieved growth of 2.4% against the previous year and was therefore able to maintain its leading position. Two further LINDT Chocolate Cafés were established during the year in Melbourne. Both got off to a strong start and generate positive feedback from consumers. Lindt & Sprüngli now has a total of four LINDT Chocolate Cafés in Melbourne and another four in Sydney. In the year under review, a new subsidiary company **Lindt & Sprüngli (South Africa) Pty. Ltd.** was incorporated in Cape Town, South Africa. To create consumer awareness of the brand, the craft expertise of the LINDT Master Chocolatiers was put on display at numerous shows in Johannesburg, Cape Town, and Durban. Chocolate courses are also regularly organized in the LINDT Chocolate Studio’s in Cape Town and Johannesburg.

Political unrest in several countries of the **Middle East** and **North Africa** had a corresponding impact on the progress of local business. We note with pleasure the fact that LINDT was able to maintain its leading position in the tablet segment in the United Arab Emirates, Israel, Lebanon, and Qatar and is the leading brand in the dark chocolate section in those countries. In many **Asian countries**, the premium chocolate segment is going from strength to strength with the result that LINDT was able to win substantial market shares. Particular importance attaches here to China where double-digit growth was achieved and the presence of LINDT products greatly expanded. The exhibition held in the World Chocolate Wonderland 2011 in Shanghai proved a perfect platform to celebrate typically Swiss chocolate culture and to let the Chinese discover the taste of LINDT chocolates. In the year under review another LINDT boutique was inaugurated at Omotesando in Tokyo. This will further encourage familiarity with the brand in Japan. LINDT’s market position was also greatly strengthened in Hong Kong, Taiwan, and Singapore.

DUTY FREE/TRAVEL RETAIL

Lindt & Sprüngli's travel retail business reported pleasing growth in 2011, although it did suffer from the strength of the Swiss franc. In this area particular significance is to be attached to the new presence of LINDT at Zurich Airport. A unique selection of the finest LINDT products is presented here in the new LINDT boutique. The product range is suitably completed by chocolate beverages and ice cream specialties. Arriving passengers in terminal 1 are now also welcomed by LINDT in the Duty Free arrival store. At the elegant LINDT counter, every traveler can find an ideal gift to take back to people at home. In 2011, LINDT successfully launched small-format premium tablets and hot chocolate gift packages. In addition, the proven SWISS PREMIUM NAPOLITAINS and the big gold and silver bars managed once again to enhance their best-selling position.

PROCUREMENT

In the year under review raw material procurement again proved highly volatile. This trend was attributable not only to fundamental factors, such as prevailing climatic conditions, production volumes and supply and demand, but continued also to be heavily influenced by speculation. On the cocoa bean futures market in London, prices once again fluctuated widely, largely under the influence of political unrest in the Ivory Coast. After an export ban had been imposed by the Ivory Coast on cocoa beans in early 2011, prices rose strongly. The situation did not ease until April when the export ban was lifted and the price per ton of cocoa went on to settle at around GBP 2,000. Because of the continuing favorable weather conditions in the growing areas, the price per ton of cocoa had fallen to GBP 1,700 by the end of October and even declined to GBP 1,304 at the end of 2011. The high price volatility observed on the sugar market in the past two years continued. The reduction of the area under cultivation as a consequence of the EU sugar market regulation resulted in a supply shortage in Europe; sugar prices therefore remained very high. Moreover strong world market prices were observed because of unexpected changes in harvest forecasts by the world's biggest growing countries. In 2011 the situation on the milk market remained tense. This is explained by rising global demand for milk products at a time of falling production. In the dried fruit segment, the price demanded for

hazel nuts was once again unusually high. Prices charged for almonds and coconuts also remained high. On the packaging material side, because of structural changes made by the manufacturers and accompanying capacity shortages, prices of aluminum, paper and cardboard rose further.

PRODUCTS

Lindt & Sprüngli is the worldwide leader in the premium chocolate segment and one of the few manufacturers with complete control over the production process. This starts with the selection of the most exquisite cocoa beans and ends with the elegant packaging. To guarantee top product quality, our uncompromising quality commitment is rigorously maintained throughout the entire manufacturing chain. As well as requiring that all incoming raw materials meet the strictest possible standards, we also carry out regular quality checks through all stages of cocoa processing and chocolate refinement.

In product development, the LINDT Master Chocolatiers can draw on over 165 years' worth of experience. They are constantly developing innovative flavors, optimizing existing recipes and making a valuable contribution to the extraordinary design and decoration of the individual products with their creativity. When developing new chocolate specialties, it can often take several years from the initial idea to the finished product. Nothing is left to chance here. Extensive preparation includes consideration of detailed market research results, as well as in-depth feedback from internal specialists and numerous test consumers, which are fed in throughout the entire development phase. This ensures that the product on the market ultimately meets consumers' requirements. It is no coincidence that Lindt & Sprüngli has always had a successful innovation rate. Many of our products go on to last for generations and gain in popularity with our customers year after year.

It is hard to say exactly how many different products the LINDT Master Chocolatiers create worldwide, as the range is adapted to the various tastes in each country. A few selected main products are presented in more detail below with reference to the year under review 2011.

CHOCOLATE TABLETS CREATION



A new line of tablets called CREATION was launched in 2010. The delicious tablets are available in numerous extraordinary variants, and are particularly aimed at consumers who have a taste for filled tablets. This connoisseur's product line was first launched on the French market, where Lindt is the undisputed number one in the filled tablet segment. The line has since

gone on to become established in Europe. The range of flavors varies from country to country, even though some recipes, such as "Crème Brûlée," "Noir Orange," and "Rocher Lait," have international appeal. For lovers of dark chocolate, selected CREATION recipes are also available in dark chocolate. However, this range also includes the widely known and hugely successful trio of classic "Mousse au Chocolat" tablets made of white, milk and dark chocolate. With double-digit growth in France, the CREATION line is also helping to reinforce LINDT's leading position in the filled-tablet segment in other markets.

EXCELLENCE



Lindt & Sprüngli has played a key role in shaping the trend towards dark chocolate from the outset. The first tablets with a very high cocoa content were produced by the French subsidiary back in the late 1980s. The Group thus proved its flair for innovative products once again. Since then, the EXCELLENCE line has become firmly established worldwide and is now the Group's

main sales driver in the tablet range. As the number of flavors has been constantly increased over the years, the right product for every consumer is now available. The most popular variety in the world is the variant with 70% cocoa content. However, Swiss consumers are particularly fond of "Orange Intense," as shown by an extensive survey of our shareholders in 2010. In the 70% to 99% cocoa content categories, EXCELLENCE tablets are mainly of interest to particularly discerning chocolate lovers who appreciate a rare taste experience. To open up the world of dark chocolate to

these discerning gourmets, numerous tasting events are held each year in various formats such as “EXCELLENCE & wine,” “EXCELLENCE & whiskey” and “EXCELLENCE & cigars.”

PASSION CHOCOLAT



To give consumers an impressive illustration of the handiwork of the LINDT Master Chocolatiers, an all-new premium tablet called PASSION CHOCOLAT was launched in 2010. At first, the product range only consisted of two selected recipes, “Orange & Pistache” and “Caramel & Fleur de Sel.” These thinner-than-normal tablets are made of delicately melting chocolate that is a treat for all the senses, with scatterings of special ingredients such as crispy caramel pieces and crunchy slivers of sea salt. The high-quality packaging with a window gives a small glimpse of the fine contents inside. The product launch was extremely successful worldwide. Consequently, the “Amandes & Vanille Bourbon” variant was added to the line in the year under review. This tablet also became an instant best seller and has inspired the LINDT Master Chocolatiers to aim even higher in future. They are already working on a new PASSION CHOCOLAT tablet that is set to appear in 2012. Exciting news for our loyal consumers!

GHIRARDELLI SQUARES



The SQUARES are made by our subsidiary Ghirardelli Chocolate Company and are only available in the USA. The all-year-round range is available in many different flavors. It is also complemented by special seasonal limited editions. For example, the “Dark Chocolate & Strawberry” SQUARES are particularly popular on Valentine’s Day, the “Pumpkin & Spice” SQUARES in fall and at Halloween, and the SQUARES with advocaat or peppermint flavor in the Christmas period. Around 800 million individual SQUARES were produced in the year under review, making this successful product one of GHIRARDELLI’s key sales drivers. The best seller in this extensive range is the “Milk & Caramel” flavor.

SEASONAL GOLD BUNNY



The LINDT GOLD BUNNY is around 60 years old. Over the years, it has become a real Easter icon as a result of considerable and continuous marketing investment. In its various sizes and guises, it hopped over the counter more than 100 million times worldwide in the year under review. To further increase the popularity of the GOLD BUNNY, large sums of money are invested in its presence during the crucial Easter period year after year. This includes the much-noticed GOLD BUNNY Smart cars, which have been on the road in many countries for several years dispensing small chocolate bunnies, as well as large inflatable GOLD BUNNIES in various sizes, which are put up in department stores, railway stations and airports, and on the roofs of gas stations. There are also numerous treasure hunts in various forms, ranging from online puzzles through iPhone apps to conventional competitions. The highlight of the year under review was the auction of porcelain GOLD BUNNIES in the USA. These were signed in advance by a host of famous Hollywood stars from the world of music and film and then auctioned for charity. All proceeds from the auction were donated to the aid organization “Autism Speaks,” which supports autistic children. The patron of the campaign was the singer Toni Braxton, whose own child suffers from autism.

LINDT BEAR



To build on the triumph of the GOLD BUNNY during the Easter period, the LINDT BEAR was launched as part of the global Christmas range in 2011. With its festive packaging and pleated red bow, the LINDT BEAR is the perfect companion for the successful GOLD BUNNY. The small red heart charm represents the attention to detail that is the hallmark of the LINDT Master Chocolatiers. The LINDT BEAR is available in various formats, and quickly became the best seller during the Christmas season. To mark the launch, brand ambassador Roger Federer signed five LINDT BEARS, which were sold via an

auction Web site. All the proceeds went to the Swiss winter relief charity Winterhilfe Schweiz, which celebrated its 75th anniversary in 2011. The appearance of the LINDT BEAR, which chiefly appeals to consumers at the emotional level with its festive presentation, was publicized on a large scale through eye-catching displays at point of sale, attractive “Say it with the LINDT BEAR” online promotions and impressive print campaigns in popular general-interest magazines. One particular highlight in the year under review was the showcasing of the LINDT BEAR in an image campaign of Credit Suisse, which gained significant exposure worldwide.

PRALINES LINDOR



LINDOR has been a closely-guarded recipe of the LINDT Master Chocolatiers for over 60 years, and the truffle with the firm shell and endlessly delicately melting center is always a special treat. In all flavors, the LINDOR product line has gone on to become the key growth driver worldwide, and is the Group's biggest sales mainstay by far. Around 2.7 billion truffles in a wide variety of flavors rolled off the production belt in Switzerland, Italy, and the USA in 2011. As well as making an excellent treat, LINDOR balls are also ideal gifts in high-quality, seasonally-adapted packaging. The most popular LINDOR truffle in the world is the milk chocolate variety. In its red packaging, it even enjoys huge popularity in China, where red is considered a lucky color. In the year under review, the entire product line underwent a slight makeover, giving it a more contemporary look. The philosophy behind the changes to the much-loved classic was “evolution, instead of revolution,” meaning that loyal LINDOR fans will continue to recognize the packaging on the shelves. This clearly shows that a traditional brand can be further developed successfully over several years, taking into account all its key values, without it ever going out of fashion. To make LINDOR truffles accessible to an increasingly wide audience, significant investment was again channeled into an extensive global marketing package in 2011. As well as publicizing the truffles through conventional advertising channels such as print and TV, this

also included the sampling campaigns of the LINDT Master Chocolatiers at point of sale, for example during the LINDOR Festival in Switzerland, and at selected, prestigious events like the International Film Festival in Toronto and the “Salon du Chocolat” in Paris.

CONNAISSEURS



The CONNAISSEURS pralinés, which were relaunched in a large-scale campaign in 2010 after a two-year revamp, performed extremely well in the year under review. Additional marketing activities generated new impetus and the brand has become further established in the minds of consumers. Targeted promotional offers also led to a large number of extra impulse purchases. As a result, as well as long-standing consumers, many new ones experienced the pleasure of the refined recipes, which impress with their unusual shapes and new flavors. The elegant packaging, which makes this product line one of the finest chocolate gifts all year round, again went on sale with new formats and packaging in a particularly festive version over Christmas. In Switzerland, the CONNAISSEURS pralinés became the leading brand in the pralinés segment in 2011.

CHAMPS-ELYSEES



During the extremely important “Fêtes de fin d'année” period in France, LINDT brings out elegant, high-quality pralinés gift boxes year after year. The assorted CHAMPS-ELYSEES selection has been particularly popular with French consumers for several decades, and comes out in a special presentation every year. Renowned French artist Ora-ïto was commissioned to design the special packaging in 2011. His design, which was only available as a limited edition, met with widespread approval. In addition, the entire assortment was revamped and optimized. The end result was a collection of the best recipes. With this and other pralinés ranges, LINDT again consolidated its leading position in the French Christmas market with attractive gift offerings.

CAFFAREL GIANDUIOTTI

Caffarel SpA was established in 1826 and is based in Luserna San Giovanni, Italy. Lindt & Sprüngli purchased the company in 1997 as part of the geographical expansion of the Group. Gianduiotti are the best-known product by far. They are triangular in shape, and their taste is unmistak-



ably unique. Crunchy Piedmont hazelnuts give the secret recipe that certain something. Gianduiotti are only available in Italy. Fortunately, however, they can also be found in the regular pick & mix range in Lindt & Sprüngli's own stores. The actual history of the gianduiotto dates back to 1852, when Caffarel launched a totally new kind of product for the first time. To make

this specialty, different cocoa varieties were mixed together and enriched with sugar as well as the choice Piedmont "tonda gentile" (round and sweet) hazelnut, which is famous for its fine, exquisite taste. This thick, aromatic mixture resulted in a really special praliné unlike any other in every respect: it was a true product of the confectioner's art, as each praliné was shaped individually. Its original name was "givu," a Piedmont dialect word. Later on, this was changed to "Gianduiotto," a nickname that was to become hugely familiar to chocolate connoisseurs worldwide. The inspiring force behind it was "Gianduja" or "Gian d'la duja" (Giovanni del boccale). With his prominent hair peak and tricorne hat, he was one of the best-known Piedmont masks, a symbol of the fight for freedom and independence in Piedmont in 1799. During the 1865 carnival, these jovial and popular "maschera" spontaneously handed out the new Caffarel pralinés to the people. And so Caffarel has had the great honor of calling its creation "Gianduia 1865 – the authentic gianduiotto from Turin" ever since.





CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

Lindt & Sprüngli is convinced that sustainable and socially responsible action is an important prerequisite for the company's long-term economic success. This issue is therefore dealt with at the highest management level and additionally monitored by a committee at Board of Director level (CSR Committee).

→ Corporate Governance Chapter,
Corporate Social Responsibility Committee, page 39

The group of companies has formulated clear guidelines on the subject of sustainability which are reviewed, adjusted and further extended year on year. These guidelines and other information about various memberships and activities can be consulted by all the stakeholder groups at any time in a separate chapter on the Lindt & Sprüngli Web site.

 www.lindt.com/csr

Site policy — Lindt & Sprüngli is strongly committed to its long-standing Swiss base. Substantial investments have therefore been made in the past 20 years to expand the sites in Kilchberg (chocolate production), Olten (cocoa mass production) and Altendorf (logistics). New jobs have been created as a result. Lindt & Sprüngli (Switzerland) AG is not only the biggest exporter within the Group which supplies cocoa mass to the sister companies in Germany and Italy, and exports finished LINDT products overseas, but also the biggest employer on the left bank of Lake Zurich. That in turn creates great social responsibility. To safeguard future growth, geographical expansion plays a particularly important role and is driven forward by the incorporation of subsidiary companies. The group of companies currently has a total of 18 independent subsidiary companies and a number of representation offices.

Personnel — In 2011, Lindt & Sprüngli employed more than 7,700 persons worldwide. To prepare young people to take over future responsibilities, the number of training places for apprentices is being constantly increased and extended to include new specializations. In Switzerland, Lindt & Sprüngli trains some 40 apprentices for a number of different posts. The employees show an above-average level of commitment, excellent professional expertise and high identification with the products and with the company itself. Lindt & Sprüngli

promotes employees with a long-term perspective at every level of the organization. The Group attaches particular importance to core values such as trust, fair play, team spirit, and mutual respect, which are firmly anchored in the corporate credo.

 **Company Credo**
[www.lindt.com/int/swf/eng/company/
social-responsibility/policies/](http://www.lindt.com/int/swf/eng/company/social-responsibility/policies/)

Diversity within the workforce is an important factor which is suitably encouraged. People from every continent work at Lindt & Sprüngli. They are employed in an integrative working atmosphere, regardless of origin, social background, religion, gender, and age. Moreover, Lindt & Sprüngli has always provided adapted workplaces for disabled persons.

Safety at the workplace — Safety at the workplace is a top priority. Carefully developed prevention programs and regular training sessions play an important role here. A binding "health & safety" program was introduced some years ago for all the production companies belonging to the Group. Compliance with that program is verified by internal audits. The program, which is designed to achieve proactive improvement of safety at work within the company, has now become a firm feature of the corporate culture and is implemented by our staff members in an exemplary fashion. With these and other measures in all our group member companies, the Lindt & Sprüngli Group management is committed to its social responsibility for the safety of all its employees.

Consumers — The numerous enquiries received from consumers in all the subsidiary companies worldwide cover many different subjects and range from general product information through complaints and suggestions to special issues of sustainability. As the number of enquiries has risen strongly in recent years and consumer care is accorded great importance throughout the business, a new customer relationship management system (CRM) has been implemented in the past two years; it enables all enquiries to be recorded centrally and relevant issues to be identified. This ensures that enquiries are answered efficiently and in a timely manner and that service to consumers is assured even after they have made their purchases.

Supplier Code of Conduct — As a leading global premium chocolate manufacturer, Lindt & Sprüngli is committed to ethical and socially responsible company management. The same conduct is expected of our suppliers who make a written commitment through the Suppliers' Code of Conduct. They undertake to comply with laws and regulations concerning working conditions and the environment. The code is binding and compliance is verified on a random sample basis from time to time. In the year under review, in cooperation with an external expert, key emphasis was placed on the suppliers of packaging materials by means of comprehensive self-assessments and subsequent on-site audits. The results acquired for these audits is now being passed on to the suppliers in a next step and its implementation will be reviewed again in follow-on audits.

Environment — The Group's environmental guidelines form the basis for the long-term achievement of our objectives, namely the conservation and regeneration of ecological resources. Through involvement in international initiatives such as the "Carbon Disclosure Project," Lindt & Sprüngli's efforts are measured and compared with those of similar businesses. The data acquired in this way provide the basis for the latest and future efforts by the group of companies to cut CO₂ emissions. The annual reports have been printed by a climate-neutral process since 2008. The volume of CO₂ produced during printing is calculated and neutralized by purchasing emission reduction certificates. In addition, the annual report is printed on FSC paper from a controlled source. To ensure responsible paper consumption, since 2010 the Annual Report is only sent out on special request.

Social Commitment — In the year under review, many donations and product contributions were made by all subsidiary companies to local organizations, associations, and social schemes. Particular importance attaches here to the newly launched project partnership between Lindt & Sprüngli and the Roger Federer Foundation for Winter Aid Switzerland. When the new LINDT Chocolateria was inaugurated in mid-November in Kilchberg, a "Meet & Greet" with Roger Federer as well as five LINDT BEARS made of porcelain and signed in his own hand were auctioned at the Swiss online auction house Ricardo. The proceeds amounting to a total

of CHF 7,451 were donated in full to Winter Aid Switzerland which has benefited for many years from support by Lindt & Sprüngli (Switzerland) AG. This action marked the start of a project partnership between Lindt & Sprüngli and



Janine Händel, Roger Federer Foundation, Ernst Tanner, Roger Federer and Daniel Frei, Swiss Winter Aid, launch a five-year project partnership.

the Roger Federer Foundation in favor of a winter aid assistance program for deprived children in Switzerland. The arrangement stipulates that both partners will donate equal amounts of CHF 80,000 each year for the next five years, making a total of CHF 400,000. This initiative is designed to remedy the social isolation of children living in poverty.

SUSTAINABLE COCOA CULTIVATION

Sustainable Cocoa Cultivation — To guarantee the high quality and unrivalled taste of our product, stringent selection of the finest raw materials is imperative. That is why we only use the finest cocoa varieties, consisting in large measure of high-grade cocoa which is mainly cultivated in Latin America, the Caribbean and in a few other specially selected growing areas which meet stringent climate and soil criteria. It accounts for only a small fraction of the world cocoa harvest. Lindt & Sprüngli covers its need for consumer cocoa from Ghana, where one of the finest varieties is grown.

Selection of the finest quality cocoa beans is therefore of the utmost importance for Lindt & Sprüngli's premium products. Equally important, however, is the need to guarantee that cocoa beans are cultivated and harvested under socially acceptable and sustainable conditions. In particular, we condemn any form of unlawful child labor, wherever it may occur. That is one of the reasons for which we have been covering our entire consumer cocoa requirement from Ghana alone since 2006.

Our corporate credo stipulates that we will act equitably in relation to all our partners. Compliance with sustainable rules of conduct therefore also assumes great importance in the procurement of our raw materials. This involves respect for social and societal issues such as working conditions and income of farmers in the growing countries, support and promotion of environmentally-friendly production conditions, and payment of equitable prices for raw materials which meet our essential quality requirements and for which we are willing to pay a reasonable price supplement.

The existing organizations which supply certified cocoa beans are not, in our view, able to guarantee cocoa in the quality and quantities needed by us on a continuous and permanent basis. We therefore do not procure cocoa through such organizations but look for other ways of ensuring responsible and sustainable use of our most important raw material, cocoa.

As a consequence, Lindt & Sprüngli has itself become active in sustainable cocoa procurement and in recent years has played a determining role in setting up a specific purchasing model for traceable cocoa from Ghana. This has been done primarily in the conviction that the traceability of cocoa beans is the

key basic requirement to ensure better control of the procurement chain and therefore directly ameliorate unacceptable local conditions.

Collaboration between Lindt & Sprüngli and its local cocoa suppliers in Ghana is a way of guaranteeing adequate availability of the finest-quality cocoa beans and their complete traceability back to the individual villages. For the procurement of cocoa beans under this project, Lindt & Sprüngli pays a special premium per ton of cocoa. This premium is targeted on local social projects, e.g. via the non-profit organization Source Trust. Lindt & Sprüngli is not only one of the founding members of Source Trust but also, under its aegis, one of the biggest purchasers of traceable cocoa beans from Ghana.

Since this partnership began in 2008, several million US dollars have been invested in this way in the development of the regional infrastructure. This not only includes the equipment of villages with wells to provide a safe and clean drinking water supply but also in the distribution of mosquito nets to prevent malaria.



Malaria is a widespread disease in Africa. In the LINDT districts in Ghana, 40,000 mosquito nets sponsored by Lindt & Sprüngli have been distributed so far.

In addition, this money is used to finance major special projects. For example a new junior high school was inaugurated in the Dunkwa district in September 2010. Here young people aged 12 to 15, in three classes with an average membership of 40 pupils each, divided up by age groups, receive tuition

in mathematics, English, natural science, agricultural science, and sport, while their parents work in the cocoa plantations. The construction of further schools in other districts is currently at the planning stage.

Another part of this special premium is for example allocated to Village Resource Centers (VRC). These consist of a prefabricated structure equipped with a number of computers with internet access. The VRCs are always set up near schools and are used in the daytime by pupils as part of the regular teaching syllabus. In the evenings and at the weekends these facili-



In 2010, a new Junior High School in Dunkwa, Ghana, has opened, which was built with a part of the donations by Lindt & Sprüngli.

ties are available to the farmers who therefore gain convenient access to all kinds of training units focused on the subject of cocoa growing. In the long term, these lessons have a positive impact on the sustainable optimization of cocoa bean quality and help to increase harvest yields.

The expedient use of resources financed by Lindt & Sprüngli is verified at regular intervals by visiting delegations from the company at the highest Group level. In the year under review a visit was also organized by the umbrella association Choco-suisse. The results demonstrate that with this unique purchasing model Lindt & Sprüngli is making a real contribution to the promotion of socially compatible and economically fair conditions for cocoa growers in Ghana.

 www.sourcetrust.org



The Village Resource Centers (VRC) consist of a unit construction which provide computer and internet access. In this way, farmers get convenient access to training sessions.

Based on the positive experience gained with the purchasing model in Ghana, a similar project was set up for the procurement of fine cocoa from Latin America. After initial clarifications with local partners in previous years, in the year under review some traceable cocoa beans were procured from Ecuador and Madagascar for the first time. The project has got off to a good start and will be further extended in coming years.

In addition Lindt & Sprüngli advocates the sustainable growing of cocoa plants through active membership of various organizations such as the World Cocoa Foundation or the African Cocoa Initiative.

Further reading:

 www.lindt.com/csr

REPORT

“LINDT INTERNATIONAL RETAIL”



First design concept for the new LINDT Boutique du Chocolat on 5th Avenue in New York, which opens its doors early 2012.

Rudolf Sprüngli laid the historic foundations for the modern-day Group in 1845 at a small confectioner's shop in Marktgasse, Zurich, by making chocolate in solid form. Over 165 years later, Lindt & Sprüngli is now the world's leading producer of premium chocolate. This is manufactured at six production facilities in Europe and two in the USA, and sold by 17 of the company's own subsidiaries and a widespread network of independent distributors worldwide. Consequently, LINDT quality chocolate is now available in the major chocolate markets in standard retail as well as duty free segment, thus making LINDT a global premium brand. This ensures that loyal consumers can buy their cherished LINDT chocolate practically anywhere in the world.

The expansion of the worldwide distribution of LINDT products is probably one of the company's most outstanding achievements in the past two decades: when the current management team took over the reins in the early 1990s, there were numerous gaps on the global map. The aim of the geographical expansion of the Group was to gradually close these gaps. For instance, over the last 20 years, large sums have been invested in building up a professional sales team, which has pursued new distribution channels as well as developing existing retail channels. The main long-term aim here was to strengthen LINDT's presence with its own sales strategy in urban areas, for example in the central retail strips of major conurbations. At the same time, this approach benefited unit sales of LINDT products in the conventional retail channels, which can gain from the extra impetus that greater familiarity with the LINDT brand provides.

Tapping into the biggest chocolate market in the world —

When Lindt & Sprüngli took its first steps into the USA in the early 1990s in order to establish the LINDT brand on the North American market, a network of LINDT-owned boutiques was opened after extensive market analyses. Initially, the aim was to familiarize American consumers with the LINDT brand by impressively highlighting the diversity of the product range whilst emphasizing its premiumness, quality commitment, and Swiss tradition. After around ten years, LINDT products were available almost everywhere in the American retail sector, meaning that the own shops had served their original purpose. The number of shops was consequently reduced to around 35 units in selected locations.

The long-established Ghirardelli Chocolate Company of San Francisco, California, which Lindt & Sprüngli acquired in 1998, earned an outstanding reputation in the premium chocolate segment back in the 1960s with a standalone retail concept. Some of the shops, which are still mainly focused on selected locations on the West Coast, also feature an attached restaurant. Extravagant ice cream creations and delicious chocolate drinks can be consumed there. One particularly popular dish is the “hot fudge sundae,” an ice cream dessert served with whipped cream and toffee sauce and available in various flavors. A comprehensive selection of GHIRARDELLI products are also on sale in the shops. All this is complemented by typical souvenir items from San Francisco.

With hindsight, the business of LINDT and GHIRARDELLI in North America can thus be seen as paving the way for the expansion and enhancement of LINDT's own retail concept. Once this sales model in North America began to bear fruit, several LINDT shops were soon opened in other countries. At first, the respective subsidiaries assumed responsibility, by planning, setting up, and running the retail units themselves. As a result of the decentralized structure of Lindt & Sprüngli in general and the resultant relatively autonomous operations of the subsidiaries in particular, a large number of different shops were set up over time with no overarching design concept.

On to pastures new — To ensure better coordination and, in particular, more homogenous structuring of the expansion strategy and the staged opening of further retail stores in future,

an “International Retail” department was created and a specific and groupwide LINDT retailing concept was developed two years ago. The aim of this concept is to create an additional pillar through LINDT-owned chocolate cafés, boutiques, outlets, and factory shops that impressively showcase the entire range of products. In addition, this approach perfectly complements the sale of LINDT products through existing retail channels. The main objective is to strengthen the brand image as a leading top-quality chocolate provider and achieve a promotionally-effective impact, thus boosting sales of the product range through conventional retail channels.

Hansjürg Klingler, Group Management member responsible for “International Retail,” explains: “Right from the outset, it was clear that we were going down a completely new path and entering uncharted territory by establishing a standalone retail department. That is why we decided to centralize this expertise at head office in Kilchberg instead of transferring it to the individual subsidiaries, as was previously the case. With this strategic objective in mind, the ‘International Retail’ department was created in 2009.”

Derek Tanner, head of the “International Retail” department in Kilchberg, adds: “Initially, the aim was to establish a shop concept that not only supports but also further entrenches the values of our brand and our associated positioning as a leading company in the premium chocolate sector. It was also about developing a uniform shop design that has a clear identity and is therefore recognizable to consumers worldwide.”

Carefully selected locations — The selection of suitable locations is a crucial factor when opening new shops. Factory sales are always linked with a production company. To find optimum sites for the cafés, boutiques, and outlets, valuable contacts were cultivated with major shopping center operators and real-estate specialists. LINDT boutiques are situated in the center of major cities, on main retail strips such as Stachus in Munich and 5th Avenue in New York. The same applies to the chocolate cafés in Australia and Japan. LINDT outlets are situated at carefully selected locations in North America and in all key European chocolate markets. Foot traffic, the environment and the neighborhood are all top priorities in the selection process. However, the overriding aim is to create

a destination where we can present our products to consumers and thus gain loyal customers for our shops as well as the established retail channels.



LINDT Outlets consist of an elegant interior fitting in warm brown and noble gold colours.

Exclusive ambience — The main focus here is to create a pleasant and enjoyable atmosphere in the shops in order to showcase the products and premiumness appropriately. Based on the theme of chocolate and the LINDT logo, warm shades of brown and refined shades of gold are predominantly used here, combined in perfect harmony to reflect the elegance of the products. Other features are choice furniture, subtle lighting and elaborate decoration in keeping with the season. On entering the shop, customers step into the world of the Master Chocolatiers. If they are lucky, they may even meet a Master Chocolatier in person, making the finest pralinés by hand and giving out free samples to taste.

Extensive advice — For over 165 years, LINDT's core area of expertise has been making specialty chocolate products in the upper premium segment. The important things here are presenting this expertise in an attractive retail space with a corresponding product range, and giving individual advice to customers through attentive, well-trained staff. As well as highlighting the long-standing expertise and passion of the LINDT Master Chocolatiers, direct contact with consumers also gives an opportunity to present new products and provide assistance in choosing the right product.

Impressive range — The entire product range is presented at LINDT's various points of sale. This includes the all-year range as well as the seasonal collections. In addition, there are selected exclusive offers throughout the year that are not available in this form in conventional retail, such as a special "pick & mix" range where customers can individually put together their own chocolate selection. Elegant presentation boxes, refined ribbons and bows as well as high-quality carrier bags reinforce consumers' belief that they have purchased a wholly exclusive product, which is a key factor in their special shopping experience. Top-class fresh products such as chocolate drinks and chocolate cakes, ice creams and macaroons that perfectly complement the existing range are on sale in the LINDT Chocolate Cafés and bars.

LINDT Chocolate Cafés — A subsidiary was set up in 1997 in Australia. To accelerate market entry locally and increase the recognition of the LINDT brand throughout the country, an innovative, individual experience concept was developed in the form of a LINDT Chocolate Café. The first café was opened at a prime location on Martin Place in Sydney in 2004.



LINDT Chocolate Café on Chapel Street, a big shopping street in Melbourne, Australia.

As it was a great success, further branches soon followed. For instance, Sydney and Melbourne now have four LINDT Chocolate Cafés each. The café concept thus proved its worth there, and was subsequently employed to tap into other new chocolate markets, for example in Tokyo, where the Group opened two of its cafés in 2010 to gain a foothold in the promising Asian market. Fabian Ubenauf, who is responsible for the strategic

expansion of the shops at “International Retail,” comments: “The examples in Australia and Japan show that the LINDT Chocolate Cafés have become a pioneering model for establishing the LINDT brand in growth markets. As part of the Group’s ongoing geographical expansion, we are therefore constantly looking to open further cafés in additional locations. We are proud to announce that new properties are already in the planning stage.”

LINDT Boutique du Chocolat — At present, there are boutiques in Munich, New York and, most recently, Kloten Airport in Zurich. An elegant LINDT boutique was opened in July 2011 on level 2 of the airport’s Airside Center, selling premium chocolate products that are mainly tailored to the needs of tourists, and are therefore highly suitable as gifts. Airline passengers can also relax in the Chocolate Bar with a cup of drinking chocolate or get in the mood for their trip with a selection of tasty ice creams. There are plans to open two new boutiques in Florence and New York in 2012.

Chocolate Shop in a prime location will open its doors there, with an official inauguration ceremony marking the start of GHIRARDELLI’s 160th anniversary celebrations. A free GHIRARDELLI SQUARE for each visitor and the opportunity to enjoy one of the legendary “hot fudge sundaes” in the restaurant will make the experience even sweeter for the visiting crowds in future. The shop in Anaheim is set to continue the success story of its predecessor which was opened 13 years ago at Disney World, Florida.

These examples impressively demonstrate the many facets and the future potential of the new International Retail department.



GHIRARDELLI Ice Cream and Chocolate Shop in Monterey, San Francisco.

Ghirardelli Ice Cream and Chocolate Shops— The Ghirardelli Chocolate Company has been operating its own highly successful network of shops for nearly 50 years. It currently has 14 units that sell a wide range of chocolate and souvenir products. The next major opening is scheduled for mid-2012 in Anaheim, Los Angeles, in the popular Disneyland theme park, which was established in 1955 and has since welcomed more than 600 million visitors. A Ghirardelli Ice Cream and





CORPORATE GOVERNANCE

GROUP STRUCTURE AND SHAREHOLDERS

GROUP STRUCTURE — The Lindt & Sprüngli Group is globally active, developing, producing and selling chocolate products in the premium quality segment. The holding company, Chocoladefabriken Lindt & Sprüngli AG, with its headquarters in Kilchberg ZH, is listed on the SIX Swiss Exchange. The market capitalization based on the 2011 year-end prices is CHF 7.0 billion.

→ Security and listing numbers of the securities see page 95

The company's group structure is very lean. While the Board of Directors handles management, strategy and supervisory duties at the highest level, the CEO and Group Management are responsible for operational management tasks in which they are assisted by the Extended Group Management.

→ Board of Directors see page 34

→ Group Management see page 40

The scope of consolidation of Chocoladefabriken Lindt & Sprüngli AG includes the subsidiaries listed in notes to the consolidated financial statements. Details about these companies, such as name, domicile, share capital, participation, etc. can be found there as well.

→ Details of subsidiaries see page 56

Chocoladefabriken Lindt & Sprüngli AG holds no interests in publicly traded companies.

MAJOR SHAREHOLDERS — As of December 31, 2011, Chocoladefabriken Lindt & Sprüngli AG disclosed the following major shareholders which own voting shares of more than 3%: "Fonds für Pensionsergänzungen (fund for pension supplements) of Chocoladefabriken Lindt & Sprüngli AG," Kilchberg ZH, held a total of 29,143 registered shares or 20.8% of the share capital and thus 20.8% of the voting rights of the company. "Chase Nominee Ltd.," London, held a total of 4,664 registered shares or 3.3% of the share capital. As far as the company knows, there are no tied shareholding agreements between these shareholders.

As of December 31, 2011, the company received no disclosure reports indicating that further shareholders own

more than 3% of the equity capital or voting rights of the company.

Chocoladefabriken Lindt & Sprüngli AG does not hold cross interests.

CAPITAL STRUCTURE

As of December 31, 2011, Chocoladefabriken Lindt & Sprüngli AG presents the following capital structure.

ORDINARY CAPITAL — The ordinary capital is composed of two types of securities:

	2011
Registered shares*	CHF 14,000,000
Bearer participation certificates**	CHF 9,261,790
Total ordinary capital	CHF 23,261,790

* 140,000 registered shares par value of CHF 100.– each

** 926,179 bearer participation certificates par value of CHF 10.– each

The registered share has a voting right at the General Meeting, whereas the bearer participation certificates have no voting rights. Both types of shares have the same rights to dividends and proceeds of liquidation in proportion to their par value. All shares are fully paid-in. No bonus certificates ("Genussscheine") were issued.

AUTHORIZED AND CONDITIONAL CAPITAL — The Group possesses a total conditional capital of CHF 6,340,460. The conditional capital comprises a total of 634,046 bearer participation certificates with a par value of CHF 10.– each. As of December 31, 2011, of this total, the remaining 279,596 are reserved for employee stock option programs; and 354,450 participation certificates are reserved for capital market transactions. Further information about authorized and conditional capital can be found in the company's Articles of Association.

 http://irpages2.equitystory.com/lindt_relaunch/pdf/Articles__28012011.pdf

There is no other authorized capital apart from the conditional capital. For details please refer to article 4^{bis} of the Articles of Association which are available on the Web page

of Chocoladefabriken Lindt & Sprüngli AG.

 www.lindt.com/int/swf/eng/investors

CHANGES IN CAPITAL — During the past three reporting years, the following changes have occurred in the ordinary and conditional capital:

Ordinary capital				
Year	Share capital in CHF	Registered shares (RS)*	Participation capital in CHF	No. of bearer participation certificates (PC)**
2009	14,000,000	140,000	8,832,980	883,298
2010	14,000,000	140,000	9,017,990	901,799
2011	14,000,000	140,000	9,261,790	926,179
Conditional capital				
No. of bearer participation certificates (PC)**				
Year	Total	Capital market-PC	Employee-PC	
2009	526,927	354,450	172,477	
2010	658,426	354,450	303,976	
2011	634,046	354,450	279,596	

Number of securities, status as at December 31.

* Registered shares (RS) par value CHF 100.–

** Bearer participation certificates (PC), par value CHF 10.–

RESTRICTIONS REGARDING ASSIGNABILITY

AND NOMINEE ENTRIES — Both registered shares and participation certificates can be acquired without restrictions. According to article 3, subsection 6 of the Articles of Association, however, the Board of Directors may refuse full shareholder status to a buyer of registered shares if the number of shares held by that buyer exceeds 4% of the total of registered shares as entered in the commercial register. Moreover, according to article 685d, subsection 2 OR (Swiss Code of Obligations), the Board of Directors may refuse entry into the share register if upon demand by the Board the buyer does not formally state that the shares are purchased on his own behalf and on his own account.

According to article 3, subsection 7 of the Articles of Association, corporate bodies and partnerships, who are inter-related to one another through capital ownership, through voting rights or common management, or who are otherwise linked, as well as natural persons and legal entities or partnerships who act in concert in regard to a registration

restriction, are considered to be one single shareholder. Based on article 3, subsection 9 of the Articles of Association, the Board of Directors may make exceptions to these provisions in special cases and adopt suitable provisions for the application of these rules. The implementing provisions for these rules are defined in the regulation of the Board of Directors on “Registration of registered shares and keeping the share register of Chocoladefabriken Lindt & Sprüngli AG.”

 http://irpages2.equitystory.com/lindt_relaunch/pdf/Eintragungsreglement_en.pdf

According to these provisions, in particular (1) the intention of a shareholder to acquire a long-term interest in the company or (2) the acquisition of shares as part of a long-term strategic business relationship or a merger, together with the acquisition or allocation of shares on the occasion of the acquisition by the company of a particular asset, are treated as special cases within the meaning of article 3, subsection 9 of the Articles of Association.

In the year under review, no exceptions were granted. Based on the long-term participation and with regard to the purpose of the Foundation, the Board of Directors already granted such an exception prior to the year under review for the 20.8% of the voting rights of the “Fonds für Pensions-ergänzungen (fund for pension supplements) of Chocoladefabriken Lindt & Sprüngli AG.”

A nominee shareholder will be granted full shareholder status for a maximum of 2% of the registered share capital as entered in the commercial register, if such nominee discloses in writing name, address, domicile or seat, nationality and shareholdings of those persons on whose account he holds the shares. Over the limit of 2%, the Board of Directors will enter the shares of a nominee as voting shares in the shareholder register if such nominee discloses, in writing, name, address, domicile or seat, nationality and shareholdings of those persons for which accounts he holds 0.5% or more of the then outstanding share capital, whereby entry per trustor is limited to 4%, respectively to 10% per nominee collectively. Article 3, subsection 7 of the Articles of Association is applicable to nominees likewise.

The regulations to these rules are defined in the Regulations of the Board of Directors “Registration of registered shares and keeping of the share register of Chocoladefabriken Lindt & Sprüngli AG.”

 http://irpages2.equitystory.com/lindt_relaunch/pdf/Eintragungsreglement_en.pdf

A revocation of these restrictions regarding the assignability requires a resolution by the shareholders at the General Meeting with a voting majority of at least three quarters of the shares represented.

OUTSTANDING OPTIONS AND CONVERTIBLE

BONDS — Options on bearer participation certificates of Chocoladefabriken Lindt & Sprüngli AG are only outstanding within the scope of the existing employee option plan. Details concerning the number of options issued and still outstanding with the corresponding terms and conditions are shown in the table below:

Year of allocation	Number	Strike price (CHF)	Term	No. of rights exercised	No. of exercisable rights
2005	27,600	1,607	until 2012	22,696	4,904
2006	23,100	2,251	until 2013	3,637	19,463
2007	26,054	2,983	until 2014	0	26,054
2008	13,479	3,149	until 2015	0	13,479
2009	34,190	1,543	until 2016	0	34,190
2010	36,680	2,200	until 2017	0	36,680
2011	35,880	2,523	until 2018	0	35,880
Total	196,983			26,333	170,650

The options were granted at a ratio of one option to one participation certificate (1:1). The options can be exercised for a maximum of seven years after the grant and are subject to a blocking period of three, four and five years respectively. The strike price is equivalent to a five-day average of the closing daily prices of the share on the Swiss stock market prior to the date of issue.

In 2011, a total of 24,380 of the above employee options were exercised (previous year: 18,501). Therefore, the “ordinary” participation capital was increased in 2011 by CHF 243,800 by the corresponding reduction in the “con-

ditional” participation capital reserved for the employee stock option programs. The 170,650 options outstanding as of December 31, 2011, and not yet exercised are equivalent to 7.3% of the total capital. There are no outstanding convertible bonds of Chocoladefabriken Lindt & Sprüngli AG.

BOARD OF DIRECTORS

ROLE AND FUNCTION — The Board of Directors makes decisions jointly and, for specific matters, is assisted by Board committees. The Board’s primary function is to provide guidance and exercise control over the Group. The Board makes strategic decisions and defines the general means for achieving the goals it has set for the company. It sets the agenda for the General Meeting and approves the annual and interim reports. Decisions regarding the appointment of members to the Group Management or of Managing Directors of subsidiaries as well as the nomination of the statutory auditor for election at the General Meeting are taken by the full Board.

MEMBERS — The Board of Directors of Chocoladefabriken Lindt & Sprüngli AG consists of at least five and not more than nine members. If the number of members falls below five, the minimum membership must be restored at the next ordinary General Meeting. As of December 31, 2011, the Board had six active members. Ernst Tanner (CEO) is an executive member of the Board, all other members are non-executive members.

Name, function	1. Election	Until
Ernst Tanner, Chairman and CEO	1993	2014
Dr Kurt Widmer, member	1987	2013
Dr Rudolf K. Sprüngli, member	1988	2013
Dr Franz-Peter Oesch, member	1991	2012
Antonio Bulgheroni, member and Lead Director	1996	2014
Dkfm. Elisabeth Gürtler, member	2009	2012

Antonio Bulgheroni was Managing Director of the Italian subsidiary Lindt & Sprüngli SpA until his retirement in April 2007. In the past three years, the other members of the Board were not actively engaged in the management of the Group or of a subsidiary and none of them had business relations with any entity within the Group.

BOARD OF DIRECTORS



Ernst Tanner



Dr Kurt Widmer



Dr Rudolf K. Sprüngli



Dr Franz-Peter Oesch



Antonio Bulgheroni



Dkfm Elisabeth Gürtler

The members of the Board of Directors are individually elected by the shareholders at the General Meeting in each case for a three-year term of office to ensure the phased renewal of the Board. No limitation is placed on their re-election. When by-elections are held, the new members serve out the term of office of their predecessors. If a member leaves, or if an elected member subsequently declines the appointment, the seat concerned remains vacant until the next General Meeting.

In the year under review, Ernst Tanner and Antonio Bulgheroni were re-elected as members of the Board of Directors for a three-year term of office.

Ernst Tanner (CH) Mr Tanner was elected CEO and Vice Chairman by the Board of Directors in 1993. In 1994, he became Chairman of the Board. He completed a commercial education and thereafter attended a number of management training courses in London and at Harvard University. Before joining Lindt & Sprüngli, Mr Tanner held top management positions for more than 25 years with the Johnson & Johnson Group in Europe and in the USA, his last position having been Company Group Chairman Europe. Mr Tanner has been a member of the Board of Directors of the Swiss Swatch Group since 1995 and Vice Chairman since 2011. He also has a seat on the Supervisory Board of the German Krombacher Brauerei GmbH & Co. KG, and is a member of the Board of Directors of the Zurich Chamber of Commerce and a Delegate of the Society for the Promotion of the Swiss Economy.

Dr Kurt Widmer (CH) Mr Widmer completed his studies with a doctorate in law and has been a member of the Board of Directors since 1987. He is a proven finance and banking expert and was a member of the Executive Board of Schweizerische Kreditanstalt or Credit Suisse and Credit Suisse Holding from 1993 until his retirement in 1995. As CEO from 1993 to 1995, Mr Widmer was principally responsible for the repositioning and the successful integration of Schweizerische Volksbank into the Credit Suisse Group.

Dr Rudolf K. Sprüngli (CH) Mr Sprüngli completed his studies with a doctorate in economics and has been a mem-

ber of the Board of Directors since 1988. Due to his former executive activities for the Group and for an international premium food-trading company, Mr Sprüngli is an expert authority in the chocolate business. Today, Mr Sprüngli manages his own consulting firm. Mr Sprüngli is also a member of the Board of Directors of Peter Halter Liegenschaften AG, Communicators AG and Fabric Frontline AG, as well as Chairman of Freies Gymnasium Zurich.

Dr Franz-Peter Oesch (CH) Mr Oesch completed his studies with a doctorate in law and was appointed to practise as an attorney-at-law in the canton of St Gallen in 1972. His membership in the Board of Directors dates back to 1991. He has been a partner of the law firm “swisslegal asg advocati” in St Gallen since 1971. Mr Oesch is also Chairman of the Board of Directors of the St Galler Kantonalbank.

Antonio Bulgheroni (IT) Mr Bulgheroni is a member of the Board of Directors since 1996 and Lead Director since February 2009. Due to decades of gathering experience in all management areas of the chocolate business, distribution and the Italian retail trade, Mr Bulgheroni is a proven expert in the chocolate industry. He was CEO of Lindt & Sprüngli SpA from 1993 until his retirement in April 2007. Since then he has been Chairman of the Board of both subsidiaries in Italy. Mr Bulgheroni is also Vice Chairman of the Board of Directors of Banca Popolare di Bergamo and Honorary Consul of Switzerland in Varese.

Dkfm. Elisabeth Gürtler (AT) Ms Elisabeth Gürtler has been a member of the Board of Directors since 2009. She completed her business-science studies with a master's degree, and subsequently acquired an outstanding reputation in particular as manager of the world-famous Sacher Hotels in Vienna and Salzburg, in an area in which premium quality plays a key role. Ms Gürtler is a member of the Supervisory Board of Erste Group Bank AG and is a member of the general council of the Austrian National Bank. Since 2007, she has also been Managing Director of the Spanish Riding School in Vienna.

INTERNAL ORGANIZATION — The Board of Directors is self-constituting. Under the chairmanship of the current Chairman or of the member of the Board of Directors with the longest service record, it elects a chairman to serve for a term of office which is identical to that of their membership of the Board of Directors. If the chairmanship is abandoned prematurely, or if the Chairman is dismissed from the Board of Directors or retires from the Board before ending the term of office, the Board of Directors must immediately be reconstituted.

The Chairman presides over the General Meeting, represents the company in dealings with third parties and, in co-operation with the Delegate of the Board of Directors, the Group Management and the Extended Group Management, provides timely information for the Board of Directors on all matters which are important for the decision-making process and monitoring of significant aspects of the company. He is responsible for preparing all the matters to be dealt with by the Board of Directors, for placing them on the agenda and for convening and chairing meetings of the Board of Directors.

The Delegate of the Board of Directors (CEO) is entrusted with the task of managing the business jointly with the Group Management and is assisted by the Extended Group Management. He is Chairman of the Group Management. Further details of the tasks of the CEO, the Group Management and the Extended Group Management will be found on page 39 of this annual report.

The Board of Directors may also appoint a non-executive member from its ranks to serve as the Lead Director. The Lead Director, who is appointed for three years or for the duration of his term of office as a member of the Board of Directors, is entrusted with the task of safeguarding the independence of the Board of Directors in relation to the Chairman and CEO if both these functions are held by the same member of the Board of Directors. If necessary, the Lead Director has authority to convene and chair a meeting of the Board of Directors himself which will not be attended by the Chairman and CEO. He must notify the outcome of any such meeting to the Chairman and CEO.

The Board of Directors of Chocoladefabriken Lindt & Sprüngli AG is firmly convinced that the dual mandate of Ernst Tanner as Chairman of the Board and CEO ensures effective leadership and excellent communication among shareholders, the Board of Directors and the Management. Leading corporate governance practice also recognizes that a dual mandate of Chairman of the Board and CEO can be advantageous for a company, if the company provides for the appropriate control mechanisms. These comprise a majority of non-executive Board members, Board Committees (Audit Committee, Compensation & Nomination Committee and Corporate Social Responsibility Committee), each consisting of non-executive or a majority of non-executive Board members, as well as the appointment of a non-executive, experienced member of the Board of Directors as Lead Director. With the appointment of Antonio Bulgheroni as Lead Director, Chocoladefabriken Lindt & Sprüngli AG has introduced the latter control mechanism.

The Board of Directors meets regularly and as often as business requires it, but at least four times each year. Meetings are convened by the Chairman or by another member of the Board of Directors appointed to represent him or by the Lead Director. Each member of the Board of Directors is authorized to ask for a meeting to be convened without delay, while stating the purpose. The Chairman or in his absence another member of the Board of Directors authorized to represent him or the Lead Director presides over the meeting. Apart from the members of the Board of Directors, the meetings may likewise be attended by members of the Group Management and other non-members. In the year under review, four regularly-convened meetings were held. Each meeting generally lasted for four to five hours. Members of the Group Management regularly attended these meetings. No external consultants took part in meetings of the Board of Directors in the year under review.

COMMITTEES OF THE BOARD OF DIRECTORS — The Board of Directors is assisted in its work by three committees: the Audit Committee, the Compensation & Nomination Committee and the Corporate Social Responsibility Committee. The Board of Directors may decide at any time by a majority decision to set up further committees. Until

that time, all other tasks of the Board of Directors in particular in the areas of corporate governance, communication, relations with investors and shareholders will continue to be performed by the whole Board of Directors.

Audit Committee — The Audit Committee consists of three members of the Board of Directors. At least two of them, together with the Chairman, must be non-executive members of the Board of Directors. The CFO has a consultative vote in the committee. The committee consists of the following members: Dr Franz-Peter Oesch (Chairman), Dr Rudolf K. Sprüngli and Antonio Bulgheroni. The members of the committee possess sufficient experience and professional knowledge in the areas of finance and risk management to enable them to perform their tasks effectively.

The Audit Committee supports the Board of Directors in its function of strategic supervision, with particular reference to the main audit areas, complete presentation of the financial statements/audit findings, compliance with statutory requirements and the services of the external auditors. In addition, the committee assesses the expediency of the financial reporting and internal control system. It ensures ongoing communication with the external auditors. Likewise, it keeps the risk management principles of the Group, and the appropriate nature of the risks taken under constant review, especially in the areas of investments, currencies, raw material procurement and liquidity.

The Audit Committee makes recommendations to the Board of Directors for important decisions in the aforementioned matters, such as the approval of risk management principles, adoption of the annual accounts statement or proposals for the appointment of the statutory auditor. The committee itself has no decision-making powers. It may, however, decide independently to entrust the auditor with special assignments and approve the fee budget for audit tasks submitted by the external auditors.

The committee meets as often as business requires, but at least four times a year. In 2010, four regularly scheduled meetings were held. The meeting generally lasted between

one and two hours. Members of the Group Management regularly attended these meetings. The auditors attended meetings of the Audit Committee on one occasion. Direct access for the auditors to the Audit Committee is guaranteed at all times. No external consultants took part in meetings of the Board of Directors in the year under review.

→ Information on the auditor see page 45

Compensation & Nomination Committee — The Compensation & Nomination Committee consists of three non-executive members of the Board of Directors, namely: Dr Kurt Widmer (Chairman), Antonio Bulgheroni and Dkfm. Elisabeth Gürtler.

The Compensation & Nomination Committee sets guidelines for the compensation of the Board of Directors, the Group Management as well as the Vice Presidents International and the Managing Directors of the subsidiaries, and supervises the adherence of the fixed parameters. In line with these principles, it decides every year on the overall total and the individual compensation (salaries, bonus payments and allocations in the framework of the employee stock option plan) of each member of the Board of Directors and the Group Management, as well as of the aforementioned persons. The committee approves and sets guidelines for employment agreements with the Group Management and other employees in key positions. The committee verifies and decides on changes to the bonus and stock option plans. In the above areas the committee has authority to take decisions. If the compensation of a particular member of the Board of Directors is involved, that member withdraws from the deliberations.

Furthermore, the Compensation & Nomination Committee submits suggestions to the Board of Directors regarding the appointment and dismissal of members of the Group Management, the Extended Group Management, Vice Presidents International and Managing Directors of subsidiaries as well as the criteria for election and re-election of the Board of Directors. The committee only has a preparatory and consultative role in these areas, the relevant decisions being taken by the Board of Directors as a whole. The committee meets at least twice a year. In the year under review, two regular-

ly convened meetings were held, but one member did not attend the first of these meetings. Each meeting lasted generally for one to two hours. Members of the Group Management regularly attended these meetings. No external consultants attended these meetings.

Corporate Social Responsibility Committee — The Corporate Social Responsibility Committee consists of three members of the Board of Directors. These may be both executive and non-executive members of the Board of Directors. The CFO attends the committee in a consultative capacity. The following members belong to this committee: Dr Rudolf K. Sprüngli (Chairman), Dr Kurt Widmer and Ernst Tanner.

The Corporate Social Responsibility Committee supports the Board of Directors in setting the strategic direction for the activities of the company, whilst aiming for comprehensive sustainable management. Furthermore, it is responsible for the development and adaption of all globally valid corporate policies in this area, and monitors compliance in the legal aspects. The committee has a preparatory as well as consultative role. It meets as often as business requires, at least once a year. One regularly convened meeting took place in the year under review and lasted for around two hours. The CFO attended this meeting with consultative function. No external consultants were present at this meeting.

ALLOCATION OF COMPETENCES — The essential principles for allocating the competences and responsibilities among the Board of Directors and the Group Management are set forth in the organizational regulation. Below is a summary of the basic principles:

Board of Directors:

- Performs the inalienable statutory tasks. The Board of Directors is therefore responsible for strategic management of the company, giving the necessary instructions and supervising the Management
- Determines strategic, organizational, accounting and financial planning guidelines
- Changes to the legal structure of the Group (especially incorporation of new subsidiary companies, acquisitions,

- joint ventures, as well as liquidation of companies)
- Appointment and dismissal of the chairman, the delegate, the secretary and the Lead Director of the Board of Directors together with the members of the Group Management, the Extended Group Management and chief executive officers of the subsidiary companies
- Approves the budgets for the Group and the individual subsidiaries

The Board of Directors has assigned the management of day-to-day business to the Delegate of the Board of Directors (CEO) and Group Management on the basis of the organizational regulation. They are supported by the Extended Group Management.

Delegate of the Board of Directors (CEO) — The CEO is the Chairman of the Group Management and responsible for procurement and forwarding of information to the Group Management, the Extended Group Management and the members of the Board of Directors. The CEO must also ensure that the decisions and instructions of the Board of Directors are acted upon by the Group Management and Extended Group Management. Last but not least, he is responsible for managing the operational business of the Group within the framework of its strategic and political objectives, and for the planning of the entire business and reporting within the Group.

Group Management — The Group Management is responsible for the implementation of the Group strategies. In addition, the individual members of the Group Management must lead their allocated functional and responsibility areas within the framework of the Group policy and in compliance with the instructions given by the delegate of the Board of Directors. On the basis of a matrix structure, the individual Group Management members are given line responsibility for entire country organizations and geographical areas, together with functional responsibility for specific areas.

→ For details of the members of the Group Management, see page 41

Extended Group Management — The members of the Extended Group Management perform the duties entrusted to them by the Chairman of the Group Management or by members of the Group Management in the area of country/market responsibility (looking after foreign subsidiary companies and providing services for them) and/or functional responsibility. The members of the Extended Group Management may assume additional responsibility in the capacity of Managing Director/CEO of a subsidiary company or also at Vice President International level with pure market/country responsibility and/or functional responsibility at Group level.

→ For details of the members of the Extended Group Management, see page 42

INFORMATION AND CONTROLLING INSTRUMENTS

— The Board of Directors is kept regularly informed of all important matters relating to the business activity of the Group. Members of the Group Management attend the meetings of the Board of Directors and report on the latest state of business and on important projects and events. Extraordinary occurrences are called to the attention of the members of the Board of Directors without delay. To obtain a direct picture of the market situation, the Board of Directors regularly visits national companies and meets the local business management.

The Board of Directors will be kept informed in writing on a quarterly basis by means of an extensive and complete Management Information System (MIS) about profit and loss, balance sheet, cash flow, investments and personnel both of the Group and the subsidiaries. The information is provided both on a historical basis and as a year-end forecast.

Furthermore, the members of the Board of Directors receive, on an annual basis, a detailed overall budget, together with a three-year medium-term plan with forecasts of the future development of the individual subsidiaries and the consolidated group of companies, covering the income statement, profit and loss, balance sheet, cash flow, investments and personnel. An annually updated Group-wide analysis of the strategic, operational and financial risks – including valuations, actions taken to limit risks and responsibilities – will also be presented.

To enable the risk parameters of the Group to be assessed, the Audit Committee also receives a quarterly report on securities and cash investments, currencies, raw material procurement, and liquidity (risk control reporting). Members of the Group Management regularly attended the meetings of the Audit Committee. The Group has no internal audit department. Accordingly, the internal financial control system, the management information and risk management reporting of the Group is given very special attention.

Each year, a report is submitted to the Audit Committee on the internal financial control processes in the various corporate functions of the subsidiary companies. Within the framework of the yearly audit, the auditors may be charged with special assignments, which go over and beyond the legal and statutory requirements.

GROUP MANAGEMENT

On December 31, 2011, Chocoladefabriken Lindt & Sprüngli AG's Group Management had four members.

Name, responsibility	Since
Ernst Tanner, Chief Executive Officer	1993
Hansjürg Klingler, Duty-Free & Country Responsibility	1993
Uwe Sommer, Marketing/Sales & Country Responsibility	1993
Dr Dieter Weisskopf, Chief Financial Officer, Finance/Administration/Procurement/Operations	1995

GROUP MANAGEMENT



Ernst Tanner



Hansjürg Klingler



Uwe Sommer



Dr Dieter Weisskopf

EXTENDED GROUP MANAGEMENT



Dr Adalbert Lechner



Kamillo Kitzmantel



Andreas Pfluger



Rolf Fallegger

Ernst Tanner (CH) For details refer to “Board of Directors” on page 36 of this Annual Report.

Hansjürg Klingler (CH) Lawyer — Mr Klingler has been a member of the Group Management since 1993 and is responsible for establishing Overseas and Duty-Free markets. Previously, he was Head of Legal and Administration, and then Deputy Group Head at Forbo, an international construction-material supplying group.

Uwe Sommer (D) Economist, MA. — Mr Sommer joined the Lindt & Sprüngli Group in 1993 as a member of the Group Management, responsible for Marketing and Sales with country responsibilities. Previously, he gained his professional experience as an executive in the marketing/sales sector of Procter & Gamble, Mars in Germany and England, and as CEO with Johnson & Johnson in Austria.

Dr Dieter Weisskopf (CH) PhD in Economics/Business Administration — Mr Weisskopf joined the Lindt & Sprüngli Group in 1995 as Head of Finance, Administration and Purchasing. Since 2004, he is also responsible for manufacturing. Starting his career at Swiss Union Bank, he gained additional experience in the banking sector in Mexico and Brazil, later changing to the food industry, namely the Jacobs Suchard Group. At Jacobs Suchard and at Klaus Jacobs Holding, he held executive management positions in the financial sector, lastly as CFO in Canada and Switzerland.

Except for the above-mentioned assignments of Mr Tanner, the members of the Group Management are not active in other management or supervisory bodies. They are not active in managing or consulting functions with closely related parties, nor do they hold public or political office. There are no management agreements with either legal entities or natural persons outside the Group.

EXTENDED GROUP MANAGEMENT

On December 31, 2011, Chocoladefabriken Lindt & Sprüngli AG's Extended Group Management had four members.

Name, responsibility	Since
Dr Adalbert Lechner, Country Responsibility	1993
Kamillo Kitzmantel, Country Responsibility	1994
Andreas Pfluger, Country Responsibility	1994
Rolf Fallegger, Country Responsibility	1997

Dr Adalbert Lechner (AT) Lawyer — After graduating in law, Mr Lechner held several positions with L'Oréal and Johnson & Johnson, before joining the Lindt & Sprüngli Group in 1993 as CEO of the Austrian subsidiary company. In 1997, he took over responsibility for management of Chocoladefabriken Lindt & Sprüngli GmbH in Aachen. Since 2001, Mr Lechner has also held management responsibility for Austria. He has been a member of the Extended Group Management since 2011.

Kamillo Kitzmantel (AT) Dipl. Kfm. — Mr Kitzmantel initially held various positions with Fischer Ski, Johnson & Johnson and Bahlsen before joining Lindt & Sprüngli Germany in 1994 as Marketing and Sales Manager. One year later, he was appointed CEO of the Swiss subsidiary company over which he still presides today. He temporarily also took management responsibility for the Ghirardelli Chocolate Company in the USA and national responsibility for the Italian market. He has been a member of the Extended Group Management since 2011.

Andreas Pfluger (CH) lic. rer. pol. — Mr Pfluger began his career with Unilever in Switzerland before joining Lindt & Sprüngli (Schweiz) AG as Marketing Manager in 1994. In 1997, he took over responsibility for building up the newly incorporated subsidiary company in Australia as its CEO. He has held further positions as CEO of the French subsidiary company and of the Ghirardelli Chocolate Company in California (USA). In 2011 he returned to the Swiss headquarters and has been a member of the Extended Group

Management since then. Mr Pfluger is responsible for development of the specific markets.

Rolf Fallegger (CH) lic. oec. HSG — Mr Fallegger began his career in 1991 in marketing with Procter & Gamble in Geneva, Great Britain and Belgium. He joined Lindt & Sprüngli (Schweiz) AG as Marketing Manager in 1997. He was then appointed CEO of the Lindt & Sprüngli subsidiary companies in Great Britain and France. In 2009, he returned to the Swiss base and has been a member of the Extended Group Management since 2011. Mr Fallegger is responsible for the development of specific markets.

COMPENSATION, EQUITY PARTICIPATIONS AND LOANS

COMPENSATION GOVERNANCE — The Compensation & Nomination Committee sets guidelines for the compensation of members of the Board of Directors, the Group Management, the Extended Group Management and other key persons (managing directors and management of the subsidiary companies and Vice Presidents International), verifies each year whether these guidelines are still appropriate and supervises compliance with them. On the basis of these compensation guidelines, the committee determines each year the overall total and the individual compensation of the members of the Board of Directors, the Group Management, the Extended Group Management and key persons. The individual members of the Board of Directors abstain when a vote is taken on their own compensation. Participating members of the Group Management do not take part in the discussion and decision-making procedures concerning their own compensation. The committee likewise determines the principles and number of employee stock options for an extended group of employees. In the last financial year, the Compensation & Nomination Committee did not use any external consultants.

COMPENSATION PRINCIPLES — The compensation system at Lindt & Sprüngli has four main objectives:

1. long-term motivation of staff,
2. creating long-term loyalty between key personnel and the company,
3. making sure that the costs of compensation are suitably related to the results, and
4. ensuring that the Management acts in the long-term interests of the owners.

Staff loyalty is regarded as particularly important at Lindt & Sprüngli, and is reflected in particular in the extraordinarily high permanence of the Management over a number of years. This is particularly important for the maker of a premium product working with long-term objectives. The compensation principles at Lindt & Sprüngli are intended to produce a medium and long-term effect and remain sustainable. Continuity is a high priority. No changes were made to the existing compensation system in the financial year 2011.

COMPENSATION SYSTEM — The compensation guidelines are implemented by means of a simple and traceable compensation system. This consists of a mix of basic salary, short-term cash bonuses and long-term performance incentives in the form of equity capital instruments appropriate to the position held. The basic salary essentially reflects the functional grade, competences and experience of each employee. The variable components provide a performance incentive and reward for the attainment of the set objectives. The equity capital instruments strengthen shareholder focus within the business management and ensure that the interests of the Management coincide in the long-term with those of the shareholders.

COMPENSATION OF THE BOARD OF DIRECTORS — The members of the Board of Directors receive a compensation in form of a fixed fee which is paid in cash after the General Meeting. This form of compensation releases the Board of Directors from possible conflicts of interest in assessing the performance of the business. The Compensation & Nomination Committee takes the view that the total compensation of the Board of Directors is equivalent to that of comparable listed Swiss companies.

COMPENSATION OF THE GROUP MANAGEMENT, EXTENDED GROUP MANAGEMENT AND KEY PERSONS — The compensation of the members of the Group Management, the Extended Group Management and key persons

consists of a basic salary, a cash bonus and long-term variable compensation in the form of employee stock options. The amount of the overall compensation is determined by the requirements and responsibility of the recipients and is regularly verified by making horizontal and vertical comparisons within the Group. When new appointments are made, the Compensation & Nomination Committee receives market data from the consumer goods sector which are also taken into consideration for the post which is to be newly occupied. The contracts of employment make no provision for severance compensation; the blocking periods for shares and options do not lapse upon departure. Vesting periods are not shortened and no additional contributions to occupational benefit schemes are promised.

Basic compensation — The basic salary is paid monthly in 12 or 13 equal installments. Members of the Group Management, the Extended Group Management and key persons belong to the same pension fund plans as employees of the particular subsidiary companies.

Variable cash compensation — The variable bonus of the CEO, the members of the Group Management and the Extended Group Management is determined by the result reported for the Group and by the attainment of personal qualitative objectives for the year which are assessed by the Compensation & Nomination Committee. Particular account is taken of the management conduct and contribution to the further development of the business. Lindt & Sprüngli is convinced of the benefits of its decentralized organization which gives the country managers great freedom of corporate action. Accordingly, their annual cash bonus is determined in full by the financial performance of the particular country or region. The profit targets (operating profit) set for the individual country companies during the budget process are the determining factors for the managing directors of the subsidiary companies. Both minimum and maximum values are set here. In exceptional cases, the bonus may be adjusted at the discretion of the Group Management members on the basis of an overall assessment.

Fixed equity compensation — In addition, the CEO receives a fixed number of shares each year which remain blocked for five years. This long-term agreement which was contractu-

ally adopted at the time of his appointment in 1993 ensures concordance between the interests of the CEO and those of the shareholders. As distinct from a fixed sum, the value of the compensation package received by the CEO is lower when the share price falls and vice versa.

Option plan — The option plan involves the Group Management, the Extended Group Management, key persons and an extended circle of employees in the long-term development of the business. In the year under review, the options were allocated to the beneficiaries on March 10. The number of options is determined by the Compensation & Nomination Committee and depends on the position of the employee concerned and his/her influence on the long-term success of the company. The option strike price is equivalent to the market value at the time of allocation, based on the average closing price on five trading days. After three, four and five years these options pass into the ownership of the employees in proportions of 35%, 35% and 30% respectively.

ADDITIONAL FEES, COMPENSATION AND LOANS — Apart from the payments listed on pages 84 and 85 of this report, no further compensation was allocated in the year under review – neither on a private basis nor via a consulting company – to executive and non-executive members of the Board of Directors as well as members of the Group Management and the Extended Group Management. Moreover, as of December 31, 2011, no loans, advances or credits of the Group or of any of its subsidiary companies were made to members of the Board of Directors, the Group Management, the Extended Group Management or to key persons. In 2011, no compensation was paid out to former members of the Board of Directors or Group Management.

COMPENSATION, ALLOCATION AND OWNERSHIP OF SHARES AND OPTIONS — Details of the fixed and variable gross compensation, allocation of shares and option rights paid or set aside in the year under review, together with the ownership of shares, participation certificates and options on participation certificates for members of the Board of Directors, Group Management, Extended Group

Management and former members of the corporate bodies are set out as required by article 663b^{bis} OR in the notes of the consolidated financial statements on pages 84 to 86 of this report. The compensation of the Board of Directors, Group Management and former members of the corporate bodies has not changed significantly since the previous year. The overall increase is explained by the inclusion of the four appointed members of the Extended Group Management for the first time.

SHAREHOLDERS' RIGHTS OF PARTICIPATION

RESTRICTION OF VOTING RIGHTS AND PROXY —

The transfer of nominal shares and consequently the recognition of the buyer of nominal shares as a shareholder with voting rights, as well as the registering of nominees as shareholders with voting rights are subject to certain restrictions. According to article 3, subsection 6 of the Articles of Association in particular, the Board of Directors may refuse full shareholder status to a buyer of shares if the number of shares held by that buyer exceeds 4% of the total registered shares as entered in the commercial register. Details of the restrictions placed on the transfer of registered shares and the limitations of nominee registrations, the Group clause included in the Articles of Association and the rules for granting exceptions, will be found on page 33 of this Annual Report and in the respective regulation of the Board of Directors “Registered Share and Shareholder Registry Regulations Lindt & Sprüngli AG.”

 http://irpages2.equitystory.com/lindt_relaunch/pdf/Eintragungsreglement_en.pdf

According to article 12, subsection 3 of the Articles of Association, no shareholder may combine, in the aggregate, directly or indirectly, whether with his own shares or with those voted by proxy, more than 6% of total voting shares when exercising the voting rights at the General Meeting. Natural persons or legal entities, which either by the number of shares or the pooling of votes or similar are linked to each other or are under common custody, are considered as one shareholder. In special cases, the Board of Directors may make exceptions to the voting rights restrictions. In the reporting year, the Board of Directors granted no such exception.

The restriction on voting rights does not apply to the corporate proxy, the independent proxy and the custodial proxy designated by the company, provided that they are appointed to act as proxy by the shareholders, nor does it apply to shareholders who are listed in the share register as owning more than 6% of the voting rights. As the “Fund for Pension Supplements of Chocoladefabriken Lindt & Sprüngli AG” is entered in the share register with a shareholding interest of more than 6%, the voting right limitation does not apply to that fund.

A revocation of the statutory restrictions of voting rights requires a three-quarter majority of the votes represented at the Annual Shareholder's Meeting.

According to article 12, subsection 2 of the Articles of Association, a shareholder can be represented at the General Meeting by another shareholder by written proxy.

STATUTORY QUORUM — The General Meeting passes its resolutions by an absolute majority of the votes represented, unless the Articles of Association or the law prescribe otherwise.

According to article 15, subsection 3 of the Articles of Association, amendments of the Articles of Association regarding the relocation of headquarters, transformation of nominal shares into bearer shares, the assignment of nominal shares, the representation of shares at the General Meeting, the amendment of article 15, subsection 3 of the Articles of Association as well as the dissolution or the merger of the company requires a three-quarter majority vote of represented shares.

CALLING OF THE ANNUAL GENERAL MEETING,

AGENDA AND SHARE REGISTER — Shareholders are given notice by the Board of Directors at least 20 days prior to the date of the General Meeting via publication in the Swiss “Handelsamtsblatt.”

A shareholder whose name appears in the share register as owning at least 2% of the equity capital of the company may ask for an item to be placed on the agenda. The request for an

item to be placed on the agenda must be sent to the Board of Directors in writing no less than 60 days before the meeting stating the matters to be discussed and the proposals made. These requests for items to be placed on the agenda and the accompanying proposals must be placed before the General Meeting together with the opinion of the Board of Directors on them. During the General Meeting, requests and justifications therefore for items not on the agenda may be brought up before the meeting for discussion. A decision about these items, however, may not be taken until the next General Meeting after review by the Board of Directors.

Requests made within the realm of the agenda items do not need prior announcement.

Shares will be entered into the register up to 20 days before the General Meeting.

CHANGE IN CONTROL AND DEFENSIVE MEASURES

In the event of a change in control of the company, the employee options granted can be exercised without regard to the three to five year blocking period. Other than that, there are no special agreements concerning a change in control that would favor either the members of the Board of Directors or the Group Management or any other management members of the company.

The Articles of Association of incorporation make no special provision for “opting out” or “opting up” pursuant to article 22 BEHG of March 24, 1995 about stock exchange and stock trading.

AUDITORS

MANDATE — The General Meeting first appointed PricewaterhouseCoopers AG, Zürich, as its statutory auditor in April 2002. According to the Articles of Association of the company, the auditors must be newly appointed or confirmed each year by the General Meeting. The 2011 reporting year is the sixth year for the responsible lead auditor Matthias von Moos. Pursuant to the provisions of the Swiss Code of Obligations, the responsible lead auditor may not hold office for more than seven years. Matthias von Moos will therefore be allowed to serve as respon-

sible lead auditor until the end of the 2012 financial year at the latest.

AUDIT FEE — The total audit fees billed by the auditing company in the reporting year 2011 amounted to TCHF 1,347.

ADDITIONAL FEES — The total sum of additional fees mainly related to tax and EDP consulting, billed by the audit company in the reporting year 2011 totalled TCHF 142.

SUPERVISORY AND CONTROLLING BODIES — Supervision and control with respect to the performance of the auditors is exercised by the whole Board of Directors. The Audit Committee supports the whole Board of Directors in this task. The committee also ensures that the ongoing communication with the auditors is intact. It regularly discusses with their representatives the results of the audit activities in the areas of control and accounting activities as well as the suitability of the internal control systems.

Before the interim audit, the auditors prepare an audit plan which is then submitted to the members of the Audit Committee. Based on an analysis of the current business and audit risks, the main points to be audited are proposed in this plan. The audit plan is approved by the Audit Committee and then also by the whole Board of Directors. The appropriate nature of the audit fee is also reviewed on this occasion. The report on the final audit for the annual financial statement is dispatched to all the members of the Board of Directors. It is previously discussed in the Audit Committee with the auditors, and then approved by the whole Board of Directors at the meeting called to adopt the annual report in a circular resolution.

In the year under review 2011, the auditors once attended a meeting of the Audit Committee. Direct access for the auditors to the Audit Committee is granted at all times. Information about the organization and the scope of duties can be found on page 38 of this Annual Report.

SHAREHOLDER INFORMATION

Chocoladefabriken Lindt & Sprüngli AG issues business-related shareholder communications as follows:

Mid January	Net sales of the previous year
Beginning of March	Income statement and full-year results
End of April	Annual General Meeting
End of August	Half-year report

→ For details refer to “Information” on the cover

The statutory publication is the Swiss “Handelsamtsblatt.” In addition, information about the company is published and processed by selected media and by leading international banks.

All data about the business can also be consulted on the company Web site. Company press releases can also be consulted on that Web site. For news and ad-hoc communications, a push system is likewise available on the company Web site.

 www.lindt.com/int/swf/eng/company/investors

Interested parties can obtain a free copy of the annual report of Chocoladefabriken Lindt & Sprüngli AG in the original version from the Group headquarters at Seestrasse 204, 8802 Kilchberg.

For further information contact the investor relations department via phone number +41 44 716 25 37 or e-mail investors@lindt.com.





FINANCIAL REPORT

OF THE LINDT & SPRÜNGLI GROUP

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CONSOLIDATED BALANCE SHEET

CHF million	Note	December 31, 2011		December 31, 2010	
ASSETS					
Property, plant, and equipment	7	742.1		740.1	
Intangible assets	8	13.3		14.7	
Financial assets	9	109.5		92.0	
Deferred tax assets	10	7.6		5.2	
Total non-current assets		872.5	34.7%	852.0	33.7%
Inventories	11	402.5		392.1	
Accounts receivable	12	654.9		647.6	
Other receivables		72.5		47.6	
Accrued income		4.1		8.3	
Derivative assets	13	13.6		20.9	
Marketable securities and short-term financial assets	14	54.1		15.8	
Cash and cash equivalents	15	441.8		540.4	
Total current assets		1,643.5	65.3%	1,672.7	66.3%
Total assets		2,516.0	100.0%	2,524.7	100.0%
LIABILITIES					
Share and participation capital	16	23.3		23.0	
Treasury stock		–252.3		–33.5	
Retained earnings and other reserves		1,848.1		1,683.0	
Total shareholders' equity		1,619.1	64.4%	1,672.5	66.2%
Loans	17	1.1		0.8	
Deferred tax liabilities	10	29.2		26.2	
Pension liabilities	18	125.0		124.2	
Other non-current liabilities		10.1		10.4	
Provisions	19	48.8		48.0	
Total non-current liabilities		214.2	8.5%	209.6	8.3%
Accounts payable to suppliers	20	164.9		152.3	
Other accounts payable		45.1		34.2	
Current tax liabilities		20.0		29.4	
Accrued liabilities	21	415.7		390.1	
Derivative liabilities	13	28.6		20.7	
Bank and other borrowings	17	8.4		15.9	
Total current liabilities		682.7	27.1%	642.6	25.5%
Total liabilities		896.9	35.6%	852.2	33.8%
Total liabilities and shareholders' equity		2,516.0	100.0%	2,524.7	100.0%

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

CONSOLIDATED INCOME STATEMENT

CHF million	Note	2011		2010	
INCOME					
Sales		2,488.6	100.0%	2,579.3	100.0%
Other income	22	10.3		12.6	
Total income		2,498.9	100.4%	2,591.9	100.5%
EXPENSES					
Material expenses		−915.4	−36.8%	−963.8	−37.4%
Changes in inventories		23.0	0.9%	23.8	0.9%
Personnel expenses	23	−540.5	−21.7%	−564.7	−21.9%
Operating expenses		−644.1	−25.9%	−663.9	−25.7%
Depreciation, amortization, and impairment	7, 8	−93.2	−3.7%	−98.0	−3.8%
Total expenses		−2,170.2	−87.2%	−2,266.6	−87.9%
Operating profit		328.7	13.2%	325.3	12.6%
Income from financial assets	24	10.1		4.3	
Expense from financial assets	24	−10.2		−5.6	
Income before taxes		328.6	13.2%	324.0	12.6%
Taxes	25	−82.1		−82.1	
NET INCOME		246.5	9.9%	241.9	9.4%
Attributable to shareholders		246.5		241.9	
Non-diluted earnings per share/10 PC (in CHF)	26	1,084.1		1,060.6	
Diluted earnings per share/10 PC (in CHF)	26	1,078.1		1,055.1	

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

STATEMENT OF COMPREHENSIVE INCOME

	2011	2010
CHF million	After taxes	After taxes
Net income	246.5	241.9
Other comprehensive income and losses		
Hedge accounting	– 12.3	– 3.0
Unrealized gains/(losses) on available-for-sale financial assets	0.5	– 0.2
Currency translation	– 15.9	– 124.8
Total comprehensive income/(loss)	218.8	113.9
Attributable to shareholders	218.8	113.9

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 25.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF million	Note	Share-/ PC-capital	Treasury stock	Share premium	Hedge accounting	Retained earnings	Currency translation	Share- holders' equity
Balance as at January 1, 2010		22.8	– 29.5	320.4	0.4	1,391.4	– 87.8	1,617.7
Total comprehensive income					– 3.0	241.7	– 124.8	113.9
Capital increase ¹⁾	16	0.2		21.1				21.3
Purchase of own shares ²⁾			– 26.0					– 26.0
Sale of own shares ³⁾			22.0			3.1		25.1
Share-based payment	28					12.2		12.2
Distribution of profits/emoluments to directors						– 91.7		– 91.7
Balance as at December 31, 2010		23.0	– 33.5	341.5	– 2.6	1,556.7	– 212.6	1,672.5
Total comprehensive income					– 12.3	247.0	– 15.9	218.8
Capital increase ¹⁾	16	0.3		36.0				36.3
Purchase of own shares and participa- tion certificates ⁴⁾			– 219.6					– 219.6
Sale of own shares ⁵⁾			0.8			0.2		1.0
Share-based payment	28					14.0		14.0
Distribution of profits/emoluments to directors						– 103.9		– 103.9
Reclass into Capital Contribution Reserve ⁶⁾				56.0		– 56.0		–
Balance as at December 31, 2011		23.3	– 252.3	433.5	– 14.9	1,658.0	– 228.5	1,619.1

1) All directly attributable transaction costs are netted against the premium realized on exercise of options (2011: TCHF 494, 2010: TCHF 306).

2) The Group acquired 940 and 1 of its own registered shares on October 28, 2010, and December 31, 2010, respectively. The amount per share paid to acquire the shares was CHF 27,613 and CHF 30,424, respectively.

3) The Group sold 800 and 100 of its own registered shares on October 20 to 29, 2010, and November 4 to 11, 2010, at an average sales price of CHF 27,726 and CHF 28,690 per share, respectively. The gain on sale of TCHF 2,967 and TCHF 108 has been recognized in shareholders' equity.

4) The Group acquired 3,183 of its own registered shares and 45,845 of its own participation certificates between April and December 2011. The average amount paid per share was CHF 30,836 and CHF 2,649 per participation certificate respectively.

5) On July 29, 2011, the Group sold 32 of its own registered shares at an average sales price of CHF 30,905 per share. The gain on sale of TCHF 164 has been recognized in retained earnings.

6) Reclass of value adjustments and capital transaction costs from capital contribution reserves.

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

CONSOLIDATED CASH FLOW STATEMENT

CHF million	Note		2011	2010	
Net income		246.5		241.9	
Depreciation, amortization, and impairment	7, 8	93.2		98.0	
Changes in provisions, value adjustments and prepaid pension funds		-7.9		-1.2	
Decrease (+)/increase (-) of accounts receivable		-21.0		-69.8	
Decrease (+)/increase (-) of inventories		-14.9		-8.3	
Decrease (+)/increase (-) of other receivables		-26.0		9.3	
Decrease (+)/increase (-) of accrued income and derivative assets and liabilities		7.0		-3.6	
Decrease (-)/increase (+) of accounts payable		15.1		2.4	
Decrease (-)/increase (+) of other payables and accrued liabilities		33.8		72.6	
Non-cash effective items		19.6		22.4	
Cash flow from operating activities (operating cash flow)			345.4	363.7	
Investments in property, plant, and equipment	7	-99.3		-83.0	
Disposals of property, plant, and equipment		0.4		0.7	
Investments in intangible assets	8	-4.9		-5.6	
Disposals (+)/investments (-) in financial assets		0.1		0.2	
Marketable securities and short-term financial assets					
Investments		-57.8		-9.8	
Disposals		16.2		1.6	
Cash flow from investment activities			-145.3	-95.9	
Repayments of loans/borrowings		-10.6		-1.2	
Proceeds from loans/borrowings		3.8		0.4	
Capital increase (including premium)		36.3		21.3	
Purchase of treasury stock		-219.6		-26.0	
Sale of treasury stock		1.0		25.1	
Distribution of profits/emoluments to directors		-103.9		-91.7	
Cash flow from financing activities			-293.0	-72.1	
Net increase (+)/decrease (-) in cash and cash equivalents			-92.9	195.7	
Cash and cash equivalents as at January 1		540.4		367.2	
Exchange gains/(losses) on cash and cash equivalents		-5.7	534.7	-22.5	344.7
Cash and cash equivalents as at December 31	15		441.8	540.4	
Interest received from third parties ¹⁾			6.9	3.9	
Interest paid to third parties ¹⁾			6.2	6.4	
Income tax paid ¹⁾			85.9	72.7	

1) Included in cash flow from operating activities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION, BUSINESS ACTIVITIES, AND GROUP COMPANIES

Chocoladefabriken Lindt & Sprüngli AG and its subsidiaries manufacture and sell premium chocolate products. The products are sold under the brand names Lindt, Ghirardelli, Caffarel, Hofbauer and Küfferle. Worldwide the Group has eight manufacturing plants (six in Europe and two in the United States) and sells mainly in countries within Europe and the NAFTA.

The Company is a limited liability company incorporated and domiciled in Kilchberg ZH, Switzerland.

The Company is listed since 1986 on the SIX Swiss Exchange (ISIN number: registered shares CH0010570759, participation certificates CH0010570767).

These consolidated financial statements were approved for publication by the Board of Directors on February 24, 2012.

The subsidiaries of Chocoladefabriken Lindt & Sprüngli AG as at December 31, 2011, are:

Country	Domicile	Subsidiary	Business activity	Percentage of ownership	Currency	Capital in million
Switzerland	Kilchberg	Chocoladefabriken Lindt & Sprüngli (Schweiz) AG	P & D	100	CHF	10.0
		Indestro AG ¹⁾	M	100	CHF	0.1
		Lindt & Sprüngli (International) AG ¹⁾	M	100	CHF	0.2
		Lindt & Sprüngli Financière AG ¹⁾	M	100	CHF	5.0
Germany	Aachen	Chocoladefabriken Lindt & Sprüngli GmbH ¹⁾	P & D	100	EUR	1.0
France	Paris	Lindt & Sprüngli SAS	P & D	100	EUR	13.0
Italy	Induno	Lindt & Sprüngli SpA ¹⁾	P & D	100	EUR	5.2
	Luserna	Caffarel SpA	P & D	100	EUR	2.2
Great Britain	London	Lindt & Sprüngli (UK) Ltd. ¹⁾	D	100	GBP	1.5
USA	Stratham, NH	Lindt & Sprüngli (USA) Inc. ¹⁾	P & D	100	USD	1.0
	San Leandro, CA	Ghirardelli Chocolate Company	P & D	100	USD	0.1
Spain	Barcelona	Lindt & Sprüngli (España) SA	D	100	EUR	3.0
Austria	Vienna	Lindt & Sprüngli (Austria) Ges.m.b.H. ¹⁾	P & D	100	EUR	4.5
Poland	Warsaw	Lindt & Sprüngli (Poland) Sp. z o.o. ¹⁾	D	100	PLN	17.0
Canada	Toronto	Lindt & Sprüngli (Canada) Inc. ¹⁾	D	100	CAD	2.8
Australia	Sydney	Lindt & Sprüngli (Australia) Pty. Ltd. ¹⁾	D	100	AUD	1.0
Mexico	Mexico City	Lindt & Sprüngli de México SA de CV ¹⁾	D	100	MXN	248.1
Sweden	Stockholm	Lindt & Sprüngli (Sweden) AB ¹⁾	D	100	SEK	0.5
Czech Republic	Prague	Lindt & Sprüngli (Czechia) s.r.o. ¹⁾	D	100	CZK	0.2
Japan	Tokio	Lindt & Sprüngli Japan Co., Ltd.	D	100	JPY	355.0
South Africa	Capetown	Lindt & Sprüngli (South Africa) (Pty) Ltd. ¹⁾	D	100	ZAR	70.0
Hong Kong	Hong Kong	Lindt & Sprüngli (Asia-Pacific) Ltd. ¹⁾	D	100	HKD	0.5
Guernsey	St. Peter Port	Lindt & Sprüngli (Finance) Ltd	M	100	EUR	0.1

D – Distribution, P – Production, M – Management

1) Subsidiaries held directly by Chocoladefabriken Lindt & Sprüngli AG.

2. ACCOUNTING PRINCIPLES

BASIS OF PREPARATION — The consolidated financial statements of Chocoladefabriken Lindt & Sprüngli AG (Lindt & Sprüngli Group) were prepared in accordance with International Financial Reporting Standards (IFRS).

With the exception of the marketable securities and the derivative financial instruments, which are recognized at fair value, the consolidated financial statements are based on historical costs.

When preparing the financial statements, Management makes estimates and assumptions that have an impact on the disclosed assets and liabilities in the annual report, the disclosure of contingent assets and liabilities as at the closing date of the financial statements and the disclosed expenses and income in the reporting period. The actual results may differ from these estimates.

NEW IFRS STANDARDS AND INTERPRETATIONS — The new standards, amendments to standards and interpretations, which must be applied for the reporting period 2011, did not have any impact on the financial position and performance of the Group.

The Group is assessing the effect on the Group's result and financial position of the standards and interpretations, which have been published by the time of the release of these consolidated financial statements. The standards, which must be adopted by January 1, 2013, are:

- IAS 19 – Employee benefits
- IFRS 9 – Financial instruments – classification and measurement
- IFRS 10 – Consolidated financial statements
- IFRS 12 – Disclosures of interest in other entities
- IFRS 13 – Fair value measurement

CONSOLIDATION METHOD — The consolidated financial statements include the accounts of the parent company and all the entities it controls (subsidiaries) up to December 31 of each year. An entity is controlled if the parent company has the possibility to govern its financial and operating policies and as a result realizes an economic benefit.

At the time an entity is acquired, the subsidiary's assets, liabilities and contingent liabilities are valued at fair value. If the purchase price exceeds the fair value of the identifiable net assets, the difference is reported as goodwill. Negative goodwill exists when the acquisition price is below the fair value of the net assets; this is reflected in the income statement in the financial year of the business combination. The shares acquired of minority interests are disclosed pro rata as part of the fair value of recorded assets and liabilities.

The results of subsidiaries acquired or sold during the year are included in the Group's income statement when the acquisition or the sale takes place.

Intercompany receivables and liabilities, as well as expenses and income are offset against each other. Unrealized profits resulting from intercompany transactions are fully eliminated. The reporting and valuation methods of the subsidiaries are – if necessary – changed so that a single method is applied to the entire Group's balance sheet.

FOREIGN CURRENCY TRANSLATION

Functional currency and reporting currency — The subsidiaries prepare their financial statements in the currency of the primary economic environment in which the entity operates, the so-called functional currency. The consolidated financial statements are presented in Swiss francs, which is the Group's reporting currency.

Business transactions and balances — Foreign currency transactions are translated into the functional currency at the rates valid at the date of transaction. Currency gains and losses resulting from these transactions or from the conversion of foreign exchange positions are reflected in the income statement. In order to hedge against currency risks, the Group engages in currency forwards and options trading. The methods of recording and evaluating these derivative financial instruments in the balance sheet are explained below.

Subsidiaries — All subsidiaries which use a functional currency other than the Swiss franc (CHF) are translated into the Group's reporting currency as follows (none of the subsidiaries have a highly inflationary currency):

- Assets and liabilities of the entities are translated at the closing rate at balance sheet date.
- Income and expenses are translated at a weighted yearly average exchange rate.
- All resulting translation differences are disclosed in a separate category of shareholders' equity not affecting operating result ("currency translation").

Differences of exchange resulting from the translation of loans to be considered as net investments in foreign entities at the time of consolidation, are recorded separately in shareholders' equity. In the financial year of the disposal, currency translation differences are recorded as part of the proceeds or losses from sales.

Foreign exchange rates — The Group applied the following exchange rates:

		Balance sheet year-end rates		Income statement average rates	
		2011	2010	2011	2010
Euro zone	1 EUR	1.22	1.25	1.24	1.38
USA	1 USD	0.94	0.94	0.89	1.02
Great Britain	1 GBP	1.46	1.45	1.44	1.60
Canada	1 CAD	0.92	0.94	0.90	0.99
Australia	1 AUD	0.96	0.95	0.92	0.96
Poland	100 PLN	27.41	31.55	29.57	34.95
Mexico	100 MXN	6.74	7.57	6.72	8.27
Sweden	100 SEK	13.66	13.94	13.70	14.48
Czech Republic	100 CZK	4.74	4.99	4.99	5.47
Japan	100 JPY	1.22	1.15	1.12	1.20
South Africa	100 ZAR	11.60	–	11.59	–

PROPERTY, PLANT, AND EQUIPMENT — Property, plant, and equipment are valued at historical cost, less the accumulated depreciation. The assets are depreciated using the straight-line method over the period of their expected useful economic life.

Historical cost includes all costs associated with the acquisition. Subsequent costs increasing the value of an asset are, depending on the case, either recorded in the book value of the asset or as a separate asset, to the extent that it can be assumed that it is likely that the Group will benefit from it in the future and that its costs can be calculated in a reliable manner. All other repair or maintenance costs are reflected in the income statement in the year of their occurrence.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to write down their cost to their residual values. The following useful lives have been applied:

- Buildings (incl. installations): 5 – 40 years
- Machinery: 10 – 15 years
- Other fixed assets: 3 – 8 years

Profits and losses from disposals are recorded in the income statement.

INTANGIBLE ASSETS

Software — Acquired computer software licences, as well as development costs, are capitalized with the costs incurred to bring the software to use. The capitalized costs are amortized using the straight-line method over the period of the economic useful life (three to five years).

IMPAIRMENT — The Group records the difference between the realizable value and the book value of fixed assets, goodwill or intangible assets as impairment. The valuation is made for an individual asset or, if this is not possible, on a group of assets to which separate sources of cash flows are allocated. In order to appraise the future benefits, the expected future cash flows are discounted. Assets with undefined utilization periods as for example goodwill or intangible assets, and which are not in use yet, are not depreciated and are subject to a yearly impairment test. Depreciable assets are tested for their recoverability, if there are signs, that the book value is no longer realizable.

LEASING — Leasing agreements are classified as finance leases if the leasing conditions transfer most risks and benefits resulting from ownership to the lessee. All other leasing agreements are classified as operating leases.

Assets held under finance leasing agreements are recorded at the lower of fair value and the net present value of the minimum leasing rates in the balance sheet. The resulting liabilities towards the lessor are recorded as payables to finance leases. The leasing rates are spread in proportion to the interest expense and the decrease in leasing liabilities, thus generating a constant interest rate for the remaining balance of the liabilities for each reporting period.

Payments made under operating leases (net of any incentives received or expected from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

INVENTORIES — Inventories are valued at the lower of cost and net realizable value. Costs include all direct material and production costs, as well as overhead, which are incurred in order to bring inventories to their current location and condition. Costs are calculated using the FIFO method. Net realizable value equals the estimated selling price in the ordinary course of business less cost of goods produced and applicable variable selling expenses.

CASH AND CASH EQUIVALENTS — Cash and cash equivalents includes cash on hand, cash in bank, other short-term highly liquid investments with an original maturity period of up to ninety days.

FINANCIAL ASSETS — The Group classifies its financial assets into four categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. At each balance sheet date, Management re-assesses the classification of its investments at initial recording.

Financial assets at fair value through profit or loss — This category of financial assets is subdivided into the following two categories:

- financial assets held for trading, and
- those designated “at fair value through profit or loss” at the time of acquisition

Financial assets are allocated to this category if they were acquired with the intention to be sold in the short term or if Management categorized them as such voluntarily. Derivative financial instruments are also allocated to the category “at fair value through profit or loss” unless they are designated as hedging transactions. Financial assets allocated to this category are disclosed as short-term assets unless they belong to the category “held for trading” or it is expected that they will be sold within a maximum of twelve months after the balance sheet date.

Loans and receivables — Loans and receivables are considered non-derivative financial assets with fixed and determinable payments and for which no quoted market rate exists in an active market. They include credit loans and trade receivables in as far as they are not intended for resale; otherwise they are to be allocated to “available for sale”. Loans and receivables are categorized as short-term assets, unless their remaining post-balance sheet date life exceeds twelve months. Within the reporting period the majority of loans and receivables have been accounted for as short-term commitments; they were included in the balance sheet items “accounts receivable” and “other receivables.” Value adjustments are made to outstanding receivables for which repayment is considered doubtful.

Financial investments held to maturity — Financial investments held to maturity are non-derivative financial assets with fixed and determinable payments and maturities and for which Management has the intention – and the possibility – to hold until their final maturity elapses.

“Available for sale financial assets” — The category “available for sale” consists of non-derivative financial assets which either cannot be allocated to any other category or which are allocated to this category voluntarily. They are disclosed as long-term assets, unless Management intends to sell them within the twelve months following the balance sheet date.

Purchases and sales of financial assets are recorded on trade-date – the date on which the Group has committed to buy or sell the asset. Investments in financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried “at fair value through profit or loss.” The derecognition of a financial investment occurs at the moment when the right to receive future cash flows from the investment expires or has been transferred to a third party and the Group has transferred substantially all risks and benefits of ownership. Financial investments categorized as “available-for-sale” and “at fair value through profit or loss” are valued at fair value. “Loans and receivables” and “held-to-maturity” investments are valued at amortized cost using the effective interest method. Realized and unrealized profits and losses arising from changes in the fair value of financial investments categorized as “fair value through profit or loss” are reflected in the income statement in the reporting period in which they occur.

The fair value of listed investments is defined by using the current paid or, if not available, bid price. If the market for a financial asset is not active and/or the security is unlisted, the Group can determine the fair value by using valuation procedures. These are based on recent arm's length transactions, reference to similar financial instruments, the discounting of the future cash flows and the application of the option pricing models.

Available-for-sale financial assets which have a market value of more than 40% below their original costs or are, for a sustained 18-month period, below their original costs are considered as impaired and the accumulated fair value adjustment in equity will be recognized in the income statement. Impairment losses recognized in the income statement for an investment in an equity instrument classified as "available-for-sale" shall not be reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as "available-for-sale" increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss shall be reversed in the income statement.

PROVISIONS — Provisions are recognized when the Group has a legal or constructive obligation arising from a past event, where it is likely that there will be an outflow of resources and a reasonable estimate can be made thereof.

DIVIDENDS — In accordance with Swiss law and the Company's Articles of Association, dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual General Meeting and subsequently paid.

BORROWINGS — Borrowings are recognized initially when the Group commits to a contract and records the amount of the proceeds (net of transaction costs) received. Borrowings are then valued at amortized cost using the effective interest method. The amortized cost consists of a financial obligation at its initial recording, minus repayment, plus or minus accumulated amortization (the difference possible between the original amount and the amount due at maturity). Profits or losses are recognized in the income statement as a result of amortization or when a borrowing is written off. A borrowing is written off when it is repaid, abandoned or when it expires.

EMPLOYEE BENEFITS — The expense and defined benefit obligations for the significant defined benefit plans and other long-term employee benefits in accordance with IAS 19 are determined using the Projected Unit Credit Method. This takes into account insurance years up to the valuation date. Valuation of defined benefit obligations for the material benefit plans is carried out yearly, for the other plans periodically. Valuation of pension assets is done annually, at market value.

Current service costs are recorded in the income statement for the period in which they are incurred.

Past-service costs are recognized immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

The limitation of the pension asset is calculated according to the requirements of IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions.

REVENUE RECOGNITION — Revenue consists of delivery of goods and services to third parties net of value-added taxes and minus price reductions and all payments to trade partners with the exception of payments for distinctly and clearly identifiable services, rendered by trade partners, which could also be rendered by third parties at comparable costs. Revenue is to be recorded in the income statement once the risks and rewards of the goods are transferred to the buyer. For goods returned or other types of payments regarding the sales, adequate accruals are recorded.

Interest income is recognized on an accrual basis, taking into consideration the outstanding sums lent and the actual interest rate to be applied.

Dividend income resulting from financial investments is recorded upon legal entitlement to payment of the share owner.

OPERATING EXPENSES — Operating expenses include marketing, distribution and administrative expenses.

BORROWING COSTS — Interest expenses incurred from borrowings used to finance the construction of fixed assets are capitalized for the period in which it takes to build the asset for its intended purpose. All other borrowing costs are immediately expensed in the income statement.

TAXES — Taxes are based on the yearly profit and include non-refundable taxes at source levied on the amounts received or paid for dividends, interest and licence fees. These taxes are levied according to a country's directives.

Deferred income taxes are accounted for according to the Balance-Sheet-Liability Method, on temporary differences arising between the tax and IFRS bases of assets and liabilities. In order to calculate the deferred income taxes, the legal tax rate in use at the time is applied.

Deferred tax assets – for unutilized tax losses – are recorded to the extent that it is probable that future taxable profit is likely to be achieved against which the temporary differences can be offset.

Deferred taxes also arise due to temporary differences from investments in subsidiaries and associated companies. Deferred taxes are not recognized, if the following two conditions are met: The parent company is able to manage the timing of the release of temporary differences and it is probable, that the temporary differences are not going to be reversed in the near future.

RESEARCH AND DEVELOPMENT COSTS — Development costs for new products are capitalized, if the relevant criteria for capitalization are met. There are no capitalized development costs in these consolidated financial statements.

SHARE-BASED PAYMENTS — The Group grants several employees options on officially listed participation certificates. These options have a blocking period of three to five years and a maximum maturity of seven years. The options expire once the employee leaves the company. Cash settlements are not allowed. The disbursement of these equity instruments is valued at fair value at grant date. The fair value determined at grant date is recorded in a straight-line method over the vesting period. This is based on the estimated number of participation certificates, which entitles a holder to additional benefits. The fair value was defined with the help of the binomial model used to determine the price of the options. The anticipated maturity period included the conditions of the employee option plan, such as the blocking period and the non-transferability.

On March 18, 2011, the vesting conditions for 5,000 of the 36,180 outstanding options, granted in 2011, have been modified. All the other parameters, especially the blocking periods of three, four and five years, as well as the exercise price of CHF 2,523, remained unchanged. Based on the modification, the total fair value of these options must be directly charged to the income statement in the period under review and cannot be spread over three years. This impact increased the expenses for share-based payment in 2011 by CHF 2.5 million and will relieve the expenses for the following years.

ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES — Derivative financial instruments are recorded when the contract is entered into and valued at fair value. The treatment of recognizing the resulting profit or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivative financial instruments as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (securing the cash flow).

At the beginning of the business transaction, the Group documents the relationship between the hedge and the hedged items, as well as its risk management targets and strategies for undertaking the various hedging transactions. Furthermore, the Group also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in fair value of derivatives which are designated and qualify as cash flow hedges is accounted for in equity. Profit and loss from the ineffective portion of the value adjustment are recognized immediately in the income statement.

Amounts accumulated in equity are recognized in the income statement in the same reporting period when the hedged item affects profit and loss.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS — The “Fonds für Pensionsergänzungen der Schokolade-fabriken Lindt & Sprüngli AG” is disclosed as a pension fund according to IAS 19.48 (defined benefit pension plan). The fund takes over disbursements to employees who take early retirement and the inflationary adjustment on pension payments as well as a part of the contributions of the employer and employees to Swiss pension funds related to the defined pension plans. The plan assets of the fund cannot be repatriated to the Company. The future obligations, as well as the benefits, were calculated according to the rules stipulated in IAS 19. The recorded assets comply with the requirements of IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions. As at December 31, 2011, the calculated benefit amounted to CHF 104.4 million (CHF 86.8 million in 2010) and is disclosed in the item “Financial Assets” (see note 9).

3. RISK MANAGEMENT

Due to its global activity, the Group is exposed to a number of risks: strategic, operational, and financial. Within the scope of the annual risk management process, the individual risk positions are classified into these three categories, where they are assessed, limited and assigned to authorities.

In view of the existing and inevitable strategic and operating risks of the core business, Management's objective is to minimize the impact of the financial risks on the operating and net profit for the reporting period.

FINANCIAL RISK MANAGEMENT — The Group is exposed to financial risks. The financial instruments are divided, in accordance with IFRS 7, into the following categories: market risks (exchange rates, interest rates, and commodities), credit risks, and liquidity risks. The central treasury department (Corporate Treasury) is responsible for the coordination of risk management and works closely with the operational Group companies. The decentralized Group structure gives strong autonomy to the individual operational Group companies, particularly with regard to the management of exchange rate and commodity risks. The risk policies issued by the Audit Committee serve as guidelines for the entire risk management.

Centralized systems, specifically for the regular recording and consolidation of the Group-wide foreign exchange and commodity positions, as well as regular internal reporting, ensure that the risk positions can be consolidated and managed in a timely manner despite the Group's decentralized management system. The Group only engages in derivative financial transactions if a highly probable forecast transaction or a recognized asset or liability exists.

Market risks

Exchange rate risks — The Group's reporting currency is the Swiss franc, which is exposed to fluctuations in foreign exchange rates, primarily with respect to the euro, the various dollar currencies, and pound sterling. Foreign exchange rate risk is not generated from sales, since the operational Group companies invoice in their local functional currencies. On the other hand, the Group is exposed to exchange rate risk on trade payables for goods and services. These transactions are hedged to a great extent using forward currency contracts. The operational Group companies transact all currency instruments with Corporate Treasury, which hedges net positions by means of financial instruments with credit-worthy financial institutions (short-term rating A1/P1).

Since the operational Group companies transact the majority of their transactions in their own functional currencies and any remaining non-functional currency-based transactions are hedged with currency forward contracts, the exchange rate risk at balance sheet date is not material. The changes, in exchange rates, include the fair value of the currency forward contracts since entering into the contract and are recognized in accordance with IAS 39.

Interest rate risks — Corporate Treasury monitors and minimizes interest rate risks from a mismatch of quality, maturity period, and currency of the liquid funds on a continuous basis. Corporate Treasury may use derivative financial instruments in order to manage the interest rate risk of balance sheet assets and liabilities, and future cash flows. As of December 31, 2011, there were no material transactions.

The most material financial assets as of December 31, 2011 and 2010, are not interest-bearing. Therefore no material sensitivities exist on these positions, which include predominantly cash and cash equivalents in Swiss franc. A part of the financial assets as of December 31, 2011 and 2010, bears variable interest rates. No material sensitivities exist on these positions.

Commodity price risks — The Group's products are manufactured with raw materials (commodities) that are subject to strong price fluctuations due to climatic conditions, seasonal conditions, seasonal demand, and market speculation. In order to mitigate the price and quality risks of the expected future net demand, the manufacturing Group companies enter into contracts with suppliers for the future physical delivery of the raw materials. In exceptional market conditions, commodity futures are also used; however, they are only processed centrally by Corporate Treasury. The commodity futures of cocoa beans of a necessary quality are always traded for physical-delivery agreements. The number of outstanding commodity futures is dependent on the expected production volumes and price development and so can be at various levels throughout the year. Based on the existing contract volume as of December 31, 2011 and 2010, no material sensitivities exist on these positions. The changes in commodity prices include the fair value of the futures since entering into the agreement and are recognized in accordance with IAS 39.

Credit risks — Credit risks occur when a counterparty, such as a supplier, a client or a financial institute is unable to fulfil its contractual duties. This risk is minimized since the operational Group companies have implemented standard processes for defining lending limits for clients and suppliers and monitor adherence to these processes on an ongoing basis. Due to the geographical spread of the turnover and the large number of clients, the Group's concentration of risk is limited. Financial credit risks are limited by investing (liquid funds and/or derivative financial instruments) with various lending institutions holding a short-term A1/P1-rating only. The maximum risk of loss of balance sheet assets is limited to the carrying values of those assets, as reflected in the notes to the financial statements (including derivative financial instruments).

Liquidity risks — Liquidity risk exists when the Group or a Group company does not settle or meet its financial obligations (untimely repayment of financial debt, payment of interest). The Group's liquidity is ensured by means of regular Group-wide monitoring and planning of liquidity as well as an investment policy coordinated by Corporate Treasury. Liquidity, which the Group defines as the net liquidity position (cash and cash equivalents, marketable securities less bank borrowings), is continually monitored on a company-by-company basis by Corporate Treasury. As of December 31, 2011, the net liquidity position amounted to CHF 486 million (CHF 540 million in 2010). For extraordinary financing needs, adequate credit lines with financial institutes have been arranged.

The tables below present relevant maturity groupings based on the remaining periods, as at December 31, 2011 and 2010, of the contractual maturity date:

CHF million	< 3 months	Between 3 and 12 months	Between 1 and 3 years	Over 3 years	2011 Total
Loans	–	–	0.9	0.2	1.1
Other long-term borrowings	–	–	2.2	7.9	10.1
Accounts payable	160.1	4.8	–	–	164.9
Other accounts payable	43.5	1.5	0.1	–	45.1
Net value derivative instruments	0.7	13.6	0.7	–	15.0
Bank and other borrowings	7.9	0.5	–	–	8.4
Total contractually fixed payments	212.2	20.4	3.9	8.1	244.6

CHF million	< 3 months	Between 3 and 12 months	Between 1 and 3 years	Over 3 years	2010 Total
Loans	–	–	0.6	0.2	0.8
Other long-term borrowings	–	–	2.3	8.1	10.4
Accounts payable	145.8	6.5	–	–	152.3
Other accounts payable	32.5	1.5	0.1	0.1	34.2
Net value derivative instruments	0.9	–0.3	–0.8	–	–0.2
Bank and other borrowings	15.4	0.5	–	–	15.9
Total contractually fixed payments	194.6	8.2	2.2	8.4	213.4

4. CAPITAL MANAGEMENT

The goal of the Group with regards to capital management is to support the business with a sustainable and risk adjusted capital basis and to achieve an accurate return on the invested capital. The Group assesses the capital structure on an ongoing basis and makes adjustments in view of the business activities and the changing economical environment.

The Group monitors its capital based on the ratio of shareholders' equity in percentage to total assets, which was 64.4% as of December 31, 2011 (66.2% in 2010). The goals and procedures as of December 31, 2011, related to capital management have not been changed compared to the previous year.

5. SEGMENT INFORMATION: ACCORDING TO GEOGRAPHIC SEGMENTS

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 companies of individual countries on the basis of similar economic structures (foreign exchange risks, growth perspectives, element of an economic area), similar products and trade landscapes, 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, and South Africa 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	2011	2010	2011	2010	2011	2010	2011	2010
Sales	1,698.9	1,759.0	695.2	733.1	304.7	302.6	2,698.8	2,794.7
less Sales between segments	207.9	213.5	2.3	1.9	–	–	210.2	215.4
Third party sales	1,491.0	1,545.5	692.9	731.2	304.7	302.6	2,488.6	2,579.3
Operating profit	231.8	232.4	67.9	65.2	29.0	27.7	328.7	325.3
Net financial result							–0.1	–1.3
Income before taxes							328.6	324.0
Taxes							–82.1	–82.1
NET INCOME							246.5	241.9

The following subsidiaries achieved the highest sales turnover Group-wide in 2011:

- Chocoladefabriken Lindt & Sprüngli GmbH, Germany CHF 435.4 million
- Chocoladefabriken Lindt & Sprüngli (Schweiz) AG, Switzerland CHF 324.4 million
- Lindt & Sprüngli SAS, France CHF 319.8 million

BALANCE SHEET AND OTHER INFORMATION

	Segment Europe		Segment NAFTA		All other segments		Total	
CHF million	2011	2010	2011	2010	2011	2010	2011	2010
Assets ¹⁾	1,906.1	1,937.5	485.0	479.6	124.9	107.6	2,516.0	2,524.7
Liabilities ¹⁾	672.0	655.5	118.0	120.0	106.9	76.7	896.9	852.2
Investments	81.6	61.1	18.9	25.1	3.7	2.4	104.2	88.6
Depreciation and amortization	66.7	70.0	22.4	24.5	2.1	1.8	91.2	96.3
Impairment	1.4	0.5	0.5	1.2	0.1	–	2.0	1.7

1) Assets and liabilities which cannot be clearly allocated to a particular segment are disclosed in the category "All other segments."

The following subsidiaries held the greatest portion of fixed and intangible assets Group-wide in 2011:

- Chocoladefabriken Lindt & Sprüngli (Schweiz) AG, Switzerland CHF 175.7 million
- Chocoladefabriken Lindt & Sprüngli GmbH, Germany CHF 140.2 million
- Lindt & Sprüngli (USA) Inc., USA CHF 117.2 million
- Lindt & Sprüngli SpA, Italy CHF 105.5 million
- Ghirardelli Chocolate Company, USA CHF 92.5 million

6. FINANCIAL INSTRUMENTS, FAIR VALUE, AND HIERARCHY LEVELS

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

CHF million	Level	2011		2010	
		Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS					
Loans and receivables					
Cash and cash equivalents		441.8	441.8	540.4	540.4
Accounts receivable		654.9	654.9	647.6	647.6
Other receivables		58.3	58.3	37.5	37.5
Loans to third parties		0.3	0.3	0.2	0.2
Total loans and receivables		1,155.3	1,155.3	1,225.7	1,225.7
Fair value through profit or loss					
Derivatives	1	0.1	0.1	2.8	2.8
Derivatives	2	13.5	13.5	18.1	18.1
Marketable securities	1	9.3	9.3	11.7	11.7
Total fair value through profit or loss		22.9	22.9	32.6	32.6
Available for sale					
Marketable securities	1	1.3	1.3	4.1	4.1
Investments third parties	3	2.3	2.3	2.6	2.6
Total available for sale		3.6	3.6	6.7	6.7
Held to maturity					
Deposit	2	43.5	43.5	–	–
Total held to maturity		43.5	43.5	–	–
Total financial assets					
		1,225.3	1,225.3	1,265.0	1,265.0
FINANCIAL LIABILITIES					
Fair value through profit or loss					
Derivatives	1	11.5	11.5	0.4	0.4
Derivatives	2	17.1	17.1	20.3	20.3
Total fair value through profit or loss		28.6	28.6	20.7	20.7
Loans and payables					
Loans		5.9	5.9	2.4	2.4
Other non-current liabilities		10.1	10.1	10.4	10.4
Accounts payable		164.9	164.9	152.3	152.3
Other accounts payable		45.1	45.1	34.2	34.2
Bank and other borrowings		3.6	3.6	14.3	14.3
Total loans and payables		229.6	229.6	213.6	213.6
Total financial liabilities					
		258.2	258.2	234.3	234.3

Level 1 – The fair value measurement of some financial instruments is based on quoted prices in active markets or dealer and supplier quotes.

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.

7. PROPERTY, PLANT, AND EQUIPMENT

CHF million	Land/ buildings	Machinery	Other fixed assets	Construction in progress	2011 Total
Acquisition costs as at January 1, 2011	650.7	871.3	154.6	26.1	1,702.7
Additions	18.2	30.0	12.7	38.4	99.3
Retirements	-3.1	-10.3	-6.4	-	-19.8
Transfers	5.7	8.6	0.6	-15.6	-0.7
Currency translation	-7.0	-12.8	-2.8	-0.1	-22.7
Acquisition costs as at December 31, 2011	664.5	886.8	158.7	48.8	1,758.8
Accumulated depreciation as at January 1, 2011	309.3	534.6	118.7	-	962.6
Additions	24.7	46.3	13.5	-	84.5
Impairments	0.7	1.1	0.1	-	1.9
Retirements	-2.7	-9.5	-6.2	-	-18.4
Transfers	-0.3	0.3	-	-	-
Currency translation	-3.4	-8.3	-2.2	-	-13.9
Accumulated depreciation as at December 31, 2011	328.3	564.5	123.9	-	1,016.7
Net fixed assets as at December 31, 2011	336.2	322.3	34.8	48.8	742.1

CHF million	Land/ buildings	Machinery	Other fixed assets	Construction in progress	2010 Total
Acquisition costs as at January 1, 2010	699.6	928.0	168.7	66.7	1,863.0
Additions	18.4	38.1	12.0	14.5	83.0
Retirements	-13.5	-20.6	-10.8	-	-44.9
Transfers	12.8	34.4	4.1	-51.3	-
Currency translation	-66.6	-108.6	-19.4	-3.8	-198.4
Acquisition costs as at December 31, 2010	650.7	871.3	154.6	26.1	1,702.7
Accumulated depreciation as at January 1, 2010	326.4	572.4	130.0	-	1,028.8
Additions	26.0	48.7	14.8	-	89.5
Impairments	0.3	1.3	0.1	-	1.7
Retirements	-13.4	-19.9	-10.5	-	-43.8
Transfers	-	-0.1	0.1	-	-
Currency translation	-30.0	-67.8	-15.8	-	-113.6
Accumulated depreciation as at December 31, 2010	309.3	534.6	118.7	-	962.6
Net fixed assets as at December 31, 2010	341.4	336.7	35.9	26.1	740.1

Advance payments of CHF 12.8 million (CHF 19.6 million in 2010) are included in the position construction in progress. The insurance value of property, plant, and equipment amounts to CHF 2,032.0 million (CHF 2,095.0 million in 2010). No mortgages exist on land and buildings.

The impairment charge of CHF 1.9 million (CHF 1.7 million in 2010) consists mainly of writedowns of production equipment (CHF 1.1 million, CHF 1.3 million in 2010) and of land and buildings (CHF 0.7 million, CHF 0.3 million in 2010).

The net book value (NBV) of capitalized assets, under financial lease, amounted to CHF 1.6 million (CHF 1.2 million in 2010). Operating lease commitments are expensed immediately.

8. INTANGIBLE ASSETS

CHF million	EDP software and consultancy	
	2011	2010
Acquisition costs as at January 1	53.6	56.0
Additions	4.9	5.6
Retirements	-0.8	-1.6
Transfers	0.7	-
Currency translation	-0.7	-6.4
Acquisition costs as at December 31	57.7	53.6
Accumulated amortization as at January 1	38.9	38.1
Additions	6.7	6.8
Impairments	0.1	-
Retirements	-0.8	-1.4
Currency translation	-0.5	-4.6
Accumulated amortization as at December 31	44.4	38.9
Net intangible assets as at December 31	13.3	14.7

Research and development expenditures amounted to CHF 7.0 million (CHF 7.1 million in 2010) and are expensed immediately.

9. FINANCIAL ASSETS

CHF million	2011	2010
Prepaid pension funds ¹⁾	106.9	89.2
Loans to third parties	0.3	0.2
Investments third parties (available for sale)	2.3	2.6
Total	109.5	92.0

1) See note 18.

10. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The net value of deferred tax liabilities is as follows:

CHF million	2011	2010
At January 1	21.0	21.5
Deferred income tax expense	0.7	0.9
Tax charged to equity	-	0.1
Currency translation	-0.1	-1.5
At December 31	21.6	21.0

Deferred tax assets and liabilities have been generated from the following balance sheet positions:

CHF million	2011	2010
Deferred tax assets		
Property, plant, and equipment, intangible assets	4.0	3.6
Pension assets and liabilities	15.7	15.7
Receivables	9.1	6.9
Inventories	5.6	5.6
Payables and accruals	15.4	15.7
Derivative assets and liabilities	0.8	1.2
Other	0.7	0.7
Deferred tax assets gross	51.3	49.4
Netting	-43.7	-44.2
Total	7.6	5.2
Deferred tax liabilities		
Property, plant, and equipment, intangible assets	24.5	24.3
Pension assets and liabilities	33.3	27.5
Receivables	2.8	2.5
Inventories	3.3	4.6
Payables and accruals	8.7	8.9
Derivative assets and liabilities	0.2	2.5
Other	0.1	0.1
Deferred tax liabilities gross	72.9	70.4
Netting	-43.7	-44.2
Total	29.2	26.2
NET DEFERRED TAX	21.6	21.0

TAX LOSS CARRY-FORWARDS

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred tax assets on tax loss carry-forwards. The expiration of tax loss carry-forwards are:

CHF million	2011	2010
Between one and five years	9.6	5.3
Between six and ten years	31.9	20.4
Over ten years	46.0	52.4
Total	87.5	78.1

Tax loss carry-forwards were not utilized in 2011 (CHF 12.5 million in 2010).

11. INVENTORIES

CHF million	2011	2010
Raw material	65.5	77.4
Packaging material	66.4	65.8
Semi-finished and finished products	302.3	280.9
Value adjustment	-31.7	-32.0
Total	402.5	392.1

In 2011, CHF 2.8 million (CHF 3.7 million in 2010) of the value adjustment as at the end of 2010 has been released to the benefit of the profit and loss.

12. ACCOUNTS RECEIVABLE

CHF million	2011	2010
Accounts receivable, gross	678.9	668.0
Value adjustment	-24.0	-20.4
Total	654.9	647.6

CHF million	2011	2010
Value adjustment as at January 1	-20.4	-20.6
Addition	-6.5	-5.5
Utilization	2.4	3.1
Release	0.3	0.8
Currency translation	0.2	1.8
Value adjustment as at December 31	-24.0	-20.4

The following table presents the aging of accounts receivable:

CHF million	2011	2010
Not yet past due	528.9	515.3
Past due 1–30 days	94.6	91.5
Past due 31–90 days	33.3	42.0
Past due over 91 days	22.1	19.2
Accounts receivable gross	678.9	668.0

Historically, the default rate for accounts receivable in the category “Not yet past due” was lower than 1%. Hence the default risk is considered to be low. Value adjustments are calculated based on the assessment of the default risk with regards to accounts receivable balances already past due.

The carrying amounts of accounts receivable are denominated in the following currencies:

CHF million	2011	2010
CHF	62.0	63.5
EUR	326.1	327.9
USD	108.3	116.1
GBP	38.1	33.7
Other currencies	120.4	106.4
Accounts receivable net	654.9	647.6

13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING RESERVES

At the balance sheet date, the fair value of derivative financial instruments was as follows:

CHF million	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Derivatives (cash flow hedges and raw material contracts)	11.2	26.9	13.9	19.0
Other derivatives	2.4	1.7	7.0	1.7
Total	13.6	28.6	20.9	20.7

The carrying amount (contract value) of the outstanding forward-currency and raw-material contracts as at December 31, 2011, is CHF 662.5 million (CHF 652.1 million in 2010). The majority of gains and losses recognized in the hedging reserve, as shown in the Consolidated Statement of Changes in Equity in the amount of CHF 12.3 million in net losses (CHF 3.0 million in 2010), on forward-currency and raw-material contracts as of December 31, 2011, will be released to material expense in the income statement at various dates within the next twenty-four months. Other derivative instruments which have been executed in accordance with the risk policy and do not qualify for hedge accounting under the criteria of IAS 39 as well as the ineffective portion of designated derivative instruments, have been recognized immediately in the income statement.

14. MARKETABLE SECURITIES AND SHORT-TERM FINANCIAL ASSETS

CHF million	2011	2010
Available-for-sale financial assets	1.3	4.1
Fair-value-through-profit-or-loss financial assets	9.3	11.7
Held-to-maturity financial assets	43.5	—
Total	54.1	15.8

Available-for-sale financial assets

CHF million	2011	2010
At January 1	4.1	4.8
Additions	4.4	1.1
Disposals	–6.9	–1.3
Net gains/(losses) transfer to equity	0.5	–0.2
Impairment/transfer to income statement	–0.8	–0.3
At December 31	1.3	4.1

In 2011, the Group released losses of CHF 0.8 million (CHF 0.3 million in 2010), related to available-for-sale financial assets, from equity, as impairment into the income statement.

The carrying amount of available-for-sale financial assets as at December 31, 2011, is CHF 1.3 million (CHF 4.1 million in 2010) and consists of CHF equity securities.

Fair-value-through-profit-or-loss financial assets (Held for trading)

Fair-value-through-profit-or-loss financial assets as at December 31, 2011, consist of equity securities in the following currencies: CHF equity securities (CHF 5.5 million in 2011, CHF 5.5 million in 2010), EUR equity securities (CHF 3.2 million in 2011, CHF 5.6 million in 2010) und USD equity securities (CHF 0.6 million in 2011, CHF 0.6 million in 2010).

The carrying amounts of the above financial assets are designated as fair-value-through-profit-or-loss upon initial recognition. Changes in the fair values of these assets are recorded in the positions “Income from financial assets” and “Expenses from financial assets” in the income statement.

The fair value of all quoted securities is based on their currently paid or, if not available, bid prices in an active market.

Held-to-maturity financial assets

The carrying amount of held-to-maturity financial assets, a EUR deposit, as at December 31, 2011, is CHF 43.5 million (CHF 0 in 2010). The deposit is valued at amortized cost and the fair value as at December 31, 2011, does not significantly deviate from that value. Risk of default of the counterparty is seen as very unlikely based on the counterparty's credit rating (rating A according to Standard and Poor's).

15. CASH AND CASH EQUIVALENTS

CHF million	2011	2010
Cash at bank and in hand	369.2	450.0
Short-term bank deposits	72.6	90.4
Total	441.8	540.4

The effective interest rate on short-term bank deposits reflects the average interest rate of the money market as well as the development of the currencies invested with an original maturity period of up to three months.

16. SHARE AND PARTICIPATION CAPITAL

CHF million	Number of registered shares (RS) ¹⁾	Number of participation certificates (PC) ²⁾	Registered shares	Participation certificates	Total
At January 1, 2010	140,000	883,298	14.0	8.8	22.8
Capital increase	–	18,501	–	0.2	0.2
At December 31, 2010	140,000	901,799	14.0	9.0	23.0
Capital increase	–	24,380	–	0.3	0.3
At December 31, 2011	140,000	926,179	14.0	9.3	23.3

1) At par value of CHF 100.–

2) At par value of CHF 10.–

The conditional capital has a total of 634,046 participation certificates (PC) (658,426 in 2010) with a par value of CHF 10.–. Of this total, 279,596 (303,976 in 2010) are reserved for employee stock option programs; the remaining 354,450 participation certificates (354,450 in 2010) are reserved for capital market transactions. There is no other authorized capital. In 2011, a total of 24,380 (18,501 in 2010) of the employee options were exercised at an average price of CHF 1,510.38 (CHF 1,166.21 in 2010). The participation certificate has no voting right, but otherwise has the same ownership rights as the registered share.

17. BORROWINGS

CHF million	2011	2010
Non-current		
Loans	1.1	0.8
Current		
Bank and other borrowings	8.4	15.9
Total borrowings	9.5	16.7

The carrying amounts of the Group's borrowings denominated in the following currencies are:

CHF million	2011	2010
EUR	5.0	12.8
Other currencies	4.5	3.9
Total	9.5	16.7

18. PENSION PLANS AND OTHER LONG-TERM EMPLOYEE BENEFITS

In accordance with local laws and practices, the Group operates various benefit plans. Among these plans are defined benefits and defined contribution plans. These plans cover the majority of employees for death, disability, and retirement. There are also plans for anniversary benefits or other benefits related to years of service, which qualify as plans for other long-term employee benefits.

Benefits are usually dependent on one or more factors such as the number of years the employee was covered in the plan, age, insurable salary, and to some extent on the accumulated old age capital. The assets of the funded pension plans are held within separate foundations or insurances and may not revert to the employer.

The economic benefit available, as reduction in future employer contributions, is determined annually according to the applicable plan rules and the statutory requirement in the jurisdiction of the plan based on IFRIC 14.

DEFINED BENEFITS PENSION PLANS AND OTHER LONG-TERM EMPLOYEE BENEFITS —

The following amounts have been recorded in the income statement as personnel expense:

Employee benefits expense

CHF million	Pension plans		Other long-term employee benefits	
	2011	2010	2011	2010
Current service cost	10.7	10.3	1.0	1.8
Interest on obligation	12.9	13.8	0.4	0.5
Expected return on plan assets	-53.7	-47.4	-	-
Changes in unrecognized assets (IAS 19.58)	19.7	126.8	-	-
Net actuarial gains (-)/losses (+) recognized	1.0	-104.4	0.2	0.2
Others	-	0.1	-	-
Total included in employee benefits expense	-9.4	-0.8	1.6	2.5
Actual return on plan assets	59.6	155.4		

Changes in the present value of the defined benefit obligation

CHF million	Pension plans		Other long-term employee benefits	
	2011	2010	2011	2010
Defined benefit obligation as at January 1	406.5	392.2	9.8	10.0
Current service cost	10.7	10.3	1.0	1.8
Plan participants' contributions	3.6	3.4	-	-
Interest on obligation	13.0	13.8	0.4	0.5
Benefits and net transferal paid through pension assets	-19.0	-12.2	-	-
Benefits paid by employer	-3.0	-3.6	-1.5	-1.4
Curtailments and settlements	-	-0.1	-	-
Actuarial gains (-)/losses (+)	41.0	16.0	0.2	0.2
Past service costs and others	-	0.1	-	0.1
Currency translation	-2.0	-13.4	-0.2	-1.4
Defined benefit obligation as at December 31	450.8	406.5	9.7	9.8

Changes in the fair value of plan assets

CHF million	Pension plans	
	2011	2010
Fair value of plan assets as at January 1	1,122.3	974.6
Plan participants' contributions	3.6	3.4
Contributions by employer	2.4	2.5
Benefits and net transferal paid through pension assets	-19.0	-12.2
Expected return on plan assets	53.7	47.4
Actuarial gains (+)/losses (-)	5.9	108.0
Settlements	-	-0.1
Currency translations	-0.2	-1.3
Fair value of plan assets as at December 31	1,168.7	1,122.3

The pension assets are composed of the following essential asset classes:

Asset classes

Valuation date December 31	Pension plans	
	2011 in %	2010 in %
Equities	82	82
Bonds	7	7
Real estate	8	8
Others including cash	3	3
Total	100	100

The pension assets as at December 31, 2011, include shares of Chocoladefabriken Lindt & Sprüngli AG with a market value of CHF 918.0 million (CHF 884.2 million in 2010). The market value of real estate rented by the Group is CHF 14.1 million (CHF 13.6 million in 2010).

Expected employer contributions for 2012 amount to CHF 2.5 million.

The net position of pension obligations in the balance sheet can be summarized as follows:

Amounts recognized in the balance sheet

CHF million Valuation date December 31	Pension plans		Other long-term employee benefits	
	2011	2010	2011	2010
Present value of funded obligation	434.4	389.8	–	–
Fair value of plan assets	–1,168.7	–1,122.3	–	–
Underfunding (+)/Overfunding (–)	–734.3	–732.5	–	–
Present value of unfunded obligations	16.4	16.7	9.6	9.8
Unrecognized actuarial gains (+)/losses (–)	–22.7	11.5	–	–
Unrecognized prepaid pension costs	749.1	729.5	–	–
Net pension liability	8.5	25.2	9.6	9.8

Amounts in the balance sheet

Pension liabilities	115.4	114.4	9.6	9.8
Assets (prepaid pension funds) ¹⁾	–106.9	–89.2	–	–
Net pension liability	8.5	25.2	9.6	9.8

1) See note 9.

The following principal assumptions form the basis for the actuarial calculation:

Calculation of defined benefit obligations

	Pension plans		Other long-term employee benefits	
Valuation date December 31	2011	2010	2011	2010
Discount rate	2.9%	3.3%	4.5%	4.6%
Future salary increases	2.0%	2.0%		
Future pension increases	0.9%	1.3%		

Calculation of yearly expense

Discount rate	3.3%	3.7%	4.6%	5.4%
Expected return on plan assets ¹⁾	4.8%	4.9%		

1) The expected long-term rates of return on plan assets are based on interests of first grade bonds at the balance sheet date and the historical risk premiums for the other asset classes.

The following table shows how the actual development of obligations and assets for the benefit plans deviates from their expected development.

CHF million	2011	2010	2009	2008	2007
Valuation date December 31					
Defined benefit obligation	450.8	406.5	392.2	392.7	399.8
Fair value of assets	-1,168.7	-1,122.2	-974.6	-877.5	-1,424.5
Underfunding (+)/Overfunding (-)	-717.9	-715.7	-582.4	-484.8	-1,024.7
Experience adjustments on plan liabilities	-6.5	5.4	1.4	2.3	-9.8
Experience adjustments on plan assets	5.9	108.0	68.8	-612.1	253.5
Net pension liability	8.5	25.2	44.8	46.2	88.6

DEFINED CONTRIBUTION PLANS — In the 2011 financial year, contributions to defined contribution plans came to CHF 6.5 million (CHF 6.3 million in 2010).

19. PROVISIONS

CHF million	Business risks	Other	2011 Total
Provisions as at January 1	33.7	14.3	48.0
Addition	12.3	1.5	13.8
Utilization	-1.9	-3.5	-5.4
Release	-6.1	-1.2	-7.3
Currency translation	-0.2	-0.1	-0.3
Provisions as at December 31	37.8	11.0	48.8

CHF million	2011	2010
Current	25.6	25.2
Non-current	23.2	22.8
Total	48.8	48.0

Other provisions for business risks include unsettled claims, onerous contracts as well as legal and administrative proceedings, which arise during the normal course of business. Provisions are recognized at balance sheet date when a present legal or constructive obligation as a result of past events occurs and the expected outflow of resources can be reliably estimated. The timing of outflows is uncertain as it depends upon the outcome of the proceedings.

In Management's opinion, after taking appropriate legal and administrative advice, the outcome of these business risks will not give rise to any significant loss beyond the amounts provided at December 31, 2011.

20. ACCOUNTS PAYABLE

The carrying amounts of the Group's accounts payable to suppliers are denominated in the following currencies:

CHF million	2011	2010
CHF	9.3	14.4
EUR	106.8	104.2
USD	24.7	15.9
GBP	7.2	10.5
Other currencies	16.9	7.3
Total	164.9	152.3

21. ACCRUED LIABILITIES

CHF million	2011	2010
Trade	232.6	215.5
Salaries/wages and social costs	76.4	71.0
Other	106.7	103.6
Total	415.7	390.1

Trade-related accrued liabilities comprise year-end rebates, returns, markdowns on seasonal products, and other services provided by trade partners.

The line “Salaries/wages and social costs” is related to bonuses, overtime, and outstanding vacation days.

The position “Other” comprises accruals for third-party services rendered as well as commissions.

22. OTHER INCOME

CHF million	2011	2010
Fees from third parties	2.8	3.0
Insurance reimbursements	0.5	1.5
Other	7.0	8.1
Total	10.3	12.6

The position “Fees from third parties” comprises mainly the reimbursement of freight charges. The position “Other” includes mainly licence fees, rental income, and company-produced additions involving investments in fixed assets.

23. PERSONNEL EXPENSES

CHF million	2011	2010
Wages and salaries	395.9	408.3
Social benefits	84.5	97.9
Other	60.1	58.5
Total	540.5	564.7

For the year 2011, the Group employed an average of 7,779 people (7,572 in 2010).

24. NET FINANCIAL RESULT

CHF million	2011	2010
Interest income	5.4	4.3
Interest expense	-6.3	-6.9
Income (+)/expense (-) from financial assets		
Fair value through profit or loss	-1.9	0.2
Available for sale, realized gains (+)/losses (-)	-1.2	-
Available for sale, impairment	-0.8	-0.3
Other	4.7	1.4
Total	-0.1	-1.3

The details of the impairment on available-for-sale financial assets are given in note 14.

25. TAXES

CHF million	2011	2010
Current taxes	76.5	76.1
Deferred taxes	0.7	0.9
Other taxes	4.9	5.1
Total	82.1	82.1

The tax on the Group's income before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

CHF million	2011	2010
Income before taxes	328.6	324.0
Expected tax¹⁾ calculated on profits in the respective countries	78.2	79.6
Change in applicable tax rates on temporary differences	-0.2	0.4
Utilization of unrecognized tax loss carry-forwards from prior years	-	-4.5
Adjustments related to prior years	1.8	-1.0
Revaluation of fixed assets in tax accounts	-	0.1
Other	2.3	7.5
Total	82.1	82.1

1) Based on the average expected applicable tax rate (2011: 23.8%, 2010: 24.6%)

The tax for each component of other comprehensive income is:

CHF million	2011			2010		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Hedge accounting	-12.3	-	-12.3	-3.4	0.4	-3.0
Unrealized gains/(losses) on available-for-sale financial assets	0.5	-	0.5	-0.3	0.1	-0.2
Currency translation	-15.9	-	-15.9	-124.8	-	-124.8
Total	-27.7	-	-27.7	-128.5	0.5	-128.0

26. EARNINGS PER SHARE/PARTICIPATION CERTIFICATE

	2011	2010
Non-diluted earnings per share/10 PC (CHF)	1,084.1	1,060.6
Net income (CHF million)	246.5	241.9
Weighted average number of registered shares/10 participation certificates	227,387	228,071
Diluted earnings per share/10 PC (CHF)	1,078.1	1,055.1
Net income (CHF million)	246.5	241.9
Weighted average number of registered shares/10 participation certificates/ outstanding options on 10 PC	228,653	229,258

27. DIVIDEND PER SHARE / PARTICIPATION CERTIFICATE

CHF	2011	2010
Dividend per share/10 PC	500.00 ¹⁾	450.00

1) Proposal of the Board of Directors

During the period January 1 to record date (May 3, 2012), the dividend-bearing capital (the number of registered shares and participation certificates) can change as a result of additions and retirements within either class of treasury stock (registered shares and participation certificates) as well as the exercise of options, granted through the employee stock option plan.

28. SHARE-BASED PAYMENTS

Options on participation certificates of Chocoladefabriken Lindt & Sprüngli AG are only outstanding within the scope of the existing employee stock option program. An option entitles an employee to a participation certificate at an exercise price, which consists of an average of the price of the five days preceding the issue date. The options have a blocking period of three to five years and if not exercised, they expire after seven years. Changes in outstanding options can be viewed in the table below:

CHANGES IN THE OPTION RIGHTS

	2011		2010	
	Number of options	Weighted average exercise price (CHF/PC)	Number of options	Weighted average exercise price (CHF/PC)
Outstanding options as at January 1	162,342	2,151.13	145,648	2,011.07
New option rights	36,180	2,523.00	38,155	2,200.00
Exercised rights	-24,380	1,510.38	-18,501	1,166.21
Cancelled rights	-3,492	2,246.46	-2,960	2,045.56
Outstanding options as at December 31	170,650	2,319.56¹⁾	162,342	2,151.13
of which exercisable at December 31	47,355	2,556.21	42,022	1,746.16
Average remaining time to expiration (in days)	655		548	

1) The exercise price varies between CHF 1,543.– to CHF 3,149.–

Options expenses are charged to the income statement proportionally according to the vesting period. The recorded expenses amount to CHF 14.0 million (CHF 12.2 million in 2010). The assumptions used to calculate the expenses for the grants 2008 to 2011 are listed in the following table:

Date of issue	18.3.2011	2.3.2010	1.4.2009	18.3.2008
Number of issued options	36,180	38,155	37,205	14,340
of which in bracket A (blocking period three years)	12,617	13,317	13,022	5,018
of which in bracket B (blocking period four years)	12,705	13,388	13,022	5,020
of which in bracket C (blocking period five years)	10,858	11,450	11,161	4,302
Issuing price in CHF	2,523	2,200	1,543	3,149
Price of participation certificates on date of issue in CHF	2,580	2,218	1,507	3,099
Value of options on issuing date				
bracket A (blocking period three years) in CHF	524.31	403.23	250.72	575.17
bracket B (blocking period four years) in CHF	557.09	428.06	277.41	623.18
bracket C (blocking period five years) in CHF	587.88	462.68	302.31	653.39
Maximum life span (in years)	7.00	7.00	7.00	7.04
Form of compensation	PC from conditional capital			
Expected life span (in years)	4–6	4–6	4–6	4–6
Expected rate of retirement per year	2.5%	2.7%	2.8%	2.8%
Expected volatility	24.3%	22.3%	21.7%	20.8%
Expected dividend yield	1.32%	1.24%	1.16%	1.11%
Risk-free interest rate	1,48–1,70%	1,50–1,72%	1,69–1,95%	2,88–2,97%
Model	Binomial model			

29. CONTINGENCIES

The Group had no guarantees in favor of third parties either at December 31, 2011, or December 31, 2010.

30. COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not yet incurred is:

CHF million	2011	2010
Property, plant, and equipment	24.7	9.4

The future lease payments under operating lease commitments are:

CHF million	2011	2010
Up to one year	29.6	26.8
Between one and five years	86.7	83.6
Over five years	47.7	43.2
Total	164.0	153.6

Leasing commitments are related to the rental of retail stores, warehouse and office space, cars and IT hardware.

31. TRANSACTIONS WITH RELATED PARTIES

A family member of a member of the Board of Directors has a majority share in a company, to which products were sold at arm's length for the value of CHF 18.2 million (CHF 19.1 million in 2010) and with which rental income of CHF 0.2 million (CHF 0.3 million in 2010) and license fee income of CHF 0.2 million (CHF 0 million in 2010) were generated. Receivables outstanding against this company were CHF 12.8 million (CHF 12.3 million in 2010) at the balance sheet date.

130 registered shares were bought in 2011 from the "Fonds für Pensionsergänzungen der Schokoladefabriken Lindt & Sprüngli AG" at a price of CHF 28,204.– per share (1070 registered shares in 2010), which corresponds to the five-day average of the closing prices of the share at the SIX Swiss Exchange for the period March 11 to March 17, 2011.

REMUNERATION OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT (ART. 663B^{BIS} OR)

I Board of Directors

		2011	2010
CHF thousand		Cash compensation ¹⁾	Cash compensation ¹⁾
E. Tanner ²⁾	Chairman and CEO, member of the CSR Committee ³⁾	260	260
A. Bulgheroni ⁴⁾	Board member, member of the Audit and Compensation Committee, Lead director	145	145
Dr K. Widmer	Board member, member of the Compensation and CSR Committee ³⁾	145	145
Dkfm E. Gürtler	Board member, member of the Compensation Committee	145	145
Dr R. K. Sprüngli	Board member, member of the Audit and CSR Committee ³⁾	145	145
Dr F. P. Oesch	Board member, member of the Audit Committee	145	145
Total		985	985

1) Total gross cash compensation and allowances (excluding social charges paid by employer), in the form of board fees and emoluments to directors.

2) Cash compensation for the function as Chairman of the Board.

3) CSR Committee: Corporate Social Responsibility Committee.

4) In addition to his remuneration as member of the Board, as Lead Director, and as member of the Audit and Compensation Committee in 2011, Mr. Bulgheroni received a grant of 2,000 options on Lindt & Sprüngli participation certificates (2,000 in 2010) under the term and conditions of the Lindt & Sprüngli employee share option plan, valued at TCHF 721 (TCHF 551 in 2010). He further received a gross fee of TCHF 32 (TCHF 33 in 2010) for his function as Chairman of the Board of Lindt & Sprüngli Italy and Caffarel SpA.

II Group Management

						2011
CHF thousand	Fixed cash compensation ¹⁾	Variable bonus component ²⁾	Other compensation ³⁾	Options ⁴⁾	Registered shares ⁵⁾	Total remuneration
Ernst Tanner, CEO ⁶⁾	1,269	1,600	631	1,805	2,740	8,045
Other members of the Group Management and Extended Group Management ⁷⁾	4,257	2,930	89	3,970	–	11,246
Total	5,526	4,530	720	5,775	2,740	19,291

						2010
CHF thousand	Fixed cash compensation ¹⁾	Variable bonus component ²⁾	Other compensation ³⁾	Options ⁴⁾	Registered shares ⁵⁾	Total remuneration
Ernst Tanner, CEO ⁶⁾	1,269	1,600	327	1,378	2,425	6,999
Other members of Group Management ⁸⁾	1,915	1,756	94	1,654	–	5,419
Total	3,184	3,356	421	3,032	2,425	12,418

1) Total gross cash compensation and allowances including pension benefits paid by employer (excluding social charges paid by employer).

2) Accrual at year end for expected pay-out in April of following year (excluding social charges paid by employer).

3) Employees part of social charges (AHV) related to exercising of options and grant of registered shares, paid by employer.

4) Option grants on Lindt & Sprüngli participation certificates under the terms and conditions of the Lindt & Sprüngli employee share option plan (see also note 28). The valuation reflects the tax value of the options, i.e. based on Black Scholes option value minus respective tax allowance for the blocking period. The total number of granted share options in 2011 to Mr. Tanner was 5,000 units (5,000 units in 2010) and to all other members of the Group Management and the Extended Group Management 11,000 units (6,000 units in 2010 to the members of the Group Management).

5) Grant of 130 Lindt & Sprüngli registered shares in 2011 (130 in 2010), based on initial working contract from 1993. Value calculation based on tax value of grant minus tax allowance for the five-year vesting period.

6) Compensation for function as CEO, fixed base salary of CHF 1.3 million (including pension benefits paid by employer) unchanged since 1993.

7) The number of other Group Management and Extended Group Management members is seven.

8) The number of other Group Management members is three.

Apart from the payments mentioned above, no payments were made – neither on a private basis nor via consulting companies – to either an executive or non-executive member of the Board or a member of Group Management or Extended Group Management. As of December 31, 2011, there were no loans, advances or credits due to the Group or any of its subsidiaries by any of the members of the Board, the Group Management or the Extended Group Management.

PARTICIPATION OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT IN THE LINDT & SPRÜNGLI GROUP AS AT DECEMBER 31 (ART. 663C OR)

		Number of registered shares (RS)		Number of participation certificates (PC)		Number of options	
		2011	2010	2011	2010	2011	2010
E. Tanner	Chairman and CEO	2,803	2,800	7,225	3,580	27,500	32,500
A. Bulgheroni	Member of the Board	1,000	1,004	–	1,230	10,000	10,000
Dr K. Widmer	Member of the Board	35	35	–	–	–	–
Dkfm E. Gürtler	Member of the Board	–	–	–	–	–	–
Dr R. K. Sprüngli	Member of the Board	1,014	1,014	–	–	–	–
Dr F. P. Oesch	Member of the Board	17	17	–	–	–	–
H. J. Klingler	Group Management	10	10	2,000	2,650	11,250	9,250
U. Sommer	Group Management	10	10	260	260	11,000	11,000
Dr D. Weisskopf	Group Management	5	5	1,100	1,800	11,000	9,000
R. Fallegger	Extended Group Management ¹⁾	5	–	50	–	6,200	–
K. Kitzmantel	Extended Group Management ¹⁾	5	–	419	–	5,650	–
A. Lechner	Extended Group Management ¹⁾	4	–	53	–	6,900	–
A. Pfluger	Extended Group Management ¹⁾	5	–	30	–	5,650	–
Total		4,913	4,895	11,137	9,520	95,150	71,750

1) These members are part of the Extended Group Management since May 1, 2011, therefore no participation is reported for 2010.

32. RISK MANAGEMENT DISCLOSURES REQUIRED BY SWISS LAW

The identification and assessment of strategic, operational and financial risks is coordinated by the Group's CFO. Once a year a comprehensive risk inventory, including assessment of risk exposure and likelihood, is established and financial risks, including raw materials, are quantified based on respective volatilities. The Audit Committee and the Board of Directors are informed on a regular basis about the nature and assessment of risks and measures taken to mitigate them. Corporate functions such as Controlling, Treasury, Legal, Human Resources, Operations and Marketing & Sales review continuously the effectiveness of the risk management at subsidiary and Group level.

33. EVENTS AFTER THE BALANCE SHEET DATE

The consolidated financial statements were approved for publication by the Board of Directors on February 24, 2012. The approval of the consolidated financial statements by the shareholders will take place at the Annual General Meeting. No events have occurred up to February 24, 2012, which would necessitate adjustments to the carrying values of the Group's assets or liabilities, or which require additional disclosure.

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the general meeting of Chocoladefabriken Lindt & Sprüngli AG, Kilchberg

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of Chocoladefabriken Lindt & Sprüngli AG, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes (pages 52 to 86), for the year ended December 31, 2011.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing, and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the ac-

counting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements for the year ended December 31, 2011, give a true and fair view of the financial position, the results of operations, and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.



PricewaterhouseCoopers AG

Matthias von Moos
Audit expert
Auditor in charge

Richard Müller
Audit expert

Zurich, February 24, 2012

BALANCE SHEET

CHF thousand	Note	December 31, 2011	December 31, 2010
ASSETS			
Investments		462,703	449,344
Intangible assets		41,409	41,409
Total non-current assets		504,112	490,753
Receivables			
from third parties		6,952	5,932
from subsidiaries		2,601	2,189
Accrued income			
from subsidiaries		9,388	9,650
Financial investments		8,866	13,905
Treasury stock	9	38,770	38,141
Treasury stock (Share-Buy-Back Program)	9	219,583	–
Cash and cash equivalents		316,042	388,410
Total current assets		602,202	458,227
Total assets		1,106,314	948,980
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		14,000	14,000
Participation capital	10	9,262	9,018
Legal reserves			
General legal reserve		76,040	76,040
Reserve from capital contribution	11	200,799	108,724
Reserve for treasury stock		252,271	33,513
Special reserve	11	256,365	484,111
Retained earnings		166,904	178,570
Total shareholders' equity		975,641	903,976
Accounts payable to subsidiaries		108,366	28,285
Tax liabilities		8,400	13,311
Accrued liabilities			
to third parties		2,342	1,461
to subsidiaries		1,284	875
Other liabilities		10,281	1,072
Total liabilities		130,673	45,004
Total liabilities and shareholders' equity		1,106,314	948,980

INCOME STATEMENT

CHF thousand	2011	2010
Dividends and other income from subsidiaries	168,861	178,304
Other income	68	120
Total operating income	168,929	178,424
Administrative and miscellaneous overhead costs	– 16,833	– 13,742
Operating profit	152,096	164,682
Income from financial assets	16,341	17,890
Expense from financial assets	– 14,661	– 10,083
Income before taxes	153,776	172,489
Taxes	– 14,539	– 14,325
NET INCOME	139,237	158,164

NOTES TO THE FINANCIAL STATEMENTS

1. LIABILITIES ARISING FROM GUARANTEES AND PLEDGES IN FAVOR OF THIRD PARTIES

Contingent liabilities as at December 31, 2011, amounted to CHF 169.9 million (CHF 190.7 million in 2010). This figure comprises guarantees to third parties for subsidiaries, mainly to banks in the form of allocating credit lines for subsidiaries.

The companies, Chocoladefabriken Lindt & Sprüngli AG, Chocoladefabriken Lindt & Sprüngli (Schweiz) AG, Lindt & Sprüngli Financière AG, Lindt & Sprüngli (International) AG, and Indestro AG together form a Swiss-VAT group. According to Art. 15, paragraph 1, item c of the Swiss Value Added Tax Law and Art. 22, paragraphs 1 and 2 of the Swiss Value Added Tax Ordinance, all members participating in VAT-group taxation are jointly liable for all taxes owed by the VAT group (including interest), which arose during their period of membership.

2. ASSETS PLEDGED OR ASSIGNED

There were no pledged or assigned assets as at December 31, 2011.

3. LEASING LIABILITIES

The company has no leasing liabilities.

4. FIRE INSURANCE VALUES

The company does not own fixed assets.

5. LIABILITIES DUE TO WELFARE SCHEMES

The company does not have any outstanding accounts payable due to welfare schemes.

6. INVESTMENTS

The investments in subsidiaries are listed on page 56 of the notes to the consolidated financial statements.

7. DISSOLUTION OF UNDISCLOSED RESERVES

No undisclosed reserves, which would have had any significant effect on the results, were dissolved during 2011.

8. REVALUATIONS

No revaluations which exceed acquisition costs were recognized.

9. ACQUISITION AND SALE OF TREASURY STOCK (REGISTERED SHARES [RS] AND PARTICIPATION CERTIFICATES [PC])

	2011		2010	
	RS	PC	RS	PC
Inventory of treasury stock				
Inventory as at January 1	1,267	–	1,226	–
Additions	–	–	941	–
Retirements	–32	–	–900	–
Share-buy-back program	3,183	45,845	–	–
Inventory as at December 31	4,418	45,845	1,267	–
Average cost of additions (in CHF)	–	–	27,616	–
Average sales price of retirements (in CHF)	30,905	–	27,887	–
Average cost of share-buy-back program (in CHF)	30,836	2,649	–	–

10. CONDITIONAL AND APPROVED CAPITAL

As of December 31, 2011, the conditional capital had a total of 634,046 participation certificates (658,426 participation certificates in 2010) with a par value of CHF 10.–. Of this total, 279,596 (303,976 in 2010) are reserved for employee stock option programs and the remaining 354,450 (354,450 in 2010) for capital market transactions. In the year under review, a total of 24,380 employee stock options (18,501 employee stock options in 2010) were exercised at an average price of CHF 1,510.38 (CHF 1,166.21 in 2010).

11. RESERVES

CHF thousand	Reserves from Capital Contribution				Special Reserves
	Requested	Approved	Not approved	Total	
Balance as at January 1, 2011	108,724	–	–	108,724	484,111
Reserve from retained earnings	–	–	–	–	47,000
FTA approval October 24, 2011				–	
Approved reserves from capital contribution	– 108,724	108,724	–	–	–
Reclassification of valuation	–	49,021	–	49,021	– 49,021
Unapproved reserves from capital contribution ¹⁾	–	–	6,475	6,475	– 6,475
Additions during the year, request for approval filed	36,085	–	494	36,579	– 494
Treasury stock	–	–	–	–	827
Share-buy-back program	–	–	–	–	– 219,583
Balance as at December 31, 2011	36,085	157,745	6,969	200,799	256,365

1) The Swiss tax administration (FTA) has not yet approved the capital transaction costs of TCHF 6,474 as reserves from capital contribution nor, in accordance with previous practice, the related costs of TCHF 494. This practice may be changed in the future.

12. MANDATORY DISCLOSURE OF INTEREST POSITIONS PURSUANT TO ART. 663C OR

As of December 31, 2011, Chocoladefabriken Lindt & Sprüngli AG disclosed the following shareholders (in accordance with Art. 663c OR, Swiss Commercial Code and the articles of association), which own voting shares of more than 4%:
 Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG, 20.8% (20.9% in 2010).

13. REMUNERATION AND OWNERSHIP OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT ACCORDING TO ART. 663B^{BIS} AND 663C OR

The details of remuneration of and ownership held by the Board of Directors and Group Management are given on pages 84 to 86 of the notes to the consolidated financial statements.

14. RISK MANAGEMENT DISCLOSURES

Chocoladefabriken Lindt & Sprüngli AG is fully integrated into the Group-wide risk assessment process of the Lindt & Sprüngli Group. This Group risk assessment process also addresses the nature and scope of business activities and the specific risks of Chocoladefabriken Lindt & Sprüngli AG. Refer to note 32 in the notes to the consolidated financial statements on page 86.

PROPOSAL FOR THE DISTRIBUTION OF AVAILABLE RETAINED EARNINGS

CHF	December 31, 2011	December 31, 2010
Balance brought forward	27,666,693	20,406,710
Net income	139,236,933	158,163,596
Other	–	–322,657 ¹⁾
Distribution of available retained earnings	–	–103,580,956
Available retained earnings	166,903,626	74,666,693
Allocations to special reserves	–130,000,000	–47,000,000
Balance carried forward	36,903,626	27,666,693
Dividend-bearing shares and participation certificates of CHF 23,261,790 as at December 31, 2011 (CHF 23,017,990 in 2010)		
Allocation of approved capital contribution reserve to free reserves	116,308,950 ²⁾	–
Withholding tax exempt distribution (CHF 500 per dividend-bearing share/CHF 50 per participation certificate)	–116,308,950 ²⁾	–

1) Includes dividends not distributed on treasury stock held (CHF 593,550), dividends distributed on options exercised during the period January 1 to April 29, 2011 (CHF 437,175), emoluments to directors (CHF 480,000) and unclaimed, expired dividends (CHF 968).

2) Number of registered shares and participation certificates, status as at December 31, 2011. During the period from January 1 until record date (May 3, 2012), the dividend-bearing capital (the number of registered shares and participation certificates) can change as a result of additions and retirements within either class of treasury stock as well as the exercise of options, granted through the employee stock option plan. Consequently the allocation of the approved capital contribution reserve to free reserves will be adjusted accordingly.

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

To the general meeting of Chocoladefabriken Lindt & Sprüngli AG, Kilchberg

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Chocoladefabriken Lindt & Sprüngli AG, which comprise the balance sheet, income statement, and notes (pages 88 to 91), for the year ended December 31, 2011.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing, and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements for the year ended December 31, 2011, comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.



PricewaterhouseCoopers AG

Matthias von Moos
Audit expert
Auditor in charge

Richard Müller
Audit expert

Zurich, February 24, 2012

GROUP FINANCIAL KEY DATA – FIVE-YEAR REVIEW

		2011	2010	2009	2008	2007
INCOME STATEMENT						
Sales	CHF million	2,488.6	2,579.3	2,524.8	2,573.2	2,605.6
EBITDA	CHF million	421.9	423.3	382.1	460.5	444.3
in % of sales	%	17.0	16.4	15.1	17.9	17.1
EBIT	CHF million	328.7	325.3	264.8	361.2	350.8
in % of sales	%	13.2	12.6	10.5	14.0	13.5
Net income	CHF million	246.5	241.9	193.1	261.5	250.5
in % of sales	%	9.9	9.4	7.6	10.2	9.6
in % of average shareholders' equity	%	15.0	14.7	12.5	18.2	19.7
Operating cash flow	CHF million	345.4	363.7	470.1	294.7	217.4
in % of sales	%	13.9	14.1	18.6	11.5	8.3
Depreciation, amortization, and impairment	CHF million	93.2	98.0	117.3	99.3	93.5
BALANCE SHEET						
Total assets	CHF million	2,516.0	2,524.7	2,476.0	2,409.9	2,469.4
Current assets	CHF million	1,643.5	1,672.7	1,535.8	1,474.2	1,599.4
in % of total assets	%	65.3	66.3	62.0	61.2	64.8
Non-current assets	CHF million	872.5	852.0	940.2	935.7	870.0
in % of total assets	%	34.7	33.7	38.0	38.8	35.2
Non-current liabilities	CHF million	214.2	209.6	220.9	205.7	221.6
in % of total assets	%	8.5	8.3	8.9	8.5	8.9
Shareholders' equity	CHF million	1,619.1	1,672.5	1,617.7	1,479.0	1,389.4
in % of total assets	%	64.4	66.2	65.3	61.4	56.3
Investments in PPE/intangible assets	CHF million	104.2	88.6	123.5	198.6	235.1
in % of operating cash flow	%	30.2	24.4	26.3	67.4	108.1
EMPLOYEES						
Average number of employees		7,779	7,572	7,409	7,712	7,793
Sales per employee	TCHF	319.9	340.6	340.8	333.7	334.4

DATA PER SHARE/PARTICIPATION CERTIFICATE – FIVE-YEAR REVIEW

		2011	2010	2009	2008	2007
SHARE						
Registered shares at CHF 100.– par ¹⁾	Number	140,000	140,000	140,000	140,000	140,000
Participation certificates at CHF 10.– par ²⁾	Number	926,179	901,799	883,298	869,219	842,717
Non-diluted earnings per share/10 PC ³⁾	CHF	1,084	1,061	851	1,158	1,123
Operating cash flow per share/10 PC	CHF	1,485	1,580	2,059	1,299	969
Shareholders' equity per share/10 PC ⁴⁾	CHF	6,960	7,266	7,085	6,518	6,195
Payout ratio	%	47.2	42.8	47.3	31.2	29.5
REGISTERED SHARE						
Year-end price	CHF	31,390	30,100	25,405	22,600	39,770
High of the year	CHF	33,850	31,150	29,835	41,530	44,500
Low of the year	CHF	25,500	24,350	18,090	22,600	27,000
Dividend	CHF	500.00 ⁵⁾	450.00	400.00	360.00	330.00
P/E ratio ⁶⁾	Factor	28.96	28.37	29.85	19.52	35.41
PARTICIPATION CERTIFICATE						
Year-end price	CHF	2,794	2,826	2,220	1,960	3,920
High of the year	CHF	2,891	2,925	2,516	4,000	4,148
Low of the year	CHF	1,955	2,124	1,500	1,903	2,680
Dividend	CHF	50.00 ⁵⁾	45.00	40.00	36.00	33.00
P/E ratio ⁶⁾	Factor	25.77	26.64	26.09	16.93	34.91
Market capitalization ⁶⁾						
	CHF million	6,982.3	6,762.5	5,517.6	4,867.7	8,871.3
in % of shareholders' equity ⁴⁾	%	431.2	404.3	341.1	329.1	638.5

1) ISIN number CH0010570759, security number 1057075.

2) ISIN number CH0010570767, security number 1057076.

3) Based on weighted average number of registered shares/10 participation certificates.

4) Year-end shareholders' equity.

5) Proposal of the Board of Directors.

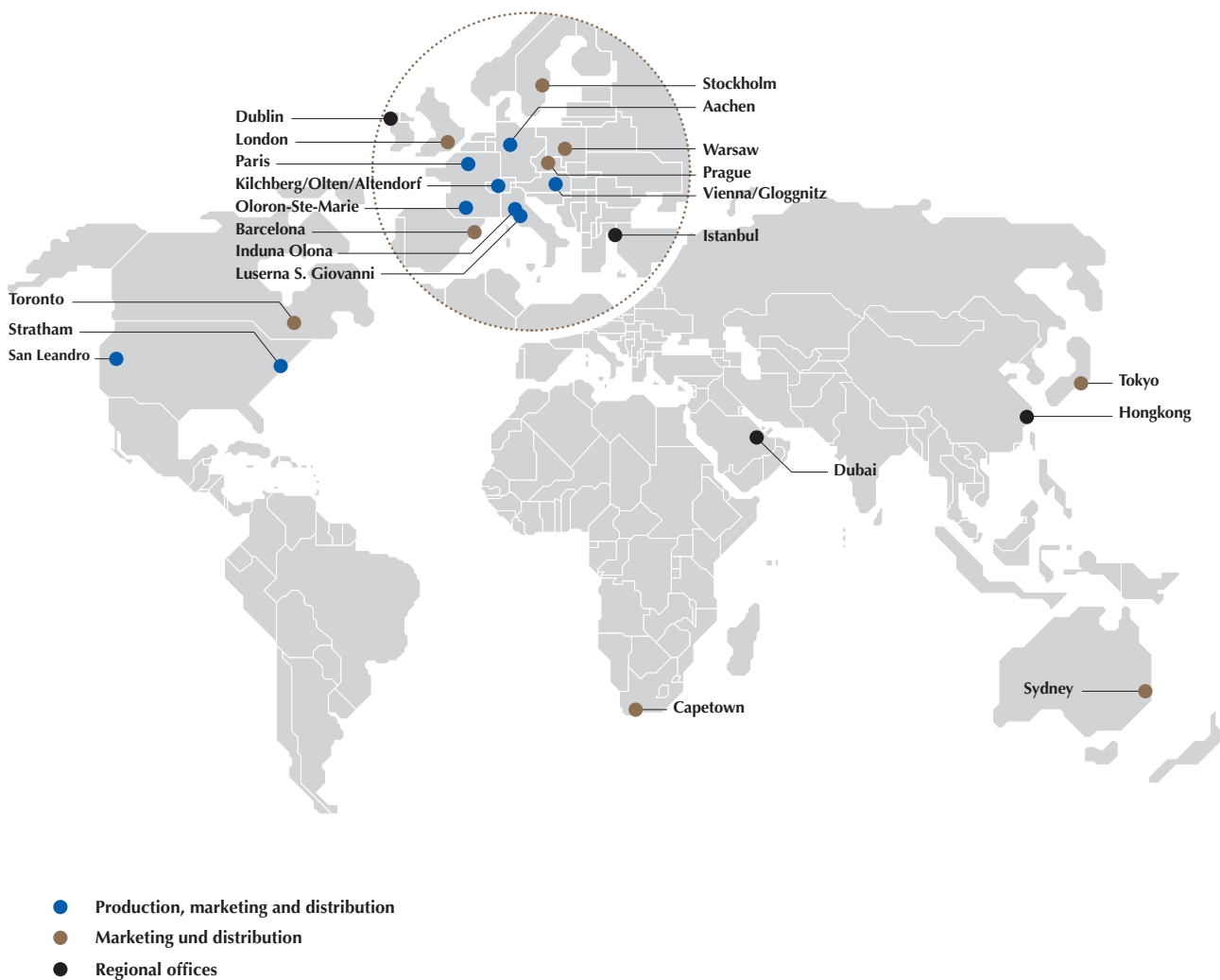
6) Based on year-end prices of registered shares and participation certificates.





ADDRESSES OF THE LINDT & SPRÜNGLI GROUP

For more than 165 years, Lindt & Sprüngli confirms its reputation as one of the most innovative and creative companies in the Premium chocolate market. LINDT quality chocolate is distributed via 18 own subsidiary companies as well as countless independent distributors around the globe. The main markets are Switzerland, Germany, France, Italy, Great Britain, Spain, and other European countries, as well as North America, Canada and Australia. Lindt & Sprüngli also operates representative offices abroad. The LINDT brand with its extensive and innovative global and local range of finest quality chocolate is present in around 100 countries worldwide.



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INFORMATION

AGENDA

April 26, 2012	114 th Annual Shareholders' Meeting
May 4, 2012	Payment of dividend
August 21, 2012	Semi-annual report 2012
January 15, 2013	Net sales 2012
Beginning of March, 2013	Full-year results 2012
April 18, 2013	115 th Annual Shareholders' Meeting

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The actual results may vary from these. The annual report is published
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