LINDT & SPRÜNGLI

Annual Report
2019

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. Th s 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.

Key Financial Data

Income Statement

		2019	2018	Change in %
Sales	CHF million	4,509.0	4,313.2	4.5
EBITDA	CHF million	915.8	816.2	12.2
in % of sales	%	20.3	18.9	
EBIT	CHF million	593.0[1]	636.7	–6.9
in % of sales	%	13.2[1]	14.8	
Net income	CHF million	511.9	487.1	5.1
in % of sales	%	11.4	11.3	
Operating cash fl w	CHF million	830.9	651.6	27.5
in % of sales	%	18.4	15.1	

1 Includes one-off effects of CHF 81.6 million. Without these effects the EBIT amounts to CHF 674.6 million and the EBIT-margin to 15.0%.

Balance Sheet

		2019	2018	Change in %
Total assets	CHF million	8,040.8	7,249.8	10.9
Current assets	CHF million	2,975.7	2,933.0	1.5
in % of total assets	%	37.0	40.5	
Non-current assets	CHF million	5,065.1	4,316.8	17.3
in % of total assets	%	63.0	59.5	
Non-current liabilities	CHF million	1,680.9	1,735.3	–3.1
in % of total assets	%	20.9	23.9	
Shareholders' equity	CHF million	4,670.2	4,486.4	4.1
in % of total assets	%	58.1	61.9	
Investments in PPE/intangible assets	CHF million	247.0	257.3	–4.0
in % of operating cash fl w	%	29.7	39.5	

Employees

		2019	2018	Change in %
Average number of employees		14,621	14,570	0.4
Sales per employee	TCHF	308.4	296.0	4.2

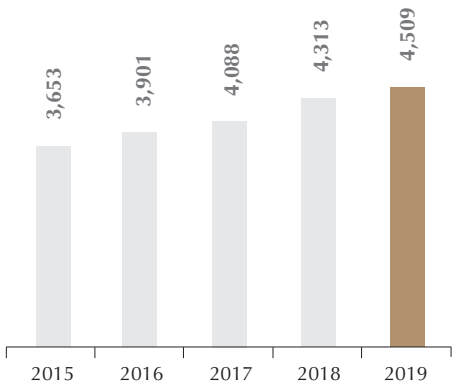
Data per share

		2019	2018	Change in %
Non-diluted earnings per share/10 PC[1]	CHF	2,142	2,021	5.9
Operating cash fl w per share/10 PC[1]	CHF	3,492	2,715	28.6
Dividend per share/10 PC	CHF	1,750[2]	1,000	75.0
Payout ratio	%	83.2	50.0	
Shareholders' equity per share/10 PC	CHF	19,626	18,437	6.5
Price registered share at December 31	CHF	85,500	73,300	16.6
Price participation certificate at December 3	CHF	7,515	6,100	23.2
Market capitalization at December 31	CHF million	19,687.9	16,517.7	19.2

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

Sales

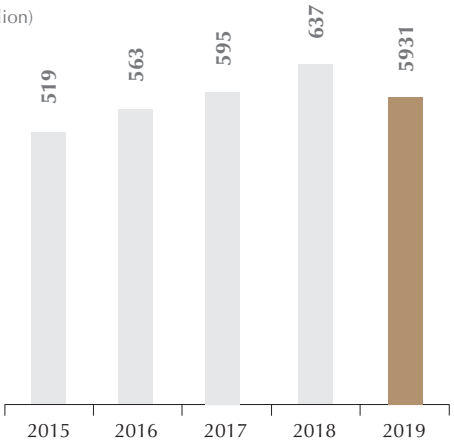
(CHF million)



	2015	2016	2017	2018	2019
Organic growth:	7.1%	6.0%	3.7%	5.1%	6.1%

Operating profit (EBIT

(CHF million)



	2015	2016	2017	2018	2019
in % of sales:	14.2%	14.4%	14.6%	14.8%	13.2%

1 Includes one-off effects of CHF 81.6 million. Without these effects the EBIT amounts to CHF 674.6 million and the EBIT margin to 15.0%.

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Our Reports are online available:

Annual Report:
https://report.lindt-spruengli.com/19/ar/en/

Sustainability Report: available end of April 2020
http://www.lindt-spruengli.com/media/publications/

Letter to Shareholders 2019

Dear Shareholders

We are delighted to report another successful year for the Lindt & Sprüngli Group. As in previous years, the Lindt & Sprüngli Group once again expanded faster than the overall chocolate market in the fiscal year 2019. We increased our market share in strategically important markets and once again achieved sales growth within our target range. This has allowed us to continue to extend our leading position in the premium chocolate segment.

Although the market environment continues to be very challenging, we still managed to achieve a very strong performance. Various political instabilities, along with a changing retail landscape, are putting pressure on the already saturated US and European markets. Despite this, the premium chocolate market is experiencing higher than average growth worldwide – a trend that Lindt & Sprüngli can benefit from as a leading global manufacturer of premium chocolate. Group sales increased to CHF 4.51 billion. This represents organic growth of +6.1%, which is within the target range set for the financial year. The currency environment was volatile during the reporting period. The Swiss franc made significant gains against the euro and the US dollar. This had a negative currency effect on consolidated results, mainly due to the weaker euro. Sales therefore increased by +4.5% in Swiss franc terms.

Prices for our most important raw materials such as cocoa beans, cocoa butter and milk rose slightly in 2019, while the price of hazelnuts was remarkable higher. However, almond and sugar prices remained stable. Thanks to a successful procurement strategy, Lindt & Sprüngli managed to balance the price fluctuations in raw materials. The cost of packaging materials was slightly higher, pushing up overall material costs a little.

In "Europe", Lindt & Sprüngli achieved solid organic growth of +6.2%. This result is very positive given the various political disruptions, such as Brexit. Lindt & Sprüngli once again managed to expand its market shares in all key countries and to grow faster than the market average. Sales growth was particularly strong in the United Kingdom, Germany and Austria. But sales also rose in the home market of Switzerland, as well as in Spain, Italy and France, while all the Eastern European markets even reported double-digit growth. In addition, we opened a new subsidiary in the Netherlands and are about to open a representative office in Portugal in 2020.

The "North America" region achieved strong organic sales growth of +5.4%. All three brands – Lindt, Ghirardelli and Russell Stover – contributed equally to this solid result. During the past year, a number of important strategic decisions were taken to improve efficiency on the sales, production and logistics side of our three US operations. First, merchandising for the three brands Lindt, Ghirardelli and Russell Stover was outsourced to a specialized third-party provider as of January 2020. This allows us greater fl xibility in the deployment of resources during our busiest seasons. Another important decision was taken affecting the Russell Stover production: its oldest manufacturing facility in Montrose, Colorado will close in 2021 and production moved to sites in Kansas and Texas, which will be expanded. This measure allows

production efficiency to be optimized and capacities to be increased, while at the same time creating additional jobs at the remaining production sites. The third measure involves the closure of existing warehouses as part of the consolidation of the US logistics network already initiated two years ago. The cost savings created by these measures will improve the result of our US business in future, while at the same time providing greater support for the brands in achieving additional sustainable and profitable sales growth. These steps will enable Lindt & Sprüngli in North America to strenghten its position in the long term as No. 1 in the premium segment and No. 3 in the overall US chocolate market with its three brands Lindt, Ghirardelli and Russell Stover.

The "Rest of The World" segment continues to expand and generated sales growth of +7.6%. The markets of Japan, China and Brazil performed particularly well, with all three reporting strong double-digit growth. These countries hold substantial growth potential for Lindt & Sprüngli, as the consumption of premium chocolate is steadily rising in these markets.

The strategy of our own store network continues to pay off and "Global Retail" once again made a notable contribution to the overall Group result. Following numerous new shop openings, Lindt & Sprüngli is now present at around 500 locations worldwide and offers consumers a unique brand experience. Every year, millions of chocolate lovers visit the company's own shops. The biggest drivers for the retail business were Japan and Brazil.

The solid growth path of our subsidiaries once again laid the foundation for a strong operating performance. Excluding one-off expenses, Group operating profit (EBIT) rose by +6.0% to CHF 674.6 million. This represents an EBIT margin of 15.0% (previous year: 14.8%). Net income increased by 5.1% to CHF 511.9 million, providing a return on sales of 11.4%. Operating cash fl w rose +27.5% to CHF 830.9 million. Our balance sheet is debt free on a cash basis, and with a equity ratio of 58.1% is very solid. The one-off effects for the reorganization of the North America business did not have an impact on the result at net profit level, nor subsequently on earnings per share. This is because the two effects at the level of EBIT and taxes, in the net amount of CHF 59 million each, offset each other.

We are extremely grateful for the continuing trust placed in the company by our shareholders. Thanks to a strong performance in 2019 we will not only be able to continue our attractive dividend policy, but will also be topping it up with a generous special dividend to celebrate our 175th anniversary. The Board of Directors is proposing to the 122nd Annual General Meeting scheduled for April 24, 2020, a +75.0% higher dividend of CHF 1,750.– per registered share (CHF 330.– from the approved capital contribution reserves (agio) free of withholding tax, and CHF 1,420.– from available retained earnings) and CHF 175.– per participation certificate (CHF 33.– from the approved capital contribution reserves (agio) free of withholding tax, and CHF 142.– from available retained earnings).

Lindt & Sprüngli completed the buyback program on July 21, 2019. In total, 536 registered shares and 64,771 participation certificates were bought back via a second trading line on SIX Swiss Exchange. The total buyback sum in 2018 and 2019 came to CHF 455.416 million.

As you all know, our concerns go well beyond purely our financial performance: we are a company with heart and soul. It is very much in our interest to act responsibly and in particular to continuously improve the sustainability of our business activities. The main focus is on our efforts to protect the environment and combat climate change, as well as ensuring the long-term supply of cocoa beans. In this sense, we are delighted that after 12 years of groundwork, we have managed to meet our first interim goal in 2020: all the beans we use come from a fully traceable and verifiable supply chain. This means that we not only know exactly where the cocoa beans come from and the conditions they are grown in, but that an external independent expert has also verified the source of the beans for the entire Lindt & Sprüngli Farming Program.

We have only been able to report all this positive news thanks to another outstanding performance from our employees in 2019. On behalf of the Board of Directors and Group Management, we would like to thank them all personally for their hard work. Thanks to their huge commitment, we have once again achieved another successful performance in what has been a challenging year in many respects.

Outlook

For the coming years, Lindt & Sprüngli confirms its existing mid- to long-term organic sales growth target of 5–7% p.a., combined with a steady improvement in the operating margin of 20–40 basis points p.a. In achieving these targets, Lindt & Sprüngli will continue to grow faster than average in all its markets. We continue to pursue with our global expansion plans in 2020.

Finally, we would like to draw your attention to a personnel change in Lindt & Sprüngli's Group Management. On January 1, 2020 Dr Jennifer Picenoni joined the Group Management in the role of General Counsel and Corporate Secretary. Jennifer Picenoni has been with Lindt & Sprüngli since 2007 and will be an ideal complement to our management team thanks to her profound expertise in an increasingly complex legal environment.

"2020 is a very special year for the company: we are celebrating Lindt & Sprüngli's 175th anniversary. In our anniversary year, we are absolutely delighted to be able to present a flagship project of which we are incredibly proud. The Lindt Home of Chocolate will open its doors on May 10, 2020." Ernst Tanner

2020 is a very special year for our company: we are celebrating Lindt & Sprüngli's 175th anniversary. In 1845 David Sprüngli-Schwarz and his son Rudolf Sprüngli-Ammann produced the first solid chocolate in German-speaking Switzerland in their small confectionery in Zurich's Marktgasse. Legend has it that in 1879 Rodolphe Lindt forgot to switch off his invention the "conche" over the weekend. When he came back on Monday and found the first soft melting chocolate ever, he certainly had no idea that so many years later his name would be synonymous across the globe for the finest chocolate. Today, Lindt & Sprüngli is the global market leader for premium chocolate and delights consumers all over the world with more than 2,500 products. To achieve such a success story, it is crucial to continuously make the right strategically important decisions. Innovations need to be pushed forward and it needs to be ensured that we cater for all our costumer and consumer's needs. The most important thing, however, is to maintain a clear vision.

"We are delighted that after 12 years of groundwork, we will meet our first interim goal in 2020: all the cocoa beans we use come from a fully traceable and externally verified supply chain." Dieter Weisskopf

One such vision that has recently evolved is now coming to life at Lindt & Sprüngli's headquarters in Kilchberg. In our special anniversary year, we are absolutely delighted to be able to present a flagship project of which we are incredibly proud. On May 10, 2020, on Mother's Day, Lindt Home of Chocolate, funded and realized by the charitable Lindt Chocolate Competence Foundation, will open its doors to the public. The multifunctional building strengthens Switzerland's position as a center of excellence for chocolate manufacturing and continues the pioneer work of the company's two founders. One particularly interesting feature is the research facility in the Lindt Home of Chocolate, which will be open to other research institutes as well. After all, innovation is deeply embedded in our DNA and is crucial for new developments in the chocolate industry.

Obviously we would be delighted to welcome you, our trusted shareholders, to share our vision when you come to visit our Lindt Home of Chocolate.

Ernst Tanner
Executive Chairman of the Board of Directors

Dr Dieter Weisskopf
CEO Lindt & Sprüngli Group

Europe
North America
Rest of the World

Markets

Lindt & Sprüngli Group

CHF 4.51 billion

sales 2019

North America

CHF 1.76 billion

sales 2019

Lindt & Sprüngli continued its growth story in 2019 despite challenging market conditions. The company increased its Group sales organically by +6.1% to CHF 4.51 billion and significantly expanded its share of all key markets.

Chocoladenfabriken Lindt & Sprüngli AG achieved Group sales of CHF 4.51 billion in the 2019 fi ancial year, despite the persistently difficult market environment. The Group achieved organic growth of +6.1% and once again grew faster than the overall chocolate market. Lindt & Sprüngli can look back on another successful year, despite political uncertainties in key markets, a changing global retail environment and saturated US and European chocolate markets.

As a leading global manufacturer of premium chocolate, Lindt & Sprüngli benefited from above-average growth of the premium chocolate market in 2019. The three regions of "Europe", "North America" and "Rest of the World" performed well and achieved solid organic growth. The Group's international network of own stores also made a notable contribution to Group sales and now includes around 500 Lindt shops and cafés.

Currency markets remained volatile during the reporting period. The Swiss franc made significant gains against the euro and the US dollar. Th s had a negative currency effect on consolidated results, mainly due to the weaker euro. Sales therefore increased by +4.5% in Swiss franc terms. A successful procurement strategy Lindt & Sprüngli

Europe

CHF 2.15 billion

sales 2019

Rest of the World

CHF 0.60 billion

sales 2019

was able to compensate for the fluctuation in raw material prices stable in 2019, despite a surge in commodity markets. Prices for the most important raw materials, such as cocoa beans, cocoa butter and milk powder products, rose slightly.

On the other hand, the price of hazelnuts rose strongly in response to poor harvests and high demand. Almond prices remained stable during the reporting period. In 2019, overall sugar prices dropped to a low point before rebounding towards the end of the year. The cost of packaging materials was slightly higher which lead to slightly increased material costs.

Europe

CHF 2.15 billion

sales

+6.2 %

org. growth

In "Europe", Lindt & Sprüngli achieved solid organic growth of +6.2% and generated sales of CHF 2.15 billion. Despite intense competition and extensively saturated chocolate markets, the Group managed to expand its market shares and grow faster than the market average. Sales growth was particularly strong in the United Kingdom, Germany and Austria. Sales also rose in the home market of Switzerland, as well as in Spain, Italy and France, while the Eastern European subsidiaries even reported double-digit growth.

CH

Lindt Connaisseurs – in a new look.

DE

The Gold Bunny celebrated Easter 2019 with a limited Hawaii edition.

Switzerland

Chocoladefabriken
Lindt & Sprüngli (Schweiz) AG

398 CHF million **sales incl. export**

+2.5% organic growth

- Leader products in 2019: Lindor and Excellence.
- Award: Lindt Brand of the Year 2019 (Promarca).
- Launch of Excellence Passion 70% cocoa in three flavors: Oranges Amandes, Framboise Noisette and Caramel Fleur de Sel.
- At Christmas, Lindt Master Chocolatiers inspired visitors with their creations at the Illuminarium, a fantastic festival of lights in the Landesmuseum, Zurich.

Germany

Chocoladefabriken
Lindt & Sprüngli GmbH (Deutschland)

612 million EUR **sales**

+6.5% organic growth

- Successful classics: Lindor, Excellence, Gold Bunny.
- Market shares increased.
- Best seller: Lindor 60% cocoa and Lindor Pistachio were voted best sellers in a retail trade survey by "Rundschau des Lebensmittelhandels".
- New edition: Mini Pralines in a seasonal Ibiza design for the summer.
- Award: "Lebensmittelzeitung", a leading food magazine once again singled out Lindor as the top brand in 2019 in terms of sales growth and consumer penetration (Best of 5,000 Brands).

France

Lindt & Sprüngli SAS (France)

379 million EUR **sales**

+3.7% organic growth

- Limited Edition: Excellence 70% cocoa.
- Competition: The Champs-Elysées Diamond gift dition was successfully launched. For the fi st time, consumers could enter a competition with the chance to win a diamond necklace.
- Les Pyrénées launched in the 1927 retro design.
- Launch of the Lindt Teddy chocolate balls "Billes Ours".

FR

Limited Edition Excellence 70%

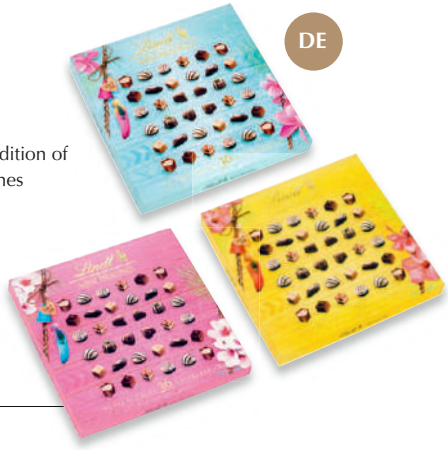
CH

The Osterdörfli kids' event in Kilchberg enchanted over 2,000 visitors in the magical Easter village.

FR

Les Pyrénées in a stylish 1927 vintage edition launched in France.

DE



Summer Ibiza edition of Lindt Mini Pralines

Italy

Lindt & Sprüngli S.p.A. (Italy)
and Caff rel S.p.A.

243 million EUR **sales**

+1.9% organic growth

- Market launch of the new Lindor Pistachio flavor.
- Launch of Excellence Passion 70% cocoa in three flavors: Oranges Amandes, Framboise Noisette and Caramel Fleur de Sel.
- Innovative social media campaign for Lindt hazelnut and dark chocolate spreads.
- Caff rel launched "Gianduia Intense" bars with 3 cocoa intensities.

IT

The Gold Bunny inspired young and old Lindt fans alike in the Easter egg hunt in Indro Montanelli Park in Milan, Italy.

United Kingdom & Ireland

Lindt & Sprüngli Ltd. (UK)

210 million GBP **sales**

+10.1% organic growth

- Lindor is the no. 1 in the pralines product category.
- Successful personalization campaign at Easter: For the fi st time the Gold Bunny could have a personalized name printed on the red ribbon around its neck.
- Lindt Teddy, wearing a traditional English Christmas pullover, is still a seasonal top seller in the UK.
- Launch of Excellence Supermilk.
- Excellence is Ireland's No. 1 brand in the dark chocolate segment.
- The fi st Lindt Pop-up Store in the Kildare Village Designer Outlet in Ireland attracted many excited visitors.

Austria

Lindt & Sprüngli (Austria)
Gesellschaft m. .H.

+10.0 % **org. sales growth**

Lindor is No. 1 in Austria's pralines market

- Launch: Lindor Pistachio flavor
- Biggest market launch: Excellence milk chocolate with a high cocoa content of 45%, 55% and 65%.
- Excellence is the no. 1 brand in the dark chocolate segment.
- Exclusive tasting evenings for Excellence products in the presence of Lindt Master Chocolatiers, organized in conjunction with retail partners, helped raise the brand's profile
- Küfferle: The brand's classic "chocolate umbrellas" were launched in new trendy colors.

UK

The new Excellence milk chocolate "Supermilk" combines the slightly bitter taste of dark chocolate with a high cocoa content with the creaminess of milk chocolate.

Spain
Lindt & Sprüngli (España) S.A.

+2.5 % **org. sales growth**

Lindor and **Excellence** market shares increased

- New launch: Excellence 95% cocoa and Excellence Passion Chocolate with 70% cocoa in three flavors.
- Christmas campaign: major Lindor PR event in Madrid charmed Spanish consumers.

Nordics
Lindt & Sprüngli (Nordic) AB

+9.0 % **org. sales growth**

First **Lindt Boutique** in Helsinki, Finland

- Product launch: Excellence milk chocolate with a high cocoa content of 45%, 55% and 65%.
- Snacking segment: over 1 million Lindor Sticks sold in Sweden.

Netherlands
Lindt & Sprüngli (Netherlands) B.V.

+34.4 % **org. sales growth**

Opening of a new Dutch subsidiary

- Highlight: Opening of the fi st Lindt Boutique in Amsterdam city center.
- Leader products: Lindor and Excellence.

IT

The new Lindor Pistachio recipe was a great success in Italy.

IT

The new Excellence Passion with 70% cocoa in three flavors (Orange Amandes, Framboise Noisette and Caramel Fleur de Sel) caters for every taste.

Intensive chocolate experience: Excellence with 95% cocoa.

ES

Eastern Europe

Lindt & Sprüngli CEE s.r.o.

+22.2 % org. sales growth

Market shares increased

- High double-digit growth in the markets of Czech Republic, Slovakia and Hungary.
- Certifi ate: The concept for the exceptional POS installation for the Lindt Teddy won an award from POPAI Central Europe.

The Lindt Teddy inspired fans in its innovative seasonal POS setting at Christmas.

Seasonal product collections in a stylish design were a best seller in Russia.

Poland

Lindt & Sprüngli (Poland) Sp. z.o.o.

+20.5 % org. sales growth

Market share gains

- Focus: Leader brands Lindor and Excellence.
- Highlight: Live appearance of a Master Chocolatier on the Polish TV show "Dzien dobry TVN", a popular morning program.
- Social media campaign: Excellence sampling evenings with influencers made a big splash on social media.

Russia

Lindt & Sprüngli (Russia) LLC

+25.7 % org. sales growth

4th **Lindt Boutique** in Moscow

- Continuing double-digit growth in the world's second-biggest chocolate market.
- Main growth drivers: Lindor, Excellence, Lindt Teddy.
- Successful launch: Excellence Lemon & Ginger and Figue Intense.

North America

+5.4%

org. growth

CHF 1.76 billion

sales

No. 1

IN THE US PREMIUM SEGMENT

During the reporting period, "North America" once again had to contend with structural change and stronger price pressure. Despite the challenging market conditions, this segment achieved organic sales growth of +5.4%.

Lindt & Sprüngli USA

Lindt & Sprüngli (USA) Inc.

507 million USD **sales**

+6.1% organic sales growth

- 30th anniversary in the world's biggest chocolate market.
- New Lindt Shop design: new global shop design launched in Boston.
- Lindor "Heart Box" was a big hit on Valentine's Day in the USA.
- New in the snacking range: Excellence with 95% cocoa for an intense tasting experience.

The new Lindor "Heart Box" was a top seller on Valentine's Day 2019 in the USA and made hearts beat a little faster.

Excellence Sea Salt is the perfect snack on the move.

Ghirardelli Chocolate Company

582 million USD **sales**

+6.5% organic sales growth

- New advertising campaign: "What the heart desires" to accompany the launch of Caramel Duet Heart for Valentine's Day.
- Main growth drivers: the classic Ghirardelli Caramel Squares and Peppermint Bark, as well as innovations in the successful Baking segment.
- New key partnerships with US Airlines and major restaurant chains.
- New TV advertising campaign "Ghirardelli Makes Life a Bite Better" for Dark Intense and Peppermint Bark.

"What the heart desires": The new Caramel Duet Hearts were a massive hit.

Russell Stover Chocolates LLC

413 million USD **sales**

+5.6% organic growth

- Launch: New "Bowline" gift dition in a modern design that mimics the color of a traditional copper kettle.
- New advertising campaign: "Making someone happy", which highlights Russell Stover's role as a leading US purveyor of traditional gifts.

Canada

Lindt & Sprüngli (Canada) Inc.

254 million CAD **sales**

3 new **Lindt Shops**

- Leader products: Lindor and Excellence.
- No. 1 in the premium segment.
- Product launch: Lindt hazelnut and dark chocolate spreads.
- Once again voted No. 1 "Most Trusted Brand" in Canada (Brand Spark study).

Mexico

Lindt & Sprüngli de México, S.A. de C.V.

+25.3 % **org. sales growth**

Market shares increased

- Successful market launch of leader products Lindor and Excellence.
- Strong double-digit growth.
- Leader for premium chocolate bars in the retail trade.

USA

Emotive advertising campaign for the "Bowline Gift Box" pralines – the perfect gift for all occasions.

LINDOR CHOCOLATE LOUNGE EMMY AWARDS 2019

For the second year in a row, Lindt USA was the partner for America's premier TV awards. In 2019 the "Lindt Chocolate Lounge" once again radiated luxury in the trademark red Lindor colors. Lindt Master Chocolatier Ann Czaja's creations charmed the nominees and hosts of the event. Th s year's celebrity guests were able to take a very personal chocolate gift home with them: with the help of a special Lindt chocolate printer, they could transfer their own selfie on to white Lindt chocolate. The printer was a great hit with many stars and was in constant use.

Guests enjoyed over 10,000 Lindor chocolate balls at the Emmy Governors Ball.

Naomi Watts was equally delighted with her give-away.

Julia Louis-Dreyfus dazzled everyone with her Lindt chocolate selfie.

GOLDEN GLOBE AWARDS 2019

Since 2016, Lindt USA has been the offic al partner of the prestigious Golden Globe Awards. Lindt Master Chocolatiers spoiled Hollywood stars with a Lindor edition created especially for the event, making the award ceremony even more enjoyable. On top of that, VIP guests were indulged with exquisite chocolate creations at the Lindt Master Chocolatiers stand.

The limited Lindor edition was a real eye-catcher.

The two screen legends Dame Helen Mirren and Meryl Streep are clearly enjoying the party atmosphere at the Golden Globes.

Brands

Global Brands

76%

Sales

Lindt
MAÎTRE CHOCOLATIER SUISSE
DEPUIS 1845

Regional Brands

22%

Sales

GHIRARDELLI CHOCOLATE · Russell Stover · PANGBURN'S OF TEXAS · Whitman's

Local Brands

2%

Sales

Hofbauer WIEN · Caffarel TORINO 1826 · Küfferle

Subsidiaries
Duty Free & Distributors

Rest of the World

+7.6%

org. growth

CHF 0.60 billion

sales

In the "Rest of the World" segment, Lindt & Sprüngli once again achieved strong organic growth of +7.6%. All the markets in this segment are continuing to expand, with Japan, China and Brazil doing particularly well with strong double-digit sales growth.

AUS

Excellence Cranberry, Almond & Hazelnut, as well as Honeycomb, are exciting new additions to the Excellence line in Australia.

Australia

Lindt & Sprüngli (Australia) Pty Ltd.

+1.6 % organic growth

Lindor clear No. 1 in the praline product category

- Market introduction: Lindor Mint and Lindor Pistachio are the perfect complement to the Lindor range.
- Launch in the snacking segment: Fruit Sensation Mango & Passionfruit.
- New partnership with an Australian airline: over 4 million Lindor chocolate balls sampled.
- Market shares increased.

South Africa
Lindt & Sprüngli (South Africa) Pty. Ltd.

2 new **Lindt Shops**

Launch of Nuxor line

- Leader in the premium segment
- Snacking segment: Lindor Stick is the top seller in South Africa.
- Lindt is once again the fastest-growing chocolate brand in the market.

China
Lindt & Sprüngli (China) Ltd.

+35.0 % **org. sales growth**

New **Lindor campaign**

- New retail sales channel: Lindt generated strong sales in the new online "Live Selling Channel".
- Lindor gift r nge: The upmarket gift and wedding collection has been added to and was extended to more than 12 million wedding guests in China.
- New Lindor campaign: "Chinese Moments of Bliss" with Roger Federer and Xin Zhilei.

Brazil
Lindt & Sprüngli (Brazil) Holding Ltda.

+19.9 % **org. sales growth**

9 new **Lindt Shops**

- Launch: The new chocolate "Cat Tongues" were a big hit in the Lindt Boutiques in Brazil.
- Two new flavors for the Christmas classic panettone: Dark chocolate with Sicilian orange as well as a panettone with milk chocolate chips.

ZA

The elegant Nuxor line combines creamy dark chocolate with nuts.

Japan
Lindt & Sprüngli Japan Co. Ltd.

+28.5 % **sales growth**

10 new **Lindt Shops**

- Brand profile raised.
- Launch of the elegant gift c llection for Valentine's Day.
- Launch of the Excellence Mint Dark Chocolate Drink inspired Lindt fans in the cafés.

J

Excellence Mint Dark Chocolate Drink.

Duty Free & Distributors

Leading provider for premium chocolate in the Travel Retail Segment.

DFNI prize for the opening of the new **Lindt Chocolate Boutique** in Zurich airport

Duty Free

- Highlight: opening of a new Lindt Chocolate Boutique at Zurich airport. A special highlight is the new counter where Lindt Master Chocolatiers prepare fresh chocolate creations daily.
- New shop-in-shop concepts with a strong visual element in prime locations at airports in Paris, Istanbul, Sydney, Miami, Delhi and São Paulo.
- First campaign for Chinese New Year celebrations at airports in Asia.

Distributors

- The regional representative offic in Dubai achieved high single-digit growth after several challenging years.
- The regional representative offi "Greater Europe" once again achieved double-digit sales growth.
- The regional representative office in ong Kong (Asia-Pacific) gained market share thanks to the strong performance of Lindor and Excellence.
- The Distributor business in Latin America (LATAM) achieved strong sales in the new markets of Ecuador and Guatemala. Markets in Argentina and Chile had a difficult fi ancial year due to political and economic disruptions.

Lindt brand ambassador Roger Federer opened the new Lindt Chocolate Boutique in Zurich airport.

The new Lindor campaign "Chinese Moments of Bliss" with the Lindt brand ambassador Roger Federer and the Chinese film star Xin Zhilei was a huge success on social media.

Global Retail

For the tenth consecutive year, Global Retail achieved double-digit sales growth, with an increase in 2019 of +11.8 % (adjusted for currency exchange rates) to more than CHF 600 million.

Since its establishment in 2009, Global Retail has been an ongoing success story. Lindt, Ghirardelli, Russell Stover, and Caff rel shops can now be found in 500 prime sites across the globe. Year after year, the strategy of establishing our own network of international shops to support and consolidate the brands' values and positioning in the premium segment has paid off. The Group's own shops now offer over 80 million visitors a year an exceptional brand experience and thus provide a major contribution to Group sales.

During the reporting period, the expansion of our own shop network concentrated on Boutiques in upmarket shopping malls with a high footfall, as well as openings in carefully selected tourist destinations. The new shops in prime city center locations in Interlaken, Amsterdam, Strasburg, Budapest and Moscow are just some of the new hotspots attracting chocolate lovers from all over Europe. One of the special highlights in 2019 was the opening of the Lindt Boutique in Frankfurt, setting a new trend with an innovative shop design. In Japan alone, chocolate fans were able to visit 10 new shops for their special chocolate experience. In the USA, the world's biggest chocolate market, the new Lindt Boutique in Boston made a splash with its new global shop design and chocolate creations made fresh daily.

In Lindt's own shops, the Lindt brand is presented in an exclusive atmosphere and the design has an unmistakable signature. The shops offer a huge selection of the popular classics Lindor and Excellence, exclusive products and seasonal chocolate creations which continually delight chocolate lovers. Lindt fans can also fi d the perfect gift for any occasion. In some shops, their gifts can be personalized, and they can watch the Master Chocolatiers at close quarters as they produce their exquisite creations or enjoy Lindt Drinks at the chocolate bar. Comprehensive staff training as "Chocolate Advisors" therefore continues to be a strong focus every year, so as to make the most of the visitor's premium shopping experience. The intention is for every visitor to leave the shop with a smile.

Europe
Strasbourg, France

At the "Chocolate Bar" in the new Lindt Shop in Strasbourg, travelers can relax with a creamy Lindt ice cream or chocolate drink.

Europe
Frankfurt, Germany

Right on time to celebrate Lindt & Sprüngli's 175th anniversary, the new Lindt Boutique opens in Frankfurt with an innovative shop design.

Europe
Interlaken, Switzerland

In the Lindt Shop in Interlaken, the right chocolate gift can be found as a souvenir from Switzerland for those at home.

North America
Boston, USA

The new Lindt Shop in Boston delights visitors with freshly produced chocolate creations.

Corporate Governance

Group structure and Shareholders

Group structure

Th 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 2019 year-end prices, amounts to CHF 19.7 billion.
→ Security and securities listing numbers see page 57

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 29
→ Group Management see page 35

The consolidation scope of Chocoladefabriken Lindt & Sprüngli AG includes national and international subsidiaries listed in the notes to the consolidated fi ancial statements, along with details about these companies, such as name, domicile, share capital, participation, etc.
→ Details of subsidiaries see page 57

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

Major shareholders

Pursuant to a disclosure notifi ation as of August 30, 2017, BlackRock Inc., New York, as parent company has a shareholding of 6,063 registered shares (with respect to 1,092 of the 6,063 registered shares, it has only the right to exercise the voting rights at its own discretion) or 4.46% of the company's share capital. According to the share register of Chocoladefabriken Lindt & Sprüngli AG as of December 31, 2019, 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 27,594 registered shares or 20.29% of the share capital and thus 20.29% 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 disclosure notices were published on the offi al notices section of the SIX Swiss Exchange platform. Details and disclosures of previous years can be found on the offi al notices page of SIX Swiss Exchange website:
https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html?compa yId=LINDT

Chocoladefabriken Lindt & Sprüngli AG has no cross holdings.

Capital structure

As of December 31, 2019, Chocoladefabriken Lindt & Sprüngli AG had the following capital structure:

Ordinary capital

The ordinary capital is composed of two securities types:

	2019
Registered shares *	CHF 13,598,800
Bearer participation certificate **	CHF 10,726,410
Total ordinary capital	**CHF 24,325,210**

* 135,988 registered shares, par value of CHF 100.– each
** 1,072,641 bearer participation certificates, par alue of CHF 10.– each

The registered shares have a voting right at the General Meeting; bearer participation certifi ates 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 certifi ates ("Genussscheine") were issued.

Authorized and conditional capital

The company has a conditional participation capital in a maximum amount of CHF 3,814,450, comprising a maximum of 381,445 bearer participation certifi ates with a par value of CHF 10.– each. Out of this maximum total amount, 226,995 participation certifi ates can be used for employee participation programs; up to 154,450 participation certificates can be used for capital market transactions. The subscription rights of shareholders and participation certifi ate holders are excluded. Further information about the conditional participation capital can be found in Article 4bis of the Articles of Association of the company, available on the website of Chocoladefabriken Lindt & Sprüngli AG.

https://www.lindt-spruengli.com/fileadmin/user_upload corporate/user_upload/Investors/AOA/Articles_of_Association_E_2.5.2019__2.pdf

The ordinary capital can be increased by way of the conditional participation capital by no more than 15.7% up to a maximum of CHF 28,139,660. There is no authorized capital besides 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)A)*	Share capital in CHF	No. of bearer participation certificates (PC **
2017	13,608,800	136,088	10,481,530	1,048,153
2018	13,608,800	136,088	10,725,350	1,072,535
2019	**13,598,800**	**135,988**	**10,726,410**	**1,072,641**

Conditional capital

No. of bearer participation certificates (PC **

Year	Total	Capital market PC	Employee PC
2017	424,089	254,450	169,639
2018	399,707	254,450	145,257
2019	**381,445**	**154,450**	**226,995**

Number of securities, status as at December 31
* Registered shares (RS), par value CHF 100.–
** Bearer participation certificates (PC), par alue CHF 10.–

Restrictions regarding assignability and nominee entries

Both registered shares and participation certifi ates 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 defi ed in the regulation of the Board of Directors on "Registration of registered shares and maintaining the share register of Chocoladefabriken Lindt & Sprüngli AG".

https://www.lindt-spruengli.com/fileadmin/user_upload/corp - rate/user_upload/Investors/BOR/SHAREHOLDER_REGISTRY_REGULATIONS_2015_EN.PDF

https://www.lindt-spruengli.com/fileadmin/user_upload corporate/user_upload/Investors/AOA/Articles_of_Association_E_2.5.2019__2.pdf

According to these regulations, 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 20.29% of the voting rights held as a group by 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 registered in the share register as a shareholder with voting rights only up to 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 shares with voting rights 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 defi ed in the Regulations of the Board of Directors "Registration as nominee shareholder of Chocoladefabriken Lindt & Sprüngli AG".

https://www.lindt-spruengli.com/fileadmin/user_upload/corp - rate/user_upload/Investors/BOR/REGISTRATION_AS_NOMINEE_EN.PDF

https://www.lindt-spruengli.com/fileadmin/user_upload corporate/user_upload/Investors/AOA/Articles_of_Association_E_2.5.2019__2.pdf

A revocation of these restrictions regarding assignability in Article 3, subsection 6 of the Articles of Association requires pursuant to Article 15 subsection 3 of the Articles of Association a resolution by the shareholders at the General Meeting, with a voting majority of at least three quarters of the shares represented.

https://www.lindt-spruengli.com/fileadmin/user_upload corporate/user_upload/Investors/AOA/Articles_of_Association_E_2.5.2019__2.pdf

Outstanding options and convertible bonds

Options on bearer participation certifi ates 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
2013	30,566	3,123	until 2020	30,336	230
2014	16,959	4,062	until 2021	13,684	3,275
2015	21,374	4,811	until 2022	10,463	10,911
2016	23,007	5,401	until 2023	3,727	19,280
2017	21,165	5,360	until 2024	0	21,165
2018	23,485	5,794	until 2025	0	23,485
2019	25,340	5,936	until 2026	0	25,340
Total	**161,896**			**58,210**	**103,686**

The options were granted at a ratio of one option to one participation certifi ate (1:1). The options can be exercised during a maximum term 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 2019, a total of 18,262 of the above employee options were exercised (previous year: 24,382). Therefore, the "ordinary" participation capital was increased in 2019 by CHF 182,620 by the corresponding reduction in the "conditional" participation capital reserved for the employee participation programs. The 103,686 options outstanding as of December 31, 2019, 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 certain areas. The Board's primary function is to exercise the ultimate management of the Group; it makes strategic decisions and defi es the general means for achieving the goals it has set, 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 for 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 number of members must only be restored at the next ordinary General Meeting.

https://www.lindt-spruengli.com/fileadmin/user_upload corporate/user_upload/Investors/AOA/Articles_of_Association_E_2.5.2019__2.pdf

As of December 31, 2019, the Board had six 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	2020
Dr Rudolf K. Sprüngli, non-executive member	1988	2020
Antonio Bulgheroni, non-executive member	1996	2020
Dkfm Elisabeth Gürtler, non-executive member	2009	2020
Dr Thomas Rinderknecht, non-executive member	2016	2020
Silvio Denz, non-executive member	2018	2020

Antonio Bulgheroni was Managing Director of the Italian subsidiary Lindt & Sprüngli S.p.A. until his retirement in April 2007. None of the non-executive Board members have in the past three fi ancial years been actively engaged in the management of the Group or a Group company or have had business relations with the Group or any Group company.

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

In this reporting year, all six Board members have been re-elected for terms of one year until the conclusion of the next ordinary 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 Chocoladefabriken Lindt & Sprüngli AG

Silvio Denz, Antonio Bulgheroni, Dkfm Elisabeth Gürtler, Ernst Tanner, Dr Thomas Rinderknecht and Dr Rudolf K. Sprüngli with their personal favourite Lindt product.

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 fi m. 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, an Advisory Board member at the lnstitut für Wirtschafts eratung 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 and Compensation & Nomination 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 S.p.A. Since then, he has been Chairman of the Board of Lindt & Sprüngli S.p.A. and Caff rel S.p.A., 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 S.p.A.

Dkfm Elisabeth Gürtler (AT) Ms. Gürtler has been a member of the Board of Directors since 2009 and is currently a member of the Audit 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, in an area 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, and she was a member of the general council of the Austrian National Bank from 2004 to 2014. Currently Ms Gürtler is a member of the Board of Directors of ATP Planungs- und Beteiligungs AG in Innsbruck and since July 2019 President of the Supervisory Board of the Tiroler Museums.

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 fi m 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. With his background as a commercial attorney, Mr Rinderknecht's legal expertise is of particular benefit to the Board of Directors.

Silvio W. Denz (CH) Mr Denz has been member of the Board of Directors since May 2018 and is currently member of the Compensation & Nomination Committees as well as of the Corporate Sustainability Committee. He is an entrepreneur active in the fi lds of luxury goods, wine, restaurants, hotels, art, and real estate. After a commercial training and professional positions in the fi ancial, commercial, and marketing sector in Switzerland and in the USA, in 1980 he took over the management of Alrodo AG in Zurich and developed it into the largest perfumery chain in Switzerland. In 2000, he founded Lalique Group SA (formerly Art & Fragrance SA), a company active in the creation, marketing, and worldwide distribution of luxury goods, to which crystal manufacturer Lalique has belonged since 2008. Mr Denz oversees the Group, which is listed in Switzerland, as Chairman of the Board of Directors and is its principle shareholder. He is also a member of different non-listed Swiss investment companies.

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 according to Article 19, paragraph 3 item 1 of the Articles of Association restricted for the members of the Board of Directors to: four mandates in listed companies, ten mandates in non-listed companies, and fi een mandates in other legal entities, such as foundations and associations.

Where mandates are assumed in different legal entities of one corporate group, or at the behest of one corporate group, these shall be accounted in the aggregate as a single mandate, but may not exceed forty mandates in total. The foregoing limits may be exceeded temporarily by one mandate per category at the most.

https://www.lindt-spruengli.com/fileadmin/user_upload corporate/user_upload/Investors/AOA/Articles_of_Association_E_2.5.2019__2.pdf

Internal organization

The 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 constitutes itself.

If the Chairman resigns from the Board before the end of the term of offi , the Board of Directors appoints a 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 conclusion of the next General Meeting.

The Chairman presides over the General Meeting, represents the company externally and procures together with the CEO and the members of Group Management timely information to the Board of Directors on all matters important for decision-making and the monitoring of signifi ant 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 after internal consultation between himself and the CEO of the Lindt & Sprüngli Group to the CEO;
- Responsibility for the long-term strategic direction of the Lindt & Sprüngli Group and specific trategic 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, together with the Group Management, is entrusted with the task of managing the business. The CEO presides over Group Management and coordinates in close collaboration with the Executive Chairman of the Board of Directors on the most important decisions. Further details about the tasks of the CEO and Group Management can be found on page 34 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 substitute 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 appointed to substitute 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, five regular meetings, whereby one member did not attend one of these meetings, and two telephone conferences were held. The regular meetings lasted around three hours. The telephone conferences 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. The committees meet upon the invitation by their chairman as often

as business requires, usually immediately before or after an ordinary meeting of the Board of Directors. Otherwise, the rules applicable to the Board of Directors apply mutatis mutandis to the meetings of the committees.

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 fi ance and accounting. The CFO has a consultative vote in the committee. As of December 31, 2019, members of the committee were: Dr Thomas Rinderknecht (Chairman), Antonio Bulgheroni, and Dkfm Elisabeth Gürtler. The members of the committee possess suffici t experience and professional knowledge in the areas of fi ance 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 with respect to the main areas of audit, complete presentation of the fi ancial statements/audit fi dings, compliance with statutory requirements and the services of external auditors. In addition, the committee assesses fi ancial reporting expediency and effectiveness of the 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, except for the enactment and amendments of the Group Approval Policy, 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 the year under review, five regularly scheduled meetings were held; all members were present at each of them.

The meetings generally lasted around two hours, 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 Audit Committee.

→ Information on auditors see page 39

Compensation & Nomination Committee

The Compensation & Nomination Committee generally consists of three and of a maximum of five members of the Board of Directors, the majority of whom shall be non-executive and independent, each of whom is elected by the General Meeting for a term of offic of one year until the end of the next ordinary General Meeting. As of December 31, 2019, Committee members were: Dr Rudolf K. Sprüngli (Chairman), Antonio Bulgheroni, and Silvio Denz.

→ Information on responsibilities of the Compensation & Nomination Committee see Compensation Report page 42

Corporate Sustainability Committee

The Corporate Sustainability Committee generally consists of three members of the Board of Directors. These may be both executive and non-executive members of the Board. As of December 31, 2019, Committee members were: Dr Rudolf K. Sprüngli (Chairman), Ernst Tanner, and Silvio Denz.

The Corporate Sustainability Committee supports the Board of Directors in setting the strategic direction for company activities, while aiming for comprehensive sustainable management. It has decision-making power in connection with the defin tion of the sustainability strategy, monitors its implementation and approves global sustainability targets. It is also responsible for the development and adaption of all globally valid corporate policies in this area and monitors compliance. 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.

The Sustainability Executive Team, under the lead of the CFO, is an important complement to the Corporate Sustainability Committee. It is a quarterly convening cross-functional committee, in which HR, Marketing, Legal, Researc & Development/Quality Assurance, Operations, Procurement and Corporate Communications are represented. The Sustainability Executive Team plans, coordinates and supervises the execution of the Sustainability Strategy in the respective departments of the Group.

Allocation of competences

The essential principles for the allocation of 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 rules:

Board of Directors

- Performs the inalienable 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 fi ancial 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 and Chief Executive Offic s 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 further responsible for procurement and forwarding of information to Group Management, the Executive Chairman of the Board of Directors, and the 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 for reporting within the Group.

Group Management

Group Management is responsible for the implementation of Group strategies. In addition, the 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, the individual Group Management members are given line responsibility for entire country organizations and geographical areas, together with functional responsibility for specific reas.

→ For details on members of Group Management see page 35

Information and control instruments

The Board of Directors is kept regularly informed about 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 the ongoing course of business, important projects, and events. Extraordinary occurrences are immediately brought 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 fl w, investments, and personnel of the Group and the individual 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 profit and loss, balance sheet, cash fl w, investments, and personnel. Furthermore, an annually updated Group-wide analysis of strategic, operational, and fi ancial risks – including assessments, as well as actions taken to limit risks, and responsibilities – is also submitted to the Board of Directors.

In order to assess the 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 does not have an internal audit department; nevertheless, the internal fi ancial control system, management information and risk management reporting of the Group is given very high attention.

Instead of an internal audit department, the so-called "Lindt internal control system" (LICS) serves as information and control instrument within Chocoladefabriken Lindt & Sprüngli AG. As part of the Lindt internal control system the

Group determines so-called fi ancial reference controls for the subsidiaries, which are tailored by the subsidiaries to local circumstances and risks.

The existence and effectiveness of these controls are self-assessed annually by the subsidiaries. The results of these annual assessments are supervised centrally by the group. Based on the observed testing results, a report regarding the fi ancial internal control processes in the various corporate functions of subsidiary companies (amongst others IT, Procurement, Production, Sales, Salary Payments, Treasury, HR, and Financial Reporting) is submitted annually to the Audit Committee. Supported by the group, subsidiaries then take measures in order to react to control weaknesses and deficiencies.

Moreover, the external auditors PricewaterhouseCoopers AG act as an additional control instrument by, inter alia, testing the existence of the internal control system, i.e. the "LICS". Within the framework of the yearly audit, the Audit Committee may also charge the auditors with special assignments, which go above and beyond legal and statutory requirements.

Group Management

As of December 31, 2019, Chocoladefabriken Lindt & Sprüngli AG's Group Management had six members:

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

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 fi ance, latterly as CFO in Canada and Switzerland. Mr Weisskopf joined the Lindt & Sprüngli Group in 1995 as Head of Finance, Administration, IT, Purchasing and Sustainability. 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, Group 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 Chocolate Company in California (USA). As of January 1, 2017, he has been Group CFO and a member of Group Management, where he is responsible for Finance, IT, Procurement and Sustainability.

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 as well as International Marketing, Digital and Consumer & Market Intelligence.

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.

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 fi st 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 arkets 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.

In addition to the above-mentioned assignments, members of Group Management are currently not active in other major national and international management or supervisory bodies. They hold neither managing nor consulting functions with major Swiss or foreign interest groups, nor do they hold public functions or political offi . 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 in senior management 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 according to Article 19, paragraph 3 item 2 of the Articles of Association restricted for members of Group Management – always subject to approval by the Board of Directors – to not more than two mandates in listed companies, five mandates in non-listed companies, and fi een mandates in other legal entities such as foundations and associations.

https://www.lindt-spruengli.com/fileadmin/user_upload corporate/user_upload/Investors/AOA/Articles_of_Association_E_2.5.2019__2.pdf

Compensation, equity participation and loans

→ Details Compensation Report see page 41

Group Management

Dr Dieter Weisskopf

Martin Hug

Rolf Fallegger

Dr Adalbert Lechner

Alain Germiquet

Guido Steiner

Shareholders' rights of participation

Restrictions of voting rights and proxy

The transferability of registered shares and consequently the recognition of an acquirer of registered shares as a shareholder with voting rights, as well as the registration 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 an acquirer of shares to the extent the number of registered shares held by that acquirer exceeds 4% of the total number of registered shares as entered in the commercial register. Details regarding the restrictions placed on the transferability of registered shares, limitations of nominee registrations, the Group clause included in the Articles of Association and the rules for granting exceptions, may be found on page 27 of this Annual Report and in the respective regulation of the Board of Directors "Registered Share and Shareholder Registry Regulations Lindt & Sprüngli AG".

https://www.lindt-spruengli.com/fileadmin/user_upload/co - porate/user_upload/Investors/BOR/SHAREHOLDER_REGISTRY_REGULATIONS_2015_EN.PDF

https://www.lindt-spruengli.com/fileadmin/user_upload corporate/user_upload/Investors/AOA/Articles_of_Association_E_2.5.2019__2.pdf

According to Article 12, subsection 3 of the Articles of Association, no shareholder may combine, in the aggregate, directly or indirectly, through shares held or shares represented, more than 6% of the votes of the existing share capital 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 from 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 voting rights by the independent proxy and by shareholders who are registered with more than 6% of the voting rights 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 restriction does not apply to them.

A revocation of the statutory restrictions of voting rights requires pursuant to Article 15 subsection 3 of the Articles of Association a resolution of the General Meeting of shareholders with a three-quarter majority of the shares represented. Pursuant to Art. 12, paragraph 2 of the Articles of Association, a shareholder may be represented at the General Meeting by another shareholder or by the independent proxy 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.

https://www.lindt-spruengli.com/fileadmin/user_upload corporate/user_upload/Investors/AOA/Articles_of_Association_E_2.5.2019__2.pdf

Statuary quorum

The General Meeting passes its resolutions by an absolute majority of the votes cast, not including abstentions, unless the Articles of Association or the law provide otherwise. According to Art. 15, subsection 3 of the Articles of Association, amendments of the Articles of Association concerning a change in the company's registered offi , the conversion of registered shares into bearer shares, the transfer of registered shares, representation of shares at the General Meeting, the amendment of Art. 15, subsection 3 of the Articles of Association, as well as the dissolution or a merger of the company require a three-quarter majority of the shares represented.

https://www.lindt-spruengli.com/fileadmin/user_upload corporate/user_upload/Investors/AOA/Articles_of_Association_E_2.5.2019__2.pdf

Announcement of the annual General Meeting, agenda and share register

Shareholders are invited to the General Meeting by the Board of Directors at least 20 days prior to the date of the General Meeting via publication in the Swiss Offi al Gazette of Commerce.

A shareholder who is registered in the share register with at least 2% of the share capital of the company may request that an item be placed on the agenda. Such a request must be made in writing to the Board of Directors at the latest 60 days before the General Meeting and shall specify the agenda items and the proposals made. The request and proposal must be brought before the General Meeting, together with a recommendation by the Board of Directors.

Requests made within the scope of the agenda items do not need prior announcement. In the invitation to the General Meeting, the Board of Directors indicates according to Article 13 of the Articles of Association the cut-off date for registration in the share register, which is relevant for the entitlement to attend and to exercise voting rights.

https://www.lindt-spruengli.com/fileadmin/user_upload corporate/user_upload/Investors/AOA/Articles_of_Association_E_2.5.2019__2.pdf

Change in control and defensive measures

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

Auditors

Mandate

The General Meeting appointed PricewaterhouseCoopers AG, Zurich, for the fi st time as its statutory auditor in April 2002. According to Article 27 of the Articles of Association of the company, the auditors must be newly appointed or confi med, respectively, each year by the General Meeting. The 2019 reporting year is the seventh year for the responsible lead auditor (in charge since 2013). Pursuant to the provisions of the Swiss Code of Obligations, the responsible lead auditor may not hold offic for more than seven years. The responsible lead auditor will therefore not be allowed to serve longer than until the end of the fi ancial year 2019.

https://www.lindt-spruengli.com/fileadmin/user_upload corporate/user_upload/Investors/AOA/Articles_of_Association_E_2.5.2019__2.pdf

Audit fee

The total audit fees billed by the audit company in the reporting year 2019 amounted to CHF 1.7 million.

Additional fees

The total sum of additional fees – mainly related to tax and EDP advice – billed by the audit company in the reporting year 2019 amounted to CHF 0.2 million.

Supervisory and controlling bodies

Supervision and control regarding the assessment of the auditors is exercised by the whole Board of Directors. The Audit Committee supports the entire Board of Directors in this task. The committee also ensures the ongoing communication with the auditors and regularly discusses with their representatives the results of audit activities in the accounting areas, as well as suitability of the internal control systems. Before the interim audit, the 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 fi al audit of the annual fi ancial statements is submitted to all members of the Board of Directors. It is fi st discussed in the

Audit Committee with the auditors and then fi ally approved by the whole Board of Directors at the meeting or in the circular resolution, respectively, regarding the adoption of the Annual Report. In 2019, 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 of the Audit Committee can be found on page 33 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
End of April	Annual General Meeting
End of July	Half-year Report

→ For details refer to "Information" on page 110

The statutory publication organ is the Swiss Offi al Gazette of Commerce. 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/

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 investors@lindt.com.

Information regarding participation certificate

Chocoladefabriken Lindt & Sprüngli AG has decided to stop issuing physical dividend vouchers (coupons) on bearer participation certifi ates. In view of the 122. Annual General Meeting on April 24, 2020, holders who keep their participation certifi ates as certifi ates in physical form e.g. at home or at their bank (e.g. in a safe deposit box or in individual custody) (so-called "Heimverwahrer") are asked to deliver their participation certifi ates (including remaining coupons and talons, if any) to their bank of choice by no later than April 15, 2020, in order to book their participation certificates into their existing securities account, or one to be opened prior to the next dividend payment. For participation certifi ates which are not held as book-entry security by April 30, 2020, the dividend on participation certifi ates for the fi ancial year 2019 (and, as long as the conversion has not taken place, any other future dividends) will not automatically be serviced through the banking system. Holders of participation certifi ates which are held in physical form should be aware that dividends which are not claimed within five years will defin tely be allocated to the company.

Holders who already keep their participation certificates in a securities account with their deposit bank are not affected by the change and need not act.

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

http://www.lindt-spruengli.com/investors/

Compensation Report

Dear Shareholders

On behalf of the Board of Directors and as Chairman of the Compensation & Nomination Committee, I welcome this opportunity to present the Compensation Report for the fi ancial year 2019.

At the 2015 General Meeting, the requirements of the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (VegüV) – incorporated in the Articles of Association at the 2014 General Meeting – were implemented for the fi st time. Since then, the General Meeting approves in separate votes the proposals of the Board of Directors for the maximum aggregate compensation for the members of the Board of Directors until the next Annual General Meeting, and for the maximum aggregate compensation for Group Management prospectively for the forthcoming fi ancial year. The Compensation Report for the previous fi ancial year is also submitted to the shareholders for approval by way of an advisory vote.

Th s 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**
  - **v. Supplementary amount**
- **IV. Employment contracts**
- **V. Participation**
- **VI. Additional fees, compensation, and loans to company officers**
- **VII. Compensation to former members of corporate bodies**

The Board of Directors is convinced that this 2019 Compensation Report gives you, our valued shareholders, a comprehensive and integral overview regarding the compensation of the senior management at Lindt & Sprüngli Group.

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

Compensation Report 2019

Th s Compensation Report describes the underlying basics, governing principles and elements of the senior management of the Lindt & Sprüngli Group and also contains information on the actual compensation paid to the members of the Board of Directors and Group Management. The information provided refers in each case to the fi ancial year ending on December 31, 2019 (where required with comparative figu es for the previous fi ancial year). The Compensation Report also incorporates the disclosure obligations set out in Art. 14 ff. VegüV and Art. 663c paragraph 2 OR, the requirements of Chapter 5 of the Annex to the Corporate Governance Directive of the SIX Swiss Exchange and the recommendations of the "Swiss Code of Best Practice for Corporate Governance" issued by economiesuisse in its last published version of February 29, 2016.

I. Compensation Governance

Article 24bis paragraph 2 of the Articles of Association of Chocoladefabriken Lindt & Sprüngli AG allocates the following tasks and competencies to the Compensation Committee, i.e. 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 & Nomination 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."

Pursuant to the corresponding regulations, the responsibilities of the CNC include inter alia the approval of employment contracts for members of the Group Management and the submission to the Board of Directors of the employment contract for the CEO for approval. The CNC also submits proposals to the Board of Directors for motions to the General Meeting relating to compensation and with respect to potential occupational benefits and pensions outside the scope of occupational benefits or similar schemes abroad, in each case granted by the company or by its subsidiary companies to members of the Board of Directors and Group Management within the limits defi ed by the Articles of Association. The CNC is also responsible for drawing up a proposal for the Compensation Report for the attention of the Board of Directors.

Within the framework of the compensation principles, the Articles of Association, and the resolutions of the General Meeting regarding compensation, the CNC determines upon proposal by the CEO the amount and composition of the compensation for individual members of Group Management and submits the CNC's proposals for the individual compensation of the CEO and the members of the Board of Directors to the full Board of Directors. Individual members of the Board of Directors and Group Management are excluded from the deliberations and from voting in the CNC and the Board of Directors, respectively, when it comes to their own compensation. Once a year, the CNC informs the Board of Directors about the procedure for the determination of compensation and the outcome of the compensation process. The CNC meets at least twice each year. Four regular meetings were held in the reporting year. The CNC has general authority to consult external advisors for the performance of its tasks. Last year, the consulting services of a well-known advisor were used in connection with the benchmarking of the compensation paid to the Executive Chairman and the Group Management, this was the only project involving work with this consulting fi m.

Pursuant to Article 15bis paragraph 1 of the Articles of Association, the General Meeting annually approves the proposals submitted by the Board of Directors concerning the maximum amounts of remuneration paid to the Board of Directors for the period until the next ordinary General Meeting, and of remuneration paid to Group Management for the coming fi ancial year. The Board of Directors may submit to the General Meeting for approval proposals concerning the maximum total amounts or individual components of remuneration for other time intervals, and/or concerning supplementary amounts for special remuneration components, as well as other, conditional proposals (Article 15bis paragraph 2 of the Articles of Association).

Approval system for the compensation of the Board of Directors, the CEO and the Group Management

	CEO	CNC	Board of Directors	General Meeting
Maximum aggregate compensation Board of Directors		Proposal to BoD	Proposal to GM	Decision (prospective)
Individual compensation Board of Directors		Proposal to BoD	Decision	
Maximum aggregate 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		
Advisory vote on Compensation Report		Proposal to BoD	Proposal to GM	Decision (retrospective)

II. Compensation for the Board of Directors

The non-executive members of the Board of Directors receive compensation in the form of a fi ed fee, respectively the monthly compensation for the Executive Chairman. The entire compensation for the preceding term of offic is paid out in cash after the Annual General Meeting. Th s fi ed compensation for the Board of Directors ensures that the Board of Directors is free to assess the company's performance. The principles governing the compensation of members of the Board of Directors are set out in Article 21 paragraph 2 of the Articles of Association.

https://www.lindt-spruengli.com/fileadmin/user_upload/corpo ate/user_upload/Investors/AOA/Articles_of_Association_E_2.5.2019__2.pdf

A fi ed flat-rate fee of CHF 145,000 was paid to each non-executive member of the Board for the term of offic 2018/2019, and the same amount will be paid for the term of offic 2019/2020. The Executive Chairman of the Board of Directors received a flat-rate fee of CHF 3,667,000 for the term of offic 2018/2019, whereof CHF 1 million in the form of registered shares with a lock-up period of five years from the allocation date. Under the terms of his contract, no further allotment of registered shares will be made for the term of offic 2019/2020 (i.e. as of May 2019), but only a cash settlement. The mutually agreed reduction of the overall compensation paid to the Executive Chairman of the Board of Directors refl cts his slightly reduced executive workload.

The following compensation was effectively paid to the members of the Board of Directors in the fi ancial years 2018 and 2019.

Compensation of the Board of Directors (audited)

	Function on 31.12.2019	2019		2018	
CHF thousand		Fixed cash compensation[2]	Other compensation[3]	Fixed cash compensation	Other compensation
E. Tanner	Executive Chairman of the Board of Directors, member of the CSC[4]	3,000[1]	22	4,000	22
A. Bulgheroni	Board member, member of the Audit Committee and CNC	145	41	145	43
Dkfm. E. Gürtler	Board member, member of the Audit Committee	145	12	145	12
Dr R. K. Sprüngli	Board member, Chairman of the CNC and the CSC	145	12	145	14
P. Schadeberg-Herrmann[4]	Board member, member of the Audit Committee	–	–	145	5
Dr T. Rinderknecht	Board member, Chairman of the Audit Committee	145	12	145	14
S. Denz[5]	Board member, member of the CNC and CSC	145	14	–	–
Total		**3,725**	**113**	**4,725**	**110**

1 For financial ear 2019, total compensation in the form of a fee respectively salary for E. Tanner as member of the Board of Directors and Executive Chairman of the Board of Directors is CHF 3 million (accrual-basis), whereof a compensation of CHF 2,666,667 (January–December) as well as a share-based compensation of CHF 333,333 (January–April 2019). For the term of office 2018/2019 (Gene al Meeting 2018–General Meeting 2019) a total compensation of CHF 3,667 million was effectively paid. As of term of office 2019/2020 (i.e. M y 2019) and according to his contract no shares will be paid anymore.
2 The non-executive members of the Board of Directors received an unchanged fixed fee of CHF 145,000.
3 AHV share of the employee on salary respectively fees paid by the employer (including that of the employer, that establishes or increases social insurance or pension contributions). The compensation shown for 2019 paid to E. Tanner includes a lump-sum expense allowance of CHF 18,000 (previous year: CHF 18,000). A. Bulgheroni also received a gross fee of CHF 28,800 (previous year CHF 29,800) for his function as Chairman of the Board of Directors of Lindt & Sprüngli S.p.A and Caffarel S.p.A.
4 CSC: Corporate Sustainability Committee.
5 P. Schadeberg-Herrmann resigned at the General Meeting 2018.
6 Election at General Meeting 2018. Fee was paid for the first time in M y 2019.

The amount of CHF 5.3 million approved by the General Meeting of May 3, 2018, as the maximum aggregate amount of compensation for the Board of Directors for the period until the General Meeting 2019 was not exceeded. An amount of CHF 5.3 million was approved by the General Meeting of May 2, 2019, as the maximum aggregate amount of compensation for the Board of Directors for the period until the General Meeting 2020 and will presumably not be exceeded either. The amount effectively paid out for the fi ancial year 2020 will be disclosed in the Annual Report 2020.

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

III. Compensation for the Group Management

i. Compensation principles

Compensation plays a central role in recruitment and retention of employees, thus compensation influences the company's future success. Lindt & Sprüngli is committed to performance-based compensation in line with the market standards aligning the long-term interests of shareholders, employees and customers. Therefore, the compensation system at Lindt& Sprüngli pursues the following five goals:

1. Long-term motivation of employees,
2. long-term retention of key personnel in the company,
3. appropriateness of the cost of compensation in relation to the results,
4. ensuring that the activities of the management are aligned with the long-term interests of the owners, and
5. attract talent and be an attractive employer.

Lindt & Sprüngli attaches great importance to employee retention, which manifests itself particularly in the exceptionally low turnover rate over many years. Th s is of great importance for a premium product manufacturer with a long-term strategy. Compensation principles at Lindt & Sprüngli are meant to have a medium and long-term effect and to be sustainable. Continuity is a high priority.

The principles governing the compensation (including performance-based compensation) of the members of the Group Management and the allocation of equity securities, conversion, and option rights to members of the Group Management are set out in Article 26bis paragraphs 3–7 of the Articles of Association. Regulations governing the amount of pension benefits outside the occupational pension scheme for members of the Group Management are set out in Article 26bis paragraph 8 of the Articles of Association.

https://www.lindt-spruengli.com/fileadmin/user_upload/corpo ate/user_upload/Investors/AOA/Articles_of_Association_E_2.5.2019__2.pdf

ii. Compensation system

The compensation of members of Group Management consists of a combination of a fi ed compensation (1) (base salary), a short-term performance-based compensation (2) (cash bonus) and a long-term performance-based compensation in the form of options, respectively participation certifi ates (3) as well as ancillary benefits, in each case consistent with their respective position. The fi ed compensation (1) (base salary) essentially refl cts the particular functional level, competencies and experience of the members of Group Management. The short-term performance-based compensation (2) (cash bonus) is tied to performance targets for the fi ancial year, while the long-term performance-based compensation in the form of options (3) strengthens the shareholder orientation within the Management of the company and aligns the interests of the Management with those of the shareholders in the long term.

The period between the granting of options and the possibility of exercising or selling them amounts on average to four years and promotes the long-term goal orientation and long-term action which is 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 for the short-term performance-based compensation (2) the particular bonus target as a percentage of the base salary, and the accompanying target achievement bandwidth as a percentage of the bonus target. For the long-term performance-based compensation in the form of options (3), the bandwidth for possible option grants is expressed as a percentage of the fi ed compensation (base salary) in each case.

Composition of Group Management variable compensation

	Fixed compensation	Variable compensation		
		Short-term performance-based compensation (2) (Cash bonus)		Long-term performance-based compensation (3) (Options)[1]
	Fixed compansation (1) (Base salary)	Target cash bonus in % of base salary	Target achievement bandwith as % of target	Value of allocation 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 total target compensation is based on the requirements and responsibilites of the recipient and is regularly reviewed within the Group by means of horizontal and vertical comparisons. In addition, when new appointments are made, the CNC takes into account comparative data for the consumer goods sector, with respect to the specific vacancy for the appointment.

In the fi ancial year 2019, the compensation for Group Management was reviewed by way of benchmarking. Th s involved a comparison of the level and structure of compensation with twelve industrial companies from the SMI and SMIM that are similar in terms of market capitalization and sales. In addition, the long-term corporate performance of Lindt & Sprüngli was compared with the peer group in order to obtain an assessment representing a "Pay for Performance" analysis. In addition, a compensation benchmarking exercise was carried out, with the support of specialist consultants, with respect to the position of Executive Chairman.

iii. Compensation elements

Fixed compensation (Base salary) and other compensation /anxillary benefits
The fi ed compensation (1) (base salary) is paid out on a monthly basis in twelve or thirteen equal 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.

Short-term performance-based compensation (2) (cash bonus)
The short-term performance-based compensation (2) (cash bonus) is determined within a range of 0–200% of the base salary, depending on target achievement. Th s variable cash compensation depends on the achievement of clearly defi ed targets – on the one hand individual, qualitative targets, and on the other hand fi ancial targets at Group level for the respective fi ancial year. It is paid out in cash in spring of the following year, once the achievement of targets has been determined. The amount of the short-term performance-based compensation (2) (cash bonus) is determined by multiplying the individual target cash bonus with a target achievement factor, which is determined based on a scorecard. For the CEO and the members of Group Management, this factor largely depends on the achievement of fi ancial targets for the fi ancial year at Group level and, to a smaller extent, on the achievement of annual personal qualitative targets, which are set by the CNC at its discretion. The fi ancial targets are determined annually and correlate with the long-term strategy, which strives for achieving sustainable organic sales growth accompanied by continuous improvement in profitability. Non-fi ancial targets depend on the individual function and refer to the implementation of the strategy and to defi ed leadership and conduct criteria.

For those members of Group Management who have responsibility on regional or country level, respectively, fi ancial targets on regional or country level, respectively, are also taken into account, along with Group targets.

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

Calculation of the short-term performance-based compensation (cash bonus) for the CEO and Group Management

Long-term performance-based compensation (option plan)

The long-term performance-based compensation (3) consists of an option plan. Thereby, the compensation of Group Management is linked to the long-term increase of the value of the company due to deferral of the payment. By way of the option plan, Group Management as well as selected key employees with expert knowledge participate in the long-term increase of the value of the company. The grant serves as an incentive for a future increase in value and depends not primarily on previous year's performance, but on the employee's position and his influence on the long-term success of the company. The CNC makes the fi al decision regarding the value of the granted options for each participant based on mentioned criteria, whereby for the Group Management the allocated value may amount to up to 200% of the respective basic salary. Each option carries the right to subscribe to one participation certifi ate (subscription ratio 1:1). The option exercise price corresponds to the average amount of the closing price of the participation certifi ates of Chocoladefabriken Lindt & Sprüngli AG on the five trading days on the SIX Swiss Exchange prior to grant.

Option rights have an exercise period of up to seven years from grant and have vesting periods for the exercise of three (35%), four (35%), or five (30%) years.

iv. Compensation

Compensation of the members of Group Management for the year 2019 as well as 2018 is shown in the following table. The valuation of the option-based compensation for 2019 and 2018 is based on market values at the time of grant.

Compensation for the Group Management (audited)

				2019 market value
CHF thousand	Fixed gross compensation [1]	Variable cash compensation [2]	Options [3]	Total compensation
Dieter Weisskopf, CEO	1,271	1,000	1,222	3,493
Other members of Group Management[4]	3,279	2,325	2,810	8,414
Total	**4,550**	**3,325**	**4,032**	**11,907**

				2018 market value
CHF thousand	Fixed gross compensation [1]	Variable cash compensation [2]	Options [3]	Total compensation
Dieter Weisskopf, CEO	1,265	1,000	1,548	3,813
Other members of Group Management[5]	4,892	2,259	4,179	11,330
Total	**6,157**	**3,259**	**5,727**	**15,143**

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 proposal of the CNC to the BoD (excluding social charges paid by employer.
3 Option grants on Lindt & Sprüngli participation certificates under the terms and conditions of the Lind & Sprüngli employee share option plan (see also note 26). The valuation reflects the market alue at the time granted. The total number of granted options in 2018 to D. Weisskopf was 2,000 options (2,000 options in 2018) and in total to all other members of the Group Management 4,600 options (5,400 options in 2018).
4 There have been fi e other Group Management members as of December 31, 2019.
5 There have been six other Group Management members as of December 31, 2018 A. Pfluger resigned on December 31, 2018, on rea hing retirement age.

The amount of CHF 18 million approved by the General Meeting of May 3, 2018, as the maximum aggregate amount of compensation for 2019 for the Group Management was complied with at CHF 12 million; no use was made of the supplementary amount pursuant to Article 15bis paragraph 5 of the Articles of Association.

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

v. Supplementary amount

Pursuant to Article 15bis paragraph 5 of the Articles of Association, the company or its Group affiliates are authorized to make payment to any member of Group Management who enters the Group Management during a period for which approval of the remuneration due to the Group Management has already been given, of a supplementary amount for that period, where the total amount already approved is not suffici t for such remuneration; such supplementary amount shall not exceed 40% of the maximum total amount already approved for the remuneration of Group Management.

IV. Employment contracts

The employment contracts of the Group Management stipulate a maximum notice period of twelve months and make no provision for a severance payment. Maximum duration for a prohibition on competition for members of Group Management is twelve months, provided that the agreed consideration may not exceed the amount of the basic salary paid for the preceding twelve months. In case of option- or share-based compensation, neither vesting periods nor exercise periods are shortened upon departure.

V. Participation

The following table provides information on the registered shares and participation certifi ates, respectively, of Chocoladefabriken Lindt & Sprüngli AG and options on participation certifi ates held by members of the Board of Directors and the Group Management as of December 31, 2019.

		Number of registered shares (RS)		Number of participation certificates (PC		Number of options	
		2019	2018	**2019**	2018	**2019**	2018
E. Tanner	Executive Chairman	3,067	3,055	9,800	12,000	4,725	4,725
A. Bulgheroni	Member of the Board	1,000	1,000	165	165	–	–
Dkfm E. Gürtler	Member of the Board	1	1	50	50	–	–
Dr R. K. Sprüngli	Member of the Board	1,092	1,092	–	–	–	–
Dr T. Rinderknecht	Member of the Board	–	–	–	–	–	–
S. Denz	Member of the Board	11	11	–	–	–	–
Dr D. Weisskopf	Group Management	7	7	2,400	2,400	6,925	6,350
A. Pfluge [1]	Group Management	–	5	–	30	–	4,613
R. Fallegger	Group Management	5	5	869	100	4,550	4,548
A. Germiquet	Group Management	7	4	400	400	3,053	2,610
Dr A. Lechner	Group Management	7	7	56	56	4,500	4,195
M. Hug	Group Management	–	–	200	–	2,675	2,075
G. Steiner	Group Management	2	2	–	–	2,900	2,380
Total		**5,199**	**5,189**	**13,940**	**15,201**	**29,328**	**31,496**

1 Mr. A. Pfluger stepped d wn from Group Management on December 31, 2018, therefore no participation reported in 2019.

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

Apart from the benefits listed in this report, no other compensation was provided in the reporting year 2019 – neither directly nor indirectly – to the executive and non-executive members of the Board of Directors or to the members of Group Management, to former members of Group Management or the Board of Directors as well as to related persons of the aforementioned persons. In addition, as per December 31, 2019, 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 of corporate bodies

No other compensation, apart from the benefits listed in this report, was paid in 2019 to former member of corporate bodies offic s of the company.

pwc

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 2019. 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 42 and 46 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 2019 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, 2 March 2020

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Consolidated Balance Sheet

CHF million	Note	December 31, 2019		December 31, 2018	
Assets					
Property, plant and equipment	7	1,323.9		1,344.8	
Right-of-use assets [1]	8	449.7		–	
Intangible assets	9	1,366.8		1,378.3	
Financial assets	10	1,801.7		1,534.0	
Deferred tax assets	11	123.0		59.7	
Total non-current assets		**5,065.1**	**63.0%**	**4,316.8**	**59.5%**
Inventories	12	750.1		752.2	
Accounts receivable	13	973.8		1,023.2	
Other receivables		156.0		118.8	
Accrued income		3.9		2.5	
Derivative assets	14	31.9		38.6	
Marketable securities and short-term financial asset		405.2		1.6	
Cash and cash equivalents	15	654.8		996.1	
Total current assets		**2,975.7**	**37.0%**	**2,933.0**	**40.5%**
Total assets		**8,040.8**	**100.0%**	**7,249.8**	**100.0%**
Liabilities					
Share and participation capital	16	24.3		24.3	
Treasury stock	16	–399.2		–202.4	
Retained earnings and other reserves		5,034.7		4,655.4	
Equity attributable to shareholders		**4,659.8**		**4,477.3**	
Non-controlling interests		10.4		9.1	
Total equity		**4,670.2**	**58.1%**	**4,486.4**	**61.9%**
Bonds	17	498.5		997.9	
Loans	17	–		0.8	
Lease liabilities [1]	8	411.6		–	
Deferred tax liabilities	11	541.5		467.0	
Pension liabilities	18	184.7		174.9	
Other liabilities		5.9		6.6	
Provisions	19	38.7		88.1	
Total non-current liabilities		**1,680.9**	**20.9%**	**1,735.3**	**23.9%**
Accounts payable to suppliers	20	233.9		214.2	
Other accounts payable		58.8		56.2	
Lease liabilities [1]	8	67.5		–	
Current tax liabilities [2]		99.8		52.5	
Accrued liabilities	21	693.0		666.4	
Derivative liabilities	14	10.6		12.1	
Provisions	19	20.6		14.4	
Bonds	17	499.9		–	
Bank and other borrowings	17	5.6		12.3	
Total current liabilities		**1,689.7**	**21.0%**	**1,028.1**	**14.2%**
Total liabilities		**3,370.6**	**41.9%**	**2,763.4**	**38.1%**
Total liabilities and equity		**8,040.8**	**100.0%**	**7,249.8**	**100.0%**

The accompanying notes form an integral part of the consolidated statements.
1 IFRS 16 has been applied for the first time as of anuary 1, 2019. Therefore no prior year numbers are presented.
2 See section related to IFRIC 23 in note 2.

Consolidated Income Statement

CHF million	Note	2019		2018	
Income					
Sales		4,509.0	100.0%	4,313.2	100.0%
Other income		16.6		19.3	
Total income		**4,525.6**	**100.4%**	**4,332.5**	**100.4%**
Expenses					
Material expenses [1]		–1,505.8	–33.4%	–1,463.2	–33.9%
Changes in inventories		–11.8	–0.2%	29.2	0.8%
Personnel expenses [2]	22	–978.9	–21.7%	–938.4	–21.8%
Operating expenses [3]		–1,113.3	–24.7%	–1,143.9	–26.5%
Depreciation, amortization, and impairment [4]	7, 8, 9	–322.8	–7.2%	–179.5	–4.2%
Total expenses		**–3,932.6**	**–87.2%**	**–3,695.8**	**–85.6%**
Operating profit (EBIT [5]		**593.0**	**13.2%**	**636.7**	**14.8%**
Financial income	23	3.1		3.8	
Financial expense	23	–35.0		–19.9	
Income before taxes		**561.1**	**12.4%**	**620.6**	**14.4%**
Taxes [6]	11	–49.2		–133.5	
Net income		**511.9**	**11.4%**	**487.1**	**11.3%**
of which attributable to non-controlling interests		2.3		2.0	
of which attributable to shareholders of the parent		509.6		485.1	
Non-diluted earnings per share/10 PC (CHF)	24	2,141.5		2,021.4	
Diluted earnings per share/10 PC (CHF)	24	2,123.7		2,008.1	

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

1 Includes CHF –3.1 million one-off effects in the USA (increase in inventory reserve for packaging material) in 2019. More information about these one-off effects is disclosed within note 12.
2 Includes CHF –10.0 million one-off effects in the USA (severance payments to employees) in 2019. More information about these one-off effects is disclosed within note 19.
3 Includes CHF –16.1 million one-off effects in the USA (other one time expenses) in 2019. More information about these one-off effects is disclosed within note 19.
4 Includes CHF –52.4 million one-off effects in the USA (impairment of right-of-use assets, manufacturing buildings and equipment) in 2019. More information about these one-off effects is disclosed within notes 7 and 8.
5 Includes CHF –81.6 million one-off effects in the USA, which are the sum of above mentioned components. This had a corresponding impact on the operating profit of the segment North America. Refer to note 5 for further information.
6 Includes CHF +22.3 million impact of above mentioned one-off effects in the USA and CHF +59.0 million one-off impact from the new tax law in Switzerland and other tax credits in 2019. More information about these one-off effects is disclosed within note 11.2. The reconciliation from the above disclosed non recurring operating result to the recurring operating result is presented in the alternative performance measures.

Statement of Comprehensive Income

CHF million	**2019**	2018
Net income	511.9	487.1
Other comprehensive income after taxes		
Items that will not be reclassified to profit or lo		
Remeasurement of defined benefit pla	169.1	27.5
Items that may be reclassified subsequently to profit or lo		
Hedge accounting	–3.7	52.5
Currency translation	–51.9	–34.7
Total comprehensive income	**625.4**	**532.4**
of which attributable to non-controlling interests	1.9	0.8
of which attributable to shareholders of the parent	623.5	531.6

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 11.

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-con-trolling interest	**Total equity**
Balance as at January 1, 2018		**24.1**	**–84.0**	**347.0**	**–27.6**	**4,135.9**	**–209.1**	**4,186.3**	**8.7**	**4,195.0**
Net Income [1]		–	–	–	–	485.1	–	485.1	2.0	487.1
Other comprehensive income [1]		–	–	–	52.5	27.5	–33.5	46.5	–1.2	45.3
Capital increase	16	0.2	–	87.1	–	–	–	87.3	–	87.3
Purchase of own shares and participation certificate	16	–	–119.6	–	–	–	–	–119.6	–	–119.6
Sale of own shares	16	–	0.6	–	–	0.3	–	0.9	–	0.9
Share-based payment	26	–	0.6	–	–	13.6	–	14.2	–	14.2
Reclass into retained earnings		–	–	–100.9	–	100.9	–	–	–	–
Distribution of profit		–	–	–	–	–223.4	–	–223.4	–0.4	–223.8
Balance as at December 31, 2018		**24.3**	**–202.4**	**333.2**	**24.9**	**4,539.9**	**–242.6**	**4,477.3**	**9.1**	**4,486.4**
Net Income [1]		–	–	–	–	509.6	–	509.6	2.3	511.9
Other comprehensive income [1]		–	–	–	–3.7	169.1	–51.5	113.9	–0.4	113.5
Capital increase	16	0.2	–	77.5	–	–	–	77.7	–	77.7
Purchase of own shares and participation certificate	16	–	–337.1	–	–	–	–	–337.1	–	–337.1
Sale of own shares	16	–	20.1	–	–	15.9	–	36.0	–	36.0
Cancellation of shares (destruction)		–0.2	119.6	–	–	–119.4	–	–	–	–
Share-based payment	26	–	0.6	–	–	18.6	–	19.2	–	19.2
Reclass into retained earnings		–	–	–85.3	–	85.3	–	–	–	–
Distribution of profit		–	–	–	–	–236.8	–	–236.8	–0.6	–237.4
Balance as at December 31, 2019		**24.3**	**–399.2**	**325.4**	**21.2**	**4,982.2**	**–294.1**	**4,659.8**	**10.4**	**4,670.2**

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

1 To increase transparency total comprehensive income of CHF 625.4 million (CHF 532.4 million in 2018) is now split in its components: net income and other comprehensive income, which are disclosed separately. Net income amounts to CHF 511.9 million (CHF 487.1 million in 2018) and other comprehensive income to CHF 113.5 million (CHF 45.3 million in 2018).

Consolidated Cash Flow Statement

CHF million	Note		2019		2018
Net income		511.9		487.1	
Depreciation, amortization, and impairment	7, 8, 9	322.8		179.5	
Decrease (–)/Increase (+) of provisions [1]		31.9		–3.1	
Decrease (–)/Increase (+) of allowances [1]		–1.1		3.1	
Decrease (+)/Increase (–) of pension assets [1]		–70.6		–14.0	
Decrease (+)/Increase (–) of accounts receivables		34.9		–6.0	
Decrease (+)/Increase (–) of inventories		–15.3		–44.0	
Decrease (+)/Increase (–) of other receivables		–39.8		9.7	
Decrease (+)/Increase (–) of accrued income and derivative assets and liabilities		0.2		3.9	
Decrease (–)/Increase (+) of accounts payable		15.5		3.0	
Decrease (–)/Increase (+) of other payables and accrued liabilities		15.7		11.2	
Non-cash effective items [2]		24.8		21.2	
Cash fl w from operating activities (operating cash fl w)			**830.9**		**651.6**
Investments in property, plant and equipment	7	–209.4		–244.9	
Disposals of property, plant and equipment	7	5.5		9.8	
Investments in intangible assets	9	–25.8		–12.4	
Disposals (+)/Investments (–) in financial asset (excluding pension assets)		2.0		0.3	
Investments in marketable securities and short-term financial assets	15	–403.9		–1.5	
Cash fl w from investment activities			**–631.6**		**–248.7**
Proceeds from borrowings		–		3.5	
Repayments of borrowings		–6.5		–	
Proceeds from loans		–		0.1	
Repayments of loans		–0.8		–	
Repayments of lease liabilities	8	–66.7		–	
Capital increase (including premium)		77.7		87.3	
Purchase of treasury stock		–337.1		–119.6	
Sale of treasury stock		35.1		–	
Distribution of profit		–236.8		–223.4	
Cash fl w with non-controlling interests		–0.5		–0.4	
Cash fl w from financing act vities			**–535.6**		**–252.5**
Net increase (+)/decrease (–) in cash and cash equivalents			**–336.3**		**150.4**
Cash and cash equivalents as at January 1		996.1		853.0	
Exchange gains(+)/losses (–) on cash and cash equivalents		**–5.0**	**991.1**	**–7.3**	**845.7**
Cash and cash equivalents as at December 31	**15**		**654.8**		**996.1**
Interest received from third parties [3]			1.8		1.4
Interest paid to third parties [3]			34.7		18.4
Income tax paid [3]			142.8		138.2

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

1 To comply with the disclosure requirements of IA7 "Statements of Cash Flows", the Lindt & Sprüngli Group shows changes in provisions, allowances and pension assets as a separate row within the cash fl w from operating activities.

2 As at December 31, 2019, movements of CHF 7.5 million result from the translation of foreign exchange balances (CHF 11.0 million in 2018).

3 Included in cash fl w from operating activities.

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, Caff rel, Hofb uer, Küfferle, and Pangburn's. Th 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 North America.

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 certifi ates CH0010570767).

These consolidated fi ancial statements were approved for publication by the Board of Directors on March 2, 2020.

The subsidiaries of Chocoladefabriken Lindt & Sprüngli AG as at December 31, 2019 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
		Lindt & Sprüngli (International) AG [1]	M	100	CHF	0.2
		Lindt & Sprüngli Financière AG [1]	M	100	CHF	5.0
Germany	Aachen	Chocoladefabriken Lindt & Sprüngli GmbH [1]	P&D	100	EUR	1.0
France	Paris	Lindt & Sprüngli SAS	P&D	100	EUR	13.0
Italy	Induno	Lindt & Sprüngli SpA [1]	P&D	100	EUR	5.2
	Luserna	Caffarel SpA	P&D	100	EUR	2.2
Great Britain	London	Lindt & Sprüngli (UK) Ltd. [1]	D	100	GBP	1.5
USA	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
Netherlands	Rotterdam	Lindt & Sprüngli (Netherlands) B.V.	D	100	EUR	0.1
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	285.1
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	50.0
		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 10.4 million at December 31, 2019 (CHF 9.1 million at December 31, 2018). These are not material to the Group.

2. Accounting Principles

Basis of preparation

The consolidated fi ancial 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, fi ancial assets and the derivative fi ancial instruments, which are recognized at fair value, the consolidated fi ancial statements are based on historical costs.

When preparing the fi ancial 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 and Interpretations

New and amended IFRS and interpretations (effective as of January 1, 2019)

Th Lindt & Sprüngli Group has implemented all new or amended accounting standards and interpretations to the IFRS, which must be applied for the reporting period beginning January 1, 2019, including IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments".

Except for IFRS 16 none of these new or amended accounting standards and clarifi ations resulted in any signifi ant changes to the accounting policies of the Lindt & Sprüngli Group. Neither did these have a signifi ant impact on the recognition or measurement in the consolidated fi ancial statements.

Impact of first time adoption of IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 and sets out principles for the recognition, measurement, presentation and disclosures of leases. The Lindt & Sprüngli Group implemented the new standard on January 1, 2019, applied the modifi d retrospective method and did not restate prior years. The right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of the prepaid or accrued lease payments relating to those leases recognized in the balance sheet immediately before the date of initial application. A description about the accounting principles related to IFRS 16 is provided in further sections within this note as well as note 8.

The future operating lease commitment disclosed on December 31, 2018, and the lease liability recorded on January 1, 2019 can be reconciled as follows:

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

1 The re-assessment of leasing contracts entails impacts of different interpretations between the old (IAS 17) and new lease standard (IFRS 16). Consequently, not all contractual commitments shown as operating leases are to be disclosed within lease liabilities according to the new standard.

The weighted average of the incremental borrowing rate applied to the lease liabilities as of January 1, 2019 was at 3.3%.

In applying IFRS 16 for the fi st time, the Group has used the following practical expedients permitted by the standard:
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review (there were no onerous contacts as at January 1, 2019)
- Accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

For contracts that commenced before January 1, 2019, the Lindt & Sprüngli Group decided to not reassess whether a contract contains a lease, but to rely on the assessment made under IAS 17 and IFRIC 4.

The adoption of IFRS 16 – "Leases" has the following impact on the fi ancial statements:

Balance sheet:
- Increases of the balance sheet total due to reporting of right-of-use assets and current and non-current lease liabilities.

Income Statement:
- Increases in depreciation and interest expenses
- Reduction of lease expenses in operating expenses
- Decrease in net income of CHF 9.4 million due to the higher interest expenses at the beginning of a lease ("front-load impact") under IFRS 16

Cash Flow Statement:
- Increases of operating cash fl w due to increased depreciation
- Higher cash outfl w from fi ancing activities due to repayment of lease liabilities

Impact of first time adoption IFRIC 23 "Uncertainty over Income Tax Treatment"
IFRIC 23 "Uncertainty over Income Tax Treatment" specifies the treatment of uncertainty over income taxes. The Lindt & Sprüngli Group applies the interpretation retrospectively for the reporting period 2019 without restating prior periods. IFRIC 23 resulted in a reclassifi ation of uncertain tax liabilities from provisions to current tax liabilities. The fi st time application of IFRIC 23 had no impact on the measurement and consequently did not result in a cumulative adjustment.

New and amended IFRS and interpretations that are to be applied in future periods
Th Lindt & Sprüngli Group does not expect any material impact on recognition and measurement due to the new standards that have already been published and are to be applied in future periods.

Consolidation method

The consolidated fi ancial 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 investment in the entity, and has the ability to direct these returns through its influence 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 fi ancial 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 fi ancial instruments in the balance sheet are explained in the paragraph "Accounting for derivative fi ancial 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

Th Lindt & Sprüngli Group applied the following exchange rates:

		Balance sheet year-end rates		Income statement average rates	
CHF		**2019**	2018	**2019**	2018
Euro zone	1 EUR	1.09	1.13	1.11	1.15
USA	1 USD	0.97	0.99	0.99	0.98
Great Britain	1 GBP	1.27	1.26	1.27	1.30
Canada	1 CAD	0.74	0.72	0.75	0.75
Australia	1 AUD	0.68	0.70	0.69	0.73
Poland	100 PLN	25.50	26.19	25.85	26.99
Mexico	100 MXN	5.12	5.02	5.16	5.09
Sweden	100 SEK	10.37	11.01	10.45	11.15
Czech Republic	100 CZK	4.27	4.38	4.32	4.46
Japan	100 JPY	0.89	0.89	0.91	0.88
South Africa	100 ZAR	6.89	6.85	6.86	7.36
Hong Kong	100 HKD	12.43	12.58	12.68	12.48
China	100 CNY	13.91	14.32	14.18	14.51
Russia	100 RUB	1.56	1.42	1.54	1.54
Brazil	100 BRL	24.09	25.38	25.14	26.89

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. Assets are linearly depreciated to reduce the carrying amount to the expected residual value over the following useful lives:

- Buildings (incl. installations) 5–40 years
- Machinery 10–15 years
- Other fi ed 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 acquisition costs over the Lindt & Sprüngli Group's interest in the fair value of the net assets acquired. Goodwill is not amortized, but tested for impairment in the fourth quarter of each reporting period.

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 ten to twenty 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. 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

Th Lindt & Sprüngli Group records the difference between the recoverable amount and the book value of fi ed 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, which generate separable cash fl ws. In order to establish the future benefits, the expected future cash fl ws are discounted. Assets with indefin te useful life as for example goodwill or intangible assets, which are not in use yet, are not amortized and are subject to a yearly impairment test. Depreciable assets are tested for their recoverability, if there are indicators, that the book value is no longer realizable.

Leasing

Under IFRS 16, the Lindt & Sprüngli Group assesses whether a contract contains a lease at inception of a contract and recognizes a right-of-use asset and a corresponding lease liability for all arrangements in which it is a lessee, except for short-term leases with terms of 12 months or less and low value leases. For these leases, the Lindt & Sprüngli Group recognizes the lease payments as an operating expense on a straight-line basis over the lease term.

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

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

Under IAS 17, the Lindt & Sprüngli Group distinguished between lease liabilities resulting from fi ance 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 costs, 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 completion of the goods produced and applicable variable selling and distribution expenses.

Cash and cash equivalents

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

Financial assets

Th Lindt & Sprüngli Group recognizes, measures, impairs (if required), presents and discloses fi ancial assets as required by IFRS 9 – "Financial Instruments", IAS 32 – "Financial Instruments: Presentation" and IFRS 7 – "Financial Instruments: Disclosures". According to IFRS 9, fi ancial assets are divided into three categories: fi ancial assets at "fair value through profit and loss (FVTPL)", "fair value through other comprehensive income (FVOCI)" and subsequent measurement at "amortized cost". The category of a certain fi ancial asset is defi ed by the contractual cash fl w characteristics as well as the Group`s business model for managing them. The business model determines whether cash fl ws will result from collecting contractual cash fl ws, selling the fi ancial assets, or both.

Financial assets are initially measured at its fair value. In case fi ancial assets are not measured at FVTPL, transaction costs have to be added at initial recognition.

All fi ancial assets not designated as amortized cost or FVOCI are measured at FVTPL. On initial recognition, Lindt may designate a fi ancial asset that otherwise meets the criteria to be measured at amortized cost or FVOCI as measured at FVTPL if doing so eliminates, or signifi antly reduces, an accounting mismatch that would otherwise arise. An equity instrument not held for trading may be classifi d as FVOCI with subsequent changes in fair value in OCI. The classifi ation is irrevocable.

The fair value of listed investments is defi ed by using the current paid or, if not available, bid price. If the market for a fi ancial 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 fi ancial instruments, the discounting of the future cash fl ws and the application of the option pricing models.

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 outfl w of resources and a reasonable estimate can be made thereof.

Allowance for accounts receivable

The allowance for accounts receivable is based on the "Expected Credit Loss" model required by IFRS 9. According to IFRS 9, it is no longer necessary for a loss event to occur before an impairment loss is recognized. For trade receivables, the Lindt & Sprüngli Group applies the simplifi d approach and recognizes lifetime expected credit losses. For the recognition of the allowance for accounts receivable, the Lindt & Sprüngli Group considers both historical default rates, which are predominantly used to derive the individual allowances, as well as forward looking information, which are mainly used to determine the general allowance for the whole portfolio of accounts receivables. In doing so, receivables are broken down by customer sector, which is consequently connected with the corresponding credit rating, the corresponding risk premium and the corresponding probability of default.

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 approved by 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 fi ancial 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 derecognized. A borrowing is derecognized when it is repaid, off et or when it expires.

Employee benefit

The expense and defi ed benefit obligations for the signifi ant defi ed benefit plans and other long-term employee benefits in accordance with IAS 19 are determined using the Projected Unit Credit Method, with independent actuarial valuations being carried out at the end of each reporting period. Th s 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 fi ancial variables (such as future salary increase and the long-term interest rate on pension assets) that will affect the fi al cost of the benefits. The valuation of the pension asset is carried out yearly and recognized at its fair market value.

The cost of defi ed 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 defi ed benefit liability or asset. Cash fl ws and changes during the year are taken into account on a weighted basis.

Remeasurements of the net defi ed benefit liability (asset) include actuarial gains and losses on the defi ed 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.

Th Lindt & Sprüngli Group presents both components of the defi ed 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 fi ancial statements represents the actual defic t or surplus in the Lindt & Sprüngli Group's defi ed 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 defi ed contribution plans are reported in personnel expenses when employees have rendered services entitling them to the contributions.

Obligations arising from termination of employments are recognized at the earlier of when the entity can no longer withdraw from the termination obligation or when the entity recognizes any related restructuring costs.

For other long-term employee benefits the present value of the defi ed 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 is recognized in accordance with the requirements of IFRS 15 – "Revenue from Contracts with Customers" and the five-step model described therein. Revenue consists of the expected considerations in exchange for the delivery of Lindt products, which are sold in the normal course of business. In addition to sales or value-added tax, contractually agreed obligations with the trade, such as price or promotional discounts, end-of-year discounts or returns of goods, are deducted from revenue, except the considerations for distinct and clearly identifiable services rendered by trade partners, which could also be rendered by third parties at comparable costs. Adequate trade accruals are recognized for contractually agreed performance obligations. Revenue is recognized at the point in time when goods are transferred to customers in the amount of the consideration that the Lindt & Sprüngli Group can reasonably expect in return for the transfer of these goods. Revenue recognition varies as follows across recipients:

Revenue from trade partners is recognized net of expected deductions, allowances and provisions upon transfer of control over the goods sold. The transfer of control depends on the individual contract terms. Predominantly it will be fulfilled upon arrival of the goods.

Revenue from Global Retail is recognized at POS in the amount of the price paid net expected returns. Customers possess a limited right to return, which depends on local laws and regulations.

Th Lindt & Sprüngli Group neither has contracts with material fi ancing components, since the contracts stipulate trade common payment terms, nor contracts resulting in performance obligation which are not satisfi d within one year. Unfulfilled performance obligations, which will be satisfi d within one year, are not disclosed separately.

"Other income" mainly includes license fees, reimbursement of freight charges and the gain on sale of assets. All income are recognized after the fulfillment of the obligation.

Operating expenses
Operating expenses include marketing, distribution and administrative expenses.

Borrowing costs
Interest expenses incurred from borrowings used to fi ance the construction of fi ed assets are capitalized for the period needed 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 annual 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 country regulations.

Uncertain tax positions are considered individually or aggregated depending on whether their resolution is interfered or not. Information potentially available to the tax authorities is taken into consideration. To measure the uncertainty either the expected value or the most likely amount is derived. Changes in facts and conditions trigger a re-evaluation of the uncertainty.

Deferred income taxes are accounted for using 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 off et.

Deferred taxes also arise due to temporary differences from investments in subsidiaries and associated companies. Deferred taxes for such investments 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 off et when there is a legally enforceable right to off et 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. Currently there are no capitalized development costs in the consolidated fi ancial statements.

Share-based payments
Th Lindt & Sprüngli Group grants options on offi ally listed participation certifi ates to several employees. 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. Th s is based on the estimated number of participation certifi ates, which entitles a holder to additional benefits. The fair value was derived by using the binomial model for the determination of option prices. 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 act vities
Derivative fi ancial 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 fi ancial instruments as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction (securing the cash fl w).

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 off etting changes in fair values or cash fl ws of hedged items, and how the hedge ratio is determined.

The effective portion of the derivatives' change in fair value, which are designated and qualify as cash fl w hedges is accounted for in other comprehensive income. Profit and loss from the ineffective portion of the change in fair value are recognized immediately in the income statement.

Amounts accumulated in equity for fi ancial instruments are recognized in the income statement in the same reporting period when the hedged item affects profit and loss. However, if the hedged transaction subsequently results in the recognition of a non-fi ancial item, the amount is released from the cash fl w hedge reserve and included in the initial cost of the non-fi ancial asset or liability.

Critical accounting estimates and judgments

When preparing the consolidated fi ancial 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 deemed likely under the given circumstances. Actual values may differ from these estimates. Estimates and assumptions signifi antly affect the following areas:

- Pension plans: the calculation of the recognized assets and liabilities from defi ed benefit plans is based on statistical and actuarial calculations performed by actuaries. The present value of defi ed 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 indefin te useful life, parameters such as future discounted cash fl ws, underlying discount and growth rates, as well as the EBIT-margin development are based on estimates and assumptions.
- Th Lindt & Sprüngli Group operates in and is subject to income taxes in numerous jurisdictions. Potential changes in local tax laws and their interpretations result in various uncertainties. Thus, signifi ant judgment is required in determining deferred tax assets and deferred tax liabilities or other tax positions. Uncertainties exists in determining the applicable tax rate and the resulting expected tax assets or liabilities.

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 fi ancial. Within the scope of the annual risk management process, the individual risk positions are classifi d 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 fi ancial risks on the operating and net profit for the reporting period.

Th Lindt & Sprüngli Group is exposed to fi ancial risks. The fi ancial 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 regards 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, specifi ally 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 fi ancial instruments in order to hedge against market risks.

Market risks

Commodity price risks

Th 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 signifi antly throughout the year. Based on the existing contract volume as of December 31, 2019 and 2018, 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 IFRS 9.

Exchange rate risks

Th Lindt & Sprüngli Group 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 fi ancial instruments with credit-worthy fi ancial 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 IFRS 9.

Interest rate risks

Corporate Treasury monitors and minimizes interest rate risks from a mismatch of quality, maturity period, and currency of the fi ancial position on a continuous basis. Corporate Treasury may use derivative fi ancial instruments in order to manage the interest rate risk of balance sheet assets and liabilities, and future cash fl ws. As of December 31, 2019 and 2018, there were no such transactions.

As of December 31, 2019 and December 31, 2018 the position fi ancial assets is made up of two equal parts of interest-bearing and non interest-bearing fi ancial assets. Interest-bearing fi ancial assets predominantly include 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 fi ed 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 fi ancial institute, supplier or a client is unable to fulfil its contractual duties. Financial credit risks are mitigated by investing (liquid funds and/or derivative fi ancial 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 refl cted in the notes to the fi ancial statements (including derivative fi ancial instruments). The operational companies of the Lindt & Sprüngli Group have implemented processes for defini g 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 fi ancial obligations (untimely repayment of fi ancial 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 fi ancial position (defi ed as cash and cash equivalents plus marketable securities less fi ancial debt), is monitored on a company-by-company basis by Corporate Treasury. As of December 31, 2019, the net fi ancial position amounted to CHF –423.1 million (CHF –13.3 million in 2018). The worsening of the net fi ancial position is caused by the new leasing standard (IFRS 16). As of December 31, 2019 the Lindt & Sprüngli Group has lease liabilities of CHF 479.1 million. Hence, without these the net fi ancial position would amount to CHF 56.0 million. For extraordinary fi ancing needs, adequate credit lines with fi ancial institutes have been arranged.

The tables below present relevant maturity groupings as at December 31, 2019 and 2018, of the contractual maturity date:

CHF million	< 3 months	Between 3 and 12 months	Between 1 and 3 years	Over 3 years	**2019 Total**
Bonds (including interests)	–	505.8	6.5	508.8	1,021.1
Loans	–	–	–	–	–
Lease liabilities (including interests)	21.6	63.1	149.6	439.8	674.1
Accounts payable	234.9	–1.0	–	–	233.9
Other accounts payable	54.9	2.5	–	–	57.4
Derivative assets	–7.6	–18.4	–5.9	–	–31.9
Derivative liabilities	3.5	6.2	0.9	–	10.6
Bank and other borrowings	4.7	0.9	–	–	5.6
Total contractually fi ed payments	**312.0**	**559.1**	**151.1**	**948.6**	**1,970.8**

CHF million	< 3 months	Between 3 and 12 months	Between 1 and 3 years	Over 3 years	**2018 Total**
Bonds (including interests)	–	5.8	509.0	512.0	1,026.8
Loans	–	–	0.7	0.1	0.8
Lease liabilities (including interests)[1]	–	–	–	–	–
Accounts payable	217.2	–3.0	–	–	214.2
Other accounts payable	51.6	2.1	–	–	53.7
Derivative assets	–5.6	–25.8	–7.2	–	–38.6
Derivative liabilities	3.4	6.9	1.8	–	12.1
Bank and other borrowings	12.2	0.1	–	–	12.3
Total contractually fi ed payments	**278.8**	**–13.9**	**504.3**	**512.1**	**1,281.3**

1 Since IFRS 16 was applied for the first time on anuary 1, 2019 there are no comparative prior year numbers. For adjustments recognised on adoption of IFRS 16 on January 1, 2019, please refer to note 2, as well as to note 8 for further information regarding leases.

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. As an example the Lindt & Sprüngli Group completed a share buyback program of CHF 500.0 million in 2019.

Th Lindt & Sprüngli Group monitors its capital based on the ratio of shareholders' equity in percentage to total assets, which was 58.1% as of December 31, 2019 (61.9% in 2018). The comparable equity ratio (considering the impact of the new leasing standard IFRS 16) would have amounted to 57.8% as of December 31, 2018.

The objectives, policies, and procedures as of December 31, 2019, related to capital management have not been changed compared to the previous year.

5. Segment Information: According to Geographic Segments

Th Lindt & Sprüngli Group is organized and managed by means of individual countries. For the defin tion 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;
- "North America", consisting of the companies in the USA, Canada, and Mexico; and
- "Rest of the World", consisting of the companies in Australia, Japan, South Africa, Hong Kong, China, and Brazil as well as the business units Distributors and Duty Free.

Th 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 North America		Rest of the World		**Total**	
CHF million	2019	2018	2019	2018	2019	2018	**2019**	2018
Sales	2,451.7	2,393.2	1,769.1	1,664.2	600.4	577.0	4,821.2	4,634.4
Whereof sales between segments	305.4	314.8	6.8	6.4	–	–	312.2	321.2
Third party sales	**2,146.3**	**2,078.4**	**1,762.3**	**1,657.8**	**600.4**	**577.0**	**4,509.0**	**4,313.2**
Operating profi	411.1	401.1	76.4[1]	129.3	105.5	106.3	593.0	636.7
Net financial resul							–31.9	–16.1
Income before taxes							**561.1**	**620.6**
Taxes							–49.2	–133.5
Net income							**511.9**	**487.1**

1 Includes CHF –81.6 million one-off effects from the USA that had an impact on material expenses, personnel expenses, operating expenses as well as depreciation, amortization and impairment.

The following countries achieved the highest sales in 2019:

- USA CHF 1,490.7 million (CHF 1,389.2 million in 2018)
- Germany CHF 678.8 million (CHF 660.2 million in 2018)

For better understanding, the revenues of the Lindt & Sprüngli Group are further disaggregated based on the two most signifi ant sales channels "Trade Partners" and "Global Retail" (consisting of store network and own webshops). The disaggregation by sales channel does not refl ct a view by management responsibility as disclosed by operating segment. In 2019 revenues of "Global Retail" amounted to CHF 608.3 million (CHF 552.3 million in 2018). There is no individual customer exceeding 10% of the third party sales recognized in the reporting period.

Balance sheet and other information

	Segment Europe		Segment North America		Rest of the World		**Total**	
CHF million	2019	2018	2019	2018	2019	2018	**2019**	2018
Assets[1]	5,229.8	4,719.2	2,446.5	2,230.9	364.5	299.7	8,040.8	7,249.8
Liabilities[1]	2,506.2	2,261.9	667.7	349.9	196.7	151.6	3,370.6	2,763.4
Investments[2]	197.8	171.9	85.0	70.3	25.4	15.1	308.2	257.3
Depreciation and amortization	137.2	105.9	106.7	63.7	21.4	8.6	265.3	178.2
Impairment	0.9	0.1	55.5	0.9	1.1	0.3	57.5	1.3

1 Assets of CHF 3.9 million (CHF 11.2 million in 2018) and liabilities of CHF 58.1 million (CHF 83.2 million in 2018) which cannot be clearly allocated to a particular segment are disclosed in the category "Rest of the World".
2 The position investments consists of investments into property, plant and equipment, right-of-use assets and intangible assets.

The following countries held the greatest portion of right-of-use, fi ed and intangible assets in 2019:

- USA — CHF 1,501.4 million, respectively CHF 1,286.5 million excluding right-of-use assets (CHF 1,345.8 million in 2018)
- Switzerland — CHF 661.1 million, respectively CHF 652.8 million excluding right-of-use assets (CHF 644.4 million in 2018)
- Germany — CHF 325.6 million, respectively CHF 296.3 million excluding right-of-use assets (CHF 294.5 million in 2018)

The increase for all these countries is due to the fi st time application of IFRS 16.

6. Financial Instruments, Fair Value, and Hierarchie Levels

The following table shows the carrying amounts and fair values (FV) of fi ancial instruments recognized in the consolidated balance sheet, analyzed by types and hierarchy levels at year-end:

		December 31, 2019		December 31, 2018	
CHF million	Level[1]	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets					
Fair value through profit or los					
Derivative assets	1	15.5	15.5	27.1	27.1
Derivative assets	2	16.4	16.4	11.5	11.5
Marketable securities and short-term financial asset	2	150.0	150.0	1.6	1.6
Investments third parties	3	1.1	1.1	1.1	1.1
Total		**183.0**		**41.3**	
Other financial assets at amortized cos [2]					
Total		**1,995.1**	**–**[1]	**2,097.6**	**–**[1]
Total financial asset		**2,178.1**		**2,138.9**	
Financial liabilities					
Fair value through profit or los					
Derivative liabilities	1	1.5	1.5	–	–
Derivative liabilities	2	9.1	9.1	12.1	12.1
Total		**10.6**		**12.1**	
Other financial liabilities at amortized cost					
Bonds	1	998.4	1,025.4	997.9	1,018.5
Loans		–	–	0.8	–[1]
Other non-current liabilities		5.9	–[1]	6.6	–[1]
Accounts payable		233.9	–[1]	214.2	–[1]
Other accounts payable		58.8	–[1]	56.2	–[1]
Bank and other borrowings		5.6	–[1]	12.3	–[1]
Total		**1,302.6**		**1,288.0**	
Total financial liabilitie		**1,313.2**		**1,300.1**	

1 Level 1 – The fair value measurement of same financial instruments is based on quoted prices in act ve markets.
Level 2 – The fair value measurement of same financial instruments is based on obser able market data, other than quoted prices in Level 1.
Level 3 – Valuation technique using non-observable data.
For the category amortized costs it is expected that the carrying amounts are a reasonable approximation of the respective fair values, except for the position bonds.
2 Contains cash and cash equivalents, accounts receivable, other receivables (excluding prepayments and current tax assets), and loans to third parties.

7. Property, Plant and Equipment

CHF million	Land/ buildings	Machinery	Other fixe assets	Construction in progress	2019 Total
Acquisition costs as at January 1, 2019	**1,130.7**	**1,453.9**	**278.4**	**145.4**	**3,008.4**
Additions	38.5	52.4	15.9	113.9	220.7
Retirements	–14.4	–46.8	–14.4	–2.5	–78.1
Transfers	46.4	58.2	6.5	–111.2	–0.1
Currency translation	–22.6	–35.9	–6.5	–3.2	–68.2
Acquisition costs as at December 31, 2019	**1,178.6**	**1,481.8**	**279.9**	**142.4**	**3,082.7**
Accumulated depreciation as at January 1, 2019	**545.3**	**907.2**	**211.1**	**–**	**1,663.6**
Additions	59.2	85.6	23.4	–	168.2
Impairments	28.1	7.8	0.8	–	36.7
Retirements	–11.8	–45.8	–14.2	–	–71.8
Currency translation	–11.1	–21.8	–5.0	–	–37.9
Accumulated depreciation as at December 31, 2019	**609.7**	**933.0**	**216.1**	**–**	**1,758.8**
Net fi ed assets as at December 31, 2019	**568.9**	**548.8**	**63.8**	**142.4**	**1,323.9**

CHF million	Land/ buildings	Machinery	Other fixe assets	Construction in progress	2018 Total
Acquisition costs as at January 1, 2018	**1,086.3**	**1,389.1**	**256.4**	**109.6**	**2,841.4**
Additions	51.5	42.1	30.4	125.7	249.7
Retirements	–15.9	–7.1	–5.5	–	–28.5
Transfers	28.6	56.0	3.4	–88.2	–0.2
Currency translation	–19.8	–26.2	–6.3	–1.7	–54.0
Acquisition costs as at December 31, 2018	**1,130.7**	**1,453.9**	**278.4**	**145.4**	**3,008.4**
Accumulated depreciation as at January 1, 2018	**507.4**	**845.5**	**199.2**	**–**	**1,552.1**
Additions	52.8	84.4	21.9	–	159.1
Impairments	1.0	–	0.3	–	1.3
Retirements	–8.4	–6.5	–4.7	–	–19.6
Transfers	0.7	–	–0.7	–	–
Currency translation	–8.2	–16.2	–4.9	–	–29.3
Accumulated depreciation as at December 31, 2018	**545.3**	**907.2**	**211.1**	**–**	**1,663.6**
Net fi ed assets as at December 31, 2018	**585.4**	**546.7**	**67.3**	**145.4**	**1,344.8**

Advance payments of CHF 45.7 million (CHF 38.0 million in 2018) are included in the position construction in progress. No mortgages exist on land and buildings.

The impairment charge of CHF 36.7 million (CHF 1.3 million in 2018) consists of write-downs of land and buildings of CHF 28.1 million (CHF 1.0 million in 2018) and of machinery, production equipment and other fi ed assets of CHF 8.6 million (CHF 0.3 million in 2018). The impairment charge is mostly related to the one-off effects in the USA (CHF 34.1 million). Mainly due to planned closures in production and logistics some assets within property, plant and equipment cannot be used anymore, and hence have been impaired.

In the reporting period 2018, the net book value of capitalized assets, under fi ancial lease, amounted to CHF 0.5 million and commitments from operating leases were not capitalized. For the reporting period 2019, IFRS 16 was applied with the corresponding recognition of right-of-use assets.

8. Leases

8.1 Right-of-use assets

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

CHF million	Buildings	Vehicles	Other fixe assets	2019 Total
Right-of-use assets as at January 1, 2019[1]	498.9	13.6	3.2	515.7
Additions	55.7	5.1	0.3	61.1
Impairments	–20.7	–	–	–20.7
Retirements	–23.7	–0.8	–	–24.5
Depreciation of the period	–69.1	–5.7	–1.2	–76.0
Transfers	1.0	–0.4	–0.6	–
Currency translation	–5.6	–0.2	–0.1	–5.9
Right-of-use assets as at December 31, 2019	**436.5**	**11.6**	**1.6**	**449.7**
Average useful live (in years)	12.3	4.1	10.4	

1 Due to the first time application of IFRS 16 as of anuary 1, 2019 comparative prior year numbers do not exist. In the previous year, the group only recognized leases that were classifed as operating lease under IAS 17, for more details see note 28. For adjustments recognised on adoption of IFRS 16 on January 1, 2019, please refer to note 2.

Right-of-use assets in buildings contain in particular leases of external warehouses, retail stores and office

The additions in the current period are caused by new openings of retail stores and extensions of already existing leases for external warehouses, retail stores and office

Impairments are mostly caused by the one-off effects in the USA (CHF 18.3 million). These impairments and terminations are attributable to the challenging market conditions in retail and herewith related early terminations of leases. Th s predominantly concerns retail stores and external warehouses.

8.2 Other lease information

CHF million	2019
Interest expenses (included in financial expenses	16.9
Expenses relating to short-term leases (included in operating expenses)[1]	5.8
Expenses relating to variable lease payments (included in operating expenses)[2]	20.3
Total cash outfl w for leases (including interests)	83.6

IFRS 16 has been adopted for the first time on anuary 1, 2019.
1 Expenses related to short-term leases of low value assets, is shown in the position expenses relating to short-term leases.
2 This position only includes variable lease payments, which are not yet included in the lease liabilities.

Some store leases contain variable payment terms that are linked to sales. The applied percentage to sales varies case by case and can reach up to 100 percent. Variable lease payments also consist of incidental leasing expenses. Variable lease payments are recognised in operating expenses in the period in which the condition that triggers those payments occurs.

Several leasing contracts across the Lindt & Sprüngli Group include extension and termination options. The majority of these options are exercisable only by the Lindt & Sprüngli Group and not by the respective lessor. These options allow the Lindt & Sprüngli Group both planning certainty as well as flex bility. In case the exercise of such option is reasonably certain, they are considered in the expected lease term.

Additionally, as of December 31, 2019 the Lindt & Sprüngli Group has potential lease commitments of CHF 62.9 million. These commitments represent leases that have not commenced yet, which are highly likely to materialize, mainly for rentals of warehouses, offices nd retail stores.

Further information related to the impact of the fi st time application of IFRS 16 and the corresponding accounting principles are to be found in note 2. The maturity of lease liabilities is shown in note 3.

9. Intangible Assets

CHF million	EDP software & consultancy	Customer relationships	Brands & IP	Goodwill	Other intangible assets	**2019 Total**
Acquisition costs as at January 1, 2019	**104.5**	**131.7**	**459.8**	**776.2**	**19.7**	**1,491.9**
Additions	24.8	–	–	–	1.2	26.0
Retirements	–6.9	–	–	–	–	–6.9
Transfers	0.1	–	–	–	–	0.1
Currency translation	–2.7	–2.2	–	–13.1	–0.9	–18.9
Acquisition costs as at December 31, 2019	**119.8**	**129.5**	**459.8**	**763.1**	**20.0**	**1,492.2**
Accumulated depreciation as at January 1, 2019	**73.6**	**37.9**	**–**	**–**	**2.1**	**113.6**
Additions	11.3	8.8	–	–	0.9	21.0
Impairments	0.1	–	–	–	–	0.1
Retirements	–6.9	–	–	–	–	–6.9
Currency translation	–1.7	–0.6	–	–	–0.1	–2.4
Accumulated depreciation as at December 31, 2019	**76.4**	**46.1**	**–**	**–**	**2.9**	**125.4**
Net intangible assets as at December 31, 2019	**43.4**	**83.4**	**459.8**	**763.1**	**17.1**	**1,366.8**

CHF million	EDP software & consultancy	Customer relationships	Brands & IP	Goodwill	Other intangible assets	**2018 Total**
Acquisition costs as at January 1, 2018	**95.4**	**130.5**	**459.8**	**768.7**	**21.0**	**1,475.4**
Additions	12.0	–	–	–	0.4	12.4
Retirements	–0.8	–	–	–	–	–0.8
Transfers	0.2	–	–	–	–	0.2
Currency translation	–2.3	1.2	–	7.5	–1.7	4.7
Acquisition costs as at December 31, 2018	**104.5**	**131.7**	**459.8**	**776.2**	**19.7**	**1,491.9**
Accumulated depreciation as at January 1, 2018	**66.4**	**29.0**	**–**	**–**	**1.3**	**96.7**
Additions	9.6	8.6	–	–	0.9	19.1
Retirements	–0.8	–	–	–	–	–0.8
Currency translation	–1.6	0.3	–	–	–0.1	–1.4
Accumulated depreciation as at December 31, 2018	**73.6**	**37.9**	**–**	**–**	**2.1**	**113.6**
Net intangible assets as at December 31, 2018	**30.9**	**93.8**	**459.8**	**776.2**	**17.6**	**1,378.3**

Research and development expenditures amounted to CHF 14.7 million (CHF 13.8 million in 2018) and are expensed as incurred.

Impairment test of goodwill and other intangible assets with infinite lif

The impairment test of goodwill and other intangible assets with infin te life (i.e. “brands and intellectual property”) relates to the acquisition of Russell Stover Chocolates, LLC in 2014. The impairment test of goodwill is performed on the operating segment “USA”. The impairment test of the position "brands and intellectual property” is based on license income ("licence income approach").

The recoverable amount equals to the net present value of discounted future cash fl ws. 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 enchmarks of the Lindt & Sprüngli Group. The main planning assumptions are summarized as follows:

	2019	2018
Period of cash fl w projections	5 years	5 years
Annual sales growth	5.3%	5.0%
Annual EBIT-margin evolution	Improvement	Improvement
Terminal growth	2,3%	2,2%
Discount rate post tax	5,1%	6,0%

10. Pension Assets & Financial Assets

CHF million	**2019**	2018
Pension assets [1]	1,800.6	1,532.8
Investments third parties	1.1	1.2
Total	**1,801.7**	**1,534.0**

1 See note 18 for the detailled disclosure of pension assets.

11. Taxes

11.1 Deferred tax assets and liabilities

The net value of deferred tax liabilities is as follows:

CHF million	**2019**	2018
As at January 1	**407.3**	**401.2**
Deferred income tax expense (+) / income (–)	–57.9	–9.4
Tax charged to comprehensive income	70.8	12.4
Tax charged to other components of equity	–3.8	2.1
Currency translation	2.1	1.0
As at December 31	**418.5**	**407.3**

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

CHF million	**2019**	2018
Deferred tax assets		
Property, plant and equipment	9.2	9.1
Intangible assets	15.8	0.2
Pension plans	51.1	39.7
Receivables	7.6	7.7
Inventories	27.8	26.0
Leases [1]	7.6	–
Payables and accruals	66.0	41.6
Derivative assets and liabilities	3.4	–
Other	69.6	52.6
Deferred tax assets gross	**258.1**	**176.9**
Netting	–135.1	–117.2
Total	**123.0**	**59.7**
Deferred tax liabilities		
Property, plant and equipment	24.3	40.8
Intangible assets	69.0	60.8
Pension plans	540.2	460.2
Receivables	2.8	2.7
Inventories	4.4	4.0
Payables and accruals	22.8	12.8
Derivative assets and liabilities	3.4	0.6
Other	9.7	2.3
Deferred tax liabilities gross	**676.6**	**584.2**
Netting	–135.1	–117.2
Total	**541.5**	**467.0**
Net deferred tax	**418.5**	**407.3**

1 IFRS 16 was adopted for the first time on anuary 1, 2019. Note 2 contains more information related to the first time adoption of IFRS 16

The position other deferred tax assets mainly consist of tax loss carry-forwards. Deferred tax assets from intangible assets and the hereof resulting deferred tax income stemm predominantly from the Swiss tax reform and are measured in accordance with IFRIC 23.

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

CHF million	**2019**	2018
Between 1 and 5 years	6.9	17.7
Between 6 and 10 years	–	0.6
Over 10 years	0.4	1.9
Total	**7.3**	**20.2**

Tax loss carry-forwards utilized in 2019 amounted to CHF 9.9 million (CHF 7.2 million in 2018).

11.2 Tax expense

CHF million	**2019**	2018
Current tax expense	116.5	136.1
Deferred income tax expense (+) / income (–)	–57.9	–9.4
Other taxes	–9.4	6.8
Total	**49.2**	**133.5**

The decrease in current tax expense is mainly attributable to the re-evaluation of uncertain income tax liabilities.

The effective tax on the Lindt & Sprüngli Group's income before taxes differs from the theoretical amount that would arise using the weighted average tax rate across the Group as follows:

CHF million	**2019**	2018
Income before taxes	**561.1**	**620.6**
Expected tax [1]	**114.1**	**125.2**
Change in applicable tax rates on temporary differences	0.7	–0.4
Utilization of unrecognized tax loss carry-forwards from prior years	–3.8	–2.9
Adjustments related to prior years	–0.9	–3.1
Non-taxable items	–1.8	6.5
Withholding tax levied and other taxes	–54.2	6.9
Income components with lower tax rates	–1.1	0.4
Other	–3.8	0.9
Total	**49.2**	**133.5**

1 Based on the expected weighted average tax rate of 20,3% in 2019 (20,2% in 2018).

The position withholding taxes levied and other taxes includes mainly the impact of the new tax law in Switzerland on income taxes, the refund of the withholding tax credit, which is reported under other receivables, and the effects of uncertainties. The total impact of these factors amounts to CHF 59.0 million for the reporting period 2019.

The tax for each component of other comprehensive income is:

			2019			2018
CHF million	Before tax	Tax	After tax	Before tax	Tax	After tax
Hedge accounting	–3.7	–	–3.7	52.5	–	52.5
Defined benefit pl	239.9	–70.8	169.1	40.1	–12.6	27.5
Currency translation	–53.6	1.7	–51.9	–34.9	0.2	–34.7
Total	**182.6**	**–69.1**	**113.5**	**57.7**	**–12.4**	**45.3**

12. Inventories

CHF million	**2019**	2018
Raw material	126.8	103.0
Packaging material	103.1	103.4
Semi-finished and finished produc	569.9	593.6
Inventory reserves	–49.7	–47.8
Total	**750.1**	**752.2**

In 2019, CHF 8.6 million (CHF 5.9 million in 2018) of the inventory reserve that existed as of year end 2018 has been released to the benefit of the income statement. At the same time, the inventory reserve as of December 31, 2019 has been increased by CHF 3.1 million due to the one-off effects in the USA. As a consequence of the planned closures in production and logistics in the USA, the inventory reserve for packaging material has been increased.

13. Accounts Receivable

CHF million	**2019**	2018
Accounts receivable gross	1,001.9	1,053.8
Allowances	–28.1	–30.6
Total	**973.8**	**1,023.2**
Allowance as at January 1	**–30.6**	**–31.3**
Addition	–5.4	–9.3
Utilization	7.1	6.0
Release	0.6	3.6
Currency translation	0.2	0.4
Alowance as at December 31	**–28.1**	**–30.6**

The following table presents the aging of accounts receivable:

CHF million	**2019**	2018
Not yet past due	836.0	862.9
Past due 1–30 days	112.1	126.5
Past due 31–90 days	30.6	44.2
Past due over 91 days	23.2	20.2
Accounts receivable gross	**1,001.9**	**1,053.8**

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

CHF million	**2019**	2018
CHF	68.8	63.2
EUR	328.7	356.7
USD	306.3	337.5
GBP	82.7	73.8
Other currencies	187.3	192.0
Accounts receivable net	**973.8**	**1,023.2**

14. Derivative Financial Instruments and Hedging Reserves

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

		2019		2018
CHF million	Assets	Liabilities	Assets	Liabilities
Derivatives for hedging (currencies and raw material)	29.7	10.5	37.1	12.1
Other derivatives	2.2	0.1	1.5	–
Total	**31.9**	**10.6**	**38.6**	**12.1**

The carrying amount (contract value) of the outstanding forward-currency and raw material contracts as at December 31, 2019, is CHF 1,472.5 million (CHF 1,539.8 million in 2018). 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 gain of CHF 21.2 million as of December 31, 2019 (CHF 24.9 million in 2018), and 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 IFRS 9.

15. Cash and Cash Equivalents

CHF million	2019	2018
Cash at bank and in hand	614.3	555.7
Short-term bank deposits	40.5	440.4
Total	**654.8**	**996.1**

The effective interest rate on short-term bank deposits refl cts 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 certificate [2]	Registered shares (CHF million)	Participation certificate (CHF million)	**Total** (CHF million)
As at January 1, 2018	**136,088**	**1,048,153**	**13.6**	**10.5**	**24.1**
Capital increase	–	24,382	–	0.2	0.2
As at December 31, 2018	**136,088**	**1,072,535**	**13.6**	**10.7**	**24.3**
Capital increase	–	18,262	–	0.2	0.2
Cancellation of shares	–100	–18,156	–	–0.2	–0.2
As at December 31, 2019	**135,988**	**1,072,641**	**13.6**	**10.7**	**24.3**

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

The conditional capital has a total of 381,445 participation certifi ates (399,707 in 2018) with a par value of CHF 10.–. Of this total, 226,995 (145,257 in 2018) are reserved for employee stock option programs; the remaining 154,450 participation certifi ates (254,450 in 2018) are reserved for capital market transactions. There is no other authorized capital. In 2019, a total of 18,262 (24,382 in 2018) of the employee options were exercised at an average price of CHF 4,308 (CHF 3,624 in 2018). The participation certifi ate has no voting right, but otherwise has the same ownership rights as the registered share.

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

	2019		2018	
	Registered shares	Participation certificate	Registered shares	Participation certificate
Inventory as at January 1	**1,597**	**18,156**	**1,524**	**–**
Retirements	–458	–	–27	–
Share buy-back program	436	46,615	100	18,156
Cancellation of shares	–100	–18,156	–	–
Inventory as at December 31	**1,475**	**46,615**	**1,597**	**18,156**
Average sales price of retirements (CHF)	80,740	–	71,325	–
Average cost of share buy-back program (CHF)	76,180	6,520	74,922	6,176
Average cost of cancellation of shares (CHF)	74,922	6,176	–	–

17. Financial Liabilities

CHF million	2019	2018
Non-current		
CHF 500 million 0.5% bond, 2014-2020	–	499.7
CHF 250 million 1.0% bond, 2014-2024	248.9	248.8
CHF 250 million 0.3% bond, 2017-2027	249.6	249.4
Loans	–	0.8
Current		
Bank and other borrowings	5.6	12.3
CHF 500 million 0.5% bond, 2014-2020	499.9	–
Total borrowings	**1,004.0**	**1,011.0**

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

CHF million	2019	2018
CHF	998.4	997.9
EUR	5.5	10.1
USD	–	0.4
Other currencies	0.1	2.6
Total	**1,004.0**	**1,011.0**

18. Pension Plans and Other Long-term Employee Benefit

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

18.1 Defined contribution plan

Th Lindt & Sprüngli Group offers to employees that satisfy the eligibility criteria defi ed contribution plans. The Lindt & Sprüngli Group is obliged to pay a fi ed 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 towards these pension funds or to the employees. In 2019 the employer contributions to defi ed contribution plans amounted to CHF 13.4 million (CHF 12.9 million in 2018).

18.2 Defined benefit plans and other long-term emp yee benefit

Th Lindt & Sprüngli Group fi ances defi ed benefit plans for the employees that satisfy the criteria to join such plans. The most signifi ant defi ed 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 benefit plans in Switzerland

Th 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. Th s type of benefit may result in pension payments varying considerably between individual years.

In defini g 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 defi es 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 2019, the rate was 1.00% (1.00% in 2018). 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 fi ance at least 50% of the total contributions. Contributions can also be fi anced through an employer welfare fund or fi ance 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 fi ance the pension schemes. The Board members of these foundations are appointed exclusively by the employer.

18.2.2 Employee benefit 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 signifi ant plans are fi anced 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 signifi ant risks related to actuarial gains or losses within these plans are borne by the employer. The risk of life expectancy, the salary increase risk and the inflation risk might result in pension adjustments.

18.2.3 Employee benefit plans in the USA

In the USA, several defi ed benefit plans exist. In 2018, an agreement was made with the employees to exit the multi-employer plan, which represents the largest plan. Since December 1, 2018, the ensured employees of this plan do not acquire any new benefits. The plan has been replaced with a defi ed contribution plan. At year-end closing the withdrawal negotiations were still in process. Therefore the plan is still accounted for as a defi ed benefit plan as of December 31, 2019.

In 2019 the benefits of a closed defi ed benefit plan could be defin tively settled, resulting in a settlement gain of CHF 1.5 million.

Another large plan includes a defi ed benefit plan, where 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 defi ed 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 benefit 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 actuarial valuation was prepared by independent actuaries at December 31, 2019. The market value of assets at December 31, 2019 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 benefit	
	2019	2018	**2019**	2018
Discount rate	1.1%	1.7%	0.8%	1.5%
Future salary increases	0.9%	0.9%		
Future pension adjustments	0.3%	0.2%		

The values represent a weighted average across the plans in several countries.

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

			2019			2018
	Switzerland	Germany	USA	Switzerland	Germany	USA
Retirement in 20 years (age of 45 at balance sheet date)						
Men	24.40	22.96	21.30	24.33	22.83	21.30
Women	26.44	25.93	23.70	26.37	25.83	23.70
Retirement at balance sheet date (age of 65)						
Men	22.61	20.18	19.60	22.50	20.04	19.60
Women	24.65	23.69	22.10	24.54	23.57	22.10

For all active plans an increase in the life expectancy can 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 benefit
CHF million	**2019**	2018	**2019**	2018
Employee benefits xpense				
Total service cost				
Current service cost	15.7	16.8	0.8	0.8
Past service cost and curtailments	0.5	0.1	–	–
Plan settlements	–1.5	0.1	–	–
Net interest cost	–16.5	–12.8	0.1	0.1
Liability management cost	0.7	0.7	–	–
Actuarial gains (–)/losses (+)	–	–	–0.3	–0.2
Total defined benefit cost (/gain (–) of the period	**–1.1**	**4.9**	**0.6**	**0.7**
Valuation components accounted for in OCI				
Actuarial gains (–)/losses (+)				
Arising from changes in demographic assumptions	–15.4	5.8	–	–
Arising from changes in financial assumption	49.9	–12.8	–	–
Arising from experiences	–1.2	10.2	–	–
Return on plan assets (excluding interest income)	–287.1	–37.1	–	–
Return on reimbursement (excluding amounts in net interest)	–1.0	0.6	–	–
Changes in asset ceiling	15.3	–6.8	–	–
Total defined benefit cost (/gain (–) recognized in OCI	**–239.5**	**–40.1**	**–**	**–**
Total defined benefit cost (gain (–)	**–240.6**	**–35.2**	**0.6**	**0.7**

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 obligati

	Pension plans		Other long-term employee benefit	
CHF million	**2019**	2018	**2019**	2018
Defined benefit obligation as at anuary 1	**599.7**	**591.2**	**9.9**	**10.2**
Current service cost	15.7	16.8	0.8	0.8
Plan participants' contributions	5.9	5.6	–	–
Interest expense on the net present value of the obligation	7.4	9.0	0.1	0.1
Actuarial gains (–)/losses (+)	33.2	3.2	–0.3	–0.3
Past service gains (–)/losses (+)	0.5	0.1	–	–
Gains (–)/losses (+) on settlements	–17.7	–1.9	–	–
Benefits paid through pension asset	–17.6	–15.1	–	–
Benefits paid y employer	–3.8	–6.0	–0.6	–0.6
Currency exchange differences	–5.7	–3.2	–0.2	–0.3
Defined benefit obligation as at December	**617.6**	**599.7**	**9.7**	**9.9**

Changes in the fair value of plan assets

	Pension plans	
CHF million	**2019**	2018
Fair value of plan assets as at January 1	**1,983.5**	**1,931.2**
Plan participants' contributions	5.9	5.6
Contributions by employer	9.7	5.2
Interest income	23.7	21.8
Return on plan assets (excluding interest income)	287.1	37.1
Gains (–)/losses (+) on settlements	–16.2	–2.0
Benefits paid through pension asset	–17.6	–15.1
Liability management cost	–0.7	–0.7
Currency translations	–0.6	0.4
Fair value of plan assets as at December 31	**2,274.8**	**1,983.5**

Development of reimbursement rights[1]

CHF million	**2019**	2018
Reimbursement rights as at January 1	**8.2**	**11.0**
Employee contributions	0.3	0.3
Employer contributions	0.1	0.1
Interest income on reimbursements	0.3	0.4
Return on reimbursement (excluding interest income)	1.0	–0.7
Reimbursements to employer	–1.0	–3.0
Currency translation	–0.1	0.1
Reimbursement rights as at December 31	**8.8**	**8.2**

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

Development of not recorded plan assets

	Pension plans	
CHF million	**2019**	2018
Asset ceiling as at January 1	**16.1**	**22.6**
Interest income recognized in OCI	0.2	0.3
Change in asset ceiling recognized in OCI	15.3	–6.8
Asset ceiling as at December 31	**31.6**	**16.1**

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 benefit	
CHF million	**2019**	2018	**2019**	2018
Present value of funded obligation	593.3	575.8	–	–
Fair value of plan assets	–2,274.8	–1,983.5	–	–
Underfunding (+) / overfunding (–)	**–1,681.5**	**–1,407.7**	**–**	**–**
Unrecognized prepaid pension costs	31.6	16.1	–	–
Present value of unfunded obligations	24.3	23.8	9.7	9.9
Net pension liability (+) / asset (–)	**–1,625.6**	**–1,367.8**	**9.7**	**9.9**
of which pension liabilities	175.0	165.0	9.7	9.9
of which pension assets [1]	–1,800.6	–1,532.8	–	–

1 See note 10.

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 diversifi ation 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 fi ance foundation are mainly invested in shares of the Lindt & Sprüngli Group.

The pension assets mainly consist of the following asset categories:

			2019			2018
CHF million	Listed	Not listed	Total	Listed	Not listed	Total
Equities	1,940.7	–	1,940.7	1,645.1	–	1,645.1
Bonds	145.9	–	145.9	146.2	–	146.2
Alternative investments	17.4	–	17.4	18.8	–	18.8
Real estate	16.4	117.6	134.0	17.2	114.0	131.2
Qualified insu ance policies	–	18.7	18.7	–	18.1	18.1
Liquidity and other	–	18.1	18.1	–	24.1	24.1
Total	**2,120.4**	**154.4**	**2,274.8**	**1,827.3**	**156.2**	**1,983.5**

The plan assets include investments in the Lindt & Sprüngli Group with a market value of CHF 1,754.9 million at December 31, 2019 (CHF 1,500.1 in 2018). Moreover, the Lindt & Sprüngli Group has occupied property from the pension funds with a market value of CHF 16.6 million at December 31, 2019 (CHF 16.6 million in 2018).

The revaluation of assets resulted in a gain of CHF 314.4 million in 2019 and a gain of CHF 58.9 million in 2018. In 2020, the expected employer contributions amount to CHF 7.4 million and the expected payments for pensions by the employer to CHF 3.7 million.

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

		Pension plans
CHF million	**2019**	2018
Active employees	338.1	317.0
Vested terminations	21.6	24.2
Pensioners	257.9	258.5
Total	**617.6**	**599.7**

The average duration of the liabilities at December 31, 2019 is 14.8 years (15.9 years in 2018). The most important factors impacting the present value of the defi ed benefit obligation are the discount rate, salary increase, and pension indexation. For the simulation of the impact on the the present value of the defi ed benefit obligation just the mentioned assumption is changed, the other assumptions remain unchanged.

The following table shows the impact of the change of these factors on the defi ed benefit obligation:

CHF million		**2019**		2018
Increase (+) / decrease (–) of assumptions by	+0,25%	-0,25%	+0,25%	-0,25%
Technical interest rate	–18.8	20.2	–19.0	20.7
Salary increase	5.3	–4.7	6.8	–5.7
Pension indexation	12.9	–3.3	12.1	–2.5

19. Provisions

CHF million	Business risks	Other	**Total**
Provisions as at January 1, 2018	**80.2**	**25.7**	**105.9**
Addition	14.6	6.7	21.3
Utilization	–3.5	–2.2	–5.7
Release	–6.8	–11.8	–18.6
Currency translation	–0.4	–	–0.4
Provisions as at December 31, 2018	**84.1**	**18.4**	**102.5**
of which current	4.0	10.4	14.4
of which non-current	80.1	8.0	88.1
Reclassificatio [1]	–74.6	–	–74.6
Addition	14.0	31.3	45.3
Utilization	–1.8	–3.4	–5.2
Release	–1.6	–6.0	–7.6
Currency translation	–0.4	–0.7	–1.1
Provisions as at December 31, 2019	**19.7**	**39.6**	**59.3**
whereof current	8.7	11.9	20.6
whereof non-current	11.0	27.7	38.7

1 Due to IFRIC 23, a reclassification as done from provisions into current income taxes. See note 2 for details.

Provisions for business risks include unsettled claims, and legal proceedings as of December 31, 2019, 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 exists and the expected outfl w of resources can be reliably estimated. Especially for the non-current positions, the timing of outfl ws is uncertain as it depends upon the outcome of the proceedings.

The additions to provisions for business risks arise due to new legal proceedings. The additions to other provisions are related to the one-off e ects in the USA, whereof CHF 16.1 million are included in operating expenses and CHF 10.0 million in personnel expenses. These are caused by the strategic changes in the USA and predominantly composed of provisions for onerous contracts and severance payments. In Management's opinion, after taking appropriate legal and administrative advice, the outcome of these business risks will not give rise to any signifi ant loss beyond the amounts provided at December 31, 2019.

20. Accounts Payable

Accounts payable to suppliers are denominated in the following currencies:

CHF million	**2019**	2018
CHF	9.3	14.2
EUR	143.2	123.3
USD	52.6	47.3
GBP	9.1	10.5
Other currencies	19.7	18.9
Total	**233.9**	**214.2**

21. Accrued Liabilities

CHF million	**2019**	2018
Trade related accrued liabilities	348.0	359.2
Salaries/wages and social costs	117.5	104.1
Other	227.5	203.1
Total	**693.0**	**666.4**

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

"Salaries/wages and social costs" are related to bonuses, overtime, and outstanding vacation days, whereas the position "Other" comprises accruals for uninvoiced third-party services rendered, as for example for marketing or transporting services, as well as commissions.

22. Personnel Expenses

CHF million	**2019**	2018
Wages and salaries	714.4	691.7
Social benefit	155.0	147.4
Other	109.5	99.3
Total	**978.9**	**938.4**

For the year 2019, the Lindt & Sprüngli Group employed an average of 14,621 people (14,570 in 2018).

23. Net Financial Result

CHF million	**2019**	2018
Interest income	1.8	1.5
Other	1.3	2.3
Total financial incom	**3.1**	**3.8**
Interest expense[1]	–35.0	–18.8
Other	–	–1.1
Total financial xpense	**–35.0**	**–19.9**

1 Entails CHF 16.9 million interest expense in 2019 from leases, which due to the first time application of IFRS 16 needs to be sh wn within financial expense

24. Earnings per Share/Participation Certificate (PC

	2019	2018
Non-diluted earnings per share/10 PC (CHF)	**2,141.5**	**2,021.4**
Net income (CHF million)	509.6	485.1
Weighted average number of registered shares/10 PC	237,959	239,978
Diluted earnings per share/10 PC (CHF)	**2,123.7**	**2,008.1**
Net income (CHF million)	509.6	485.1
Weighted average number of registered shares/10 PC and outstanding options on 10 PC	239,963	241,575

25. Dividend per Share/Participation Certificate (PC

CHF	**2019**	2018
Dividend per share/10 PC	1,750[1]	1,000

1 Proposal of the Board of Directors.

During the period January 1, 2020 to record date April 30, 2020, the dividend-bearing capital (the number of registered shares and participation certifi ates) can change as a result of additions and retirements within either class of treasury stock (registered shares and participation certifi ates) as well as the exercise of options, granted through the employee stock option plan.

26. Share-based Payments

Options on participation certifi ates 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 certifi ate 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:

	2019		2018	
	Number of options	Weighted average exercise price (CHF/PC)	Number of options	Weighted average exercise price (CHF/PC)
Outstanding options as at January 1	**101,216**	**5,180**	**102,799**	**4,658**
New option rights	26,560	5,934	26,070	5,791
Exercised rights	–18,262	4,308	–24,382	3,624
Cancelled rights	–5,828	5,601	–3,271	5,243
Outstanding options as at December 31 [1]	**103,686**	**5,503**	**101,216**	**5,180**
of which exercisable at December 31	12,914	4,800	10,469	3,804
Average remaining time to expiration (in days)	775		654	

1 The exercise price varies between CHF 3,123 to CHF 5,936 as of December 31, 2019.

Options expenses are charged to the income statement proportionally according to the vesting period. The recorded expenses amount to CHF 14.5 million (CHF 15.2 million in 2018). The assumptions used to calculate the expenses for the grants 2016 to 2019 are listed in the following table:

Date of issue	**16.1.2019**	30.1.2018	16.1.2017	21.1.2016
Number of issued options	26,510	26,070	24,205	26,830
of which in bracket A (blocking period 3 years)	9,205	9,111	8,405	9,353
of which in bracket B (blocking period 4 years)	9,330	9,146	8,525	9,444
of which in bracket C (blocking period 5 years)	7,975	7,813	7,275	8,033
Issuing price (CHF)	5,936	5,794	5,360	5,401
Price of participation certificates on date of issue (CHF	5,820	5,755	5,260	5,285
Value of options on issuing date (CHF)				
Bracket A (blocking period 3 years)	562	719	631	637
Bracket B (blocking period 4 years)	615	780	690	697
Bracket C (blocking period 5 years)	663	831	737	747
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	2.2%	2.1%	2.1%	2,1%
Expected volatility	18.3%	20.5%	21.2%	21,4%
Expected dividend yield	1.68%	1.66%	1.63%	1.57%
Risk-free interest rate	(0,27) – (0,11)%	0.03 – 0.17%	(0,38) – (0,25)%	(0,51) – (0,36)%
Model	Binomial model			

27. Contingencies

As last year, the Lindt & Sprüngli Group has no contingent liabilities that would require disclosure as of December 31, 2019. With respect to the Lindt Chocolate Competence Foundation's construction project, refer to note 29.

28. Commitments

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

CHF million	**2019**	2018
Property, plant and equipment	81.4	62.8

The future lease payments under operating lease commitments are:

CHF million	**2019**	2018
Up to 1 year	–	89.4
Between 1 and 5 years	–	254.7
Over 5 years	–	153.1
Total	**–**	**497.2**

Leasing commitments are related to the rental of retail stores, warehouse and offic space, vehicles and EDP hardware. Due to the fi st time application of IFRS 16 for reporting period 2019 commitments from operating leases cease to exist. Potential commitments from leases are disclosed within note 8.

29. Transactions with Related Parties

A family member of a member of the Board of Directors has a majority share in a company, to which products were sold for the value of CHF 21.3 million (CHF 20.2 million in 2018) and license fee income of CHF 0.7 million (CHF 0.7 million in 2018) was generated. Receivables outstanding against this company were CHF 14.8 million (CHF 13.8 million in 2018) at the balance sheet date.

In current and prior year 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".

Th 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

As at December, 31 2019 the Board of Directors consisted of 6 non-executive and executive Directors (6 in 2018). The number of executive Offic s as at December, 31 2019 is 6 (6 in 2018). The compensation paid to non-executive Directors and executive Offic s is shown below:

CHF thousand	**2019**	2018
Fixed cash compensation [1]	7,345	9,905
Variable bonus component [2]	3,325	3,259
Other compensation [3]	113	110
Options [4]	4,032	5,727
Registered shares	930	977
Total	**15,745**	**19,978**

1 Total gross cash compensation and allowances for Officers and Directors including pension benefits paid y employer amounting to TCHF 276 (TCHF 353 in 2018) (excluding social charges paid by employer) for the Officers
2 As per the Compensation Repoprt it is the expected pay-out (accrual basis) in April of following year according to the application of the CNC and BoD (excluding social charges paid by employer). The effective pay-out for the other members of Group Management for the financial ear 2018 was CHF 3,259k.
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 alue 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 of Directors or a member of the Group Management. As of December 31, 2019, 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 of Directors or the Group Management.

30. Events after the Balance Sheet Date

The consolidated fi ancial statements were approved for publication by the Board of Directors on March 2, 2020. The approval of the consolidated fi ancial statements by the shareholders will take place at the Annual Shareholders' Meeting. No events have occurred up to March 2, 2020, which would necessitate adjustments to the carrying values of the Lindt & Sprüngli Group's assets or liabilities, or which require additional disclosure.

Report of the Statutory Auditor on the Consolidated Financial Statements

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Report of the statutory auditor

to the Board of Directors of Chocoladefabriken Lindt & Sprüngli AG

Kilchberg

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Lindt & Sprüngli chocolate AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement, the statement of comprehensive income, the consolidated statement of changes in equity and the 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 50 to 87) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 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.

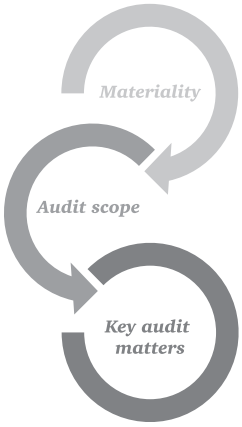
Basis for opinion

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.

Our audit approach

Overview



Overall Group materiality: CHF 42,000,000

We concluded full scope audit work at 27 Group companies in 19 countries. These Group companies represented 100% of the sales and the 99% of the assets of the Group.

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

- Impairment testing of goodwill
- Valuation of pension fund assets

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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.

On the basis of our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group 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 42,000,000
How we determined it	7.5% of profit before income 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, and it 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.

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 30 units, each of which is considered a component. In collaboration with management, we identified 27 Group companies at which an audit of the financial information was performed. The three Group companies not in scope are not material to 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 from the work of the component auditors to provide a basis for our opinion. The involvement of the Group auditor was based on audit instructions and standardised reporting. It also 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).

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.

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Impairment testing of goodwill

Key audit matter	How our audit addressed the key audit matter
Intangible assets are recognised in the amount of CHF 1,367 million, of which CHF 763 million is goodwill. We focussed on this area due to the size of the goodwill balance and because the valuation of this balance by management involves significant scope for judgement concerning the future results of the business in the USA that underlies the goodwill. Management compares the book value of goodwill to the value in use of the underlying business in the USA. 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 book 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 judgement are the long-term sales growth rates, EBIT margin growth rates and the discount rate used in the calculation of present values. Please refer to note 9 for details of the impairment test and management's assumptions.	We assessed the determination of the cash-generating units used in the calculation of the cash flow forecasts. We evaluated the components used in management's forecasts of future cash flows. We also assessed the process adopted to calculate the forecasts. 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 2019 actual results with the 2019 budget figures fixed in the previous year to assess the accuracy of those budget figures. In addition, with the support of a PwC valuation specialist, we assessed the following assumptions: • the long-term growth rates, by comparing them with economic and industry forecasts; • the EBIT margin growth rates, by comparing them with other mature Lindt & Sprüngli production entities; • the discount rate, by assessing the costs of capital for the company and comparable organisations, taking into consideration country-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.

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n of pension fund assets

Key audit matter	How our audit addressed the key audit matter
Financial assets are recognised in the amount of CHF 1,802 million, of which CHF 1,801 million are assets relating to pension funds. We focussed on this area because of the size of the pension fund assets and because management's assessment of the valuation of this balance involves significant scope for judgement concerning 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 to determine the pension fund liabilities and assets in the balance sheet. The most judgemental assumptions underlying this calculation are the salary growth rates, the pension increase rates, the mortality rate and the discount rate. For further information, please refer to notes 10 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; • the discount 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. On the basis of the audit procedures performed, we concluded that the assumptions used by management in the valuation of the net assets of the pension funds were within a range considered 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 the 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 available on 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, 2 March 2020

Balance Sheet

CHF thousand	Note	December 31, 2019	December 31, 2018
Assets			
Cash and cash equivalents		287,059	294,774
Marketable securities and short-term financial asset		440,131	440,015
Accounts receivable			
from subsidiaries		6,973	4,477
Other receivables			
from third parties		29,946	11,894
Loans to subsidiaries		260,000	170,000
Accrued income			
from subsidiaries		32,850	32,170
Total current assets		**1,056,959**	**953,330**
Loans to subsidiaries		–	260,000
Investments	4	884,899	876,081
Intangible assets		426,028	451,089
Total non-current assets		**1,310,927**	**1,587,170**
Total assets		**2,367,886**	**2,540,500**
Liabilities and Shareholders' Equity			
Accounts payable to subsidiaries		3,055	1,821
Short-term interest-bearing liabilities			
to subsidiaries		114,750	134,988
Bonds	5	500,000	–
Other accounts payable			
to third parties		102	4,143
Tax liabilities		20,800	22,031
Accrued liabilities			
to third parties		5,710	5,164
to subsidiaries		4	–
Total current liabilities		**644,421**	**168,147**
Bonds	5	500,000	1,000,000
Total non current liabilities		**500,000**	**1,000,000**
Share capital		13,599	13,609
Participation capital		10,726	10,725
Reserve from capital contribution	7	96,892	103,677
General legal reserve		76,040	76,040
Special reserve	7	1,060,378	1,060,755
Retained earnings			
Balance brought forward from previous year		38,388	36,443
Net income for the year		326,695	273,525
Treasury stock	6	–62,111	–82,790
Treasury stock (share buy-back program)	6	–337,142	–119,631
Total shareholders' equity		**1,223,465**	**1,372,353**
Total liabilities and shareholders' equity		**2,367,886**	**2,540,500**

Income Statement

CHF thousand	**2019**	2018
Dividends and other income from subsidiaries	378,728	350,523
Other income	333	422
Other expenses	–30,738	–25,950
Value adjustments on investments	10,777	3,735
Value adjustments on intangible assets	–25,060	–25,060
Operating profi	**334,040**	**303,670**
Financial income	24,659	11,515
Financial expenses	–8,570	–10,714
Income before taxes	**350,129**	**304,471**
Taxes	–23,434	–30,946
Net income	**326,695**	**273,525**

Notes to the Financial Statements

1. Introduction

The fi ancial statements of Chocoladefabriken Lindt & Sprüngli AG, with registered offic 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 fi ancial statements according to an internationally accepted reporting standard. Therefore, these fi ancial statements and notes do not include additional disclosures, cash fl w 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 fi ancial 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 fi ancial 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 58 of the notes to the consolidation fi ancial statements. In deviation to the table, 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, 2019, amounted to CHF 328.0 million (CHF 281.9 million in 2018). Th s figu e 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 55 of the notes to the consolidated fi ancial statements.

5. Bonds

The current bonds consist of the following three tranches

CHF million	Interest rate	Interest maturity	Term	Notional amount
Straight bond	0.5%	October 8	2014–2020	500.0
Straight bond	1.0%	October 8	2014–2024	250.0
Straight bond	0.3%	October 6	2017–2027	250.0
Total				**1,000.0**

6. Acquisition and Sale of Registered Shares and Participation Certificate

	2019		2018	
	Registered shares	Participation certificate	Registered shares	Participation certificate
Inventory as at January 1	**1,597**	**18,156**	**1,524**	**–**
Retirements	–458	–	–27	–
Share buy-back program	436	46,615	100	18,156
Cancellation of shares	–100	–18,156	–	–
Inventory as at December 31	**1,475**	**46,615**	**1,597**	**18,156**
Average sales price of retirements (CHF)	80,740	–	71,325	–
Average cost of share buy-back program (CHF)	76,180	6,520	74,922	6,176
Average cost of cancellation of shares (CHF)	74,922	6,176	–	–

7. Reserves

			Reserves from capital contribution		Special reserves
CHF thousand	Requested	Approved	Not approved[1]	Total	Total
Balance as at January 1, 2018	**–**	**102,633**	**13,844**	**116,477**	**931,815**
Reserve from retained earnings	–	–	–	–	130,000
Additions during the year	87,046	–	1,060	88,106	–1,060
Approved reserves from capital contribution					
FTA approval January 31, 2019	–87,046	87,046	–	–	–
Proposed dividend distribution	–	–101,180	–	–101,180	–
Undistributed dividends on own registered shares and participation certificate	–	934	–	934	–
Options exercised from January 1 to May 7, 2018	–	–660	–	–660	–
Balance as at December 31, 2018	**–**	**88,773**	**14,904**	**103,677**	**1,060,755**
Reserve from retained earnings	–	–	–	–	120,000
Additions during the year	77,545	–	937	78,482	–937
Approved reserves from capital contribution					
FTA approval February 21, 2020	–77,545	77,545	–	–	–
Share buy-back program	–	–	–	–	–119,440
Proposed dividend distribution	–	–87,603	–	–87,603	–
Undistributed dividends on own registered shares and participation certificate	–	2,626	–	2,626	–
Options exercised from January 1 to May 8, 2019	–	–290	–	–290	–
Balance as at December 31, 2019	**–**	**81,051**	**15,841**	**96,892**	**1,060,378**

1 The Swiss federal tax administration (FTA) has not yet approved the capital transaction costs of TCHF 15,841 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, 2019, 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 (4.46% in 2018). "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 20.29% of the voting rights of the Company (20.23% in 2018).

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
		2019	2018	**2019**	2018	**2019**	2018
E. Tanner	Executive Chairman	3,067	3,055	9,800	12,000	4,725	4,725
A. Bulgheroni	Member of the Board	1,000	1,000	165	165	–	–
Dkfm E. Gürtler	Member of the Board	1	1	50	50	–	–
Dr R. K. Sprüngli	Member of the Board	1,092	1,092	–	–	–	–
Dr T. Rinderknecht	Member of the Board	–	–	–	–	–	–
S. Denz	Member of the Board	11	11	–	–	–	–
Dr D. Weisskopf	Group Management	7	7	2,400	2,400	6,925	6,350
A. Pfluge [1]	Group Management	–	5	–	30	–	4,613
R. Fallegger	Group Management	5	5	869	100	4,550	4,548
A. Germiquet	Group Management	7	4	400	400	3,053	2,610
Dr A. Lechner	Group Management	7	7	56	56	4,500	4,195
M. Hug	Group Management	–	–	200	–	2,675	2,075
G. Steiner	Group Management	2	2	–	–	2,900	2,380
Total		**5,199**	**5,189**	**13,940**	**15,201**	**29,328**	**31,496**

1 Mr. A. Pfluger stepped d wn from Group Management on December 31, 2018, therefore no participation reported in 2019.

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, 2019**	December 31, 2018
Balance brought forward	34,229,750	36,089,743
Net income	326,695,427	273,524,790
Other	4,159,204[1]	353,777
Available retained earnings	**365,084,381**	**309,968,310**
Shares and participation certificates as per ylaws of CHF 24,325,210 as at December 31, 2019 (CHF 24,334,150 in 2018)		
720% (640% in 2018) dividend	–175,141,512[2]	–155,738,560
700% Special dividend	–170,276,470	–
Allocation to special reserves	–	–120,000,000
Balance carried forward	**19,666,399**	**34,229,750**
Allocation of approved capital contribution reserve to free reserves	80,273,193[2]	87,602,940
Withholding tax exempt distribution CHF 330.– per registered share/ CHF 33.– per participation certificate (CHF 360.– per RS/CHF 36.– per PC in 2018	–80,273,193[2]	–87,602,940

1 Includes dividends not distributed on treasury stock held of CHF 4,668,288, dividends distributed on options exercised during the period January 1 to May 8, 2019 of CHF –516,800, and expired dividends of CHF 7,716.

2 Number of registered shares and participation certificates, status as at December 31, 2019. During the period from anuary 1 until record date of April 30, 2020, the dividend-bearing capital (the number of registered shares and participation certificates) can hange 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 2019 the Board of Directors proposes a total dividend of CHF 1,050.– per registered share and CHF 105.– per participation certifi ate, plus a special dividend of CHF 700.– per registered share and CHF 70.– per participation certifi ate.

CHF 330.– per registered share and CHF 33.– per participation certifi ate are distributed out of the approved capital contribution reserve (agio) and CHF 720.– per registered share and CHF 72.– per participation certifi ate are distributed out of retained earnings.

Report of the Statuory Auditor on the Financial Statements

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Report of the statutory auditor

to the Board of Directors 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 2019, the income statement for the year then ended and notes, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 93 to 98) as at 31 December 2019 comply with Swiss law and the articles of incorporation.

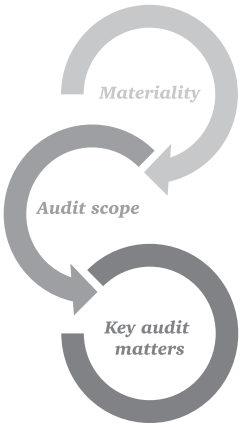
Basis for opinion

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 24,000,000

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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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the 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.

On the basis of 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 24,000,000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark for determining materiality. We chose total assets as the benchmark because it is a generally accepted benchmark for materiality considerations relating to a holding company.

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.

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 recognised in the amount of CHF 426 million relate to the Russell Stover (CHF 391 million), Ghirardelli (CHF 30 million) and Caffarel (CHF 5 million) brands. We focussed on this area due to the size of the assets and because the valuation of the above-mentioned brands depends significantly on their future results. The intangible assets are stated individually at acquisition cost less regular depreciation and any impairment, in accordance with the requirements of commercial accounting and financial reporting. The impairment assessment of the brands is based on a comparison of their book value with the capitalised licensing incomes. If the book value of the brands exceeds the capitalised licensing income, an impairment is recognised. Please refer to note 2 'Accounting principles'.	We tested the correct and consistent calculation of the regular depreciation of the brands. Additionally, we tested management's impairment assessment of the brands for its technical appropriateness and mathematical correctness as follows: • We compared on a sample basis the licensing income used in the valuations with the contractual agreements. • We assessed the capitalisation rate, taking into account the cost of capital of the company and of comparable organisations, and considered country-specific factors. • Further, we inspected on a sample basis the budgets approved by the Board of Directors of the individual licence holders in order to assess the financial performance of these individual licence holders. We concluded that the models and assumptions used are appropriate to test for the impairment of intangible assets.

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 885 million and loans to subsidiaries in the amount of CHF 260 million. We focussed our audit on these assets because of their considerable size and the significant 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 book value with the intrinsic value of the investment. The intrinsic value of an investment is determined using historical and forecast financial data and on the basis of generally accepted valuation methods. If the book value 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 examined management's impairment assessment of the investments in subsidiaries and loans to subsidiaries as follows: • We assessed the technical appropriateness and mathematical correctness of management's valuations. • We reconciled on a sample basis the input data used for the valuations to audited historical financial information. • We compared the financial forecasts used in the valuation process with the budget figures approved by the Board of Directors. • We tested on a sample basis the underlying financial information used in the loan valuations. 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.

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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 intends either 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 available from 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 retained earnings and of the statutory capital reserves 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, 2 March 2020

Five-Year Overview: Lindt & Sprüngli Group Financial Key data

		2019	2018	2017	2016	2015
Income Statement						
Sales	CHF million	4,509.0	4,313.2	4,088.4	3,900.9	3,653.3
EBITDA	CHF million	915.8	816.2	764.4	714.0	645.8
in % of sales	%	20.3	18.9	18.7	18.3	17.7
EBIT	CHF million	593.0[1]	636.7	595.4	562.5	518.8
in % of sales	%	13.2[1]	14.8	14.6	14.4	14.2
Net income	CHF million	511.9	487.1	452.5	419.8	381.0
in % of sales	%	11.4	11.3	11.1	10.8	10.4
in % of average shareholders' equity	%	11.2	11.2	11.5	11.7	11.7
Operating cash fl w	CHF million	830.9	651.6	591.0	515.4	488.9
in % of sales	%	18.4	15.1	14.5	13.2	13.4
Depreciation, amortization and impairment	CHF million	322.8	179.5	169.0	151.5	127.0
Balance Sheet						
Total assets	CHF million	8,040.8	7,249.8	6,975.6	6,428.8	6,259.0
Current assets	CHF million	2,975.7	2,933.0	2,781.1	2,374.5	2,111.7
in % of total assets	%	37.0	40.5	39.9	36.9	33.7
Non-current assets	CHF million	5,065.1	4,316.8	4,194.5	4,054.3	4,147.3
in % of total assets	%	63.0	59.5	60.1	63.1	66.3
Non-current liabilities	CHF million	1,680.9	1,735.3	1,730.8	1,495.9	1,782.3
in % of total assets	%	20.9	23.9	24.8	23.3	28.5
Shareholders' equity	CHF million	4,670.2	4,486.4	4,195.0	3,674.0	3,489.7
in % of total assets	%	58.1	61.9	60.1	57.1	55.7
Investments in PPE/intangible assets	CHF million	247.0	257.3	185.2	234.1	252.8
in % of operating cash fl w	%	29.7	39.5	31.3	45.4	51.7
Employees						
Average number of employees		14,621	14,570	13,949	13,539	13,180
Sales per employee	TCHF	308.4	296.0	293.1	288.1	277.2

1 Includes one-off effects of CHF 81.6 million. Without these effects the EBIT amounts to CHF 674.6 million and the EBIT-margin to 15.0%.

Five-Year Overview: Data per Share/Participation Certificate

		2019	2018	2017	2016	2015
Share						
Registered shares at CHF 100.– par [1]	Number	135,988	136,088	136,088	136,088	136,088
Participation certificates at CHF 10.– pa [2]	Number	1,072,641	1,072,535	1,048,153	1,013,136	988,475
Non-diluted earnings per share/10 PC [3]	CHF	2,142	2,021	1,893	1,791	1,646
Operating cash fl w per share/10 PC [3]	CHF	3,492	2,715	2,482	2,200	2,115
Shareholders' equity per share/10 PC [4]	CHF	19,626	18,437	17,414	15,476	14,854
Payout ratio	%	83.2	50.0	49.5	49.8	49.4
Registered share						
Year-end price	CHF	85,500	73,300	70,485	61,900	74,620
High of the year	CHF	86,000	85,400	72,280	74,090	76,000
Low of the year	CHF	68,600	65,600	61,790	57,025	53,740
Dividend	CHF	1,750.00 [5]	1,000.00	930.00	880.00	800.00
P/E ratio [6]	Factor	39.92	36.27	37.23	34.56	45.33
Participation certificat						
Year-end price	CHF	7,515	6,100	5,950	5,275	6,255
High of the year	CHF	7,715	7,270	5,985	6,240	6,300
Low of the year	CHF	5,730	5,270	5,055	4,877	4,570
Dividend	CHF	175.00 [5]	100.00	93.00	88.00	80.00
P/E ratio [6]	Factor	35.08	30.18	31.43	29.45	38.00
Market capitalization [6]	CHF million	19,687.9	16,517.7	15,828.7	13,768.1	16,337.8
in % of shareholders' equity [4]	%	421.6	368.2	377.3	374.7	468.2

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

Adresses of the Lindt & Sprüngli Gruppe

For 175 years, Lindt & Sprüngli confi ms 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, ia an extensive global network of distributors as well as in 500 own shops. Lindt & Sprüngli's main markets are in Europe and North America. The brands Lindt, Ghirardelli, Russell Stover, Whitman's, Pangburn's, Caffarel, Hofb uer und Küfferle. The company with its extensive and innovative range of fi est premium chocolate is present in more than 120 countries worldwide.

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Information

Agenda

April 24, 2020	122nd Annual Shareholders' Meeting
May 5, 2020	Payment of dividend
July 21, 2020	Half-year report 2020
Mid January, 2021	Net sales 2020
Mid March, 2021	Full-year results 2020
May 4, 2021	123nd Annual Shareholders' Meeting

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