



LINDT & SPRÜNGLI

ANNUAL REPORT

2016

CREDO

WE ARE AN INTERNATIONAL GROUP AND ARE RECOGNIZED AS A LEADER IN THE MARKET FOR PREMIUM QUALITY CHOCOLATE.

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

OUR WORKING ENVIRONMENT ATTRACTS AND RETAINS THE BEST PEOPLE.

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

OUR PARTNERSHIP WITH OUR CONSUMERS, CUSTOMERS, AND SUPPLIERS IS MUTUALLY REWARDING AND PROSPEROUS.

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

WE WANT TO BE RECOGNIZED AS A COMPANY WHICH CARES FOR THE ENVIRONMENT AND THE COMMUNITIES WE LIVE AND WORK IN.

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

THE SUCCESSFUL PURSUIT OF OUR COMMITMENTS GUARANTEES OUR SHAREHOLDERS AN ATTRACTIVE LONG-TERM INVESTMENT AND THE INDEPENDENCE OF OUR COMPANY.

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

INCOME STATEMENT

		2016	2015	Change in %
Sales	CHF million	3,900.9	3,653.3	6.8
EBITDA	CHF million	714.0	645.8	10.6
in % of sales	%	18.3	17.7	
EBIT	CHF million	562.5	518.8	8.4
in % of sales	%	14.4	14.2	
Net income	CHF million	419.8	381.0	10.2
in % of sales	%	10.8	10.4	
Operating cash flow	CHF million	515.4	488.9	5.4
in % of sales	%	13.2	13.4	

BALANCE SHEET

		2016	2015	Change in %
Total assets	CHF million	6,428.8	6,259.0	2.7
Current assets	CHF million	2,374.5	2,111.7	12.4
in % of total assets	%	36.9	33.7	
Non-current assets	CHF million	4,054.3	4,147.3	-2.2
in % of total assets	%	63.1	66.3	
Non-current liabilities	CHF million	1,495.9	1,782.3	-16.1
in % of total assets	%	23.3	28.5	
Shareholders' equity	CHF million	3,674.0	3,489.7	5.3
in % of total assets	%	57.1	55.7	
Investments in PPE/intangible assets	CHF million	234.1	252.8	-7.4
in % of operating cash flow	%	45.4	51.7	

EMPLOYEES

		2016	2015	Change in %
Average number of employees		13,539	13,180	2.7
Sales per employee	TCHF	288.1	277.2	3.9

DATA PER SHARE

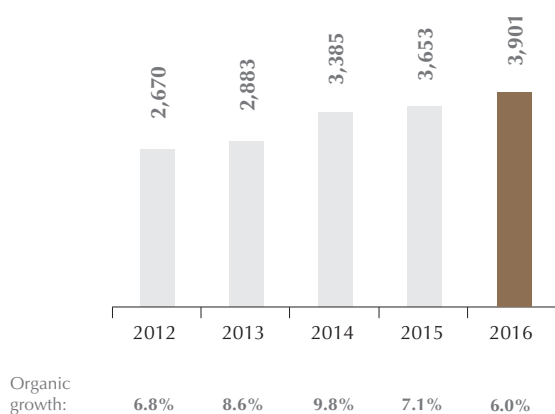
		2016	2015	Change in %
Non-diluted earnings per share/10 PC ¹	CHF	1,791	1,646	8.8
Operating cash flow per share/10 PC ¹	CHF	2,200	2,115	4.0
Dividend per share/10 PC	CHF	880 ²⁾	800	10.0
Payout ratio	%	49.8	49.4	
Shareholders' equity per share/10 PC	CHF	15,476	14,854	4.2
Price registered share at December 31	CHF	61,900	74,620	-17.0
Price participation certificate at December 31	CHF	5,275	6,255	-15.7
Market capitalization at December 31	CHF million	13,768.1	16,337.8	-15.7

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

² Proposal of the Board of Directors.

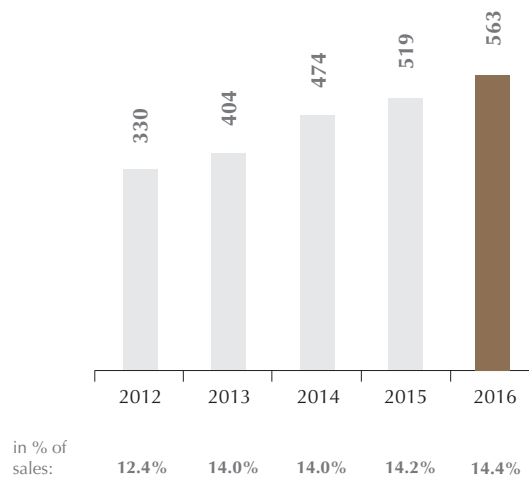
SALES

(CHF million)



OPERATING PROFIT (EBIT)

(CHF million)





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Sustainability Report (available April 2017):

<http://www.lindt-spruengli.com/media/publications/>

BUSINESS YEAR 2016

The Lindt Difference is the guideline and the secret of success for the daily manufacturing of our premium-chocolates.

DEAR SHAREHOLDERS

Once again, we are delighted to report another successful financial year in 2016. As in previous years, our Group continued to grow at a faster pace than the overall chocolate market, expand its market shares in many large and smaller countries, and increase Group sales in line with our target growth range. This reflects the measures we have taken to consistently and sustainably build our brands. Our premium quality and continuous innovation cater for the growing demands of the modern consumer.

It is particularly gratifying that this success was achieved in one of the most challenging years in the last two decades. A poor harvest season in 2015/2016 led to record prices for our two most important raw materials, cocoa beans and cocoa butter. The prices of other key ingredients such as sugar and milk also remained at very high levels. Political and economic uncertainty dampened consumer sentiment in many of our most important markets. The environment was made even tougher by the increasing price pressure from our trading partners, whose sales promotions are increasingly built on aggressive price offers.

Lindt & Sprüngli again managed to continue its solid growth pattern: consolidated Group sales increased to CHF 3.901 billion, which equates to sales growth of 6.8% in Swiss francs. Whereas the US dollar strengthened against the Swiss franc, pound sterling weakened. This resulted in a slightly positive currency translation effect of 0.8% in consolidated sales. The Lindt & Sprüngli Group therefore achieved organic sales growth of 6.0%, which is within the strategic target range of 6% to 8%. Excluding Russell Stover, the Group's organic sales growth improved to 7.4%. Thanks to a positive seasonal effect, consolidated sales recorded much stronger growth in the second half of 2016 (7.0%) than in the first half of the year (4.4%).

The "Europe" segment achieved overall organic sales growth of 7.4% in local currencies. Growth was particularly pleasing in the subsidiaries in our two biggest European chocolate markets, Germany and the UK. They managed to accelerate once again on last year's impressive growth rate and attain double-digit sales growth. The other European countries also reported positive results. Among the smaller subsidiaries, Scandinavia, Russia, Czech Republic, and Poland all achieved double-digit growth.



Ernst Tanner
Executive Chairman
of the Board of Directors
and
Dr Dieter Weisskopf
CEO of the Lindt & Sprüngli Group
in front of a visualization of the planned
Chocolate Competence Center.



The American chocolate market as a whole declined in 2016 for the first time in many years, despite a more stable general economic situation. The premium chocolate segment also experienced a much weaker rate of growth, which in turn resulted in slower progress for Lindt & Sprüngli in North America. Organic sales growth increased to 3.4% in the NAFTA region. The adjustments to Russell Stover's product portfolio and promotions strategy also had a negative impact on sales during the financial year, while at the same time laying the long-term foundation for profitable growth in future. With its three leading brands – Lindt, Ghirardelli, and Russell Stover – Lindt & Sprüngli is clearly positioned as No. 1 in America's premium chocolate segment. Cooperation between the US subsidiaries Lindt, Ghirardelli and Russell Stover was enhanced in 2016. The establishment of a new subsidiary, Lindt & Sprüngli (North America) Inc., helps to support the three US subsidiaries in centralized tasks such as sales promotions, logistics, and IT, while at the same time creating synergy effects.

Business performance in the segment "all other markets" was very dynamic. Total sales in this segment rose by 10.2%. The results achieved in Japan and Brazil were particularly impressive, with high double-digit sales growth mainly due to the opening of our own shops and cafés. Lindt also achieved good growth in Australia. One highlight to report here is the official opening of the new Marsden Park facility in July 2016 by Ernst Tanner and Mike Baird, Prime Minister of New South Wales. The strategy of geographic expansion pursued over previous years is starting to pay off. We are today represented around the globe by 24 subsidiaries and branches, as well as a network of over 100 independent distributors.

During the past financial year, our own chocolate shops and cafés once again proved to be a great success factor, and contributing double-digit sales growth in Global Retail. Not only are these extremely well perceived by consumers, but they also have a big impact on our brand familiarity and image values. They enable us to consistently communicate our key brand values such as premium quality, Swiss tradition, product diversity, our commitment to sustainability, and to allow them to be actively experienced. We managed to generate over 50 million consumer contacts over the course of the last financial year. In 2016, we once again beat our strategic target of 30 new openings every year. With more than 60 new chocolate shops and cafés, mainly in Europe, Canada, Brazil, and Japan, our network has already grown to around 370 retail outlets.

The success of the Lindt & Sprüngli Group is based on our uncompromising commitment to high quality in all areas of our business activity. For us, quality always has top priority. Lindt & Sprüngli is one of the few chocolate manufacturers to keep control over every step of the production process, from the selection of the finest cocoa varieties through to the finished product. This gives us an important competitive advantage and lays the foundation for the unique chocolate experience that a steadily growing number of consumers expect from the Lindt brand. The popularity of our premium products is reflected especially in the success of our three strongest brands: Lindor, Excellence, and Gold Bunny. During the year under review, for example, sales of our Lindor range passed the CHF 1 billion sales mark for the first time. Key for our premium quality are the following five steps: the selection and blending of the finest and sustainable cocoa beans, the roasting of beans using a technique refined over decades, the truly melting texture of the chocolate achieved by the "conching" method

invented by Rodolphe Lindt in 1879, the use of high-quality ingredients from the world's finest regions, and the expertise of Lindt's Master Chocolatiers in creating the ultimate chocolate products. Together these five elements provide what we like to call the Lindt Difference, which is explained in more detail in this Annual Report on pages 49 to 70.

“In the year under review, sales of our Lindor range passed the CHF 1 billion mark for the first time.”

Our uncompromising commitment to quality includes a sustainability promise. The key aspects include traceability of raw materials we use and the verification of sustainability standards. We reached an important milestone in this respect in 2016: the entire supply chain for cocoa beans from Ghana is now traceable and verified. Ghana is very important for the company, as we source our entire supply of consumer cocoa beans from this west African country. This is where we launched our first Lindt & Sprüngli Farming Program in 2008. The aim of this program is to achieve a long-term improvement in farming practices and the livelihood of farmers and their communities. Organization of farmers in groups and ensuring traceability together provide the basis for all the measures undertaken to improve living conditions. That's why it is important to know the farmers who grow the beans and the prevailing local conditions. We are working towards an entire global cocoa supply chain that is traceable and verified by 2020. Our positive experiences in Ghana have encouraged us to launch similar Lindt & Sprüngli Farming Programs in recent years in Ecuador and Madagascar.

The solid growth achieved by our Group companies has helped to build the foundation for another successful performance over the past year: in 2016 the Group's operating profit (EBIT) rose again by 8.4% to CHF 562.5 million (previous year: CHF 518.8 million). The operating margin also improved from 14.2% in the previous year to 14.4%. Net income increased by 10.2% to CHF 419.8 million (previous year: CHF 381.0 million), providing a return on sales of 10.8% (previous year: 10.4%). Operating cash flow rose to CHF 515.4 million (previous year: 488.9 million). The Group balance sheet is still very solid.

Thanks to the strong result in 2016 and in recognition of the continuing trust placed in the company by our shareholders, we would like to continue our dividend policy. The Board of Directors will be proposing to the 119th Annual General Meeting scheduled for April 20, 2017, a 10% increase in the dividend to CHF 880.– per registered share (CHF 300.– from the approved capital contribution reserve [agio] and CHF 580.– from available retained earnings) and CHF 88.– per participation certificate (CHF 30.– from the approved capital contribution reserve [agio] and CHF 58.– from available retained earnings).

Far-sighted leadership is vital for the long-term success of the Lindt & Sprüngli Group. This has meant a number of key personnel changes at the top of the company over the course of the past year. On October 1, 2016, Dr Dieter Weisskopf, our long-standing Group CFO, took over the role of CEO. As Executive Chairman, Ernst Tanner will in future concentrate on the Group's long-term strategic direction. Three new members have joined the existing Group Management team. We are proud to have been able to expand our Group Management with internal people who have already made a valuable contribution to the success of our company and provide the important element of continuity. The new management structure sets the course for a successful future. The new Group Management will consist of eight members: Dr Dieter Weisskopf, Martin Hug, Andreas Pfluger, Rolf Fallegger, Kamillo Kitzmantel, Dr Adalbert Lechner, Alain Germiquet, and Guido Steiner. Together they form a highly experienced leadership team for our Group. Uwe Sommer deserves our special thanks. After making a unique contribution towards the success of the Lindt & Sprüngli Group over the past 23 years, he has decided to retire and leave the company as of April 30, 2017.

Dedicated and motivated employees are the foundation of our strong corporate culture and underpin the success of the Lindt & Sprüngli Group. In 2016, we conducted a global employee survey for the fifth time. The excellent feedback from the survey clearly underlines the staff engagement and confidence in the company, while at the same time providing us with valuable suggestions for improvements. On behalf of the Board of Directors and Group Management, we would like to personally thank all our staff for their exceptional commitment in a challenging environment.

Millions of consumers enjoy our premium products every day and put their trust in us, for which we are grateful. Particularly when it comes to the quality of our products, we also owe a debt of gratitude to our business partners and suppliers. Last but not least, we would also like to thank our shareholders, whose continuing trust and capital are integral to our business activity.

OUTLOOK

Despite a very challenging year, the Group has managed to continue its success story: we were able to further strengthen our position as market leader in the attractive premium chocolate segment, while at the same time taking the opportunity to launch new initiatives in our core markets, push ahead with optimization on the operational front and make far-sighted personnel changes at the top management level. This has laid the foundation for a very promising future for the company.

Over the coming years we are counting on a gradual improvement in consumer sentiment and a more stable situation on commodities markets. Assuming such a scenario, we are confident of being able to achieve our strategic goals over the coming financial years.

In last year's Annual Report, we mentioned that the charitable foundation, the Lindt Chocolate Competence Foundation, had applied for a building permit for the Chocolate Competence Center at our Kilchberg headquarters. Building consent was granted in autumn 2016, and we are delighted to report that construction work already got under way in January 2017. This is the first step in creating a multimedia "chocolate experience" which includes a chocolate museum, shop and café, as well as a "Chocolateria" and a pilot plant that can be used for research and educational purposes. The opening of the new complex, which is scheduled for 2020, will strengthen Switzerland's international standing as a center of excellence for chocolate making. It will provide international visitors with all the information they need about Swiss chocolate and Switzerland's chocolate manufacturing industry.



Ernst Tanner
Executive Chairman of the Board of Directors



Dr. Dieter Weisskopf
CEO Lindt & Sprüngli Group

MARKETS

Despite a difficult environment, Lindt & Sprüngli was able to increase Group sales by 6.8% to CHF 3.901 billion and to strengthen its market position in all important markets.

Chocoladefabriken Lindt & Sprüngli AG achieved a pleasing sales growth in Swiss francs of 6.8% to CHF 3.901 billion in a difficult environment. The main challenges in 2016 included contracting – and in some cases stagnating – chocolate markets, persistently high raw-material prices for cocoa beans and cocoa butter, and generally subdued consumer sentiment. Adjustments within the product portfolio and price increases had a negative impact on Group growth, but on the other hand provide the long-term foundation for profitable growth in the future. Against this background, Lindt & Sprüngli once again succeeded in outperforming the chocolate market as a whole and gaining significant market shares.

The foreign currency situation remained very volatile in 2016. Whereas the US dollar strengthened against the Swiss franc, pound sterling weakened. This resulted in a slightly positive currency translation effect of 0.8% in consolidated sales. The Lindt & Sprüngli Group therefore achieved organic sales growth of 6.0%, which is within the given strategic target range of 6% to 8%.

The situation in raw material markets is still very tight. Prices for cocoa beans and cocoa butter have continued to rise due to poor main and interim harvests in West Africa caused by bad weather conditions. This was partly compensated by lower prices for almonds and packaging materials. Prices for hazelnuts remained high due to a poor harvest in 2016. Milk and sugar prices are also persistently high. Lindt & Sprüngli is countering these negative effects with internal programs to boost efficiency and save costs.

To ensure maximum consistency in reporting, the presentation of the “Markets” chapter in this annual report has been revised according to the segment reporting in the finance section. As a result, the reporting of business performance in 2016 will now be organized into the segments Europe, NAFTA and Rest of the World.

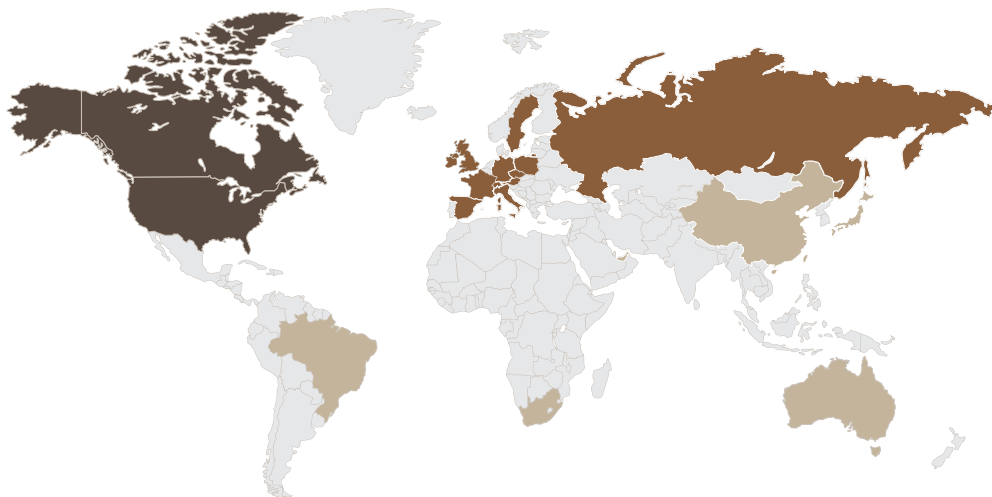
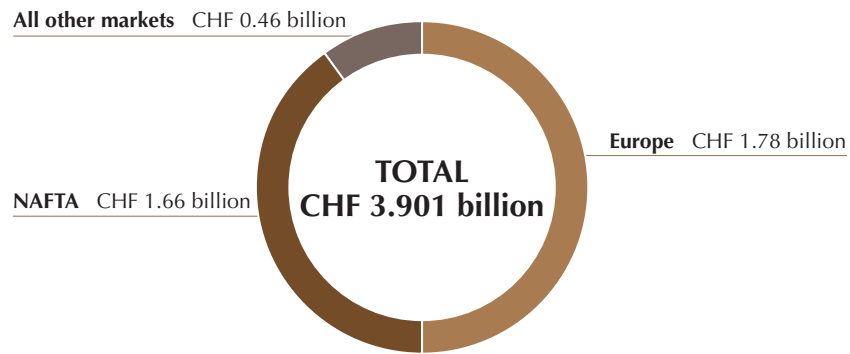
EUROPE

The key markets for chocolate in Europe are largely saturated. The financial performance of individual markets was very mixed. Lindt & Sprüngli's sales growth was better than average in a number of mature markets such as Germany, France, the UK, Ireland, and Austria, but also in less developed markets in more northerly countries, the Czech Republic, Poland, and Russia. Overall, Lindt & Sprüngli's Europe segment achieved encouraging sales growth of 7.4%, to reach CHF 1.78 billion.

Consumer sentiment remained depressed in Switzerland during the reporting year. An annual comparison showed that Swiss households once again made more purchases abroad, with a further increase in cross-border shopping. Average prices dropped and Switzerland's chocolate market shrank due to intensified and continuous price campaigns in the competitive environment.

In Germany, the moderate upturn of recent years continued, driven mainly by the strong private consumption resulting from an increase in real disposable incomes. The French economy is suffering from a significant slowdown in tourism in the wake of terrorist attacks primarily in large cities such as Paris and Nice. The overall chocolate market still achieved moderate growth, however, driven by product innovation by market participants. The economic and political environment in Italy has stabilized after years of downturn and high unemployment. Italy's gross domestic product and private consumption recorded modest growth and unemployment fell slightly. Meanwhile in the United Kingdom, the fallout from June's Brexit referendum on leaving the European Union had a negative effect on the market environment. The inflow of foreign capital appears to be declining, posing a threat to London's standing as an international financial center.

SALES LINDT & SPRÜNGLI GROUP 2016



**CHF
234 million**

Investment volume
worldwide

24

branches
worldwide

13,539

employees
worldwide

SUBSIDIARIES WITH PRODUCTION AND DISTRIBUTION

Germany
France
Italy (Lindt and Caffarel)
Austria
Switzerland
USA (Lindt, Ghirardelli, Russell Stover)

SUBSIDIARIES WITH DISTRIBUTION

Australia
Brasil
Canada
China
Czech Republic
Great Britain
Hongkong
Japan
Poland
Russia
Sweden
Spain
South Africa

REGIONAL OFFICE

Dubai, UAE
Dublin, Ireland

SWITZERLAND

Chocoladefabriken Lindt & Sprüngli (Schweiz) AG achieved sales of CHF 356.2 million in the 2016 financial year (previous year: CHF 359.0 million). This figure includes both the Swiss market and the export business, which is in the financial reporting mainly covered in the segment Rest of the World. Overall sales are slightly down on the prior year, as the distributor business in Brazil and Denmark is now being managed through the relevant subsidiaries Brazil and Nordics. This had relevant effects on sales in Switzerland, which would have otherwise posted a small gain of 2.5%.

Against the backdrop of a generally challenging market environment, greater focus was placed on leading brands, the active development of new market segments, and fresh methods of differentiation. Lindor once again took center stage during the reporting year. Products such as Lindor Strawberry & Cream, along with other seasonal recipes, were successfully introduced, numerous sampling activities organized and supported by active communication throughout the year.

The #mylindormoment campaign explored new marketing channels and actively involved consumers. All these measures helped to further expand the leading market position and generate additional sales growth. The stronger focus on the leading brands Excellence and Les Grandes in the two strongest-growing chocolate segments, dark and block chocolate, has paid off as well. New, attractive varieties and different offerings created further growth momentum and helped to win additional market share.

While other competitors have continued to expand their sales channels through hard discounters, Lindt maintained its consistent policy of relying on quality, innovation, and selective distribution. To project a more upmarket image, new premium shop-in-shop presentations were launched, thereby ensuring a consistently polished product presentation. This style of brand showcasing not only created sustainable growth momentum, but also helped to win additional market shares.

The Lindt Chocolate Competence Foundation is investing in the construction of a new Chocolate Competence Center at the Kilchberg site. This new center will not only focus on research and development, but also on displaying and communicating know-how and expertise in chocolate making, thereby helping to reinforce and enhance Switzerland's standing as a center of excellence for chocolate production. In the year under review, preparations were successfully completed and construction has started at the beginning of 2017.



The Swiss Premium Chocolate Collection comes in a traditional packaging.

2016 Lindor
contributed a sales share of CHF

1 bn

#18

Lindt congratulates its brand
ambassador and best tennis player
of all times to his 5th triumph
at the Australian Open
and his 18th Grand
Slam title.





Lindt & Sprüngli Germany was able to further expand its leading position in the seasonal business. Targeted product innovations such as the Gold Bunny in animal print have contributed to this excellent development.



GERMANY

With sales worth EUR 504.9 million (previous year: EUR 458.1 million), Chocoladefabriken Lindt & Sprüngli GmbH once again managed to exceed the strong sales growth of previous years. The subsidiary further increased its share of the German market, with sensational sales growth of 10.2%.

This impressive growth is the result of focusing on successful classics such as Lindor, Excellence, and hollow chocolate figures, as well as numerous product innovations. These classic offerings were effectively augmented by products designed to trigger an emotional response, such as the female teddy bear in a pink outfit, which met with strong demand from all sides. The launch of these product extensions was supported by a tailor-made advertising campaign. In the run-up to Christmas, from September to December, demand was steadily cranked up by the sales team by means of TV spots and prominent placements. The strong growth of the Excellence tablet range, especially the products containing at least 70% cocoa solids, was also boosted by TV advertising.

An attractive summer edition was added to the successful line of mini pralinés. The young lifestyle brand Hello made a splash with a design relaunch and new seasonal products such as the Hello Santa advent calendar, Xmas Emotis, and new tablet flavors such as frozen yoghurt and crunchy crisp. The product innovation Chocoholic Range, available as a limited edition, gave an extra boost to the seasonal offering in the autumn.

An industry-wide survey of retailers on the company's reputation confirmed the success of Lindt's strategic strategy in Germany: Lindt & Sprüngli came top of the rankings of the 81 biggest suppliers to the German food & beverage business. This highlights the importance of the partnership with Lindt & Sprüngli for the trade, and builds a very strong foundation for future growth.

FRANCE

Lindt & Sprüngli France SAS can look back on another successful year, with sales increasing by 6.5% to EUR 351.0 million (previous year: EUR 329.5 million). In a very contested market, Lindt was therefore once again one of the fastest-growing chocolate brands and managed to strengthen its position as the country's second-biggest chocolate manufacturer.

Lindt further consolidated its standing as the leading tablet brand by achieving solid growth in its core business. Innovative taste variations were regularly added to the key tablet lines Excellence, Création, and Connaisseurs. In addition, investments were made in new technologies for producing various filled chocolate bars, enabling rich fillings to be covered with solid chocolate.

In the seasonal business, Lindt strengthened its leading market position with the launch of new pralinés such as the Connaisseur pralinés fondants and expanded its very popular Les Pyrénéens line to include lemon, peppermint and raspberry flavors, providing a sumptuous, melt-in-the-mouth experience.

The successful launch of Sensation Fruit was a special highlight. This is a range of small balls comprising a fruit center with a crispy chocolate coating. These balls were the most successful innovations in the French market and represent a unique new category of chocolate. These balls come in three different flavors, with fruit centers of blueberry and acai, raspberry and cranberry, and pomegranate, each one covered by a layer of the finest dark Lindt chocolate. The launch of Sensation Fruit was supported by a large-scale TV campaign and carefully targeted marketing activities. In particular, a huge cube billboard structure in La Défense, one of the most heavily frequented locations in Paris, attracted a lot of attention.

Following the strong growth of previous years, the sales organization was restructured and strengthened, allowing regular visits to an extra 1,000 or so sales outlets in future.



Successful launch of innovative products such as the Création Les Macarons.



Impressive Lindor promotion on the occasion of a Lindt shop opening in Monza, Italy.

The Lindt Teddy in the UK got dressed up in a classic Christmas jumper and made hearts of chocolate fans beat faster.



ITALY

In Italy, Lindt & Sprüngli SpA and Caffarel SpA achieved a consolidated result of EUR 222.8 million (previous year: EUR 216.6 million), thus achieving modest growth and a further expansion of market share in a persistently challenging environment.

The decision to continue to focus the marketing initiatives of Lindt & Sprüngli SpA on the key brands Lindor and Excellence paid off: the Excellence line in particular achieved double-digit growth backed up by stronger advertising support, improved visibility at the sales points and the general trend towards dark chocolate. The Italian production team also won the prestigious Award of Excellence from the Japanese Institute of Productive Maintenance. At the end of June, a new state-of-the-art production facility for Lindor balls was opened, thereby significantly increasing production capacity for this best seller.

Caffarel SpA distributes its products mainly through the traditional trade, which once again suffered a decline. The new strategy launched in the previous year, with a focus on product innovation, distribution expansion and development of the professional market, showed some initial positive results, however. During the reporting year, Caffarel also celebrated its 190th year with an exclusive anniversary product range. In the export business, sales to Japan and Germany posted particularly impressive gains.

UNITED KINGDOM

Despite a declining chocolate market, Lindt & Sprüngli (UK) Ltd continued its strong performance of previous years, growing its sales by 14.0% to reach a total of GBP 155.0 million (previous year: GBP 136.0 million). The key line Lindor delivered an impressive performance with innovative recipes and packaging concepts for the important Christmas sales period. Sales of the Excellence line were supported by carefully targeted advertising and also posted solid growth. Easter's large-scale treasure hunt for the Gold Bunny allowed Lindt once again to reach out to many families across the country. The link-up with the Royal Horticultural Gardens and Kew Royal Botanical Gardens close to London gave Lindt exposure to 358,000 visitors. A seasonal novelty launched in the 2016 financial year was the Lindt teddy in a Christmas pullover.

AUSTRIA

Lindt's Austrian subsidiary achieved sales growth of 5.5%, once again making it Austria's fastest-growing chocolate manufacturer. Substantial market share gains were made mainly through the Lindor line, thanks to a strong marketing campaign, the launch of Lindor Dark 60%, and solid advertising support. Posting double-digit growth, the Excellence brand further strengthened its number one position in the premium chocolate segment. On top of that, demand for the tasty little treasures Mini Pralinés was increased significantly. In the important Easter business, market shares were once again achieved with hollow figures, and during Christmas consumers were surprised with a number of Lindt innovations: eye-catching displays at Easter and Christmas in big department stores in Innsbruck and Vienna helped to raise the public profile of the Lindt brand.

SPAIN

Lindt & Sprüngli (España) S.A. managed to expand its market share further, with sales growth of 7.6%. In the retail trade, the higher-than-average growth achieved by the two core brands Lindor and Excellence made a positive contribution to overall performance, supported by the new pralinés brand Dulces Deseos.

NORDICS

Lindt & Sprüngli (Nordic) AB, which includes the markets of Sweden, Norway, Denmark, and Finland, had another successful year, posting double-digit sales growth of 14%. The Swedish market produced a particularly strong performance, with Lindt significantly expanding its market share in the tablet segment and in pralinés, especially the sales of Lindor. On top of that, the successful Pick & Mix concept generated over 12 million consumer contacts over the past financial year.

CZECH REPUBLIC

Since it was established in 2008, Lindt & Sprüngli Czechia s.r.o. has enjoyed a steady rate of growth. Over the past reporting year, it once again managed to achieve double-digit sales growth. This performance is being driven mainly by the seasonal business at Easter, and specifically Gold Bunny sales, but also the growing popularity of the Excellence



Beautiful Easter decoration in the well-reputed shopping center Gerngross in Vienna, Austria.

and Lindor lines. During the Christmas period, Lindor is already the third biggest pralinés brand in the Czech market in terms of sales volumes.

POLAND

Lindt & Sprüngli (Poland) SP. z o.o. managed to significantly increase its sales over the past financial year and achieve double-digit sales growth. The decision to focus distribution and marketing activities on the key lines Lindor and Excellence is paying off. Working together with the most important Polish retailers, Lindt was able to further improve the brand's visibility and attract new customers.

RUSSIA

Lindt & Sprüngli (Russland) LLC once again achieved solid double-digit sales growth during the reporting year, despite the downward trend in the overall chocolate market. Lindor and Excellence were the two main growth drivers and the fastest-growing brands in Russia's chocolate market.

NAFTA

Although the overall chocolate market stagnated in North America, the NAFTA segment managed to achieve organic growth of 3.4%, with sales rising to CHF 1.66 billion. Once again, Lindt (in the USA and Canada) and Ghirardelli (in the USA) were the fastest-growing premium chocolate brands, and both managed to further expand their market shares.

The North American economy continued to make progress during the reporting period. Unemployment rates fell and there was a further modest increase in gross domestic product. By contrast, the chocolate market as a whole contracted for the first time: the overall market value stagnated and sales volumes declined. This development was the result of unfortunate timing for seasonal events, such as Valentine's Day on a Sunday or an early Easter, coupled with high temperatures during the summer months. Although the premium chocolate segment was also affected by these market trends, it still managed to achieve above-average growth.

The newly established subsidiary Lindt & Sprüngli (North America) Inc. will produce positive synergy effects in future as a service provider for all Lindt & Sprüngli companies in the USA in centralized tasks such as sales promotions, logistics, IT, procurement, and legal counsel.

LINDT & SPRÜNGLI USA

In a very challenging economic environment, Lindt & Sprüngli (USA) Inc. still managed to achieve modest sales growth of 1.3% compared with the previous year. Lindt thus maintains its position as one of the leading brands in the US premium

segment. Growth is based mainly on the strong performance of the key Lindor line, which was supplemented by attractive novelties such as the limited edition Lindor Pumpkin Spice. This innovation helped to create a new mini-season in the US market for the autumn, supplementing the existing prime seasons of Christmas and Easter. Other seasonal limited editions, the further expansion of the Lindor Stick range, and large-scale campaigns to motivate consumers such as Lindor World, where more than 16 million samples of Lindor truffles were handed out, made a significant contribution to this performance. On top of that, the core products in the Excellence line continue to sell very well in the USA, spurred on by the launch of a new package with different varieties of chocolate tablets, which has boosted sales in the growing club channel. The increasing importance of the online channel is also evident, with growth passing the 20% mark.

Furthermore, the selected product samplings organized by Lindt on a grand scale have repeatedly attracted media attention. For example, the Gold Bunny celebrity auction was held during the Easter period for the eighth consecutive year to raise money for charity, while Lindt also acted as official sponsor of the Golden Globe Awards for the second time, adding a sweet note to the ceremony. These events provide the company with an opportunity to generate millions of contacts in social media with the help of high-profile influencers, and thus win over new fans to Lindt chocolate.

To cater for growing demand, production space in North America was expanded by 13,000 m² during the reporting period, and two new production lines added. This new infrastructure makes the US subsidiary ideally equipped for future growth.

The Golden Globes are among the most important awards in the film industry right after the famous Oscars. For the second time, Lindt chocolate is enchanting this special evening in Hollywood for international stars such as Gillian Anderson, John Lithgow and Claire Foy.



Not only the elegant gowns were sparkling, but also the booth of the Lindt Master Chocolatiers where delicacies made of chocolate were handed out.



Finest chocolate creations by the
Lindt Master Chocolatiers for
the world's best actors.

GHIRARDELLI CHOCOLATE COMPANY

Ghirardelli Chocolate Company was once again one of the fastest-growing chocolate companies in the USA, with solid sales growth of 8.9%. This performance was driven mainly by products from the established Squares line, the seasonal business, and the dark chocolate line Intense Dark. This growth was augmented by the introduction of innovative recipes and strong marketing support.

Ghirardelli also has a strong position as a premium brand in the US baking segment. It was able to further expand its leading position in this segment with products such as chocolate chips, tablets, cocoa and other innovations. Its satisfied customers include not only kitchen chefs and baristas, but also private households.

RUSSELL STOVER CHOCOLATES

During the reporting period, the process of integrating Russell Stover Chocolates into the Lindt & Sprüngli Group continued according to plan. Russell Stover has not only optimized its product range, but has also streamlined its distribution network and adjusted price conditions. Sales were therefore slightly down on the previous year. The measures taken will improve the company's profitability in future. New seasonal products for Christmas, Valentine's Day, and Easter were launched very successfully and will strengthen the core business and market leadership in the gift-oriented segments. Russell Stover has also pushed ahead with digitalization. The ramping-up of online advertising and the growing social media presence both helped to fuel interest and strengthen dialogue with consumers.



Russell Stover successfully launched new seasonal products and thus further expanded its core business.



Ghirardelli Peppermint Bark Squares are ideally suited for festive Christmas decorations.

LINDT & SPRÜNGLI CANADA

The performance of the Canadian subsidiary was once again very impressive in the past financial year, with sales growth of 13.1%, consolidating Lindt's position as one of Canada's fastest-growing chocolate manufacturers. Such success in a very fiercely contested market allows the company to actively focus on the core brands Lindor and Excellence, further increase its market shares, and in the process generally strengthen Lindt's standing as market leader in the premium segment. Apart from the core products, a series of attractive product launches and the creative, multilayered marketing campaign for the Christmas season also contributed to this performance. Around 45,000 consumers voted for Lindt as Canada's most trusted chocolate brand during the past financial year.

ALL OTHER MARKETS

The strategy of geographic expansion pursued over previous years is now starting to pay off. The Rest of the World segment made significant gains, with organic growth of 10.2% pushing sales up to CHF 457.1 million and providing an increasingly significant contribution to consolidated sales. The national markets belonging to this segment continue to enjoy dynamic and higher-than-average growth rates. The performance of the Brazilian and Japanese subsidiaries was particularly impressive, with growth rates in the high double digits.

AUSTRALIA

Australia's chocolate market was stagnant, with deflation dampening consumer sentiment during the reporting year. Despite this backdrop, Lindt & Sprüngli (Australia) Pty. Ltd. managed to achieve sales growth of 6.7% and further expand its market shares. The core brand Lindor once again enjoyed excellent sales growth. Excellence was also able to further strengthen its position as market leader in the dark chocolate segment. One highlight worth mentioning is the official opening of the new Marsden Park facility in July 2016. The new site, which cost over 60 million Australian dollars to build, provides secure jobs to around 350 staff.

SOUTH AFRICA

Five years after its foundation, Lindt's South African subsidiary continues to expand, achieving double-digit sales growth. The strong performance was driven not only by the Lindor and Excellence lines, but also by the Hello range, which is now well established. On top of that, the two chocolate studios in Johannesburg and Cape Town attract with exciting workshops around chocolate making new chocolate fans and at the same time further raise awareness of the Lindt brand.

UNITED ARAB EMIRATES

Lindt & Sprüngli's regional office in Dubai serves markets in the Middle East, India, and the Rest of Africa. For the first time in many years, growth was only moderate in this region due to the deteriorating economic situation in many Arab countries. In Iran, formalities for market entry were successfully concluded after sanctions were lifted. This makes Lindt the first legitimately available foreign chocolate brand in this new market. In India business was resumed, after import barriers have eventually been overcome after two challenging years.



Gold Bunnies for the good cause: Lindt & Sprüngli (South Africa) supports the charitable organization «Reach for a Dream».



Official opening of the new office and warehouse building in Australia with Prime Minister of New South Wales Mike Baird as well as Ernst Tanner and Steve Loane of Lindt & Sprüngli.

CHINA/ASIA PACIFIC

Lindt & Sprüngli (China) Ltd. posted satisfactory results in a challenging market environment. Sales figures in the metropolitan areas of Shanghai and Beijing were particularly impressive, along with Internet sales. Lindt gained market share in Hong Kong through its Excellence and Lindor lines. Dynamic sales growth of the key Excellence line helped Lindt to achieve a good performance in Singapore. Lindor sales also followed a positive path, especially in the period between Christmas and New Year. Despite a challenging environment, Lindt managed to expand its market shares in Hong Kong. The Excellence dark chocolate bars established themselves as market leaders. There was also buoyant demand for Lindor truffles. Lindt products are now available in well-stocked supermarkets in Brunei as well.

JAPAN

Lindt & Sprüngli Japan Co. Ltd continues its vigorous performance, posting strong double-digit growth. Here the products are mainly available in Lindt's own chocolate boutiques and cafés, as well as in major department stores. The expansion in the North East of the country helped to ramp up the distribution of Lindt products in Japan during the reporting period.

BRAZIL

In 2016, Brazil suffered not only from political instability, but also one of the worst economic crises of the past 100 years. Despite this turbulent market environment, Lindt still managed to establish itself as the country's leading premium chocolate brand, building on the joint venture with CRM Group as a platform. In Brazil, Lindt products are mainly available in 28 of Lindt's own chocolate boutiques, as well as in selected department stores.

DUTY FREE/TRAVEL RETAIL

In view of the difficult economic and political situation in many countries, combined with currency translation effects and terrorist attacks, the travel retail chocolate market stagnated in 2016, despite rising passenger volumes. In spite of this backdrop, Lindt & Sprüngli managed to achieve significant growth thanks to a high proportion of product innovations and support measures. It was one of the few market players to expand its market share and further strengthen its presence. New shop-in-shop concepts were implemented in various large airports with high passenger volumes, including Hong Kong, Dubai, Mumbai, Rio de Janeiro, Nice, and other major cities.

One big success was the launch of Lindt Swiss Masterpieces, a collection of the finest assorted Swiss pralinés. The Lindor line posted double-digit growth, partly thanks to the new Limited Editions and the Love Lindor Range. Last but not least, the important sales of chocolate Napolitains and tablet products were also very strong. Lindt was able to significantly expand its presence over the competition and boost sales with special travel souvenir products. The product presentation was rounded off by the impressively orchestrated Swiss Chocolate Festival, where the Lindt travel retail best-sellers were combined with live tastings.



The Lindt Chocolate Trolley is the perfect accessory for every trip.

OUR BRANDS

GLOBAL BRAND
75% OF SALES



REGIONAL BRANDS
22% OF SALES



LOCAL BRANDS
3% OF SALES



GLOBAL RETAIL

The Global Retail Division looks back on yet another successful year with strong double-digit organic growth of 12,7% and sales of CHF 434 million.

With around 370 locations worldwide, our chocolate shops and cafés are excellent flagships for the Lindt, Ghirardelli and Russell Stover brands. They provide an opportunity to establish strong personal links with consumers, by providing the ultimate first-hand chocolate experience. The shops now attract more than 50 million visitors every year.

Against the backdrop of our ambitious expansion strategy, more than 60 new shops were opened in 2016, mainly in Europe, Canada, Brazil, Japan and South Africa. The focus continues to be on finding locations with a high footfall in prime inner-city sites and shopping malls. These need to be compatible with our premium image and our brand values, while at the same time generating profitable growth.

Some of the most prominent new openings of Lindt chocolate boutiques over the last financial year included Düsseldorf in Germany, and busy shopping malls in Toronto and Montreal (Canada), as well as in Liverpool and Manchester (UK). In addition, the first Lindt chocolate shop opened its doors in Russia.

Special emphasis is placed on the training of more than 2,000 staff in the Global Retail Division to become service-oriented “Chocolate Advisors”. Their job is to provide consumers with a unique and unmissable chocolate experience in each of our shops. In addition to the highly popular key products such as Lindor and Excellence, our shops also offer a large choice of selected gift options, along with a broad variety of Lindor taste combinations in our extensive Pick & Mix range.

EUROPE
Exterior and interior
view of the Lindt
Shop in Kilchberg,
Switzerland.



NAFTA

Left: Interior view of the
Ghirardelli Shop in Chicago, USA.



Below: Exterior view of a
Russell Stover Shop in Kansas City, USA.



View of the luxurious interior of
the Lindt Shop Holt Renfrew in
Toronto, Canada.



ALL OTHER MARKETS
Exterior and interior view of the Lindt
Shop in Marui Shizuoka, Japan.

CORPORATE GOVERNANCE

GROUP STRUCTURE AND SHAREHOLDERS

Group structure

The Lindt & Sprüngli Group is globally active developing, producing and selling chocolate products in the premium quality segment. The holding company, Chocoladefabriken Lindt & Sprüngli AG, with headquarters in Kilchberg ZH, is listed on the SIX Swiss Exchange. The market capitalization, based on 2016 year-end prices, is CHF 13,8 billion.

→ Security and securities listing numbers see page 77

The company's group structure is lean. While the Board of Directors handles management, strategy, and supervisory duties at the highest level, the CEO, the Executive Chairman (until September 30, 2016 in the function of delegate of the Board of Directors), and Group Management members are responsible for operational management tasks. Until end of 2016 they were supported in these tasks by the Extended Group Management team. As of January 1, 2017 Group Management and the Extended Group Management were consolidated.

→ Board of Directors see page 27

→ Group Management see page 33

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

→ Details of subsidiaries see page 77

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

Major shareholders

Between January 1, 2016 and December 31, 2016, the Group has not received any disclosures notification that other shareholders hold more than 3% of the voting rights of the company. According to the share register of Chocoladefabriken Lindt & Sprüngli AG as of December 31, 2016, the "Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG", the "Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG", the "Lindt Cocoa Foundation", and the "Lindt Chocolate Competence Foundation", all in Kilchberg ZH, held, as a group, a total of 27,543 registered shares or 20.23% of the share capital and thus 20.23% of company voting rights (according to the last disclosure of November 25, 2013: 29,143 registered shares respectively 21.32% of the share capital and the voting rights). As far as the company knows, there are no tied shareholding agreements between these shareholders. For further disclosures of previous years, the company refers to the publications of the SIX Swiss Exchange.

During the year under review, no disclosures were publicised on the SIX Swiss Exchange platform.

Chocoladefabriken Lindt & Sprüngli AG has no cross holdings.

CAPITAL STRUCTURE

As of December 31, 2016, Chocoladefabriken Lindt & Sprüngli AG had the following capital structure:

Ordinary capital

The ordinary capital is composed of two securities types:

	2016
Registered shares *	CHF 13,608,800
Bearer participation certificates **	CHF 10,131,360
Total ordinary capital	CHF 23,740,160

* 136,088 registered shares, par value of CHF 100.– each

** 1,013,136 bearer participation certificates, par value of CHF 10.– each

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

Authorized and conditional capital

The Group has total conditional capital of CHF 4,591,060, comprising 459,106 bearer participation certificates with a par value of CHF 10.– each. On December 31, 2015, of this total, the remaining 204,656 are reserved for employee stock option programs; 254,450 participation certificates are reserved for capital market transactions. Further information about authorized and conditional capital can be found in article 4^{bis} of the Articles of Association, available on the Web site of Chocoladefabriken Lindt & Sprüngli AG.

http://www.lindt-spruegli.com/fileadmin/user_upload/corporate/user_upload/Investors/AOA/Articles_of_Association_E_11.02.2016.pdf

There is no authorized capital apart from the conditional capital.

Changes in capital

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

Ordinary capital

Year	Participation capital in CHF	Registered shares (RS) *	Share capital in CHF	No. of bearer participation certificates (PC) **
2014	13,611,100	136,111	9,560,660	956,066
2015	13,608,800	136,088	9,884,750	988,475
2016	13,608,800	136,088	10,131,360	1,013,136

Conditional capital

No. of bearer participation certificates (PC) **

Year	Total	Capital market PC	Employee PC
2014	528,906	354,450	174,456
2015	483,767	254,450	229,317
2016	459,106	254,450	204,656

Number of securities, status as at December 31

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

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

Restrictions regarding assignability and nominee entries

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

According to article 3, subsection 7 of the Articles of Association, corporate bodies and partnerships related to one another through capital ownership, through voting rights or common management, or otherwise linked, as well as natural persons and legal entities or partnerships acting in concert in regard to a registration restriction, are considered to be one single shareholder. Based on article 3, subsection 9 of the Articles of Association, the Board of Directors may make exceptions to these provisions in special cases and adopt suitable provisions for the application of these rules. The implementing provisions for these rules are defined in the regulation of the Board of Directors on “Registration of registered shares and maintaining the share register of Chocoladefabriken Lindt & Sprüngli AG.”

<http://www.lindt-spruegli.com/investors/corporate-governance/board-regulations/>

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

In the year under review, no exceptions were granted. Based on long-term participation and with regard to the purpose of the Foundation, the Board of Directors already granted such an exception prior to the year under review for the 20.23% of the voting rights of the “Fonds für Pensions-ergänzungen der Schokoladefabriken Lindt & Sprüngli AG”, “Finanzierungsstiftung für die Vorsorgeeinrichtungen der Schokoladefabriken Lindt & Sprüngli AG”, “Lindt Cocoa Foundation”, and “Lindt Chocolate Competence Foundation”, all in Kilchberg, ZH.

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

The implementation rules are defined in the Regulations of the Board of Directors “Registration of registered shares and maintaining of the share register of Schokoladefabriken Lindt & Sprüngli AG”.

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

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

Outstanding options and convertible bonds

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

Year of allocation	Number of options issued	Strike price (CHF)	Running term	No. of rights exercised	No. of exercisable rights
2010	33,286	2,200	until 2017	32,373	913
2011	32,103	2,523	until 2018	25,940	6,163
2012	33,505	2,679	until 2019	15,919	17,586
2013	30,996	3,123	until 2020	5,211	25,785
2014	17,890	4,062	until 2021	0	17,890
2015	23,525	4,811	until 2022	0	23,525
2016	26,370	5,401	until 2023	0	26,370
Total	197,675			79,443	118,232

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

In 2016, a total of 24,661 of the above employee options were exercised (previous year: 45,139). Therefore, the “ordinary” participation capital was increased in 2016 by CHF 246,610 by the corresponding reduction in the “conditional” participation capital reserved for the employee stock option programs. The 118,232 options outstanding as of December 31, 2016, not yet exercised, are equivalent to 5.0% of the total capital. There were no outstanding convertible bonds of Schokoladefabriken Lindt & Sprüngli AG.

BOARD OF DIRECTORS

Role and function

The Board of Directors makes decisions jointly and is assisted by Board committees in special cases. The Board's primary function is to provide guidance and exercise control over the Group; it makes strategic decisions and defines the general means for achieving the goals it has set for the company, sets the General Meeting agenda and approves the annual and half-year reports, as well as the Compensation Report. Decisions regarding the appointment of members to Group Management, or the former Extended Group Management, managing directors of subsidiaries, as well as resolutions on shareholders' motions from the General Meeting, will be made by the full Board.

Members

The Board of Directors of Chocoladefabriken Lindt & Sprüngli AG consists of at least five and not more than nine members according to article 17 of the Articles of Association. If the number of members falls below five, the minimum membership must be restored at the next ordinary General Meeting. As of December 31, 2016, the Board had six active members. Ernst Tanner is Executive Chairman of the Board since October 1, 2016; all other members are non-executive members.

Name, function	First election	until
Ernst Tanner, Executive Chairman of the Board of Directors*	1993	2017
Dr Rudolf K. Sprüngli, member	1988	2017
Antonio Bulgheroni, member **	1996	2017
Dkfm. Elisabeth Gürtler, member	2009	2017
Petra Schadeberg-Herrmann, member	2014	2017
Dr Thomas Rinderknecht, member	2016	2017

* Until 30 September 2016 Delegate of the Board of Directors/CEO

** Until 30 September 2016 member of the Board of Directors and Lead Director

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

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

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

Ernst Tanner (CH) Mr. Tanner was elected CEO and Vice Chairman by the Board of Directors in 1993. In 1994, he became Chairman of the Board. He completed a commercial education and then attended business school in London and at Harvard. Before joining Lindt & Sprüngli, Mr. Tanner held top management positions for more than 25 years with the Johnson & Johnson Group in Europe and in the USA, last as Company Group Chairman Europe. Mr. Tanner has been a member of the Board of Directors of the Swiss Swatch Group since 1995, Vice Chairman of the Board of Directors since 2011, as well as member of the Compensation Committee since 2002 and Chairman of this Committee since May 2014. He also has a seat on the Advisory Boards of both the German Krombacher Brauerei GmbH & Co. KG and the Austrian SIGMA Group. As of September 30, 2016, Mr. Tanner resigned as CEO and is since then Executive Chairman of the Board of Directors.

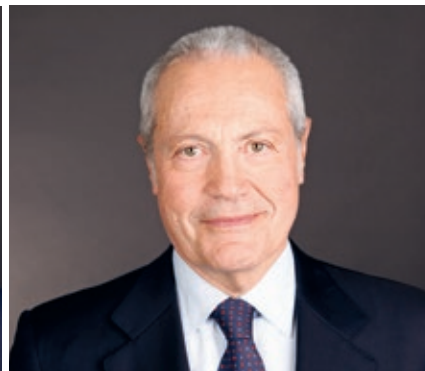
BOARD OF DIRECTORS



Ernst Tanner



Dr Rudolf K. Sprüngli



Antonio Bulgheroni



Dkfm. Elisabeth Gürtler



Petra Schadeberg-Herrmann



Dr Thomas Rinderknecht

Dr Rudolf K. Sprüngli (CH) Mr. Sprüngli 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 Group and for an international premium food-trading company, Mr. Sprüngli is an expert authority in the chocolate business. Today, he manages his own consulting firm. Mr. Sprüngli is also a member of the Council of the British-Swiss Chamber of Commerce, a member of the Board of Directors of Peter Halter Liegenschaften AG, a Board member at the Institut für Wirtschaftsberatung as well as Chairman of Freies Gymnasium Zurich.

Antonio Bulgheroni (IT) Mr. Bulgheroni has been a member of the Board of Directors since April 1996 and Lead Director from February 2009 until end of September 2016; he currently serves on the Executive, Audit, and Compensation Committee. His extensive company management experience in every area of the chocolate business makes Mr. Bulgheroni a highly respected international expert. He was CEO of Lindt & Sprüngli SpA from 1993 until his retirement from executive directorship in April 2007. Since then, he has been Chairman of the Board of Lindt & Sprüngli SpA and Caffarel, the two Italian subsidiaries of the Group. Mr. Bulgheroni, who holds the Order of Merit for Labor of the Italian Republic, is the Vice President of Banca Popolare di Bergamo and holds other directorships, including Il Sole 24 Ore and the L.I.U.C. University, as well as the Chairman of the Board of Directors of Bulgheroni SpA.

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

Petra Schadeberg-Herrmann (D) After periods of study in Paris and London, Ms. Schadeberg-Herrmann completed her studies at the European Business School in Germany in 1990 with a degree in business management. She has been employed by the Krombacher Brewery Group of Companies (the leading German beer market brand) for more than 20 years and is currently a managing partner. Ms. Schadeberg-Herrmann is active primarily on the financial and commercial side. Among her other duties as managing partner, she is in charge of Krombacher Finance GmbH. In June 2011, she was elected to the Supervisory Board of Kronen AG, the world's leading manufacturer for filling and packaging technology in the beverage and liquid food industries.

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

Number of activities permitted outside the Group

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

 http://www.lindt-spruengli.com/fileadmin/user_upload/corporate/user_upload/Investors/AOA/Articles_of_Association_E_11.02.2016.pdf

Internal organization

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

If the chairmanship is abandoned prematurely, or if the chairman is dismissed from the Board of Directors, or retires from the Board before ending the term of office, the Board of Directors can appoint an interim chairman from among its members until election at the next General Meeting. Should one or more members of the Compensation Committee retire early, the Board of Directors can appoint substitutes from among its members until the next General Meeting.

The Chairman presides over the General Meeting, represents the company in dealings with third parties and provides together with the CEO, Members of Group Management and Members of Extended Group Management (consolidated with Group Management as of January 1, 2017) timely information for the Board of Directors on all matters important for decision-making and the monitoring of significant Group concerns. He is responsible for preparing all matters to be dealt with by the Board of Directors, placing them on the agenda, and for convening and chairing Board of Directors' meetings. In addition, the Executive Chairman of the Board of Directors assumes the following tasks:

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

The CEO is entrusted with the task of managing the business jointly with Group Management and reports directly to the Executive Chairman of the Board of Directors. The CEO presides Group Management and decides in close collaboration with the Executive Chairman of the Board of Directors on the most important matters. Further details about the tasks of the CEO, the Group Management and the former Extended Group Management are found on page 32 of the annual report.

The Board of Directors has also appointed a non-executive member from its ranks to serve as the Lead Director. The Lead Director has the responsibility to ensure the independence of the Board of Directors towards Chairman and CEO if both these functions are held by the same member of Board of Directors. If necessary, the Lead Director himself has authority to convene and chair a meeting of the Board of Directors without the attendance of the Chairman and CEO. He must notify the outcome of any such meeting to the Chairman and CEO. With the termination of the double function of Mr. Ernst Tanner as Chairman and CEO/ Delegate of the Board as of September 30, 2016 the task of the Lead Director is also terminated.

The Board of Directors meets regularly – as often as business requires – but at least four times a year. Meetings are convened by the Chairman, or by another member of the Board of Directors appointed to represent him. Each member of the Board of Directors is authorized to ask for a meeting to be convened without delay; the purpose must be stated. The Chairman or, in his absence, another member of the Board of Directors authorized to represent him, presides over the meeting. Along with members of the Board of Directors, the meetings may also be attended by members of Group Management, Extended Group Management and other non-members. In the year under review, four regular and one extraordinary meeting were held; all members were present. The regular meetings lasted for four to five hours. The extraordinary meeting lasted for one to two hours. Members of Group Management regularly attended these meetings, in compliance with exclusion principles. No external consultants took part in meetings of the Board of Directors.

Committees of the Board of Directors

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

Audit Committee

The Audit Committee consists of at least three non-executive, independent members of the Board of Directors. Of these, at least two – among them the Chairman – must possess substantial experience in finance and accounting. The CFO has a consultative vote in the committee. As of December 31, 2016, members of the Committee were: Dr Thomas Rinderknecht (Chairman), Antonio Bulgheroni, and Petra Schadeberg-Herrmann. The members of the committee possess sufficient experience and professional knowledge in the areas of finance and risk management to enable them to perform their tasks effectively.

The Audit Committee supports the Board of Directors in its function of strategic supervision, particularly in main audit areas, complete presentation of the financial statements/audit findings, compliance with statutory requirements and the services of external auditors. In addition, the committee assesses financial reporting expediency and internal control systems and ensures ongoing communication with external auditors. It also constantly scrutinizes the Group's risk management principles and appropriateness of risks taken, especially in the areas of investments, currencies, raw material procurement, and liquidity.

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

The committee meets as often as business requires, but at least four times a year. In 2016, four regularly scheduled meetings and one extraordinary meeting were held; all members were present.

The meetings generally lasted between one and two hours, with members of Group Management regularly attending. Auditors attended meetings of the Audit Committee on one occasion. Auditors' direct access to the Audit Committee is guaranteed at all times. No external consultants took part in meetings of the Board of Directors in the year under review.

→ Information on auditors see page 38

Compensation & Nomination Committee

The Compensation & Nomination Committee consists of three non-executive members of the Board of Directors, each of whom was elected in the year under review by the general meeting for a term of office of one year until the end of the next ordinary general meeting. As of December 31, 2016, Committee members were: Dr Rudolf K. Sprüngli (Chairman), Antonio Bulgheroni, and Dkfm. Elisabeth Gürtler.

→ Information on responsibilities of the Compensation & Nomination Committee see Compensation Report page 39

Corporate Sustainability Committee

The Corporate Sustainability Committee consists of three members from the Board of Directors. These may be both executive and non-executive members of the Board. The CFO attends the meetings. As of December 31, 2016, Committee members were: Dr Rudolf K. Sprüngli (Chairman), Antonio Bulgheroni, and Ernst Tanner.

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

Allocation of competences

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

Board of Directors

- Performs vested statutory tasks. The Board of Directors is therefore responsible for strategic management of the company, giving necessary instructions and supervising Group Management and former Extended Group Management (which was consolidated with Group Management on January 1, 2017).
- Determines strategic, organizational, accounting, and financial planning guidelines.
- Changes to the legal structure of the Group (especially incorporation of new subsidiary companies, acquisitions, joint ventures, as well as liquidation of companies).
- Appointment and dismissal of the CEO, secretary, and Members of Group Management, Extended Group Management and Chief Executive Officers of subsidiary companies.
- Approves the budgets for the Group and the individual subsidiaries.

The Board of Directors has assigned the management of day-to-day business to the CEO and Group Management. They were supported by the Extended Group Management until end of 2016.

CEO

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

Group Management

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

→ For details on members of Group Management see page 33

Extended Group Management

Members of Extended Group Management performed until end of 2016 the duties entrusted to them by the Chairman of Group Management or by members of Group Management in the area of country/market responsibility (supervising foreign subsidiary companies and providing services for them) and/or functional responsibility. Members of Extended Group Management may have assumed additional responsibility in the capacity of Managing Director/CEO of a subsidiary company, or at Group level with pure market/country responsibility and/or functional responsibility. As of January 1, 2017 Group Management and Extended Group Management were consolidated.

Information and controlling instruments

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

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

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

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

Each year, a report is submitted to the Audit Committee on the internal financial control processes in the various corporate functions of subsidiary companies (IT, Procurement, Production, Sales, Salary payments, Treasury, HR, and Financial Reporting). Within the framework of the yearly audit, the auditors may be charged with special assignments, which go above and beyond legal and statutory requirements.

GROUP MANAGEMENT

As of December 31, 2016, Chocoladefabriken Lindt & Sprüngli AG's Group Management had four members:

Name, responsibility (until December 31, 2016)	since
Dr Dieter Weisskopf Chief Executive Officer	1995
Uwe Sommer Marketing/Sales/Global Retail & Country Responsibility	1993
Andreas Pfluger Country Responsibility	1994
Rolf Fallegger Country Responsibility	1997

After Group Management and Extended Group Management were consolidated on January 1, 2017, Group Management consists of five additional members, which makes a total of nine Group Management members as of January 1, 2017.

Name, responsibility (as of January 1, 2017)	since
Dr Dieter Weisskopf Chief Executive Officer	1995
Martin Hug Chief Financial Officer	2004
Uwe Sommer* Marketing/Sales/Global Retail & Country Responsibility	1993
Andreas Pfluger Country Responsibility	1994
Rolf Fallegger Country Responsibility	1997
Dr Adalbert Lechner Country Responsibility	1993
Kamillo Kitzmantel Country Responsibility	1994
Alain Germiquet Country Responsibility, International Sales	2007
Guido Steiner Group Operations	1990

* Uwe Sommer will retire and thus leave Group Management as of April 30, 2017.

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

Uwe Sommer (CH) Economist, MA — Mr. Sommer joined Lindt & Sprüngli in 1993 as a member of Group Management, responsible for Marketing and Sales with country responsibilities. Since August 2012, he has been responsible for the Global Retail area. He worked previously as an executive in the marketing/sales sector of Procter & Gamble, Mars in Germany and England and as CEO with Johnson & Johnson in Austria. Uwe Sommer will retire from Group Management as of 30 April 2017.

Andreas Pfluger (CH) lic. rer. pol. — Mr. Pfluger began his career with Unilever in Switzerland before joining Lindt & Sprüngli (Schweiz) AG as Marketing Manager in 1994. In 1997, he took over responsibility as CEO for building up the subsidiary in Australia. He has held further positions as CEO of the French subsidiary and of the Ghirardelli Chocolate Company in California (USA). Since 2005, Mr. Pfluger has been responsible country-wide for North American markets. In 2011, he returned to the Swiss headquarters to work for Extended Group Management and was promoted to member of Group Management in 2013, where he is responsible for the development of specific markets. Since the 2014 takeover of the American group Russell Stover Candies LLC, Mr. Pfluger has supervised their integration into the Lindt & Sprüngli Group and is CEO of Russell Stover.

Rolf Fallegger (CH) lic. oec. HSG — Mr. Fallegger began his career in 1991 in marketing with Procter & Gamble in Geneva, Great Britain, and Belgium. He joined Lindt & Sprüngli (Schweiz) AG as Marketing Manager in 1997. He was then appointed CEO of the Lindt & Sprüngli subsidiary companies in Great Britain and France. In 2009, he returned to the Swiss base and in 2011 was appointed as member of the Extended Group Management. In 2014, he was promoted to member of the Group Management, where he continues to be responsible for the development of specific markets.

Dr Adalbert Lechner (AT) PhD in Law — After receiving his PhD in law, Mr. Lechner held several managements positions in marketing and sales with L'Oréal and Johnson & Johnson. He joined the Lindt & Sprüngli Group as CEO of the Austrian subsidiary company in 1993. In 1997, he took over responsibility for Chocoladefabriken Lindt & Sprüngli GmbH in Aachen, and in 2001, for the Austrian subsidiary. He was a member of Extended Group Management from 2011 until 2016. As of 1 January 2017 he is member of Group Management and assumes additional responsibility for the market in Scandinavia.

Kamillo Kitzmantel (AT/CH) Mag. Handelswissenschaft — Mr. Kitzmantel initially held various positions with Fischer Ski, Johnson & Johnson and Bahlsen before joining Lindt & Sprüngli Germany in 1994 as Marketing and Sales Manager. One year later, he was appointed CEO of the Swiss subsidiary company, over which he still presides today. He also took over temporary management responsibility for the Ghirardelli Chocolate Company in the USA and national responsibility for the Italian market. He has been a member of Extended Group Management since 2011. In August 2012, he also assumed responsibility for Duty-Free.

Martin Hug (CH) Economist, MA — Mr. Hug started his career as Finance Director at Volcafe in Costa Rica, before he joined Lindt & Sprüngli in 2004 as Senior Corporate Controller. Only a short time later he was promoted to CFO at Lindt & Sprüngli UK. Since 2011, he holds the position as CFO at Ghirardelli. As of January 1, 2017 he succeeded Mr. Weisskopf as Group CFO and is a member of Group Management.

GROUP MANAGEMENT



Dr Dieter Weisskopf



Uwe Sommer



Andreas Pfluger



Rolf Fallegger



Kamillo Kitzmantel



Dr Adalbert Lechner



Guido Steiner



Martin Hug



Alain Germiquet

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

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

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

EXTENDED GROUP MANAGEMENT (UNTIL 31 DECEMBER 2016)

The Extended Group Management and the Group Management were consolidated on January 1, 2017. As of December 31, 2016, the Extended Group Management had two members: Dr. Adalbert Lechner, country responsibility, and Kamillo Kitzmantel, country responsibility. Thomas Linemayr, country responsibility, has left the Extended Group Management as of end June 2016.

Number of permitted activities outside the Group

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

 http://www.lindt-spruengli.com/fileadmin/user_upload/corporate/user_upload/Investors/AOA/Articles_of_Association_E_11.02.2016.pdf

COMPENSATION, EQUITY PARTICIPATION AND LOANS

→ Details Compensation Report see page 39

SHAREHOLDERS' RIGHTS OF PARTICIPATION

Restrictions of voting rights and proxy

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

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

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

The voting rights restriction does not apply to the exercise of those rights by the independent voting rights representative and by shareholders with more than 6% of the voting rights whose names are recorded in the share register. Because the “Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG”, “Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli Aktiengesellschaft”, “Lindt Cocoa Foundation”, and “Lindt Chocolate Competence Foundation”, all Kilchberg ZH, have been entered as a group in the share register with a shareholding interest of more than 6%, the voting rights limitation does not apply to that fund.

A revocation of the statutory restrictions of voting rights requires a three-quarter majority of the votes represented at the General Meeting. Pursuant to Art. 12, paragraph 2 of the Articles of Association, a shareholder may arrange to be represented at the General Meeting by another shareholder or by the independent voting rights representative on the basis of a written power of attorney. A general instruction may be given for voting either on motions announced or unannounced in the invitation to attend.

Statutory quorum

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

Announcement of the annual General Meeting, agenda and share register

Shareholders are given notice by the Board of Directors at least 20 days prior to the date of the General Meeting via publication in the Swiss Handelsamtsblatt.

A shareholder whose name appears in the share register as owning at least 2% of the equity capital of the company may ask for an item to be placed on the agenda. The request for an item to be placed on the agenda – stating the matters to be discussed and proposals made – must be sent to the Board of Directors in writing no less than 60 days before the meeting. These requests for items to be placed on the agenda and the accompanying proposals must be placed before the General Meeting together with the Board of Directors’ opinion about them. During the General Meeting, requests and justifications for items not on the agenda may be brought up before the meeting for discussion. A decision about these items, however, may not be made until the next General Meeting after review by the Board of Directors.

Requests made within the realm of the agenda items do not need prior announcement. In the invitation to attend the General Meeting, the Board of Directors indicates the cut-off date for entry in the share register, which entitles the shareholder to attend and vote.

CHANGE IN CONTROL AND DEFENSIVE MEASURES

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

AUDITORS

Mandate

The General Meeting first appointed PricewaterhouseCoopers AG, Zurich, as its statutory auditor in April 2002. According to the Articles of Association of the company, the auditors must be newly appointed or confirmed each year at the General Meeting. The 2016 reporting year is the fourth year for Bruno Häfliger, lead auditor. Pursuant to the provisions of the Swiss Code of Obligations, the responsible lead auditor may not hold office for more than seven years. Bruno Häfliger will therefore not be allowed to serve as the responsible lead auditor after the end of the financial year 2019 at the latest.

Audit fee

The total audit fees billed by the auditing company in the reporting year 2016 were CHF 1.4 million.

Additional fees

The total sum of additional fees – mainly related to tax and EDP consulting – billed by the audit company in the reporting year 2016 totaled CHF 0.1 million.

Supervisory and controlling bodies

Supervision and control of auditors' performance is exercised by the whole Board of Directors. The Audit Committee supports the entire Board of Directors in this task. The committee also ensures that ongoing communication with the auditors is intact, regularly discussing results of audit activities in the areas of control and accounting activities, as well as suitability of the internal control systems with their representatives. Before the interim audit, auditors prepare an audit plan, which is then submitted to Audit Committee members. Based on an analysis of current business and audit risks, the main points to be audited are proposed in this plan. The audit plan is approved by the Audit Committee and then also by the Board of Directors. The appropriateness of the audit fee, as well as possible additional fees for "non-audit" services, are also reviewed on this occasion. The report on the final audit for the annual financial statement is dispatched to all members of the Board of Directors. It is first discussed in the Audit Committee with the auditors, then approved by the whole Board of Directors at the meeting called to adopt the annual report, in a circular resolution. In 2016,

the auditors attended one meeting of the Audit Committee. Auditors' direct access to the Audit Committee is guaranteed at all times. Information about the organization and scope of duties can be found on page 31 of this Annual Report.

SHAREHOLDER INFORMATION

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

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

→ For details refer to "Information" on page 132

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

 <http://www.lindt-spruengli.com/media/press-releases/news-service-registration/>

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

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

COMPENSATION REPORT

DEAR SHAREHOLDERS

On behalf of the Compensation & Nomination Committee, I welcome this opportunity to present the Compensation Report for the financial year 2016.

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

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

This Compensation Report is structured as follows:

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

The Board of Directors is convinced that this 2016 Compensation Report gives you, our valued shareholders, a comprehensive and integral overview of compensation for upper management at Lindt & Sprüngli Group.



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

COMPENSATION REPORT 2016

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

I. COMPENSATION GOVERNANCE

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

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

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

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

Compensation approval system

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

II. COMPENSATION FOR THE BOARD OF DIRECTORS

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

The same fixed flat-rate fee was paid to the Board for the term of office 2015/2016 and 2016/2017: CHF 260,000 for the Chairman, and CHF 145,000 to the members of the Board. The following compensation was effectively paid to the members of the Board of Directors in the year 2015/2016:

Compensation of the Board of Directors (audited)

Function on 31.12.2016		2016		2015	
CHF thousand		Fixed cash compensation ¹	Other compensation ⁴	Fixed cash compensation ¹	Other compensation ⁴
E. Tanner ²	Chairman and Delegate of the Board up to Sept. 30, 2016, thereafter Executive Chairman of the Board and member of the CS Committee ³	260	13	260	14
A. Bulgheroni	Board member, member of the Audit, CNC and CS Committee, Lead director up to September 30, 2016	145	40	145	40
Dkfm. E. Gürtler	Board member, member of the CNC	145	12	145	12
Dr R. K. Sprüngli	Board member, chairman of the CNC and the CS Committee	145	14	145	15
P. Schadeberg-Herrmann	Board member, member of the Audit Committee	145	13	145	13
Dr T. Rinderknecht ⁵	Board member, chairman of the Audit Committee	–	–	–	–
Dr F. P. Oesch ⁶	Board member, member of the Audit Committee	48	5	145	12
Total		888	97	985	106

1 Total compensation in the form of a fee.

2 Remuneration for the function as Chairman of the Board (with no executive responsibilities; for these additional duties the Executive Chairman is entitled to compensation under the terms of the employment contract terminated prematurely on April 30, 2017).

3 CS Committee: Corporate Sustainability Committee.

4 AHV share of the employee on fees paid by the employer (including that of the employer, that establishes or increases social insurance or pension contributions). Mr. Bulgheroni also received a gross fee of TCHF 28 in 2016 for his function as Chairman of the Board of Lindt & Sprüngli SpA and Caffarel SpA (previous year TCHF 28). Ms. Schadeberg-Herrmann received a fixed compensation of TCHF 13 for her consulting function at Lindt & Sprüngli (Austria) GmbH in 2016 (previous year TCHF 13).

5 Election at the General Meeting 2016. Fee is paid in April 2017.

6 Up to his decease in August 2015, Dr F. P. Oesch was a member of the Board of Directors and the Audit Committee. Payment of pro rata fee from May until August 2015.

The amount of CHF 1.1 million approved by the General Meeting of April 23, 2015, as the maximum combined compensation for the Board of Directors for the period up to the next General Meeting was not exceeded. The amount of CHF 1.1 million approved by the General Meeting of April 21, 2016, as the maximum combined compensation for the Board of Directors for the period up to the next General Meeting was not exceeded either. The amount effectively paid out will be disclosed in the Annual Report 2017. The combined compensation paid to the Board of Directors in 2016 was barely changed from the previous year.

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

III. COMPENSATION FOR THE GROUP MANAGEMENT AND EXTENDED GROUP MANAGEMENT

i. Compensation principles

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

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

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

ii. Compensation system

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

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

Composition of Group Management variable compensation

	Fixed compensation	Variable compensation			
		Cash bonus			
	Base salary	Target bonus in % of base salary	Target attainment range as % of target	Shares (number)	Options ¹ as % of base salary
CEO	100%	100%	0–200%	0–50	0–200%
Group Management and Extended ² Group Management	100%	30–90%	0–200%	–	0–200%

¹ Options on participation certificate.

² Up to December 31, 2016.

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

In the financial year 2016, compensation for Group Management and Extended Group Management was reviewed by benchmarking. Here, the compensation level and its structure were compared with twelve industrial companies from the SMI and SMIM that were similar in terms of market capitalization and sales. In addition, the long-term corporate performance of Lindt & Sprüngli was determined by comparison with the peer group to obtain an assessment representing a “Pay for Performance” analysis. In addition, a benchmarking exercise was carried out, with the support of specialist consultants, with respect to the newly created position of Executive Chairman and Group Management compensation.

iii. Compensation elements

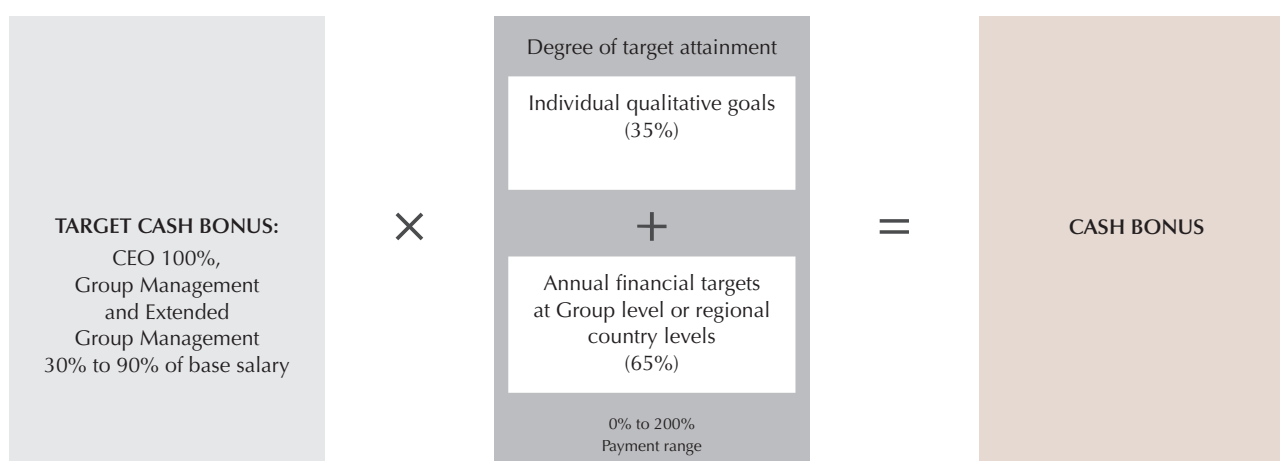
Basic salary and other compensation — The basic salary is paid out in twelve or thirteen equal monthly cash installments. In addition, members of Group Management and Extended Group Management receive other compensation and ancillary benefits, including entitlement to a company vehicle and participation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

Cash bonus — The cash bonus is determined by multiplying the individual target cash bonus by a target attainment factor, determined by a scorecard. For the CEO and members of Group Management, this factor is determined largely by the attainment of financial targets for the year at Group level and, to a lesser extent, by the attainment of personal annual qualitative targets set by the CNC. The financial targets are determined annually and correlated with the long-term strategy, with the goal of achieving sustainable organic sales growth accompanied by continuous improvement in profitability. For financial targets, results achieved over the last three years on the market are also measured against our competitors to allow comparison of circumstances not influenced by the company itself. Non-financial targets are guided by the individual function and relate to strategy implementation and to defined management and conduct criteria.

For Extended Group Management, the target bonus multiplier is also determined using a scorecard, with multipliers mainly influenced by the attainment of established financial targets. For the members of Extended Group Management who have responsibility at regional or national level, regional and national financial targets are also considered, along with Group targets. For members of Extended Group Management, strategic and personal target achievement represents a comparatively small part of the bonus calculation.

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

Calculation of the cash bonus for the CEO, Group Management, and Extended Group Management



Share plan — The compensation in blocked shares, agreed contractually with the CEO when he was appointed in 1993, entitled him to a certain number of blocked shares every year. Since 2015, the CEO receives a variable quantity of up to 50 shares, depending on performance in previous years. The exact number of shares is decided by the CNC, as part of an overall assessment based on a scorecard and is determined by achievement of financial and non-financial targets measured over a period of three years. If the targets are not achieved, the number of shares will be reduced accordingly. The allocated shares continue to be subject to a five-year vesting period, during which they may not be sold; in other words, the long-term value is linked to the company's value trend. Having assumed the post of Executive Chairman, the former CEO is no longer entitled to any share allocation. The new CEO, who took up office on October 1, 2016, is not entitled to the allocation of any blocked shares.

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

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

iv. Compensation

Compensation for members of Group Management and Extended Group Management for the year 2016 and 2015 is shown in the following table. The valuation of the option and equity-based compensation for 2016 and 2015 uses market values at the time of grant.

Compensation for the Group Management and Extended Group Management (audited)

CHF thousand	Fixed gross compensation ¹	Variable cash compensation ²	Other compensation ³	Options ⁴	Registered shares ⁵	2016 market value
						Total compensation
Ernst Tanner, CEO until 30 September 2016, thereafter Executive Chairman of the Board ⁶	1,224	1,100	131	1,728	3,232	7,415
Other members of Group Management and Extended Group Management ⁷	4,973	3,686	370	5,185	–	14,214
Total	6,197	4,786	501	6,913	3,232	21,629

CHF thousand	Fixed gross compensation ¹	Variable cash compensation ²	Other compensation ³	Options ⁴	Registered shares ⁵	2015 market value
						Total compensation
Ernst Tanner, CEO ⁶	1,226	1,600	116	1,620	2,859	7,421
Other members of Group Management and Extended Group Management ⁷	4,726	3,076	1,525	5,184	–	14,511
Total	5,952	4,676	1,641	6,804	2,859	21,932

1 Total of paid-out compensation, including pension fund and social insurance contributions paid by the employer, that establishes or increases employee benefits.

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

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

4 Option grants on Lindt & Sprüngli participation certificates under the terms and conditions of the Lindt & Sprüngli employee share option plan (see also note 27). The valuation reflects the market value at the time granted. The total number of granted share options in 2016 to Mr. Tanner was 2,500 units (2,500 units in 2015) and to all other members of the Group Management and Extended Group Management 7,500 units (8,000 units in 2015).

5 50 Lindt & Sprüngli registered shares granted to the CEO in the business year 2016 (50 in 2015), with a 5-year vesting period, under the terms of the previous employment contract. The valuation is based on the market value at the time of grant.

6 The fixed base salary for function as CEO (excluding social security contributions) remains unchanged from 1993 to September 30, 2016.

7 Since July 1, 2016 (departure of T. Linemayr), there are six other Group Management and Extended Group Management members.

The amount of CHF 28 million approved by the General Meeting of April 23, 2015 as the maximum combined compensation for the Group Management and Extended Group Management was not exceeded; no use was made of the supplementary amount in accordance with Art. 15bis para. 5 of the Articles of Association.

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

IV. EMPLOYMENT CONTRACTS

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

V. PARTICIPATION

The following table provides information on the ownership of Lindt & Sprüngli registered shares, participation certificates and options on participation certificates for members of the Board of Directors, Group Management, and Extended Group Management on December 31, 2016.

		Number of registered shares (RS)		Number of participation certificates (PC)		Number of options	
		2016	2015	2016	2015	2016	2015
E. Tanner	Chairman and CEO until 30.09.2016, as of 01.10.2016 Executive Chairman	3,122	3,103	8,400	9,000	14,750	12,250
A. Bulgheroni	Member of the Board	1,000	1,000	–	–	1,900	1,900
Dkfm E. Gürtler	Member of the Board	1	1	50	50	–	–
Dr R. K. Sprüngli	Member of the Board	1,090	1,092	–	–	–	–
Dr T. Rinderknecht	Member of the Board	–	–	–	–	–	–
P. Schadeberg-Herrmann	Member of the Board	127	115	–	–	–	–
U. Sommer	Group Management	1	12	–	40	5,400	6,150
Dr D. Weisskopf	Group Management	7	7	2,400	2,400	7,650	7,475
A. Pfluger	Group Management	5	5	30	30	6,483	5,100
R. Fallegger	Group Management	5	5	654	1,154	4,088	4,088
K. Kitzmantel	Extended Group Management	5	5	–	5	3,838	4,088
Dr A. Lechner	Extended Group Management	7	6	56	56	5,150	5,178
T. Linemayr ¹	Extended Group Management	–	4	–	77	–	4,967
Total		5,370	5,355	11,590	12,812	49,259	51,196

1 Mr. T. Linemayr left the Lindt & Sprüngli Group in 2016, therefore no participation is reported for 2016.

VI. ADDITIONAL FEES, COMPENSATION, AND LOANS TO COMPANY OFFICERS

Apart from the benefits listed in this report, no other compensation was provided in the reviewed year 2016 – either directly or via consultancy companies – to the executive and non-executive members of the Board of Directors or to the members of Group Management and Extended Group Management and to former members of Group Management and the Board of Directors as well as related persons. In addition, as per December 31, 2016, no loans, advances or credits were granted by the Group or by any of its subsidiary companies to this group of persons.

VII. COMPENSATION TO FORMER MEMBERS

No compensation was paid to former members of the Board of Directors or to the members of Group Management and Extended Group Management.

REPORT OF THE STATUTORY AUDITOR

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

We have audited the remuneration report of Chocoladefabriken Lindt & Sprüngli AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” on pages 42 and 46 of the remuneration report.

Board of Directors’ responsibility

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

Auditor’s responsibility

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

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

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

Opinion

In our opinion, the remuneration report of Chocoladefabriken Lindt & Sprüngli AG for the year ended 31 December 2016 complies with Swiss law and articles 14–16 of the Ordinance.



PricewaterhouseCoopers AG

A handwritten signature in dark ink, appearing to read 'Bruno Häfliger'.

Bruno Häfliger
Audit expert
Auditor in charge

A handwritten signature in dark ink, appearing to read 'Richard Müller'.

Richard Müller
Audit expert

Zurich, 6 March 2017



DIFFERENCE

Lindt Difference –
What makes Lindt chocolate so exceptional?

FINEST COCOA

UNIQUE ROASTING AND GRINDING PROCESS

THE LINDT INVENTION

BEST INGREDIENTS

PRODUCT PERFECTION

Lindt

DIFFERENCE

Lindt Difference –
What makes Lindt chocolate so exceptional?

FINEST COCOA

The secret of Lindt's unique taste lies in the careful selection and blending of premium cocoa beans from the world's most exclusive regions of origin, coupled with highly skilled production methods.

UNIQUE ROASTING AND GRINDING PROCESS

THE LINDT INVENTION

BEST INGREDIENTS

PRODUCT PERFECTION



FINEST COCOA

BEANS FROM THE MOST RENOWNED REGIONS

Lindt & Sprüngli sources its premium cocoa beans from the world's very best regions of origin, such as Ghana, Latin America (mainly Ecuador), the Caribbean, Madagascar, and Papua New Guinea. In our recipes, we use special blends of cocoa varieties from different regions. These bean combinations are a closely guarded secret and are what give our chocolates their exquisite taste.

RESPONSIBLE WAY OF PRODUCING SUSTAINABLE COCOA



Lindt & Sprüngli sources its cocoa beans from the world's most renowned regions.



The quality of the cocoa beans is tested in our internal laboratories on the basis of very strict guidelines.

Lindt & Sprüngli is one of the few “bean-to-bar” chocolate makers in the world, with full control of the production chain, from the selection of cocoa beans to the end product. On the one hand, this approach allows us to control the entire manufacturing process and thus guarantee superlative product quality. On the other hand, this ensures our commitment to sustainability is maintained along the entire value creation chain.

The unique taste of Lindt chocolate is the result of careful selection, blending, and processing of premium cocoa beans from the world's best regions. But it is not just high quality standards that play a key role: our sustainable supply chain is equally important. This was the rationale behind the launch of the Lindt & Sprüngli Farming Program in 2008. The Program pays a voluntary price premium for every ton of cocoa beans purchased, which is then invested in the traceability and verification of cocoa beans. Our Farming Program helps to boost farmers' crop yields, thereby not only improving their livelihoods, but at the same time securing the long-term supply of premium cocoa beans for Lindt & Sprüngli.

LINDT & SPRÜNGLI FARMING PROGRAM

56,000

Cocoa farmers trained in the Farming Program:



The Lindt & Sprüngli Farming Program consists of four steps:

- Set-up of traceability
- Training and knowledge transfer
- Farmer investment and community development
- Verification and continuous progress



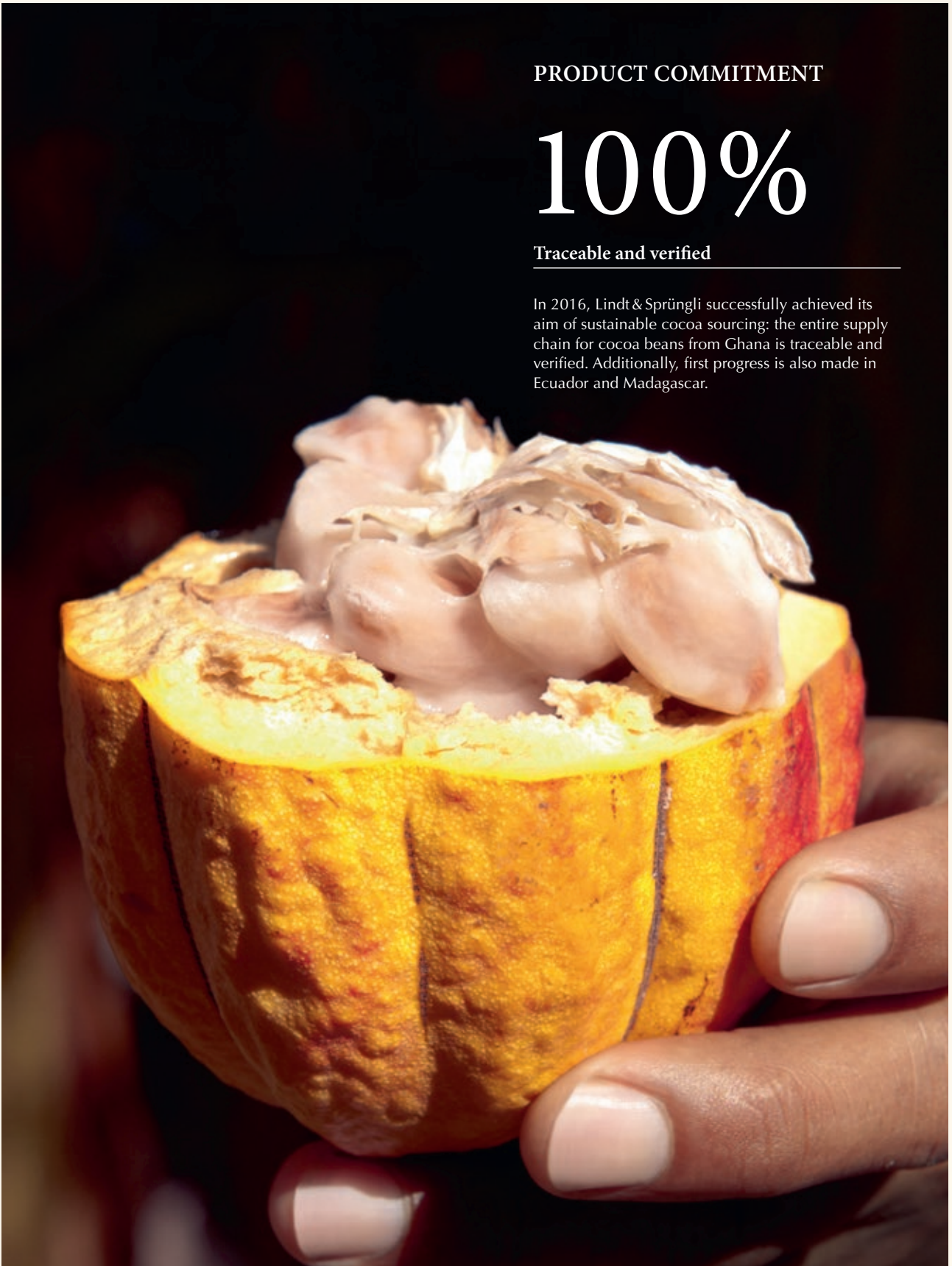
<http://www.lindt-spruengli.com/sustainability/>

PRODUCT COMMITMENT

100%

Traceable and verified

In 2016, Lindt & Sprüngli successfully achieved its aim of sustainable cocoa sourcing: the entire supply chain for cocoa beans from Ghana is traceable and verified. Additionally, first progress is also made in Ecuador and Madagascar.



Lindt

DIFFERENCE

Lindt Difference –
What makes Lindt chocolate so exceptional?

FINEST COCOA

UNIQUE ROASTING AND GRINDING PROCESS

Lindt Master Chocolatiers roast the cocoa beans using a process refined over decades and then grind them down to an extremely fine texture – essential for the unique taste of Lindt chocolate.

THE LINDT INVENTION

BEST INGREDIENTS

PRODUCT PERFECTION

A close-up, profile view of a chef wearing a white toque with gold embroidery. He is holding a large quantity of roasted cocoa beans in his cupped hands, bringing them close to his nose to smell. The background is softly blurred, showing more of the beans and the warm, golden tones of the kitchen environment.

UNIQUE ROASTING AND
GRINDING PROCESS

THE ART OF CREATING THE PERFECT AROMA

The cocoa varieties are mixed together according to top-secret recipes and then the beans are split open. Next, the so-called cocoa nibs are roasted to bring out their special aroma. Here Lindt & Sprüngli uses a special method in which the roasting temperature and times are perfectly matched. After roasting, these cocoa nibs are reduced to cocoa mass in special grinders and then mixed with other ingredients before being crushed to minute particles on massive rolling mills. This is one of the reasons why Lindt chocolate really does melt in the mouth.

THE ESSENCE – A SMOOTH CHOCOLATE TEXTURE



The roasting punctuates the unique aroma of the cocoa beans.

Lindt & Sprüngli processes the cocoa beans into cocoa mass in Switzerland, France, and the US. In Switzerland for example, our dedicated European Cocoa Center is in Olten. Here the carefully selected premium cocoa beans are weighed and mixed according to precise recipes. The actual bean mix in each case is a closely guarded manufacturing secret, as the expert blending of the flavors of the individual bean varieties from different provenances is what gives the chocolate its special taste. After blending, the cocoa beans are placed in special machines for “winnowing”, where the husks are split open and removed by mechanical sifting and air currents, leaving behind the cocoa “nibs”. The nibs are then roasted using a specialized process, which is what gives the cocoa its unique and exquisite aroma. Lindt & Sprüngli deliberately roasts just the nibs rather than the entire cocoa beans, to achieve a very uniform roasting process. As with coffee, the cocoa beans may have a light or dark roast depending on their eventual use. It is a well-known fact that roasting certain foods not only makes them easier to digest, but also intensifies their aroma. This is why, for example, Lindt & Sprüngli also roasts all its hazelnuts and almonds in-house. Very soon after that, they are processed into

the end product so as to ensure that the chocolate retains the delicate flavor of the roasted beans. Roasting is one of Lindt & Sprüngli’s core skills and requires a very sophisticated process that ensures a perfect match between roasting temperature and duration. The cocoa nibs, which have been roasted but are still relatively coarse, are then cracked and ground very finely in special mills. The heat created by the pressure and friction liquefies the cocoa butter contained in the beans to produce a thick paste known as cocoa mass. The cocoa mass is dark brown in color and has a strong characteristic smell and flavor. It provides the basic material for the next stage of the chocolate-making process. The cocoa mass is then mixed with other ingredients such as cocoa butter, sugar, vanilla, and dried milk powder (depending on the recipe), and ground even more finely in our Kilchberg factory. At Lindt & Sprüngli, the chocolate mass is passed through the rolling mill twice to ensure it is reduced to the tiniest particle size possible. This stage of processing also requires specialist know-how and is an important component of the Lindt Difference, as the extremely fine particles in the cocoa mass are what gives Lindt chocolate its unique melt-in-the-mouth texture.

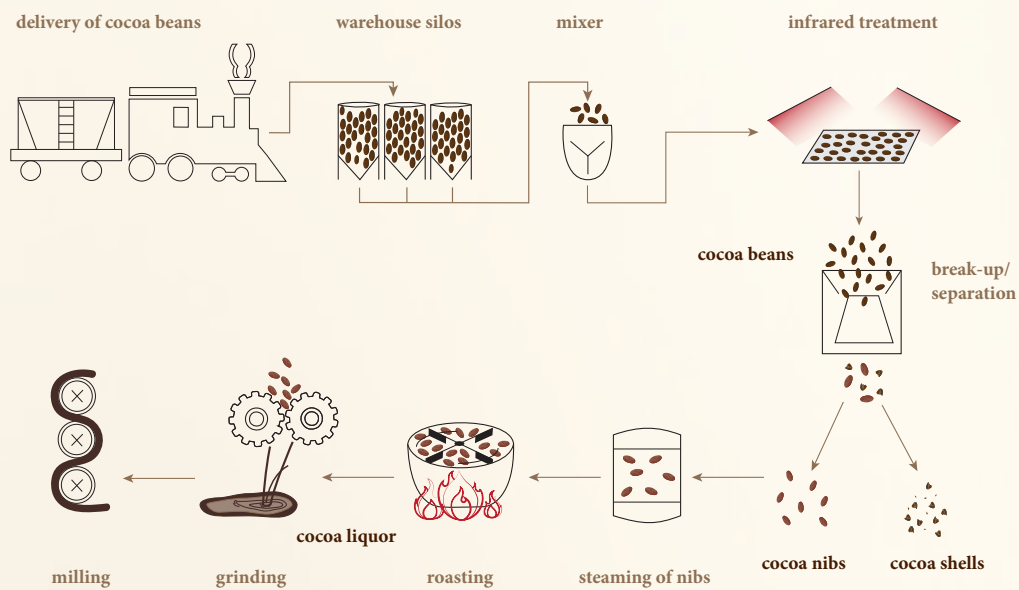


Cocoa beans after the grinding.



The smooth chocolate texture is the result of the very fine grinding.

HOW COCOA BEANS ARE TURNED INTO COCOA LIQUOR



Lindt

DIFFERENCE

Lindt Difference –
What makes Lindt chocolate so exceptional?

FINEST COCOA

UNIQUE ROASTING AND GRINDING PROCESS

THE LINDT INVENTION

In 1879, Rodolphe Lindt revolutionized chocolate-making by inventing a technique known as “conching”: the chocolate mass is heated and beaten vigorously to produce the creamy, velvety texture of Lindt chocolate.

BEST INGREDIENTS

PRODUCT PERFECTION

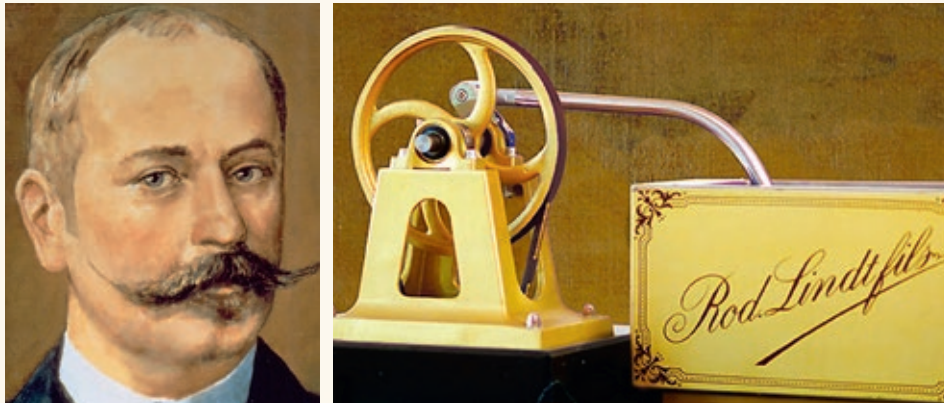
THE CONCHING

THE SECRET OF SMOOTH MELTING CHOCOLATE

In 1879, Rodolphe Lindt invented conching, a revolutionizing process that altered the entire chocolate industry. The technology has been continuously refined since then, and today the ground-breaking invention of our pioneer founder is now used throughout the industry. Vigorous beating heats up the chocolate mass in the “conche” and cocoa butter is reduced to the finest particle size. This produces the velvety melting texture that makes Lindt chocolate so special.



TRADITION AND INNOVATION OF THE CONCHING PROCESS



RODOLPHE LINDT invented the conching process back in 1879 and thus laid the foundation for revolutionizing the whole chocolate-making industry.

Back in 1879, Rodolphe Lindt, the son of a pharmacist in Bern, wanted to make chocolate. In those days, chocolate was very different. For a start, it was hard: hard to process and hard to eat. In fact, you had to chew it. Melt in the mouth? A real treat? A joy to the senses? Unfortunately not! Lindt only realized his dream one evening when ... But wait! Things did not move quite so fast. Initially Rodolphe Lindt, confectioner, epicurean, and bon vivant, simply wanted to create a type of chocolate that was not hard.

So he bought an old factory with ancient machines. Bernese society wondered what he was up to, but Rodolphe would not be discouraged. Although he experimented, nothing seemed to work. On the contrary, a thin white film formed on the chocolate mass. His peers mocked his efforts. Eventually it was his brother, a pharmacist like his father, who analyzed the white film. He found it was harmless: nothing more than crystallized fat. Lindt carried on experimenting. More cocoa beans? Or even cocoa butter? No one had tried this before! He worked on the recipe, thought it over, and played around with ingredients. But no matter what he did, he was still no closer to his goal. “Gourmet chocolate”? Nothing of the sort! The only thing he could be sure of was ridicule from his rivals. Then came that momentous Friday evening. In the flush of youth, Rodolphe Lindt left his factory with a few things he had forgotten to do – most importantly, turn off the mixing machine.

Did he forget because he was in a hurry? Or was it intentional? Was he following a hunch, or perhaps trying to do something differently? We have no way of knowing. In any case, the machine kept running – over the entire weekend.

When Rodolphe Lindt entered the factory on Monday morning, he was initially very concerned about his oversight. But what he found in the mixing vat was not hard, burnt chocolate mass: it had a wonderful sheen and smell. When he came to sample it, he was the first person ever to experience chocolate melting on the tongue. He was in seventh heaven. In 187, Rodolphe Lindt set new standards with the first “melt-in-the-mouth” chocolate. Everyone wanted to buy it and try it – but that didn’t bother him, he continued to enjoy life and only went into the factory when he felt like it. The entire world wanted to learn Lindt’s secret, but no one managed to do so – fortunately.

In the meantime, Lindt’s factory was only fit to be demolished, and modernization was essential. The worry lines on Rodolphe Lindt’s forehead grew bigger. Eventually, almost 20 years after inventing “chocolat fondant” there was a meeting in Olten (halfway between Bern and Zurich) between Rodolphe Lindt and Rudolf Sprüngli, who had also built a strong reputation for his own chocolate and entrepreneurial spirit. Lindt suggested that Sprüngli should buy the Lindt brand and the secret of the conching process. This meeting in Olten marked the start of Lindt & Sprüngli’s long success story.

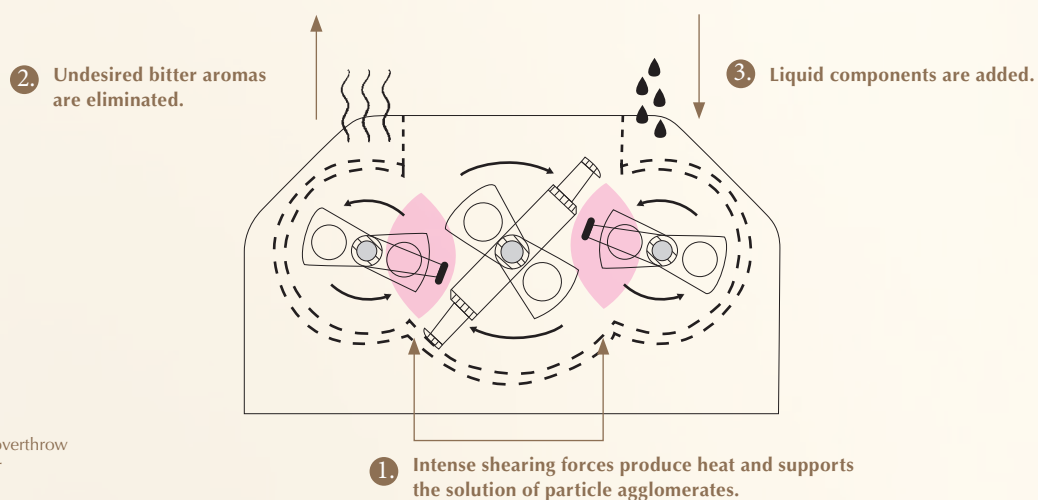


After conching the chocolate is smooth melting.

WHAT ACTUALLY HAPPENS IN THE CONCHE?

Conching is a key factor in determining the quality of the chocolate. Conching is the final stage in the chocolate manufacturing process when it is possible to influence the texture, melting properties, and taste characteristics of the end product. Here too, the aim is to create the best possible taste and aroma profile. Although the previous grinding stage in the rolling mills ensures the particles are evenly distributed in the chocolate, these tiny particles can still form clumps. Intense shear forces in the mixer, or conche, help to break down these clumps again. At the same time, the chocolate mass heats up, allowing the unwanted volatiles and bitter acids to escape.

This releases the fat bound in the pores and significantly improves the flow properties of the chocolate. In addition, most of the water is removed, allowing the correct moisture balance to be achieved. This is important for producing a good melting texture. Last but not least, the dough-like mixture, which assumes a powdery texture after being passed over the rough and fine rollers, is converted into a liquid chocolate mass in the conche, with liquid components such as cocoa butter also being added to the mix. After conching, the chocolate mass is ready to be made into chocolate tablets, hollow figures, and pralinés.



Source: Double-overthrow
conche by Bühler

Lindt

DIFFERENCE

Lindt Difference –
What makes Lindt chocolate so exceptional?

FINEST COCOA

UNIQUE ROASTING AND GRINDING PROCESS

THE LINDT INVENTION

BEST INGREDIENTS

Only the finest ingredients from the world's best terroirs are
good enough for Lindt's Master Chocolatiers

PRODUCT PERFECTION

BEST INGREDIENTS

ONLY THE BEST INGREDIENTS ARE GOOD ENOUGH

Top quality is the most important criterion in the meticulous selection of our raw materials. This not only applies to the main ingredient, cocoa beans, but to all other materials such as hazelnuts, almonds, and vanilla. We source these ingredients from the world's best growing regions and monitor their quality in our own laboratory when the goods enter our factory.



FINEST CREATIONS DELIVER A UNIQUE TASTING EXPERIENCE



Best ingredients are the basis for our high-quality premium products.

The manufacture of premium chocolate requires the very best ingredients. Lindt Master Chocolatiers therefore take enormous care when choosing raw materials, and leave nothing to chance. Lindt & Sprüngli sources its premium cocoa beans from the world's most exclusive regions of origin, such as Ghana, Latin America (mainly Ecuador), the Caribbean, Madagascar, and Papua New Guinea. What's more, all the other ingredients such as sugar, and dried milk powder, hazelnuts, almonds, and vanilla are subject to rigorous standards regarding their origin and quality standards. For example, the milk powder we use in our milk chocolate products is even made by our suppliers according to our individual specifications.

When raw materials arrive in our production facilities, they are once again checked by our in-house laboratory to make sure they meet our high quality standards. In the case of cocoa beans and hazelnuts, for example, a sample product is sliced open with a guillotine. The image of this cross-section

allows our experts to assess whether the quality meets our high standards. Additional quality checks are performed over the course of the entire production process. Special care is also taken when continuing to process the raw materials. For example, hazelnuts and almonds are freshly roasted and then pass straight on to the next stage of the production process. This ensures the chocolate retains the special roast aroma that gives a fresh, crisp taste experience.

Our global marketing departments are involved in intensive research into chocolate trends and consumer tastes as the company continues to develop new, innovative flavors. Once a range of potential new products has been selected, it's the turn of the Lindt Master Chocolatiers. Working together with leading suppliers, we then determine the best raw materials for the new chocolate varieties. This is a laborious process that can take months or even years. Only the very best ingredients are good enough for our premium chocolate products.



With over 40 varieties, the Lindt Excellence range delivers the right chocolate bar for every taste.

Lindt

DIFFERENCE

Lindt Difference –
What makes Lindt chocolate so exceptional?

FINEST COCOA

UNIQUE ROASTING AND GRINDING PROCESS

THE LINDT INVENTION

BEST INGREDIENTS

PRODUCT PERFECTION

The Lindt Master Chocolatiers decorate their creations with
attention to detail and wrap their masterpieces in
elegant packaging.

FINISHED WITH PERFECTION

ATTENTION TO DETAIL

Lindt Master Chocolatiers are consummate professionals who are only satisfied once their products are perfect. The final touch is the meticulous decoration of the end product and the packaging. Here, for example, freshly the exquisite perle de cocoa are placed on pralinés by hand, the gold foil around the Gold Bunny is polished to a high sheen, and an elegant bow is added to the gift packaging. Lindt Master Chocolatiers are only satisfied when everything is perfect, and the product can be transferred to the shop shelf.



REFINED WITH PASSION

Lindt Master Chocolatiers are masters of their craft and are fully aware that the presentation and visual appeal of their chocolate creations are just as important as the tasting experience itself. The elegant appearance of the products is no accident. Lindt Master Chocolatiers can draw on a vast pool of expertise and have developed a keen eye for detail over many years, passing on their know-how through perfectly made chocolate masterpieces.

One of the important steps in finishing the product is coating the fine Lindt pralinés with chocolate. This requires the chocolate to be perfectly tempered to ensure it retains an attractive sheen as it cools down and has a crisp, firm texture when the consumer bites into it. This is followed by the stylish decoration of the products where nothing is left

to chance – one of the reasons why Lindt & Sprüngli is the world's leading producer of premium chocolate.

Pralinés are decorated by hand with freshly roasted almonds or chocolate balls and given exotic names such as Amande de Luxe and Perle de Cacao. The gold foil around the Gold Bunny is polished to a high sheen and the characteristic red collar placed around the neck by hand. To finish things off, the products are put in elegantly designed packaging which also protects them from external effects and preserves their exquisite aroma.

Finally, the products arrive in retail outlets and in Lindt's own shops, where once again great emphasis is placed on a neat, visually appealing presentation.



The Lindt Master Chocolatier puts the red ribbon with the bell around the neck of the Gold Bunny with great affection.



In our Lindt Boutiques great importance is attached to the appealing presentation of our products.

Lindt 

DIFFERENCE





LINDT & SPRÜNGLI

CHOCOLADEFABRIKEN
LINDT & SPRÜNGLI AG
SEESTRASSE 204, CH-8802 KILCHBERG
SWITZERLAND

www.lindt-spruengli.com