



LINDT & SPRÜNGLI

ANNUAL REPORT 2007

Key Financial Data of the Lindt & Sprüngli Group

		2007	2006	Change in %
Income Statement				
Sales	CHF million	2 946.2	2 585.6	13.9
EBITDA	CHF million	444.3	381.2	16.6
in % of sales	%	15.1	14.7	
EBIT	CHF million	350.8	297.2	18.0
in % of sales	%	11.9	11.5	
Net income	CHF million	250.5	209.2	19.7
in % of sales	%	8.5	8.1	
Cash flow	CHF million	340.9	312.6	9.1
in % of sales	%	11.6	12.1	

Balance Sheet

Total assets	CHF million	2 469.4	2 134.1	15.7
Current assets	CHF million	1 599.4	1 419.6	12.7
in % of total assets	%	64.8	66.5	
Non-current assets	CHF million	870.0	714.5	21.8
in % of total assets	%	35.2	33.5	
Non-current liabilities	CHF million	221.6	319.7	-30.7
in % of total assets	%	8.9	15.0	
Shareholders' equity	CHF million	1 389.4	1 157.9	20.0
in % of total assets	%	56.3	54.2	
Investments in PPE/intangible assets	CHF million	235.1	146.4	60.6
in % of cash flow	%	69.0	46.8	

Employees

Average number of employees		7 793	7 044	10.6
Sales per employee	TCHF	378.1	367.1	3.0

Data per share

Non-diluted earnings per share/10 PC ¹⁾	CHF	1 123	948	18.5
Cash flow per share/10 PC	CHF	1 520	1 410	7.8
Dividend per share/10 PC	CHF	330 ²⁾	275	20.0
Payout ratio	%	29.5	29.2	
Shareholders' equity per share/10 PC	CHF	6 195	5 224	18.6
Price registered share at December 31	CHF	39 770	30 700	29.5
Price participation certificate at December 31	CHF	3 920	3 008	30.3
Market capitalization at December 31	CHF million	8 871.3	6 754.4	31.3

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

²⁾ Proposal of the Board of Directors



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110th Annual Shareholders' Meeting
 Friday, April 25, 2008, 10 a.m.
 Kongresshaus Zurich, Kongressaal
 Entrance K, Claridenstrasse, Zurich

This Annual Report is also available in German,
 which is the legally binding text.



Dear Shareholders,

This year, as we look back upon 15 years of new management, I am especially pleased to once again report exceptional results in every respect. Together with my long-time colleagues in the Board of Directors, the Group Management, the management of our subsidiary companies and the entire Lindt & Sprüngli team around the world, it fills me with great pride to look back from a long-term perspective upon a consistent track record of performance and success. It is exactly this continuity within our management bodies but also the tenacious pursuit of our goals, our uncompromising commitment to quality, our consistent clear positioning in the premium chocolate segment, our ability to innovate, as well as our brand strategy and marketing philosophy – it is thanks to all these things that, over these many years, Lindt & Sprüngli has been able to master the challenges of the present with great success and, at the same time, establish a solid foundation for healthy future growth.

The year under review was characterized by a generally stable and sometimes even growing global economic situation. This reflected on the consumer sentiment whereby purchasing habits were also positively impacted. The chocolate market, however, benefited only to a modest extent, if at all. In the US, economic growth took a turn for the worse with the real estate and credit crisis in the second half of

the year. This downturn brought with it great uncertainty on the market, while at the same time it increased fear of recession and weakened the value of the US dollar. But the value of the euro rose as the year progressed, more than offsetting the dollar's weakness in terms of Lindt & Sprüngli's business.

The steep rise in raw material costs was another challenge: milk, nuts and sugar became considerably more expensive in some instances, while the price of cocoa and cocoa butter shot up – particularly the fine flavor varieties that are especially important to Lindt & Sprüngli. Energy and transport costs also rose sharply, as did the price of packaging materials. However, thanks to our optimal procurement policy, ongoing efficiency improvements, and outstanding cost management, these additional costs did not negatively impact our annual result.

Against this challenging background, and in view of the increasingly tough and largely price-centered competition in the trade, our double-digit growth for the fourth time in a row, is a brilliant achievement. Group sales were at CHF 2.95 billion in 2007, equivalent to an increase of 13.9% (11.8% in local currency terms). These figures are substantially higher than the general trend of the chocolate markets and are connected to the acquisition of additional market shares in all countries and segments. All subsidiaries and regions have contributed to this success with progress in the year-round and seasonal business.

Dark chocolate, which is becoming increasingly popular, calls for a specifically high level of know-how and expertise in production. The LINDT Maîtres Chocolatiers set ongoing standards also in this area and continue

"Our business trend in North America is especially pleasing."

to surprise consumers with new taste experiences. Lindt & Sprüngli maintains a successful position and higher-than-average growth rates on the partially saturated and highly competitive traditional markets of Western Europe. Our business trend in North America is especially pleasing. A continuously growing number of suppliers in this market are making considerable efforts to penetrate the dynamic premium segment. Lindt & Sprüngli consolidated its foothold in this hotly contested sector. We brought an abundance of innovations and targeted marketing measures to the market, and established the LINDT and GHIRARDELLI brands as synonyms for quality and prestige. The group is gradually extending its position on the growing markets of Eastern Europe and Asia. We again achieved exceptional results in the duty-free and travel retail business around the world, where our market presence and the quality image of LINDT are unrivaled.

By virtue of the progress in all important markets, the operating result before interest and taxes (EBIT) improved by an impressive 18.0% to CHF 350.8 million. The Group's net

income rose still more strongly by 19.7% to CHF 250.5 million, representing a return on sales of 8.5% against 8.1% in the previous year. Group cash flow rose by 9.1% to CHF 340.9 million. At the end of 2007, the equity

ratio was 56.3%, while the average return on equity accounted for 19.7%. As ever, the equity base of the group is consistently solid, thus providing a sustained strong foundation for the future development of the company.

In view of the sales and profit growth achieved, the Board of Directors is proposing to the next Annual Shareholders' Meeting on April 25, 2008, the payment of a dividend of CHF 330.– per registered share and CHF 33.– per participation certificate. This is equivalent to an increase of 20.0% over the previous year.

At the end of 2007, Lindt & Sprüngli's share on the stock market reflected the Group's long-term successful record with a corresponding increase in value of registered shares and participation certificates by around 30% each. This is considerably better than the already very strong trend of the food index (+23%). As a consequence of the real estate crisis in the US, the ensuing banking crisis, and the growing uncertainty of market players, the SPI remained flat year on year while the SMI even lost –3.4% of its value. Although Lindt & Sprüngli stocks were

ultimately affected by the global financial crisis in December 2007, our shareholders can look back on outstanding annual performance, confirming their confidence in Lindt & Sprüngli as a professionally managed company with a solid future.

Tireless dedication to the business at all levels of the organization over the past 15 years has paid clear dividends. During this time, we increased our sales from around CHF 800 million in 1992 to CHF 2.95 billion – in other words, in 2007, lovers of our fine products enjoyed CHF two billion more of LINDT chocolate than was the case in 1992. Compared to the chocolate itself, these numbers have little emotional impact. But imagine how many tablets, pralines, LINDOR balls, GOLD BUNNIES and other LINDT specialties are needed to reach a value of CHF two billion. This powerful image makes it easier to grasp the scale of growth. Our operating profit and annual result have also grown by a similar rate in the past 15 years: in 1992, the EBIT stood at CHF 56 million, but in the last financial year it reached CHF 351 million, while our net profit rose in the same period from CHF 36 million to CHF 250.5 million.

Throughout this period, we have never stopped exercising exceptional marketing and innovation. In the process, we have reinforced our ability to compete and strengthened our brand's global roots. We have safeguarded future success by investing some CHF 1.5 billion in our production capacities over the

past 15 years, expanded geographically with acquisitions and the establishment of new companies, and successfully entered the North American market, which has become the Group's most important source of revenue. Last but not least, we have created thousands of new and secure jobs with excellent social benefits all over the world and are acknowledged today as one of Switzerland's most popular and trustworthy employers.

Overall, Lindt & Sprüngli has grown into a healthy, debt-free, robust and consistently successful international group of companies. Our stock market capitalization has risen substantially from CHF 448 million in 1992 to CHF 8.9 billion at the end of 2007, contributing to our ability to safeguard the independence and self-guidance of the company.

These satisfactory results and the generally excellent trend over the last 15 years are a source of pleasure and pride for us. But we see them also as a great responsibility and commitment to the future. We are firmly resolved and motivated to perform our task with the utmost prudence and sense of duty. To do justice to the stringent demands placed on ourselves, we rely on the best people who place their expertise, passion, and hard work at the service of the company. This close identification with the LINDT brand, products and company itself is the basis for a strong corporate culture whose deeply rooted values are experienced on a daily basis.

We build on these foundations, and this enables our staff to derive professional and personal satisfaction at every level of our global organization.

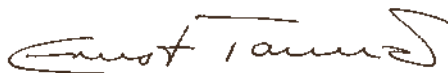
I therefore wish to take the opportunity in the name of the Group Management Committee and the Board of Directors to thank the more than 7500 staff members working all over the world for the Lindt & Sprüngli Group. We thank them for their efforts, commitment, and loyalty. And we naturally owe a debt of gratitude to our consumers, trading partners and suppliers, without whom our continuing endeavors would not succeed. A special word of thanks is also due to our shareholders, whose loyalty has demonstrated their faith in the solid values of the Lindt & Sprüngli company, despite a turbulent stock market, and confirmed their confidence in the sustainable success of the company – and, therefore, also in its management.

Outlook

The year 2008 began with turbulence on every front and in the midst of great uncertainty. Consumer sentiment has been colored by this situation. At the same time, the cost of raw materials keeps on rising, which has already lead to inevitable adjustments in the prices of food and confectionery products. Nevertheless, medium-term economic prospects remain positive. We are convinced that the substantial investments, we have made in the permanent quality improvement, together with our innovation and progressive global expansion, but also the increasingly strong roots of our brand, and our care for the availability of fine flavor cocoa beans will continue to have a positive

impact on Lindt & Sprüngli's business.

In that spirit of confidence, we are now launching the biggest investment program in our long history of more than 160 years. We plan to spend a total of over CHF 750 million over the next three years. Although 2008 presents a great challenge to the whole Group, we are still maintaining our long-term strategic growth target of 6 to 8% annually, with profitability increasing by 20 to 40 basis points.



Ernst Tanner
Chairman and Chief Executive Officer

OBITUARY

The good results were overshadowed by the death of our former Chairman of the Board of Directors and Honorary Chairman, Dr. Rudolph R. Sprüngli, who died on January 21, 2008, in his 88th year. During his nearly 50 years in top management, Dr. Sprüngli pursued the prosperity of the company with true dedication and conviction and was instrumental in shaping the course of our business. He served as a member of the Board of Directors for 30 years and as Chairman for 23 years, during which period he set the company on a heading for a prosperous future. In 1986, the company was listed on the Swiss Stock Exchange. With the acquisition of the former licensees in France, Germany and Italy, and the creation of a uniform corporate identity for all the holding companies, he paved the way for progressive internationalization and led the former family business forward to become a global group. Dr. Sprüngli left an indelible mark on many aspects of the business. His corporate work displayed economic foresight, deep ethical principles, and great human qualities. When Dr. Sprüngli retired from the operational business in 1995, and was elected Honorary Chairman by the General Meeting, he passed on to us a distinguished, independent business and a strong, reputable brand. We are grateful to him and feel beholden to honor that legacy at all times. We feel committed to ensure that the spirit of Dr. Sprüngli lives on for the wellbeing of our company. Dr. Sprüngli will remain present in our memories as a charismatic personality and a far-sighted and conscientious entrepreneur.



IN 2007 THE GLOBAL ECONOMIC SITUATION CONTINUED TO DEVELOP ENCOURAGINGLY, WHICH HAD A POSITIVE IMPACT ON CONSUMER CONFIDENCE. THE PER-CAPITA CHOCOLATE CONSUMPTION OVERALL STAGNATED, WHILE IT ONLY MARGINALLY IMPROVED IN TERMS OF VALUE. IN A MARKET ENVIRONMENT THAT CONTINUED TO BE COMPETITIVE, ALL LINDT & SPRÜNGLI COMPANIES OUTPERFORMED THEIR LOCAL MARKETS. THANKS TO THE CLEAR POSITIONING, LINDT FURTHER ANCHORED ITS REPUTATION AS A LEADING BRAND IN THE PREMIUM CHOCOLATE MARKET.

Switzerland

In a demanding and highly competitive environment, Chocoladefabriken Lindt & Sprüngli (Schweiz) AG once again outperformed market growth and reinforced its already robust position. Consistent pursuit of its premium strategy and across-the-board marketing activities led to two-digit growth of 14% to CHF 313.6 million.

Switzerland's favorable economic environment and positive consumer sentiment were reflected once again in the chocolate market, which reported growth after a lengthy stagnation period and gained +7.7% in volume. Underpinning LINDT's leading position in the premium chocolate segment was the launch of the new 2007 praliné collection. Thanks to selected recipes and elegant package designs ideal for gifts, these product lines set new international standards in the top-

quality range. LINDT was also the trendsetter for dark chocolate. For the first time, the new CREATION 70% tablets combine exquisite dark chocolate with exotic fillings, such as fig and caramel, or cherry and chili. In cooperation with partners in the trade, the "Lindt Fascination du Chocolat Noir" promotional event was initiated, providing a platform for LINDT to display impressive evidence of its expertise in the dark chocolate segment. Consumers were delighted with the extensive LINDT range of creations in dark chocolate. Pursuing this trend, the new LINDOR "60% Cocoa" in ball and tablet form met with a highly successful launch in the fall. The well-established EXCELLENCE tablets are now also available in a small, convenient 35-gram size, with an emphasis on the growing convenience retail sector, which includes filling stations and kiosks. The classic LINDT range of milk and milk-and-nut tablets has been successfully

expanded to include new "Mono pralinés" with delicate milk or crispy-cream nut fillings. The new line was presented at the popular "Lindt Festival du Lait Suisse" known nation-wide.

The extension of the cocoa mass production plant in Olten and the start of extension work on the Altendorf Logistic Center laid the groundwork for meeting increasing future demand and long-term growth targets.

Germany

In 2007, Lindt & Sprüngli once again forged innovative paths and succeeded in boosting its sales by 7.2% to EUR 323.2 million. The German subsidiary company, Chocoladefabriken Lindt & Sprüngli GmbH, continued its trend of outgrowing the market as a whole.



Despite economic growth of +2.4% and falling unemployment, private consumption rose by only a modest +0.9%. This continued reluctance of consumption was also reflected in the chocolate market, which in 2007 reported slow growth of just +1.2%.

In the tablet segment, LINDT introduced its innovative "Hot Chocolate" recipes and expanded the assortment of the established EDELBITTER MOUSSE and EXCELLENCE product lines; these activities succeeded in repeating the growth rate of previous years. Another significant contributor to growth was the introduction of the VOLLMILCH MOUSSE tablet. Sales in the praliné segment again rose strongly. Alongside praliné classics such as "Hochfein" and "Für Kenner," the "Mini Praliné" line, in particular, provided attractive additions to the range with its expanded assortment

and contributed to a strong growth. The GOLD BUNNY continued to significantly extend its position with sales growth running just into double-digit figures. A special highlight was the presentation of the GOLD BUNNY in Germany's largest department store, KaDeWe, in Berlin. The six-meter-tall GOLD BUNNY installation, made up of more than 6000 original GOLD BUNNY bells, decorated the entrance lobby of the store during the run-up to Easter. New and highly emotional product worlds, such as the "Ostern im Elfen-tal" collection, helped LINDT once again solidify its market leadership in the Easter segment.

Thanks to successful product launches and persuasive point-of-sale activities, LINDT achieved exceptional growth in the Christmas segment as well. The new "Kristallzauber" products and the first advertising campaign for aromatic

specialties with Cinnamon and Coriander for the Christmas season also strengthened LINDT's leading market position in this segment.

To meet rising product demand on local and export markets and to ensure over proportional growth in years to come, investments were made in buildings and machinery.

France

In 2007, Lindt & Sprüngli SAS achieved even faster growth than in previous years. Sales were up by 17% to EUR 322.3 million. This remarkable result is explained in part by the strong focus on proven successful products and further enhanced by innovative new product launches. Cooperation with trading partners was also intensified, especially in terms of sales promotion. With the successful expansion



of its sales team, Lindt & Sprüngli SAS is extremely well positioned for even greater benefit in the French market.

Despite the optimistic mood and fundamental reforms already announced, economic growth in France slowed in the short-term as compared to the previous year. The chocolate market, however, reported healthy growth in value, despite greater price competition on the market that, in turn, resulted in lower selling prices for all the major brands and products. All market stakeholders are following attentively developments in the law concerning retail price maintenance, as this is likely to have a considerable influence on the profitability of the branch as a whole.

LINDT's success was equally attributable to its permanent product range as well as peak Easter and Christmas

business. In the tablet segment, both consumers and retail trade greeted the launch of CREATION 70% with enthusiasm. At the same time, the introduction of EXCELLENCE "Mint" successfully placed another flavor on the market. The delightful outcome of these innovations was enhanced by the positive development of products that have proven themselves to be successful over time. Together, they demonstrated the strength and future potential of Lindt & Sprüngli's core business in France with impressive two-figure growth rates. CHAMPS ÉLYSÉES, LES PYRÉNÉENS, and PETITS DESSERTS, the three strongest brands in the praliné range, were relaunched in new high-grade packaging. The revitalized images once again clearly demonstrated LINDT's expertise in the Christmas retail trade by achieving double-digit growth rates. Increase in Easter business was also extremely strong in

2007. Thanks to specially created theme worlds around the popular GOLD BUNNY, the attractiveness and success of all seasonal products improved also.

A new phase of capacity expansion was introduced at the production site in Oloron. The French production facility is now admirably positioned for the future.

Italy

Lindt & Sprüngli SpA and Caffarel SpA couldn't maintain the previous year's success with overall sales growth of 2.1%, reaching EUR 239.6 million.

Lindt & Sprüngli SpA achieved a growth of 2.5% and is still the fastest-growing brand in the modern retail trade with LINDT. Caffarel, which distributes its products exclusively via traditional retail trade, reported sales



growth of 1.2%. Caffarel again won the Eurochocolate Award – an impressive evidence of its ability to innovate.

The Italian economy proved to be more poorly equipped than its European counterparts when it came to benefiting from the global economic recovery. Price hikes for consumer goods created uncertainty among consumers and had an adverse effect on purchasing power. Consequently, the chocolate market tended to decline. Growth slowed to 1% and any increase was due mainly to the activities of modern trade; many traditional family businesses were forced to close. The seasonal trade, which is particularly important in Italy, brought strong development for Lindt & Sprüngli SpA. At Christmas, redesigned festive collections geared toward the gift market were especially successful, as well as the seasonally inspired LINDOR offerings and PETITS

DESSERTS. Easter business proved particularly dynamic, above all in the modern retail trade. The GOLD BUNNY succeeded again with substantial growth in every channel, ahead of all the other product segments. On the tablet side, EXCELLENCE remains the most important brand but has now been perfectly complemented by innovations such as EXCELLENCE "Chili." PETITS DESSERTS and LINDOR tablets also contributed significantly to the success of this segment. LINDT further defined its already high profile in the premium chocolate range with a strong focus on LINDOR balls, the introduction of LINDOR "60% Cocoa" ball, and the expansion of distribution in the praliné segment.

Caffarel's high-quality products have a truly exclusive premium character. This line is present only in the specialized retail trade and does not engage in

conventional advertising measures. A broad range of product innovations and seasonal specialties, led to highly pleasing export growth. The business-to-business sector, which is becoming increasingly important, also made strong gains. Among many different innovations, the "Monviso" praliné proved particularly successful, winning the prestigious Eurochocolate Award 2007.

Major projects to strengthen operational business, such as unifying the logistic services of Lindt & Sprüngli SpA and Caffarel SpA, were successfully undertaken. The Induno site underwent a complete refurbishment and extension program with the aim of expanding production capacity.





Austria

LINDT was once again the fastest-growing brand in the chocolate branch in Austria in 2007. Its growth in the chocolate tablets and praliné segment was well above average, consolidating its leadership in the premium segment. With product innovations and targeted investments relating to advertising measures, Lindt & Sprüngli (Austria) Ges. m. b. H. managed to perform much better than the general market by achieving a growth of 11.6%.

The Austrian economy again reported solid growth in 2007 and equaled the previous year's growth rate at 3.2%. At the same time, unemployment figures plummeted. The food trade reported a strong increase over previous years. With growth in excess of 3%, the chocolate market is becoming one of the key growth drivers in the Austrian food trade.

Despite the strong concentration in Austria's food trade as compared to other European countries, there is a continuing trend towards additional consolidation. Despite increasing pressure from discounters and the aggressive private-label policy of leading retailers, LINDT succeeded in profiling further its clear position in the top-quality segment. EXCELLENCE tablets, along with LINDOR and the seasonal business led by the GOLD BUNNY, all achieved exceptionally strong growth. This achievement was quite apart from successful new launches such as the EDELBITTER MOUSSE



chocolate tablet range, which perfectly reflects the high craft skills of the LINDT Maîtres Chocolatiers.

Spain

Lindt y Sprüngli (España) SA once again clearly outperformed average market development in a favorable economic environment, with an impressive double-digit growth of 22.3%. This remarkable result was backed by the consistent focus on the key products LINDOR and EXCELLENCE, which proved once again to be growth drivers, thanks to redesigned product lines, broader distribution, and intensified advertising.

The Spanish economy continued its solid growth at a rate of 3%, developing faster than other European country. Benefiting from an exceptionally mild summer, the chocolate market gained as much as 10%. The premium chocolate segment is becoming increasingly important for the Spanish trade and LINDT is perfectly equipped to play a decisive role in helping to shape this trend.

Thanks to the focus on LINDOR and product innovations like the LINDOR Heart for St. Valentine's Day, stronger advertising activities and expanded distribution, LINDT was once again the fastest growing brand in the Spanish praliné segment. LINDT dominated the trend towards dark chocolate in the tablet segment, also thanks to product innovations like the dark EXCELLENCE

"Chili" or the launch of the new CREATION 70% line, both of which were warmly greeted by consumers from the start. The PETITS DESSERTS also brought substantial sales gains, and the GOLDEN BUNNY once again led LINDT's Easter business.

United Kingdom

Lindt & Sprüngli (UK) Ltd. reported impressive growth of 12.8% on the world's second largest chocolate market. Significant progress was made, especially in the Easter business.

With a growth of 3%, the UK economy remained healthy despite the credit crisis. The British retail trade also grew and significantly extended its network of branches. The chocolate market achieved value growth of 3.2%, above all because of the chocolate tablets sector, which was marked by dynamic innovation in the premium segment. LINDOR again proved to be a driving force behind the above the average growth of LINDT. In the tablets segment, the strengthened EXCELLENCE line and successful product launches such as SWISS CLASSICS led to even further progress. The GOLD BUNNY reported substantial growth and significantly extended its position as a fast-selling individual article.

Poland

Lindt & Sprüngli (Poland) Sp. z o.o. grew many times faster than the

market as a whole, with sales growth of 26.5%.

A stronger market presence created greater familiarity with the LINDT brand. This process was aided somewhat by further consolidation in the retail trade and the increasing importance of the big international retail chains. Lindt & Sprüngli intently focuses its activities on the main product groups EXCELLENCE and LINDOR and on seasonal business. Because of this, the successful EXCELLENCE line greatly strengthened the brand's position in the Polish chocolate tablet segment. This product line also achieved positive growth and helped strengthen LINDT's position in the praliné segment with new recipes and the integration of LINDOR into the seasonal business. Lindt & Sprüngli (Poland) Sp. z o.o. expanded its distribution and reinforced its sales team. It is now admirably positioned to actively shape the trend toward premium products, and to benefit from rising purchasing power in the future.

Sweden

In its third business year since its founding, Lindt & Sprüngli (Sweden) AB reported excellent double-digit growth. Its fast-paced innovation and substantial investments in brand enhancement were successful: the company met its ambitious sales goals.

The Swedish economy once again proved its robustness in 2007 with

growth of 3.5%, well above that reported by its European neighbors. The trade used this favorable environment to add retail outlets and upgrade existing establishments. The chocolate market, too, proved highly dynamic in 2007. The tablet segment reported sustained growth, while the praliné sector started the year more modestly but accelerated, especially in the run-up to Christmas.

LINDT was again the principal driving force behind this positive trend, thanks to its consistent premium strategy, its focus on the EXCELLENCE and LINDOR core products, and its fast-paced innovation. New recipes, such as EXCELLENCE "Chili" or EXCELLENCE "Raspberry," were very well received by the market. At the same time, a general redesign led to a welcome increase in demand for the well-established EXCELLENCE chocolate

tablets. Keeping the focus on LINDOR, the praliné segment gained substantial market shares. LINDOR has become the fastest-growing praliné brand in Sweden. This growth is due to its stronger presence at the seasonal peaks, successful product innovations like the LINDOR gift cube, intensified sampling at the point of sale and a consistent communication strategy.

Northern, Central and Eastern Europe/Benelux Countries

LINDT once again reported above the average sales growth in 2007 in Northern, Central and Eastern Europe and in the Benelux countries, with an exceptionally strong double-digit development of 50% over the previous year that maintained the successful trend of recent years. Nearly all the countries of the region contributed to this success, which is due above all to

a concentration on the core products EXCELLENCE and LINDOR. The SWISS TRADITION praliné collection further on benefited from the positive thrust given by the successful redesign previously made. LINDT's Easter icon, the GOLD BUNNY, experienced ongoing success. The important Christmas trade received a boost from LINDT's SANTA and the REINDEER.

In addition to the attractive product range, the brand's ever-growing presence at the point of sale and its significant distribution expansion made a significant contribution to success in this region.

North America

With cumulative sales valued at USD 585 million, Lindt & Sprüngli again broke records in North America. LINDT and GHIRARDELLI continued to



strengthen their position in USA, Canada and Mexico and significantly increase their market shares through a wide range of product innovations and intensified advertisement investments. This is an excellent position for the ongoing expansion of the two brands. The remarkable growth rate of 19% for Lindt & Sprüngli (USA) Inc. was due first and foremost to LINDOR, EXCELLENCE and seasonal gift products. Apart from the successful SQUARES, the driving force at the Ghirardelli Chocolate Company was the growing focus on the dark-chocolate segment.

In 2007, the chocolate market in the USA grew by 4.6%, greatly influenced by a rising demand for premium products. LINDT and GHIRARDELLI made a decisive contribution to this development and held their positions as the fastest-growing brands in the US chocolate

market. This uninterrupted dynamic is attracting a growing number of market players who want to benefit from the prevailing situation. The American retail landscape was marked by an unprecedented range of new product launches, also including imitations of successful concepts. With the goal of a fortified and sustainable presence at the point of sale in this demanding and highly competitive environment, as well as a distinctive profile in comparison with the competition, Lindt & Sprüngli (USA) Inc. and Ghirardelli Chocolate Company set up a strong sales promotional organization on the US market. This new organization has created a dynamic presence despite strong pressure from point of sale competitors. The additional costs generated by this action did impact the profitability, but this strategic decision proved to be absolutely correct and represents a decisive investment in the future.

Lindt & Sprüngli (USA) Inc. deepened its roots in the market and increased its popularity with consumers. This resulted in continuing positive development. Significantly expanded distribution and intensified nationwide communication campaigns have brought substantial market share gains. A major factor contributing to this success was the 100 LINDT boutiques, where the creativity and passion of the LINDT Maîtres Chocolatiers is demonstrated as a perfect experience for visitors. LINDT again achieved its biggest sales growth with the exceptionally successful EXCELLENCE tablet range and with its LINDOR balls, which have already become a classic and are enjoying increasing popularity. Seasonal business also had a key impact on the excellent result, as demand for premium chocolate is always particularly high during these periods.



In order to satisfy the sustained rise in demand for LINDT chocolate, several projects are planned for increasing production capacity, and some have already been implemented. In October 2007, a 10000 m² packaging center and a 20000 m² warehouse and distribution facility were inaugurated. This makes Lindt & Sprüngli (USA) Inc. one of the biggest employers on the New Hampshire seaboard.

Ghirardelli Chocolate Company again reported double-digit growth in 2007 (+10.9%). Although the SQUARES have been imitated by many competitors, they remain the cornerstone of this success. GHIRARDELLI proved to be exceptionally creative as the driving force on the premium market. Innovative new products were introduced, including the far-reaching market launch of the new "Intense Dark" products and a new line of filled

chocolate tablets. "Baking Chocolates" also made their contribution to the excellent sales figures. The same goes for GHIRARDELLI restaurants and stores in locations such as Chicago, Las Vegas, Miami, Orlando/Disney World, San Diego and San Francisco.

In an endeavor to consolidate and further extend its strong position in the premium sector, Ghirardelli Chocolate Company increased the resources earmarked for nationwide advertising campaigns and expansion of national sales activities. The opportunity to buy premium chocolate on the Internet is becoming increasingly popular with consumers. Ghirardelli Chocolate Company nearly doubled sales via its Internet platform.

Substantial investments are being made in the production site in the San Francisco Bay Area. The aim is to

increase production capacity with plans for a new and much larger warehouse and a second packaging center.

Canada

The chocolate market in Canada grew by 3% in 2007 in comparison with 2006. Lindt & Sprüngli (Canada) Inc. boosted its sales by 11.8% and significantly expanded its market shares in the premium chocolate segment.

The general economic situation in Canada proved to be highly dynamic once again in 2007. The Canadian dollar grew stronger and overtook the US dollar in value. As a result, the main trading partners applied pressure on the price level. In this challenging environment, LINDT once again enhanced its strength in the seasonal trade. Particularly at Christmas, with



the classic truffles and pralinés, at Easter with the GOLD BUNNY, and at St. Valentine's Day with highly emotional, ideal for gifts LINDOR creations, which have in fact become market leaders at this season. These seasonal successes were supported by nationwide promotional activities, such as the "GOLD BUNNY Smart Car Tour," which went a long way toward increasing familiarity with the LINDT brand. Innovation and premium quality are the foundation for continuous expansion into farther segments of the chocolate market.

Mexico

A positive and stable economic situation resulted in a flood of products and well-established export brands, which, together with LINDT, brought significant growth to the Mexican chocolate market.

Just two years after its entry onto the market, Lindt & Sprüngli de Mexico SA de CV gained a strong position in the premium segment. Distribution was significantly expanded in the space of just a few months; as a result, LINDT products are now already present in more than 3000 retail outlets. The main sales drivers are the key brands LINDOR and EXCELLENCE, which are exceptionally popular with the trade as well as with consumers, and therefore providing a solid basis for the future.

Australia

Lindt & Sprüngli (Australia) Pty. Ltd. once again increased its sales strongly by 16.7%. While LINDOR remains the most important brand in the "Boxed Chocolate" category, sales of pralinés and PETITS DESSERTS again rose strongly against the previous year, and the Easter business remained strong.

In 2007, one additional "Lindt Chocolate Café" was opened. These cafés are proving extremely popular with customers and help to enhance the brand's favorable image.

Other Markets

In a buoyant market environment, Lindt & Sprüngli (Asia-Pacific) Ltd. again achieved a remarkable two-figure sales growth on the key markets of China and Hong Kong. The market launch of dark EXCELLENCE was a great success, while LINDOR balls are becoming an ideal gift for the Chinese New Year, China's most important seasonal festivity.

In South America, LINDT was one of the few Swiss chocolate brands to effectively assert its position on the market, reporting two-figure growth yet again. The EXCELLENCE and



LINDOR lines proved to be the main growth drivers.

The political situation in the Near and Middle East remained tense. At the same time, the massive rise in crude oil prices had a very positive impact on the economy of many Arab countries. The risk of inflation and the weak US dollar do, however, place the stability of the economy in perspective.

Emerging markets like India and South Africa continue to report higher-than-average growth. However, the chocolate market in these countries is heavily dependent on the fast and strong development of the modern retail trade. With sales growth running into high double-digits, LINDT's very strong progress on these markets continued. Overall sales have even doubled during the last two years, with the most important contributions

coming from Turkey, the Gulf States and India. In Oman, LINDT business has been growing much more strongly than anticipated, but the South African market has also reported excellent growth, thanks to the constant expansion of distribution. Here, LINDT has now achieved a leading position with great potential for the future.

The targeted marketing strategy – i.e., LINDT Maîtres Chocolatiers in combination with the focus on LINDOR, EXCELLENCE and seasonal products – is proving its effectiveness throughout the region. This strategy constitutes a solid basis for further growth.

Duty Free/Travel Retail

The duty-free segment again reported pleasing growth well above the market average as a whole. Part of Lindt & Sprüngli's success in this area was the

much greater presence in airport shops and the successful introduction of new and innovative recipes like LINDOR "Cocoa 60%." LINDT "Swiss Premium Napolitains" were also very popular and produced high growth rates all over the world. This significant success brought a substantial gain of new market shares, solidifying LINDT's leading position in the top-quality segment of duty-free trade.

Procurement

The prices of a majority of agricultural primary commodities and milk products experienced massive increases in 2007, sometimes reaching historic peaks. This trend has naturally affected Lindt & Sprüngli's key raw materials, such as cocoa, cocoa butter, and hazelnuts. In addition, higher adjustments to inflation had to be made in other areas, including packaging materials. The trend in rising



raw material prices is likely to continue unabated as long as the ongoing increase in world demand is intensified by substantial speculative positions.

On the future markets, the 2007 cocoa price was again volatile. Quotations are between £ 900 and 1100 per ton, and end-of-year figures were on average nearly 20% above prices for the same time last year. Against a background of ongoing increase in consumer demand for products with a high cocoa content, the already high price supplements charged for the fine cocoa grades that comprise Lindt & Sprüngli's main ingredients rose still further. There are no signs that this situation will be easing any time soon. Cocoa butter prices were similarly subject to this trend and showed massive increases in 2007. Prices for milk products traded on the world market and in those Swiss, EU and US

regions in which state regulations apply have risen, in some cases by up to 100% compared to previous years. Against the background of sustained high demand, this price trend is also not expected to weaken. Despite good hazelnut harvests in 2006 and 2007, prices have remained high and have even increased. Lindt & Sprüngli's careful long-term procurement and purchasing policy meant that the substantial price increases in agricultural raw materials in the first half of 2007 had no overall adverse effect on costs. As expected, however, price hikes for some raw materials did have a negative influence on production costs in the fourth quarter. The continuing rise in raw material prices, especially for cocoa products and milk, made it necessary to adjust prices for LINDT products substantially in 2008. Thanks to LINDT's clear positioning in the premium chocolate segment and the

uncompromising quality of its products, Lindt & Sprüngli is confident that customers will accept the price increase.





Ecology and sustainability

Lindt & Sprüngli is committed to all aspects of sustainable action. Social responsibility and economical use of environmental resources are central values in the corporate credo. The group takes ecological, social and economic factors into consideration as part of its comprehensive approach to strategy. Environmental programs are being successfully implemented by all group production companies.

To emphasize this comprehensive and sustainable approach, Lindt & Sprüngli has been participating with its eight production plants worldwide in the Carbon Disclosure Project (CDP) since 2007. The Carbon Disclosure Project is the most important international shareholders' association that analyses the strategy of listed companies in relation to climate change.

In 2007, measurements of CO₂ emissions and energy consumption were based largely on the "Methodology Fossil Fuels" set out in the CDP Protocol. The aim of the group is to effect the necessary structural changes by next years and to introduce the appropriate processes to allow full measurement and verification of these values based on the CDP standard. In the year under review, the 50 biggest Swiss companies were questioned for the first time and a report on Switzerland was prepared.

The measures taken at Lindt & Sprüngli are, however, not confined to the



reduction of CO₂ emissions and increased energy efficiency. They aim in addition to secure the sustainable use of water resources and lower paper consumption. Strategic decisions concerning global product distribution are also making a valuable contribution within the framework of the group's defined environmental policy: In order to account for the variety of consumer preferences and to satisfy the prevailing market need, production volume is shared between eight plants in six different countries. In a first step, these measures are being taken to guarantee that the required production selection can always be offered at the best premium quality and an affordable price. Group production plants are always close to their main geographical markets. Sites are chosen and investments in new production facilities are made with these factors in mind. This strategic decision results in shorter transport routes, which in turn are reflected in significant savings on energy consumption. Key raw materials, except for cocoa, which Lindt & Sprüngli buys mainly from growing areas in South and Central America and Ghana, are also procured for the most part on the particular local markets. The same applies in large measure to the purchasing of packaging materials. These are concrete examples of ways in which strategic considerations that are designed to protect the environment can also result in economic benefits for the business in the medium and long term.

The efforts made by Lindt & Sprüngli in this regard are measurable. Chocolate-

fabriken Lindt & Sprüngli AG is, for example, a member of the regional "Lake Zurich Energy Model Group." This association comprises various member businesses committed to the efficient use of energy. During its ten-year existence, the participating companies have been able to reduce their energy consumption by nearly one-quarter. In an endeavor to implement the defined environmental policy at group level, the corresponding values, which are based on experience, are constantly being extended to Lindt & Sprüngli's other production plants.

The sustainable use of resources and social conditions in cocoa growing are another important goal for Lindt & Sprüngli. As an active member of the World Cocoa Foundation (WCF), the group is able to influence these relevant aspects in the production process of its key raw material. The WCF advocates, in particular, social and fair working conditions in the growing regions and takes a range of measures designed to achieve long-term stable and secure cocoa supplies. Better training facilities and working conditions and environmentally friendly growing methods are also supported and promoted. Here, the WCF counts on long-term partnership relations between its members from the chocolate industry and the cocoa farmers in the growing regions.

In addition to its membership of WCF, Lindt & Sprüngli is also committed to other projects, such as the "Sustainable Tree Crop Program" (STCP) in West

Africa. STCP encourages farmers to join forces in working communities. This gives them easier access to technical aid and they benefit from knowledge transfer concerning environmentally friendly cultivation. They are also more strongly placed in purchasing and credit negotiations. The jointly organized working structure means that the incomes, quality of life, and working conditions of the cocoa farmers can be improved. Against the background of the successful three-year pilot phase, Lindt & Sprüngli has assured its conceptual and financial commitment to Phase II (up to 2011) of the STCP Project in Ghana. For example, knowledge transfer as part of the "Farmer Field Schools" participative instruction and training approach were so encouraging during the pilot phase that this approach is being extended and further developed in Phase II. "Farmer Field Schools" are now also being implemented by local institutions. This is creating a sustainable positive effect on the structural and economic development in rural areas.



FOR MORE THAN 160 YEARS, LINDT & SPRÜNGLI HAS BEEN FOCUSING ENTIRELY ON ITS CORE COMPETENCE: THE UNCOMPROMISING MANUFACTURE OF EXCEPTIONAL PREMIUM CHOCOLATE. THIS GOAL CAN ONLY BE ACHIEVED BY MAINTAINING STRINGENT CONTROL OVER EACH INDIVIDUAL STEP IN THE OVERALL PRODUCTION PROCESS, NO MATTER HOW SMALL – FROM THE SELECTION OF THE FINEST RAW MATERIALS, THE PROCESSING OF COCOA AND REFINEMENT OF THE CHOCOLATE TO THE SUPERBLY PACKAGED PRODUCT, READY FOR THE CONSUMER. FOR GENERATIONS, THE LINDT MAÎTRES CHOCOLATIERS HAVE DEDICATED THEIR KNOW-HOW AND PASSION TO THIS SINGLE-MINDED GOAL. THEY HAVE ELEVATED CHOCOLATE MANUFACTURE TO A FINE ART.

In search of the perfect recipe

The LINDT Maîtres Chocolatiers are well acquainted with the specific characteristics of the finest cocoa grades from the best growing regions. They have mastered the most complex processes to give their creations an unmistakable smoothness. But it takes more than expertise to create a perfect product that meets the expectations and needs of consumers all over the world. One of the principal challenges confronting the LINDT Maîtres Chocolatiers is the everlasting search for new trends and different taste combinations to satisfy fast-changing consumer habits. There are many paths to follow in this process, and sometimes they are complicated. Finding the perfect recipe requires in-depth studies, extensive tests and ongoing trend research. The very nearly scientific evaluation of all these surveys, combined with the creative mastery of the LINDT Maîtres

Chocolatiers, is the reason why Lindt & Sprüngli is known as one of the most innovative manufacturers in the chocolate industry, consistently coming up with new ways to satisfy consumer expectations.

Consumer attitudes have become much more demanding in recent years. Consumers are ever more receptive to new culinary experiences and exceptional tastes, which by now go far beyond the trend towards increasingly dark chocolate with a particularly high cocoa content or a designation of single origin. In their permanent search for new taste highlights, LINDT Maîtres Chocolatiers set off on extraordinary journeys into a world of spices, fragrances and aromas that inspire imagination and creativity, and which result in new and perfect recipes. However, striking a perfect harmony of various ingredients requires a great

deal of time, mastery and inventiveness, to say nothing of intuition and sensitivity. It is the original combinations of cocoa and exotic spices that ultimately promise unsuspected new savors and open up horizons.

The impact of spices in the history of the world

The history of spices takes the LINDT Maîtres Chocolatiers, and indeed all of us, on a fascinating journey around the world. Spices are closely bound up with the cultural history of mankind. For thousands of years, they exerted a vast economic and therefore political influence on world history. For a long time, spices were a status symbol synonymous with wealth and power, and had an impact on the rise and fall of many a nation. As a gift, they symbolized the highest possible esteem. New worlds were discovered,



legendary trade routes opened up, and wars waged, all to gain access to these precious spices and control the lucrative trade. Along with other products – such as silk, tea, porcelain, silver, gold and gemstones from the Orient and Far East, but later also from Central and South America – spices were among the most sought-after and expensive goods of all. After interminably difficult and hazardous journeys overland and later by sea, they finally reached Europe. Highwaymen, plundering and ruinous customs duties drove the final prices of these expensive goods higher still. But the trade was profitable because some spices fetched more than a hundred times their original value. For centuries, colonial powers and merchants grew rich by these exotic supplies, which for a long time could be grown only in their countries of origin. Smuggling, biotechnical advances, industrialization

and modernization of transport routes finally drove down the economic relevance of spices. Yet some, such as saffron and vanilla, are still traded at extremely high prices.

Herbs and spices have always been used to refine and preserve prepared food. But they have also been used in

“Spices are closely bound up with the cultural history of mankind.”

medicines, cosmetics, and, last but not least, religious rites. There is evidence that chili was being cultivated in Mexico 6000 years ago. The ancient Egyptians used spices to flavor food, make themselves beautiful, and embalm pharaohs, high officials and priests. 15 grains of black pepper were found in the nose of the mummy of Ramses II. Cleopatra is said to have been a cinnamon addict. Records

show that more than 3000 years ago, the effect of spices on human health was already known in China. Chinese dignitaries were not allowed to appear before the Emperor without first freshening up their breath with cloves. Astute Arabian merchants and Phoenicians established trading centers along the Mediterranean

seaboard 1000 years before Christ and for centuries controlled spice exports to Europe. The origin of these precious goods and the trade routes along which they were carried remained secret for as long as possible. They were even deliberately surrounded by horror stories, which pushed the prices sky high. Although no centralized international primary commodity exchange existed at the time, these



mechanisms can already be interpreted as the first signs of speculation on the market, a practice which has become commonplace today.

Trade routes by land and water were increasingly used and trade relations between the countries of the West and East rapidly developed. They were further intensified by the conquests of Alexander the Great. The most famous caravan route, the “Silk Road,” led from China through Persia and the Near East to the Mediterranean, or from India northwards via the Hindu Kush, the Pamir Mountains and the Caucasus to Constantinople. The first sea routes linked Southern India with the Arab countries. Spices and other highly sought-after luxury goods reached Europe in this way; a fertile exchange of intellectual and cultural values fostered an understanding of different customs and habits.

From antiquity to the colonial age

The high cultures of classical antiquity – the Greeks and the Romans – were obsessed with the idea of exotic spices, which came to be regarded as a symbol of wealth and power. Alexander the Great brought pepper and cinnamon with him from his campaigns in Persia and India. Cloves and nutmeg were so expensive in classical Rome that only the richest and most prestigious patrician houses could afford the luxury. Roman emperor Nero, capricious, spendthrift, and mad with grief at the death of his spouse Poppaea, is said to have burned all the cinnamon stocks in the city, destroying an incredibly valuable asset. Across the Alps, familiarity with rare and precious spices spread northwards as the Roman Empire expanded. But it was Benedictine monks who brought herbs and spices to the populations of Western

and Central Europe in the 8th and 9th centuries – not, of course, for pleasure, but for medicinal purposes. Until then, however, Christian merchants were unable to compete in the direct trade in goods with the Orient and the Far East, which was dominated by Muslim traders: Arabs were the lords of all spices. The Crusades put an end to that domination. Their monopoly over the transport of goods broke with the conquest of Jerusalem and the defeat of the Arabs.

A first high point in the European spice trade was reached with the rise of the city-states of Venice and Genoa. As intensive business relations developed on a large scale with the Orient and Asia, exotic spices from the Far East became the most valuable trading commodities of their day. Governments profited from this lucrative trade through customs duties, levies and



taxes of all kinds, while merchants became rich and influent. Constantinople and Alexandria were the main trading centers of the day. Great caravans, like those that gave the young Marco Polo a permanent place in world history, were organized and it often took years before the merchants arrived back home with their valuable cargo – if they returned at all. The flourishing trade persuaded many charlatans to “stretch” these expensive spices with gunpowder to increase the weight and their own profit. Aromas were also sometimes added to conceal the low quality of the goods.

New worlds open up

Nevertheless, the trade in spices was so profitable that other countries coveted a share. They looked for ways of profiting from the rich trade in goods and studied the possibility of growing

these products locally. The many wars over political power in Europe had bled a good many governments dry and new sources of funds were needed to replenish the state coffers. The age of the great Spanish and Portuguese conquest expeditions began. The pretext, as with the bloodthirsty crusades of earlier centuries, had been to Christianize the “heathens.” The real intent, however, was to gain access to new worlds and become global powers while simultaneously profiting from local riches. Along with gold, silver and free labor, expensive and highly lucrative spices were among the most sought-after sources of finance. A bitter contest developed in the 15th century between the two great seafaring nations, Portugal and Spain. The age of colonial imperialism had begun.

Against this background, Christopher Columbus of Genoa sailed under a

good star when he went west to India, laying claim to new territories and wealth for Spain. Queen Isabella was won over by his vision. In 1492, she placed a small fleet of three ships at his disposal. Columbus did not discover India or the legendary “Spice Islands,” but he did open the sea route to precious spices such as pimiento, chili and vanilla. Surprisingly, he took no interest in cocoa, with which he also came into contact and which went on to become economically and socially significant. Hernando Cortes finally brought cocoa to Spain in 1528.

In 1498 Vasco da Gama won a particularly important victory for the Portuguese when he discovered the sea route past the Cape of Good Hope to India and ushered in the glorious age of the spice trade. He made landfall on the Malabar Coast of West India and returned heavily laden with spices.





Access to some of the most precious spices, such as pepper, was now assured and the primary territories in which exotic spices were cultivated came into Portuguese hands. Lisbon achieved an unprecedented standard of prosperity, remaining the uncontested metropolis of the spice market for nearly a century. Finally, the Portuguese discovered the legendary Spice Islands, an Indonesian group of islands between Sulawesi and New Guinea known as the Moluccas. The Portuguese set up a support base there in 1512. The geographical location of this highly profitable spice paradise was kept a strict secret. To put the competition off the scent, they went so far as to circulate false maps.

The first organized trading companies

The Dutch were the first to contest this absolute domination the Portuguese held over the spice trade. Philip II, King of Spain and Portugal and Sovereign of the Netherlands, had undertaken to bar the rebellious Dutch from access to Lisbon harbor: spices became still more expensive and in even shorter supply. In response to this blockade, the Dutch organized a successful expedition to the East Indies in 1594 and managed to reach the mysterious Spice Islands. The islands did not come into their possession until 1663, but they did gain a share of the profitable business. To oust the powerful competitors of Portugal and Spain from the market, 17 ambitious Dutch traders joined forces and in 1602 founded the famous V.O.C



(Vereinigste Ostindische Compagnie), which was granted far-reaching power to grow and trade in spices by the Netherlands Confederation of States. It was not long before the Portuguese lost extensive tracts of their colonies,

often bloody history of spices. Between 1796 and 1806, during the Napoleonic wars, Dutch territories in the Spice Islands fell into English hands. By this time, many of the popular spices could be found outside certain exclusive

privileged strata of society. They are now universally accessible. All sorts of spices enrich our meals, especially in chocolate and pastry, as they have since the earliest times. They are used as fascinating fragrances for body-care products and in the perfume industry. Others are brewed into beverages and taken to relieve all kinds of minor physical and mental ailments. Generally, they come from far-off places, bear the sweet taste of the tropics, and encourage us to dream and enjoy. In the end, they come together in harmonious union with precious cocoa varieties made with care and passion by the LINDT Maîtres Chocolatiers to give consumers the experience of chocolate at its finest. Certain spices have overflowed into the world of chocolate over the centuries, and particularly in recent years. Here are just a few.

Vanilla

The name of this tropical climbing orchid, which resembles a liana, comes from the Spanish word vainilla. It is the only species of orchid considered as an agricultural crop and was already cultivated 3000 years ago by the ancient cultures of Mesoamerica. The Aztecs used its sensuous, seductive and mysterious, delicate savor to refine the famous cocoa beverage known as Xocoatl. This "Queen of spices" was one of the few most precious spices the Spaniards brought back to Europe in the course of their conquista, and it soon became an essential luxury product for the privileged strata of

sometimes as a result of bloody conflicts, and ceded great part of their plantations to the Dutch, who now controlled cultivation, harvest and trade with an iron fist – and not uncommonly with unmitigated violence. To push spice prices still higher and exert even more control over the stringently supervised exports, the Dutch burnt down entire plantations and concentrated cultivation in a few regions or islands, robbing many indigenous peoples of their livelihood. Brutal measures were taken to eradicate smuggling, for which the death penalty was sometimes imposed. However, the strictly guarded monopoly began to fall apart in 1770 when the French acted on the orders of the French governor of Mauritius and succeeded in stealing seeds and seedlings of cloves and nutmeg trees, which they went on to grow successfully on their own possessions in the Indian Ocean. The same occurred with ginger. Nonetheless, the global spice monopoly of the V.O.C lasted for a good 200 years.

The Dutch were finally booted out by England, a rising colonial power and the last important player in the colorful and

cultivation areas. But the economic benefit derived from the high demand for spices was still considerable. London became one of the most important trading centers for spices, and remains so today. Almost simultaneously with the Dutch, the British founded their own trading company, the East India Company. Adventurous seafarers like the popular freebooter and vice admiral, Francis Drake (1540–1596), or later the man who discovered many Pacific Islands, James Cook (1728–1779), were given financial support with an eye to the fat profit to be made from the trade in exotic goods.

Jewels in any recipe

Today, the spice monopolies so hotly contested over the centuries have ceased to exist. The number and size of growing areas all over the world have continued to increase; technological developments have improved and expedited the flow of goods in world trade. Be that as it may, demand for the finest spices remains as high as ever, with the sole difference that even the most delicate jewels of the palate are no longer reserved for the most

society. Queen Elisabeth I is said to have refused to drink or eat anything that did not taste of vanilla. Cardinal Richelieu purportedly won the favors of the ladies at the court of Louis XIII thanks to little vanilla fragrance balls. For 300 years, the Spaniards remained the world's only vanilla producers and defended this profitable trade monopoly using all the means at their disposal. Smugglers were sentenced to death. After Mexico gained its independence in 1810, seedlings of this unique primeval plant came into the hands of the Dutch and the French and were exported to their colonies of Java and the island of La Réunion, known at the time as the Ile Bourbon. Initially, in the absence of natural domestic pollinating agents found only in Mexico, the plants did not bear fruit. Belgian botanist Charles Morren is regarded as the pioneer of global cultivation. In 1838, he published the method of artificial greenhouse

fertilization. The final breakthrough is attributed to Edmond Albius, a black slave who in 1841 successfully produced artificial fertilization using a small bamboo stick in the natural environment of a plantation in La Réunion. He was rewarded with his freedom. This development put an end to the Spanish vanilla monopoly once and for all. Cultivation of the most precious and select "bourbon vanilla" soon spread to other French colonial territories, such as Mauritius, the Comoro Islands and Madagascar, where it is still grown on a grand scale. Because of its extremely difficult, labor-intensive and complicated cultivation methods, Bourbon vanilla remains the world's most expensive spice today, second only to saffron. The plant takes four years to bear fruit at all. Its blossoms last for just one day and can only be pollinated in the morning by a meticulous manual procedure. From blossom time to finished product

requires about a year. This complex and sophisticated spice, which combines around 35 different fragrances in a single small pod, is not used to manufacture only precious perfumes; it has enhanced our most popular dishes for centuries, and reaches true perfection when combined with the best cocoa beans in the fine LINDT specialties.

Cinnamon (canehl, cassia)

Some 5000 years ago, cinnamon was already known in China under the name Kwei. It is regarded as one of the oldest and most popular of all spices. In the days of the Pharaohs, the aromatic bark of the cinnamon tree, which was worth its weight in gold, was imported to Egypt by Arabian and Phoenician merchants. Patrician families in ancient Rome soon became addicted to the taste and spent a fortune on this sought-after spice, a status symbol of



power and wealth. It was the Portuguese who, in the course of their 16th-century conquests of Eastern India, brought canebl from Ceylon to Europe and set up a highly profitable monopoly trade that was eventually taken over by the Dutch and, later, by the English. Only after cinnamon plants came to be cultivated in Java did the monopoly end. This development influenced prices and gradually made cinnamon more and more affordable. Canebl is still mostly grown in Sri Lanka and other islands of the Indian Ocean, such as Madagascar, Mauritius and the Seychelles. Cassia comes mainly from Indonesia, China and Vietnam and is used in long strips or ground up into powder. The cinnamon tree or cinnamon bush, depending on the variety, belongs to the laurel family. Every two years, during the monsoon season, its shoots are cut when they are two to three meters long and their bark is

removed. This is then rolled up and dried first in the shade and then in the sun. While canebl has a strong aromatic fragrance and a sweet taste, cassia generally has a softer and rather acerbic taste and is sold mainly in ground form. Modern cooking is almost inconceivable without cinnamon. It is one of the most popular and commonly used spices for desert dishes. Countless culinary specialties and pastries of Northern and Eastern Europe would be unimaginable without cinnamon, especially in Christmas Lebkuchen, or soft gingerbreads of all kinds. It is a typical spice for traditional mulled wine and a staple in harmonious chocolate recipes by LINDT.

Pepper

Black pepper, or "real" pepper, originally from the Malabar Coast (sometimes called the "Pepper Coast") in

South West India, is one of the oldest and most popular of all spices today. More than 3000 years ago, pepper was commonly used not just as a spice but also as a preservative of perishable foodstuffs. It reached Europe along the caravan routes of central Asia. Pepper was so precious that it used to be weighed in balance with gold. "Pfeffer-sack" (pepper bag) was a pejorative applied to a person who achieved power and wealth through the pepper trade. It was used in medieval Germany in the context of the Hanseatic League and is sometimes still employed today as a rather derogatory term for businessmen who have their eye solely on money and power. With the discovery of the faster and safer sea route to India in 1489, the Portuguese were the first to begin exporting the product to Europe on a massive scale and at enormous profit. The great economic significance of the lucrative pepper





trade meant that this hot monopoly passed from hand to hand in the centuries that followed. Today, the climbing plant is cultivated in great quantities all over the world and is no longer a luxury item. Nevertheless, pepper has never lost its significance as one of the most widely used spices in the cuisine of all countries and continents. Over 200 000 tons of pepper are harvested annually. The most common pepper varieties are obtained essentially from the same plant. Their color comes from the specific methods of harvesting and processing. Black and green pepper is harvested from unripe fruit. The green color is maintained by steeping the corns in salt water, or by drying them at high temperatures or freeze-drying them quickly. Immediate drying, on the other hand, makes the peppercorns shrivel and turn black. White pepper is harvested in the ripe state and softened in water for a few days until the shell comes away. The corns are then peeled and dried. Rare "genuine" red pepper is picked when fully ripe, then the unpeeled corns are placed in salty or sour solutions and sold. Dried red pepper is even rarer. Rose pepper, also known as Brazilian pepper, is not related to black pepper but for aesthetic reasons is often used in classical pepper blends. There are a few basic rules for determining the quality. The best bouquet is always that of big freshly ground peppercorns. The smaller the corn and the finer the degree of grinding, the poorer the quality and aroma will be.



Chili

The designations “chili,” “peperoni,” and “pfefferoni” are used in common parlance to denote paprika, which also goes by the name of Spanish pepper or devil’s pepper. However, the term chili is generally used to denote the varieties of the species that range from hot to very hot. Chili originally came from South and Central America. Archaeological finds in Mexico proved that chili was already being used 7000 years before Christ. Like vanilla, chili also played an important role in culinary and ritual practices among the Mesoamerican indigenous civilizations. And, like vanilla, chili is closely linked to cocoa. When the chroniclers of the Spanish conquistadors reported that the Aztec King Moctezuma II consumed great quantities of the cocoa beverage Xocoatl spiced with chili and vanilla from golden goblets, their interest was surely in the precious metal. They could hardly have imagined that these two spices, which Columbus had already discovered, would later play such a role in the economy of their own country. Today, thousands of different cultivated and wild varieties of chili are known, many of which thrive in the hot and humid regions of the Mediterranean seaboard and are used in a fresh, dried, or ground state in Mediterranean cooking. Depending on the variety, these nightshade bushes bear fruit of many different sizes, shapes and colors but can differ significantly in the sharpness of their taste. The seeds of the fruit, often wrongly referred to as “husks,” contain

a particularly high concentration of hot-tasting substances. The hottest varieties are consumed primarily in warmer regions, as the sensation of heat generated by the active substance capsaicin causes perspiration, which in turn reduces body temperature. One of the mildest varieties is the sweet or mild paprika plant, which has been grown in Hungary since about 1950 and contains practically no capsaicin. The fiery Tepin and Habañero chilies are 1000 times hotter. There is scarcely a culture that has not included in its cuisine some form of the impressive variety of paprika, ranging from mild to hot. But one of the most fascinating specialties is the recipe for the LINDT EXCELLENCE “Chili” chocolate tablet, in which the finest cocoa varieties harmonize perfectly with refined and hot chili.

Ginger

As one of the oldest known tropical spices, and probably one of the first spices ever to be introduced to the Mediterranean region – most likely by the Phoenicians even before the foundation of the Roman Empire –, ginger has been used not just as a spice for dishes, but also as a medicinal substance. Its benefits and features are recorded in the oldest Chinese chronicles and Sanskrit writings of ancient India. No less than Confucius is said to have spiced his dishes with ginger. The origin of the sharp bulb is uncertain today, but the cultivation of its reed-like plant probably spread via China to India,

South and Central Asia to East Africa. The Spaniards exported the plant grown in East Africa by the Arabs in the 13th century to their Caribbean and Central American colonial possessions and, after suitable processing, re-imported the spice to Spain with fat profits. Since the 12th century, ginger has figured in most pharmaceutical books. In the Middle Ages, it was used as a remedy against the plague. At the same time, it was employed for such purposes as brewing beer. During their colonial rule in India, the English brought ginger back home and used it to make the beverage called ginger ale, which remains popular today in English-speaking countries. The plant, whose newly formed, blanched, dried, and peeled tubers are the source of the sharp spice, needs a tropical humid climate with abundant rainfall in order to thrive. Ginger obtained in this way is used for cooking purposes, whether whole, chopped, sliced, ground, or even in candied form. Lengthy boiling considerably increases the sharpness. Among the 85 or so different varieties, ginger from Jamaica is the most popular in our latitudes. However, its properties are appreciated not only to spice sophisticated main dishes and deserts, but also as a cure-all in ayurvedic medicine. Even Western medicine acknowledges the beneficial role of ginger tea in soothing the stomach, alleviating cramps and promoting digestion. And although its suspected aphrodisiac effects cannot be scientifically proven, ginger does seem to exert a favorable influence on general mood and frame of mind.





THE LINDT & SPRÜNGLI GROUP IDENTIFIES STRONGLY WITH EFFICIENT CORPORATE GOVERNANCE. BOTH THE BOARD OF DIRECTORS AND GROUP MANAGEMENT ARE COMMITTED TO PROVIDING THE SHAREHOLDERS, CUSTOMERS AND EMPLOYEES WITH A TRANSPARENT AND DETAILED OVERVIEW OF THE LINDT & SPRÜNGLI GROUP. OUR SHAREHOLDERS SHALL HAVE FULL CONFIDENCE THAT THEIR INTERESTS ARE STRONGLY CONSIDERED AT ALL TIMES. OUR BUSINESS ASSOCIATES AND CUSTOMERS SHALL BE ABLE TO RELY ON THE COMPANY AND THE HIGH QUALITY OF OUR PRODUCTS, AND OUR EMPLOYEES SHALL UNDERSTAND THAT THEY WORK FOR A COMPANY WITH A STRONG ETHICAL CULTURE.

Group Structure and Shareholders

Chocoladefabriken Lindt & Sprüngli AG is globally active, developing, producing and selling chocolate products in the premium quality segment. The holding company, Chocoladefabriken Lindt & Sprüngli AG, is listed on the SWX Swiss Exchange. The listing numbers of the respective security can be found on page 81 of this report. The market capitalization based on the 2007 year-end prices is CHF 8.9 billion.

The company's group structure is very lean and relies on two governing bodies, the Board of Directors and Group Management. The two bodies have different responsibilities and functions. The individual markets, under their local management, have a broad autonomy, which ensures optimum performance close to the market.

The scope of consolidation of Chocoladefabriken Lindt & Sprüngli AG includes the wholly-owned subsidiaries listed in the Notes to the Financial Report on page 48. Details about these companies, such as domicile, share capital, participation, etc. can be found there as well.

No company within the Group holds any investments in publicly traded companies.

As of December 31, 2007, Chocoladefabriken Lindt & Sprüngli AG disclosed the following shareholders (in accordance with Art. 663c OR, Swiss Commercial Code) which own voting shares of more than 4%:

Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG 22.2%

Chocoladefabriken Lindt & Sprüngli AG does not hold cross interests, and there are no shareholder agreements or voting trusts.

Capital

As of December 31, 2007, the holding company's capital structure was as follows:

Ordinary capital

The ordinary capital is composed of two types of securities:

Registered shares*	CHF	14 000 000
Participation certificates**	CHF	8 427 170
Total ordinary capital	CHF	22 427 170

* 140 000 registered shares par value CHF 100.–

** 842 717 participation certificates par value CHF 10.–

The registered shares have voting rights; the participation certificates have no voting rights. Both types of shares are entitled to a dividend equivalent to their par values. All shares are fully paid. No bonus certificates (Genussscheine) were issued.

Authorized and conditional capital

The conditional capital has a total of 567 508 participation certificates with a par value of CHF 10.–. Of this total, 213 058 are reserved for employee stock option programs; the remaining 354 450 participation certificates are reserved for capital market transactions. There is no other authorized capital.

Changes in capital

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

Year	Ordinary capital		Conditional capital	
	Registered shares (RS)*	Participation certificates (PC)**	Participation certificates (PC) "Capital market"	"Employees"
2005	140 000	800 558	354 450	135 217
2006	140 000	816 616	354 450	239 159
2007	140 000	842 717	354 450	213 058

Number of securities, status as at 31.12.

* Registered shares par value CHF 100.–

** Participation certificates: par value CHF 10.–

Restrictions and nominee entries

Both registered shares and participation certificates can be acquired without restrictions. 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. The Board of Directors may permit exceptions to this restriction. During the reporting year, the Board of Directors granted such an exception for 22.2% of the voting rights to Chocoladefabriken Lindt & Sprüngli AG's "Fonds für Pensionsergänzungen," in light of the purpose of this fund.

Nominee entries will be granted full shareholder status for a maximum of 2% of the registered share capital as entered in the commercial register.

Options and convertible bonds

Options on Chocoladefabriken Lindt & Sprüngli AG are only outstanding within the scope of the existing employee option plan. Details of the options issued and the corresponding terms and conditions are shown in the table below:

Year of allocation	Number	Exercise price (CHF)*	Maturity
before 2001	33 410	756.54**	until 2007
2001	18 638	833.00	2008
2002	19 090	847.00	2009
2003	24 750	648.00	2010
2004	28 468	1 095.00	2011
2005	28 000	1 607.00	2012
2006	23 250	2 251.00	2013
2007	27 860	2 983.00	2014
Total	203 466		

*All options were issued at an exchange ratio of 1 option:1 participation certificate.

** Average exercise price

In 2007, a total of 26 101 of the above employee options were exercised (total previous years: 40 841). Therefore, the “ordinary” participation capital was increased in 2007 by the corresponding reduction in the “conditional” participation capital reserved for the employee stock option programs. The 136 524 options outstanding as of December 31, 2007, and not yet exercised are equivalent to 6.09% of the total capital.

There are no outstanding convertible bonds of Chocolade-fabriken Lindt & Sprüngli AG.

Board of Directors

Role and function

The Board of Directors makes decisions jointly and, for specific matters, is assisted by the Committee of the Board. The Board's primary function is to provide guidance and exercise control over the Group. The Board makes strategic decisions and defines the general means for achieving the goals it has set for the Company. It sets the agenda for the Annual Shareholders' Meeting and approves the annual and interim reports. Decisions regarding the appointment of members to Group Management or of managing directors of subsidiaries as well as the nomination of the external auditors for election at the Annual Shareholders' Meeting are taken by the full board.

Members

As of December 31, 2007, the Board had six active members. Dr. Rudolph R. Sprüngli was Honorary Chairman and acted in a purely advisory capacity, drawing on his many years of experience. Mr. Ernst Tanner (CEO) is executive member of the Board.

Name, Function	1 st election	Until
Dr. Rudolph R. Sprüngli, Honorary Chairman	1995	2007
Ernst Tanner, Chairman & CEO	1993	2008
Dr. Kurt Widmer, Member	1987	2010
Dr. Rudolf K. Sprüngli, Member	1988	2010
Dr. Franz Peter Oesch, Member	1991	2009
Dr. Peter Baumberger, Member	1992	2009
Antonio Bulgheroni, Member	1996	2008

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

The Board of Directors shall convene at least four times a year. In the year under review, four meetings lasting one day each took place. The members of the Board are elected by the shareholders for a term of three years, in staggered terms.

Ernst Tanner (CH)

Mr. Tanner was elected CEO and Vice-Chairman by the Board of Directors in 1993. In 1994, he took over as Chairman of the Board. The Board is convinced that this dual mandate allows for effective leadership and excellent communication among shareholders, Board of Directors and Group Management. Mr. Tanner obtained a basic commercial education and thereafter attended a number of management training courses in London and at Harvard University, in order to expand his know-how on a continuous basis. Before coming to Lindt & Sprüngli, Mr. Tanner held top management positions for more than 25 years with the Johnson & Johnson Group in Europe and in the USA, his last position having been “Company Group Chairman Europe”. Mr. Tanner is also a member of the Boards of Directors of Credit Suisse Group and Swatch Group.

Dr. Kurt Widmer (CH)

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

Dr. Rudolf K. Sprüngli (CH)

Mr. Sprüngli completed his studies with a doctorate in economics and has been a member of the Board of Directors since 1988. Due to his former executive activities for the Lindt & Sprüngli Group, and for an international premium food-trading company Mr. Sprüngli is an expert and authority in the chocolate business. Today, Mr. Sprüngli manages his own consulting firm.

Dr. Franz Peter Oesch (CH)

Mr. Oesch completed his studies with a doctorate in law and has been a member of the Board of Directors since 1991. Mr. Oesch is a partner of the law firm “asg.advocati” in St. Gallen and Chairman of the Board of Directors of the St. Galler Kantonalbank.

Dr. Peter Baumberger (CH)

Mr. Baumberger has a doctorate in law and has been a member of the Board since 1992. He gained international experience in the licensing department of Westinghouse International in New York from 1950 through 1955, and was responsible for South America at Olin Mathieson Corporation in New York from 1955 through 1959. Thereafter he was Vice President and Managing Director at RCA Overseas in New York from 1960 through 1976. Between 1976 and 1991, Mr. Baumberger was the Delegate of the Board of Directors of Carba Group in Bern. Mr. Baumberger is also a member of the Boards of Directors of ABN-AMRO Bank.

Antonio Bulgheroni (IT)

Mr. Bulgheroni has been a member of the Board since 1996. Due to decades of gathering experience in all management areas of chocolate production, distribution and Italian retail trade, Mr. Bulgheroni is an expert in the chocolate industry. He was CEO of Lindt & Sprüngli SpA from 1993 until his retirement in April 2007. As Chairman of the Board of both subsidiaries in Italy and based on his extensive experience, he will continue to contribute to the business. Mr. Bulgheroni holds other board positions with Banca Popolare Commercio e Industria SpA (Steering Committee) and Autogrill SpA.

Allocation of competences

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

Board of Directors

- Executes its “non-revokable” duties as stipulated in the Swiss Code of Obligations. Therefore, the Board of Directors holds responsibility for the overall guidance and the supervision of Management.
- Determines strategic, organisational, financial planning and accounting guidelines.
- Decides on participations, appoints members of the Group Management and of the Group companies.
- Approves the budgets of the Group and the subsidiaries.

The Board of Directors has delegated management of operations to the CEO and Group Management, as stipulated in the business and organisation regulations.

Group Management

- Responsible for the implementation of Group strategies.
- Manages assigned areas of function and responsibility in accordance with the Group policy and the instructions of the delegate of the Board of Directors.

Internal organization of the Board of Directors – Committees of the Board

With effect from the 2008 financial year, the Board of Directors will be assisted in its work by two committees, the Audit Committee and the Compensation Committee. This new structure replaces the previous single Committee of the Board, which performed the tasks of a compensation, nomination, and risk committee until the end of the 2007 financial year. This committee met on four occasions, each time for half a day, in the year under review.

In future, the Board of Directors may decide at any time by a majority vote to form further committees. Until then, all other tasks of the Board of Directors, especially in the areas of the environment, corporate governance, communication, relations with investors and shareholders, will continue to be performed by the Board of Directors in its entirety.

Audit Committee

The Audit Committee is made up of three members of the Board of Directors. At least two of them, together with the Chairman, must be non-executive members of the Board of Directors. The CFO has a consultative vote on the Audit Committee. From January 2008, the members of this committee are Dr. F. P. Oesch (Chairman), Dr. R. K. Sprüngli and E. Tanner. The Board of Directors has ascertained that the members of the Audit Committee have sufficient experience and professional knowledge in the areas of finance and risk management to enable them to perform their tasks effectively.

The Audit Committee assists the Board of Directors in its strategic supervisory role, namely with respect to the audit focus, complete presentation of the account statements/audit findings, compliance with legal requirements and services provided by the external auditors. In addition, the committee assesses the expediency of the financial reporting and internal control system. The Audit Committee likewise keeps the risk management principles of the Group, and the appropriate nature of the risks taken, under constant review, especially in the areas of investments, currencies, raw material procurement and liquidity. The committee makes recommendations to the Board of Directors for important decisions, such as the adoption of the annual account statement or proposals for the appointment of auditors. The committee may itself decide to entrust special missions to the external auditors. The committee will meet at least four times a year.

Compensation Committee

The Compensation Committee consists of three non-executive members of the Board of Directors. From January 2008, the members of this committee are: Dr. K. Widmer (Chairman), Dr. P. Baumberger and A. Bulgheroni.

The committee verifies the guidelines and programs of the business on remuneration, including the stock option plan and bonus systems. The committee takes decision on the principles and elements of compensation and its overall total for the Board of Directors, CEO, the members of the Group Management and the Chief Executive Officers of the subsidiary companies. The committee likewise verifies the guidelines and programs of the company on remuneration, including the stock option plan and bonus systems, together with agreements and contracts of employment with the members of the Group Management and other persons in key positions. The committee will meet at least twice each year.

Information and control instruments

The Board of Directors will be kept regularly informed on a quarterly basis by means of an extensive and complete management information system (MIS) on the income statement, balance sheet, investments, and personnel of the Group, together with the individual subsidiary companies. Information will be available on a historical basis and in the form of a year-end projection. On request, the same extensive historical information will be forwarded to the members of the Board of Directors on a monthly basis. In addition, the Board members receive on a annual base a detailed overall budget, together

with a three-year medium-term plan with forecasts of the future development of the individual subsidiary companies and consolidated group of companies covering the income statement, balance sheet, investments, and cash flow. An annually updated Group-wide analysis of the strategic, operational and the financial risk – including valuations, action taken to limit risks and responsibilities – will also be presented to the Board of Directors.

To enable the risk parameters to be assessed, the Audit Committee also receives a quarterly report on securities and cash investments, currencies, raw material procurement, and liquidity. On request, the same Group information can be provided on an ongoing basis.

The Group has no internal audit department. Accordingly, management information and risk control reporting is given special attention. For the annual audit, special assignments are given to the external auditors. In the past and within the framework of the yearly audit, the external auditors used to be charged with special assignments, which went over and beyond the legal and statutory requirements.

Group Management

As of December 31, 2007, Chocoladefabriken Lindt & Sprüngli AG's Group Management was comprised of four members.

Members

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

Ernst Tanner (CH)

For details refer to "Board of Directors" on page 37 of this Annual Report.

Hansjürg Klingler (CH)

Lawyer. Mr. Klingler has been a member of Group Management since 1993 and is responsible for establishing overseas and duty free markets. Previously, he was head of Legal and Administration, and then deputy group head at Forbo, an international construction materials supplying group.

Uwe Sommer (D)

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

Dr Dieter Weisskopf (CH)

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

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

Compensation, equity participations and loans

Compensation and option plan

The Compensation Committee of the Board defines the principles for the overall compensation of the members of the Board, the members of Group Management and the General Management of Group companies, and supervises adherence to the parameters it set out. Within the scope of these principles, the Compensation Committee of the Board approves the total compensation package (salaries, bonus payments and benefits of the option plan) on an annual basis.

Remuneration of the members of the Board of Directors

The members of the Board of Directors are entitled to a remuneration commensurate with their activity and responsibility. The size of the total compensation package is based on comparative market studies of peers with similar functions and responsibilities.

Remuneration of the members of Group Management and the General Managers of Group companies

Remuneration of the members of Group Management and the General Managers of subsidiaries is composed of a basic salary, a performance-related bonus and a long-term element in the form of employee options. Comparisons of peers with similar activities and responsibilities plus the employee's performance and experience form the basis of the basic salary. The performance-related part of the compensation package is calculated on the basis of annual individual and company objectives achieved. Earnings before interest and tax (EBIT) is a material target figure in the determination of the bonus. The performance-related part of the salary is a significant aspect of the overall compensation package. Lindt & Sprüngli places high priority on continuity of management in key positions. The existing employee option plan is designed to give important decision-makers in the Group a long-term incentive. The group of persons entitled to participate in the plan, as well as the number of participation certificates granted, is determined according to the importance of each position for the company's long-term development.

Compensation, allocation or ownership of shares and options in the year under review

Details of the fixed and variable gross compensation, share, and option right allocations paid out or provided for in the year under review, together with ownership of shares, participation certificates, and options on participation certificates for the Board of Directors, Group Management and former members of the official bodies, will be found as required by Art. 663b^{bis} OR on pages 71 and 72 of the notes to the consolidated financial statements of this report.

Additional fees, compensation, and loans

Apart from the payments listed on pages 71 and 72 of this report, no other payments – neither on a private basis nor via a consulting company – were made to executive or non-executive members of the Board of Directors or Group Management. In addition, as of December 31, 2007, apart from a payable of CHF 4k no further loans, advances, or credits of the Group or any of its subsidiary companies had been made to any of the members of the Board of Directors or the Group Management.

Shareholders' rights of participation

Restriction of voting rights and proxy

When exercising the voting rights at the Annual Shareholders' Meeting, no shareholder may combine, in the aggregate, directly or indirectly, whether his own shares or those voted by proxy, more than 6% of total voting shares. Natural persons or legal entities, which either by the number of shares or the pooling of votes are linked to each other or are under common custody, are considered as one shareholder. The Board of Directors may refuse full shareholder status to a buyer of shares if the number of shares held by that buyer exceeds 4% of the total registered shares entered in the commercial register.

In special cases, the Board may make exceptions to the voting rights restrictions. In the reporting year, the Board granted such an exception to the "Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG" for 22.2% of the voting rights, in light of the purpose of the fund.

The restriction on voting rights does not apply to representatives of organizations or to independent proxies or proxy votes designated by the company, provided they are retained as proxy by the shareholder.

Lifting statutory restrictions of voting rights

Amendments to the statutes with regard to a change in domicile, the transfer of shares, proxies, as well as the dissolution or merger of the Company require a three-quarter majority of the votes represented.

The Annual Shareholders' Meeting passes its resolutions by an absolute majority of the votes represented, unless the statutes or the law prescribe otherwise.

Calling of the Annual Shareholders' Meeting, agenda and share register

Shareholders are given notice by the Board of Directors at least 20 days prior to the date of the Annual Shareholders' Meeting.

Shareholder proposals to come before the Annual Shareholders' Meeting must be submitted to the company in writing no later than six weeks prior to calling the meeting.

Shares will be entered into the share register up to 20 days before the Annual Shareholders' Meeting.

Change in control and defensive measures

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

The statutes of incorporation make no special provision for "opting out" or "opting up" pursuant to Art. 22 BEHG.

Auditors

The Annual Shareholders' Meeting first appointed PricewaterhouseCoopers AG as its auditors in April 2002. 2007 is the second year of service for the audit partner, Mr. M. von Moos. In 2007, PricewaterhouseCoopers AG charged audit fees in the amount of TCHF 1167. Additional fee payments for audit related services and other services totalled TCHF 225.

Supervision, control over and evaluation of the external auditor's performance is exercised by the Board of Directors.

Shareholder Information

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

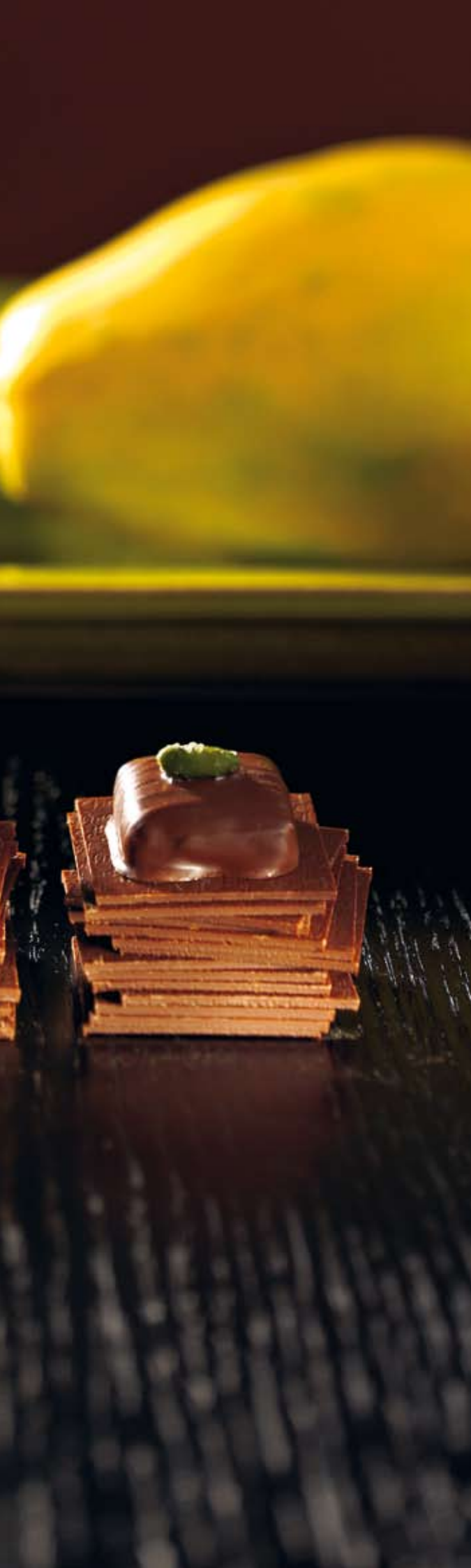
End of January	Net sales of the previous year
Mid-March	Full-year results
Mid-April	Annual Shareholders' Meeting
End of August	Half-year report

For details refer to "Information" on the cover.

The statutory location of publication is the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt). In addition, information about the company is published and collected by the Swiss and international media and by leading international banks.

All company information is also available on the internet under "Investor Relations" at the Website www.lindt.com. Both the annual and the interim reports can be obtained in hardcopy and free of charge at the Group's head office. For further information contact the investor relations department, phone +41 44 716 25 37.





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Consolidated Balance Sheet

		December 31, 2007		December 31, 2006	
	Note	CHF million	%	CHF million	%
ASSETS					
Property, plant and equipment	7	802.0		671.5	
Intangible assets	8	16.5		11.4	
Financial assets	9	48.3		24.5	
Deferred tax assets	10	3.2		7.1	
Total non-current assets		870.0	35.2%	714.5	33.5%
Inventories	11	442.4		358.5	
Accounts receivable	12	834.6		742.4	
Other receivables		70.0		48.0	
Accrued income		10.8		7.3	
Derivative assets	13	14.9		6.1	
Marketable securities	14	37.6		34.3	
Cash and cash equivalents	15	189.1		223.0	
Total current assets		1 599.4	64.8%	1 419.6	66.5%
Total assets		2 469.4	100.0%	2 134.1	100.0%
LIABILITIES					
Share and participation capital	16	22.4		22.2	
Treasury stock		–		–8.3	
Retained earnings and other reserves		1 367.0		1 144.0	
Total shareholders' equity		1 389.4	56.3%	1 157.9	54.2%
Bonds	17	–		99.6	
Loans	17	0.9		0.9	
Deferred tax liabilities	10	30.6		32.3	
Pension liabilities	18	143.1		143.4	
Other non-current liabilities		11.8		10.1	
Provisions	19	35.2		33.4	
Total non-current liabilities		221.6	8.9%	319.7	15.0%
Accounts payable to suppliers	20	237.4		209.4	
Other accounts payable	20	41.5		33.0	
Current tax liabilities		32.9		34.6	
Accrued liabilities	21	377.2		330.1	
Derivative liabilities	13	13.7		2.6	
Bank and other borrowings	17	155.7		46.8	
Total current liabilities		858.4	34.8%	656.5	30.8%
Total liabilities		1 080.0	43.7%	976.2	45.8%
Total liabilities and shareholders' equity		2 469.4	100.0%	2 134.1	100.0%

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

Consolidated Income Statement

		2007		2006	
	Note	CHF million	%	CHF million	%
INCOME					
Sales		2 946.2	100.0%	2 585.6	100.0%
Other income	22	13.2		9.7	
Total income		2 959.4	100.4%	2 595.3	100.4%
EXPENSES					
Material expenses		-901.4	-30.6%	-772.1	-29.9%
Changes in inventories		37.4		9.3	
Personnel expenses	23	-596.4	-20.2%	-546.4	-21.1%
Operating expenses		-1 054.7	-35.8%	-904.9	-35.0%
Depreciation, amortisation and impairment		-93.5	-3.2%	-84.0	-3.2%
Total expenses		-2 608.6	-88.5%	-2 298.1	-88.9%
Operating profit		350.8	11.9%	297.2	11.5%
Net financial result	24	-2.8		-2.5	
Income before taxes		348.0	11.8%	294.7	11.4%
Taxes	25	-97.5		-85.5	
NET INCOME		250.5	8.5%	209.2	8.1%
Attributable to shareholders		250.5		209.2	
Non-diluted earnings per share/10 PC (in CHF)	26	1 123.2		948.4	
Diluted earnings per share/10 PC (in CHF)	26	1 090.9		922.1	

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

Consolidated Statement of Changes in Equity

CHF million	Share-/ PC-capital	Treasury stock	Consolidated reserves	Hedge accounting	Retained earnings	Currency translation	Share- holders' equity
Balance as at January 1, 2006	22.0	-6.4	251.4	-4.4	697.4	11.1	971.1
Introduction IFRIC 14 ¹⁾					1.9		1.9
Balance as at January 1, 2006 after restatement	22.0	-6.4	251.4	-4.4	699.3	11.1	973.0
Net income ¹⁾					209.2		209.2
Capital increase ²⁾	0.161		11.9				12.1
Purchase of own shares ³⁾		-3.5					-3.5
Share based payment ⁵⁾		1.6			7.7		9.3
Distribution of profits					-50.1		-50.1
Gains and losses recognized directly in equity:							
Hedge accounting				6.9			6.9
Unrealized losses on available-for-sale financial assets					-0.1		-0.1
Currency translation						1.1	1.1
Balance as at December 31, 2006	22.2	-8.3	263.3	2.5	866.0	12.2	1 157.9
Net income					250.5		250.5
Capital increase ²⁾	0.261		19.8				20.1
Sale of own shares ⁴⁾		8.3			8.2		16.5
Share based payment ⁵⁾					10.3		10.3
Distribution of profits					-61.7		-61.7
Gains and losses recognized directly in equity:							
Hedge accounting				-4.2			-4.2
Unrealized losses on available-for-sale financial assets					-0.8		-0.8
Currency translation						0.8	0.8
Balance as at December 31, 2007	22.4	-	283.1	-1.7	1 072.5	13.0	1 389.4

¹⁾ Due to the early adoption of IFRIC Interpretation No. 14 as of January 1, 2006 the recognized pension asset increased by CHF 2.7 million, which was netted against equity after the deduction of deferred taxes of TCHF 800. The results from the previous fiscal year 2006 have been adjusted in line with the IFRIC Interpretation No. 14 leading to a decrease of personnel expenses of TCHF 300 and an increase of deferred tax expenses of TCHF 100.

²⁾ All directly attributable transaction costs are netted against the premium realized on exercise of options (2007: TCHF 384, 2006: TCHF 223)

³⁾ The Group acquired 119 of its own registered shares on November 20, 2006. The total amount paid to acquire the shares was CHF 3.5 million, and has been deducted from shareholders' equity as treasury shares. The Group has the right to reissue these shares at a later date.

⁴⁾ The Group sold 29 own registered shares on January 5, 2007, at an average sales price of CHF 30 836 per share. The gain on sale of TCHF 53 has been recognized in shareholders' equity. The Group sold 200 own registered shares on December 6, 2007, at an average sales price of CHF 40 100 per share. The gain on sale of CHF 3.6 million has been recognized in shareholder's equity. The Group sold 190 own registered shares on December 28, 2007, at an average sales price of CHF 40 005 per share. The gain on sale of CHF 4.5 million has been recognized in shareholders' equity.

⁵⁾ For options granted after November 7, 2002, the expenses are charged to the income statement in a straight proportion to the option's expected period of expiry. The recorded expenses amount to CHF 10.3 million (CHF 6.7 million in 2006). The assumptions to calculate the expenses are disclosed in note 28 of the notes of the financial statements. In 2006 the position, share based payment, also included the distribution of 100 own registered shares to Group Management and executive members of the board with a value of total CHF 2.6 million.

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

Consolidated Cash Flow Statement

	Note	2007		2006	
		CHF million	CHF million	CHF million	CHF million
Net income		250.5		209.2	
Depreciation, amortization and impairment	7, 8	93.5		84.0	
Changes in provisions and value adjustments		-16.0		8.2	
Non-cash effective items		12.9		11.2	
Cash flow generated from operations before changes in net-current assets		340.9		312.6	
Decrease (+)/Increase (-) of accounts receivable		-83.3		-44.0	
Decrease (+)/Increase (-) of inventories		-87.1		-48.7	
Decrease (+)/Increase (-) of prepayments and other receivables		-17.7		-7.4	
Decrease (+)/Increase (-) of accrued income		-6.1		-2.0	
Decrease (-)/Increase (+) of accounts payable		25.0		21.5	
Decrease (-)/Increase (+) of other payables and accrued liabilities		45.7	-123.5	44.6	-36.0
Cash flow from operating activities		217.4		276.6	
Investments in property, plant and equipment	7	-226.0		-140.9	
Disposals of property, plant and equipment		0.7		1.1	
Investments in intangible assets	8	-9.1		-5.5	
Disposals of financial assets		0.1		0.6	
Disposals (+)/Investments (-) in marketable securities		-0.1		4.3	
Cash flow from investment activities		-234.4		-140.4	
Proceeds from borrowings		13.4		-	
Repayments of borrowings		-		-36.8	
Repayments of loans		-6.8		-2.1	
Capital increase (including premium)		20.1		12.1	
Purchase of treasury shares		-		-3.5	
Sale of treasury shares		16.5		-	
Dividends paid to shareholders		-61.7		-50.1	
Cash flow from financing activities		-18.5		-80.4	
Net Increase (+)/Decrease (-) in cash and cash equivalents		-35.5		55.8	
Cash and cash equivalents as at January 1		223.0		167.7	
Exchange gains/(losses) on cash and cash equivalents		1.6	224.6	-0.5	167.2
Cash and cash equivalents as at December 31	15	189.1		223.0	
Interest received from 3 rd parties ¹⁾			9.0		8.7
Interest paid to 3 rd parties ¹⁾			11.9		10.9
Income tax paid ¹⁾			98.3		69.9

¹⁾ Included in cash flow from operating activities
The accompanying notes form an integral part of the consolidated statements.

Notes to the Financial Statements

1. Organisation, Business Activities and Group Companies

Chocoladefabriken Lindt & Sprüngli AG and its subsidiaries manufactures and sells premium chocolate products. The products are sold under the brand names: Lindt, Ghirardelli, Caffarel, Hofbauer and Küfferle. Worldwide the Group has 8 manufacturing plants (6 in Europe and 2 in the United States) and sells mainly in countries within Europe and the NAFTA countries.

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

The Company is listed on the SWX Swiss Exchange (ISIN Number: Registered shares CH0010570759, Participation certificates CH0010570767).

These consolidated financial statements were approved for publication by the Board of Directors on March 4, 2008.

The subsidiaries of Chocoladefabriken Lindt & Sprüngli AG as at December 31, 2007, are:

Country	Domicile	Subsidiary	Business activity	Percentage of ownership	Currency	Capital
Switzerland	Kilchberg	Chocoladefabriken Lindt & Sprüngli (Schweiz) AG	P&D	100%	CHF	10.0
	Kilchberg	Indestro AG	M	100%	CHF	0.1
	Kilchberg	Lindt & Sprüngli (International) AG	M	100%	CHF	0.2
	Kilchberg	Lindt & Sprüngli (Financière) AG	M	100%	CHF	5.0
Germany	Aachen	Chocoladefabriken Lindt & Sprüngli GmbH	P&D	100%	EUR	1.0
France	Paris	Lindt & Sprüngli SAS	P&D	100%	EUR	13.0
Italy	Induno	Lindt & Sprüngli SpA	P&D	100%	EUR	5.2
	Luserna	Caffarel SpA	P&D	100%	EUR	2.2
Great Britain	London	Lindt & Sprüngli (UK) Ltd.	D	100%	GBP	1.5
USA	Stratham, NH	Lindt & Sprüngli (USA) Inc.	P&D	100%	USD	1.0
	San Leandro, CA	Ghirardelli Chocolate Company	P&D	100%	USD	0.1
Spain	Barcelona	Lindt y Sprüngli (España) SA	D	100%	EUR	3.0
Austria	Vienna	Lindt & Sprüngli (Austria) Ges.m.b.H.	P&D	100%	EUR	4.5
Poland	Warsaw	Lindt & Sprüngli (Poland) Sp. z o.o.	D	100%	PLN	1.3
Canada	Toronto	Lindt & Sprüngli (Canada) Inc.	D	100%	CAD	2.8
Australia	Sydney	Lindt & Sprüngli (Australia) Pty. Ltd.	D	100%	AUD	1.0
Mexico	Mexico City	Lindt & Sprüngli de Mexico SA de CV	D	100%	MXN	0.5
Sweden	Stockholm	Lindt & Sprüngli (Sweden) AB	D	100%	SEK	0.5
Hong Kong	Hong Kong	Lindt & Sprüngli (Asia-Pacific) Ltd.	D	100%	HKD	0.5
Guernsey	St. Peter Port	Lindt & Sprüngli (Finance) Ltd.	M	100%	EUR	0.1

D – Distribution, P – Production, M – Management

2. Accounting Principles

Basis of preparation

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

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

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

The Group has applied, from January 1, 2007, onwards, IFRS 7 «Financial Instruments: Disclosures» and IAS 1 «Presentation of Financial Statements: Capital Disclosures». In addition, the Group has adopted the IFRIC Interpretation No. 14 «IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions» early. As a result the balance sheet, income statement and earning per share of the previous year had to be restated. Apart from that, no other standards and interpretations were adopted early.

The Group is currently assessing the potential impact of new standards and interpretations (IAS 1 «Presentation of Financial Statements», IAS 23 «Borrowing Costs», IFRS 8 «Operating Segments» und IFRIC 13 «Customer Loyalty Programmes») and does not expect that these new and revised standards and interpretations will have a significant effect on the Group's result and financial position. These standards and interpretations will be applied from January 1, 2009, onwards.

Consolidation method

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

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

The results of subsidiaries acquired or sold during the year are included in the Group's profit and loss statements when the acquisition or the sale takes place.

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

Foreign currency translation

Functional currency and reporting currency

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

Business transactions and balances

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

Subsidiaries

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

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

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

Foreign exchange rates

The following exchange rates were applied for the Group's foreign currencies:

		Balance sheet year-end rates		Income statement average rates	
		2007	2006	2007	2006
Euro-zone	1 EUR	1.66	1.61	1.64	1.58
USA	1 USD	1.13	1.22	1.19	1.25
Great Britain	1 GBP	2.25	2.40	2.39	2.32
Canada	1 CAD	1.15	1.05	1.14	1.10
Australia	1 AUD	0.99	0.97	1.00	0.95
Poland	100 PLN	46.15	42.00	43.68	41.00
Mexico	100 MXN	10.33	11.25	10.83	11.52
Sweden	100 SEK	17.60	17.78	17.76	17.08

Property, plant and equipment

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

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

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

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

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

Intangible assets*Software*

Acquired computer software licences, as well as development costs, are capitalised with the costs incurred to bring the software to use. The capitalised costs are depreciated using the straight-line method over the period of the economic useful life (3–5 years).

Impairment

The Group records the difference between the realisable value and the book value of fixed assets, goodwill or intangible assets as impairment. The valuation occurs at the level of the individual asset or, if this is not possible, at the level of a group of assets, which are allocated separate sources of cash flows. In order to appraise the future benefits, the expected future cash flows are discounted.

Leasing

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

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

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash in bank, other short-term highly liquid investments with an original maturity period of up to 90 days.

Financial assets

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

Financial assets at fair value through profit or loss

This category of financial assets is subdivided into the following 2 categories:

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

Financial assets are allocated to this category if they were acquired with the intention to be sold in the short term or if Management categorised them as such voluntarily. Derivative financial instruments are also allocated to the category “at fair value through profit or loss” unless they are designated as hedging transactions. Financial assets allocated to this category are disclosed as short-term assets unless they belong to the category “held for trading” or it is expected that they will be sold within a maximum of 12 months after the balance sheet date.

Loans and receivables

Loans and receivables are considered non-derivative financial assets with fixed and determinable payments and for which no quoted market rate exists in an active market. They include credit loans and trade receivables in as far as they are not intended for resale (otherwise they are to be allocated to “available for sale”). Loans and receivables are categorised as short-term assets, unless their remaining post-balance sheet date life exceeds 12 months. Within the reporting period all loans and receivables have been accounted for as short-term commitments; they were included in the balance sheet item “accounts receivable”. Value adjustments are made to outstanding receivables for which repayment is considered doubtful.

Financial investments held to maturity

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

“Available for sale” financial assets

The category “available for sale” consists of non-derivative financial assets which either cannot be allocated to any other category or which are allocated to this category voluntarily. They are disclosed as long-term assets, unless Management intends to sell them within 12 months of the balance sheet date.

Purchases and sales of financial assets are recorded on trade-date – the date on which the Group has committed to buy or sell the asset. Investments in financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried “at fair value through profit or loss.” The derecognition of a financial investment occurs at the moment when the right to receive future cash flows from the investment expires or have been transferred to a 3rd party and the Group has transferred substantially all risks and benefits of ownership. Financial investments categorised as “available for sale” and “at fair value through profit or loss” are valued at fair value. “Loans and receivables” and “held to maturity” investments are valued at amortised cost using the effective interest method. Realised and unrealised profits and losses arising from changes in the fair value of financial investments categorised as “fair value through profit or loss” are reflected in the income statement in the reporting period, in which they occur.

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

Provisions

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

Borrowings

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

Employee benefits

The expense and defined benefit obligations for the material defined benefit plans and other long-term employee benefits in accordance with IAS 19 are determined using the Projected Unit Credit Method. This takes into account insurance years up to the valuation date. Valuation of defined benefit obligations is conducted periodically, at least every three years. In intervening years the obligations are projected on the basis of the valuations. The last valuation of the defined benefit obligations for the material benefit plans was carried out for the period ending December 31, 2006. Valuation of pension assets is done annually, at market value.

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

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

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

The limitation of the pension asset is calculated according to the requirements of IFRIC Interpretation No. 14 ("IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions").

Revenue recognition

Revenue consists of delivery of goods and services to 3rd parties minus price reductions and net of value-added taxes. Revenue is to be recorded in the income statement once the risks and rewards of the goods are transferred to the buyer. For goods returned or other types of payments regarding the sales, adequate accruals are recorded.

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

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

Operating expenses

Operating expenses include marketing, distribution and administrative expenses. Trade promotion payments, for which distributors or retailers perform clearly identifiable services, are not deducted from sales but are disclosed as marketing expenses.

Borrowing costs

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

Taxes

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

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

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

Research and development costs

Research and development costs are fully expensed in the income statement in the year in which they are incurred. Development costs for new products are not capitalised because the certainty of a future economic benefit is only proven once the newly developed products have been introduced to the market.

Share-based payments

In compliance with the transitional directives, IFRS 2 was applied to all equity instruments granted after November 7, 2002, which have not been vested at January 1, 2005. The Group grants several employees options on officially listed participation certificates. These options have a blocking period of 3 to 5 years and a maximum maturity of 7 years. The options expire once the employee leaves the company. Cash settlements are not allowed. The disbursement of these equity instruments is valued at fair value at grant date. The fair value determined at grant date is recorded in a straight-line method over the vesting period. This is based on the estimated number of participation certificates which entitle a holder to additional benefits. The fair value was defined with the help of the binomial model used to determine the price of the options. The anticipated maturity period included the conditions of the employee option plan, such as the blocking period and the non-transferability.

On March 15, 2007, 5000 of the 28000 outstanding options have been modified, as the vesting conditions were modified. All the other parameters, especially the blocking periods of 3, 4 and 5 years as well as the exercise price of CHF 2983 remained unchanged. Based on the modification, the total fair value of these options must be directly charged to the income statement in the period under review and cannot be spread over 3 years. This impact increased the expenses for share based payment in 2007 by CHF 2.7 million and will relieve the expenses for the following years.

Accounting for derivative financial instruments and hedging activities

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

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

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

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

Critical accounting estimates and judgements

The "Fonds für Pensionsergänzungen der Chocodfabriken Lindt & Sprüngli AG" is disclosed as a pension fund according to IAS 19.48 (defined benefit pension plan). The fund takes over disbursements to employees who take early retirement as well as the inflationary adjustment on pension payments. The plan assets of the fund cannot be repatriated to the company. The future obligations, as well as the benefits, were calculated according to the rules stipulated in IAS 19. The recorded assets comply with the requirements of IFRIC Interpretation No. 14 („IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions"). As at December 31, 2007, the calculated benefit amounted to CHF 43.7 million (CHF 20.0 million in 2006) and is disclosed in the item "Financial Assets" (see note 9).

3. Risk Management

Due to its global activity, the Group is exposed to a number of risks: strategic, operational and financial. Within the scope of the annual risk management process, the individual risk positions are classified into these 3 categories, where they are assessed, limited and assigned to authorities.

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

Financial Risk Management

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

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

– Market risks

Exchange rate risks

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

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

Interest rate risk

Corporate Treasury monitors and minimises interest rate risks from a mismatch of quality, maturity period and currency of the liquid funds on a continuous basis. Corporate Treasury may use derivative financial instruments such as interest rate swaps in order to manage the interest rate risk of balance sheet assets and liabilities and future cash flows. As of December 31, 2007, there were no interest rate swaps outstanding.

The most material financial assets and liabilities as of December 31, 2007 and 2006, bear fixed interest rates. As a result interest rate changes do not have an immediate impact on net income and shareholders' equity.

Commodity price risk

The Group's products are manufactured with raw materials (commodities) that are subject to strong price fluctuations due to climatic conditions, seasonal conditions, seasonal demand and market speculation. In order to mitigate the price and quality risks of the expected future net demand, the manufacturing Group companies enter into contracts with suppliers for the future physical delivery of the raw materials. In exceptional market conditions, commodity futures are also used; however, they are only processed centrally by Corporate Treasury. The commodity futures of cocoa beans of a necessary quality are always traded for physical-delivery agreements. The number of outstanding commodity futures is dependent on the expected production volumes and price development and so can be at various levels throughout the year. Based on the existing contract volume as of December 31, 2007 and 2006, no material sensitivities exist on these positions. The changes, in commodity prices, include the fair value of the futures since entering into the agreement and are recognized in accordance with IAS 39.

– Credit risks

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

– Liquidity risks

Liquidity risk exists when the Group or a Group company does not settle or meet its financial obligations (untimely repayment of financial debt, payment of interest). The Group's liquidity is ensured by means of regular Group-wide monitoring and planning of liquidity as well as an investment policy coordinated by Corporate Treasury. Liquidity, which the Group defines as the net liquidity position (cash and cash equivalents, marketable securities less borrowings), is continually monitored on a company-by-company basis by Corporate Treasury. As of December 31, 2007, the net liquidity position amounted to CHF 70 million (CHF 110 million in 2006). For extraordinary financing needs, adequate credit lines with financial institutes have been arranged.

The tables below present relevant maturity groupings based on the remaining periods as at December 31, 2007 and 2006, to the contractual maturity date:

CHF million December 31, 2007	< 3 months	Between 3 and 12 months	Between 1 and 3 years	Over 3 years	Total
Bond		103.6			103.6
Loans			0.8	0.1	0.9
Other long-term borrowings			3.3	8.5	11.8
Accounts payable	235.6	1.8			237.4
Other accounts payable	39.5	2.0			41.5
Derivative liabilities	3.0	10.7			13.7
Bank and other borrowings	55.2	0.6			55.8
Total contractually fixed payments	333.3	118.7	4.1	8.6	464.7

CHF million December 31, 2006	< 3 months	Between 3 and 12 months	Between 1 and 3 years	Over 3 years	Total
Bond		3.6	103.6		107.2
Loans			0.8	0.1	0.9
Other long-term borrowings			2.5	7.6	10.1
Accounts payable	207.9	1.5			209.4
Other accounts payable	31.4	1.6			33.0
Derivative liabilities	1.6	1.0			2.6
Bank and other borrowings	46.3	0.5			46.8
Total contractually fixed payments	287.2	8.2	106.9	7.7	410.0

4. Capital Management

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

The Group monitors its capital based on the ratio of shareholders' equity in percentage to total assets, which was 56.3% as of December 31, 2007 (54.2% in 2006). As of December 31, 2007, the goals and procedures related to capital management have not been changed compared to the previous year.

5. Segment information: According to geographic segments

A business segment is a group of investment and business activities which offers or manufactures products or services and the risks and income of which is different from other business segments. A geographic segment – usually a separate division within a company – provides products or services within a specific economic environment that are subject to risks and returns that are different from those segments operating in other economic environments. The Group is active in a single business segment: the production and sale of premium chocolates. The segment reporting is therefore represented from the geographical viewpoint. The segment reporting is based on the management structure and internal reporting procedures. Separating the carrying values and the capitalised earnings values according to geographical segments depends on where assets are situated. The location of clients does not diverge significantly from those of the assets. The three geographical segments are: Europe and Middle East, North and Latin America and the "Rest of the World". The segment Europe and Middle East also contains the revenue generated in the countries of the Middle East because these are made through European subsidiaries. The Group considers the operating result as the segment result. Transactions between segments are valued and recorded in accordance with the cost plus method.

Segment income

CHF million	Europe and Middle East		North and Latin America		Rest of the World		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Sales	2 215.4	1 919.1	700.2	637.9	206.5	174.3	3 122.1	2 731.3
./. Sales between segments	173.1	143.6	2.8	2.1	–	–	175.9	145.7
3 rd party sales	2 042.3	1 775.5	697.4	635.8	206.5	174.3	2 946.2	2 585.6
Operating profit	265.8	224.1	46.8	43.2	38.2	29.6	350.8	297.2
Net financial result							–2.8	–2.5
Income before taxes							348.0	294.7
Taxes							–97.5	–85.5
Net income							250.5	209.2

Balance sheet and other information

CHF million	Europe and Middle East		North and Latin America		Rest of the World		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Assets ¹⁾	1 886.7	1 665.5	465.8	383.7	117.0	84.9	2 469.4	2 134.1
Liabilities ¹⁾	912.2	829.4	97.9	87.3	69.9	59.5	1 080.0	976.2
Investments	151.5	106.5	82.0	38.6	1.6	1.3	235.1	146.4
Depreciation and amortisation	64.6	59.5	22.1	21.4	0.8	0.6	87.5	81.5
Impairment	2.4	1.4	3.5	0.1	0.1	1.0	6.0	2.5

¹⁾ Assets and liabilities which cannot be clearly allocated to a particular segment are disclosed in the category "Rest of the World."

6. Financial Instruments

The following table shows the carrying values and fair values of financial instruments recognised in the consolidated balance sheet analyzed by category at year-end:

CHF million	2007		2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Cash and cash equivalents	189.1	189.1	223.0	223.0
Accounts receivable	834.6	834.6	742.4	742.4
Other receivables	57.4	57.4	37.5	37.5
Loans to 3 rd party	0.8	0.8	0.9	0.9
Total loans and receivables	1 081.9	1 081.9	1 003.8	1 003.8
Fair value through profit or loss				
Derivatives	14.9	14.9	6.1	6.1
Marketable securities	21.7	21.7	20.3	20.3
Total fair value through profit or loss	36.6	36.6	26.4	26.4
Available for sale				
Marketable securities	15.9	15.9	14.0	14.0
Investments 3 rd party	0.7	0.7	0.7	0.7
Total available for sale	16.6	16.6	14.7	14.7
Total financial assets	1 135.1	1 135.1	1 044.9	1 044.9
Financial liabilities				
Fair value through profit or loss				
Derivatives	13.7	13.7	2.6	2.6
Total fair value through profit or loss	13.7	13.7	2.6	2.6
Loans and payables				
Bond	99.9	100.2	99.6	101.8
Loans	5.4	5.4	10.2	10.2
Other non-current liabilities	11.8	11.8	10.1	10.1
Accounts payable	237.4	237.4	209.4	209.4
Other accounts payable	41.5	41.5	33.0	33.0
Bank and other borrowings	51.4	51.4	37.4	37.4
Total loans and payables	447.4	447.7	399.7	401.9
Total financial liabilities	461.1	461.4	402.3	404.5

7. Property, plant and equipment

CHF million	Land/ buildings	Machinery	Other fixed assets	Construction in progress	2007 Total
Acquisition costs as at January 1, 2007	599.2	770.5	154.9	45.5	1 570.1
Additions	81.1	67.7	17.9	59.3	226.0
Retirements	-3.5	-13.2	-6.4	-0.1	-23.2
Transfers	16.8	9.7	2.0	-29.8	-1.3
Currency translation	-3.5	3.9	1.2	-1.0	0.6
Acquisition costs as at December 31, 2007	690.1	838.6	169.6	73.9	1 772.2
Accumulated depreciation as at January 1, 2007	271.0	505.5	122.1	-	898.6
Additions	26.0	42.0	14.2	-	82.2
Impairments	4.2	1.3	0.5	-	6.0
Retirements	-3.3	-12.9	-6.1	-	-22.3
Currency translation	-0.9	5.5	1.1	-	5.7
Accumulated depreciation as at December 31, 2007	297.0	541.4	131.8	-	970.2
Net fixed assets as at December 31, 2007	393.1	297.2	37.8	73.9	802.0
CHF million	Land/ buildings	Machinery	Other fixed assets	Construction in progress	2006 Total
Acquisition costs as at January 1, 2006	564.8	699.4	140.1	35.3	1 439.6
Additions	25.6	62.0	16.2	37.1	140.9
Retirements	-4.0	-6.7	-3.8	-	-14.5
Transfers	13.7	9.9	1.4	-26.5	-1.5
Currency translation	-0.9	5.9	1.0	-0.4	5.6
Acquisition costs as at December 31, 2006	599.2	770.5	154.9	45.5	1 570.1
Accumulated depreciation as at January 1, 2006	248.2	463.9	112.1	-	824.2
Additions	24.8	40.0	12.3	-	77.1
Impairments	1.5	0.8	0.2	-	2.5
Retirements	-3.7	-5.2	-3.6	-	-12.5
Currency translation	0.2	6.0	1.1	-	7.3
Accumulated depreciation as at December 31, 2006	271.0	505.5	122.1	-	898.6
Net fixed assets as at December 31, 2006	328.2	265.0	32.8	45.5	671.5

Advance payments of CHF 15.9 million (CHF 13.3 million in 2006) are included in the position construction in progress. The insurance value of the property, plant and equipment amounts to CHF 2182.8 million (CHF 1938.2 million in 2006). No mortgages exist on land and buildings.

The impairment charge of CHF 6.0 million (CHF 2.5 million in 2006) consists mainly of writedowns of fixed assets in own stores (CHF 4.7 million in 2007, CHF 1.1 million in 2006) and production equipment (CHF 1.3 million in 2007, TCHF 800 in 2006).

The net book value (NBV) of capitalised assets, under financial lease, amounted to CHF 1.6 million (CHF 1.4 million in 2006). Operating lease commitments are expensed immediately.

8. Intangible Assets

CHF million	EDP software and consultancy	Other intangible assets	2007 Total	2006 Total
Acquisition costs as at January 1	43.6	–	43.6	37.3
Additions	9.1	–	9.1	5.5
Retirements	–0.6	–	–0.6	–0.9
Transfers	1.3	–	1.3	1.5
Currency translation	0.2	–	0.2	0.2
Acquisition costs as at December 31	53.6	–	53.6	43.6
Accumulated amortisation as at January 1	32.3	–	32.3	28.7
Additions	5.3	–	5.3	4.4
Retirements	–0.6	–	–0.6	–0.9
Currency translation	0.1	–	0.1	–
Accumulated amortisation as at December 31	37.1	–	37.1	32.2
Net intangible assets as at December 31	16.5	–	16.5	11.4

Research and development expenditures amounted to CHF 7.3 million (CHF 6.9 million in 2006) and are expensed immediately.

9. Financial Assets

CHF million	2007	2006
Prepaid pension funds ¹⁾	46.8	22.9
Loans to 3 rd party	0.8	0.9
Investments 3 rd party	0.7	0.7
Total	48.3	24.5

¹⁾ See note 18

10. Deferred tax assets and liabilities

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

The net value of deferred tax liabilities is as follows:

CHF million	
January 1, 2006	23.7
Introduction IFRIC 14	0.8
Currency translation	1.9
Deferred income tax expense	–1.7
Tax charged to equity	0.5
December 31, 2006	25.2
Currency translation	0.9
Deferred income tax expense	2.8
Tax charged to equity	–1.5
December 31, 2007	27.4

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

CHF million	2007	2006
Deferred tax assets		
Property, plant and equipment and intangible assets	3.0	3.5
Pension assets and liabilities	16.8	17.6
Receivables	6.2	5.5
Inventories	5.5	5.9
Payables and accruals	12.5	11.5
Other	4.3	0.6
Deferred tax assets gross	48.3	44.6
Netting	-45.1	-37.5
Total	3.2	7.1
Deferred tax liabilities		
Property, plant and equipment and intangible assets	45.5	50.4
Pension assets and liabilities	14.0	6.9
Receivables	1.9	1.3
Inventories	4.4	4.0
Payables and accruals	7.4	6.2
Other	2.5	1.0
Deferred tax liabilities gross	75.7	69.8
Netting	-45.1	-37.5
Total	30.6	32.3
Net Deferred Tax	27.4	25.2

Tax Loss Carry-forwards

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

CHF million	2007	2006
Between 1 and 5 years	7.8	3.0
Between 6 and 10 years	29.0	40.8
Over 10 years	19.3	26.7
Total	56.1	70.5

Tax loss carry-forwards utilized in 2007 amounted to CHF 14.7 million (CHF 9.6 million in 2006).

11. Inventories

CHF million	2007	2006
Raw material	57.3	44.7
Packaging material	85.9	70.9
Semi-finished and finished products	326.6	268.3
Value adjustment	-27.4	-25.4
Total	442.4	358.5

12. Accounts receivable

CHF million	2007	2006
Accounts receivable	853.4	759.1
Value adjustment	-18.8	-16.7
Total	834.6	742.4

CHF million	2007	2006
Value adjustment as at January 1	-16.7	-15.5
Addition	-5.8	-3.7
Utilisation	2.7	1.9
Release	1.1	0.8
Currency translation	-0.1	-0.2
Value adjustment as at December 31	-18.8	-16.7

The following table presents the ageing of accounts receivable:

CHF million	2007	2006
Not yet past due	685.4	608.2
Past due 1–30 days	91.1	63.5
Past due 31–90 days	59.1	61.7
Past due over 91 days	17.8	25.7
Accounts receivable gross	853.4	759.1

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

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

CHF million	2007	2006
CHF	50.3	42.7
EUR	572.1	516.1
USD	84.4	65.9
GBP	36.0	36.7
Other currencies	91.8	81.0
Accounts receivable net	834.6	742.4

13. Derivative financial instruments and hedging reserves

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

CHF million	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Derivatives (cash flow hedges and raw material contracts)	10.4	12.4	6.1	2.2
Other	4.5	1.3	–	0.4
Total	14.9	13.7	6.1	2.6

The carrying amount (contract value) of the outstanding forward-currency and raw-material contracts as at December 31, 2007, is CHF 550.4 million (CHF 262.4 million in 2006). The majority of gains and losses recognised in the hedging reserve, as shown in the Consolidated Statement of Changes in Equity in the amount of CHF 4.2 million in net losses (CHF 6.9 million in net gains in 2006), on forward-currency and raw-material contracts as of December 31, 2007, will be released to material expense in the income statement at various dates within the next 12 months. Other derivative instruments, which have been executed in accordance with the risk policy and do not qualify for hedge accounting under the criteria of IAS 39, as well as the ineffective portion of designated derivative instruments, have been recognized immediately in the income statement.

14. Marketable securities

Available-for-sale financial assets

CHF million	2007	2006
At January 1	14.0	–
Additions	31.5	21.1
Disposals	–29.0	–7.1
Net gains/(losses) transfer to equity	–0.8	–0.1
Currency translation	0.2	0.1
At December 31	15.9	14.0
whereof current	15.9	14.0
whereof non-current	–	–

There were no impairment provisions on available-for-sale financial assets in 2007, nor in 2006.

They are composed of the following two categories at the balance sheet date:

CHF million	2007	2006
CHF–equity securities	6.0	4.4
EUR–bonds	9.9	9.6
Total	15.9	14.0

The maximum exposure to credit risk at the reporting date is the fair value of the bonds classified as available-for-sale.

Fair-value-through-profit-or-loss financial assets

CHF million	2007	2006
CHF–equity securities	1.9	0.2
EUR–bonds	16.5	16.1
EUR–equity securities	2.4	1.1
USD–equity securities	0.9	0.9
EUR–other	–	2.0
Total	21.7	20.3

The carrying amounts of the above financial assets are designated as “Fair value through profit or loss” upon initial recognition. Changes in the fair values of these assets are recorded in the position “Net financial result,” in the income statement.

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

15. Cash and cash equivalents

CHF million	2007	2006
Cash at bank and in hand	75.3	83.3
Short-term bank deposits	113.8	139.7
Total	189.1	223.0

The effective interest rate on short-term bank deposits reflects the average interest rate of the money market as well as the development of the currencies invested with an original maturity period of up to 90 days.

16. Share and participation capital

CHF million	Number of registered shares (RS)*	Number of participation certificates (PC)**	Registered shares	Participation certificates	Total
At January 1, 2006	140 000	800 558	14.0	8.0	22.0
Capital increase		16 058		0.161	0.2
At December 31, 2006	140 000	816 616	14.0	8.2	22.2
Capital increase		26 101		0.261	0.2
At December 31, 2007	140 000	842 717	14.0	8.4	22.4

* At par value of CHF 100.–

** At par value of CHF 10.–

The conditional capital has a total of 567 508 participation certificates with a par value of CHF 10.–. Of this total, 213 058 are reserved for employee stock option programs; the remaining 354 450 participation certificates are reserved for capital market transactions. There is no other authorised capital. In 2007, a total of 26 101 (16 058 in 2006) of the employee options were exercised. The participation certificate has no voting right, but otherwise has the same ownership rights as the registered share.

17. Borrowings

CHF million	2007	2006
Non-current		
3 ⁵ / ₈ % Bond, 1998–2008	–	99.6
Bank borrowings	0.9	0.9
	0.9	100.5
Current		
3 ⁵ / ₈ % Bond, 1998–2008	99.9	–
Bank borrowings	55.8	46.8
	155.7	46.8
Total borrowings	156.6	147.3

The carrying amounts of the Groups borrowings denominated in the following currencies are:

CHF million	2007	2006
CHF	99.9	99.6
EUR	46.0	37.8
Other currencies	10.7	9.9
Total	156.6	147.3

18. Pension plans and other long-term employee benefits

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

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

Due to the retroactively introduction of IFRIC Interpretation No. 14 as of January 1, 2006, the recognized pension asset increased by CHF 2.7 million. The results from the previous fiscal year have been adjusted in line with the IFRIC Interpretation No. 14. The adjustment resulted in a decrease of the employer's pension expense of CHF 0.3 million. The introduction of additional employee benefits in 2007 led to an increase of pension assets by CHF 25.2 million, which is recognized in the income statement.

Defined benefits pension plans and other long-term employee benefits

The following amounts have been recorded in the profit and loss account as personnel expense:

– Employee benefits expense

CHF million	Pension plans		Other long-term employee benefits	
	2007	2006	2007	2006
Current service cost	10.7	11.8	1.4	1.2
Interest on obligation	13.3	12.8	0.3	0.2
Expected return on plan assets	–54.5	–40.5	–	–
Changes in unrecognized assets (IAS 19.58)	230.2	272.0	–0.1	–
Net actuarial (gains)/losses recognised	–219.0	–242.8	–	–0.1
Past service costs	8.0	0.1	–	–
(Gains)/losses on curtailments or settlements	–4.1	–	–	–
Others	–	0.6	–	–
Total included in employee benefits expense	–15.4	14.0	1.6	1.3
Actual return on plan assets	308.0	290.1		

– Changes in the present value of the defined benefit obligation

CHF million	Pension plans		Other long-term employee benefits	
	2007	2006	2007	2006
Defined benefit obligation as at January 1	403.5	389.9	6.5	5.6
Current service cost	10.7	11.8	1.4	1.2
Plan participants' contributions	3.1	3.3	–	–
Interest on obligation	13.3	12.8	0.3	0.2
Benefits and net transferral paid through pension assets	–18.6	–14.6	–	–
Benefits paid by employer	–6.9	–5.2	–0.6	–0.5
Curtailments and settlements	–11.5	–	–	–
Actuarial (gains)/losses	–4.5	1.2	–0.1	–0.1
Past service costs and others	8.1	0.7	–	–
Currency translation	2.6	3.6	0.2	0.1
Defined benefit obligation as at December 31	399.8	403.5	7.7	6.5

– Changes in the fair value of plan assets

CHF million	Pension plans	
	2007	2006
Fair value of plan assets as at January 1	1 132.1	846.5
Plan participants' contributions	3.1	3.3
Contributions by employer	5.4	6.2
Benefits and net transferral paid through pension assets	–18.6	–14.6
Expected return on plan assets	54.5	40.5
Actuarial gains/(losses)	253.5	249.6
Settlements	–5.7	–
Currency translations	0.2	0.6
Fair value of plan assets as at December 31	1 424.5	1 132.1

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

– Asset classes

Valuation date December 31	2007 in %	Pension plans 2006 in %
Equities	87	83
Bonds	6	7
Real estate	5	7
Others including cash	2	3
Total	100	100

The pension assets as at December 31, 2007, include shares of the Lindt & Sprüngli Group with a market value of CHF 1240.1 million (CHF 960.7 million in 2006). The market value of real estate rented by the Group is CHF 11.5 million (CHF 11.1 million in 2006).

Expected employer contributions for 2008 amount to CHF 5.5 million for defined benefit plans.

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

– Amount recognised in the balance sheet

CHF million Valuation date December 31	2007	Pension plans 2006	Other long-term employee benefits 2007	2006
Present value of funded obligation	374.0	369.9	–	–
Fair value of plan assets	–1 424.5	–1 132.1	–	–
Under/(Over)-funding	–1 050.5	–762.2	–	–
Present value of unfunded obligations	25.8	33.6	7.7	6.5
Unrecognized actuarial gains or (losses)	40.2	–0.4	–	–
Unrecognized prepaid pension cost	1 073.1	843.0	–	–
Net liability	88.6	114.0	7.7	6.5

– Amounts in the balance sheet

Liabilities	135.4	136.9	7.7	6.5
Assets (prepaid pension funds) ¹⁾	–46.8	–22.9	–	–
Net liability	88.6	114.0	7.7	6.5

¹⁾ See note 9

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

– Calculation of defined benefit obligations

Valuation date December 31	2007	Pension plans 2006	Other long-term employee benefits 2007	2006
Discount rate	3.70%	3.30%	5.20%	4.30%
Future salary increases	2.10%	2.30%		
Future pension increases	1.30%	1.10%		

– Calculation of expense

Discount rate	3.40%	3.40%	4.40%	4.00%
Expected return on plan assets	4.80%	4.80%		

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

CHF million Valuation date December 31	2007	2006	2005	2004	2003
Defined benefit obligation	399.8	403.5	389.9	375.9	361.8
Fair value of assets	-1 424.5	-1 132.1	-846.5	-668.1	-481.9
Under-/(Over-)funding	-1 024.7	-728.6	-456.6	-292.2	-120.1
Experience adjustments on plan liabilities	-9.8	-1.2	7.8	0.1	-
Experience adjustments on plan assets	253.5	249.6	153.6	164.7	-
Net liability	88.6	114.0	108.5	109.2	107.4

Defined contribution plans

In the 2007 financial year, contributions to defined contribution plans came to CHF 5.8 million (CHF 2.2 million in 2006).

19. Provisions

CHF million	Business risks	Other	Total
Provisions as at January 1, 2007	29.7	3.7	33.4
Addition	5.0	3.9	8.9
Utilisation	-1.2	-0.5	-1.7
Release	-4.7	-0.2	-4.9
Currency translation	-0.6	0.1	-0.5
Provisions as at December 31, 2007	28.2	7.0	35.2

CHF million	2007	2006
Current	10.8	4.9
Non-current	24.4	28.5
Total	35.2	33.4

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

In management's opinion, after taking appropriate legal and administrative advice, the outcome of these business risks will not give rise to any significant loss beyond the amounts provided at December 31, 2007.

20. Accounts and other payables

CHF million	2007	2006
Accounts payable to suppliers	237.4	209.4
Other accounts payable	41.5	33.0
Total	278.9	242.4

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

CHF million	2007	2006
CHF	22.8	15.5
EUR	199.1	168.9
USD	21.0	21.8
GBP	15.6	18.4
Other currencies	20.4	17.8
Total	278.9	242.4

21. Accrued liabilities

CHF million	2007	2006
Trade	201.2	180.8
Salaries/wages and social costs	81.0	72.3
Other	95.0	77.0
Total	377.2	330.1

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

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

The position, Other, comprises accruals for 3rd-party services rendered as well as commissions.

22. Other income

CHF million	2007	2006
Fees from 3 rd parties	3.2	2.7
Insurance reimbursements	2.5	1.7
Other	7.5	5.3
Total	13.2	9.7

The position, Fees from 3rd parties, comprises mainly the reimbursement of freight charges. The position, Other, includes mainly license fee, rental income and company-produced additions involving investments in fixed assets.

23. Personnel expenses

CHF million	2007	2006
Wages and salaries	436.3	383.4
Social benefits	96.3	113.4
Other	63.8	49.6
Total	596.4	546.4

For the year 2007, the Group employed an average of 7793 people (7044 in 2006).

24. Net financial result

CHF million	2007	2006
Interest income	10.7	8.7
Interest expense		
3½% Bond (1998–2008)	–3.9	–3.9
Other	–11.3	–8.5
Finance income/(expense)		
Fair value through profit or loss	0.3	0.4
Available for sale	0.1	–
Other	1.3	0.8
Total	–2.8	–2.5

The position, Other, represents mainly interest expense incurred in connection with 3rd-party borrowings.

25. Taxes

CHF million	2007	2006
Current taxes	92.1	84.6
Deferred taxes	2.8	-1.7
Other taxes	2.6	2.6
Total	97.5	85.5

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

CHF million	2007	2006
Income before taxes	348.0	294.7
Expected tax ¹⁾ calculated on profits in the respective countries	101.5	85.9
Change in applicable tax rates on temporary differences	-4.2	-
Utilization of unrecognized tax loss carry-forwards from prior years	-7.3	-3.1
Other	7.5	2.7
Total	97.5	85.5

¹⁾ Based on the average applicable tax rate (2007: 29.2%, 2006: 29.1%).

26. Earnings per share

	2007	2006
Non-diluted earnings per share/10 PC (CHF)	1 123.2	948.4
Net income (CHF million)	250.5	209.2
Weighted average number of registered shares/participation certificates	223 027	220 593
Diluted earnings per share/10 PC (CHF)	1 090.9	922.1
Net income (CHF million)	250.5	209.2
Weighted average number of registered shares/participation certificates/ outstanding options on 10 PC	229 620	226 870

27. Dividend per share

CHF	2007	2006
Dividend per share/10 PC	330.00 ¹⁾	275.00

¹⁾ Proposal of the Board of Directors

Indications regarding the number of entitled shares and participation certificates and the total dividend payment are disclosed in the financial report of the Chocoladefabriken Lindt & Sprüngli AG.

28. Share-based payments

Options on participation certificates (PC) of Chocoladefabriken Lindt & Sprüngli AG are only outstanding within the scope of the existing employee stock option program. An option entitles an employee to a participation certificate at an exercise price, which consists of an average of the price of the five days preceding the issue date. The options have a blocking period of 3–5 years and if not exercised, they expire after 7 years. Changes in outstanding options can be viewed in the table below:

Changes in the option rights

	2007		2006	
	Number of options	Weighted average exercise price (CHF/PC)	Number of options	Weighted average exercise price (CHF/PC)
Outstanding options as at January 1	135 485	1 262.78	129 315	1 022.84
New option rights	28 000	2 983.00	23 250	2 251.00
Exercised rights	–26 101	782.66	–16 058	763.42
Cancelled rights	–860	1 670.26	–1 022	1 230.73
Outstanding options as at December 31	136 524	1 704.81¹⁾	135 485	1 262.78
of which exercisable at December 31	31 617	865.76	33 370	791.26
Average remaining time to expiration (in days)	622		571	

¹⁾ The exercise price varies between CHF 648.– to CHF 2983.–

For options granted after November 7, 2002, the expenses are charged to the income statement proportionally according to the option's expected period of expiration. The recorded expenses amount to CHF 10.3 million (CHF 6.7 million in 2006). The assumptions used to calculate the expenses for the grants 2004–2007 are listed in the following table:

Date of issue	15.03.2007	16.06.2006	03.03.2005	22.03.2004
Number of issued options	28 000	23 250	28 850	29 500
of which in Bracket A (blocking period 3 years)	9 780	8 127	10 107	10 338
of which in Bracket B (blocking period 4 years)	9 820	8 148	10 088	10 312
of which in Bracket C (blocking period 5 years)	8 400	6 975	8 655	8 850
Issuing price in CHF	2 983	2 251	1 607	1 095
Price of participation certificates on date of issue in CHF	3 000	2 344	1 629	1 082
Value of options on issuing date				
Bracket A (blocking period 3 years) in CHF	563.21	467.02	283.28	168.02
Bracket B (blocking period 4 years) in CHF	603.28	492.73	300.78	180.77
Bracket C (blocking period 5 years) in CHF	627.60	503.86	317.01	192.07
Maximum life span (in years)	7.04	7.00	7.08	7.03
Form of compensation	PC from conditional capital			
Expected life span (in years)	4–6	4–6	4–6	4–6
Expected rate of retirement per year	3.1%	3.5%	4.1%	4.6%
Expected volatility	19.3%	17.9%	19.4%	19.3%
Expected dividend yield	1.1%	1.17%	1.20%	1.23%
Risk-free interest rate	2.63–2.67%	2.63–2.73%	1.95–2.14%	1.71–1.97%
Model	Binomial model			

29. Contingencies

The Group has contingent liabilities in respect of bank guarantees. It is not anticipated that any material liabilities will arise from the contingent liabilities. The Group has given guarantees amounting to CHF 1.9 million (CHF 1.8 million in 2006) to 3rd parties.

30. Commitments

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

CHF million	2007	2006
Property, plant and equipment	55.5	62.7

The future lease payments under operating lease commitments are:

CHF million	2007	2006
Up to 1 year	26.5	21.2
Between 1 and 5 years	95.3	66.3
Over 5 years	64.5	31.3
Total	186.3	118.8

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

31. Transactions with related parties

A family member of a member of the Board of Directors has a majority share in a company, to which products were sold at arm's length for the value of CHF 13.6 million (CHF 10.7 million in 2006), and against whom receivables were outstanding at the balance sheet date of CHF 7.8 million (CHF 5.7 million in 2006).

At the balance sheet date a payable to a member of the Board of Directors of TCHF 4 exists (TCHF 22 receivable in 2006).

110 registered shares were bought in 2007 from the "Fonds für Pensionsergänzungen der Chocodfabriken Lindt & Sprüngli AG" at a price of CHF 31'610.– per share, which corresponds to the 5-day average of the closing prices of the share at the SWX Swiss exchange for the period March 9–15, 2007.

– Remuneration of the Board of Directors and Group Management (Art. 663b^{bis} OR)

I Board of Directors

CHF thousands		2007 Cash compensation ¹⁾
Dr. R. R. Sprüngli	Honorary Chairman	100
E. Tanner ²⁾	Chairman and CEO, Member of the Board Committee	260
A. Bulgheroni ³⁾	Board Member, Member of the Board Committee	145
Dr. K. Widmer	Board Member, Member of the Board Committee	145
Dr. P. Baumberger	Board Member	125
Dr. R. K. Sprüngli	Board Member	125
Dr. F. P. Oesch	Board Member	125
Total		1 025

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

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

³⁾ In addition to his remuneration as Member of the Board and Member of the Board Committee, Mr. Bulgheroni received in 2007 a gross salary of TCHF 316 for his function as CEO of L&S Italy between January 1, 2007, until his retirement on April 30, 2007, and in his functions as Chairman of the Board of L&S Italy and Caffarel SpA. Mr. Bulgheroni received further a grant of 2000 options on Lindt & Sprüngli participation certificates under the terms and conditions of the Lindt & Sprüngli employee share option plan, valued at TCHF 707. The valuation reflects the tax value of the options i.e. based on Black & Scholes option value calculation minus respective tax allowance for the vesting period.

II Group Management

CHF thousands	2007					Total Remuneration
	Fixed cash compensation ¹⁾	Variable bonus component ²⁾	Other compensation ³⁾	Options ⁴⁾	Registered shares ⁵⁾	
Ernst Tanner, CEO ⁶⁾	1 309	1 500	712	1 767	2 598	7 886
Other members of Group Management ⁷⁾	1 897	1 300	271	1 944	–	5 412
Total	3 206	2 800	983	3 711	2 598	13 298

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

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

³⁾ Employees part of social charges (AHV) upon exercising of options, paid by employer.

⁴⁾ Option grants on Lindt & Sprüngli participation certificates under the terms and conditions of the Lindt & Sprüngli employee share option plan (see also note 28). The valuation reflects the tax value of the options, i.e. based on Black Scholes option value minus respective tax allowance for the blocking period. The total number of granted share options in 2007 to Mr. Tanner was 5000 units and to all total other members together 5500 units.

⁵⁾ Grant of 110 Lindt & Sprüngli registered shares based on initial working contract from 1993. Value calculation based on tax value of grant minus tax allowance for the 5 year vesting period.

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

⁷⁾ The number of other Group Management members is 3.

Apart from the payments mentioned above, no payments were made – neither on a private basis nor via consulting companies – to either an executive or non-executive member of the Board or a member of Group Management. As of December 31, 2007, there were no loans, advances or credits due to the Group or any of its subsidiaries by any of the members of the Board or Group Management.

Participation of the Board of Directors and Group Management in the Lindt & Sprüngli Group (Art. 663c OR)

		2007		
		Number of registered shares (RS)	Number of participation certificates (PC)	Number of options
Dr. R. R. Sprüngli	Honorary Chairman	1 320	–	–
E. Tanner	Chairman and CEO	2 157	1 598	29 000
A. Bulgheroni	Member of the Board and CEO, L&S Italy	1 004	2 095	11 250
Dr. K. Widmer	Member of the Board	35	–	–
Dr. P. Baumberger	Member of the Board	53	–	–
Dr. R. K. Sprüngli	Member of the Board	859	–	–
Dr. F. P. Oesch	Member of the Board	17	–	–
H. J. Klingler	Group Management	10	1 350	6 100
U. Sommer	Group Management	3	1	8 814
Dr. D. Weisskopf	Group Management	104	–	11 011
Total		5 562	5 044	66 175

32. Events after the balance sheet date

The consolidated financial statements were approved for publication by the Board of Directors on March 4, 2008. The approval of the consolidated financial statements by the shareholders will take place at the Annual General Meeting. No events have occurred up to March 4, 2008, which would necessitate adjustments to the carrying values of the Group's assets or liabilities, or which require additional disclosure.

Report of the Group Auditors



PricewaterhouseCoopers AG
 Birchstrasse 160
 8050 Zurich
 Phone +41 58 792 44 00
 Fax +41 58 792 44 10
www.pwc.ch

Report of the group auditors
 to the general meeting of
 Chocoladefabriken Lindt & Sprüngli AG
 Kilchberg

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of changes in equity, statement of cash flows and notes / pages 44 - 72) of Chocoladefabriken Lindt & Sprüngli AG for the year ended 31 December 2007.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

PricewaterhouseCoopers AG

Matthias von Moos
 Auditor in charge

Roger Kunz

Zurich, 4 March 2008

Balance Sheet before Profit Distribution

		December 31, 2007	December 31, 2006
	Note	CHF 1000	CHF 1000
ASSETS			
Intangible assets		41 521	41 748
Investments		347 364	340 941
Loans to subsidiaries		17 630	17 630
Total non-current assets		406 515	400 319
Receivables from subsidiaries		406 984	198 378
Other receivables		3 027	2 508
Financial investments		8 517	11 008
Treasury stock		–	8 281
Cash and cash equivalents		112 964	133 349
Accrued income		74	20
Total current assets		531 566	353 544
Total assets		938 081	753 863
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		14 000	14 000
Participation capital	11	8 427	8 166
Legal reserves		126 384	106 602
Special reserves		299 624	214 236
Reserves for treasury stock		–	8 281
Net earnings		163 878	155 888
Total shareholders' equity		612 313	507 173
Bond (expiring on June 30, 2008)	6	100 000	100 000
Accounts payable to subsidiaries		202 332	130 257
Tax liabilities		19 596	12 733
Accrued liabilities		3 417	3 145
Other liabilities		423	555
Total liabilities		325 768	246 690
Total liabilities and shareholders' equity		938 081	753 863

Income Statement

	2007	2006
	CHF 1000	CHF 1000
INCOME		
Dividends and other income from subsidiaries	163 662	159 095
Income from financial assets	19 371	12 185
Interest received from subsidiaries	8 037	3 984
Other income	3	90
Total income	191 073	175 354
EXPENSES		
Administrative and miscellaneous overhead costs	7 748	10 088
Finance expenses	21 418	12 268
Taxes	15 128	12 866
Total expenses	44 294	35 222
NET INCOME	146 779	140 132

Notes to the Financial Statements

1. Liabilities arising from guarantees and pledges in favor of third parties

Contingent liabilities as at December 31, 2007, amounted to CHF 134.1 million (CHF 137.5 million in 2006). This figure comprises guarantees to third parties for subsidiaries, mainly to banks in the form of allocating credit lines for subsidiaries.

The companies, Chocoladefabriken Lindt & Sprüngli AG, Chocoladefabriken Lindt & Sprüngli (Schweiz) AG, Lindt & Sprüngli Financière AG, Lindt & Sprüngli (International) AG and Indestro AG, together form a Swiss-VAT group. According to leaflet 01 of the Federal Tax Administration, Group Taxation, paragraph 13.5, all members participating in VAT-group taxation are jointly liable for all taxes owed by the VAT group (including interest) and any penalties, which arose during their period of membership.

2. Assets pledged or assigned

There were no pledged or assigned assets as at December 31, 2007.

3. Leasing liabilities

The company has no leasing liabilities.

4. Fire insurance values

The company does not own fixed assets.

5. Liabilities due to welfare schemes

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

6. Bond

CHF million	
3 ⁵ / ₈ % Bond 1998–2008	100.0
Total	100.0

7. Investments

The investments in subsidiaries are listed on page 48 of the notes to the consolidated financial statements.

8. Dissolution of net reserves

No undisclosed reserves were dissolved during 2007, that would have had any significant effect on the results.

9. Revaluations

No revaluations, which exceed acquisition costs, were recognized.

10. Acquisition and sale of treasury stock (registered shares (RS) and participation certificates (PC))

Inventory of treasury stock	RS	PC
Inventory as at January 1, 2007	419	–
Additions	–	–
Retirements	419	–
Inventory as at December 31, 2007	–	–
Average cost of additions	–	–
Average sales price of retirements	CHF 39 416	–

11. Conditional and approved capital

As of December 31, 2007, the conditional capital had a total of 567 508 participation certificates with a par value of CHF 10.–. Of this total, 213 058 are reserved for employee stock option programs and the remaining 354 450 for capital market transactions. In the year under review, a total of 26 101 employee stock options were exercised at an average price of CHF 782.66.

12. Mandatory disclosure of interest positions pursuant to Art. 663c OR

As of December 31, 2007, Chocoladefabriken Lindt & Sprüngli AG disclosed the following shareholders (in accordance with Art. 663c OR, Swiss Commercial Code) which own voting shares of more than 4%:

Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG, 22.2% (22.3% in 2006)

13. Remuneration and ownership of the Board of Directors and Group Management according to Art. 663b^{bis} and 663c OR

The details of remuneration of and ownership held by the Board of Directors and Group Management are given on pages 71 and 72 of the notes to the consolidated financial statements.

Proposal for the Distribution of Net Earnings

	December 31, 2007	December 31, 2006
	CHF	CHF
Balance brought forward	17 099 123	15 756 435
Net income	146 778 833	140 131 568
NET EARNINGS	163 877 956	155 888 003
Dividend-bearing shares and participation certificates of CHF 22 427 170 (CHF 22 166 160 in 2006)		
5% statutory dividend	-1 121 359 ¹⁾	-1 108 308
325% (270% in 2006) additional dividend	-72 888 303 ¹⁾	-59 848 632
Options exercised from January 1 to April 20, 2007		
5% statutory and 270% additional dividend	-	-351 940
Emoluments to directors	-480 000	-480 000
Allocations to special reserves	-70 000 000	-77 000 000
BALANCE CARRIED FORWARD	19 388 294	17 099 123

¹⁾ Number of registered shares and participation certificates, status as at December 31, 2007: during the period, January 1 to May 2, 2008 (date of the dividend distribution), the number of dividend-bearing participation certificates can change as a result of options, granted through the employee stock option plan, being exercised.

Report of the Statutory Auditors



PricewaterhouseCoopers AG
 Birchstrasse 160
 8050 Zurich
 Phone +41 58 792 44 00
 Fax +41 58 792 44 10
www.pwc.ch

Report of the statutory auditors
 to the general meeting of
 Chocoladefabriken Lindt & Sprüngli AG
 Kilchberg

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / pages 74 - 77) of Chocoladefabriken Lindt & Sprüngli AG for the year ended 31 December 2007.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG

Matthias von Moos
 Auditor in charge

Roger Kunz

Zurich, 4 March 2008

Group Financial Data – 5-Year Review

2007
IFRS

2006
IFRS

2005
IFRS

2004
IFRS

2003
Swiss
GAAP
FER

Income Statement

Sales	CHF million	2 946.2	2 585.6	2 246.9	1 994.6	1 800.5
EBITDA	CHF million	444.3	381.2	325.1	295.1	265.2
in % of sales	%	15.1	14.7	14.5	14.8	14.7
EBIT	CHF million	350.8	297.2	248.6	215.8	188.7
in % of sales	%	11.9	11.5	11.1	10.8	10.5
Net income	CHF million	250.5	209.2	172.7	149.0	122.4
in % of sales	%	8.5	8.1	7.7	7.5	6.8
in % of average shareholders' equity	%	19.7	19.7	19.6	19.6	18.3
Cash flow	CHF million	340.9	312.6	257.2	231.2	206.2
in % of sales	%	11.6	12.1	11.4	11.6	11.5
Depreciation, amortisation and impairment	CHF million	93.5	84.0	76.5	79.3	76.5

Balance Sheet

Total assets	CHF million	2 469.4	2 134.1	1 908.1	1 714.6	1 592.3
Current assets	CHF million	1 599.4	1 419.6	1 255.2	1 136.6	1 042.2
Net current assets	CHF million	741.0	763.1	630.9	529.6	561.2
Non-current assets	CHF million	870.0	714.5	652.9	578.0	550.1
in % of total assets	%	35.2	33.5	34.2	33.7	34.5
Non-current liabilities	CHF million	221.6	319.7	312.7	313.9	382.6
in % of total assets	%	8.9	15.0	16.4	18.3	24.0
Shareholders' equity	CHF million	1 389.4	1 157.9	971.1	793.7	728.7
in % of total assets	%	56.3	54.2	50.9	46.3	45.8
Investments in PPE/intangible assets	CHF million	235.1	146.4	128.9	99.2	75.1
in % of cash flow	%	69.0	46.8	50.1	42.9	36.4

Employees

Average number of employees		7 793	7 044	6 652	6 293	6 011
Sales per employee	TCHF	378.1	367.1	337.8	317.0	299.5

Data per Share – 5-Year Review

		2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2003 Swiss GAAP FER
Share						
Registered shares at CHF 100.– par ¹⁾	Number	140 000	140 000	140 000	140 000	140 000
Participation certificates at CHF 10.– par ²⁾	Number	842 717	816 616	800 558	783 155	778 439
Earnings per share/10 PC ³⁾	CHF	1 123	948	788	684	562
Cash flow per share/10 PC	CHF	1 520	1 410	1 169	1 059	947
Shareholders' equity per share/10 PC ⁴⁾	CHF	6 195	5 224	4 413	3 636	3 345
Payout ratio	%	29.5	29.2	28.7	26.5	24.9
Registered share						
Year-end price	CHF	39 770	30 700	21 950	16 650	11 050
High of the year	CHF	44 500	31 800	22 990	16 650	11 475
Low of the year	CHF	27 000	22 005	15 720	10 975	6 800
Dividend	CHF	330.00 ⁵⁾	275.00	225.00	180.00	140.00
P/E ratio ⁶⁾	Factor	35.41	32.38	27.86	24.34	19.66
Participation certificate						
Year-end price	CHF	3 920	3 008	2 237	1 618	1 030
High of the year	CHF	4 148	3 050	2 350	1 630	1 065
Low of the year	CHF	2 680	2 118	1 526	990	631
Dividend	CHF	33.00 ⁵⁾	27.50	22.50	18.00	14.00
P/E ratio ⁶⁾	Factor	34.91	31.73	28.39	23.65	18.33
Market capitalization ⁶⁾	CHF million	8 871.3	6 754.4	4 863.8	3 598.1	2 348.8
in % of shareholders' equity ⁴⁾	%	638.5	583.3	500.9	453.3	322.3

¹⁾ ISIN Number CH0010570759

²⁾ ISIN Number CH0010570767

³⁾ For 2004–2007 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

Group Addresses Lindt & Sprüngli

Chocoladefabriken Lindt & Sprüngli (Schweiz) AG

Seestrasse 204, CH-8802 Kilchberg
Phone (+41) 44-716 22 33, Fax (+41) 44-715 39 85

Chocoladefabriken Lindt & Sprüngli GmbH

Süsterfeldstrasse 130, DE-52072 Aachen
Phone (+49) 241-8881 0, Fax (+49) 241-8881 211

Lindt & Sprüngli SAS

5, bd. de la Madeleine, FR-75001 Paris
Phone (+33) 1-58 62 36 36, Fax (+33) 1-58 62 36 00

Lindt & Sprüngli SpA

Via Buccari 33, IT-21056 Induno Olona
Phone (+39) 0332-20 91 11, Fax (+39) 0332-20 35 05

Lindt & Sprüngli (Austria) Ges.m.b.H.

Hebbelplatz 5, A-1100 Wien
Phone (+43) 1-60 18 20, Fax (+43) 1-60 18 28 00

Lindt & Sprüngli (USA) Inc.

One Fine Chocolate Place,
Stratham, NH 03885-0276, USA
Phone (+1) 603-778 81 00, Fax (+1) 603-778 31 02

Lindt & Sprüngli (UK) Ltd.

Top Floor, 4 New Square, Bedford Lakes
Feltham, Middlesex TW14 8HA, Great Britain
Phone (+44) 20-8602 4100, Fax (+44) 20-8602 4111

Lindt & Sprüngli de Mexico SA de CV

Prolongación Paseo de la Reforma 1015,
Torre B, Piso 9, Oficina 902,
Col. Desarrollo Santa Fe, Delegación Alvaro Obregón,
C.P. 01376, Mexico, D.F., Mexico
Phone (+52) 155-50 93 64 00, Fax (+52) 55-52 92 80 42

Lindt & Sprüngli (Canada) Inc.

181 University Avenue, Suite 900,
Toronto, Ontario M5H 3M7, Canada
Phone (+1) 416-351 85 66, Fax (+1) 416-351 85 07

Lindt y Sprüngli (España) SA

Marinal 16-18, E-08005 Barcelona
Phone (+34) 93-459 02 00, Fax (+34) 93-459 47 52

Lindt & Sprüngli (Poland) Sp. z o.o.

ul. Jakuba Kubickiego 5, PL-02-954 Warszawa
Phone (+48) 22-642 28 29, Fax (+48) 22-842 86 58

Lindt & Sprüngli (Asia-Pacific) Ltd.

Room 3428, Sun Hung Kai Centre,
30 Harbour Road, Wan Chai, Hongkong, China
Phone (+852) 25 26 58 29, Fax (+852) 28 10 59 71

Lindt & Sprüngli (Australia) Pty. Ltd.

Level 7, 299 Elizabeth Street,
Sydney, NSW 2000, Australia
Phone (+61) 2-82 68 00 00, Fax (+61) 2-92 83 72 65

Caffarel SpA

Via Gianavello 41, IT-10062 Luserna S. Giovanni
Phone (+39) 0121-958 111, Fax (+39) 0121-901 853

Ghirardelli Chocolate Company

1111-139th Avenue, San Leandro,
CA 94578-2631, USA
Phone (+1) 510-483 69 70, Fax (+1) 510-297 26 49

Lindt & Sprüngli (Sweden) AB

Arenavägen 47, SE-12177 Johanneshov,
Phone (+46) 8-55 66 81 40, Fax (+46) 8-55 66 81 59

Board of Directors

Term expires
spring

Ernst Tanner Chairman and CEO	2008
Dr. Kurt Widmer	2010
Dr. Rudolf K. Sprüngli	2010
Dr. Franz Peter Oesch	2009
Dr. Peter F. Baumberger	2009
Antonio Bulgheroni	2008

Group Management

Ernst Tanner Chairman of the Board and CEO
Uwe Sommer Director Marketing/Sales Country responsibilities
Hansjürg Klingler Director Duty Free Country responsibilities
Dr. Dieter Weisskopf Director Finance/Administration/ Purchasing/Manufacturing

Information

Agenda

April 25, 2008	110 th Annual Shareholders' Meeting
May 2, 2008	Payment of Dividend
August 26, 2008	Half-year report 2008
January 20, 2009	Net sales 2008
March 17, 2009	Full-year results 2008
April 16, 2009	111 th Annual Shareholders' Meeting

Investor Relations

Chocoladefabriken Lindt & Sprüngli AG
Dr. Dieter Weisskopf, Chief Financial Officer
Seestrasse 204
CH-8802 Kilchberg
Phone +41 44 716 25 37
Fax +41 44 716 26 60

Internet

www.lindt.com



CHOCOLADEFABRIKEN
LINDT & SPRÜNGLI AG

SEESTRASSE 204, CH-8802 KILCHBERG
SCHWEIZ/SWITZERLAND

WWW.LINDT.COM

