LINDT & SPRÜNGLI

Annual Report
2017

MAÎTRE CHOCOLATIER SUISSE DEPUIS 1845

Credo

We are an international group and are recognized as a leader in the market for premium quality chocolate.

We strive for excellence to maximize worldwide market opportunities. We thoroughly understand our consumers, their habits, needs, behavior, and attitudes. This understanding serves as the base to create products and services of superior quality and value. We will never make concessions that compromise our quality of product, packaging, and execution.

Our working environment attracts and retains the best people.

We encourage, recognize, and reward individual innovation, personal initiative, and leadership of people throughout the organization. Respect of personal individuality, trust, and fair play characterize our working relationships. Teamwork across all disciplines, business segments, and geographies is a corporate requirement to create a seamless company of people who support all others for mutual success. We will develop professionals and facilitate communication and understanding across all disciplines.

Our partnership with our consumers, customers, and suppliers is mutually rewarding and prosperous.

An in-depth understanding of our consumers' needs and our customers' and suppliers' objectives and strategies enables us to build a mutually rewarding and long-lasting partnership.

We want to be recognized as a company which cares for the environment and the communities we live and work in.

Environmental concerns play an ever-increasing role in our decision making process. We respect and feel responsible for the needs of the communities in which we live.

The successful pursuit of our commitments guarantees our shareholders an attractive long-term investment and the independence of our company.

We wish to remain in control of our destiny. Independence through superior performance will allow us to maintain this control.

Income Statement

		2017	2016	Change in %
Sales	CHF million	4,088.4	3,900.9	4.8
EBITDA	CHF million	764.4	714.0	7.1
in % of sales	%	18.7	18.3	
EBIT	CHF million	595.4	562.5	5.8
in % of sales	%	14.6	14.4	
Net income	CHF million	452.5	419.8	7.8
in % of sales	%	11.1	10.8	
Operating cash flow	CHF million	591.0	515.4	14.7
in % of sales	%	14.5	13.2	

Balance Sheet

		2017	2016	Change in %
Total assets	CHF million	6,975.6	6,428.8	8.5
Current assets	CHF million	2,781.1	2,374.5	17.1
in % of total assets	%	39.9	36.9	
Non-current assets	CHF million	4,194.5	4,054.3	3.5
in % of total assets	%	60.1	63.1	
Non-current liabilities	CHF million	1,730.8	1,495.9	15.7
in % of total assets	%	24.8	23.3	
Shareholders' equity	CHF million	4,195.0	3,674.0	14.2
in % of total assets	%	60.1	57.1	
Investments in PPE/intangible assets	CHF million	185.2	234.1	–20.9
in % of operating cash flow	%	31.3	45.4	

Employees

		2017	2016	Change in %
Average number of employees		13,949	13,539	3.0
Sales per employee	TCHF	293.1	288.1	1.7

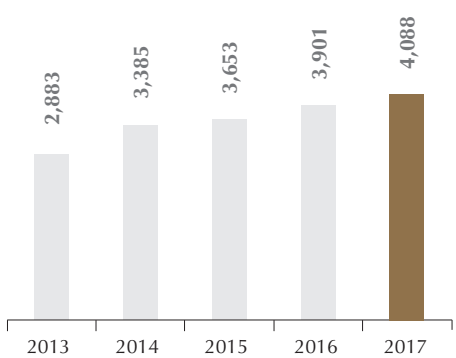
Data per share

		2017	2016	Change in %
Non-diluted earnings per share/10 PC[1]	CHF	1,893	1,791	5.7
Operating cash flow per share/10 PC[1]	CHF	2,482	2,200	12.8
Dividend per share/10 PC	CHF	930[2]	880	5.7
Payout ratio	%	49.5	49.8	
Shareholders' equity per share/10 PC	CHF	17,414	15,476	12.5
Price registered share at December 31	CHF	70,485	61,900	13.9
Price participation certificate at December 31	CHF	5,950	5,275	12.8
Market capitalization at December 31	CHF million	15,828.7	13,768.1	15.0

1 Based on weighted average number of registered shares/10 participation certificates.
2 Proposal of the Board of Directors.

Sales

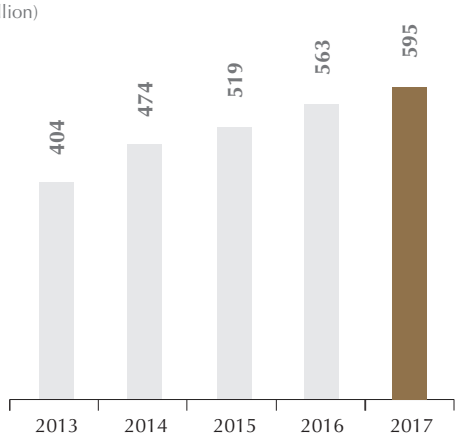
(CHF million)



	2013	2014	2015	2016	2017
Organic growth:	8.6%	9.8%	7.1%	6.0%	3.7%

Operating profit (EBIT)

(CHF million)



	2013	2014	2015	2016	2017
in % of sales:	14.0%	14.0%	14.2%	14.4%	14.6%

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Our Reports are available online:

Annual Report:
http://report.lindt-spruengli.com/17/ar/en

Sustainability Report:
http://www.lindt-spruengli.com/media/publications/

Letter to Shareholders 2017

Dear Shareholders

As in previous years, the Lindt & Sprüngli Group has continued to grow at a faster pace than the overall chocolate market. Despite the challenging conditions, such as the largely saturated chocolate markets, the changing retail landscape and the growing pressure on prices, we maintained our successful track record with another strong performance in 2017. For the first time since the company was founded almost 175 years ago, Lindt & Sprüngli managed to achieve Group sales of more than CHF 4 billion. Special highlights over the past financial year include the results reported by the "Europe" and "Rest of the World" segments, as well as the consistently strong performance of our Global Retail network, whose sales reached half a billion Swiss francs for the first time in 2017.

The difficult market situation for our key raw materials – cocoa beans, cocoa butter and sugar – improved following much better harvests in 2016/17, allowing the previous record-high prices to ease back to normal levels. The prices for hazelnuts and almonds were stable, while milk prices increased and the price of vanilla climbed to a record high following storm damage to the crop in Madagascar. All in all, price trends for our main raw materials had a slightly positive impact on our profitability.

The foreign currency situation also remained somewhat volatile. Lindt & Sprüngli's group sales increased by +4.8% in Swiss francs to reach CHF 4.088 billion in 2017. While the euro and pound sterling made significant gains against the Swiss franc, the US dollar softened slightly. Overall this resulted in a marginally positive currency translation effect for our consolidated sales in Swiss francs. The Lindt & Sprüngli Group achieved organic sales growth of +3.7%, which is at the lower end of our strategic target range due to a modest growth of the US companies.

"Group sales in excess of CHF 4 billion for the first time, half a billion was generated by our own retail network, and 50 new shop openings are just some of the many highlights in 2017."

The segment "Europe" achieved organic growth of +6.2%. This is an excellent result, as Lindt & Sprüngli once again managed to generate higher than average growth and expand its market share even in saturated markets. Growth was particularly encouraging in the subsidiaries in the two biggest European chocolate markets, Germany, and the UK. But sales figures were also very solid in Switzerland, France and Italy. Furthermore, almost all the smaller subsidiaries in this segment managed to achieve double-digit growth.

Ernst Tanner Executive Chairman of the Board of Directors and **Dr Dieter Weisskopf** CEO of the Lindt & Sprüngli Group in front of the planned Lindt Cocoa Center in Olten, Switzerland (project visualization).

The US market remained challenging. As a result, Lindt & Sprüngli's sales in the "NAFTA" segment dipped slightly, with negative organic growth of –1.6%. One highlight worth particular mention is the excellent result reported by Lindt Canada, which enjoyed growth in double figures. The American companies Lindt and Ghirardelli also recorded modest growth in a rapidly changing retail environment, which was affected by the repositioning of the drugstore channel (an important channel for chocolate) and department stores struggling with a decline in customer traffic. Russell Stover faced a drop in sales, caused by the combination of a weaker market in general, the difficulties experienced by individual retail partners and adjustments to its product portfolio. As part of the strategic realignment of Russell Stover's portfolio, the second half of the year saw the successful relaunch of the sugar-free chocolate line based on stevia. Sales were also stimulated by new packaging and additional attractive price points during the Christmas period. With the three brands Lindt, Ghirardelli and Russell Stover, the Lindt & Sprüngli Group is No. 1 in the premium segment and No. 3 in the US chocolate market as a whole. With the ongoing strategic realignment of Russell Stover and the activities scheduled for Lindt and Ghirardelli, Lindt & Sprüngli is still well on track in the world's biggest chocolate market and during the last fiscal year has managed to lay the foundation for further profitable growth.

The "Rest of the World" segment is becoming increasingly important and makes a vital contribution to the overall performance of the Lindt & Sprüngli Group. The subsidiaries belonging to this segment produced an above average result, with organic growth of +12.4%. The markets of Japan, China, South Africa and Brazil, as well as Russia (actually part of the "Europe" segment) will be important for the expansion of our Group in the years ahead, as the chocolate markets in all these countries hold enormous potential. This positive trend is being fueled by consumers' growing demand for quality, greater purchasing power and also a growing desire for chocolate with a high cocoa content. For Lindt & Sprüngli, this is an excellent foundation to boost our brand visibility and the positioning of our premium products in these markets.

The special focus of this year's annual report is therefore these five exciting markets and the vast opportunities they provide to Lindt & Sprüngli. By tailoring our growth strategies to specific countries, the Lindt & Sprüngli Group generally considers the distinctive characteristics of local markets. In Japan, for example, our strategy focuses on opening Lindt's own shops. In 2017 alone, we opened 10 new Boutiques. Today, Lindt & Sprüngli already has 30 of our own shops nationwide. In China, by contrast, our focus is on e-commerce and expanding our distribution partnerships in Shanghai and Beijing. Our e-commerce channel, for example, achieved unusually high growth in 2017 due to the high visibility of the Lindt Flagship E-Store in China's leading online marketplaces Tmall and JD. Chocolate has a long tradition in Russia, where it is often taken with a cup of tea, the most popular national beverage. Our two leading brands Excellence and Lindor in particular provide unique growth potential in this country, whose chocolate market has been one of the world's fastest-growing in recent years. In Brazil, we have had a close collaboration since 2014 with our joint-venture partner, CRM Group. In establishing and expanding our brand in Brazil, we particularly benefit from the exceptionally strong market presence already established through our varied premium assortment offered in duty-free shops. The successful expansion of Lindt's shops in South Africa's major cities is generating millions of consumer contacts every year. In April 2017, the Lindt Chocolate

Studio opened in Cape Town's world-famous V&A Waterfront. This now gives us a presence in this market with two of our own Chocolate Studios. As a concept, they offer special chocolate workshops and thus increase brand awareness and the first-hand experience of our Lindt premium brand. By consistently implementing our locally focused strategy, we are confident that we will be able to continue to fully exploit the enormous potential of these countries in the years ahead.

Whether in less developed growth markets or in mature markets where Lindt & Sprüngli has already been established in the premium segment for many years, our own Boutiques and Chocolate Cafés made a key contribution to the overall Group result in 2017. Over 50 new retail outlets at prime locations have extended our network to more than 410 sites worldwide, attracting around 60 million visitors in total. This business, which falls under the term Global Retail, achieved double-digit growth and its sales reached half a billion Swiss francs for the first time in its history. The Duty Free business maintained its successful track record as well. To target travelers, Lindt & Sprüngli focuses on special product lines and one-off collaborations with global trading partners.

"As well as traditional chocolate markets, it is increasingly the up-and-coming growth markets such as Brazil, China, Japan, Russia, and South Africa driving our dynamic performance."

The overall solid rate of growth once again laid the foundation for a positive operating performance in 2017: the Group's operating profit (EBIT) rose again by +5.8% to CHF 595.4 million (previous year: CHF 562.5 million). The EBIT margin also improved supported by operational efficiency gains from 14.4% in the previous year to 14.6%. Net income increased by +7.8% to CHF 452.5 million (previous year: CHF 419.8 million), providing a return on sales of 11.1%. Operating cash flow rose to CHF 591 million (previous year: CHF 515.4 million). Our balance sheet is still very solid.

We are extremely grateful for the continuing trust placed in the company by our shareholders. Thanks to the strong result in 2017, we would therefore like to continue our attractive dividend policy. The Board of Directors is proposing to the 120th Annual General Meeting scheduled for May 3, 2018, a +5.7% higher dividend of CHF 930.– per registered share (CHF 420.– from the approved capital contribution reserve (agio) free of withholding tax and CHF 510.– from available retained earnings) and CHF 93.– per participation certificate (CHF 42.– from the approved capital contribution reserve (agio) free of withholding tax and CHF 51.– from available retained earnings).

We would also like to draw your attention to some personnel changes in Lindt & Sprüngli's Board of Directors. For personal reasons Ms Petra Schadeberg-Herrmann has decided not to stand for re-election to the Board at the Annual General Meeting 2018. The Board would like to thank her for her engagement and valuable contributions to Lindt & Sprüngli. We are delighted to be able to put forward another strong candidate for election to the Board: Mr Silvio Denz, a manager with extensive international experience in the areas of marketing and distribution.

Our long-term success is based on a commitment to the highest quality in all areas of activity, as well as our endeavors to ensure the business is managed according to sustainable principles. From our perspective, one of the most important aspects is the sustainability of our raw materials, especially cocoa. With this in mind, we launched the Lindt & Sprüngli Farming Program in 2008 and have continuously expanded it since. The aim of the Program is to promote more effective cocoa-growing methods, thereby bringing a lasting improvement to the living standards of the farmers and their village communities. Ensuring traceability makes it possible to identify when, where, and by whom the cocoa beans are grown, harvested, processed, stored and transported. In 2017 we have continued to consistently develop our Program and have made significant progress: the Lindt & Sprüngli Farming Program for growing premium bean varieties in Ecuador and Madagascar was extended to include cocoa beans from Papua New Guinea as a country of origin. Three pilot projects involving sustainable cocoa butter were successfully completed. In addition, we have supplemented our existing transparent sustainability reporting in 2017 with a new website: www.farming-program.com. This website provides details about the purpose of our Lindt & Sprüngli Farming Program and the measures we have already taken to date, as well as those in the pipeline.

Our long-term success is also based on the farsighted leadership and continuity of our senior management. In 2016 we therefore added three new members to our Group Management team. Since then, Uwe Sommer, latterly in charge of Global Retail and Marketing, has retired in the spring of 2017, followed at the end of 2017 by Kamillo Kitzmantel, latterly the CEO of Lindt & Sprüngli Switzerland. These two executives are taking well-deserved retirement after 23 years. The Board of Directors and Group Management would like to thank them both for their valuable contribution over many years towards the success of the Lindt & Sprüngli Group.

Equally important for our continuing success is the long-term investment in our expertise as a leading manufacturer of premium chocolate products. Construction work on the new Chocolate Competence Center has started as planned in 2017. This project is financed and overseen by the charitable Lindt Chocolate Competence Foundation. The multifunctional building at Lindt & Sprüngli Switzerland Kilchberg site is meant to strengthen Switzerland's international standing as a center of excellence in chocolate-making and also help to pool knowledge about chocolate across the entire industry. In mid-September a ceremony was held to mark the laying of the foundation stone for the new center, which is due to open its doors to visitors in 2020. The Lindt Chocolate Competence Foundation provides a more detailed report on the ceremony on pages 8–11.

Above all, however, our success is based on the millions of consumers worldwide who enjoy our premium chocolate products every day, as well as the support of our dedicated and motivated employees. On behalf of the Board of Directors and Group Management, we would like to thank them all personally for their trust, respectively for their hard work over the past year. We would also like to thank our business partners and suppliers for the crucial contribution they make to ensure the exceptional quality of our products, as well as our shareholders for their continuing trust and the capital they provide.

Outlook

Lindt & Sprüngli confirms its mid- to long-term target of organic growth in the region of 6 to 8%, combined with a 20–40 basis point improvement in the operating margin.

Given the Group's high liquidity, solid balance sheet and consistently high cash flow, the Board has decided to launch a buyback program worth up to CHF 500 million for registered shares and participation certificates. This program is scheduled to start on March 12, 2018 and will end no later than July 31, 2019.

We are keen to further strengthen our business in Switzerland in the long term: apart from the Chocolate Competence Center, this includes the expansion of our Olten facility for producing cocoa mass. The cocoa mass produced there is supplied to our European production companies, where it is then processed into fine chocolate. In 2018, over CHF 30 million will be invested in the expansion and modernization of the Lindt Cocoa Center in Olten. As a result, additional capacity will come on stream in the spring of 2019 that will support the future growth of the entire Lindt & Sprüngli Group. With the production plants in Kilchberg and Olten, as well as the logistics center in Altendorf, Switzerland will continue to be one of the Group's most important and productive international locations.

We intend to raise our visibility also in 2018 in less developed markets. A new regional office in Hungary will help to support the planned expansion into other Central Eastern European (CEE) countries and underpin our long-term growth plans for that region. Our subsidiary in Mexico is set to open in March 2018. We will also push ahead with the successful expansion of Lindt Shops in the most vibrant major cities, expand cooperation agreements in the area of duty free, and continue to launch exciting product innovations to delight millions of consumers.

Ernst Tanner
Executive Chairman of the Board of Directors

Dr Dieter Weisskopf
CEO Lindt & Sprüngli Group

LIND

Lindt

CHOCOLATE COMPETENCE
FOUNDATION

Chocolate Competence Center – a vision takes shape

The building of the Chocolate Competence Center marks a major milestone in Lindt & Sprüngli's history as the world's largest premium chocolate manufacturer. Founded in 2013, the charitable Lindt Chocolate Competence Foundation is funding and realizing this major project on Lindt & Sprüngli's factory premises in Kilchberg.

The plans for the multifunctional building were drawn up by Basel-based architects Christ & Gantenbein. The modern design presents a striking counterbalance to the historical Lindt & Sprüngli factory building from 1899 and fits perfectly into the existing surroundings in Kilchberg. The visionary construction project at Lindt & Sprüngli's headquarters in Kilchberg has the aim of strengthening Switzerland as a business location for chocolate for the long term.

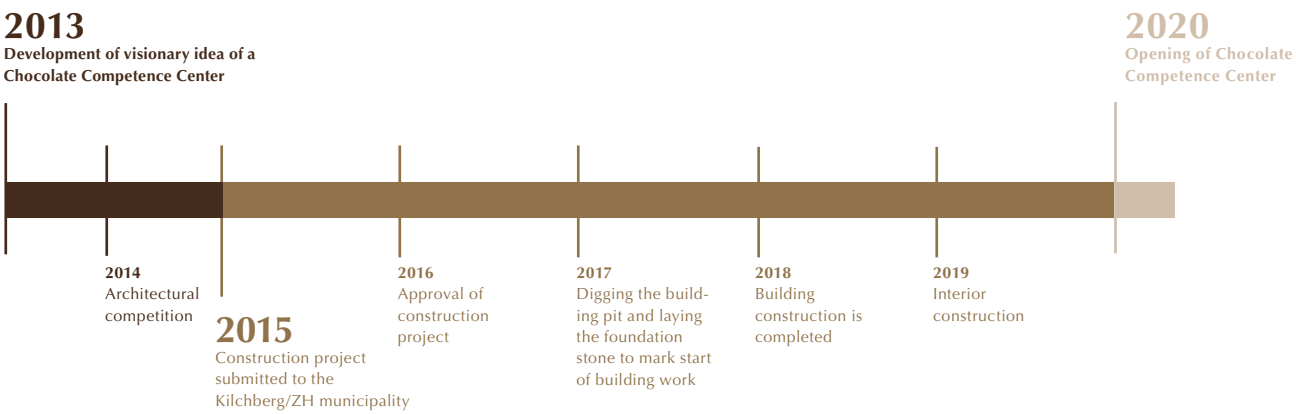
The excavation work for the new building started in early 2017. A total of 133,590 tonnes of earth was dug up to expose a football field-sized building pit.

The five floors of the Chocolate Competence Center will boast a multi-media and interactive exhibition, a research facility and show production, the world's largest Lindt Chocolate Shop, a Chocolate Café and a Chocolateria for chocolate courses. A special highlight of the center, however, is the world's largest chocolate foundation which can be found in the entrance area. Located in close vicinity and with ideal transport links to Zurich, the new center is set to become an attractive day-trip destination for 350,000 chocolate fans from Switzerland and abroad.

First stage win: Laying the foundation stone

On September 12, 2017, Ernst Tanner, President of the Lindt Chocolate Competence Foundation's Board, held a celebration for the laying of the foundation stone for the large building. As well as the Board Members of the Lindt Chocolate Competence Foundation, the mayors of Kilchberg and numerous media representatives, around 50 other partners and guests climbed into the pit to symbolically fire the starting gun for the building construction by burying a time capsule. Ernst Tanner told the guests he had invited about his vision of the Chocolate Competence Center contributing towards the future of Switzerland as a business location for chocolate and continuing the pioneering work of the former founding directors. With their spirit of invention and business nous, the pioneers made Swiss chocolate famous across the world and embedded it into the national identity.

On the back of this, the unique project with the research facility is to sustainably strengthen the innovative spirit of the whole industry. During the ceremony, Ernst Tanner filled the capsule with a chocolate bar produced following the original recipe by Rodolphe Lindt and an annual report from 2015 – the year in which the planning application was submitted. The two items both stand for the tradition and the current success of Lindt & Sprüngli. In addition to the best wishes offered by employees, the other symbols are to bring good luck for the rest of the building construction until the center opens its doors in 2020.



8 meters

The Lindor Chocolate Fountain in the entrance of the center is eight meters tall, making it the largest of its kind in the world.

500 square meters

The world's largest Lindt Chocolate Shop measures 500 m².

250 tonnes

250 tonnes of steel support the slope along the railway line.

The Chocolate Competence Center's interactive exhibition comprises seven different chocolate experience worlds and invites visitors on a journey to discover the origins of cocoa, among other things.

President of the Foundation, Ernst Tanner, fills the time capsules with Lindt & Sprüngli symbols from the past and present.

Markets

Despite challenging conditions in 2017, Lindt & Sprüngli achieved sales of more than CHF 4 billion for the first time. The company increased its group sales by +4.8% in Swiss francs and gained market share in almost all of its markets.

Chocoladefabriken Lindt & Sprüngli AG achieved sales growth in Swiss francs of +4.8% – despite persistently challenging conditions – and group sales of CHF 4.1 billion. This is a solid performance, especially given the largely saturated chocolate markets, the changing retail landscape and growing pressure on prices. The results reported in Europe and the "Rest of the World" segments are worth particular mention, as is the steady development of the Group's own network of shops, whose sales reached half a billion Swiss francs for the first time. In the last financial year, Lindt & Sprüngli once again succeeded in outperforming the chocolate market as a whole and expanding its market share in almost every market region.

The foreign currency situation was also fairly volatile in 2017, but the strong euro in particular had a positive effect overall on the consolidated sales reported in Swiss francs. The euro made significant gains against the Swiss franc, and pound sterling was also stronger, whereas the US dollar initially weakened but then bounced back again towards the end of the financial year. The organic growth reported for the whole group was at +3.7%.

Viewed overall, the situation in raw material markets has improved compared with the previous year. Prices for cocoa beans and cocoa butter dropped sharply during the 2016/17 harvest period. Prices for hazelnuts and almonds were generally stable, with a slight downward trend. Sugar prices were virtually unchanged in 2017, while milk prices increased. However, the positive market trends were heavily influenced by the soaring price of vanilla. Vanilla is an ingredient that is used in premium chocolate products.

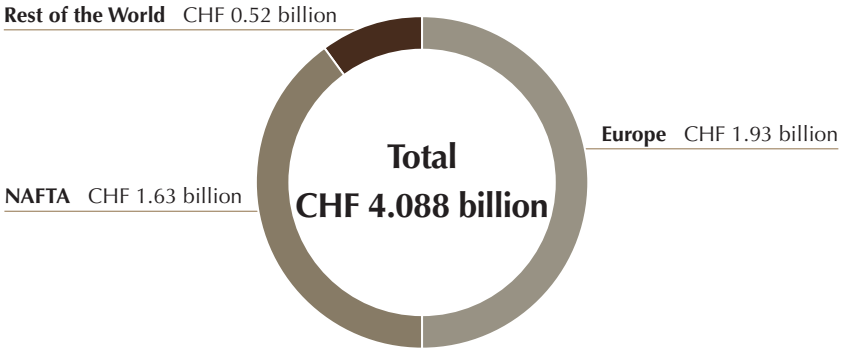
Europe

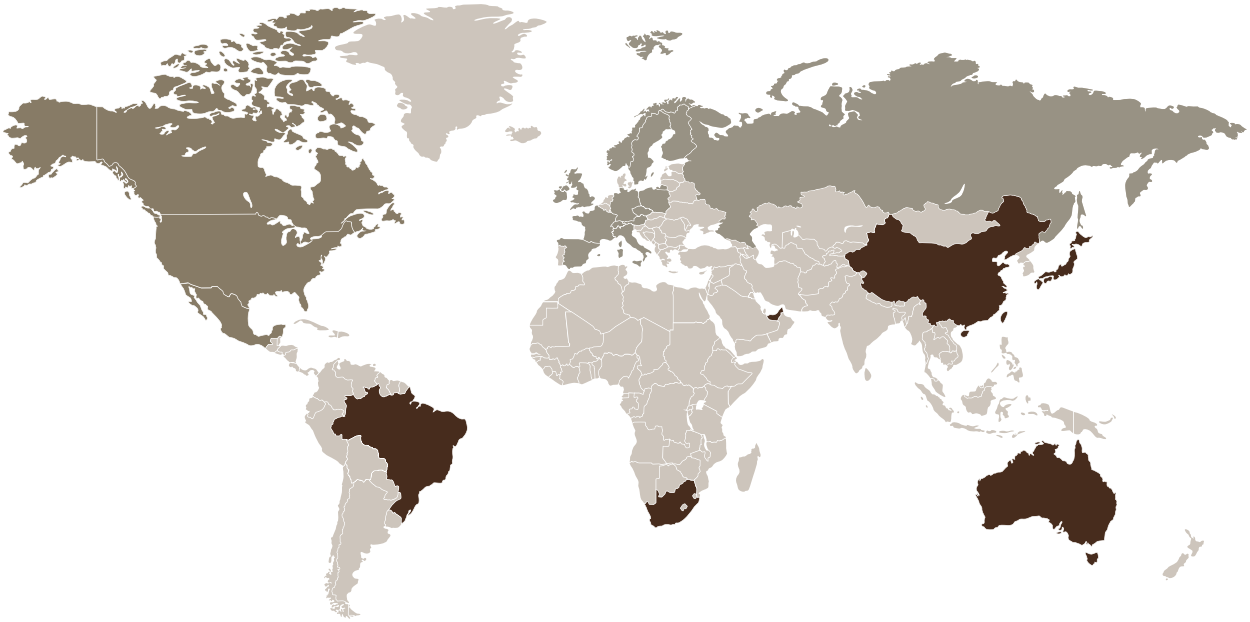
European chocolate markets are largely saturated. Despite this backdrop, Lindt & Sprüngli once again managed to achieve a positive result in this region. Lindt & Sprüngli performed particularly well in mature markets such as Germany, the UK, Italy, Austria and Spain, but also achieved double-digit growth rates in less developed markets like the Nordics, Russia, Poland and the Czech Republic. Overall, Lindt & Sprüngli reported excellent results in this region, with organic sales growth of +6.2%, to reach CHF 1.9 billion.

Consumer sentiment in Switzerland was generally good in 2017, although there was a decline in the Swiss chocolate market. Even so – and despite the ongoing trend for cross-border shopping as well as the continuing expansion of hard discounters – Lindt & Sprüngli produced a positive performance and was one of the few chocolate manufacturers able to increase its sales in this market environment.

In Germany, consumer sentiment also improved in 2017, continuing the trend of previous years. Germany's gross domestic product (GDP) increased, while the unemployment rate dropped to its lowest level since reunification. In the UK, the Brexit referendum had a negative effect on economic growth and consumer sentiment. Meanwhile in France, companies benefited from a significantly improved trading environment in the wake of the presidential elections. Lindt & Sprüngli still managed to achieve positive sales growth in France, despite a modest dip in the overall chocolate market. In Italy, the political and economic situation also stabilized after several difficult years plagued by high unemployment.

Sales Lindt & Sprüngli Group 2017





CHF 185 million
Investment volume worldwide

25
subsidiaries worldwide

14,000
employees worldwide

Switzerland

Chocoladefabriken Lindt & Sprüngli (Schweiz) AG achieved sales of CHF 376 million in the 2017 fiscal year (previous year: CHF 356 million), equivalent to +5.6% growth. This figure includes both the Swiss market and the export business, which is mainly covered in the financial reporting in the segment "Rest of the World". Both those areas have contributed to the Group's overall growth, despite the challenging market conditions. In a contracting Swiss chocolate market, Lindt managed to significantly expand its market share in 2017 in the pralinés and chocolate bar segment.

The stronger focus on the brands Lindor, Connaisseurs, Kirschstängeli, Excellence, the milk chocolate line Gamme Bleue, Les Grandes, as well as the Lindt Gold Bunny and Teddy, which are all No. 1 in their respective categories, has paid off. Successful new product varieties, such as Excellence Pink Grapefruit, Les Grandes fruit line and the "extra strong" Kirschstängeli Edition, helped to boost sales growth and expand market share. The launch of new product varieties was supported by numerous tasting activities. The range of communication media has been extended to include online videos, social media and influencer campaigns so as to reach out to more consumers and increase the market penetration of Lindt products.

The successful launch of Sensation Fruit enabled Lindt to generate growth in the new snacking segment in addition to the more traditional segments of chocolate bars and pralinés. The roll-out was supported by a comprehensive package of media campaigns and promotional activities which even resulted in market leadership for a while. By rolling out high-quality Lindt displays in the Denner and Manor supermarkets, as well as in premium "shop-in-shops" in other locations, Lindt set new standards in high-end brand presentations at sales points. This style of premium brand showcasing has created strong growth momentum.

One of the emotional highlights of 2017 was the Easter campaign in children's hospitals with the slogan "Freude schenken" (Gifting happiness). Lindt & Sprüngli arranged a special surprise for around 700 children in 10 different hospitals across Switzerland. The young patients who had to spend Easter in hospital were given the chance to experience a magical Easter world. In the Children's Hospital in Basel, the person bringing this good news was the tennis superstar and Lindt brand ambassador Roger Federer. As well as this campaign, Lindt & Sprüngli made a donation of CHF 75,000 to three individual Swiss hospitals to help fund individual projects.

In 2018, Lindt & Sprüngli Schweiz AG will invest more than CHF 30 million in expanding and modernizing the Lindt Swiss Cocoa Center at its Olten production site. This expansion is seen as a key project for Switzerland as a business location and safeguards the long-term supply of cocoa mass for Lindt & Sprüngli's European production plants.

The Lindor Roger Federer Fan Edition.

Since 2009 our successful Lindt brand ambassador Roger Federer stands in a unique way for Lindt's values such as "quality, premiumness, Swissness and passion". According to the slogan "gifting happiness" he surprised children with Lindt chocolate in a Children's Hospital in Basel who had to stay in hospital for Easter 2017.

Mini Pralinés à la Macarons, a delicious combination of Lindt chocolate with creamy fillings and crispy meringues pieces.

Germany

With sales worth EUR 545 million, Chocoladefabriken Lindt & Sprüngli GmbH (Deutschland) once again managed to achieve strong sales growth that comfortably exceeded Germany's chocolate market as a whole. The subsidiary further increased its share of the German market, with impressive sales growth of +8.0%.

The strategic focus on successful classics such as Lindor, Excellence, Mini Pralinés and hollow chocolate figures, as well as the launch of numerous product innovations, once more generated additional growth in 2017. These offerings were once again augmented by seasonal design editions, such as Gold Bunnies with appealing flower designs, the Lindor Gold products for Christmas and Lindor flower-design products for Easter.

The successful Excellence chocolate bar containing 78% cocoa and Pink Grapefruit of the successful Excellence range made a key contribution to sales growth and increased the market share in the high cocoa segment. The introduction of a new product range "à la Macarons" which includes chocolate bars as well as Mini Pralinés was an important focus during this business year. The products which are inspired by the French classic are a combination of Lindt chocolate with creamy fillings and crispy meringue pieces.

The young lifestyle brand Hello once again made a splash with attractive recipe additions to its product range such as Blueberry Muffin and Lemon Cheesecake as well as focusing on marketing campaigns for younger consumers.

Germany's leading magazine for the food industry, Lebensmittel Zeitung, named Lindor as the top brand in 2017 – from a field of more than 5,000 rivals. This highlights the success of the core products and lays an excellent foundation for future growth.

France

Lindt & Sprüngli SAS (France) can look back on another positive year, with sales increasing by +1.2% to EUR 355 million (previous year: EUR 351 million). Businesses benefited from a significantly improved economic environment in the wake of the French presidential elections. Lindt once again managed to strengthen its strong market position as the country's second-biggest chocolate manufacturer.

Over the past year, innovative taste variations such as Pink Grapefruit, Pink Peppercorn and a recipe containing 78% cocoa were added to the popular chocolate bar line Excellence, and the products with a higher cocoa content have quickly become favorites with consumers. The top-selling classic Lindor once again achieved double-digit sales growth and was augmented by Lindor bars and mini eggs. The new Orange and Strawberry taste variations, novel up-market sales concepts, a strong retail sales presence, numerous product tastings and TV campaigns all helped to boost Lindor sales.

Sensation Fruit, one of the most successful innovations in the French market, achieved encouraging sales growth. The new taste combinations Orange & Pink Grapefruit attracted a lot of publicity through a large-scale campaign targeting younger consumers. Lindt expanded its strong market presence in the Christmas business with its new line of festive pralinés Champs-Elysées Féerie, and launched the Les Pyrénéens

Lindt Sensation Fruits – one of the most successful product innovations from France.

New Lindt Excellence recipe with 78% cocoa.

Pralinés with a new coconut recipe. Sales channels were extended to smaller shop formats in large cities with high sales growth, so consumers have less far to travel to buy their favorite Lindt products.

Italy

In Italy, Lindt & Sprüngli S.p.A. (Italy) and Caffarel S.p.A. reported consolidated sales of EUR 232 million (previous year: EUR 223 million), equivalent to sales growth of pleasing +4.0%, Lindt & Sprüngli managed to expand its Italian market share again in a far more stable trading environment.

Lindt Italy outperformed the overall market and managed to gain significant shares in the pralinés and chocolate bar segment, as well as in the seasonal business. The leading brands Lindor and Excellence were supported by two major product launches: Lindor 70% and Excellence 78%. The Lindt Excellence line achieved double-digit sales growth. Lindor Milk was once again the bestseller in this assortment in 2017. In response to the current trend towards dark chocolate, Lindt Italy launched a new Lindor recipe with 70% cocoa and an intense cocoa aroma. Supported by influencer campaigns, the launch of the successful Mini Pralinés became a viral hit on social media and was a huge success at Eurochocolate, the annual chocolate festival held in Perugia. At Easter, Lindt aired a new TV campaign tailored to the Italian market for the first time and promoting not only the Lindt Gold Bunny but two successful Italian icons: the Lindor Easter egg and Lindt Noccior.

In 2017, Caffarel S.p.A. managed to increase sales in a difficult trade environment due to the implementation of a new distribution strategy. The company introduced new distribution channels and product segments in order to reduce its dependence on the traditional trade, which is continuing to suffer in its more established formats, whilst showing signs of development of new approaches and formats. The export business recorded strong growth following the successful entry into other markets such as the US, UK and France, Japan and Middle East. One highlight of the year has been the opening of the first Caffarel Shop in downtown Turin.

United Kingdom/Ireland

Despite the challenging market environment, 2017 was another positive year for Lindt & Sprüngli Ltd. (UK), with dynamic double-digit sales growth of +10.6%, to reach a total of GBP 171 million in the UK and Ireland with significant market share gains in all categories. The Lindor brand achieved stronger growth than the overall market, confirming its No. 1 position in this category in the UK and securing the category lead in Ireland for the first time. Lindor is one of the top 100 brands in both the UK and Ireland and was able to attract many new consumers with new taste variations including Lindor Peppermint.

The successful Teddy Crew, which has taken England by storm.

Lindt launched a series of successful Easter campaigns to reach out to families. The Easter treasure hunt for the Gold Bunny, with product tastings, organized in collaboration with six Royal Horticultural Society gardens, in premium shopping centers and, for the first time, in Hampton Court Palace were all a big success. In Ireland, brand awareness and interaction with consumers were increased through an activity, giving consumers the opportunity to personalize their own Gold Bunny in return for a donation to Lindt's charity partner, Temple Street Children's Hospital. The Lindt Teddy with the Christmas sweater was again a top seller, available this time in a traditional green color.

Lindt Gold Bunny personalization for the benefit of the Temple Street Children's Hospital in Dublin.

Austria

Lindt & Sprüngli (Austria) GmbH once again managed to improve on the performance of previous years, achieving impressive sales growth of +10.4%. In a stagnant market environment, the focus on Lindor, Excellence, product innovation and the seasonal business helped the subsidiary to gain significant market shares. Lindor posted an impressive result with the sales of its new Milk Orange variety. Posting double-digit growth, the Excellence line further strengthened its leading position. The nationwide launch of the Sensation Fruit innovation went down extremely well with consumers and has enjoyed a successful debut in the marketplace. In the important seasonal business, another milestone was already reached at the start of the year: Lindt's Gold Bunny is now the No. 1 Easter product. Consumers were drawn into the Easter spirit with eye-catching displays in big department stores and Austria's biggest Easter bunny hunt for the Gold Bunny in the Botanical Gardens of Vienna's Schönbrunn Palace.

Spain

Lindt & Sprüngli (España) S.A. enhanced previous year's development and reported encouraging sales growth of +9.9% for 2017, with growth outstripping the overall market particularly in the chocolate bar and pralinés segment. Lindor and Excellence were once again the strongest growth drivers in the Spanish market. Lindt made a successful entry into Spain's snacking segment with the launch of Sensation Fruit. Lindor and Excellence were once again the strongest growth drivers in the Spanish market.

Nordics

Lindt & Sprüngli (Nordic) AB, which includes the markets of Sweden, Norway, Denmark, and Finland, had again a very successful year, posting double-digit sales growth of +12.4%. Lindt's performance is particularly strong in Sweden, where it further expanded its leading position thanks to a consistent communication focus on our "Competence in Dark Chocolate" innovations, the Excellence product range achieved therefor a very dynamic performance. The iconic hollow figures furthermore accelerated the growth in the whole region. In Denmark and Finland, Lindt focused on the seasonal business at Easter and Christmas.

Eastern Europe

Lindt & Sprüngli CCE s.r.o., which includes the markets of the Czech Republic, Slovakia and Hungary, once again achieved double-digit growth of +13.4% in 2017, expanding its market share significantly in both the Czech Republic and

Austria's biggest Easter bunny hunt included many exciting activities in the Botanical Gardens of Vienna's Schönbrunn Palace.

Slovakia. The successful brands Lindor and Excellence were major drivers of this sales growth, while the seasonal business performed well, thanks to successful advertising campaigns for the Lindt Gold Bunny and the Lindt Teddy. In 2017, the Gold Bunny was yet again the top seller among hollow chocolate figures, while the established itself as a popular icon in the Christmas business.

Poland

Lindt & Sprüngli (Poland) Sp. z.o.o. managed to achieve extremely impressive sales growth of +22.1%. Lindt experienced the fastest growth in the chocolate bar and pralinés segment, where it gained substantial market share. In strategic terms, marketing activities were focused on the most important brands, Lindor and Excellence. Both brands outperformed the market and significantly increased their visibility in the retail trade. Expanding distribution through smaller retail trade channels not only boosted sales, but also improved market penetration.

Russia

Lindt & Sprüngli (Russia) LLC once again achieved solid double-digit sales growth of +24.5%. The two brands Excellence and Lindor were the biggest growth drivers for this subsidiary's impressive performance in one of the world's fastest-growing and biggest chocolate markets and gained again important market shares. Lindt continued the expansion of its own retail business and opened its second Lindt Shop in Moscow.

In Poland especially the Lindt Excellence bars with high cocoa content are very popular.

The new Lindor Fudge Swirl was very well received by our US consumers.

NAFTA

2017 sales in the "NAFTA" segment dipped slightly by –1.6% to CHF 1.6 billion, mainly due to changes in the US retail landscape and the strategic realignment of Russell Stover's product portfolio.

After a period of stagnation in recent years, the overall US chocolate market performed better both in terms of sales growth and volumes.

A highlight in the region was the outstanding result achieved by Lindt Canada, which posted double-digit sales growth. The American companies Lindt and Ghirardelli recorded modest growth in a rapidly changing retail environment, due to the repositioning of the drugstore channel (a key channel for chocolate sales) and traditional department stores struggling with a decline in customer traffic. Russell Stover faced a decline in sales caused by the combination of a weaker market in general, the difficulties experienced by individual retail partners, and adjustments to its product portfolio. Action steps included the successful relaunch of the sugar-free chocolate line based on Stevia extract, while new packaging and additional attractive price points helped deliver buoyant sales during the Christmas period.

With the three brands Lindt, Ghirardelli and Russell Stover, the Group is No. 1 in the premium segment and No. 3 in the US chocolate market as a whole. With the continued strategic realignment of Russell Stover and the activities scheduled for Lindt and Ghirardelli, Lindt & Sprüngli remains well on track in the world's biggest chocolate market and has managed to lay the foundation during the last financial year for further profitable growth.

Lindt & Sprüngli USA

In a highly competitive American market, Lindt & Sprüngli (USA) Inc. still managed to achieve sales growth of +1.0% and to expand its market share. The two brands Lindor and Excellence, as well as the seasonal business, were once more the major growth drivers.

Lindor generated growth both through product innovations and its existing product portfolio. A new product, Lindor Fudge Swirl, was launched especially for the US market and was very well received by consumers. The seasonal editions Strawberry & Cream, White Chocolate Peppermint and Gingerbread were also very popular and made a positive contribution to sales. Large-scale nationwide and customer-specific product samplings at retail outlets helped to boost Lindor sales as well. The American consumer trend towards dark chocolate continued in 2017. The Excellence line established itself as clear No. 1 in the premium chocolate segment. The launch of the new Excellence dark chocolate bars with 78% cocoa, along with a 90% edition, helped to boost sales of this line. Lindt's sales were also higher than average during the peak sales periods of Valentine's Day, Easter and Christmas. The seasonal business was once again supported by product innovations, eye-catching point-of-sale displays and advertising campaigns.

Lindt USA acted as official sponsor for the Golden Globe Awards for the third year running, where it presented Lindor Milk in customized gift boxes especially designed by a top illustrator, for the enjoyment of guests at every table. VIP guests were also pampered with Lindor, Excellence and pralinés at a special booth manned by Lindt Master Chocolatiers. This prestigious event is a very effective tool for raising Lindt's brand visibility in the US.

Investments in the US subsidiary in Stratham, New Hampshire, have further improved the efficiency of the production line through greater automation and have equipped the production plant for future growth.

Ghirardelli Chocolate Company

Ghirardelli Chocolate Company achieved modest sales growth in 2017 and grew faster than the overall market. Ghirardelli's sales of its year-round assortment were boosted by the popular classic Caramel Square and the product innovation Bourbon Caramel. To raise the product's visibility, Ghirardelli sponsored America's biggest race meeting, the Kentucky Derby. Visitors tasted over 25,000 samples of the new Bourbon Caramel Squares rolled out to coincide with the event. This partnership generated 32 million online impressions.

Also 2017, Lindt & Sprüngli acted as official sponsor at the Golden Globes and delighted the Hollywood Stars in an elegant atmosphere with Swiss chocolate creations prepared by the Lindt Master Chocolatiers.

Ghirardelli's new Bourbon Caramel Squares which consumers could taste for the first time at the biggest race meeting in the US, the Kentucky Derby.

Canada presented a Christmas Gift Box that leaves nothing to be desired.

Dark chocolate continues to grow in popularity with the US consumers where Ghirardelli already ranks No. 3 in this segment. Ghirardelli Intense Dark, with 72% cocoa, is the biggest contributor to sales growth. Ghirardelli's seasonal business is growing the fastest and is supported mainly by the classic Peppermint Bark Squares at Christmas and exciting new products from the Novelty Shape assortment.

Ghirardelli's baking business achieved the No. 2 position in the US baking market. Contributing factors to this success include sales growth on baking chips, candy making, and baking cocoa.

Russell Stover Chocolates

The process of integrating Russell Stover Chocolates LLC into the Lindt & Sprüngli Group continued during the reporting period, along with the strategic realignment of the product portfolio. Russell Stover introduced numerous operational initiatives to optimize retail support, logistics and quality to enhance efficiency. In 2017, Russell Stover launched a number of new initiatives. The company reinforced its leadership in the Sugar Free segment by relaunching its business behind fresh, new packaging and a new Stevia-extract based recipe.

Russell Stover also celebrated the 175th anniversary of Whitman's Chocolate with commemorative sampler boxes and a partnership with the United Service Organization (USO), a nonprofit organization which supports the welfare of the US Armed Forces. Over the same time period, the brand has begun to improve its consumer communication through targeted advertising and social media.

Russell Stover relaunched its Sugar Free Bites with a new Stevia-extract based recipe in a fresh, new packaging.

Lindt & Sprüngli Canada

Lindt & Sprüngli (Canada) Inc. once more achieved very impressive sales growth of 18.7% in 2017. Lindt extended its market leadership in the premium segment in a very special year for Canada, which celebrated the 150th anniversary of the Confederation. Lindt's market success is based on a customer-focused strategy including a series of successful campaigns that has managed to establish the Lindor and Excellence lines as No. 1 in the marketplace and strengthen customer loyalty.

Apart from the core products, a number of attractive product launches and the creative, multilayered marketing campaign for the Christmas season also played their part. For the third time in a row, around 45,000 consumers voted for Lindt as Canada's most trusted chocolate brand (Brand Spark Canadian Shopper Study).

Rest of the World

In 2017 Lindt & Sprüngli benefited from the strategy of geographic expansion pursued over previous years. The "Rest of the World" segment once more made significant gains, with organic growth of +12.4% pushing sales up to CHF 525 million and providing an increasingly significant contribution to consolidated sales. National markets belonging to this segment enjoyed rapid and dynamic growth, with Japan and Brazil playing a strong role.

Australia

Lindt & Sprüngli (Australia) Pty. Ltd. celebrated its 20th anniversary in 2017. In its anniversary year, the company achieved modest single-digit sales growth, despite a difficult trading environment and a highly competitive chocolate market, and also managed to increase its market penetration. The core products Excellence and Lindor, along with the seasonal business, enjoyed excellent sales growth. In 2017, there was a sharp rise in the market share of the Lindt Gold Bunny and locally produced Easter eggs. The launch of Lindor Mango & Cream was the brand's most popular product innovation to date in Australia. Another highlight was the roll-out of Excellence chocolate bars with 78% cocoa, which was supported by a targeted marketing campaign for chocolate products with a high cocoa content.

South Africa

Lindt & Sprüngli (South Africa) Pty. Ltd. can look back on a successful year, with high double-digit sales growth of +20.0% and a significant expansion of market share. The core brands Lindor and Excellence once again increased their sales and strengthened their market position in the premium segment and successfully established a new product category with Lindor sticks.

United Arab Emirates

After a number of challenging years, the regional office in Dubai, once again managed to post double-digit sales growth. However, the region continues to be characterized by a stagnant growth trend due to the sharp fall in raw material prices, and is influenced by the political situation.

The Excellence products made a major contribution to sales and are market leaders in the dark chocolate segment in this region. Saudi Arabia also performed very well, while sales in India were twice as high as last year. Lebanon, Kuwait, Qatar, and Iraq likewise enjoyed sales growth in double figures.

China / Asia Pacific

Lindt & Sprüngli (China) Ltd. had a successful year with double-digit sales growth of +33.3%. The brands Lindor and Excellence have performed very well thanks to product innovations and new recipes. Lindor's brand visibility was boosted by its growing popularity as a luxury gift at Chinese New Year. Distribution was extended from Shanghai and Beijing to other major cities. The presence of a Lindt Flagship Store at Tmall and JD resulted in a better than average performance from

Australia's favourite: the Lindor Mango & Cream Limited Edition.

Marketing campaign in China: The Lindor Tram caused a sensation in Hong Kong.

the e-commerce channel. The stronger presence at wedding fairs, in order to profit from the rising popularity of premium chocolate as a wedding gift, also improved brand awareness.

In Thailand, Singapore, and Hong Kong, Lindt & Sprüngli (Asia-Pacific) Ltd. posted a strong single-digit sales growth and was able to win market share through the strong presence of Lindor products in the seasonal business and the launch of the Excellence Dark Festival, supported by numerous product samplings.

Brazil

Over the course of 2017, Brazil gradually recovered from one of its most severe economic crises. Although the market is showing initial positive tendencies, the political situation is still tense in view of the forthcoming elections. Lindt & Sprüngli in Brazil achieved exceptionally strong double-digit sales growth of +32.6% in 2017. Building on the joint venture with CRM Group, the subsidiary continued to strategically implement its expansion plans and now successfully operates 30 Lindt Chocolate Boutiques in exclusive shopping centers. The gradual market recovery was also evident in the positive performance of the wholesale distribution business.

Japan

2017 was a very successful year for Lindt & Sprüngli Japan Co. Ltd., reporting vigorous sales growth of +57.7%. Lindt invested in the expansion of the successful Lindt Chocolate Café and Boutique concept by opening also additional stores at prime locations in various regions of Japan. Here Lindt puts the focus squarely on an exceptional customer experience.

Enthusiastic Chocolate Advisors introduce consumers into the World of Lindt and provide them with a unique brand experience. The Excellence line, with a very high cocoa content, together with Lindor are the most successful products in the year-round assortment, while seasonal products are mainly purchased as luxury gifts.

Duty Free/Travel Retail

The travel retail chocolate market stagnated in 2017, notwithstanding rising passenger volumes. In spite of this, Lindt & Sprüngli managed to significantly expand its market share thanks to numerous product innovations and customer-centric marketing initiatives. In 2017, Lindt was once again the most dynamic and fastest-growing chocolate brand worldwide in the travel retail segment and was in great demand as a partner. As part of the premium partnership with Dufry, the world's biggest operator of duty-free shops, Lindt & Sprüngli launched an exclusive assortment with Lindor Heavenly Stracciatella and an assorted collection of chocolate Napolitains that proved to be very successful.

The global roll-out of the new assorted Napolitains products was particularly successful, as were the Lindt Chocolate Trolleys, where a combination of an eye-catching packaging (like a mini trolley bag) and marketing activities at sales points generated a lot of interest. The Lindor Mango & Cream Limited Edition, marketed together with the very popular Lindor Milk chocolate truffles, also achieved new sales records. During the reporting period many new shop-in-shop concepts were implemented in a number of major airports, including London, Paris, Prague, Singapore, Taipei, and Doha. 2017 became an even sweeter year for Lindt & Sprüngli on winning the DFNI industry award for the best global travel retail product innovation, the Lindt Swiss Masterpiece Pralinés, and receiving three nominations for the Frontier Awards in Cannes.

Exclusive Heavenly range for the Duty Free Partner Dufry.

Our Brands

Global Brands
76% of Sales

Regional Brands
22% of Sales

Local Brands
2% of Sales

Global Retail

The success story continues. With a strong double-digit growth, Global Retail achieved an important milestone by recording sales worth half a billion Swiss francs in 2017.

Since Global Retail was established in 2009, our own Boutiques and Chocolate Cafés have experienced uninterrupted success. The strategic expansion of our own retail network was continued in 2017 too, making a consistently important contribution to Lindt & Sprüngli's positioning in the premium segment and to its overall result. The Lindt, Ghirardelli, Russell Stover, and Caffarel Shops can now be found at over 410 top locations throughout the world and, in the past year alone, have offered a unique chocolate experience to over 60 million visitors.

In the financial year, the target of opening 30 Shops a year was considerably exceeded with over 50 new locations. The expansion of Global Retail progressed particularly well in Europe, Canada, Japan and South Africa, with the umbrella brand Lindt focusing on the Boutique concept in luxury shopping centres or inner-city locations with high traffic. With a special shop design and an impressive selection of exclusive products, the brand showcases the full variety of the premium range.

As well as the greatest selection of bestsellers, such as 20 different varieties of Lindor or the Excellence bars, selected Lindt Shops are also following the trend towards individualized products and offering personalized chocolate gifts. Lindt Master Chocolatiers, who create masterpieces on site, are also used in certain shops to give customers a close-up chocolate experience.

The new openings included highlights in the inner-city areas of Berlin, Vienna, Milan, and the flagship store in Florence. New Shops have been opened in popular shopping centers in Toronto, Hiroshima, Madrid, Prague and Warsaw.

Besides the new Boutiques in prime locations, service in the Shops is particularly key for their premium character. Which is why the service and product trainings of the employees, the so-called Chocolate Advisors, is the main focus to perfect the brand experience.

NAFTA
Interior view of the Lindt Shop in Scarborough Town Centre, Canada.

Europe
Exterior view of the Lindt Shop at the Kärntnerstrasse in Vienna, Austria.

Europe
Above: Interior view of the Lindt Shop at the Bluewater Shopping & Retail Destination in Ashford, Kent, UK.

Rest of the World
Left: Interior view of the Lindt Shop in Hiroshima, Japan.

Europe
Interior and exterior view (right) of the newly opened Lindt Shop in Florence, Italy.

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 headquarters in Kilchberg ZH, is listed on the SIX Swiss Exchange. The market capitalization, based on 2017 year-end prices, is CHF 15.8 billion.

→ Security and securities listing numbers see page 83

The company's group structure is lean. While the Board of Directors handles management, strategy, and supervisory duties at the highest level, the Executive Chairman, the CEO and the Group Management members are responsible for operational management tasks.

→ Board of Directors see page 31
→ Group Management see page 37

The consolidation scope of Chocoladefabriken Lindt & Sprüngli AG includes national and international subsidiaries listed in notes to the consolidated financial statements, along with details about these companies, such as name, domicile, share capital, participation, etc.

→ Details of subsidiaries see page 83

Chocoladefabriken Lindt & Sprüngli AG holds no interests in listed companies.

Major shareholders

Between January 1, 2017, and December 31, 2017, the Group received one disclosure notification that BlackRock Inc., New York as parent company has a combined shareholding of 6,063 registered shares or 4.46% of the company's share capital. According to the share register of Chocoladefabriken Lindt & Sprüngli AG as of December 31, 2017, the "Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG", the "Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG", the "Lindt Cocoa Foundation", and the "Lindt Chocolate Competence Foundation", all in Kilchberg ZH, held, as a group, a total of 27,534 registered shares or 20.23% of the share capital and thus 20.23% of company voting rights (according to the last disclosure of November 25, 2013: 29,143 registered shares respectively 21.32% of the share capital and the voting rights).

During the year under review, no further disclosures were publicized on the official notices section of the SIX Swiss Exchange platform. Details and disclosures of previous years can be found on the official notices page of SIX Swiss Exchange website:

https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html?companyId=LINDT.

Chocoladefabriken Lindt & Sprüngli AG has no cross holdings.

Capital Structure

As of December 31, 2017, Chocoladefabriken Lindt & Sprüngli AG had the following capital structure:

Ordinary capital

The ordinary capital is composed of two securities types:

	2017
Registered shares *	CHF 13,608,800
Bearer participation certificates **	CHF 10,481,530
Total ordinary capital	**CHF 24,090,330**

* 136,088 registered shares, par value of CHF 100.– each
** 1,048,153 bearer participation certificates, par value of CHF 10.– each

The registered share has a voting right at the General Meeting; 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 has a conditional capital of CHF 4,240,890 at the most, comprising a maximum of 424,089 bearer participation certificates with a par value of CHF 10.– each. Of this maximum amount, the remaining 169,639 can be reserved for employee stock option programs; up to 254,450 participation certificates can be reserved for capital market transactions. Shareholders and participants have no subscription rights. Further information about authorized and conditional capital can be found in Article 4bis of the Articles of Association, available on the website of Chocoladefabriken Lindt & Sprüngli AG.

http://www.lindt-spruengli.com/fileadmin/user_upload/corporate/user_upload/Investors/AOA/Articles_of_Association_E_1.2.2018.pdf

The ordinary capital can be increased with the conditional capital by no more than 17.6% up to a maximum of CHF 28,331,220. There is no authorized capital apart from the conditional capital.

Changes in capital

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

Ordinary capital

Year	Participation capital in CHF	Registered shares (RS) *	Share capital in CHF	No. of bearer participation certificates (PC) **
2015	13,608,800	136,088	9,884,750	988,475
2015	**13,608,800**	**136,088**	**10,131,360**	**1,013,136**
2017	**13,608,800**	**136,088**	**10,481,530**	**1,048,153**

Conditional capital

No. of bearer participation certificates (PC) **

Year	Total	Capital market PC	Employee PC
2015	483,767	254,450	229,317
2015	**459,106**	**254,450**	**204,656**
2017	**424,089**	**254,450**	**169,639**

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 for his own account.

According to article 3, subsection 7 of the Articles of Association, corporate bodies and partnerships related to one another through capital ownership, through voting rights or common management, or otherwise linked, as well as natural persons and legal entities or partnerships acting 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 maintaining the share register of Chocoladefabriken Lindt & Sprüngli AG".

http://www.lindt-spruengli.com/investors/corporate-governance/board-regulations/

According to these provisions, particularly (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 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 20.23% of the voting rights of the "Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG", "Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG", "Lindt Cocoa Foundation", and "Lindt Chocolate Competence Foundation", all in Kilchberg, ZH.

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 – the 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 total shares in the shareholder register if such nominee discloses – in writing – the name, address, domicile or seat, nationality, and shareholdings of those persons for whose accounts he holds 0.5% or more of the then outstanding share capital. However, entry per trustor is limited to 4%, respectively to 10%, per nominee collectively. Article 3, subsection 7 of the Articles of Association, is also applicable to nominees.

The implementation rules are defined in the Regulations of the Board of Directors "Registration as nominee shareholder of Chocoladefabriken Lindt & Sprüngli AG".

http://www.lindt-spruengli.com/fileadmin/user_upload/corporate/user_upload/Investors/BOR/REGISTRATION_AS_NOMINEE_EN.PDF

A revocation of these restrictions regarding 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 of options issued**	Strike price (CHF)	Running term	No. of rights exercised	No. of exercisable rights
2011	32,103	2,523	until 2018	30,932	1,171
2012	33,505	2,679	until 2019	30,352	3,153
2013	30,581	3,123	until 2020	16,630	13,951
2014	17,149	4,062	until 2021	3,260	13,889
2015	22,265	4,811	until 2022	0	22,256
2016	24,810	5,401	until 2023	0	24,810
2017	23,560	5,360	until 2024	0	23,560
Total	**183,973**			**81,174**	**102,799**

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 2017, a total of 35,017 of the above employee options were exercised (previous year: 24,661). Therefore, the "ordinary" participation capital was increased in 2017 by CHF 350,170 by the corresponding reduction in the "conditional" participation capital reserved for the employee stock option programs. The 102,799 options outstanding as of December 31, 2017, not yet exercised, are equivalent to 4.3% of the total capital. There were no outstanding convertible bonds of Chocoladefabriken Lindt & Sprüngli AG.

Board of Directors

Role and function

The Board of Directors makes decisions jointly and is assisted by Board committees in special cases. The Board's primary function is to provide guidance and exercise control over the Group; it makes strategic decisions and defines the general means for achieving the goals it has set for the company, sets the General Meeting agenda and approves the annual and half-year reports, as well as the Compensation Report. Decisions regarding the appointment of members to Group Management and the managing directors of subsidiaries, as well as resolutions on shareholders' motions from the General Meeting, will be made 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 according to article 17 of the Articles of Association. If the number of members falls below five, the minimum membership must be restored at the next ordinary General Meeting. As of December 31, 2017, the Board had six active members. Ernst Tanner is Executive Chairman of the Board; all other members are non-executive members.

Name, function	First election	until
Ernst Tanner, Executive Chairman of the Board of Directors	1993	2018
Dr Rudolf K. Sprüngli, non-executive member	1988	2018
Antonio Bulgheroni, non-executive member	1996	2018
Dkfm. Elisabeth Gürtler, non-executive member	2009	2018
Petra Schadeberg-Herrmann, non-executive member	2014	2018
Dr Thomas Rinderknecht, non-executive member	2016	2018

Antonio Bulgheroni was Managing Director of the Italian subsidiary Lindt & Sprüngli SpA until his retirement in April 2007. No other Board members were actively engaged in the management of the Group or a subsidiary; none had business relations with any entity within the Group in the past three years.

Members of the Board of Directors were individually elected by shareholders at the General Meeting for a one-year term of office (until the next General Meeting). No limitation is placed on their re-election. If a member leaves, or if an elected member subsequently declines the appointment, the seat concerned remains vacant until the next General Meeting.

In this reporting year, all Board members have been re-elected for terms of one year respectively newly elected until the conclusion of the next planned General Meeting.

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 is a member of the Corporate Sustainability Committee. He completed a commercial education and then attended business school in London and at Harvard. 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, last as Company Group Chairman Europe. Mr. Tanner has been a member of the Board of Directors of the Swiss Swatch Group since 1995, Vice Chairman of the Board of Directors since 2011, as well as member of the Compensation Committee since 2002 and Chairman of this Committee since May 2014. He also has a seat on the Advisory Boards of both the German Krombacher Brauerei GmbH & Co. KG and the Austrian SIGNA Group. As of September 30, 2016, Mr. Tanner resigned as CEO of the Lindt & Sprüngli Group and is since then Executive Chairman of the Board of Directors.

Board of Directors

Ernst Tanner

Dr Rudolf K. Sprüngli

Antonio Bulgheroni

Dkfm. Elisabeth Gürtler

Petra Schadeberg-Herrmann

Dr Thomas Rinderknecht

Dr Rudolf K. Sprüngli (CH) Mr. Sprüngli has been a member of the Board of Directors since 1988. He is the Chairman of the Compensation & Nomination Committee and the Corporate Sustainability Committee. He completed his studies with a doctorate in economics. 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, he manages his own consulting firm. Mr. Sprüngli is also a member of the Council of the British-Swiss Chamber of Commerce, a member of the Board of Directors of Peter Halter Liegenschaften AG, a Board member at the lnstitut für Wirtschaftsberatung as well as Chairman of Freies Gymnasium Zurich.

Antonio Bulgheroni (IT) Mr. Bulgheroni has been a member of the Board of Directors since 1996 and was Lead Director from February 2009 until end of September 2016. He currently serves on the Audit Committee, Compensation & Nomination Committee and Corporate Sustainability Committee. His extensive company management experience in every area of the chocolate business makes Mr. Bulgheroni a highly respected international expert in the chocolate industry. From 1993 until his retirement in April 2007 he was CEO of Lindt & Sprüngli SpA. Since then, he has been Chairman of the Board of Lindt & Sprüngli SpA and Caffarel SpA, the two Italian subsidiaries of the Group. Mr. Bulgheroni, who holds the Order of Merit for Labor of the Italian Republic, is a member of the Board of Directors of the L.I.U.C. University, as well as the Chairman of the Board of Directors of Bulgheroni SpA.

Dkfm. Elisabeth Gürtler (AT) Ms. Gürtler has been a member of the Board of Directors since 2009 and is currently a member of the Compensation & Nomination Committee. She completed her business-science studies with a master's degree, then built up an outstanding reputation, particularly as director of the world-famous Sacher Hotels in Vienna and Salzburg, where premium quality plays a key role. From 1998 till 2012, Ms. Gürtler was a member of the Supervisory Board of Erste Group Bank AG. She was a member of the general council of the Austrian National Bank from 2004 to 2014 and is currently member of the Board of Directors of ATP Planungs- und Beteiligungs AG in Innsbruck, as well as serving on the Advisory Board of the Nürnberger Lebensversicherung (Nürnberg Life Insurance) in Germany.

Petra Schadeberg-Herrmann (D) Ms. Schadeberg-Herrmann has been a member of the Board of Directors since 2014 and is currently a member of the Audit Committee. After periods of study in Paris and London, Ms. Schadeberg-Herrmann completed her studies at the European Business School in Germany in 1990 with a degree in business management. She has been employed by the Krombacher Brewery Group of Companies (the leading German beer market brand) for more than 25 years and is currently a managing partner. Ms. Schadeberg-Herrmann is active primarily on the financial and commercial side. Among her other duties as managing partner, she is in charge of Krombacher Finance GmbH. In June 2011, she was elected to the Supervisory Board of Krones AG, the world's leading manufacturer for filling and packaging technology in the beverage and liquid food industries.

Dr Thomas Rinderknecht (CH) Mr. Rinderknecht has been a member of the Board of Directors since April 2016 and is currently Chairman of the Audit Committee. He has a PhD in law and was admitted to the Bar in the Canton of Zurich in 1982. From 1984 onwards he worked as a freelance commercial attorney before becoming Senior Partner with the law firm Badertscher Rechtsanwälte AG, Zurich and Zug as of 2009. Since 1984 Mr. Rinderknecht has had numerous directorships on the boards of various unlisted companies in the healthcare/pharmaceutical/biotech branches and in the media, as well as in the industrial sector. Since 2011, he has also been a member of the Board of Directors and the Audit Committee of Basilea Pharmaceutica AG. With his background as a commercial attorney, Mr. Rinderknecht's legal expertise is of particular benefit to the Board of Directors.

Number of activities permitted outside the Group

The number of mandates in senior managing bodies and boards of directors of legal entities outside the Group – which are to be entered in the Swiss commercial register or in a comparable foreign register – is restricted for the members of the Board of Directors to: four mandates in listed companies, ten mandates in non-listed companies, and fifteen mandates in other legal entities, such as foundations and associations according to article 19, paragraph 3 item 1 of the Articles of Association.

http://www.lindt-spruengli.com/fileadmin/user_upload/corporate/user_upload/Investors/AOA/Articles_of_Association_E_1.2.2018.pdf

Internal organization

The Ordinary General Meeting elects together with the members of the Board of Directors the Chairman of the Board of Directors and the members of the Compensation Committee. In other respects, the Board of Directors remains self-constituting.

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 can appoint an interim chairman from among its members until election at the next General Meeting. Should one or more members of the Compensation Committee retire early, the Board of Directors can appoint substitutes from among its members until the next General Meeting.

The Chairman presides over the General Meeting, represents the company in dealings with third parties and provides together with the CEO and the members of Group Management timely information for the Board of Directors on all matters important for decision-making and the monitoring of significant Group concerns. He is responsible for preparing all matters to be dealt with by the Board of Directors, placing them on the agenda, and for convening and chairing Board of Directors' meetings. In addition, the Executive Chairman of the Board of Directors assumes the following tasks:

- Representation and positioning of the Lindt & Sprüngli Group towards the public, the authorities, and the company shareholders (communications) unless the Executive Chairman of the Board of Directors delegates this task elsewhere after internal consultation between himself and the CEO of the Lindt & Sprüngli Group;
- Responsibility for the long-term strategic direction of the Lindt & Sprüngli Group and specific strategic projects, including transactions;
- Supporting important alliances and strategic partnerships;
- Positioning the Lindt & Sprüngli Group in the area of communications and marketing;
- Overall responsibility for corporate culture;
- Additional tasks are derived from the Allocation of Competences and the resolutions passed by the Board of Directors.

The CEO is entrusted with the task of managing the business jointly with Group Management. The CEO presides over Group Management and decides in close collaboration with the Executive Chairman of the Board of Directors on the most important matters. Further details about the tasks of the CEO and Group Management can be found on page 36 of this Annual Report.

The Board of Directors meets regularly – as often as business requires – but at least four times a year. Meetings are convened by the Chairman, or by another member of the Board of Directors appointed to represent him. Each member of the Board of Directors is authorized to ask for a meeting to be convened without delay; the purpose must be stated.

The Chairman or, in his absence, another member of the Board of Directors authorized to represent him, presides over the meeting. Along with members of the Board of Directors, the meetings may also be attended by members of Group Management and other non-members. In the year under review, four regular and one telephone conference were held; all members were present. The regular meetings lasted around three hours. The telephone conference lasted around one hour. Members of Group Management regularly attended these meetings, in compliance with exclusion principles. No external consultants took part in meetings of the Board of Directors.

Committees of the Board of Directors

The Chairman of the Board of Directors and the Board of Directors are assisted in their work by three committees: the Audit Committee, the Compensation & Nomination Committee and the Corporate Sustainability Committee. The Board of Directors may decide at any time – through a majority decision – to set up further committees. Until that time, all other tasks of the Board of Directors will continue to be performed by the whole Board of Directors.

Audit Committee

The Audit Committee consists of at least three non-executive, independent members of the Board of Directors. Of these, at least two must possess substantial experience in finance and accounting. The CFO has a consultative vote in the committee. As of December 31, 2017, members of the Committee were: Dr Thomas Rinderknecht (Chairman), Antonio Bulgheroni, and Petra Schadeberg-Herrmann. 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, particularly in main audit areas, complete presentation of the financial statements/audit findings, compliance with statutory requirements and the services of external auditors. In addition, the committee assesses financial reporting expediency and internal control systems and ensures ongoing communication with external auditors. It also constantly scrutinizes the Group's risk management principles and appropriateness of risks taken, 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 areas discussed above, such as 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 2017, four regularly scheduled meetings and one telephone conference which lasted one hour, were held; all members were present.

The meetings generally lasted around two hours, the telephone conference lasted about one hour, with members of Group Management regularly attending. Auditors attended one meeting of the Audit Committee. Auditors' direct access 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 auditors see page 41

Compensation & Nomination Committee

The Compensation & Nomination Committee consists of three non-executive members of the Board of Directors, each of whom was elected in the year under review by the general meeting for a term of office of one year until the end of the next ordinary general meeting. As of December 31, 2017, Committee members were: Dr Rudolf K. Sprüngli (Chairman), Antonio Bulgheroni, and Dkfm. Elisabeth Gürtler.

→ Information on responsibilities of the Compensation & Nomination Committee see Compensation Report page 44

Corporate Sustainability Committee

The Corporate Sustainability Committee consists of three members from the Board of Directors. These may be both executive and non-executive members of the Board. The CFO attends the meetings. As of December 31, 2017, Committee members were: Dr Rudolf K. Sprüngli (Chairman), Antonio Bulgheroni, and Ernst Tanner.

The Corporate Sustainability Committee supports the Board of Directors in setting the strategic direction for company activities, while aiming for comprehensive sustainable management. It is also responsible for the development and adaption of all globally valid corporate policies in this area and monitors compliance in legal aspects. 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 about two hours. The CEO and the CFO attended this meeting. 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 Group Management are set forth in the Organizational Regulations. Below is a summary of the basic principles:

Board of Directors

- Performs vested statutory tasks. The Board of Directors is therefore responsible for strategic management of the company, giving necessary instructions and supervising Group 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 CEO, secretary, and Members of Group Management, Extended Group Management and Chief Executive Officers of 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 CEO and Group Management.

CEO

The CEO is the Chairman of Group Management and responsible for procurement and forwarding of information to Group Management, the Executive Chairman of the Board of Directors, and members of the Board of Directors. The CEO must also ensure that the decisions and instructions of the Board of Directors are executed by Group Management. Last, but not least, he is responsible for managing the operational business of the Group within the framework of its strategic objectives and for planning the overall business and reporting within the Group.

Group Management

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

→ For details on members of Group Management see page 37

Extended Group Management

The Extended Group Management of Chocoladefabriken Lindt & Sprüngli AG was merged with Group Management on January 1, 2017.

Information and controlling instruments

The Board of Directors is kept regularly informed of all important matters relating to the Group's business activity. The CEO and members of Group Management attend Board of Directors' meetings and report on new business developments, important projects and events. Extraordinary occurrences are immediately called to the attention of the members of the Board of Directors. To obtain an accurate and direct picture of local market situations, the Board of Directors regularly visits national companies and meets with local business management.

The Board of Directors is kept informed in writing on a regular basis through an extensive and complete Management Information System (MIS) covering profit and loss, balance sheets, cash flow, investments and personnel, of the Group and the subsidiaries. The information is provided on both a historical basis and as a year-end forecast.

Furthermore, 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 for future development of 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 strategic, operational, and financial risks – including valuations, actions taken to limit risks and responsibilities – is also presented.

To enable assessment of Group risk parameters, the Audit Committee also receives a quarterly report on securities and cash investments, currencies, raw-material procurement, and liquidity (risk control reporting). Members of Group Management regularly attend Audit Committee meetings. The Group has no internal audit department; thus, the internal financial control system, 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 subsidiary companies (IT, Procurement, Production, Sales, Salary payments, Treasury, HR, and Financial Reporting). Within the framework of the yearly audit, the auditors may be charged with special assignments, which go above and beyond legal and statutory requirements.

Group Management

As of December 31, 2017, Chocoladefabriken Lindt & Sprüngli AG's Group Management had eight members:

Name, responsibility	At Lindt & Sprüngli since
Dr Dieter Weisskopf Chief Executive Officer	1995
Martin Hug Chief Financial Officer	2004
Andreas Pfluger Country Responsibility	1994
Rolf Fallegger Country Responsibility, International Marketing	1997
Dr Adalbert Lechner Country Responsibility, Global Retail	1993
Kamillo Kitzmantel* Country Responsibility	1994
Alain Germiquet Country Responsibility, International Sales	2007
Guido Steiner Group Operations	1990

* Kamillo Kitzmantel retired on December 31, 2017, and stepped down from Group Management. Uwe Sommer already retired on April 30, 2017, and left the Group Management.

Dr Dieter Weisskopf (CH) lic. rer. pol. — Mr. Weisskopf started his career at Swiss Union Bank. After gaining additional experience in the banking sector in South America, he then changed to the food industry, joining the Jacobs Suchard Group. At Jacobs Suchard and at Klaus Jacobs Holding, he held executive management positions in the area of finance, latterly as CFO in Canada and Switzerland. Mr. Weisskopf joined the Lindt & Sprüngli Group in 1995 as Head of Finance, Administration, IT, and Purchasing. Since 2004, he has also been responsible for manufacturing. As of October 1, 2016, he took over as CEO of the Lindt & Sprüngli Group and is responsible for Group Legal & IP, Corporate Communications and Group HR.

Martin Hug (CH) Economist, MA — Mr. Hug started his career in various roles with a leading global coffee trading company in Latin America (Costa Rica, Ecuador and Honduras), latterly as Finance Director in Costa Rica, before he joined Lindt & Sprüngli (International) AG in 2004 as Senior Controller. Only a short time later he was promoted to CFO at Lindt & Sprüngli UK. From 2011 to the end of 2016 he held the position of CFO at Ghirardelli in the USA. As of January 1, 2017, he has been Group CFO and a member of Group Management, where he is responsible for Finance, IT, Purchasing and Sustainability.

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 as CEO for building up the subsidiary in Australia. He then held further positions as CEO of the French subsidiary and of the Ghirardelli Chocolate Company in California (USA). In 2011, he returned to Swiss headquarters to work for Extended Group Management and was promoted to member of Group Management in 2013, where he is responsible for the integration of the American company Russell Stover and the development of specific markets.

Rolf Fallegger (CH) lic. oec. HSG — Mr. Fallegger began his career in 1991 in marketing with Procter & Gamble in Geneva, the UK, 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 the UK and France. In 2009, he returned to Swiss headquarters and was a member of the Extended Group Management from 2011 to 2014. In 2014, he was promoted to member of the Group Management, where he is responsible for the development of specific markets and International Marketing.

Dr Adalbert Lechner (AT) PhD in Law — After receiving his doctorate in law, Mr. Lechner held several management positions in marketing and sales with L'Oréal and Johnson & Johnson. He joined the Lindt & Sprüngli Group as CEO of the Austrian subsidiary company in 1993. He has been CEO of the German subsidiary Chocoladefabriken Lindt & Sprüngli GmbH since 1997. He was a member of Extended Group Management from 2011 until 2016. As of January 1, 2017, he is a member of Group Management, where he is responsible for the development of specific markets and Global Retail.

Kamillo Kitzmantel (AT/CH) Mag. Handelswissenschaft — 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, a post he held up to his retirement. He also took over temporary management responsibility for the Ghirardelli Chocolate Company in the USA and national responsibility for the Italian market. He became a member of Extended Group Management in 2011. In August 2012, he also assumed responsibility for Duty-Free, and for the Chocolate Competence Center in 2015. As of January 1, 2017, he became a member of Group Management. He retired on December 31, 2017 and stepped down from Group Management.

Alain Germiquet (CH) lic. oec. — Mr. Germiquet started his career in the Sales division of two notable mineral oil companies before joining Hiestand in 1999, where he was promoted from Marketing Director to Managing Director in a short time. In 2005, he became Commercial Director at Nestlé and in 2007, he joined Lindt & Sprüngli first as CEO of Lindt & Sprüngli UK and then as CEO of Lindt & Sprüngli France from 2009 to 2016. On January 1, 2017, he joined Group Management, where he is responsible for the development of specific markets and International Sales.

Guido Steiner (CH) Dipl. Lm-Ing. ETH — Mr. Steiner began his career as assistant at the Chair for Business Administration at ETH in Zurich. In 1990, he joined Lindt & Sprüngli as Assistant Manager Group Production Planning. Two years later he was promoted to Group Production Planning Manager. From 1998 until 2003 he was Vice President Operations at Lindt & Sprüngli USA. In 2003 he returned to headquarters as Vice President Operations. As of January 1, 2017, he is member of Group Management and continues to be in charge of Group Operations.

Group Management

Dr Dieter Weisskopf

Martin Hug

Andreas Pfluger

Rolf Fallegger

Dr Adalbert Lechner

Kamillo Kitzmantel

Alain Germiquet

Guido Steiner

Except for the above-mentioned assignments, members of Group Management are currently not involved in other major national and international management or supervisory bodies. They are not active in managing or consulting functions with major Swiss or international closely related parties, nor do they hold public or political office. There are no management agreements regarding management functions between the Lindt & Sprüngli Group and legal entities or natural persons outside the Group.

Number of permitted activities outside the Group

The number of mandates on senior management bodies and boards of directors of legal entities entered in the Swiss commercial register, or in a comparable foreign register outside the Group, is according to article 19, paragraph 3 item 2 of the Articles of Associaton restricted for members of Group Management. Such mandates are always subject to approval by the Board of Directors – to not more than two mandates in listed companies, five in non-listed companies, and fifteen mandates in other legal entities such as foundations and associations.

http://www.lindt-spruengli.com/fileadmin/user_upload/corporate/user_upload/Investors/AOA/Articles_of_Association_E_1.2.2018.

Compensation, Equity participation and Loans

→ Details Compensation Report see page 43

Shareholders' rights of participation

Restrictions 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 restrictions placed on the transfer of registered shares and limitations of nominee registrations, the Group clause included in the Articles of Association and the rules for granting exceptions, may be found on page 29 of this Annual Report and in the respective regulation of the Board of Directors "Registered Share and Shareholder Registry Regulations Lindt & Sprüngli AG".

http://www.lindt-spruengli.com/investors/corporate-governance/board-regulations/

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 voting rights at the General Meeting. Natural persons or legal entities, which are linked to each other either by number of shares, pooling of votes, or similar actions 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 voting rights restriction does not apply to the exercise of those rights by the independent voting rights representative and by shareholders with more than 6% of the voting rights whose names are recorded in the share register. Because the "Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG", "Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli Aktiengesellschaft", "Lindt Cocoa Foundation", and "Lindt Chocolate Competence Foundation", all Kilchberg ZH, have been entered as a group in the share register with a shareholding interest of more than 6%, the voting rights 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 General Meeting. Pursuant to Art. 12, paragraph 2 of the Articles of Association, a shareholder may arrange to be represented at the General Meeting by another shareholder or by the independent voting rights representative on the basis of a written power of attorney. A general instruction may be given for voting either on motions announced or unannounced in the invitation to attend.

Statuary quorum

The General Meeting passes its resolutions by an absolute majority of the votes represented, unless the Articles of Association, or the law, specify otherwise. According to Art. 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, assignment of nominal shares, representation of shares at the General Meeting, amendment of Art. 15, subsection 3 of the Articles of Association, as well as the dissolution or the merger of the company require a three-quarter majority vote of represented shares.

Announcement 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 – stating the matters to be discussed and proposals made – must be sent to the Board of Directors in writing no less than 60 days before the meeting. These requests for items to be placed on the agenda and the accompanying proposals must be placed before the General Meeting together with the Board of Directors' opinion about them. During the General Meeting, requests and justifications for items not on the agenda may be brought up before the meeting for discussion. A decision about these items, however, may not be made 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. In the invitation to attend the General Meeting, the Board of Directors indicates according to article 13 of the Articles of Association the cut-off date for entry in the share register, which entitles the shareholder to attend and vote.

Change in control and defensive measures

In the event of a change in control of the company, employee options granted can be exercised without regard to the three-to-five-year blocking period. The change in control measures are also applicable in case employees are leaving the company. Other than that, there are no special agreements concerning a change in control that would favor either the members of the Board of Directors, Group Management, or any other company management members. The Articles of Association of incorporation make no special provision regarding "opting out" or "opting up" pursuant to article 125 and 135 Finfra 6.

Auditors

Mandate

The General Meeting first appointed PricewaterhouseCoopers AG, Zurich, 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 at the General Meeting. The 2017 reporting year is the fifth year for Bruno Häfliger, lead auditor. Pursuant to the provisions of the Swiss Code of Obligations, the responsible lead auditor may not hold office for more than seven years. Bruno Häfliger will therefore not be allowed to serve as the responsible lead auditor after the end of the financial year 2019 at the latest.

Audit fee

The total audit fees billed by the auditing company in the reporting year 2017 were CHF 1.4 million.

Additional fees

The total sum of additional fees – mainly related to tax and EDP consulting – billed by the audit company in the reporting year 2017 totaled CHF 0.2 million.

Supervisory and controlling bodies

Supervision and control of auditors' performance is exercised by the whole Board of Directors. The Audit Committee supports the entire Board of Directors in this task. The committee also ensures that ongoing communication with the auditors is intact, regularly discussing results of audit activities in the areas of control and accounting activities, as well as suitability of the internal control systems with their representatives. Before the interim audit, auditors prepare an audit plan, which is then submitted to Audit Committee members. Based on an analysis of 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 Board of Directors. The appropriateness of the audit fee, as well as possible additional fees for "non-audit" services, are also reviewed on this occasion. The report on the final audit for the annual financial statement is dispatched to all members of the Board of Directors. It is first discussed in the Audit Committee with the auditors, then approved by the whole Board of Directors at the meeting called to adopt the Annual Report, in a circular resolution. In 2017, the auditors attended one meeting of the Audit Committee. Auditors' direct access to the Audit Committee is guaranteed at all times. Information about the organization and scope of duties can be found on page 35 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
Early March	Income statement and full-year results
Early May	Annual General Meeting
End of July	Half-year Report

→ For details refer to "Information" on page 138

The statutory publication is the Swiss Handelsamtsblatt. Information about the company is also published and processed by selected media and leading international banks. All data about the business is also available on the company website. Company press releases can also be found on that website. For news and ad hoc communications, a push system is available on the company website.

http://www.lindt-spruengli.com/media/1/3/

Interested parties can obtain a free copy of the Annual Report, as well as the Compensation Report of Chocoladefabriken Lindt & Sprüngli AG from the Group headquarters at Seestrasse 204, 8802 Kilchberg.

For further information, contact the Investor Relations Department of the Group on phone number +41 44 716 25 37 or via e-mail investorrelations-in@lindt.com.

Compensation Report

Dear Shareholders

On behalf of the Compensation & Nomination Committee, I welcome this opportunity to present the Compensation Report for the financial year 2017.

At the 2015 General Meeting, the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (VegüV) – incorporated in the Articles of Association at the 2014 General Meeting – was implemented for the first time. Since then, separate votes are taken on the maximum combined compensation for Board of Directors members up to the next scheduled General Meeting, and the maximum compensation for Group Management is approved prospectively for the forthcoming financial year. In a consulting vote, the Compensation Report is also submitted to shareholders for approval.

Ernst Tanner (previously CEO) took over the role of Executive Chairman on October 1, 2016. The Board appointed Dr Dieter Weisskopf (previously CFO) to succeed Mr. Tanner as CEO. In a move to simplify the management structure, Group Management and Extended Group Management were merged on January 1, 2017. Following a number of personnel changes, Group Management now has eight members.

This Compensation Report is structured as follows:

I. Compensation governance
II. Compensation for the Board of Directors
III. Compensation for Group Management
  i. Compensation principles
  ii. Compensation system
  iii. Compensation elements
  iv. Compensation
IV. Employment contracts
V. Participation
VI. Additional fees, compensation, and loans to company officers

The Board of Directors is convinced that this 2017 Compensation Report gives you, our valued shareholders, a comprehensive and integral overview of compensation for upper management at Lindt & Sprüngli Group.

Dr R. K. Sprüngli
Chairman of the Compensation & Nomination Committee

Compensation report 2017

This Compensation Report describes the underlying principles governing compensation for the senior management of the Lindt & Sprüngli Group. The information provided refers to the financial year ending December 31, 2017. The Compensation Report also incorporates the disclosure obligations set out in Art. 14 ff. VegüV and Art. 663c OR, the revised provisions of Chapter 5 of the Corporate Governance Directive of the SIX Swiss Exchange and the revised recommendations of Economiesuisse "Swiss Code of Best Practice for Corporate Governance" in its last published version, February 29, 2016.

I. Compensation Governance

Article 24bis of the Articles of Association of Lindt & Sprüngli allocates the following tasks and competencies for the Compensation & Nomination Committee (CNC):

"*The Compensation & Nomination Committee shall concern itself with compensation policies, particularly at the most senior levels of the company. It shall have the tasks, decision-making powers, and authority to present motions accorded to it by the organizational regulations and the Compensation Committee regulations. In particular, it shall assist the Board of Directors in determining and evaluating the remuneration system and the principles of remuneration, and in preparing the proposals to be presented to the General Meeting for approval of remuneration pursuant to Art. 15bis of the Articles of Association. The Compensation & Nomination Committee may submit to the Board of Directors proposals and recommendations in all matters of remuneration.*"

Governed by the corresponding bylaw, the responsibilities of the CNC thus also include the approval of employment contracts for Group Management members and the submission of proposals to the Board of Directors on the employment contract for the CEO for approval. The CNC also submits proposals to the Board of Directors for motions relating to compensation to be approved by the General Meeting and for any occupational benefits and pensions of the company or of its subsidiary companies – outside the scope of occupational benefits and similar schemes abroad – granted to members of the Board of Directors and Group Management within the limits defined by the Articles of Association. The CNC is also responsible for drawing up a proposed Compensation Report text to be reviewed and approved by the Board of Directors.

Within the framework of the compensation principles, Articles of Association, and resolutions of the General Meeting, the CNC determines the amount and composition of compensations for individual members of Group Management and submits proposals to the full Board on the individual compensation of the CEO and the members of the Board of Directors. Individual members of the Board of Directors and Group Management are excluded from these negotiations, and from voting, when their own compensation is affected. Once a year, the CNC informs the Board of Directors about the procedure for compensation determination and the outcome of the compensation process. The CNC meets at least twice each year; two regular meetings were held in the year under review. The CNC has general authority to call in external consultants to perform its tasks. Last year, the advisory services of a well-known consultant were used in connection with the benchmarking of the compensation paid to the Executive Chairman and Group Management, this was the only project involving work with this consulting firm.

Compensation approval system

	CEO	CNC	Board of Directors	General Meeting
Maximum combined compensation Board of Directors		Proposal to BoD	Proposal to GM	Decision (prospective)
Individual compensation Board of Directors		Proposal to BoD	Decision	
Maximum combined compensation Group Management	Proposal to CNC	Proposal to BoD	Proposal to GM	Decision (prospective)
Individual compensation CEO		Proposal to BoD	Decision	
Individual compensation for rest of Group Management members	Proposal to CNC	Decision		
Consultative vote on Compensation Report		Proposal to BoD	Proposal to GM	Decision (retrospective)

II. Compensation for the Board of Directors

The members of the Board of Directors receive compensation in the form of a fixed fee. The entire compensation for the past term of office is paid out in cash after the General Meeting, in accordance with the table below. This compensation releases the Board of Directors from potential conflicts of interest in the assessment of corporate performance.

The same fixed flat-rate fee was paid to the non-executive members of the Board for the term of office 2016/2017 and is paid for the term of office 2017/2018: CHF 145,000 each. The Chairman of the Board of Directors received an unchanged flat-rate fee of CHF 260,000 for the term of office 2016/2017. The following compensation was effectively paid to the members of the Board of Directors in the financial years 2016 and 2017 (April to December):

Compensation of the Board of Directors (audited)

	Function on 31.12.2017	2017		2016	
CHF thousand		Fixed cash compensation [1]	Other compensation [3]	Fixed cash compensation [1]	Other compensation [3]
E. Tanner	Executive Chairman of the Board since October 1, 2016, and member of the CS Committee [2]	2,260	25	260	13
A. Bulgheroni	Board member, member of the Audit, CNC and CS Committee	145	40	145	40
Dkfm. E. Gürtler	Board member, member of the CNC	145	12	145	12
Dr R. K. Sprüngli	Board member, chairman of the CNC and the CS Committee	145	14	145	14
P. Schadeberg-Herrmann	Board member, member of the Audit Committee	145	13	145	13
Dr T. Rinderknecht [4]	Board member, chairman of the Audit Committee	145	14	–	–
Dr F. P. Oesch [5]		–	–	48	5
Total		**2,985**	**118**	**888**	**97**

1 Total compensation in the form of a fee respectively additional compensation for E. Tanner as Executive Chairman of the Board (April-December 2017).
2 CS Committee: Corporate Sustainability Committee.
3 AHV share of the employee on fees paid by the employer (including that of the employer, that establishes or increases social insurance or pension contributions). The compensation shown for 2017 paid to E. Tanner includes flat-rate expenses of CHF 12,000 (previous year: CHF 0). Mr. Bulgheroni also received a gross fee of CHF 29,000 (previous year CHF 28,000) for his function as Chairman of the Board of Lindt & Sprüngli SpA and Caffarel SpA. P. Schadeberg-Hermann received a fee of CHF 13,000 (previous year CHF 13,000) for her consulting function at Lindt & Sprüngli (Austria) GmbH.
4 Election at the General Meeting 2016. Fee was paid in April 2017.
5 Up to his decease in August 2015, Dr F. P. Oesch was a member of the Board of Directors and the Audit Committee. Pro rata fee from May until August 2015, paid in April 2016.

The amount of CHF 1.1 million approved by the General Meeting of April 21, 2016, as the maximum combined compensation for the Board of Directors for the period up to the General Meeting of 2017 was not exceeded. The amount of CHF 5.3 million approved by the General Meeting of April 20, 2017, as the maximum combined compensation for the Board of Directors for the period up to the General Meeting of 2018 was approved and will not be exceeded either. The amount effectively paid out will be disclosed in the Annual Report 2018.

No loans and credits were granted to current or past executive and non-executive members of the Board of Directors.

III. Compensation for the Group Management

i. Compensation principles

Compensation plays a central role in staff recruitment and retention, thus influencing the company's future success. Lindt & Sprüngli is committed to performance-based compensation in line with the market and designed to reconcile the long-term interests of shareholders, employees, and customers. The compensation system at Lindt & Sprüngli has five main aims:

1. long-term staff motivation,
2. creating long-term retention of key employees,
3. establishing an appropriate relationship between the compensation and results,
4. ensuring that management activity reflects owners' long-term interests; and
5. attracting talent and enhancing the company's reputation as a good employer to work for.

Lindt & Sprüngli attaches great importance to staff retention; this manifests itself particularly in the extraordinarily low turnover rate over a period of many years. This is particularly important for a premium product manufacturer with a long-term strategy. Compensation principles at Lindt & Sprüngli are meant to have a medium and long-term impact and be sustainable. Continuity is a high priority.

ii. Compensation system

Compensation for members of Group Management consists of a combination of basic salary, cash bonus, participation certificate or option-based compensation and ancillary benefits consistent with their respective position. Fixed compensation essentially reflects the particular grade, powers, and experience of the members of Group Management. The cash bonus is tied to performance targets for the financial year, while compensation in share options or equity-like instruments, strengthens the focus on shareholders within Group Management and reconciles the long-term interests of the Management with those of the shareholders.

Compensation in share options with a vesting period of three years until they can be exercised, promotes the long-term focus so important in the consumer goods industry and has been a major pillar of the company's development in recent years. The following table shows the particular bonus target as a percentage of basic salary, and the accompanying target attainment bandwidth as a percentage of the bonus target. The bandwidth for possible option allocations is expressed as a percentage of the fixed compensation in each case.

Composition of Group Management variable compensation

	Fixed compensation	Variable compensation		
		Cash bonus		Options[1]
	Base salary	Target bonus in % of base salary	Target attainment range as % of target	Options as % of base salary
CEO	100%	100%	0–200%	0–200%
Group Management	100%	30 – 90%	0–200%	0–200%

1 Options on participation certificate

The amount of target compensation is guided by the requirements and responsibility of the beneficiaries and is regularly reviewed within the Group through horizontal and vertical comparisons. When new appointments are made, the CNC also analyses comparable data for the consumer goods sector, with reference to the specific vacancy for the appointment.

In the financial year 2017, compensation for Group Management was reviewed by benchmarking. Here, the compensation level and its structure were compared with twelve industrial companies from the SMI and SMIM that were similar in terms of market capitalization and sales. In addition, the long-term corporate performance of Lindt & Sprüngli was determined by comparison with the peer group to obtain an assessment representing a "Pay for Performance" analysis. In addition, a benchmarking exercise was carried out, with the support of specialist consultants, with respect to the position of Executive Chairman and Group Management compensation.

iii. Compensation elements

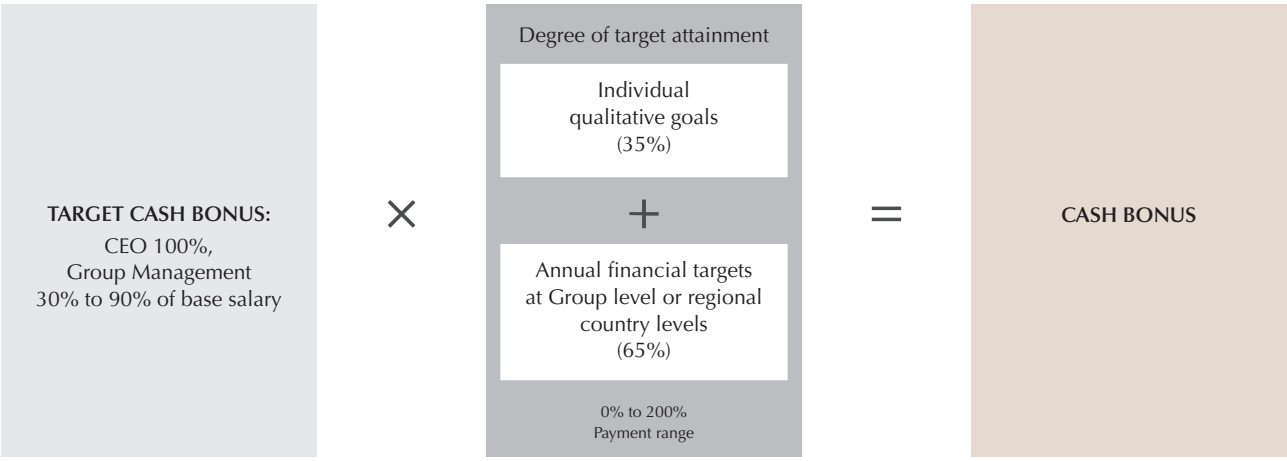
Basic salary and other compensation
The basic salary is paid out in twelve or thirteen equal monthly cash installments. In addition, members of Group Management receive other compensation and ancillary benefits, including entitlement to a company vehicle and participation in pension plans.

Cash bonus
The cash bonus is determined by multiplying the individual target cash bonus by a target attainment factor, determined by a scorecard. For the CEO and members of Group Management, this factor is determined largely by the attainment of financial targets for the year at Group level and, to a lesser extent, by the attainment of personal annual qualitative targets set at the CNC's discretion. The financial targets are determined annually and correlated with the long-term strategy, with the goal of achieving sustainable organic sales growth accompanied by continuous improvement in profitability. Non-financial targets are guided by the individual function and relate to strategy implementation and to defined management and conduct criteria.

For the members of Group Management who have responsibility at regional or national level, regional and national financial targets are also considered, along with Group targets.

As the following illustration shows, target cash bonuses for the CEO and members of Group Management are multiplied by each member's achievement of the target, which ranges from 0% to 200% (maximum figure in excess of the set target). In other words, the cash bonus paid out is limited to twice the target cash bonus.

Calculation of the cash bonus for the CEO and Group Management



Option plan

The option plan enables Group Management, as well as selected key employees with expert knowledge, to participate in the long-term increase of the corporate value. The number is not determined primarily by previous year's performance, but by the employee's position and his influence on long-term corporate success. The CNC makes the final decision on option value per participant based on stated criteria; the allocated value may amount to as much as 200% of the specific basic salary for the Group Management. The options are issued in a ratio of one option to one participation certificate (1:1). The option strike price corresponds to the average value of the closing price of the Lindt & Sprüngli participation share over the five previous trading days on the SIX Swiss Exchange prior to grant of the option.

Option rights have a strike period of not more than seven years from grant, with initial vesting periods of three (35%), four (35%), or five (30%) years.

iv. Compensation

Compensation for members of Group Management for the year 2017 and 2016 is shown in the following table. The valuation of the option and equity-based compensation for 2017 and 2016 uses market values at the time of grant.

Compensation for the Group Management (audited)

						2017 market value
CHF thousand	Fixed gross compensation [1]	Variable cash compensation [2]	Other compensation [3]	Options [4]	Registered shares	Total compensation
Dieter Weisskopf, CEO	1,265	900	–	1,025	–	3,190
Other members of Group Management [5]	6,502	2,050	40	4,067	–	12,659
Total	**7,767**	**2,950**	**40**	**5,092**	–	**15,849**

						2016 market value
CHF thousand	Fixed gross compensation [1]	Variable cash compensation [2]	Other compensation [3]	Options [4]	Registered shares [5]	Total compensation
Ernst Tanner, CEO	1,224	1,100	131	1,728	3,232	7,415
Other members of Group Management and Extended Group Management [6]	4,973	3,686	370	5,185	–	14,214
Total	**6,197**	**4,786**	**501**	**6,913**	**3,232**	**21,629**

1 Total of paid-out compensation, including pension fund and social insurance contributions paid by the employer, that establishes or increases employee benefits.
2 Expected pay-out (accrual basis) in April of following year according to the application/resolution of the CNC and BoD (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 27). The valuation reflects the market value at the time granted. The total number of granted share options in 2017 to D. Weisskopf was 1,500 units (1,500 units in 2016) and to all other members of the Group Management 5,950 units (7,500 units in 2016).
5 Group Management and Extended Group Management were consolidated on January 1, 2017. There were seven members of Group Management as at December 31, 2017. U. Sommer stepped down from Group Management on April 30, 2017, due to retirement, but on leaving received a fee of CHF 100,000 for advisory services under the terms of the consultancy agreement in the financial year 2017. K. Kitzmantel also resigned from Group Management on December 31, 2017, on reaching retirement age.
6 Since July 1, 2016 (departure of T. Linemayr), there have been six other Group Management and Extended Group Management members.

As of October 2016, Dieter Weisskopf took over the CEO role from Ernst Tanner. Taking into account the period of notice in his employment contract and his efforts in helping to hand over operational activity to his successor, Ernst Tanner was paid a fee of CHF 4.2 million in 2017. This fee includes a final, contractually agreed compensation for provided services during the last three years (according to Scorecard) in the form of 50 registered shares (previous year: 50 registered shares with a value of CHF 3,2 million) with a value of CHF 3,2 million and a five-year vesting period. The valuation of the shares is based on their market value when granted.

The amount of CHF 28 million approved by the General Meeting of April 21, 2016, as the maximum combined compensation for 2017 for the Group Management was not exceeded; no use was made of the supplementary amount in accordance with Art. 15bis para. 5 of the Articles of Association.

No loans and credits were granted to current or past executive and non-executive members of Group Management.

IV. employment contracts

The employment contracts stipulate a maximum notice period of twelve months and make no provision for a severance payment. Maximum prohibition on competition for members of Group Management is twelve months. Compensation must not exceed the basic salary for one year. Vesting periods imposed on shares and options do not lapse with departure; vesting periods are not shortened.

V. Participation

The following table provides information on the ownership of Lindt & Sprüngli registered shares, participation certificates and options on participation certificates for members of the Board of Directors, Group Management on December 31, 2017.

		Number of registered shares (RS)		Number of participation certificates (PC)		Number of options	
		2017	2016	**2017**	2016	**2017**	2016
E. Tanner	Executive Chairman	3,172	3,122	12,060	8,400	8,950	14,750
A. Bulgheroni	Member of the Board	1,000	1,000	–	–	–	1,900
Dkfm E. Gürtler	Member of the Board	1	1	50	50	–	–
Dr R. K. Sprüngli	Member of the Board	1,092	1,090	–	–	–	–
Dr T. Rinderknecht	Member of the Board	–	–	–	–	–	–
P. Schadeberg-Herrmann	Member of the Board	127	127	–	–	–	–
Dr D. Weisskopf	Group Management	7	7	2,400	2,400	6,850	7,650
A. Pfluger	Group Management	5	5	30	30	4,850	6,483
R. Fallegger	Group Management	5	5	100	654	4,048	4,088
A. Germiquet[3]	Group Management	4	–	–	–	2,525	–
Dr A. Lechner	Group Management	7	7	56	56	4,025	5,150
M. Hug[3]	Group Management	–	–	–	–	1,825	–
G. Steiner [3]	Group Management	2	–	–	–	1,840	–
K. Kitzmantel [1]	Group Management	2	5	–	–	3,798	3,838
U. Sommer [2]	Group Management	–	1	–	–	–	5,400
Total		**5,424**	**5,370**	**14,696**	**11,590**	**38,711**	**49,259**

1 Mr. K. Kitzmantel stepped down from Group Management on December 31, 2017 on reaching retirement.
2 Mr. U. Sommer stepped down from Group Management on April 30, 2017 on reaching retirement, therefore no participation as December 31, 2017.
3 Messrs. Germiquet, Hug and Steiner joined Group Management on January 1, 2017, so there was no participation for 2016.

VI. Additional fees, compensation, and loans to company officers

Apart from the benefits listed in this report, no other compensation was provided in the reviewed year 2017 – either directly or via consultancy companies – to the executive and non-executive members of the Board of Directors or to the members of Group Management and to former members of Group Management and the Board of Directors as well as related persons. In addition, as per December 31, 2017, no loans, advances or credits were granted by the Group or by any of its subsidiary companies to this group of persons.

VII. Compensation to former members

No other compensation was paid in 2017 to former officers of the company.

Report of the statutory auditor
to the General Meeting of Chocoladefabriken Lindt & Sprüngli AG

Kilchberg

We have audited the remuneration report of Chocoladefabriken Lindt & Sprüngli AG for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'audited' on pages 46 and 50 of the remuneration report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of Chocoladefabriken Lindt & Sprüngli AG for the year ended 31 December 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Bruno Häfliger
Audit expert
Auditor in charge

Josef Stadelmann
Audit expert

Zürich, 5 March 2018

Global Growth

Lindt & Sprüngli in the world's most important chocolate markets – We make the world a sweeter place.

Nafta

1987	USA
1995	Canada

Europe

1845	Switzerland
1932	Great Britain
1981	Spain
1988	Germany
1989	France
1993	Italy
1994	Austria
1994	Poland
2005	Sweden
2008	Czech Republic
2012	Ireland
2012	**Russia**

Rest of the World

1986	Asia Pacific – Hong Kong
1997	Australia
2010	**Japan**
2011	**South Africa**
2012	**China**
2014	**Brazil**

Years of Lindt & Sprüngli's entries in global chocolate markets with own subsidaries.

Global Growth

Since the beginning of its nearly 175-year history, Lindt & Sprüngli has been conquering new markets and facing the challenges they pose. Putting the international expansion of the chocolate business at the heart of its corporate strategy was decisive for the Swiss premium chocolate manufacturer's successful and sustainable development.

The entrepreneurial spirit and innovativeness of the two founding fathers, Rudolf Sprüngli and Rodolphe Lindt in the 19th century created the ideal conditions for the impressive international success story of the Lindt & Sprüngli Group.

Nowadays, we sell our premium chocolate around the world so that every chocoholic has the chance to savor their favourite chocolate. Our high standard in terms of quality and our processing of raw materials was one of the most important success factors right from the start. Lindt & Sprüngli is one of the few chocolate manufacturers that manages every step of its chocolate production itself – from the selection of the cocoa beans right through to the finished product. Or in other words, we produce our products "from bean to bar".

First major milestone – Europe

At the start of the 20th century, Lindt & Sprüngli had already recognized the enormous importance of export business and raised its brand awareness beyond the company's domestic market. In as early as 1919, its exports were counting for up to 75% of the company's total sales. Although the Great Depression of the 1920s and 1930s and the two world wars led to an almost total standstill of international exports, they could not put the brakes on the Swiss entrepreneurial spirit. During the post-war years, we specifically focused on conquering the European chocolate markets, with our direct neighbours Germany, France, and Italy playing a particularly important role.

The development of the European licensing business meant that we were able to establish the brand very successfully and quickly in these markets. At the same time, Lindt & Sprüngli also benefited from the post-war economic boom, allowing the export business in particular to quickly flourish again.

Lindt & Sprüngli establishes its own subsidiaries

In the 1980s, Lindt & Sprüngli decided to buy back the licensing business so that it could cultivate the market itself and further increase brand awareness. Soon enough, it managed to expand its presence in the continent's key chocolate markets, where it became one of the leading chocolate brands.

The characteristics offered by the neighboring markets were a great source of inspiration for Lindt's creation of exquisite chocolate recipes. With a sales share of over 45%, Europe continues to be one of the most important international growth markets for Lindt & Sprüngli's chocolate.

Heading for new shores – a success story in the US

Lindt & Sprüngli wrote the next chapter of its history in as early as the 1990s. It decided to conquer the world's greatest chocolate market, the US, to exploit the enormous growth opportunities that the North-American market offers. The acquisition of one of the US's oldest and longest-standing chocolate companies, Ghirardelli, was pivotal in the company's positioning on the American market and the expanding of the Group. The presentation of Swiss chocolate products in Lindt's own Retail Shops was also a key factor in promoting the brand and being able to sell it to retail partners later on.

Following the successful gradual establishment of the Lindt and Ghirardelli brands in America in the previous 20 years, the Group made a strategically important decision to acquire the chocolate company Russell Stover in 2014. With the three brands of Lindt, Ghirardelli, and Russell Stover, Lindt & Sprüngli is the uncontested No. 1 in the premium chocolate segment and is No. 3 in the US chocolate market as a whole. Nowadays, the NAFTA region accounts for about 40% of total sales.

New Lindt & Sprüngli chocolate markets

Since the turn of the millennium, Lindt & Sprüngli has been continuously breaking new ground and conquering future markets that are not traditional chocolate markets. Although they all still have a low per-capita consumption, the consumers in these markets are placing more and more importance on quality and high-value chocolate, meaning extremely promising growth potential for Lindt & Sprüngli.

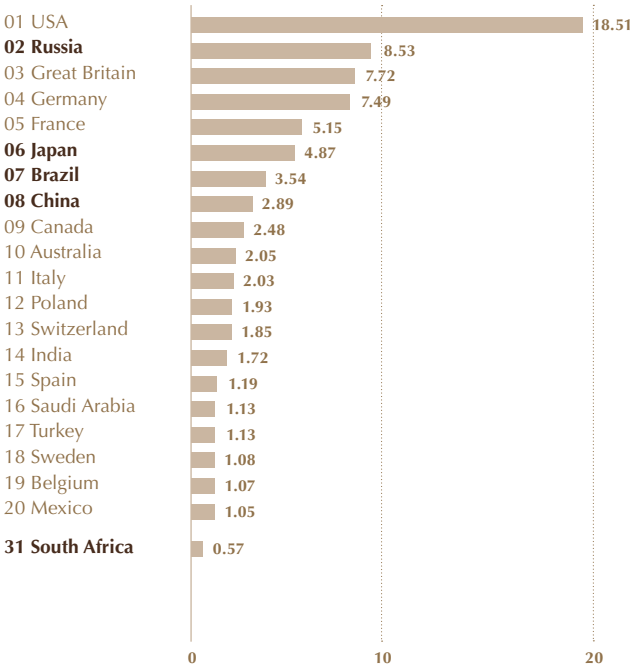
As part of the corporate Group's geographical expansion, Lindt & Sprüngli has been consistently conquering new markets, thus today there are only a few white spots left on the globe. These markets are operated around the world by many of the company's own subsidiaries as well as an extensive international network of distributors. In this respect, the specific characteristics of the chocolate markets and the various chocolate consumption habits pose both a challenge as well as a continuous drive for Lindt & Sprüngli's creativity and innovativeness, which is needed in order to grow profitably in these new markets too.

This year's annual report is specifically dedicated to the Russian, Japanese, Brazilian, South African, and Chinese markets, whose affluent middle classes have experienced a sharp growth over the last few years. As income increases, so does the consumers' demand for high-quality chocolate products. This is also the case in countries in which chocolate is not part of the traditional food culture. The consumption of premium chocolate has increased over the last few years.

Lindt & Sprüngli is focusing its work on raising its brand awareness in these new markets and developing the unique brand experience in its own Lindt Shops with the help of innovative products. Quality, innovation, Swissness and excellence play a crucial role for us in this respect. With its far-sighted and consistent corporate strategy, Lindt & Sprüngli has become one of the world's leading chocolate manufacturers and has successfully conquered the world's 20 largest chocolate markets and beyond.

Top 20 Chocolate Markets worldwide

Retail value in billion CHF per year

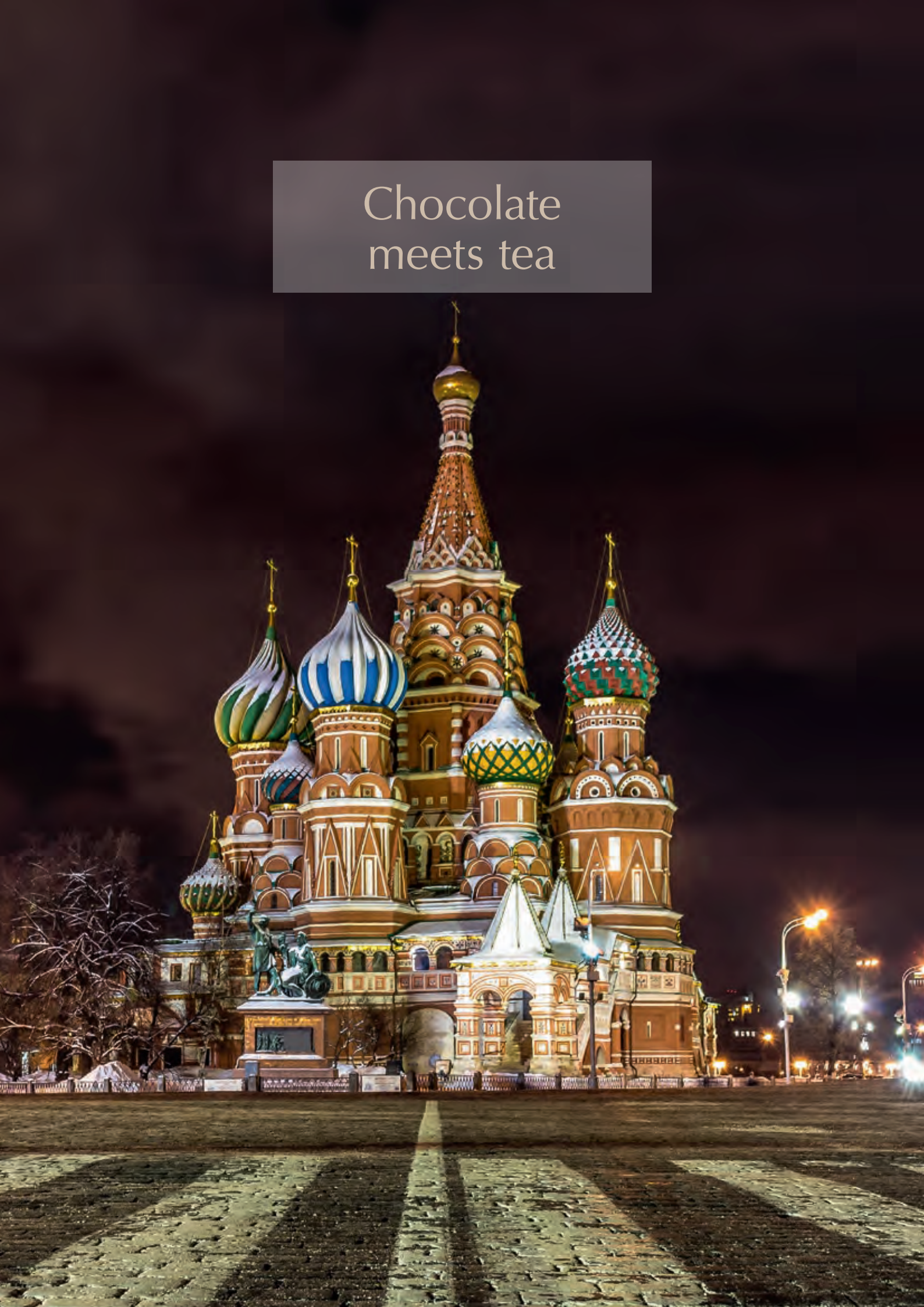


Chocolate Consumption worldwide

kg per capita

Source: Euromonitor 2017

Chocolate meets tea



Russians often serve chocolate with tea. Lindt & Sprüngli chocolate – particularly the Excellence and Lindor ranges – is very popular among affluent and demanding Russian consumers. However, our products are also in demand on International Women's Day or New Year's Eve, when Russians spoil their loved ones with premium chocolate.

Around the world, Russian food and drink culture is associated with caviar, blinis, and vodka. Many people do not know that chocolate forms an integral part of this culture too. However, with an annual consumption of 4.8 kilograms of chocolate per capita, Russia is already ranked an impressive second in the global chocolate market.

Nevertheless, Russia still has some catching up to do compared with other European markets as the premium segment remains small, given how the economy has developed and the population's majority rather limited purchasing power. At the same time, however, there is an ever-growing middle class, leading to an increase in the population's ability to afford high-quality products. This makes Russia an exciting growth market for Lindt & Sprüngli.

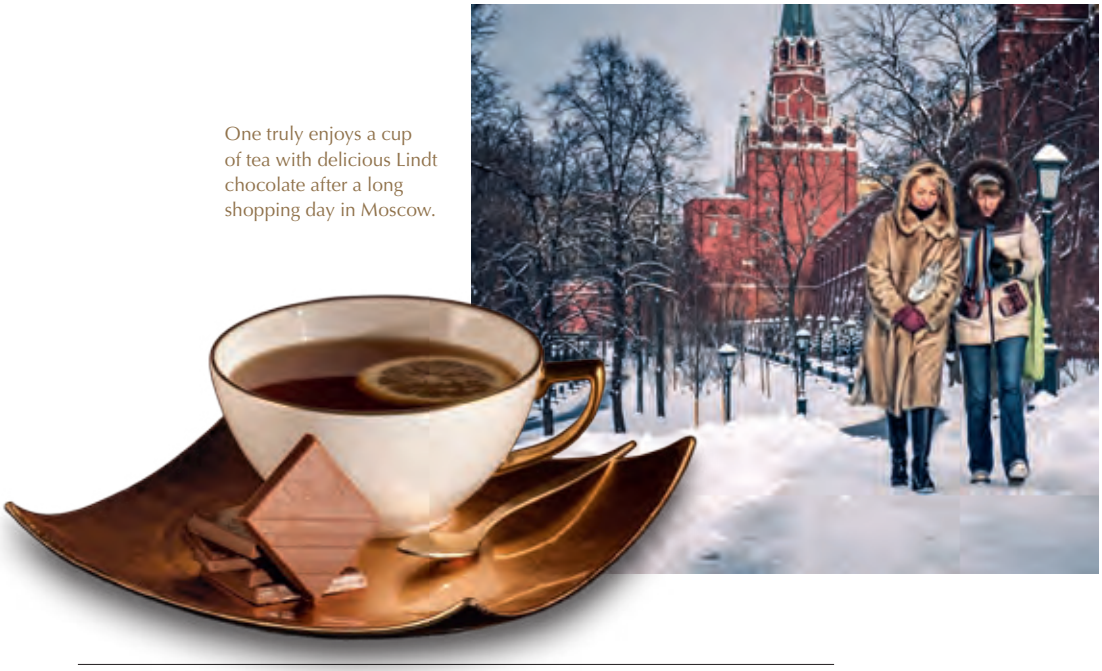
Setting the ball rolling with 600,000 Lindor truffles

In 2012, Lindt & Sprüngli founded a subsidiary to drive efforts to tap into this dynamic market from within the country. As early as September of the following year, we celebrated Moscow's anniversary for the first time with a major sampling campaign: our Lindt Maîtres Chocolatiers handed out 600,000 Lindor truffles across the whole city. In the winter of 2016, we opened the first of the currently two Lindt Shops in Moscow at a prime location in the MEGA Khimki shopping center. Here, we can access Russian consumers directly, and they can try out our products on the spot and buy directly from us.

The popular Lindt Excellence range

Russians like buying chocolate to serve with tea. Russia is a tea-drinking nation. There is a long-standing tradition of preparing this typical Russian drink using a samovar – a kind of Russian tea kettle. Lindt & Sprüngli benefits from this tea culture with its wide range of products.

For, while Russians prefer black tea, their taste in chocolate is more varied, even if dark varieties or milk chocolate are the most popular. Lindt & Sprüngli was therefore able to position itself quickly on the Russian market as a Swiss premium brand with the wide choice of Lindt Excellence bars. The classy packaging design particularly appeals to Russian consumers.



One truly enjoys a cup of tea with delicious Lindt chocolate after a long shopping day in Moscow.

Spoiling people on special days with Lindt

The Excellence bars and other Lindt products can also make great gifts. International Women's Day (8 March) and New Year's Eve in particular are therefore important times of the year for Lindt & Sprüngli. For many Russian women, 8 March is the most important holiday of the year as they get spoiled by their husbands and children at home. As a gesture of thanks, Russian women like to receive exclusive premium products. Lindt chocolate gifts are particularly popular among Russians because they promise the finest quality and pure pleasure.

The New Year celebrations are also a particular highlight of the year in Russia. They always last several days from 30 December to 8 January. Unlike other countries, the Julian calendar is used in Russia (in keeping with the Orthodox tradition), according to which Christmas falls on 7 January. However, presents are distributed by Grandfather Frost as early as 31 December. For these traditional holidays, Lindt & Sprüngli has developed a particularly exceptional pralinés and Lindor range. Many Russian families enjoy our chocolate creations in a cosy atmosphere during this period.

Growth in a challenging environment

Although Russia goes through difficult economic periods time and time again, the purchasing power of the wider population is low, and the social and economic climate presents a major challenge, Lindt & Sprüngli is focusing on the Russian market.

Over the last five years, Excellence and Lindor have become the most important and fastest growing ranges in the Russian chocolate market. The market position we have achieved so far and the success of the two new Lindt Shops in Moscow indicate that we are on the right track. And Lindt & Sprüngli will continue down this path in order to increase its brand awareness in Russia.

Families enjoy spending time with each other while ice scating in front of Russia's largest department store directly at front of the Red Square – the GUM.

2 Shops in Russia

1_MEGA Khimki, Khimki, Moscow
2_MEGA Teply Stan, Sosenskoe, Moscow

No. 2
in the international chocolate market

4.80 kg
chocolate consumption per capita

Lindt Master Chocolatiers present our most popular product on Moscow's Red Square and sample 600,000 Lindor balls in the whole city.

Lindor gets the hearts of Russian women racing on March 8, the International Women's Day.

Shop by shop to success

Since 2010, Lindt & Sprüngli has enjoyed a presence on the ever-growing Japanese chocolate market: Japanese consumers are particularly interested in our own Cafés and Boutiques that are sustaining double-digit growth we generate in Japan each year. Lindt products are especially in demand when it comes to the art of giving presents, which enjoys great popularity in Japan.

Those who have travelled to Japan will know just how fascinating this island nation and its extraordinary culture can be. For Lindt & Sprüngli too, the Land of the Rising Sun is an extraordinary market in many respects. Although chocolate is not part of traditional Japanese food culture, chocolate consumption nowadays is 1.2 kilograms per capita, making Japan, with its 127 million inhabitants, one of the largest chocolate markets in Asia.

These figures prove that Japanese people love chocolate as well. Lindt & Sprüngli is seizing this opportunity and has positioned itself ideally with a pioneering model for delivering success, despite the fact that the market continues to be mainly dominated by local chocolate manufacturers.

Creating a buzz with our own Cafés and Shops

In 2010, we entered the market by opening two Lindt Chocolate Cafés in Tokyo. Their success paved the way to gaining a foothold in this highly promising market: since then, Lindt & Sprüngli has opened an increasing number of Cafés and Shops every year. We now have a presence, with our own shops, at 30 exclusive addresses in Japan. As this trend shows, the concept of Lindt's own Cafés and Boutiques has met with great enthusiasm. The primary consumers have a strong awareness of brands and, therefore of premium products. Lindt's own Cafés and Shops have a significant influence on its profile and image. Our unique in-store experience allows customers to feel the Swiss standards of quality and to engage first-hand in the world of the Lindt Master chocolatiers.

The opening of Lindt Shops in prime shopping locations is particularly celebrated by Japanese Lindt fans, who line outside the shops for hours before the doors eventually open and they are able to immerse themselves in the Lindt chocolate world. In addition to the world's most extensive product range, which offers the quality-conscious and

The Lindt Sakura Drink with white chocolate and the delicious Sakura Macarons celebrate the beauty of the Japanese cherry blossom and symbolize Japan.

self-indulgent Japanese a huge variety of taste experiences, they also like the special café product range of chocolate drinks and desserts with flavor such as white chocolate with cherry blossom and white chocolate with matcha, which Lindt & Sprüngli has created exclusively for the Japanese market. As witnessed in other markets too, Japan has seen a clear trend towards dark chocolate over the last few years. Lindt & Sprüngli offers a wide variety of the Excellence range with high cocoa content, which responds to this trend and is hugely popular in Japan.

The culture of giving chocolate as a present

The Japanese particularly value our products when it comes to the art of giving presents, which enjoys great popularity in Japan. Over the course of the year, the Japanese exchange presents on certain dates, including Valentine's Day on February 14 and what is known as White Day on March 14.

Unlike in other countries, it is only Japanese women who spoil their favourite men, bosses, colleagues and friends on Valentine's Day, and they usually do so with chocolate. Japanese women are increasingly opting for Lindt's high-quality range of gifts to express their sympathy and feelings on this day.

On White Day, it's then the men's turn to give chocolate to ladies, which often used to be white chocolate back in the day. We are seeing a trend towards chocolate products with a higher proportion of cocoa on this day too. The Lindt & Sprüngli chocolate and pralinés range offers an exclusive selection that Japanese men and women particularly appreciate on these occasions. As such, these two days are among the most lucrative and important in the whole year for Lindt & Sprüngli Japan.

Unwavering growth potential

For Lindt & Sprüngli, Japan will remain a very attractive chocolate market with a lot of growth potential over the next few years, which is also worth exploiting through our clear positioning in relation to local manufacturers. As well as opening more new Lindt Cafés and Shops in prime locations, we will continue to delight Japanese consumers with our quality and particularly with special chocolate creations.

The 30 Lindt Shops are the preferred addresses in Japan for the unique chocolate experience.

Exquisite selection of chocolate desserts in our Japanese Lindt Cafés.

12 Shops and 18 Cafés in Japan

1_Ginza, Tokyo
2_Omotesando, Minato-ku, Tokyo
3_Jiyugaoka, Meguro-ku, Tokyo
4_Kichijoji, Musashino-shi, Tokyo
5_Shibuya, Shibuya-ku, Tokyo
6_Kitasenju, Adachi-ku, Tokyo
7_Nagoya, Nagoya-shi, Aichi
8_Iruma, Iruma-shi, Saitama
9_Ryuo, Gamo-gun, Shiga
10_Karuizawa, Kita saku-gun, Nagano
11_Toki, Toki-shi, Gifu
12_Kobe Sanda, Kobe-shi, Hyogo
13_Yokohama, Yokohama-shi, Kanagawa
14_Lumine Tachikawa,Tachikawa-shi, Tokyo
15_Rinku, Izumi-Sano-Shi, Osaka
16_Kanazawa, Ishikawa
17_Sendai, Miyagi
18_Yurakucho, Tokyo
19_Shizuoka, Shizuoko
20_Hokuriku Oyabe, Toyama
21_Sendai Izumi, Miyagi
22_Kyoto Shijodori, Kyoto
23_Ikebukuro, Tokyo
24_Nishinomiya, Hyogo
25_Hachioji, Tokyo
25_Chofu,Tokyo
27_Takasaki, Gunma
28_Hiroshima, Hiroshima
29_Ebina, Kanagawa
30_Kobe Sanomiya, Kobe-shi, Hyogo

The Lindt Gold Bunny presents itself in a traditional Origami robe – the Japanese tradition of ornately folding paper.

Gold Bunny conquers Brazil

Lindor Maxi Balls filled with 44 delicious Lindor truffles are not just a delight for children in Brazil.

Easter and Christmas are a time for huge family celebrations in Brazil. Easter in Brazil involves giving lots of chocolate and colorful eggs as presents. As well as Lindt & Sprüngli the Gold Bunny, of course. In Brazil, the joyful Christmas period with its summery temperatures is not traditionally celebrated with chocolate, but rather with a Lindt Panettone and cool drinks.

Formerly a major producer and exporter of cocoa beans, Brazil now imports them as well. The Brazilian region of Southern Bahia is one of the world's oldest and largest cocoa cultivation regions. With an annual harvest of more than 200,000 tonnes, Brazil is still one of the largest producer of cocoa outside of Africa. However, the country today relies on importing cocoa in order to cover the amount consumed by its more than 200 million citizens.

Despite the financial crisis experienced in recent years, Brazil has now become the seventh biggest economy in the world. Increased prosperity has seen the current annual consumption of chocolate per capita rise to 1.2 kg, making Brazil the seventh largest market for chocolate worldwide.

Constantly developing and expanding our position

Since 2014, Lindt & Sprüngli has been directly represented in Brazil as part of a joint venture with the CRM Group, which has a lot of experience in chocolate and retail. When developing and expanding our brand, we can take advantage of the very strong market presence already enjoyed by our product line thanks to the attractive range on sale in duty-free shops. Many travellers bring home Lindt & Sprüngli chocolate products for their friends and families. The small, colorful Napolitains are particularly popular among Brazilians, especially those made from milk chocolate.

Coffee and chocolate: a passionate combination

Together with our joint-venture partner, we have been investing in the expansion of the now 30 Lindt Shops in sophisticated shopping centers, all of which are located in the economically strong and heavily populated south-east of the country. Exclusive shops allow Brazilian consumers to combine two national passions and treats: chocolate and coffee.

This particular Lindt experience in a pleasant atmosphere and the attentive assistance make the shops the perfect place to quickly retreat from hectic everyday life. Visitors appreciate the extremely varied and colorful Lindor Pick & Mix range, with the chocolate specialities with nuts and fruit being particularly popular.

Sweet moments with the family

Chocolate is also an ideal present for special moments and celebrations with the family. For example, Brazilians throw large-scale celebrations for Easter and Christmas. The special chocolate eggs packaged in Brazil are especially in demand at Easter.

Our Lindt Gold Bunny has now also become an integral part of the holiday and is adored by lots of children. In the summer heat of the festive period, it is the traditional panettone rather than chocolate that decorates every Brazilian's Christmas table. The Lindt Panettone, baked following an Italian recipe and with Lindt chocolate, comes in different flavours, making it a popular culinary treat for many Brazilian families at Christmas. One national speciality in Brazil we simply can't forget is brigadeiros. A sort of truffle made from cocoa respectively delicious chocolate and condensed milk – is a standard feature of birthdays and weddings.

Chocolatey expansion plans

After a brief yet very difficult crisis during the two previous years, the Brazilian economy found its way back onto a modest growth path in 2017. With another upturn expected over the next few years, Lindt & Sprüngli is planning to have 50 Lindt Shops in Brazil by 2020. The special brand experience offered in the shops and the development of e-commerce over the next few years will considerably contribute to a successful expansion of the Brazilian market and increase awareness of Lindt as a premium brand.

Lindor Easter range with the Napolitains, which are very popular in Brazil.

No. 7
in the international chocolate market

1.20 kg
chocolate consumption per capita

A warm welcome by a Chocolate Advisor in a Lindt Shop in the sophisticated Morumbi shopping center in São Paulo.

The chocolate Easter egg is an important tradition in Brazil and especially the Lindt Extra Smooth Selection with high cocoa content is in high demand.

30 Shops in Brazil

1_Higienópolis, São Paulo
2_Morumbi, Vila Gertrudes, São Paulo
3_Ibirapuera, Moema, São Paulo
4_Eldorado, Pinheiros, São Paulo
5_Villa Lobos, Alto de Pinheiros, São Paulo
6_Leblon, Rio de Janeiro
7_Barra, Barra da Tijuca, Rio de Janeiro
8_Cidade São Paolo, Bela Vista, São Paulo
9_Iguatemi Campinas, Vila Brandina, Campinas, São Paulo
10_São Caetano, Ceramica, São Caetano do Sul, São Paulo
11_Botafogo, Rio de Janeiro
12_Center Norte, Vila Guilherme, São Paulo
13_Iguatemi São Paolo, Jardim Europa, São Paulo
14_Anália Franco, Tatuapé, São Paulo
15_Market Place, Vila Cordeiro, São Paulo
16_Tijuca, Rio de Janeiro
17_Dom Pedro, Jardim Santa Genebra, Campinas
18_Bourbon, Perdizes, São Paulo
19_Plaza Niterói, Centro, Rio de Janeiro
20_Santos Praiamar, Santos
21_Belo Horizonte, Belo Horizonte
22_Riberão Preto, Jardim Califórnia, Riberão Preto, São Paulo
23_Brasília Park Shopping, Guará, Brasília
24_Pátio Paulista, Bela Vista, São Paulo
25_Mueller, Merces, Curitiba
26_Barigui, Mossungue, Curitiba
27_Iguatemi Brasília, Brasília
28_Brasília Shopping, Brasília
29_Catarina, São Roque
30_Shopping Rio Sul, Rio de Janeiro

Our Gold Bunny, which has taken Brazil by storm.

To no. 1 in six years

South Africa is a colorful and dynamic nation of chocolate lovers. Sweet and milky, it is a joy to experience with friends and family. The Hello product line is particularly popular because it boasts these exact characteristics.

Over the last few years, the diverse and lively nation of South Africa has enjoyed a dynamic economic development. Having entered the market in 2011, Lindt & Sprüngli has since been able to quickly and successfully establish itself and position its Swiss premium products well in a market environment determined by international brands. Although South Africa only ranks 31st out of the most important chocolate markets with a chocolate consumption of 0.9 kg per capita, it is already demonstrating a pronounced chocolate culture.

Hello South Africa

Despite their diversity, the people of South Africa – the so-called rainbow nation – have one thing in common: their love of milk chocolate. The extremely young consumers share sweet chocolate with their friends, often eating it for a quick boost of energy when they are out and about. The colorful and bold Hello products match the South African zest for life exactly.

The launch was supported by new communication concepts with the popular South African testimonial DJ Fix Moeti, who quickly raised awareness of Hello. However, the colorful, melt-in-your-mouth Lindor truffles in various flavours and the Lindor bar in particular are also among the best-selling products in South Africa.

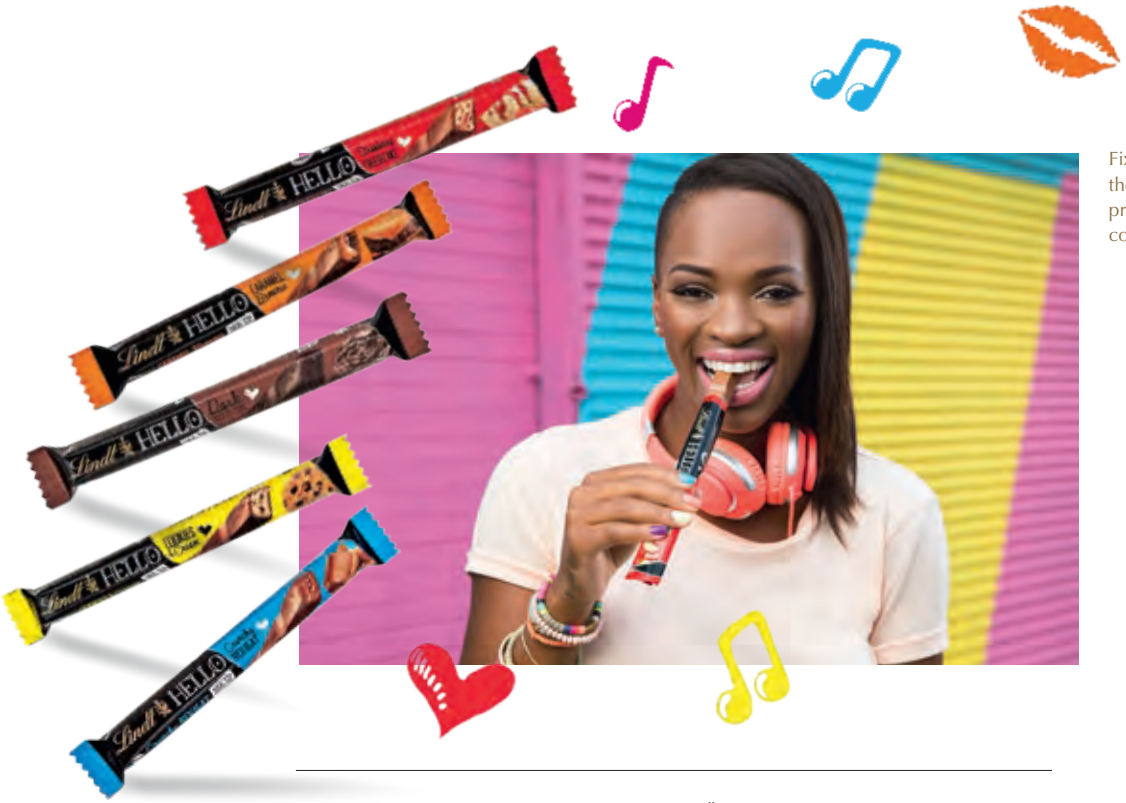
Spoiling others with joy

In the 12 Lindt Shops, consumers can already be inspired by the extensive chocolate range and receive tips from advisors in a premium Lindt atmosphere. Our consumers like being able to select high-quality chocolate gifts from the shops with which they can spoil their families during the traditional festive periods of Easter and Christmas or on Valentine's Day.

Thanks to this special Lindt shopping experience that is increasingly enjoyed by South Africans, Lindt & Sprüngli has quickly become the number one premium provider.

Fuelling passion for chocolate

As well as shopping experiences in Lindt Shops, joint activities with family and friends also help ignite passion for chocolate in South Africa.



Fix Moeti, the Hello testimonial, presents the diverse and colorful Hello range.

Lindt Master Chocolatiers in the Lindt Chocolate Studio in Cape Town prepare for a chocolate course.

Exquisite chocolate creations produced during the courses at the Chocolate Studios.

To provide a special setting for these moments, Lindt & Sprüngli opened Chocolate Studios in Cape Town and Johannesburg. During chocolate courses, Lindt Master Chocolatiers show small groups of guests how to mould Lindt Gold Bunnies and how to make delicious chocolates. They also learn how to taste chocolate using all their senses and are introduced to the special characteristics and production of Lindt chocolate – the Lindt Difference. The chocolate courses in relaxed atmospheres are a key success factor for our premium brand.

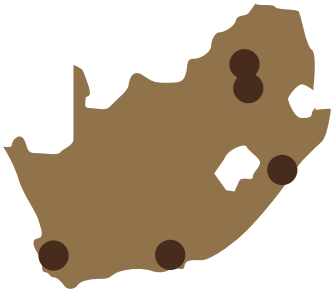
New moments of joy

South Africa's economy is growing and thriving. Chocolate preferences are changing with the country's ever-evolving middle class. The Excellence line with its high cocoa content is landing more and more in the shopping baskets of quality-conscious South Africans who love to indulge in short moments of joy.

It is this new love for premium chocolate in particular that makes the South African market so attractive for Lindt & Sprüngli and which also sustains the double-digit growth rates. These are the best market conditions for Lindt & Sprüngli to further expand its successful Excellence line and the Lindor truffles for Easter, Christmas and Valentine's Day, which are becoming increasingly important for the company.

Lindt's Chocolate Advisors are specially trained and provide our customers with comprehensive assistance until they find just the product that gets their chocolate-loving heart racing.

Unique shop decoration: The continent of Africa made out of Lindt chocolates.



No. 31
in the international chocolate market

0.90 kg
chocolate consumption per capita

12 Shops and 2 Chocolate Studios in South Africa

1_Cape Town, Cape Town
2_Johannesburg Design Quarter, Sandton
3_Sandton, Sandton
4_Gateway, Umhlanga Durban
4_Mall of Africa, Midrand
5_Cresta, Randburg
6_Canal Walk, Century City
7_Menlyn Park, Pretoria
8_Tyger Valley, Belville
9_ Port Elizabeth, Port Elizabeth
10_Woodlands Boulevard, Pretoria
11_Walmer Park, Port Elizabeth
12_Rosebank, Johannesburg

New passion for sweet treats

In China, Lindt products are purchased by a young, cosmopolitan, and affluent clientele. They spoil their families, friends, or even important business partners with the sweet treats. Lindor products in their traditional red colour are especially popular, particularly for weddings. Although Lindt & Sprüngli has been present on the Chinese market since 2012 and has achieved double-digit growth every year, this country's potential has not yet been fully exhausted.

The Land of the Dragon, with its population of 1.39 billion, considers chocolate to be an exoticism. Sweet food, or rather desserts, are uncommon in Chinese cuisine, which is designed to balance all five flavours (bitter, salty, sour, spicy and sweet). China is therefore a very young chocolate market, in which Lindt & Sprüngli meets with curious consumers who both value high-quality chocolate and enjoy eating it in moderation as per the teachings of Confucius. Although China ranks 8th in the global chocolate market, the current consumption of 0.1 kg a year is still very low. Nevertheless, this clearly shows that Lindt & Sprüngli is at the start of an exciting growth story in China.

Trendsetters in metropolitan areas opt for Lindt

Especially the up-and-coming affluent, young middle class in major Chinese metropolises, such as Beijing and Shanghai, are already familiar with international cafés and dessert culture and make up just some of the people who buy premium chocolate. These young Chinese trendsetters often bring back Swiss Lindt chocolate as an exclusive premium present from their trips to Europe. They see eating chocolate as an indication of their modern lifestyle and they celebrate enjoying luxurious desserts in the city's trendy cafés with their friends.

It's also the young Chinese people who buy a lot online – including chocolate. China is now one of the largest e-commerce markets in the world and this sales channel is also important for Lindt & Sprüngli's activities in the country. This is why Lindt and its premium products are very well represented with flagship e-stores on the two leading online platforms Tmall and JD. The Lindt products with a high proportion of cocoa and a low sugar content are extremely popular, and are actually hot sellers. The Chinese are very fond of the extensive Excellence premium range.

In China, the color red has an enormous symbolic meaning for weddings. Chinese bridal couple during their wedding in traditional wedding garments.

Exclusive Lindor gift range.

Chinese wedding traditions in red

The Chinese people particularly value elaborately decorated gift products when celebrating an important moment in the lives of a couple – their wedding. In China, the wedding and coming together of two families is celebrated on a large scale. For events like these, the Lindor range offers a huge selection in the traditional Chinese wedding color – red, which symbolizes love, power, and growth. The preparations for this joyful family occasion are mainly set in motion at huge wedding fairs.

In recent years, a nice tradition of giving wedding guests exceptional, personalized favors made from chocolate has developed. The huge wedding fair market also offers great opportunities for Lindt & Sprüngli. At these fairs, we offer advice to future brides and grooms, showcasing our special Lindor range suitable for this important event.

The Chinese New Year and Mid-Autumn Festival invite for giving gifts

As well as wedding celebrations, the Chinese New Year and Mid-Autumn Festival are the most important traditional festivities in China, which set the whole country in motion year on year. The sharing culture, based on Confucian teaching, is also celebrated during these festivities and chocolate is given away as a present. The color red plays an important role in this context too and symbolizes growth in the New Year. The Chinese New Year celebrations and Mid-Autumn Festival are among the most lucrative events in China for Lindt & Sprüngli China.

Exploiting growth outside of metropolitan areas too

With its huge expansion and diversified culture, China offers enormous growth potential for Lindt & Sprüngli. With the further development of regions outside the major metropolises and innovative chocolate creations made especially for the Chinese market, Lindt & Sprüngli is focusing on the growing number of young and demanding Chinese consumers and is also addressing new potential buyers to allow chocolate to be enjoyed on many levels. The internationally renowned and exceptional sportsman Roger Federer, is a likeable figurehead for his home country, Switzerland, and is raising Lindt's profile across the whole world and in China as a Brand Ambassador.

Traditional Chinese bride with embroidered bridal shoes and accessories in high-quality red cloth for her big day.

Young bridal couples can find out about the exclusive Lindor gift range in the traditional Chinese wedding color, red, at huge wedding fairs.

No. 8
in the international chocolate market

0.10 kg
chocolate consumption per capita

Locations in China

1_Shanghai

Our Lindt Brand Ambassador, Roger Federer, who ideally represents our brand values, is very popular in China.

Financial Report

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Consolidated Balance Sheet

CHF million	Note	December 31, 2017		December 31, 2016	
Assets					
Property, plant and equipment	7	1,289.3		1,240.4	
Intangible assets	8	1,378.7		1,424.4	
Financial assets	9	1,483.5		1,302.2	
Deferred tax assets	10	43.0		87.3	
Total non-current assets		**4,194.5**	**60.1%**	**4,054.3**	**63.1%**
Inventories	11	731.4		657.6	
Accounts receivable	12	1,047.5		994.5	
Other receivables		130.9		109.0	
Accrued income		4.0		10.9	
Derivative assets	13	14.1		10.1	
Marketable securities and short-term financial assets	14	0.2		0.2	
Cash and cash equivalents	15	853.0		592.2	
Total current assets		**2,781.1**	**39.9%**	**2,374.5**	**36.9%**
Total assets		**6,975.6**	**100.0%**	**6,428.8**	**100.0%**
Liabilities					
Share and participation capital	16	24.1		23.7	
Treasury stock		–84.0		–100.3	
Retained earnings and other reserves		4,246.2		3,743.8	
Equity attributable to shareholders		**4,186.3**		**3,667.2**	
Non-controlling interests		8.7		6.8	
Total equity		**4,195.0**	**60.1%**	**3,674.0**	**57.1%**
Bonds	17	997.5		747.7	
Loans	17	0.7		1.2	
Deferred tax liabilities	10	444.2		433.5	
Pension liabilities	18	174.8		191.7	
Other non-current liabilities		7.7		7.6	
Provisions	19	105.9		114.2	
Total non-current liabilities		**1,730.8**	**24.8%**	**1,495.9**	**23.3%**
Accounts payable to suppliers	20	217.3		180.4	
Other accounts payable		53.2		46.8	
Current tax liabilities		55.0		39.4	
Accrued liabilities	21	677.6		618.3	
Derivative liabilities	13	37.5		57.6	
Bonds	17	–		249.9	
Bank and other borrowings	17	9.2		66.5	
Total current liabilities		**1,049.8**	**15.1%**	**1,258.9**	**19.6%**
Total liabilities		**2,780.6**	**39.9%**	**2,754.8**	**42.9%**
Total liabilities and shareholders' equity		**6,975.6**	**100.0%**	**6,428.8**	**100.0%**

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

Consolidated Income Statement

CHF million	Note		2017		2016
Income					
Sales		4,088.4	100.0%	3,900.9	100.0%
Other income	22	17.7		17.2	
Total income		**4,106.1**	**100.4%**	**3,918.1**	**100.4%**
Expenses					
Material expenses		–1,488.3	–36.4%	–1,388.8	–35.6%
Changes in inventories		63.0	1.6%	12.6	0.3%
Personnel expenses	23	–886.4	–21.7%	–846.3	–21.7%
Operating expenses		–1,030.0	–25.2%	–981.6	–25.1%
Depreciation, amortization, and impairment	7, 8	–169.0	–4.1%	–151.5	–3.9%
Total expenses		**–3,510.7**	**–85.8%**	**–3,355.6**	**–86.0%**
Operating profit (EBIT)		**595.4**	**14.6%**	**562.5**	**14.4%**
Financial income	24	3.0		5.7	
Financial expense	24	–15.6		–14.1	
Income before taxes		**582.8**	**14.3%**	**554.1**	**14.2%**
Taxes	10	–130.3		–134.3	
Net income		**452.5**	**11.1%**	**419.8**	**10.8%**
of which attributable to non-controlling interests		1.8		0.1	
of which attributable to shareholders of the parent		450.7		419.7	
Non-diluted earnings per share/10 PC (CHF)	25	1,892.5		1,791.3	
Diluted earnings per share/10 PC (CHF)	25	1,880.6		1,766.8	

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

Statement of Comprehensive Income

CHF million	**2017**	2016
Net income	452.5	419.8
Other comprehensive income after taxes		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	143.1	–171.9
Items that may be reclassified subsequently to profit or loss		
Hedge accounting	15.9	–63.0
Currency translation	–14.1	44.6
Total comprehensive income	**597.4**	**229.5**
of which attributable to non-controlling interests	1.7	1.1
of which attributable to shareholders of the parent	595.7	228.4

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

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 10.

Consolidated Statement of Changes in Equity

CHF million	Note	Share-/ PC-capital	Treasury stock	Share premium	Hedge accounting	Retained earnings	Currency translation	**Equity attributable to share-holders**	Non-controlling interest	**Total equity**
Balance as at January 1, 2016		**23.5**	**–113.1**	**347.5**	**19.5**	**3,447.3**	**–239.0**	**3,485.5**	**4.2**	**3,489.7**
Total comprehensive income		–	–	–	–63.0	247.8	43.6	228.4	1.1	229.5
Capital increase [1]	16	0.2	–	63.7	–	–	–	64.0	1.5	65.5
Purchase of own shares and participation certificates	16	–	–10.0	–	–	–	–	–10.0	–	–10.0
Sale of own shares [1]	16	–	21.4	–	–	31.5	–	52.9	–	52.9
Share-based payment	27	–	1.4	–	–	32.2	–	33.6	–	33.6
Reclass into retained earnings		–	–	–93.6	–	93.6	–	–	–	–
Distribution of profits		–	–	–	–	–187.2	–	–187.2	–	–187.2
Balance as at December 31, 2016		**23.7**	**–100.3**	**317.6**	**–43.5**	**3,665.2**	**–195.4**	**3,667.2**	**6.8**	**3,674.0**
Total comprehensive income		–	–	–	15.9	593.5	–13.7	595.7	1.7	597.4
Capital increase [1]	16	0.4	–	100.6	–	–	–	101.0	0.2	101.2
Sale of own shares [1]	16	–	14.5	–	–	7.7	–	22.2	–	22.2
Share-based payment	27	–	1.8	–	–	7.2	–	9.1	–	9.1
Reclass into retained earnings		–	–	–71.2	–	71.2	–	–	–	–
Distribution of profits		–	–	–	–	–208.9	–	–208.9	–	–208.9
Balance as at December 31, 2017		**24.1**	**–84.0**	**347.0**	**–27.6**	**4,135.9**	**–209.1**	**4,186.3**	**8.7**	**4,195.0**

1 All directly attributable transaction costs related to capital increase and the gain on sale of registered shares are recognized in retained earnings.

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

Consolidated Cash Flow Statement

CHF million	Note	2017	2016
Net income		452.5	419.8
Depreciation, amortization, and impairment	7, 8	169.0	151.5
Changes in provisions, value adjustments and pension assets		–13.7	2.6
Decrease (+)/increase (–) of accounts receivable		–31.3	–83.8
Decrease (+)/increase (–) of inventories		–58.7	–3.6
Decrease (+)/increase (–) of other receivables		–19.1	14.5
Decrease (+)/increase (–) of accrued income and derivative assets and liabilities		–1.2	–25.6
Decrease (–)/increase (+) of accounts payable		28.4	–2.9
Decrease (–)/increase (+) of other payables and accrued liabilities		57.7	16.5
Non-cash effective items [1]		7.4	26.4
Cash flow from operating activities (operating cash flow)		**591.0**	**515.4**
Investments in property, plant and equipment	7	–173.2	–216.8
Disposals of property, plant and equipment		1.1	4.6
Investments in intangible assets	8	–12.0	–17.3
Disposals (+)/investments (–) in financial assets (excluding pension assets)		–	4.9
Cash flow from investment activities		**–184.1**	**–224.6**
Proceeds from loans/borrowings	17	–	63.4
Repayments of loans/borrowings	17	–60.4	–83.8
Proceeds from the issuance of bond	17	249.4	–
Repayment of bond	17	–250.6	–
Capital increase (including premium)		100.9	64.0
Purchase of treasury stock		–	–10.0
Sale of treasury stock		21.2	52.0
Distribution of profits		–208.9	–187.2
Cash flow with non-controlling interests		0.2	1.5
Cash flow from financing activities		**–148.2**	**–100.1**
Net increase (+)/decrease (–) in cash and cash equivalents		**258.7**	**190.7**
Cash and cash equivalents as at January 1		592.2	404.3
Exchange gains(+)/losses (–) on cash and cash equivalents		**2.1**	**–2.8**
Cash and cash equivalents as at December 31	**15**	**853.0**	**592.2**
Interest received from third parties [2]		0.7	2.3
Interest paid to third parties [2]		15.2	12.8
Income tax paid [2]		95.3	82.8

1 As at December 31, 2017, movements of CHF –3.4 million result from the translation of foreign exchange balances (CHF –13.7 million in 2016).
2 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 Lindt & Sprüngli 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, Russell Stover, Whitman's, Caffarel, Hofbauer, Küfferle, and Pangburn's. The Lindt & Sprüngli Group has twelve manufacturing plants worldwide (six in Europe and six in the United States) and mainly sells in countries within Europe and the NAFTA countries.

Chocoladefabriken Lindt & Sprüngli AG is incorporated and domiciled in Kilchberg ZH, Switzerland.

The Company has been 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 March 5, 2018.

The subsidiaries of Chocoladefabriken Lindt & Sprüngli AG as at December 31, 2017 are:

Country	Domicile	Subsidiary	Business activity	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
		Lind & 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	Kansas City, MO	Lindt & Sprüngli (North America) Inc. [1]	M	100	USD	0.1
	Stratham, NH	Lindt & Sprüngli (USA) Inc.	P&D	100	USD	1.0
	San Leandro, CA	Ghirardelli Chocolate Company	P&D	100	USD	0.1
	Kansas City, MO	Russell Stover Chocolates, LLC	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 (Nordic) AB [1]	D	100	SEK	0.5
Czech Republic	Prague	Lindt & Sprüngli (CEE) s.r.o. [1]	D	100	CZK	0.2
Japan	Tokyo	Lindt & Sprüngli Japan Co., Ltd.	D	100	JPY	1,227.0
South Africa	Capetown	Lindt & Sprüngli (South Africa) (Pty) Ltd. [1]	D	100	ZAR	100.0
Hong Kong	Hong Kong	Lindt & Sprüngli (Asia-Pacific) Ltd. [1]	D	100	HKD	248.3
China	Shanghai	Lindt & Sprüngli (China) Ltd.	D	100	CNY	199.5
Russia	Moscow	Lindt & Sprüngli (Russia) LLC [1]	D	100	RUB	16.0
Brazil	São Paulo	Lindt & Sprüngli (Brazil) Holding Ltda.	D	100	BRL	49.1
		Lindt & Sprüngli (Brazil) Comércio de Alimentos S.A. [2]	D	51	BRL	40.2

D – Distribution, P – Production, M – Management

1 Subsidiaries held directly by Chocoladefabriken Lindt & Sprüngli AG.

2 The Joint Venture with the CRMPAR Holding S.A. is a subsidiary with substantial non-controlling interests and is therefore fully consolidated according to IFRS 10 "Consolidated Financial Statements". The non-controlling interests are CHF 8.7 million at December 31, 2017 (CHF 6.8 million at December 31, 2016). These are not material to the Group.

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, financial assets 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 assets and liabilities presented in the annual report, the disclosure of contingent assets and liabilities and the disclosure of income and expenses in the reporting period. The actual results may differ from these estimates.

New IFRS standards and Interpretations

New and amended IFRS and interpretations (effective as of January 1, 2017 and thereafter)

The Lindt & Sprüngli Group has applied various minor amendments to existing standards and interpretations, which have no material impact on the Group's overall financial position or performance.

New and amended IFRS and interpretations that are required in future periods

The following standards have already been published and are required in future periods, but have not been early adopted by the Lindt & Sprüngli Group:

- IFRS 9 – "Financial Instruments" will fully replace IAS 39 – "Financial instruments: Recognition and measurements" from January 1, 2018 onwards. The new standard requires impairments to be based on a forward-looking model, changes the approach to hedging financial exposures and related documentation, changes the recognition of certain fair value changes and amends disclosure requirements. The Group has performed a review of the business model corresponding to the different portfolios of financial assets and of the characteristics of these financial assets. The impact of the new standard on the financial position or performance of the Group is immaterial. The new standard will result in an increased volume of disclosure information.
- IFRS 15 – "Revenue from contracts with customers" will replace IAS 11 – "Construction Contracts", IAS 18 – "Revenue", and related interpretations in 2018. The new standard defines a new five-step model to recognize revenue from customer contracts. The Group has undertaken a review of the main types of commercial arrangements used with customers under this model and has concluded that the application of IFRS 15 will not have a material impact on the Group's financial position or performance.
- IFRS 16 – "Leases" will replace IAS 17 and become effective on January 1, 2019. The new standard will change the principles of the recognition, measurement, presentation and disclosure of leases. The main effect on the Group is that IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for almost all leases. It will therefore result in an increase of total property, plant and equipment and total financial as well as to an increased operating result, due to the replacement of operating lease expense with amortization of the lease assets. This increase would be partially or entirely offset by higher interest expense. The future lease payments under operating lease commitments of the Group are disclosed in Note 29 and provide, subject to the provision of the standard, an indicator of the impact of the implementation of IFRS 16 on the Group's consolidated balance sheet. The Group is currently finalizing the precise impact assessment of this new standard.

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. The Lindt & Sprüngli Group controls an entity when it is exposed to, or has the rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.

Non-controlling interests are shown as a component of equity on the balance sheet and the share of the profit attributable to non-controlling interests is shown as a component of profit for the year in the income statement.

Newly acquired companies are consolidated from the effective date of control using the acquisition method. Identifiable assets, liabilities and contingent liabilities acquired are recognized in the balance sheet at fair value. Acquisition costs exceeding the Lindt & Sprüngli Group's share of the fair value of the identifiable net assets are allocated to goodwill. Transaction costs are shown as an expense in the period in which they are incurred.

Foreign currency translation

The consolidated financial statements are presented in Swiss francs, which is the parent company's functional and reporting currency. In order to hedge against currency risks, the Lindt & Sprüngli Group engages in currency forwards and options trading. The methods of recognizing and measuring these derivative financial instruments in the balance sheet are explained in the paragraph "Accounting for derivative financial instruments and hedging activities".

Foreign exchange differences arising from the translation of loans that are held as net investments in a foreign operation are recognized separately in other comprehensive income. The repayment of these loans is not considered as a divestment (partial or full). As a consequence, the respective accumulated currency translation differences are not recycled from other comprehensive income to the income statement.

Foreign exchange rates

The Lindt & Sprüngli Group applied the following exchange rates:

		Balance sheet year-end rates		Income statement average rates	
CHF		**2017**	2016	**2017**	2016
Euro zone	1 EUR	1.17	1.07	1.12	1.09
USA	1 USD	0.98	1.02	0.99	0.99
Great Britain	1 GBP	1.32	1.25	1.27	1.32
Canada	1 CAD	0.78	0.76	0.77	0.75
Australia	1 AUD	0.76	0.74	0.76	0.73
Poland	100 PLN	28.01	24.30	26.28	24.97
Mexico	100 MXN	4.95	4.92	5.21	4.44
Sweden	100 SEK	11.89	11.23	11.63	11.43
Czech Republic	100 CZK	4.57	3.97	4.28	4.03
Japan	100 JPY	0.87	0.87	0.88	0.90
South Africa	100 ZAR	7.90	7.48	7.39	6.77
Hong Kong	100 HKD	12.48	13.15	12.64	10.58
China	100 CNY	14.99	14.72	14.75	14.63
Russia	100 RUB	1.69	1.67	1.69	1.50
Brazil	100 BRL	29.45	31.19	30.81	28.91

Property, plant and equipment

Property, plant and equipment are valued at historical cost, less accumulated depreciation. The assets are depreciated using the straight-line method over the period of their expected useful economic life. Depreciation on assets is calculated using the straight-line method to reduce the carrying amount to the expected residual value. The following useful lives have been applied:

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

Land is not depreciated. Profits and losses from disposals are recorded in the income statement.

Intangible assets

Goodwill
Goodwill is the excess of the costs of acquisition over the Lindt & Sprüngli Group's interest in the fair value of the net assets acquired. Goodwill is not amortized, but is tested for impairment in the fourth quarter of each reporting period instead.

Other intangible assets
"EDP Software" and "customer relationships" are recognized at cost and amortized on a straight line basis over their economic life. "EDP Software" is amortized over a period of three to five years, "customer relationships" over a period of 10 to 20 years. The economic life of the intangible asset is regularly reviewed. "Brands and intellectual property rights" are not amortized but tested for impairment at each balance sheet date instead. All identifiable intangible assets (such as "brands and intellectual property rights" and "customer relationships") acquired in the course of a business combination are initially recognized at fair value.

Impairment
The Lindt & Sprüngli 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 can be allocated. In order to establish the future benefits, the expected future cash flows are discounted. Assets with indefinite useful life as for example goodwill or intangible assets, 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
The Lindt & Sprüngli Group distinguishes between lease liabilities resulting from finance and operating leases.

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 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 and distribution expenses.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, cash in bank, and other short-term investments with an original maturity period less than 90 days.

Financial assets
The Lindt & Sprüngli Group recognizes, measures, impairs (if required), presents and discloses financial assets as required by IAS 39 – "Financial Instruments: Recognition and Measurement", IAS 32 – "Financial Instruments: Presentation" and IFRS 7 – "Financial Instruments: Disclosures". 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.

Purchases and sales of financial assets are recorded on trade-date – the date on which the Lindt & Sprüngli 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 Lindt & Sprüngli 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 Lindt & Sprüngli 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-months 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 Lindt & Sprüngli 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 Articles of Association, dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual Shareholders' Meeting and subsequently paid.

Financial liabilities

Financial liabilities are recognized initially when the Lindt & Sprüngli 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 potential difference between the original amount and the amount due at maturity). Gains 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 (revised) are determined using the Projected Unit Credit Method, with independent actuarial valuations being carried out at the end of each reporting period. This method takes into account years of service up to the reporting period and requires the Lindt & Sprüngli Group to make estimates about demographic variables (such as mortality or turnover) and financial variables (such as future salary increase and the long-term interest rate on pension assets) that will affect the final cost of the benefits. The valuation of the pension asset is carried out yearly and recognized at its fair market value.

The cost of defined benefit plans has three components:
- service cost recognized in profit and loss;
- net interest expense or income recognized in profit and loss; and
- remeasurement recognized in other comprehensive income.

Service cost includes current service cost, past service cost and gains or losses on settlements. Past service cost is recognized in the period the plan amendment occurs.

Curtailment gains and losses are accounted for as past service cost. Contributions from plan participants' or a third party reduce the service cost and are therefore deducted if they are based on the formal terms of the plan or arise from a constructive obligation.

Net interest cost is equal to the discount rate multiplied by the net defined benefit liability or asset. Cash flows and changes during the year are taken into account on a weighted basis.

Remeasurements of the net defined benefit liability (asset) include actuarial gains and losses on the defined benefit obligation from:
- changes in assumptions and experience adjustments;
- return on plan assets excluding the interest income on the plan assets that is included in the net interest; and
- changes in the effect of the asset ceiling (if applicable) excluding amounts included in the net interest.

Remeasurements recorded in other comprehensive income are not recycled.

The Lindt & Sprüngli Group presents both components of the defined benefit costs in the line item "Employee benefits expense" in its consolidated income statement. Remeasurements are recognized in other comprehensive income.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Lindt & Sprüngli Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. Payments to defined contribution plans are reported in personnel expenses when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

For the other long-term employee benefits the present value of the defined benefit obligation is recognized at the balance sheet date. Changes of the present value are recorded as personnel expenses in the income statement.

Revenue recognition

Revenue consists of delivery of goods and services to third parties net of value-added taxes and minus price reductions, returns 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 recorded in the income statement once the risks and rewards of the goods are transferred to the buyer. For returns of goods 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 approval of the dividend distribution.

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, interests, and license fees. These taxes are levied according to a country's directives.

Deferred income taxes are accounted for according to the "balance-sheet-liability method", and arise on temporary differences 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 or the future tax rate announced is applied.

Deferred tax assets 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. 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.

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.

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 Lindt & Sprüngli 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.

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 Lindt & Sprüngli 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 Lindt & Sprüngli 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 Lindt & Sprüngli 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 other comprehensive income. 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 judgments

When preparing the consolidated financial statements in accordance with IFRS, management is required to make estimates and assumptions. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the given circumstances. Actual values may differ from these estimates. Estimates and assumptions significantly affect the following areas:

- Pension plans: the calculation of the recognized assets and liabilities from defined benefit plans is based on statistical and actuarial calculations performed by actuaries. The present value of defined benefit liabilities in particular is heavily dependent on assumptions such as the discount rate used to calculate the present value of future pension liabilities, future salary increases and changes in employee benefits. In addition, the Lindt & Sprüngli Group's independent actuaries use statistical data such as probability of withdrawals of members from the plan and life expectancy in their assumptions.
- When testing goodwill and other intangible assets with indefinite useful life, parameters such as future discounted cash flows, underlying discount and growth rates, as well as the EBIT-margin development are based on estimates and assumptions.
- The Lindt & Sprüngli Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining deferred tax assets and deferred tax liabilities or current income tax accruals. There are many transactions and calculations for which the determination of the applicable tax rate and the expected current income tax position.

In the course of restructuring the pension fund schemes within the Lindt & Sprüngli Group in 2013, two non-profit funds were founded. According to IFRS 10 – "Consolidated financial statements" it is not required to consolidate these two funds because amongst other things, the Lindt & Sprüngli Group is not exposed to variable returns.

3. Risk Management

Due to its global activity, the Lindt & Sprüngli 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 responsibilities assigned.

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.

The Lindt & Sprüngli Group is exposed to financial risks. The financial instruments are divided, in accordance with IFRS 7, into the following categories: market risks (commodities, exchange rates, interest rates) 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 Lindt & Sprüngli Group companies. The decentralized Lindt & Sprüngli Group structure gives strong autonomy to the individual operational Lindt & Sprüngli 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 and processes, specifically for the ongoing recognition and consolidation of the group wide foreign exchange and commodity positions, as well as regular internal reporting, ensure that the risk positions are consolidated and managed in a timely manner. The Lindt & Sprüngli Group only engages in derivative financial instruments in order to hedge against market risks.

Market risks

Commodity price risks
The Lindt & Sprüngli 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 Lindt & Sprüngli Group companies enter into contracts with suppliers for the future physical delivery of the raw materials. Commodity futures are also used, but only processed centrally by Corporate Treasury. The commodity futures for cocoa beans of a required 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 may therefore vary significantly throughout the year. Based on the existing contract volume as of December 31, 2017 and 2016, 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.

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

Since the operational Lindt & Sprüngli 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 financial position 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, 2017 and 2016, there were no such transactions.

The most material financial assets as of December 31, 2017 and 2016 are not interest-bearing. These include predominantly cash and cash equivalents in Swiss francs. The acquisition of Russell Stover Chocolates, LLC in 2014 caused a reduction of liquid funds and the issuance of long-term bonds with a fixed interest rate by the Lindt & Sprüngli Group. The Lindt & Sprüngli Group faces a risk of a rise in the interest rate at maturity of these bonds.

Credit risks

Credit risks occur when a counterparty, such as a financial institute, supplier or a client is unable to fulfil its contractual duties. Financial credit risks are mitigated by investing (liquid funds and/or derivative financial instruments) with various lending institutions holding a short-term A1/P1-rating only. The maximum default risk of balance sheet assets is limited to the carrying values of those assets in the balance sheet as reflected in the notes to the financial statements (including derivative financial instruments). The operating companies of the Lindt & Sprüngli Group have implemented processes for defining credit 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 Lindt & Sprüngli Group's concentration of risk is limited.

Liquidity risks

Liquidity risks exist when the Lindt & Sprüngli Group or a subsidiary does not settle or meet its financial obligations (untimely repayment of financial debt, payment of interest). The Lindt & Sprüngli Group's liquidity is ensured by means of regular group wide monitoring and planning of liquidity as well as an investment policy coordinated on a timely basis by Corporate Treasury. The net financial position (defined as cash and cash equivalents plus marketable securities less financial debt), is monitored on a company-by-company basis by Corporate Treasury. As of December 31, 2017, the net financial position amounted to CHF –154.2 million (CHF –472.9 million in 2016). For extraordinary financing needs, adequate credit lines with financial institutes have been arranged.

The tables below present relevant maturity groupings as at December 31, 2017 and 2016, of the contractual maturity date:

CHF million	< 3 months	Between 3 and 12 months	Between 1 and 3 years	Over 3 years	**2017 Total**
Bonds (including interests)	–	5.8	511.5	515.3	1,032.6
Loans	–	–	0.7	–	0.7
Accounts payable	215.9	1.4	–	–	217.3
Other accounts payable	51.7	1.5	–	–	53.2
Derivative assets	–7.7	–6.2	–0.3	–	–14.2
Derivative liabilities	7.0	24.9	5.7	–	37.6
Bank and other borrowings	8.9	0.3	–	–	9.2
Total contractually fixed payments	**275.8**	**27.7**	**517.6**	**515.3**	**1,336.4**

CHF million	< 3 months	Between 3 and 12 months	Between 1 and 3 years	Over 3 years	2016 Total
Bonds (including interests)	0.1	255.3	10.0	765.0	1,030.4
Loans	–	–	1.2	–	1.2
Accounts payable	177.1	3.2	–	–	180.3
Other accounts payable	45.6	1.1	–	–	46.7
Derivative assets	–6.1	–3.1	–0.8	–	–10.0
Derivative liabilities	13.9	41.7	2.0	–	57.6
Bank and other borrowings	66.1	0.4	–	–	66.5
Total contractually fixed payments	**296.7**	**298.6**	**12.4**	**765.0**	**1,372.7**

4. Capital Management

The goal of the Lindt & Sprüngli 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 Lindt & Sprüngli Group assesses the capital structure on an ongoing basis and makes adjustments in view of the business activities and the changing economical environment.

The Lindt & Sprüngli Group monitors its capital based on the ratio of shareholders' equity in percentage to total assets, which was 60.1% as of December 31, 2017 (57.1% in 2016).

The objectives, policies, and procedures as of December 31, 2017, related to capital management have not been changed compared to the previous year.

5. Segment Information: According to Geographic Segments

The Lindt & Sprüngli Group is organized and managed by means of individual countries. For the definition of business segments to be disclosed, the Lindt & Sprüngli Group has aggregated 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 business segments to be disclosed are:

- "Europe", consisting of the European companies and business units including Russia;
- "NAFTA", consisting of the companies in the USA, Canada, and Mexico; and
- "All other segments", consisting of the companies in Australia, Japan, South Africa, Hong Kong, China, and Brazil as well as the business units Distributors and Duty Free.

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

Segment income

	Segment Europe		Segment NAFTA		All other segments		**Total**	
CHF million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Sales	2,231.0	2,051.4	1,640.5	1,670.5	524.6	457.1	4,396.1	4,179.0
Less sales between segments	299.0	269.3	8.7	8.8	–	–	307.7	278.1
Third party sales	**1,932.0**	**1,782.1**	**1,631.8**	**1,661.7**	**524.6**	**457.1**	**4,088.4**	**3,900.9**
Operating profit	345.1	301.4	166.5	197.7	83.8	63.4	595.4	562.5
Net financial result							–12.6	–8.4
Income before taxes							**582.8**	**554.1**
Taxes							–130.3	–134.3
Net income							**452.5**	**419.8**

The following countries achieved the highest sales in 2017:

- USA CHF 1,399.7 million (CHF 1,471.3 million in 2016)
- Germany CHF 611.3 million (CHF 549.9 million in 2016)

Balance sheet and other information

	Segment Europe		Segment NAFTA		All other segments		**Total**	
CHF million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Assets [1]	4,522.0	3,919.2	2,192.0	2,278.5	261.6	231.1	6,975.6	6,428.8
Liabilities [1]	2,245.5	2,172.1	343.6	384.1	191.5	198.6	2,780.6	2,754.8
Investments	117.7	117.5	56.9	104.0	10.6	12.6	185.2	234.1
Depreciation and amortization	97.9	90.0	61.6	53.2	7.5	5.6	167.0	148.8
Impairment	0.3	1.1	0.8	1.2	0.9	0.4	2.0	2.7

1 Assets of CHF –15.5 million (CHF –10.1 million in 2016) and liabilities of CHF 118.1 million (CHF 130.1 million in 2016) which cannot be clearly allocated to a particular segment are disclosed in the category "All other segments".

The following countries held the greatest portion of fixed and intangible assets in 2017:

- USA CHF 1,337.3 million (CHF 1,408.6 million in 2016)
- Germany CHF 283.9 million (CHF 258.6 million in 2016)

6. Financial Instruments, Fair Value, and Hierarchie Levels

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

		2017		2016	
CHF million	Level [1]	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial Assets					
Fair value through profit or loss					
Derivative assets	1	–	–	0.3	0.3
Derivative assets	2	14.1	14.1	9.8	9.8
Marketable securities and short-term financial assets	1/2	0.2	0.2	0.2	0.2
Total		**14.3**	**14.3**	**10.3**	**10.3**
Available for sale					
Investments third parties	3	1.4	1.4	1.3	1.3
Total		**1.4**	**1.4**	**1.3**	**1.3**
Other financial assets [2]					
Total		**1,992.5**	**1,992.5**	**1,649.1**	**1,649.1**
Total financial assets		**2,008.2**	**2,008.2**	**1,660.7**	**1,660.7**
Financial Liabilities					
Fair value through profit or loss					
Derivative liabilities	1	23.8	23.8	21.0	21.0
Derivative liabilities	2	13.7	13.7	36.6	36.6
Total		**37.5**	**37.5**	**57.6**	**57.6**
Other financial liabilities					
Bonds [3]	1	997.5	1,025.1	997.6	1,031.2
Loans [3]		0.7	0.7	1.2	1.2
Other non-current liabilities		7.7	7.7	7.6	7.6
Accounts payable		217.3	217.3	180.4	180.4
Other accounts payable		53.2	53.2	46.8	46.8
Bank and other borrowings [3]		9.2	9.2	66.5	66.5
Total		**1,285.6**	**1,313.2**	**1,300.1**	**1,333.7**
Total financial liabilities		**1,323.1**	**1,350.7**	**1,357.7**	**1,391.3**

1 Level 1 – The fair value measurement of same financial instruments is based on quoted prices in active markets.
Level 2 – The fair value measurement of same financial instruments is based on observable market data, other than quoted prices in Level 1.
Level 3 – Valuation technique using non-observable data.
For financial instruments with a short term maturity date it is expected that the carrying amounts are a reasonable approximation of the respective fair values.
2 Contains cash and cash equivalents, accounts receivable and other receivables (excluding prepayments and current tax assets).
3 See note 17.

7. Property, Plant and Equipment

CHF million	Land/ buildings	Machinery	Other fixed assets	Construction in progress	**2017 Total**
Acquisition costs as at January 1, 2017	**1,009.5**	**1,200.9**	**231.1**	**172.1**	**2,613.6**
Additions	32.2	41.7	20.5	78.8	173.2
Retirements	–4.2	–8.3	–8.1	–	–20.6
Transfers	26.9	109.2	2.9	–139.3	–0.2
Currency translation	21.9	45.6	10.0	–2.0	75.5
Acquisition costs as at December 31, 2017	**1,086.3**	**1,389.1**	**256.4**	**109.6**	**2,841.4**
Accumulated depreciation as at January 1, 2017	**449.5**	**746.2**	**177.5**	**–**	**1,373.2**
Additions	48.9	78.9	20.8	–	148.6
Impairments	1.8	–	0.1	–	1.9
Retirements	–4.1	–7.8	–7.2	–	–19.1
Currency translation	11.3	28.2	8.0	–	47.5
Accumulated depreciation as at December 31, 2017	**507.4**	**845.5**	**199.2**	**–**	**1,552.1**
Net fixed assets as at December 31, 2017	**578.9**	**543.6**	**57.2**	**109.6**	**1,289.3**

CHF million	Land/ buildings	Machinery	Other fixed assets	Construction in progress	2016 Total
Acquisition costs as at January 1, 2016	**932.5**	**1,149.1**	**213.1**	**141.2**	**2,435.9**
Additions	41.2	48.8	17.7	109.1	216.8
Retirements	–9.6	–41.7	–5.6	–	–56.9
Transfers	36.8	39.7	4.6	–81.8	–0.7
Currency translation	8.6	5.0	1.3	3.6	18.5
Acquisition costs as at December 31, 2016	**1,009.5**	**1,200.9**	**231.1**	**172.1**	**2,613.6**
Accumulated depreciation as at January 1, 2016	**408.4**	**713.3**	**163.9**	**–**	**1,285.6**
Additions	43.3	70.1	18.7	–	132.1
Impairments	1.4	1.0	0.1	–	2.5
Retirements	–6.0	–41.0	–5.5	–	–52.5
Currency translation	2.4	2.8	0.3	–	5.5
Accumulated depreciation as at December 31, 2016	**449.5**	**746.2**	**177.5**	**–**	**1,373.2**
Net fixed assets as at December 31, 2016	**560.0**	**454.7**	**53.6**	**172.1**	**1,240.4**

Advance payments of CHF 49.8 million (CHF 95.4 million in 2016) are included in the position construction in progress. No mortgages exist on land and buildings.

The impairment charge totals CHF 1.9 million (CHF 2.5 million in 2016) and consists of write-downs of land and buildings of CHF 1.8 million (CHF 1.4 million in 2016) and of machinery and other fixed assets of CHF 0.1 million (CHF 1.1 million in 2016).

The net book value of capitalized assets, under financial lease, amounted to CHF 0.7 million (CHF 1.1 million in 2016). Operating lease commitments are not capitalized.

8. Intangible Assets

CHF million	EDP software& consultancy	Customer relationships	Brands&IP	Goodwill	Other intangible assets	**2017 Total**
Acquisition costs as at January 1, 2017	**85.3**	**136.4**	**459.8**	**803.6**	**20.8**	**1,505.9**
Additions	11.9	–	–	–	0.1	12.0
Retirements	–4.6	–	–	–	–	–4.6
Transfers	0.2	–	–	–	–	0.2
Currency translation	2.6	–5.9	–	–34.9	0.1	–38.1
Acquisition costs as at December 31, 2017	**95.4**	**130.5**	**459.8**	**768.7**	**21.0**	**1,475.4**
Accumulated depreciation as at January 1, 2017	**59.8**	**21.2**	**–**	**–**	**0.5**	**81.5**
Additions	8.8	8.8	–	–	0.8	18.4
Impairments	0.1	–	–	–	–	0.1
Retirements	–4.1	–	–	–	–	–4.1
Currency translation	1.8	–1.0	–	–	–	0.8
Accumulated depreciation as at December 31, 2017	**66.4**	**29.0**	**–**	**–**	**1.3**	**96.7**
Net intangible assets as at December 31, 2017	**29.0**	**101.5**	**459.8**	**768.7**	**19.7**	**1,378.7**

CHF million	EDP software& consultancy	Customer relationships	Brands&IP	Goodwill	Other intangible assets	2016 Total
Acquisition costs as at January 1, 2016	**77.9**	**132.3**	**459.8**	**779.5**	**13.6**	**1,463.1**
Additions	11.8	–	–	–	5.5	17.3
Retirements	–5.2	–	–	–	–	–5.2
Transfers	0.7	–	–	–	–	0.7
Currency translation	0.1	4.1	–	24.1	1.7	30.0
Acquisition costs as at December 31, 2016	**85.3**	**136.4**	**459.8**	**803.6**	**20.8**	**1,505.9**
Accumulated depreciation as at January 1, 2016	**57.2**	**11.8**	**–**	**–**	**0.2**	**69.2**
Additions	7.6	8.8	–	–	0.2	16.6
Impairments	0.1	–	–	–	0.1	0.2
Retirements	–5.2	–	–	–	–	–5.2
Currency translation	0.1	0.6	–	–	–	0.7
Accumulated depreciation as at December 31, 2016	**59.8**	**21.2**	**–**	**–**	**0.5**	**81.5**
Net intangible assets as at December 31, 2016	**25.5**	**115.2**	**459.8**	**803.6**	**20.3**	**1,424.4**

Research and development expenditures amounted to CHF 12.7 million (CHF 11.6 million in 2016) and are expensed as incurred.

Impairment test of goodwill and other intangible assets with infinite life

The impairment test of goodwill and other intangible assets with infinite life (i.e. "brands and intellectual property") relates to the acquisition of Russell Stover Chocolates, LLC in 2014. The cash generating unit consists of the acquired company plus parts of the Canadian subsidiary which distributs Russell Stover Chocolate products in Canada since 2017. In addition, synergies generated by the acquisition are considered.

The recoverable amount equals to the net present value of discounted future cash flows. It was determined based on planning assumptions over the next years plus a residual value. The EBIT-margin is based on historical data and industry specific benchmarks of the Lindt & Sprüngli Group. The main planning assumptions are summarized as follows:

	2017	2016
Period of cash flow projections	5 years	5 years
Annual sales growth	2,0%	3,0%
Annual EBIT-margin evolution	Improvement	Improvement
Terminal growth	2,2%	2,3%
Discount rate post tax	6,0%	6,2%

9. Financial Assets

CHF million	**2017**	2016
Pension assets [1]	1,482.1	1,300.9
Investments third parties (available-for-sale)	1.4	1.3
Total	**1,483.5**	**1,302.2**

1 See note 18.

10. Taxes

10.1 Deferred tax assets and liabilities

The net value of deferred tax liabilities is as follows:

CHF million	**2017**	2016
As at January 1	**346.2**	**429.9**
Deferred income tax expense	6.8	18.1
Tax charged to comprehensive income	53.7	–79.6
Tax charged to other components of equity	–4.6	–22.5
Currency translation	–0.9	0.3
As at December 31	**401.2**	**346.2**

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

CHF million	**2017**	2016
Deferred tax assets		
Property, plant and equipment	8.0	7.3
Intangible assets	0.3	–
Pension assets and liabilities	33.4	48.9
Receivables	8.4	8.3
Inventories	26.2	22.7
Payables and accruals	43.7	58.3
Other	35.8	17.8
Deferred tax assets gross	**155.8**	**163.3**
Netting	–112.8	–76.0
Total	**43.0**	**87.3**
Deferred tax liabilities		
Property, plant and equipment	40.7	40.0
Intangible assets	51.7	58.4
Pension assets and liabilities	444.3	390.1
Receivables	2.9	2.9
Inventories	4.3	3.9
Payables and accruals	12.7	13.9
Derivative assets and liabilities	0.3	0.1
Other	0.1	0.2
Deferred tax liabilities gross	**557.0**	**509.5**
Netting	–112.8	–76.0
Total	**444.2**	**433.5**
Net deferred tax	**401.2**	**346.2**

The tax loss carry-forwards of which no deferred tax assets are recognized expire as follows:

CHF million	**2017**	2016
Between 1 and 5 years	10.5	9.3
Between 6 and 10 years	2.6	6.4
Over 10 years	4.4	2.8
Total	**17.5**	**18.5**

Tax loss carry-forwards utilized in 2017 amounted to CHF 5.1 million (CHF 2.4 million in 2016).

10.2 Tax expense

CHF million	2017	2016
Current tax expense	117.3	110.5
Deferred income tax expense	6.8	18.1
Other taxes	6.2	5.7
Total	**130.3**	**134.3**

The tax on the Lindt & Sprüngli Group's income before taxes 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	2017	2016
Income before taxes	**582.8**	**554.1**
Expected tax [1]	**122.0**	**109.6**
Change in applicable tax rates on temporary differences	–3.6	–0.4
Utilization of unrecognized tax loss carry-forwards from prior years	–1.9	–0.7
Adjustments related to prior years	1.2	–1.0
Non-taxable items	–3.0	9.0
Withholding tax levied and other taxes	6.3	5.7
Income components with lower tax rates	–3.3	2.4
Other	12.6	9.7
Total	**130.3**	**134.3**

1 Based on the expected weighted average tax rate of 20.9% in 2017 (19.8% in 2016).

The tax for each component of other comprehensive income is:

			2017			2016
CHF million	Before tax	Tax	After tax	Before tax	Tax	After tax
Hedge accounting	15.9	–	15.9	–63.0	–	–63.0
Defined benefit plan	196.8	–53.7	143.1	–251.5	79.6	–171.9
Currency translation	–14.1	–	–14.1	44.6	–	44.6
Total	**198.6**	**–53.7**	**144.9**	**–269.9**	**79.6**	**–190.3**

11. Inventories

CHF million	2017	2016
Raw material	109.6	119.3
Packaging material	102.1	96.8
Semi-finished and finished products	563.3	484.1
Value adjustment	–43.6	–42.6
Total	**731.4**	**657.6**

In 2017, CHF 5.7 million (CHF 7.9 million in 2016) of the value adjustment as at the end of 2016 have been released to the income statement.

12. Accounts Receivable

CHF million	**2017**	2016
Accounts receivable gross	1,078.8	1,024.2
Value adjustment	–31.3	–29.7
Total	**1,047.5**	**994.5**
Value adjustment as at January 1	**–29.7**	**–27.1**
Addition	–6.8	–6.4
Utilization	4.3	3.5
Release	1.6	0.3
Currency translation	–0.7	–
Value adjustment as at December 31	**–31.3**	**–29.7**

The following table presents the aging of accounts receivable:

CHF million	**2017**	2016
Not yet past due	865.5	849.1
Past due 1–30 days	152.0	123.6
Past due 31–90 days	41.2	31.6
Past due over 91 days	20.1	19.9
Accounts receivable gross	**1,078.8**	**1,024.2**

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	**2017**	2016
CHF	54.6	52.5
EUR	362.5	334.3
USD	368.3	364.5
GBP	63.1	60.8
Other currencies	199.0	182.4
Accounts receivable net	**1,047.5**	**994.5**

13. Derivative Financial Instruments and Hedging Reserves

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

		2017		2016
CHF million	Assets	Liabilities	Assets	Liabilities
Derivatives for hedging (currencies and raw material)	11.8	37.5	8.0	57.4
Other derivatives	2.3	–	2.1	0.2
Total	**14.1**	**37.5**	**10.1**	**57.6**

The carrying amount (contract value) of the outstanding forward-currency and raw material contracts as at December 31, 2017, is CHF 1,535.0 million (CHF 1,275.7 million in 2016). The majority of gains and losses recognized in the hedging reserve, as shown in the Consolidated Statement of Changes in Equity, amount to a net loss of CHF 27.6 million as of December 31, 2017 (net loss of CHF 43.5 million in 2016), will be released to material expenses in the income statement at various dates within the next 24 months. Other derivative instruments which have been executed in accordance with the risk policy do not qualify for hedge accounting under the criteria of IAS 39.

14. Marketable Securities and Short-term Financial Assets

CHF million	2017	2016
Fair value through profit or loss financial assets	0.2	0.2
Total	**0.2**	**0.2**

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

CHF million	2017	2016
CHF equity securities	0.2	0.2
Total	**0.2**	**0.2**

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

15. Cash and Cash Equivalents

CHF million	2017	2016
Cash at bank and in hand	412.5	151.8
Short-term bank deposits	440.5	440.4
Total	**853.0**	**592.2**

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

	Number of registered shares [1]	Number of participation certificates [2]	Registered shares (CHF million)	Participation certificates (CHF million)	**Total** (CHF million)
As at January 1, 2016	**136,088**	**988,475**	**13.6**	**9.9**	**23.5**
Capital increase	–	24,661	–	0.2	0.2
As at December 31, 2016	**136,088**	**1,013,136**	**13.6**	**10.1**	**23.7**
Capital increase	–	35,017	–	0.4	0.4
As at December 31, 2017	**136,088**	**1,048,153**	**13.6**	**10.5**	**24.1**

1 At par value of CHF 100.–
2 At par value of CHF 10.–

The conditional capital has a total of 424,089 participation certificates (459,106 in 2016) with a par value of CHF 10.–. Of this total, 169,639 (204,656 in 2016) are reserved for employee stock option programs; the remaining 254,450 participation certificates (254,450 in 2016) are reserved for capital market transactions. There is no other authorized capital. In 2017, a total of 35,017 (24,661 in 2016) of the employee options were exercised at an average price of CHF 2,918 (CHF 2,631 in 2016). The participation certificate has no voting right, but otherwise has the same ownership rights as the registered share.

The number of own registered shares and participation certificates (treasury stock) is as follows:

	2017		2016	
	Registered shares	Participation certificates	Registered shares	Participation certificates
Inventory as at January 1	**1,909**	**–**	**2,584**	**–**
Additions	–	–	150	–
Retirements	–385	–	–825	–
Inventory as at December 31	**1,524**	**–**	**1,909**	**–**
Average cost of additions (CHF)	–	–	66,889	–
Average sales price of retirements (CHF)	65,734	–	68,079	–

17. Financial Liabilities

CHF million	**2017**	2016
Non-current		
CHF 500 million 0.5% bond, 2014–2020	499.5	499.3
CHF 250 million 1.0% bond, 2014–2024	248.6	248.4
CHF 250 million 0.3% bond, 2017–2027	249.4	–
Loans	0.7	1.2
Current		
Bank and other borrowings	9.2	66.5
CHF 250 million floating rate bond, 2014–2017	–	249.9
Total borrowings	**1,007.4**	**1,065.3**

The carrying amounts of the Lindt & Sprüngli Group's financial liabilities are denominated in the following currencies:

CHF million	**2017**	2016
CHF	997.5	997.6
EUR	9.1	65.7
USD	0.5	0.6
Other currencies	0.3	1.4
Total	**1,007.4**	**1,065.3**

18. Pension Plans and Other Long-term Employee Benefits

The Lindt & Sprüngli Group operates in and outside of Switzerland different pension plans for employees that satisfy the participation criteria. Among these plans are defined contribution and defined benefit plans that cover most of the employees against retirement, disability, and death.

18.1 Defined contribution plans

The Lindt & Sprüngli Group offers to employees that satisfy the eligibility criteria defined contribution plans. The Lindt & Sprüngli Group is obliged to pay a fixed percentage of the annual pay to these pension schemes. To some of these plans, the employees also have to make contributions. These are typically deducted by the employer from the monthly salary and paid to the pension fund. Apart from the payment of the contributions, the employer has no further obligation to these pension funds or to the employees.

In 2017 the employer contributions to defined contribution plans amounted to CHF 12.4 million (CHF 11.9 million in 2016).

18.2 Defined benefit plans and other long-term employee benefits

The Lindt & Sprüngli Group finances defined benefit plans for the employees that satisfy the criteria to join such plans. The most significant defined benefit plans are located in Switzerland, Germany, USA, France, Italy, and Austria.

In addition to these plans, the Lindt & Sprüngli Group operates jubilee benefit plans and other plans with benefits depending on the past years of service. These plans qualify as other long-term employee benefits.

18.2.1 Employee benefits plans in Switzerland

The Lindt & Sprüngli Group operates different pension schemes in Switzerland. They are either organized through a separate foundation or through an affiliation to a collective foundation of an insurance company. The foundations are governed by foundation boards. The foundation boards are made up by an equal number of employee and employer representatives. The members of the foundation board are obliged by the law and the plan rules to act in the interest of the member (active employees and pensioners) only. Since the decisions are taken by the foundation boards, the only influence of the Lindt & Sprüngli Group is through its representatives.

The main duties of the foundation boards include the decision about the plan rules including the level of the contributions, the organization and the investment strategy.

The benefits are mainly depending on the insured salary and the years of service. For some of the plans the benefits are depending on retirement savings account. At retirement age, the insured members can choose whether to take a pension for life, which includes a spouse's pension, or a lump sum. In addition to retirement benefits, the plan benefits also include disability and death benefits. Insured members may also buy into the scheme to improve their pension provision up to the maximum amount permitted under the rules or may withdraw funds early for the purchase of a residential property for their own use. On leaving the company, the retirement savings will be transferred to the pension institution of the new employer or to a vested benefits institution. This type of benefit may result in pension payments varying considerably between individual years.

In defining the benefits, the minimum requirements of the Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and its implementing provisions must be observed. The BVG defines the minimum pensionable salary and the minimum retirement credits. The interest rate applicable to these minimum retirement savings is set by the Swiss Federal Council at least once every two years. In 2017, the rate was 1.00% (1.25% in 2016). The structure of the plan and the legal provisions of the BVG mean that the employer is exposed to actuarial risks. The main risks are investment risk, the inflation risk if it results in a salary increase, the interest risk, the disability risk and the risk of life expectancy.

The employee and employer's contributions are set by the foundation board. The employer has to finance at least 50% of the total contributions. Contributions can also be financed through an employer welfare fund or finance foundations of the employer. In the event of a shortfall, recapitalization contributions to eliminate the gap in coverage may be levied from both the employer and the employee.

Beside the pension schemes, there are employer foundations that have as a main task to finance the pension schemes. The Board members of these foundations are appointed exclusively by the employer.

One of these foundations provides directly benefits to former employees. The Board made the eligibility criteria more restrictive resulting in a past service gain of CHF 3.7 million. A change in the eligibility criteria and the benefits level for the other long-term employee benefits plans resulted in a past service charge of CHF 0.9 million.

18.2.2 Employee benefits plans in Germany

In Germany the Lindt & Sprüngli Group operates different company pension plans. These plans are based on different rules and agreements between the employer and employees. For certain management employees individual agreements are applied. The plan provides benefits in the event of retirement, disability and death. Depending on the plan rules, the benefits are either paid as pensions for life or as lump sums. The most significant plans are financed directly by the employer. Upon termination of the employment prior to retirement, the vested benefits remain preserved as required by the German pension law (Betriebsrentengesetz).

The plans are regulated by the German pension law. The most significant risks related to actuarial gains or losses within these plans are born by the employer. The risk of life expectancy, the salary increase risk and the inflation risk might result in pension adjustments.

One of these plans has changed the eligibility criteria for one particular group of employees. This change resulted in a past service gain of CHF 6.1 million.

18.2.3 Employee benefits plans in the USA

In the USA, several defined benefit plans exist. The largest plan is a multi-employer plan. The employer contribution to this plan is calculated based on the working hours of the active employees. For each hour a fixed contribution is paid which is determined in the collective agreement with the unions. At retirement, a life-long pension is paid based on the contributions made.

Further, there is a closed defined benefit plan. The old age benefits are calculated based on the years of service and a fixed USD amount. The benefits are typically provided as annual old age pensions for life. Next to the old age benefits, the plan provides death benefits. The plan is financed in full by the employer. Plan participant's contributions are not allowed. Due to the plan characteristics, the employer is exposed to different actuarial risks, in special to the risk of the development of the future life expectancy. Due to the pooling, the assets of the plan can be influenced by the other employers.

In another defined benefit plan, the employee receives a lump sum equal to the savings account at retirement. In addition to the savings account, the return on the investments chosen by the employee are reimbursed. The underlying assets are separated in a trust but do not qualify as defined benefit assets under IAS 19 as the assets are available to the creditors. Nevertheless, the trust reimburses the Company for the payments of the benefits. For this plan there is no actuarial risk, as long as the investments of the trust cover the investments chosen by the employees.

18.2.4 Other employee benefits plans

Other post-retirement plans exist in France, Italy, Austria, and Poland and plans for other long-term employee benefits in Australia, France, UK, Ireland, Austria, and Spain. All plans are compliant with local laws.

The last actuarial valuation was prepared by independent actuaries at December 31, 2017. The market value of assets at December 31, 2017 was estimated based on the information available at the moment of preparing the results.

18.2.5 Actuarial calculations

The main assumptions on which the actuarial calculations are based can be summarized as follows:

	Pension plans		Other long-term employee benefits	
	2017	2016	**2017**	2016
Discount rate	1.6%	1.6%	1.4%	1.5%
Future salary increases	0.9%	0.9%		
Future pension adjustments	0.2%	0.2%		

For the countries with material pension obligations the following assumptions about the life expectancy at age 65 were taken into account:

			2017			2016
	Switzerland	Germany	USA	Switzerland	Germany	USA
Retirement in 20 years (age of 45 at balance sheet date)						
Men	24.26	21.90	19.88	24.18	21.77	19.94
Women	26.29	25.82	22.12	26.22	25.70	22.21
Retirement at balance sheet date (age of 65)						
Men	22.38	19.26	18.34	22.26	19.13	18.14
Women	22.43	23.32	20.60	24.32	23.19	20.66

The demographic trend shows only in the United States a reduction in the life expectancy. In all other relevant countries an increase in the life expectancy can still be observed.

The amounts recognized in the income statement and in the other comprehensive income (OCI) can be summarized as follows:

	Pension plans		Other long-term employee benefits	
CHF million	**2017**	2016	**2017**	2016
Employee benefits expense				
Total service cost				
Current service cost	17.7	17.4	0.7	0.6
Past service cost and curtailments	–9.8	1.3	0.8	0.1
Net interest cost	–9.5	–16.9	0.1	0.1
Liability management cost	0.6	0.6	–	–
Actuarial gains (–)/losses (+)	–	–	0.9	0.4
Total defined benefit cost (+)/gain (–) of the period	**–1.0**	**2.4**	**2.5**	**1.2**
Valuation components accounted for in OCI				
Actuarial gains (–)/losses (+)				
Arising from changes in demographic assumptions	–0.4	–6.1	–	–
Arising from changes in financial assumptions	–16.7	0.3	–	–
Arising from experiences	–3.2	–3.3	–	–
Return on plan assets (excluding interest income)	–198.3	260.7	–	–
Return on reimbursement (excluding amounts in net interest)	–0.8	–0.1	–	–
Changes in asset ceiling	22.6	–	–	–
Total defined benefit cost (+)/gain (–) recognized in OCI	**–196.8**	**251.5**	**–**	**–**
Total defined benefit cost (+)/gain (–)	**–197.8**	**253.9**	**–**	**–**

The changes in pension obligations, pension assets, and the asset ceiling can be summarized as follows:

Changes in the present value of the defined benefit obligation

	Pension plans		Other long-term employee benefits	
CHF million	**2017**	2016	**2017**	2016
Defined benefit obligation as at January 1	**611.9**	**607.4**	**7.8**	**7.3**
Current service cost	17.7	17.4	0.7	0.6
Plan participants' contributions	5.5	4.6	–	–
Interest expense on the net present value of the obligation	9.4	11.4	0.1	0.1
Actuarial gains (–)/losses (+)	–20.3	–8.9	0.9	0.4
Past service gains (–)/losses (+)	–9.8	1.3	0.8	0.1
Benefits paid through pension assets	–23.3	–18.3	–	–
Benefits paid by employer	–5.3	–5.0	–0.7	–0.7
Currency exchange differences	5.4	2.0	0.6	–
Defined benefit obligation as at December 31	**591.2**	**611.9**	**10.2**	**7.8**

Changes in the fair value of plan assets

		Pension plans
CHF million	**2017**	2016
Fair value of plan assets as at January 1	**1,728.9**	**1,970.2**
Plan participants' contributions	5.5	4.6
Contributions by employer	5.0	4.8
Interest income	18.5	27.7
Return on plan assets (excluding interest income)	198.3	–260.7
Benefits paid through pension assets	–23.3	–18.3
Liability management cost	–0.6	–0.6
Currency translations	–1.1	1.2
Fair value of plan assets as at December 31	**1,931.2**	**1,728.9**

Development of reimbursement rights [1]

CHF million	**2017**	2016
Reimbursement rights as at January 1	**11.8**	**12.0**
Employee contributions	0.6	–
Employer contributions	0.1	0.7
Interest income on reimbursements	0.5	0.5
Return on reimbursement (excluding interest income)	0.8	0.1
Reimbursements to employer	–2.2	–1.9
Currency translation	–0.6	0.4
Reimbursement rights as at December 31	**11.0**	**11.8**

1 Relates exclusively to reimbursement rights of the company Russell Stover Chocolates, LLC.

Development of not recorded plan assets

		Pension plans
CHF million	**2017**	2016
Asset ceiling as at January 1	**–**	**–**
Change in asset ceiling recognized in OCI	22.6	–
Asset ceiling as at December 31	**22.6**	**–**

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

Amount recognized in the balance sheet

	Pension plans		Other long-term employee benefits	
CHF million	**2017**	2016	**2017**	2016
Present value of funded obligation	563.1	583.6	–	–
Fair value of plan assets	–1,931.2	–1,728.9	–	–
Underfunding (+)/overfunding (–)	**–1,368.1**	**–1,145.3**	**–**	**–**
Unrecognized prepaid pension costs	22.6	–	–	–
Present value of unfunded obligations	28.1	28.3	10.1	7.8
Net pension liability (+)/asset (–)	**–1,317.4**	**–1,117.0**	**10.1**	**7.8**
of which pension liabilities	164.7	183.9	10.1	7.8
of which pension assets[1]	–1,482.1	–1,300.9	–	–

1 See note 9.

The plan assets are mainly managed by the Swiss pension plans and employer funds. The foundation boards issue investment guidelines for the plan assets which include the tactical asset allocation and the benchmarks for comparing the results with a general investment universe. The pension plans are also subject to the legal requirements on diversification and safety required by the BVG. Investment in bonds have in general at least an A rating, investments in real estate are typically held directly by the plans.

The foundation boards of the pension funds regularly review whether the chosen investment strategy is appropriate in view of the pension benefits to be provided and whether the risk capability is in line with the demographic structure. Compliance with the investment guidelines and the investment results of the investment advisors are reviewed by the foundation boards of the pension funds on a quarterly basis.

The investments in the employer foundation and primarily in the finance foundation are mainly invested in shares of the Lindt & Sprüngli Group.

The pension assets mainly consist of the following asset categories:

			2017			2016
CHF million	Listed	Not listed	Total	Listed	Not listed	Total
Equities	1,602.4	–	1,602.4	1,410.9	–	1,410.9
Bonds	145.4	–	145.4	132.6	–	132.6
Alternative investments	15.1	–	15.1	11.7	–	11.7
Real estate	18.3	112.1	130.4	17.2	108.1	125.3
Qualified insurance policies	–	17.8	17.8	–	18.5	18.5
Liquidity and other	–	20.1	20.1	–	29.9	29.9
Total	**1,781.2**	**150.0**	**1,931.2**	**1,572.4**	**156.5**	**1,728.9**

The plan assets include investments in the Lindt & Sprüngli Group with a market value of CHF 1,442.5 million at December 31, 2017 (CHF 1,267.4 million at December 31, 2016). Moreover, the Lindt & Sprüngli Group has occupied property from the pension funds with a market value of CHF 16.5 million at December 31, 2017 (CHF 16.5 million at December 31, 2016).

The revaluation of assets resulted in a gain of CHF 216.8 million in 2017 and in a loss of CHF 233.0 million in 2016 respectively. In 2018 the expected employer contributions amount to CHF 5.1 million and the expected payments for pensions by the employer to CHF 4.8 million.

The following table provides a breakdown of the defined benefit obligations among active insured members, former members with vested benefits, and members receiving pensions:

		Pension plans
CHF million	**2017**	2016
Active employees	313.6	337.5
Vested terminations	24.6	22.1
Pensioners	253.0	252.3
Total	**591.2**	**611.9**

The average duration of the liabilities at December 31, 2017 is 15.9 years (17.1 years at December 31, 2016).

The following table shows the impact of the change of the discount rate, salary increase, and pension indexation on the present value of the defined benefit obligation:

CHF million		**2017**		2016
Increase (+)/decrease (–) of assumptions by	+0,25%	–0,25%	+0,25%	–0,25%
Technical interest rate	–21.3	23.1	–24.1	26.0
Salary increase	6.9	–5.9	8.4	–7.5
Pension indexation	11.9	–2.5	14.3	–2.4

19. Provisions

CHF million	Business risks	Other	**Total**
Provisions as at January 1, 2016	**83.6**	**20.0**	**103.6**
Addition	22.0	18.0	40.0
Utilization	–7.1	–2.9	–10.0
Release	–19.6	–	–19.6
Currency translation	0.1	0.1	0.2
Provisions as at December 31, 2016	**79.0**	**35.2**	**114.2**
Addition	17.4	1.2	18.6
Utilization	–7.7	–2.8	–10.5
Release	–9.0	–8.1	–17.1
Currency translation	0.5	0.2	0.7
Provisions as at December 31, 2017	**80.2**	**25.7**	**105.9**

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, 2017.

20. Accounts Payable

Accounts payable to suppliers are denominated in the following currencies:

CHF million	**2017**	2016
CHF	13.6	11.8
EUR	119.3	96.1
USD	54.0	43.2
GBP	10.5	13.0
Other currencies	19.9	16.3
Total	**217.3**	**180.4**

21. Accrued Liabilities

CHF million	**2017**	2016
Trade related accrued liabilities	377.9	342.5
Salaries/wages and social costs	100.2	105.4
Other	199.5	170.4
Total	**677.6**	**618.3**

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

"Salaries/wages and social costs" is related to bonuses, overtime, and outstanding vacation days, whereas the position "other" comprises accruals for third-party services rendered as well as commissions.

22. Other Income

CHF million	**2017**	2016
Fees from third parties	3.5	3.0
Insurance reimbursements	2.0	1.1
Other	12.2	13.1
Total	**17.7**	**17.2**

"Fees from third parties" comprise mainly the reimbursement of freight charges. The position "other" includes mainly license fees, company-produced additions involving investments in fixed assets, and gain on sale of assets.

23. Personnel Expenses

CHF million	**2017**	2016
Wages and salaries	656.9	631.3
Social benefits	136.8	124.7
Other	92.7	90.3
Total	**886.4**	**846.3**

For the year 2017, the Lindt & Sprüngli Group employed an average of 13,949 people (13,539 in 2016).

24. Net Financial Result

CHF million	**2017**	2016
Interest income	0.7	2.3
Interest expense	–15.6	–14.1
Income from other financial instruments	2.3	3.4
Total	**–12.6**	**–8.4**

25. Earnings per Share/Participation Certificate (PC)

	2017	2016
Non-diluted earnings per share/10 PC (CHF)	**1,892.5**	**1,791.3**
Net income (CHF million)	450.7	419.7
Weighted average number of registered shares/10 PC	238,145	234,298
Diluted earnings per share/10 PC (CHF)	**1,880.6**	**1,766.8**
Net income (CHF million)	450.7	419.7
Weighted average number of registered shares/10 PC and outstanding options on 10 PC	239,662	237,546

26. Dividend per Share/Participation Certificate (PC)

CHF	**2017**	2016
Dividend per share/10 PC	930[1]	880

1 Proposal of the Board of Directors.

During the period January 1 to record date (May 9, 2018), 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.

27. 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 during the vesting 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:

	2017		2016	
	Number of options	Weighted average exercise price (CHF/PC)	Number of options	Weighted average exercise price (CHF/PC)
Outstanding options as at January 1	**118,232**	**4,005**	**120,888**	**3,416**
New option rights	24,205	5,360	26,830	5,401
Exercised rights	–35,017	2,918	–24,661	2,631
Cancelled rights	–4,621	4,815	–4,825	4,027
Outstanding options as at December 31 [1]	**102,799**	**4,658**	**118,232**	**4,005**
of which exercisable at December 31	12,449	3,174	21,018	2,739
Average remaining time to expiration (in days)	677		735	

1 The exercise price varies between CHF 2,523 to CHF 5,401 as at December 31, 2017.

Options expenses are charged to the income statement proportionally according to the vesting period. The recorded expenses amount to CHF 14.0 million (CHF 13.9 million in 2016). The assumptions used to calculate the expenses for the grants 2014 to 2017 are listed in the following table:

Date of issue	**16.1.2017**	21.1.2016	28.1.2015	13.1.2014
Number of issued options	24,205	26,830	25,465	19,550
of which in bracket A (blocking period 3 years)	8,405	9,353	8,847	6,787
of which in bracket B (blocking period 4 years)	8,525	9,444	8,962	6,883
of which in bracket C (blocking period 5 years)	7,275	8,033	7,656	5,880
Issuing price (CHF)	5,360	5,401	4,811	4,062
Price of participation certificates on date of issue (CHF)	5,260	5,285	4,730	4,036
Value of options on issuing date (CHF)				
Bracket A (blocking period 3 years)	631	637	607	634
Bracket B (blocking period 4 years)	690	697	654	692
Bracket C (blocking period 5 years)	737	747	688	735
Maximum life span (in years)	7	7	7	7
Form of compensation	PC from conditional capital			
Expected life span (in years)	5–6	5–6	5–6	5–6
Expected rate of retirement per year	2.1%	2,1%	2,2%	2,3%
Expected volatility	21.2%	21,4%	21,3%	22,1%
Expected dividend yield	1.63%	1.57%	1.53%	1.49%
Risk-free interest rate	(0,38)–(0,25)%	(0,51)–(0,36)%	(0,53)–(0,38)%	0,66–0,92%
Model	Binomial model			

28. Contingencies

As last year, the Lindt & Sprüngli Group has no contingent liabilities that would require disclosure as of December 31, 2017. With respect to the Lindt Chocolate Competence Foundation's construction project, refer to note 30.

29. Commitments

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

CHF million	**2017**	2016
Property, plant and equipment	78.1	32.1

The future lease payments under operating lease commitments are:

CHF million	**2017**	2016
Up to 1 year	81.1	66.9
Between 1 and 5 years	238.0	176.4
Over 5 years	140.5	72.6
Total	**459.6**	**315.9**

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

30. Transactions with Related Parties

A family member of a Director of the Board has a majority share in a company, to which products were sold at arm's length for the value of CHF 18.6 million (CHF 18.8 million in 2016) and license fee income of CHF 0.6 million (CHF 0.6 million in 2016) was generated. Receivables outstanding against this company were CHF 13.7 million (CHF 13.7 million in 2016) at the balance sheet date.

In 2017 the Lindt & Sprüngli Group provided various administration services to the "Lindt Chocolate Competence Foundation", the "Lindt Cocoa Foundation", the "Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG" and the "Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG". The services were invoiced at arm's length.

The Lindt & Sprüngli Group has provided the "Lindt Chocolate Competence Foundation" with the building right for the Chocolate Competence Centre in 2016. The conditions of this contract are agreed at arm's length. In addition, the Lindt & Sprüngli Group has provided the funding bank with a security of up to CHF 130.0 million in relation to the construction project, which is unlikely to be used.

Remuneration of the Board of Directors and Group Management

In 2017 the Lindt & Sprüngli Group consisted of 6 non-executive and executive Directors (6 in 2016). The number of executive Officers is 8 in 2017 (8 in 2016). The compensation paid to non-executive Directors and executive Officers is shown below:

CHF thousand	**2017**	2016
Fixed cash compensation [1]	11,152	7,085
Variable bonus component [2]	3,483	4,786
Other compensation [3]	296	598
Options [4]	5,092	6,913
Registered shares	3,161	3,232
Total	**23,184**	**22,614**

1 Total gross cash compensation and allowances for Officers and Directors including pension benefits paid by employer (excluding social charges paid by employer) for the Officers.
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 The valuation of option grants on Lindt & Sprüngli participation certificates is based on the market value at grant date.

Apart from the payments mentioned above, no payments were made on a private basis or via consulting companies to either an executive or a non-executive member of the Board or a member of Group Management. As of December 31, 2017, there were no loans, advances or credits due to the Lindt & Sprüngli Group or any of its subsidiaries by any of the members of the Board or the Group Management.

31. Events after the Balance Sheet Date

The consolidated financial statements were approved for publication by the Board of Directors on March 5, 2018. The approval of the consolidated financial statements by the shareholders will take place at the Annual Shareholders' Meeting. No events have occurred up to March 5, 2018, which would necessitate adjustments to the carrying values of the Lindt & Sprüngli Group's assets or liabilities, or which require additional disclosure.

pwc

Report of the statutory auditor

to the General Meeting of Chocoladefabriken Lindt & Sprüngli AG

Kilchberg

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Chocoladefabriken Lindt & Sprüngli AG and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 78 to 114) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

pwc

Our audit approach

Overview

Overall Group materiality: CHF 41,0o0,000

We concluded full scope audit work at 25 Group companies in 17 countries. These Group companies represented 99% of the sales and the assets of the Group.

As key audit matters, the following areas of focus were identified:

- Intangible assets – Impairment testing of goodwill
- Financial assets – Valuation of pension fund assets

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of 29 units, each of which is considered a component. In collaboration with Management, we identified 25 Group companies at which an audit of the financial information was performed. The 4 Group companies not in scope are not material to the Group and contribute around 1% to the sales and the assets of the Group.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors in the PwC network. Where audits were performed by component auditors, we ensured that, as Group auditor, we were sufficiently involved in the audit to assess whether sufficient appropriate audit evidence was obtained in the course of the work of the component auditor to provide a basis for our opinion on the Group financial statements. Our involvement as Group auditors was based on auditing instructions and standardised reporting. It included regular written and oral communications with selected component audit teams.

The Group audit team itself performed specific audit procedures with regard to the Group's consolidation and areas involving significant scope for judgement (including taxes, goodwill, intangible assets, treasury, pension benefits, litigation and the elimination of unrealised intercompany profits on inventories).

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 41,0o0,000
How we determined it	7% of income before taxes
Rationale for the materiality benchmark applied	We chose earnings before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. In addition, earnings before tax is a generally accepted benchmark for materiality considerations. We chose 7% in light of the high equity level and the Group's past performance.

We agreed with the Board of Directors that we would report to them misstatements above CHF 2,000,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Intangible assets – Impairment testing of goodwill

Key audit matter	*How our audit addressed the key audit matter*
Intangible assets are recognised in the amount of CHF 1379 million, of which CHF 769 million is goodwill arising in connection with the acquisition of Russell Stover LLC, a US-based chocolate producer, in 2014. We focused on this area due to the size of the goodwill balance and because valuation of this balance by management involves significant scope for judgement concerning future results of the Russell Stover business. Management compares the carrying value of goodwill with the value in use of the underlying business. Value in use is calculated by estimating the future cash flows that the business is expected to generate. If the value in use is lower than the carrying value of goodwill, an impairment charge is recognised. The most significant elements of the value in use calculation are the assessment of the discounted cash flow model used and the assessment of the underlying assumptions. The underlying assumptions that offer the greatest scope for judgment are the long-term sales growth rates, EBIT margin growth rates and the discount rate. Please refer to note 8 for details of the impairment test and management's assumptions.	We evaluated the components used in management's forecasts of future cash flows. We also assessed the process by which the forecasts were established for Russell Stover. Lindt & Sprüngli Group prepares three-year budgets, which are approved by the Board of Directors. These budgets form the basis for management's cash flow forecasts used in the impairment assessment. We compared the 2017 actual results with the cash flow forecasts used in the 2016 impairment test to consider whether any forecasts included assumptions that, with hindsight, were too optimistic. In 2017, the performance of Russell Stover was lower than forecast. Management has appropriately reflected this in the calculations for this year. Additionally, we evaluated the following assumptions used by management: • long-term growth rates, by comparing them to economic and industry forecasts; • EBIT margin growth rates, by comparing them with other, mature Lindt & Sprüngli production entities; and

	• the discount rate, by assessing the costs of capital for the company and comparable organisations, taking into consideration territory-specific factors. We checked management's valuations for correctness. Additionally, we assessed management's sensitivity analyses of the key assumptions to ascertain the extent of change in those assumptions that would be required, either individually or collectively, for the goodwill to be impaired. We discussed the outcomes of the sensitivity analyses with management. We concluded that the models and assumptions used are appropriate to test for the impairment of intangible assets.

Financial assets – Valuation of pension fund assets

Key audit matter	*How our audit addressed the key audit matter*
Financial assets are recognised in the amount of CHF 1484 million, of which CHF 1482 million are assets relating to pension funds. We focused on this area due to the size of the pension fund assets and because management's assessment of the valuation of this balance involves important judgements regarding the valuation parameters used and the estimates of future benefits from the pension fund assets. Management engages an external actuary to perform the calculation of the net present value of the pension benefit obligations, which are then compared with the pension fund assets in order to determine the recognised liabilities and assets that relate to the pension funds. The most judgemental assumptions underlying this calculation were the salary growth rates, the pension increase rates, the mortality rate and the inflation rate. For further information, please refer to notes 9 and 18.	We compared on a sample basis the personal data used in the calculation of the pension benefit obligations with the data made available to us by the pension institution. We did not identify any differences. We assessed the engagement and the professional competency and independence of the actuary engaged by management. We concluded that we could place reliance on the calculation performed by the actuary. Additionally, we evaluated the following assumptions used by management: • the salary growth rates and the pension increase rates by comparing them with economic and industry forecasts; • the mortality rate, by ensuring that the appropriate generation table was used; and • the inflation rate, by comparing it with relevant market data. We tested on a sample basis whether the pension fund assets existed and that they were measured correctly. Based on the audit procedures performed, we found that the assumptions used by management in the valuation of the net assets of the pension funds were within a range considered to be reasonable.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the compensation report of Chocoladefabriken Lindt & Sprüngli AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

Bruno Häfliger
Audit expert
Auditor in charge

Josef Stadelmann
Audit expert

Zurich, 5 March 2018

Balance Sheet

CHF thousand	Note	December 31, 2017	December 31, 2016
Assets			
Cash and cash equivalents		179,749	17,425
Marketable securities and short-term financial assets		440,000	440,000
Accounts receivable			
from third parties		10,316	8,890
from subsidiaries		5,045	5,026
Other receivables			
from subsidiaries		2,437	–
Accrued income			
from subsidiaries		29,974	31,260
Total current assets		**667,521**	**502,601**
Loans to subsidiaries		430,000	430,000
Investments	4	870,415	857,965
Intangible assets		476,149	501,210
Total non-current assets		**1,776,564**	**1,789,175**
Total assets		**2,444,085**	**2,291,776**
Liabilities and Shareholders' Equity			
Accounts payable to subsidiaries		1,809	1,732
Short-term interest-bearing liabilities			
to subsidiaries		59,181	73,752
Other accounts payable			
to third parties		584	1,048
Bonds	5	–	250,000
Tax liabilities		23,914	19,831
Accrued liabilities			
to third parties		5,232	3,679
to subsidiaries		2	12
Total current liabilities		**90,722**	**350,054**
Bonds	5	1,000,000	750,000
Total non current liabilities		**1,000,000**	**750,000**
Share capital		13,609	13,609
Participation capital		10,481	10,131
Reserve from capital contribution	7	116,477	85,879
General legal reserve		76,040	76,040
Special reserve	7	931,815	773,074
Retained earnings			
Balance brought forward from previous year		35,604	34,175
Net income for the year		253,346	299,129
Treasury stock	6	–84,009	–100,315
Total shareholders' equity		**1,353,363**	**1,191,722**
Total liabilities and shareholders' equity		**2,444,085**	**2,291,776**

Income Statement

CHF thousand	**2017**	2016
Dividends and other income from subsidiaries	315,908	313,947
Other income	382	351
Other expenses	–21,735	–14,974
Value adjustments on investments and intangible assets	–23,571	–4,960
Operating profit	**270,984**	**294,364**
Financial income	23,972	46,380
Financial expenses	–14,660	–11,199
Income before taxes	**280,296**	**329,545**
Taxes	–26,950	–30,416
Net income	**253,346**	**299,129**

Notes to the Financial Statements

1. Introduction

The financial statements of Chocoladefabriken Lindt & Sprüngli AG, with registered office in Kilchberg, were prepared in accordance with the Swiss accounting legislation of the Swiss Code of Obligations (CO).

Chocoladefabriken Lindt & Sprüngli AG is presenting consolidated financial statements according to an internationally accepted reporting standard. Therefore, these financial statements and notes do not include additional disclosures, cash flow statement, and management report, according to Art. 961d, paragraph 1 CO.

2. Accounting Policies

Non-current assets

Non-current assets are valued at historical cost less impairment. Intangible assets mainly consist of the intellectual property rights of Russell Stover Chocolates, LLC, acquired in 2014 and amortized over a period of 20 years starting in 2017.

Treasury shares

Treasury shares are recognized at acquisition cost and are presented as a deduction from shareholder's equity. Upon sale of treasury shares, the realized gain or loss is recognized through the income statement as income or expense from financial assets.

Financial liabilities

Financial liabilities are recognized at nominal value. Agios and disagios as well as bond issuance costs are recognized in the income statement.

Dividends and other income from subsidiaries

Dividend income resulting from financial investments is recorded upon approval of the dividend distribution.
"Other income from subsidiaries" mainly consist of license fees, which are recognized in the period they fall due.

Foreign currency translation

The foreign exchange rates are listed on page 85 of the notes to the consolidation financial statements. In deviation to the table on page 85 transactions in the income statement are booked at the respective month-end rate.

3. Liabilities Arising from Guarantees and Pledges in Favor of Third Parties

Contingent liabilities as at December 31, 2017, amounted to CHF 247.0 million (CHF 287.2 million in 2016). This figure comprises guarantees given to counterparties providing credit lines for borrowings to 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.

4. Investments

The investments in subsidiaries are listed on page 83 of the notes to the consolidated financial statements.

5. Bonds

In September 2014 Chocoladefabriken Lindt & Sprüngli AG placed bonds of CHF 1 billion in order to finance the acquisition of Russell Stover Chocolates, LLC. The bonds consist of the following three tranches:

- CHF 250 million floating rate bond with a term of 3 years and a floating interest rate based on 3-month CHF LIBOR plus 0.18% per annum. The interests are paid quarterly. The tranche was paid back in October 2017;
- CHF 500 million bond with a term of 6 years and a fixed coupon of 0.5% per annum. The interests are paid annually on October 8; and
- CHF 250 million bond with a term of 10 years and a fixed coupon of 1.0% per annum. The interests are paid annually on October 8.

In October 2017 Chocoladefabriken Lindt & Sprüngli AG placed a new bond of CHF 250 million with a term of 10 years and a fixed coupon of 0.3% per annum. The interests are paid annually on October 6.

CHF million	Interest rate	Term	Notional amount
Straight bond	0.5%	2014–2020	500.0
Straight bond	1.0%	2014–2024	250.0
Straight bond	0.3%	2017–2027	250.0
Total			**1,000.0**

6. Acquisition and Sale of Registered Shares and Participation Certificates

	2017		2016	
	Registered shares	Participation certificates	Registered shares	Participation certificates
Inventory as at January 1	**1,909**	**–**	**2,584**	**–**
Additions	–	–	150	–
Retirements	–385	–	–825	–
Inventory as at December 31	**1,524**	**–**	**1,909**	**–**
Average cost of additions (CHF)	–	–	66,889	–
Average sales price of retirements (CHF)	65,734	–	68,079	–

7. Reserves

	Reserves from capital contribution				Special reserves
CHF thousand	Requested	Approved	Not approved[1]	Total	Total
Balance as at January 1, 2016	**–**	**103,180**	**11,676**	**114,856**	**653,983**
Reserve from retained earnings	–	–	–	–	120,000
Additions during the year	63,737	–	910	64,647	–910
Approved reserves from capital contribution					
FTA approval February 27, 2017	–63,737	63,737	–	–	–
Proposed dividend distribution	–	–93,974	–	–93,974	–
Undistributed dividends on own registered shares and participation certificates	–	1,013	–	1,013	–
Options exercised from January 1 to April 26, 2016	–	–663	–	–663	–
Balance as at December 31, 2016	**–**	**73,293**	**12,586**	**85,879**	**773,073**
Reserve from retained earnings	–	–	–	–	160,000
Additions during the year	100,565	–	1,258	101,823	–1,258
Approved reserves from capital contribution					
FTA approval February 20, 2018	–100,565	100,565	–	–	–
Proposed dividend distribution	–	–71,220	–	–71,220	–
Undistributed dividends on own registered shares and participation certificates	–	557	–	557	–
Options exercised from January 1 to April 25, 2017	–	–562	–	–562	–
Balance as at December 31, 2017	**–**	**102,633**	**13,844**	**116,477**	**931,815**

1 The Swiss federal tax administration (FTA) has not yet approved the capital transaction costs of TCHF 13,844 as reserves from capital contribution. This practice may be changed in the future.

8. Mandatory Disclosure of Interest Positions Pursuant to Art. 663c CO

As of December 31, 2017, Chocoladefabriken Lindt & Sprüngli AG disclosed the following shareholders known to the Company (in accordance with Art. 663c CO and the articles of association), which own voting shares of more than 4%: "BlackRock Inc." held 4.46% of the Company's shares. "Fonds für Pensionsergänzungen of Chocoladefabriken Lindt & Sprüngli AG", "Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG", "Lindt Cocoa Foundation" and "Lindt Chocolate Competence Foundation" held as a group 20.23% of the voting rights of the Company (20.23% in 2016).

The participation of the Board of Directors and Group Management as at December 31, according to Art. 663c CO is as follows:

		Number of registered shares (RS)		Number of participation certificates (PC)		Number of options	
		2017	2016	**2017**	2016	**2017**	2016
E. Tanner	Executive Chairman	3,172	3,122	12,060	8,400	8,950	14,750
A. Bulgheroni	Member of the Board	1,000	1,000	–	–	–	1,900
Dkfm E. Gürtler	Member of the Board	1	1	50	50	–	–
Dr R. K. Sprüngli	Member of the Board	1,092	1,090	–	–	–	–
Dr T. Rinderknecht	Member of the Board	–	–	–	–	–	–
P. Schadeberg-Herrmann	Member of the Board	127	127	–	–	–	–
Dr D. Weisskopf	Group Management	7	7	2,400	2,400	6,850	7,650
A. Pfluger	Group Management	5	5	30	30	4,850	6,483
R. Fallegger	Group Management	5	5	100	654	4,048	4,088
A. Germiquet [3]	Group Management	4	–	–	–	2,525	–
Dr A. Lechner	Group Management	7	7	56	56	4,025	5,150
M. Hug [3]	Group Management	–	–	–	–	1,825	–
G. Steiner [3]	Group Management	2	–	–	–	1,840	–
K. Kitzmantel [1]	Group Management	2	5	–	–	3,798	3,838
U. Sommer [2]	Group Management	–	1	–	–	–	5,400
Total		**5,424**	**5,370**	**14,696**	**11,590**	**38,711**	**49,259**

1 Mr. K. Kitzmantel stepped down from Group Management on December 31, 2017 on reaching retirement.
2 Mr. U. Sommer stepped down from Group Management on April 30, 2017 on reaching retirement, therefore no participation as December 31, 2017.
3 Messrs. Germiquet, Hug and Steiner joined Group Management on January 1, 2017, so there was no participation for 2016.

All other disclosures relating to the remuneration of the Board of Directors, Group Management, and Extended Group Management are provided in the Compensation Report.

9. Number of Employees

Chocoladefabriken Lindt & Sprüngli AG has no employees.

Proposal for the Distribution of Available Retained Earnings

CHF	**December 31, 2017**	December 31, 2016
Balance brought forward	35,611,547	33,824,277
Net income	253,346,403	299,128,993
Other	–7,524[1]	351,205
Available retained earnings	**288,950,426**	**333,304,475**
Shares and participation certificates as per bylaws of CHF 24,090,330 as at December 31, 2017 (CHF 23,740,160 in 2016)		
510% (580% in 2016) dividend	–122,860,683[2]	–137,692,928
Allocation to special reserves	–130,000,000	–160,000,000
Balance carried forward	**36,089,743**	**35,611,547**
Allocation of approved capital contribution reserve to free reserves	101,179,386[2]	71,220,480
Withholding tax exempt distribution CHF 420.– per registered share/ CHF 42.– per participation certificate (CHF 300.– per RS/CHF 30.– per PC in 2016)	–101,179,386[2]	–71,220,480

1 Includes dividends not distributed on treasury stock held of CHF 1,078,220, dividends distributed on options exercised during the period January 1 to April 25, 2017 of CHF –1,087,094, and expired dividends of CHF 1,350.

2 Number of registered shares and participation certificates, status as at December 31, 2017. During the period from January 1 until record date (May 9, 2018), 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.

For 2017 the Board of Directors proposes a total dividend of CHF 930.– per registered share and CHF 93.– per participation certificate.

CHF 420.– per registered share and CHF 42.– per participation certificate are distributed out of the approved capital contribution reserve (agio) and CHF 510.– per registered share and CHF 51.– per participation certificate are distributed out of retained earnings.

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Report of the statutory auditor
to the General Meeting of Chocoladefabriken Lindt & Sprüngli AG

Kilchberg

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Chocoladefabriken Lindt & Sprüngli AG which comprise the balance sheet as at 31 December 2017, and income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 122 to 127) as at 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 21,0o0,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matters, the following areas of focus were identified:

- Impairment assessment of intangible assets
- Valuation of investments in subsidiaries and loans to subsidiaries

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Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 21,0o0,000
How we determined it	7.5% of income before taxes
Rationale for the materiality benchmark applied	We chose income before tax as the benchmark because, in our view, it is the benchmark against which the performance of the company is most commonly measured. In addition, income before tax is a generally accepted benchmark for materiality considerations. We chose 7.5% in light of the high equity level and the Group's past performance.

We agreed with the Board of Directors that we would report to them misstatements above CHF 1,000,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment assessment of intangible assets

Key audit matter	*How our audit addressed the key audit matter*
Intangible assets are recognised in the amount of CHF 476 million, relating to the Russell Stover (CHF 437 million), Ghirardelli (CHF 33 million) and Caffarel (CHF 6 million) brands. We focused on this area due to the size of the balance and because valuation of intangible assets by management involves significant scope for judgement concerning estimates of the future results of these three brands. Management compares the carrying value of the brands with the value in use of the underlying business. Value in use is calculated by estimating the future cash flows that the business is expected to generate. If the value in use is lower than the carrying value of the intangible assets, an impairment charge is recognised. The most significant elements of the value in use calculation are the assessment of the discounted cash flow model used and the assessment of the underlying assumptions. The assumptions that offer the greatest scope for judgment are the long-term sales growth rates, EBIT margin growth rates and the discount rate. For further information on the impairment test and the assumptions used by management regarding the Russell Stover brand, please refer to note 8 in the notes to the consolidated financial statements.	We evaluated the components used in management's forecasts of future cash flows. We also assessed the process by which the forecasts were established for Russell Stover. Lindt & Sprüngli Group prepares three-year budgets, which are approved by the Board of Directors. These budgets form the basis for management's cash flow forecasts used in the impairment assessment. We compared the 2017 actual results with the cash flow forecasts used in the 2016 impairment test to consider whether any forecasts included assumptions that, with hindsight, were too optimistic. In 2017, the performance of Russell Stover was lower than forecast. Management has appropriately reflected this in the calculations for this year. Additionally, we evaluated the following assumptions used by management: • long-term growth rates, by comparing them with economic and industry forecasts; • EBIT margin growth rates, by comparing them with other, mature Lindt & Sprüngli production entities; and • the discount rate, by assessing the costs of capital for the company and comparable organisations, taking into consideration territory-specific factors. We checked management's valuations for correctness. Additionally, we assessed management's sensitivity analyses of the key assumptions to ascertain the extent of change in those assumptions that would be required, either individually or collectively, for intangible assets to be impaired. We discussed the outcomes of the sensitivity analyses with management. For the Ghirardelli and Caffarel brands, we compared the licence income with the carrying value of the brands. We concluded the models and assumptions used are appropriate to test for the impairment of intangible assets.

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Valuation of investments in subsidiaries and loans to subsidiaries

Key audit matter	*How our audit addressed the key audit matter*
Investments in subsidiaries are recognised in the amount of CHF 870 million and loans to subsidiaries in the amount of CHF 430 million. We focused our audit on these assets because of the large size of the balances and the significant scope for judgement involved in the assessment of the recoverability of these assets and in light of the financial performance of certain subsidiaries. The investments and loans are stated individually at historical cost less impairment in accordance with the requirements of commercial accounting and financial reporting. The impairment assessment of the investments in subsidiaries is based on a comparison of the carrying amounts with the intrinsic value of the investment, as determined by management. The intrinsic value of an investment is determined using generally accepted valuation methods in Switzerland that are based on past performance. If the carrying amount of the investment exceeds the intrinsic value as so determined, an impairment is recorded. The impairment assessment of the loans is determined by assessing the financial strength (equity) of the debtor. Please refer to note 2 'Accounting principles'.	We have tested management's assessment of the impairment of investments in subsidiaries and loans to subsidiaries as follows: • We assessed the technical appropriateness and mathematical accuracy of management's valuations; • We checked the consistent application of the valuation methods; • We reconciled on a sample basis the input parameters used for the valuations to audited financial information; • We tested on a sample basis the financial information used in the valuations of loans. On the basis of our audit procedures, we consider the impairment tests performed by management on investments to subsidiaries and loans to subsidiaries as adequate.

Responsibilities of the Board of Directors for the financial statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

Bruno Häfliger
Audit expert
Auditor in charge

Josef Stadelmann
Audit expert

Zurich, 5 March 2018

Lindt & Sprüngli Group Financial Key data – Five-Year Review

		2017	2016	2015	2014	2013
Income Statement						
Sales	CHF million	4,088.4	3,900.9	3,653.3	3,385.4	2,882.5
EBITDA	CHF million	764.4	714.0	645.8	588.0	503.3
in % of sales	%	18.7	18.3	17.7	17.4	17.5
EBIT	CHF million	595.4	562.5	518.8	474.3	404.1
in % of sales	%	14.6	14.4	14.2	14.0	14.0
Net income	CHF million	452.5	419.8	381.0	342.6	303.0
in % of sales	%	11.1	10.8	10.4	10.1	10.5
in % of average shareholders' equity	%	11.5	11.7	11.7	12.2	14.0
Operating cash flow	CHF million	591.0	515.4	488.9	308.2	419.1
in % of sales	%	14.5	13.2	13.4	9.1	14.5
Depreciation, amortization, and impairment	CHF million	169.0	151.5	127.0	113.7	99.2
Balance Sheet						
Total assets	CHF million	6,975.6	6,428.8	6,259.0	5,581.5	3,880.7
Current assets	CHF million	2,781.1	2,374.5	2,111.7	1,822.1	1,965.7
in % of total assets	%	39.9	36.9	33.7	32.6	50.7
Non-current assets	CHF million	4,194.5	4,054.3	4,147.3	3,759.4	1,915.0
in % of total assets	%	60.1	63.1	66.3	67.4	49.3
Non-current liabilities	CHF million	1,730.8	1,495.9	1,782.3	1,638.4	507.4
in % of total assets	%	24.8	23.3	28.5	29.3	13.1
Shareholders' equity	CHF million	4,195.0	3,674.0	3,489.7	3,001.7	2,634.7
in % of total assets	%	60.1	57.1	55.7	53.8	67.9
Investments in PPE/intangible assets	CHF million	185.2	234.1	252.8	234.6	191.4
in % of operating cash flow	%	31.3	45.4	51.7	76.1	45.7
Employees						
Average number of employees		13,949	13,539	13,180	10,712	8,949
Sales per employee	TCHF	293.1	288.1	277.2	316.0	322.1

Data per Share/Participation Certificate – Five-Year Review

		2017	2016	2015	2014	2013
Share						
Registered shares at CHF 100.– par [1]	Number	136,088	136,088	136,088	136,111	136,111
Participation certificates at CHF 10.– par [2]	Number	1,048,153	1,013,136	988,475	956,066	925,311
Non-diluted earnings per share/10 PC [3]	CHF	1,893	1,791	1,646	1,504	1,339
Operating cash flow per share/10 PC [3]	CHF	2,482	2,200	2,115	1,353	1,852
Shareholders' equity per share/10 PC [4]	CHF	17,414	15,476	14,854	12,954	11,523
Payout ratio	%	49.5	49.8	49.4	49.0	49.0
Registered share						
Year-end price	CHF	70,485	61,900	74,620	57,160	48,100
High of the year	CHF	72,280	74,090	76,000	59,140	48,890
Low of the year	CHF	61,790	57,025	53,740	48,100	34,650
Dividend	CHF	930.00 [5]	880.00	800.00	725.00	650.00
P/E ratio [6]	Factor	37.23	34.56	45.33	38.01	35.92
Participation certificate						
Year-end price	CHF	5,950	5,275	6,255	4,932	4,021
High of the year	CHF	5,985	6,240	6,300	5,095	4,036
Low of the year	CHF	5,055	4,877	4,570	4,013	3,002
Dividend	CHF	93.00 [5]	88.00	80.00	72.50	65.00
P/E ratio [6]	Factor	31.43	29.45	38.00	32.79	30.03
Market capitalization [6]	CHF million	15,828.7	13,768.1	16,337.8	12,495.4	10,267.6
in % of shareholders' equity [4]	%	377.3	374.7	468.2	416.3	389.7

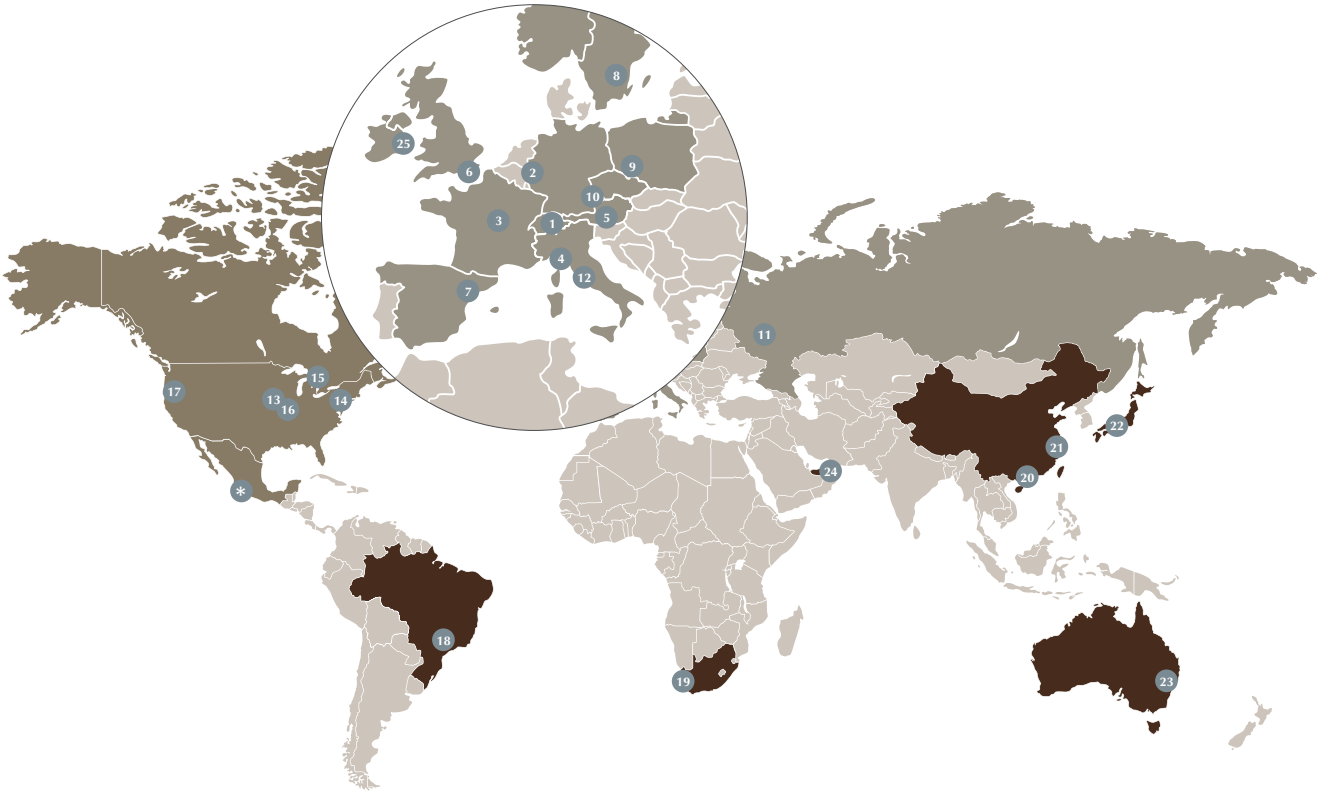
1 ISIN number CH0010570759, security number 1057075.
2 ISIN number CH0010570767, security number 1057076.
3 Based on weighted average number of registered shares/10 participation certificates.
4 Year-end shareholders' equity.
5 Proposal of the Board of Directors.
6 Based on year-end prices of registered shares and participation certificates.

Addresses of the Lindt & Sprüngli Group

For more than 175 years, Lindt & Sprüngli confirms its reputation as one of the most innovative and creative companies in the premium chocolate market. Quality chocolate from Lindt & Sprüngli is distributed via own subsidiaries, regional offices, via an extensive global network of distributors as well as in more than 400 own shops. Lindt & Sprüngli's main markets are in Europe and North America. The brands Lindt, Ghirardelli, Russell Stover, Whitman's, Pangburn's, Caffarel, Hofbauer und Küfferle. The company with its extensive and innovative range of finest premium chocolate is present in more than 120 countries worldwide.

Global Presence

We make the world a sweeter place



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Information

Agenda

May 3, 2018	120th Annual Shareholders' Meeting
May 11, 2018	Payment of dividend
July 24, 2018	Half-year report 2018
Mid January, 2019	Net sales 2018
Mid March, 2019	Full-year results 2018
Spring 2019	121st Annual Shareholders' Meeting

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Blog p. 14–39, 59, 61, 62, 63, 65, 66, 67, 69, 70, 71, 73, 74, 75
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The expectations expressed in this annual report are based on assumptions. The actual results may vary from these. The annual report is published in German and English whereas the German version is binding.

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