LINDT & SPRÜNGLI

Annual Report 2020

MAÎTRE CHOCOLATIER SUISSE DEPUIS 1845

Credo

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

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

Our working environment attracts and retains the best people.

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

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

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

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

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

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

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

Key Financial Data

Income Statement

		2020	2019	Change in %
Sales	CHF million	4,016.8	4,509.0	–10.9
EBITDA	CHF million	696.1	915.8	–24.0
in % of sales	%	17.4	20.3	
EBIT	CHF million	420.3	593.0 [1]	–29.1
in % of sales	%	10.5	13.2 [1]	
Net income	CHF million	320.1	511.9	–37.5
in % of sales	%	8.0	11.4	
Operating cash flow	CHF million	787.6	830.9	–5.2
in % of sales	%	19.6	18.4	

1 Included one-off effects of CHF 81.6 million in 2019. Without these effects the EBIT amounts to CHF 674.6 million and the EBIT-margin to 15.0%.

Balance Sheet

		2020	2019	Change in %
Total assets	CHF million	8,051.0	8,040.8	0.1
Current assets	CHF million	2,953.9	2,975.7	–0.7
in % of total assets	%	36.7	37.0	
Non-current assets	CHF million	5,097.1	5,065.1	0.6
in % of total assets	%	63.3	63.0	
Non-current liabilities	CHF million	2,164.4	1,680.9	28.8
in % of total assets	%	26.9	20.9	
Shareholders' equity	CHF million	4,606.3	4,670.2	–1.4
in % of total assets	%	57.2	58.1	
Investments in PPE/intangible assets	CHF million	243.8	247.0	–1.3
in % of operating cash flow	%	31.0	29.7	

Employees

		2020	2019	Change in %
Average number of employees		13,557	14,621	–7.3
Sales per employee	TCHF	296.3	308.4	–3.9

Data per share

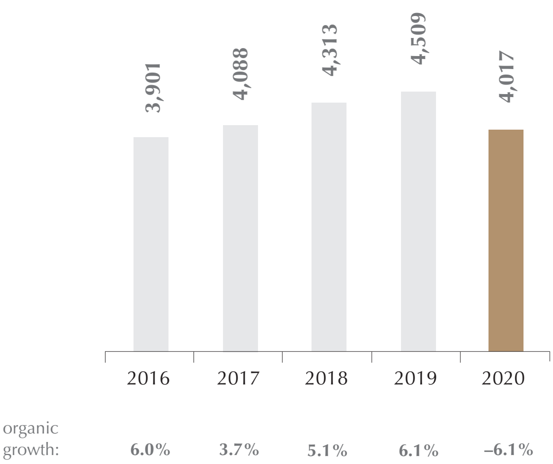
		2020	2019	Change in %
Non-diluted earnings per share/10 PC[1]	CHF	1,333	2,142	–37.7
Operating cash flow per share/10 PC[1]	CHF	3,264	3,492	–6.5
Dividend per share/10 PC	CHF	1,100[2]	1,750	–37.1
Payout ratio	%	82.5	83.2	
Shareholders' equity per share/10 PC	CHF	19,088	19,626	–2.7
Price registered share at December 31	CHF	88,400	85,500	3.4
Price participation certificate at December 31	CHF	8,630	7,515	14.8
Market capitalization at December 31	CHF million	20,993.8	19,687.9	6.6

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

Key Financial Data

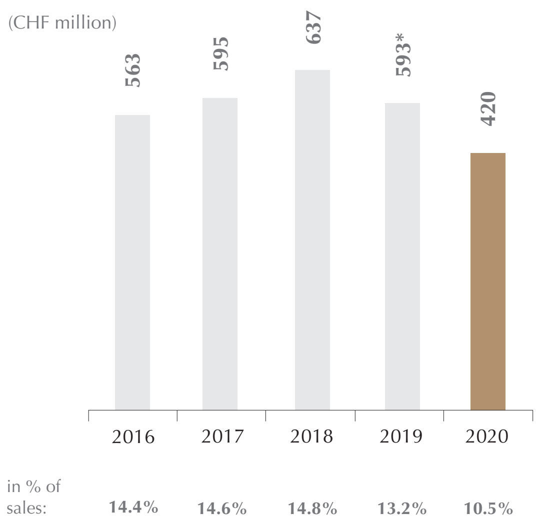
Sales

(CHF million)



Operating profit (EBIT)

(CHF million)



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

Content

Our Reports are available online:

Annual Report:
https://report.lindt-spruengli.com/20ar/en/

Sustainability Report available as of May 2021
https://www.lindt-spruengli.com/sustainability/reports

Letter to Shareholders 2020

Dear Shareholders

The global pandemic has been with us for a year now and has presented immense challenges not only for our company, but for society as a whole. Lindt & Sprüngli has been strongly affected by the restrictions and regulations introduced to contain Covid-19. Our focus has been to implement comprehensive measures in all areas of our business to protect our employees, consumers, business partners, and suppliers, as well as to preserve business continuity. Despite this difficult year, we still managed to reach important milestones in our company's long-standing successful history: in the area of sustainability, we achieved key targets not just for the supply of our important raw material cocoa beans, but also in the reduction of greenhouse gas emissions and water consumption. We are particularly proud that the Lindt Chocolate Competence Foundation was able to open the Lindt Home of Chocolate in Kilchberg, Switzerland, in the same year as Lindt & Sprüngli's 175th anniversary. Since September 2020, over 100,000 visitors have already been welcomed to the new attraction at the Lake of Zurich. Even in the difficult market environment, the Lindt & Sprüngli Group managed to achieve significant progress – as so often in its 175-year history. We are delighted to report a solid result and share a selection of highlights with you, despite the global challenges.

Chocoladefabriken Lindt & Sprüngli AG had a very dynamic start to the 2020 financial year. The Group achieved a solid increase both in sales and profit until March. However, the stringent measures subsequently introduced worldwide to contain the Covid-19 pandemic had a negative impact on key areas of our business and thus on the Group's full-year result. The global network of own shops suffered from temporary closures and lower frequency. Christmas and especially Easter as important seasonal gifting occasions were affected across all sales channels. The restrictions had a particularly negative impact on sales in North America's food-service business and Italy's traditional trade. Tight restrictions on air travel caused a sharp decline in sales in the Travel Retail segment.

Fortunately, sales growth in the premium segment, where we are market leader, was above average, particularly in the second half of the year. The company benefited from this trend and was able to meet increased demand for products destined for self-consumption at home with its diverse portfolio of high-quality products. This helped to drive retail trade sales of our leader products Excellence and Lindor. The Excellence range even recorded a double-digit growth. We responded quickly and innovatively to the changes in consumer behavior caused by the pandemic with numerous entrepreneurial initiatives such as home deliveries, click & collect services, and the expansion of e-commerce. Online sales doubled to around 5% of Group sales. We plan to proceed with this positive development in 2021 with the launch of new e-shops in different countries. From own shops through to e-shopping and corporate gifting, teleshopping, and subscription programs – all these channels are part of an overarching omni-channel strategy designed to ensure a seamless consumer experience across all platforms.

Ernst Tanner, Executive Chairman of the Board of Directors, and **Dr Dieter Weisskopf,** CEO Lindt & Sprüngli Group, in front of the newly opened Chocolateria at the Lindt & Sprüngli headquarters in Kilchberg, Switzerland.

For the financial year 2020, the Lindt & Sprüngli Group reported sales of CHF 4.02 billion, equivalent to a decline of –6.1% in organic growth. However, we were able to increase our market shares in almost every country and grow sales in important markets. Over the past financial year, the Swiss franc again strengthened substantially compared to all major currencies. The resulting negative currency effect on the consolidated result led to a decrease in sales of –10.9% in domestic currency.

Lindt & Sprüngli was able to secure a continuous supply of raw materials to all its production facilities, despite the huge challenges on global supply chains. In addition, a successful and forward-looking procurement strategy allowed Lindt & Sprüngli to compensate for the fluctuation in raw material prices and keep costs stable. Prices for the important raw materials, including hazelnuts and milk powder, rose sharply, while almond prices were considerably lower thanks to a plentiful harvest. Cocoa butter prices declined from a high level toward the end of the financial year in response to a weaker global demand. However, cocoa bean prices remained stable.

Despite the difficult market environment created by repeated local lockdowns, the region of "Europe" achieved a pleasing result, with only a modest decline of –2.9% in organic sales growth. Sales in the markets of Germany, the United Kingdom, and Spain actually increased, with Eastern Europe and Scandinavia (Nordic) even reporting double-digit growth. At the same time, we managed to gain important market shares and present our premium brands very successfully in retail trade. However, the Swiss home market suffered especially from the sharp decrease in frequency at top tourist destinations and the temporary closures of own shops. Our subsidiaries in Italy and Austria also had to cope with the decline in tourism. Also the traditional trade in Italy – an important retail channel for our business – was almost completely closed.

The "North America" region was severely affected by the pandemic and reported a decline of –6.8% in organic growth. Nevertheless, significant market share gains were achieved in the chocolate bar segment for Lindt and Ghirardelli, as well as in Russell Stover's sugar-free product line. The losses were partly offset by rising self-consumption of chocolate bars and the great success of the baking products segment of our subsidiary Ghirardelli. The measures to contain the virus particularly affected the network of our own shops due to repeated closures, and also hit the food-service business due to restaurant closures. Our subsidiary Russell Stover, which is mainly active in the gifting segment, suffered particularly from the restrictions imposed under the pandemic at Easter and Christmas. However, an increase in efficiency in the supply chain helped to improve the profitability of the "North America" region and to invest in brand advertising to maintain our position as No. 1 in the premium segment and No. 3 in the overall US chocolate market.

The "Rest of the World" segment recorded a decrease of –16.1%, in particular due to the sharp decline in the Travel Retail business and the temporary shop closures resulting from the lockdowns. Positive news included strong sales growth and market share gains in the important growth markets of China and Japan. Although the Duty Free business started the financial year 2020 with double-digit sales growth, the all-year travel restrictions triggered a steep decline in sales.

The company's own worldwide shop network "Global Retail" continued to make progress despite many lockdown-related temporary closures. Improvements included new design elements in our shops introduced during the reporting year to provide an even more intense brand experience. One highlight was the opening of the world's biggest Lindt Shop (500 m²) in the Lindt Home of Chocolate in Kilchberg, Switzerland.

The past year has clearly shown how closely the world's society, health, economy, and enviroment are interlinked and how quickly everything can get out of balance. Taking responsibility is no easy task, but as a company we try to make a contribution every day. We wanted to think of those who are helping and providing an important service to society. During the pandemic, Lindt & Sprüngli launched numerous local initiatives to offer a chocolate treat to those who have worked tirelessly since the outbreak of the pandemic. In addition, we made a significant contribution of one million Swiss francs to the charity Glückskette to provide emergency and social aid to those most in need in Switzerland.

Lindt & Sprüngli reported Group operating profit (EBIT) of CHF 420.3 million (–29.1% compared to previous year). This represents an EBIT margin of 10.5% (previous year: 13.2%). Net income amounted to CHF 320.1 million (–37.5% compared to previous year), providing a return on sales of 8.0%. Operating cash flow reached CHF 787.6 million (previous year: CHF 830.9 million). Our balance sheet is still very solid with a high equity ratio of 57.2%. As a public company we are dedicated to creating added value for our shareholders and other stakeholders. Our cash flow development allows us to continue our attractive payout policy. The Board of Directors is therefore proposing to the 123rd Annual General Meeting scheduled for May 4, 2021, a payout of CHF 1,100.– per registered share and CHF 110.– per participation certificate.

Due to the high liquidity, the solid balance sheet and the continuously high cash flow, the Board of Directors of Chocoladefabriken Lindt & Sprüngli AG has decided to launch a buyback program for Lindt & Sprüngli registered shares and participation certificates in the amount of CHF 750 million. The start of the buyback is planned – after approval by the responsible authorities – as of June 1, 2021 until December 31, 2022 at the latest. For the buyback, a separate trading line will be opened for registered shares and participation certificates on the SIX Swiss Exchange AG.

"100% traceable and externally verified cocoa bean supply chain"

For many years now, we have taken responsibility in our cocoa bean supply chain. We are proud of this commitment and are delighted that we have achieved a major interim goal in our anniversary year 2020: all our cocoa beans are now 100% traceable and externally verified by a third party. This is a major step toward the sustainable manufacturing of our chocolate products and at the same time we are laying the foundation for future success. Given its importance, we dedicated a special chapter in this year's Annual Report outlining our commitment to a fully verified cocoa bean supply chain and our contribution towards a better tomorrow.

In 2020, we also reached some important milestones in the areas of water consumption and reduction of CO_2-emissions: On the one hand, we achieved a 10% reduction in greenhouse gas emissions per ton of production compared to 2015 in our production process. On the other hand, we managed a 10% decrease in municipal water consumption per ton of production in our manufacturing process compared to 2015. We are currently working on new targets in these areas and will be announcing them in spring 2021.

"With the Lindt & Sprüngli Farming Program for cocoa beans, we can improve the livelihood of cocoa farmers and their families, sustainably intensify cultivation, and at the same time secure the supply of high-quality cocoa beans." Dr Dieter Weisskopf, CEO Lindt & Sprüngli Group

We are particularly pleased to inform you that since September last year, the world has been enriched by a chocolate attraction. Exactly at the same time as the big 175th anniversary of Lindt & Sprüngli, the Lindt Chocolate Competence Foundation had the pleasure to officially open the unique chocolate competence center with interactive museum, research facility, show production and many other highlights on September 10, 2020 in Kilchberg, Switzerland. In a spectacular opening ceremony, Swiss Federal Councilor Ueli Maurer, President of the Foundation Ernst Tanner, and Lindt brand ambassador Roger Federer unveiled the centerpiece of the new Lindt Home of Chocolate – a chocolate fountain over nine meters high. More than 100,000 visitors have already visited the Lindt Home of Chocolate in Kilchberg to be enchanted by the magic of the Master Chocolatiers and their chocolate creations.

"The Lindt Home of Chocolate will play an important role in safeguarding Switzerland's position as a center of excellence for chocolate in the longterm, as well as contribute to the transfer of knowledge across the entire industry." Ernst Tanner, President of the Lindt Chocolate Competence Foundation and Executive Chairman of the Board of Directors of the Lindt & Sprüngli Group

But the successful inauguration of the research facility of the Lindt Chocolate Competence Foundation in the Lindt Home of Chocolate is even more crucial for the future. From May to December 2020, experiments were carried out on around 100 days at the state-of-the-art "pilot plant". Various research teams are working on 20 different projects to develop future innovations and optimize production processes.

In this very eventful year, our special thanks go to our employees, who have consistently shown enormous flexibility and commitment in responding to unforeseen challenges. We have been able to maintain daily operations at Lindt & Sprüngli due to stricter and extensive safety precautions in our offices and production facilities, working from home was introduced, safety protocols in our own shops, and many other measures. Through their determination and continuous efforts, our employees have made a huge contribution to combating the virus. Many thanks for the great and tireless commitment!

Dear shareholders, we are confident that we will master the current economic downturn and emerge stronger from this global crisis. Thanks to our solid foundation – built on a strong business model, stable finances and high liquidity, improved efficiency in many areas, and great employee commitment – Lindt & Sprüngli is in an excellent position for the future. By continuing to invest heavily in advertising and product innovation, and consistently focusing on our consumers, we have laid the basis for expanding market shares further. Futhermore, we are certain that the positive growth of the chocolate markets, especially the premium segment, will continue in the future.

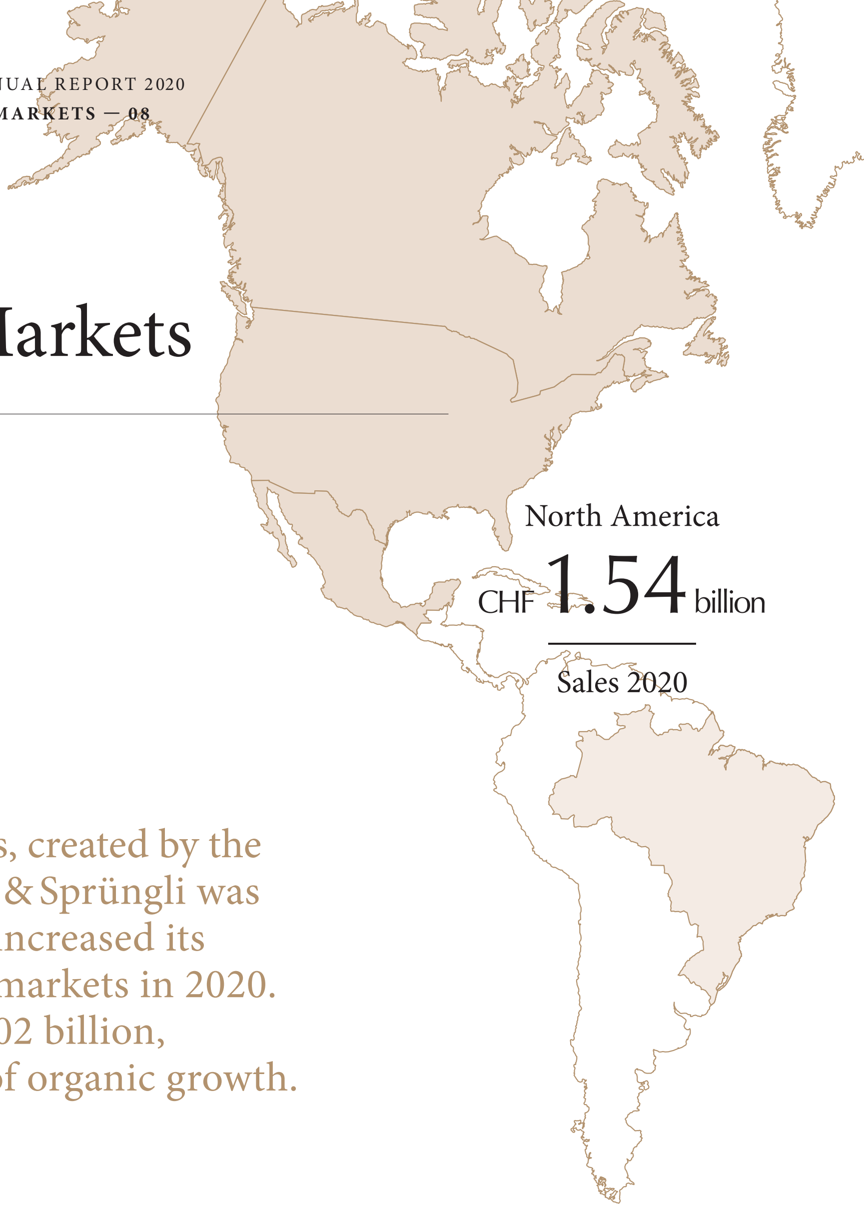
Distinguished shareholders, we particularly appreciate your great trust in these extraordinary times. Thank you for your support and we wish you the best of health.

Ernst Tanner
Executive Chairman of the Board of Directors

Dr Dieter Weisskopf
CEO Lindt & Sprüngli Group

Europe
North America
Rest of the World

Markets



North America
CHF 1.54 billion
Sales 2020

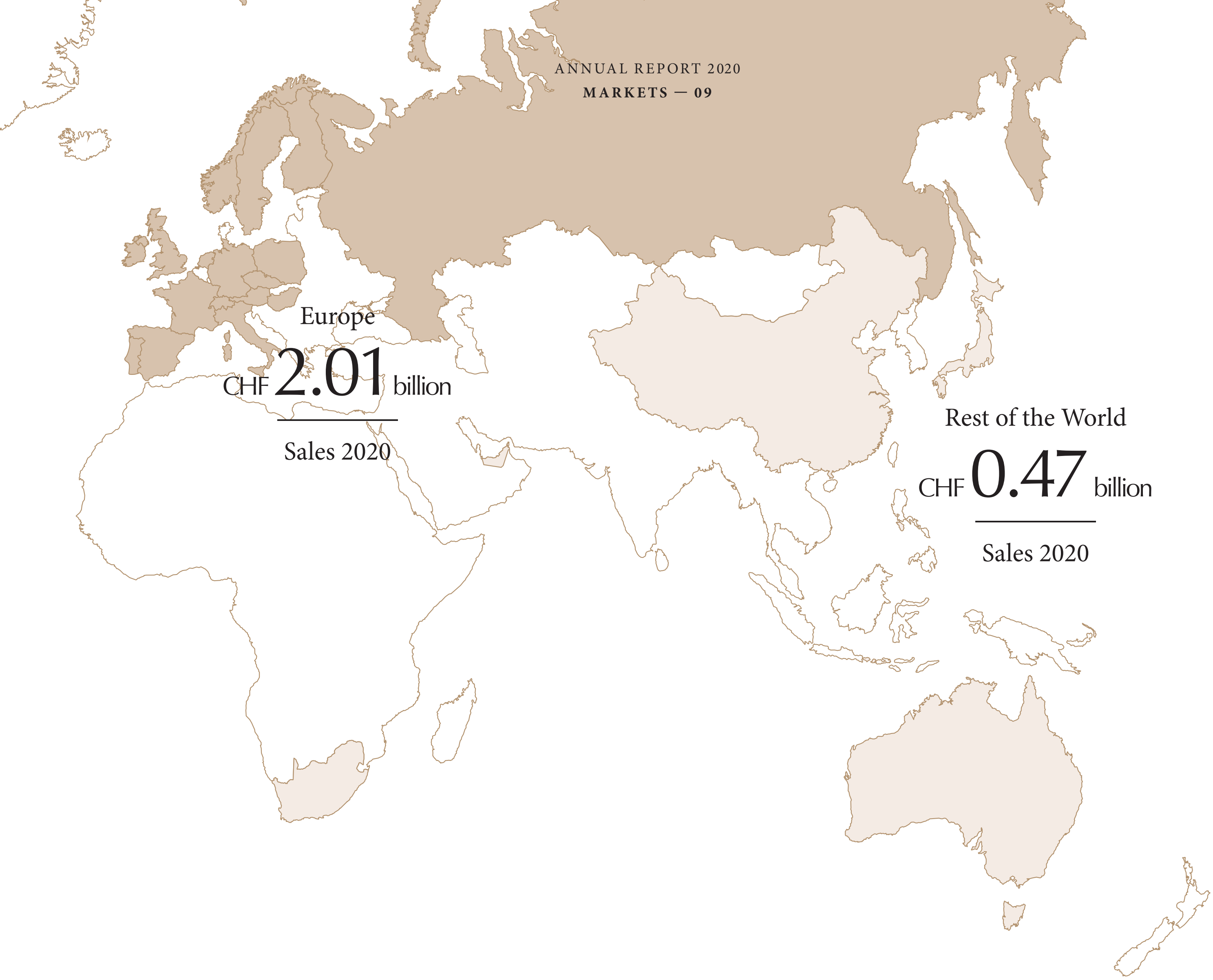
Lindt & Sprüngli Group
CHF 4.02 billion
Sales 2020

Despite the challenging conditions, created by the global Covid-19 pandemic, Lindt & Sprüngli was able to achieve a solid result and increased its market share in nearly all its key markets in 2020. Group sales amounted to CHF 4.02 billion, equivalent to a decline of –6.1% of organic growth.

Chocoladefabriken Lindt & Sprüngli AG had a very dynamic start into the financial year 2020. The Group achieved a solid increase in both, sales and profit until March. However, the stringent measures subsequently introduced worldwide to contain the Covid-19 pandemic had a negative impact on the Group's full-year result. Lindt & Sprüngli immediately took comprehensive measures in all areas of business to protect the health of employees, consumers, business partners, and suppliers and managed to preserve business continuity.

The global restrictions and regulations for combating the pandemic unfortunately had a negative impact on key areas of the business of Lindt & Sprüngli. The global network of own shops suffered from temporary closures and lower frequency. Especially Easter, but also Christmas as important seasonal gifting occasions were affected across all sales channels. The restrictions had a particularly negative impact on sales in North America's food-service business and Italy's traditional trade. Tight restrictions on air travel triggered a sharp decline in sales in the Travel Retail segment.

Fortunately, sales growth in the premium segment, where Lindt & Sprüngli is market leader, was above average, particularly in the second half of the year. Lindt & Sprüngli benefited from this trend as well. With the diverse portfolio of high-quality products, the company was able to meet increased demand for products destined for self-consumption at home. This helped to drive retail sales of the leader products Excellence and Lindor. The Excellence range even posted double-digit growth. Lindt & Sprüngli responded quickly and innovatively to the changes in consumer behavior caused by the pandemic with numerous entrepreneurial initiatives such as home deliveries, pick-up services, click & collect services, and the expansion of e-commerce. Online sales doubled to around 5% of Group sales.



As a result of the Covid-19 pandemic, sales declined in all three market regions “Europe”, “North America” and “Rest of the World”. Group sales declined organically by –6.1% to CHF 4.02 billion. Despite the exceptional global market environment, Lindt & Sprüngli succeeded in gaining market share in nearly all markets and growing faster than the overall chocolate market. As a leading global manufacturer of quality chocolate products, Lindt & Sprüngli benefited from the growth of premium chocolate markets and the strong contribution to Group sales made by the leader products Lindor and Excellence. Despite this challenging environment, the Group still managed to present many innovations and product launches that were very popular with consumers.

Over the past financial year, the Swiss franc again strengthened substantially compared to all major currencies. The resulting negative currency effect on the consolidated result led to a decrease in sales of –10.9% in domestic currency.

Lindt & Sprüngli was able to secure a continuous supply of raw materials to all its production facilities, despite the huge pressures placed on global supply chains by the Covid-19 pandemic. In addition, a successful procurement strategy allowed Lindt & Sprüngli to compensate for the fluctuation in raw material prices and keep costs stable. Prices for the most important raw materials, including hazelnuts, milk powder products and various oils, rose sharply. Almond prices, on the other hand, were considerably lower thanks to a plentiful harvest. Cocoa butter prices declined from a high level toward the end of the financial year in respond to a weaker global demand.

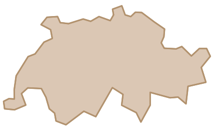
The prices of all other key raw materials – including the most important, cocoa beans – remained stable. The Living Income Differential (LID), a levy jointly introduced in July 2019 by the Ivory Coast and Ghana to improve cocoa farmers’ living income, takes effect in the harvest season 2020/21. The introduction of the LID will inevitably increase the prices of cocoa beans from Western Africa’s two leading producers in the future.

CHF 2.01 billion

Sales 2020

Europe

Despite the problems caused by the Covid-19 pandemic, Lindt & Sprüngli had a comparatively solid performance in the region of "Europe", reporting a modest decline in sales of –2.9% to CHF 2.01 billion. Sales increased in Germany, the United Kingdom and Spain as well as in the markets in Eastern Europe, Nordic, and the Netherlands.



Switzerland

Chocoladefabriken
Lindt & Sprüngli (Schweiz) AG

298 million CHF
Sales incl. export (Duty-Free & Distributors)

–24.1% organic sales development

- Market share gains despite difficult market situation.
- Own shop network: Sharp decline in frequency at top tourist destinations due to Covid-19 restrictions.
- Strong performance in the chocolate bar segment for self-consumption: Excellence range reported double-digit sales growth across the entire product line in the retail trade. Excellence is the No. 1 in the overall chocolate bar segment. Excellence Passion was particularly popular.
- Strong sales development in e-commerce, accompanied by innovative online-campaigns.
- Lindor: Clear No. 1 in the pralines segment with gain in market shares.
- Opening of the world's biggest Lindt Shop in the Lindt Home of Chocolate, with an exclusive counter of fresh chocolates produced by Master Chocolatiers, and the biggest Lindor Pick & Mix selection. Chocolate gifts can now be personalized directly in the shop.
- Details regarding to the Duty-Free business and distributors can be found on page 24.

Germany

Chocoladefabriken
Lindt & Sprüngli GmbH (Deutschland)

624 million EUR
Sales

+2.0% organic growth

- Lindt in Germany achieved positive organic sales growth and increased its market shares, despite challenging circumstances.
- Retail trade: Particularly pleasing positive growth.
- Seasonal business: The important Easter business remained on previous years' level, while Christmas sales grew.
- Lindt Shops: Sales of own shops suffered during the lockdowns.
- E-commerce: Doubling of sales compared to previous year and successful launch of the Lindt e-shop, which turns online shopping into a new experience.
- Lindor: The Christmas range of the best-selling truffle has been complemented with an elegant gifting line.
- Excellence launch: The year started with 100% indulgence and the most intense Excellence bar with 100% cocoa content. The campaign was suppported by campaigns on all social media channels. This reinforced Excellence's position as strong No. 2 in the dark chocolate bar segment, reporting double-digit growth.
- Lindt & Sprüngli was voted best employer in an independent study carried out by "stern" and "Statista" among more than 47,500 employees in Germany (January 2021).

France

Lindt & Sprüngli SAS (France)

375 million EUR **Sales**

–0.9% organic sales development

- France achieved a solid result in a challenging environment and was able to increase market shares.
- Own shops were particularly affected by the pandemic restrictions.
- Also the Easter business and the pralines segment were affected by the pandemic.
- Retail trade: Sales still relatively solid year on year, with all chocolate bar ranges performing especially well.
- Excellence launch: A new flavor of the Excellence chocolate bar, 100% cocoa with orange, strengthens the Excellence line's leading market position in France.
- New Lindt e-shop: Online sales doubled compared to last year. The new e-shop gives consumers plenty of options for personalizing chocolate gifts.
- New Lindor edition: Lindor line with a high cocoa content was successfully launched on the market.
- Supporting gesture: 13,000 gold bunnies were donated to hospital staff in France to spread a little joy in difficult times.

Italy

Lindt & Sprüngli S.p.A. (Italy) and Caffarel S.p.A.

184 million EUR **Sales**

–24.3% organic sales development

- Pandemic restrictions had a strong impact on sales in the traditional trade and own shops. The Easter business was also severely affected.
- Market shares: Lindt & Sprüngli Italy reported the biggest increase in market shares of the Group.
- By contrast, retail trade reported modest growth with double-digit increase in sales of chocolate bars.
- Online business: Very dynamic sales growth on all online-channels. The new Lindt e-shop, as well as other shops on online platforms, increased sales.
- Opening: New office building was inaugurated in Italy to provide employees not only with modern office spaces and meeting rooms, but also a Master Chocolatier counter.
- New factory shop: The new building also has a factory shop with the highest sales volume in Italy.
- Investments: Lindor production lines were expanded by one additional line.
- Bringing joy: 20,000 traditional Lindt Easter eggs were gifted to medical staff at Red Cross Italy (Croce Rossa Italiana).
- Caffarel launched its new brand relaunch, accentuating its long tradition as a manufacturer of high-quality chocolate with hazelnuts.


Lindt
EXCELLENCE
70% COCOA
DARK
Fuerte y equilibrado
Persistente en boca
Luxuriously smooth
Deliciously intense
Lindt
EXCELLENCE
85%
Fuerte y equilibrado
Persistente en boca
Lindt
DARK
Extra fine dark chocolate
100 g


NEU
Lindt
LINDOR
CARAMEL & SALZ
UNENDLICH ZARTSCHMELZEND
CARAMEL
mit einem Hauch von Fleur de Sel
Lindt
LINDOR

United Kingdom & Ireland

Lindt & Sprüngli Ltd. (UK)

215 million GBP **Sales**

+2.1% organic growth

- Despite the major challenges, Lindt & Sprüngli achieved positive organic sales growth and increased its market shares, mainly thanks to a strong business in retail trade.
- The strict lockdowns mostly affected the own shops and the Easter business.
- Excellence: The chocolate bar segment reported strong sales growth. The launch of Excellence Honeycomb and the Excellence editions Caramel & Sea Salt, Orange & Almond and Raspberry & Hazelnut available exclusively at Lindt Shops consolidated the strong position as market leader in the dark chocolate bar segment.
- Biggest product launch: Lindor Salted Caramel was launched in numerous product categories in England and Ireland.
- Trade partnership: Lindor Pick & Mix is now permanently available in over 100 stores at one of the largest retailers in England.
- Online sales tripled in the new Lindt e-shop. Strong growth in the online-shops of our retail trade partners.
- Lindt & Sprüngli thanked employees of the NHS (National Health Service) with an Easter surprise for their tireless effort.
- Ireland reported double-digit growth during the financial year.

Spain & Portugal

Lindt & Sprüngli (España) S.A. & Portugal

+3.2%

organic growth

- Positive organic sales development and market share gains, despite difficult market environment.
- Good sales development in the retail trade.
- Lindt Shops: Decline in sales of own shops due to restrictions under the pandemic.
- E-commerce: Very strong sales development on all online sales channels.
- Limited Edition: Lindor delights with the new limited Dulce de Leche flavor just in time for Christmas.
- New hazelnut highlight: Nuxor launched with two flavors.
- 175 years Lindt & Sprüngli: the anniversary was celebrated with a “Golden Ticket” PR-campaign at points of sale and on social media channels.
- Product of the year: Excellence Passion line voted product of the year by consumers.
- Lindt & Sprüngli thanked medical staff, retail trade employees, and other sectors most affected by the lockdown with 1 million Lindor truffles.
- Portugal reported double-digit sales growth.

Rest of Europe

Austria

Sales reported by the subsidiary Lindt & Sprüngli (Austria) Gesellschaft m.b.H. decreased in the financial year in the face of pandemic restrictions and the lack of tourism, with a decline in organic sales of –9.7%. Despite the difficult market environment market shares were gained. The own shops – especially those located at top tourist destinations – were negatively affected, as was the seasonal business. In contrast, e-commerce reported a new record performance. The launch of the Lindt e-shop supported the positive trend in e-commerce, which was supplemented by the cooperation with three new online retail partners. The launch of a consumer-friendly Click & Collect system was well received. The famous Easter bunny hunt in the Botanical Gardens of Vienna's Schönbrunn Palace was innovatively realized as a "Gold Bunny Hunt@home campaign". During the past financial year, the second shop-in-shop opened at one of Austria's biggest retail partners. The "Gold Bunny helps"-campaign delighted medical staff across the country with 60,000 Gold Bunnies.

Nordic

The subsidiary Lindt & Sprüngli (Nordic) AB, which comprises Denmark, Sweden, Norway and Finland, achieved a very good organic growth of +10.6%. All markets performed well, with Norway even doubling its sales compared to previous year. Sales of the bestseller product Lindor saw double-digit growth in Scandinavia. A new edition, Lindor Salted Caramel, was added to the product line and its double-digit growth reinforced the brand's strong market position. Also, the own network of shops slightly increased. Finland has already opened its third Lindt shop, while the first own shop has opened its doors in Oslo, Norway.

The Netherlands

The Dutch subsidiary Lindt & Sprüngli (Netherlands) B.V. started impressively by reporting organic growth of +56.5% and market share gains. One highlight was the relaunch of Lindor in partnership with the biggest retailer in the Netherlands. Lindt donated over 60,000 Gold Bunnies to hospital staff in the Netherlands to express gratitude for their tireless work.

Eastern Europe

The Eastern Europe subsidiary Lindt & Sprüngli CEE s.r.o. includes the Czech Republic, Slovakia and Hungary. The entire region registered market share gains and achieved organic sales growth of +12.0%. The bestseller Lindor was complemented with the launch of Lindor 70% and grew at a double-digit rate. The leader product Excellence also reported solid growth.

Poland

The subsidiary in Poland, Lindt & Sprüngli (Poland) Sp. z.o.o., reported an organic sales development of –2.9%, mainly due to the pandemic related sales declines in its own shops and in retail trade.

Russia

Lindt & Sprüngli (Russia) LLC achieved an organic sales development of –3.1% in the reporting year. In Russia, the pandemic related lockdowns mainly impacted the retail trade. However, the product categories chocolate bars and pralines developed well. New shop-in-shops on Russia's largest e-commerce platform strengthened online sales. The company's own shops recorded double-digit sales growth and the expansion of the network was continued with the opening of the fifth shop in the Belaya Dacha Outlet Village.

North America

CHF 1.54 billion

Sales 2020

During the reporting period, performance in the "North America" region was heavily influenced by the Covid-19 pandemic. Annual sales amounted to CHF 1.54 billion, equivalent to a decline of –6.8% in organic sales growth. The performance of the own shops was severely impacted by repeated lockdowns. Despite this, Lindt & Sprüngli still managed to increase its market shares across the entire region. In the USA, Canada, and Mexico, the bestsellers Lindor and Excellence once again proved to be the key growth drivers. Wholesale had a strong year thanks to increased self-consumption of chocolate bars and the performance of the baking segment. Online sales doubled compared to previous year. However, this dynamic performance could only partially compensate for the decline in sales at the own shops. Improved efficiency in the supply chain helped increase the profitability of the region.

No. 1

IN THE PREMIUM SEGMENT
IN THE USA

USA

Lindt & Sprüngli
(USA) Inc.

500 million USD
Sales
–1.4% organic growth delvelopmet

- Despite the Covid-19 pandemic, Lindt reported solid growth in the USA and increased its market shares.
- The decline in sales caused by the pandemic mainly affected own shops during the lockdowns.
- By contrast, wholesale reported modest sales growth.
- Online business: Strong sales growth in all online channels, supported by targeted social media campaigns.
- Lindor novelty: Lindor Dulce de Leche complemented the best-selling product line.
- Strong sales of Excellence for self-consumption. A new intense edition of the chocolate bar was introduced, with 100% cocoa content.
- Award: Lindt & Sprüngli USA won the prestigious TPM Excellence Award presented by the Japanese Institute of Plant Maintenance (JIPM) for manufacturing excellence.
- Sponsoring: for the fifth time, Lindt USA was the official sponsoring partner of the Golden Globes. The many celebrities attending the 77th award ceremony were spoiled with over 30,000 Lindor chocolate truffles.
- “Saying thank you”: Lindt thanked 70 medical institutions and support organizations in the USA with chocolate gifts in recognition of their hard work during the pandemic.

Ghirardelli Chocolate Company

552 million USD
Sales
–5.1% organic sales develpment

- The food-service business was strongly affected by the restrictions in gastronomy.
- Ghirardelli shops also suffered a decline in sales, particularly those at top tourist destinations such as Disney World due to closures.
- Baking boom: the lockdown measures triggered a boom in baking that led to double-digit sales growth in baking products, which was already a highly successful segment.
- Innovation: Chocolate baking chips with 72% cocoa content were added to the bestseller brownie mix in the strongly selling baking segment.
- Covid-19 gifts: Half a million Ghirardelli Squares were donated to over 40 hospitals and charitable organizations.

Russell Stover Chocolates LLC

360 million USD **Sales**

–12.9% organic sales devleopment

- Russell Stover, mainly active in the gifting segment, suffered from restrictions imposed by the pandemic, especially in the seasonal business at Easter and Christmas, as well as the closures of own shops during lockdowns.
- Online sales grew due to strong focus on digital initiatives and new distribution possibilities.
- New additions to the sugar-free range: Chocolate bars and baking products were added to the product line, increasing sales and strengthening the company's No. 1 position in sugar-free products in the US market.
- New TV advertising campaign: The "Virtual Hug" campaign brought consumers closer together even in times of social distancing.
- Traditions reinterpreted: Russell Stover launched its first social-first media campaign "The Great Bunny Hunt", as a virtual celebration of Easter traditions which was a big success on social media.
- TV appearance: Russell Stover appeared on the most popular US morning TV show "Good Morning America" with its "Make happy" mobile. Its popular red Valentine heart strengthened Russell Stover's reputation as traditional gifting expert.
- Russell Stover gifted more than 25,000 boxes of pralines at different hospitals across the USA.

Canada

Lindt & Sprüngli (Canada) Inc.

295 million CAD **Sales**

–13.0% organic sales development

- The extensive network of own shops suffered from closures during lockdowns. Nevertheless, the Canadian subsidiary steadily expanded its market shares during the reporting period adding a third brand, Swiss Classic.
- Lindor Limited Edition: Dulce de Leche and pistachio were added to the flavors available in the bestseller's product line as seasonal editions.
- New Excellence edition: The collection was complemented by a dark chocolate bar with 100% cocoa. The marketing campaign "Sense the Excellence" supported the launch at all touchpoints and enhanced this line's strong performance.
- New TV spot: The Lindor advertising spot created for the Canadian market highlights the personal enjoyment of tasting Lindor.
- Award: For the seventh year in a row, Lindt was voted the "Most trusted brand" (Brand Spark Study).

Mexico

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

+23.0% organic growth

- Strong performance in retail trade and double-digit growth of online business.
- Sales growth was particularly strong in the Excellence product line which was the biggest growth driver and leading in the chocolate bar segment in Mexico.


Lindt
MINI PRALINÉS
KLEINE, FEINE 36 KOSTBARKEITEN

Rest of the World

CHF 0.47 billion

Sales 2020

The markets in the “Rest of the World” segment were strongly influenced by the Covid-19 pandemic. The region recorded a decline in sales to CHF 0.47 billion mainly due to the strong decline of the Travel Retail business and the temporary shop closures as a result of the lockdowns. Organic sales development was at –16.1%. Positive highlights were the markets in China and Japan, which still achieved good sales growth. Holistic e-commerce concepts and the expansion of digital sales and marketing channels made it possible to serve consumers even in exceptional times. The expansion of the own retail business was continued and complemented with innovative shop-in-shop concepts.

Australia

The Australian subsidiary Lindt & Sprüngli (Australia) Pty Ltd. reported a –6.7% decrease in organic sales. The shop closures during the lockdowns had a negative impact on own shops, especially at the country's top tourist attractions. The retail trade achieved modest sales growth in Australia. The TV campaign “Made to melt you” accompanied the Lindor Dulce de Leche product launch. During the reporting period, the first shop-in-shop concepts were introduced at two of Australia's biggest retail chains.

South Africa

In South Africa, the subsidiary Lindt & Sprüngli (South Africa) (Pty.) Ltd. was confronted with temporary shop closures, which led to a decline in sales of its own shops and in the retail trade. Organic sales decreased by –13.8%. The strong performance of the e-commerce was supported by the launch of the new e-shop. Also, the launch of online courses with Master Chocolatiers was a major success and reinforced the strategy “Lindt goes digital”. The launch of Excellence Honeycomb strengthened the line's position as No. 2 in the South African market and contributed to the strong performance in the financial year 2020. Four new Master Chocolatier counters were set up in own shops offering freshly made chocolate bars, drinks, and ice cream. Consumers can watch first-hand as exciting new chocolate creations come to life.

China

Lindt & Sprüngli (China) Ltd. achieved strong organic sales growth of +10.1%, in the reporting period thanks to a solid contribution from the retail trade and e-commerce. Lindt cooperated with numerous social media platforms and with an international coffee house chain. The new Lindor concept was launched in the chain's biggest café in Shanghai. In addition, the first Lindt pop-up shop opened in the Superbrand Shopping Center L+Mall Lujiazui in Shanghai. During the reporting period, the hazelnut praline Nuxor was first presented on social media channels as a perfect partner for afternoon tea. Lindor's premium gifting and wedding collection proved extremely popular at the Shanghai Wedding Fair. Although the wedding segment, which is a particularly important business, improved steadily over the course of the year, despite the decrease of wedding celebrations.

Brazil

The subsidiary Lindt & Sprüngli (Brazil) Holding Ltda. reported a decline in organic sales by –16.0%. due to the effects of the pandemic. The own shops recorded a decline in sales due to temporary shop closures during the important Easter business. However, the expansion of the shop network continued with the opening of five new shops. The Group's 175th anniversary was celebrated in the own shops with large 3D window displays and numerous campaigns. Sales in the retail business performed well over the reporting period and the online sales expanded. For the expansion of omnichannel retail, a new e-shop was launched and the presence on the most important online platforms was strengthened.

Japan

Despite the pandemic, the subsidiary Lindt & Sprüngli Japan Co., Ltd. reported organic sales growth of +7.4%. The strong sales performance of the Lindt e-shop was reinforced by a greater presence on other online channels and online marketing campaigns, partly compensating for the sales decline in own shops. The network of own shops was expanded by 11 new shops. Lindt & Sprüngli Japan celebrated its 10th anniversary during the reporting period.

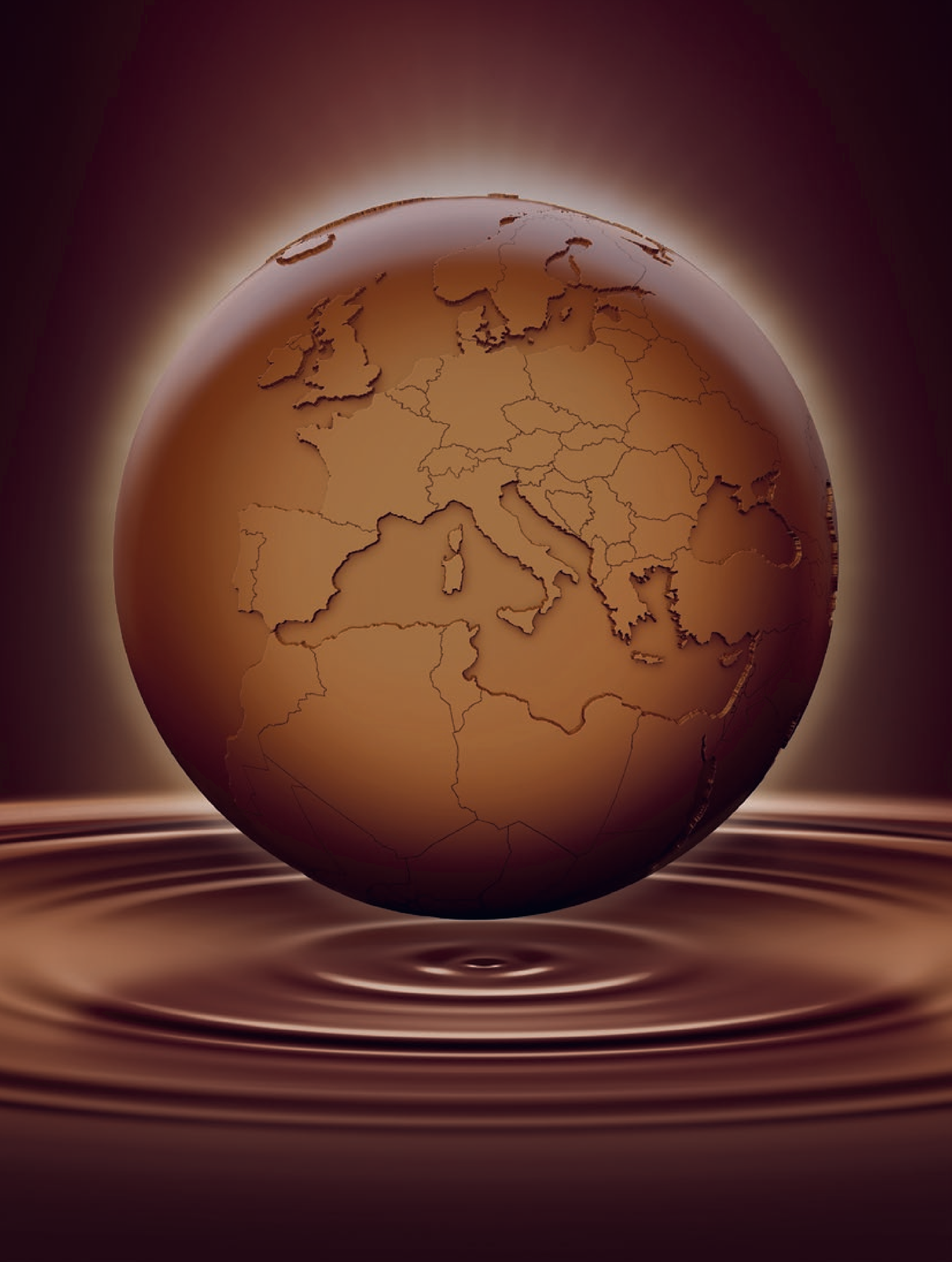
Duty Free & Distributors

DUTY FREE

Travel Retail started the financial year 2020 with double-digit sales growth. But the effects of travel restrictions imposed by the Covid-19 pandemic led to a sharp decline in sales in Duty Free. The new Lindor edition, Dulce de Leche, won the DFNI Americas Award for the "Best Confectionery Product", and "Travel the World with Lindt Naps" for Lindt Napolitains was voted the best advertising campaign. The 175th anniversary was celebrated at the beginning of the year with sampling campaigns on interactive displays and promotions at the POS. Travel Retail is still an important business segment for Lindt & Sprüngli and is expected to recover over the coming years as travel reverts to normal.

DISTRIBUTORS

The regional representative office "Greater Europe" reported good sales growth, mainly thanks to the strong performance of Lindor and Excellence, and increased its market shares. Despite the restrictions imposed by the pandemic, the regional representative office "Asia-Pacific" posted good single-digit growth. The regional office in Dubai also achieved important market share gains and grew faster than most competitors. The distribution network in the key markets of Chile, Argentina and Peru was expanded, laying an important foundation for the future market development.



Global Retail

Global Retail achieved sales of around 450 million Swiss francs, in a challenging year, dominated by shop closures worldwide imposed by the Covid-19 pandemic.

Europe
Paris, France

The Lindt Chocolate Shop in Paris attracted visitors with its magical seasonal window displays.

Rest of the World
Osaka, Japan

The subsidiary Lindt & Sprüngli Japan celebrated its 10th anniversary with the opening of 11 new Lindt Chocolate Shops at prime locations.

The financial year 2020 was full of challenges for the international own shop network due to the global measures to contain the Covid-19 pandemic. After a good start to the year, the first temporary shop closures occurred just before the important Easter business. Despite further closures in November, sales recovered significantly in the second half of the year.

This positive trend was supported by extensive protective measures in the shops and numerous creative shop initiatives. The introduction of Click & Collect services, new delivery concepts, pop-up shops, kiosk concepts, and concierge services over the Christmas period allowed consumers to enjoy the usual exclusive shopping experience.

In 2020, the company also succeeded in further expanding its shop network, with a particular focus on Brazil and Japan. The shops looked even more glamorous in their new design introduced during the reporting period. The new design elements bring a warmer atmosphere and emotionality to the stores and thereby intensify the brand experience. Highlights included the opening of the world's biggest Lindt Shop (500 m²) in the Lindt Home of Chocolate in Kilchberg, Switzerland.

Another novelty was the successful launch of the Lindt Crema Gelata concept. The premium ice cream is made of Lindt chocolate and enriches the product portfolio with a new, exclusive specialty for the summer. In 2020, the shops showed once again that there is no better address for personalized chocolate gifts to send a message to your loved ones, whether it be a personal photo on the gift box or a message on the gift ribbons.

The overarching omnichannel strategy was expanded in 2020, now ranging from the company's own shops to e-commerce, corporate gifting, teleshopping and subscription programs to offer a seamless consumer experience. The corporate gifting segment also achieved good sales in the reporting period, with Switzerland and Germany as the main growth drivers. The e-commerce business grew strongly and accelerated further due to the changed consumer demands during the pandemic. This positive development was supported by the launch of new e-shops during the reporting period. The further strengthening of the direct-to-consumer segment will continue in the financial year to follow.

Europe
Kilchberg, Switzerland

The world's biggest Lindt Shop opened in the Lindt Home of Chocolate, offering visitors an exclusive product range with many opportunities to personalize their chocolate gifts. The Master Chocolatier counter is a popular visitor attraction where they can watch Lindt Master Chocolatiers bring exquisite chocolate creations to life.

The biggest Lindt Shop in the world

Also, Lindt brand ambassador Roger Federer already enjoyed the world's biggest Lindor selection in Kilchberg.

Rest of the World
Porto Alegre, Brasilien

The first Lindt Chocolate Shop in Porto Alegre offers chocolate fans an exclusive ambience to enjoy a coffee with a Lindor truffle. During the reporting period, 5 new Lindt Shops were opened in premium shopping malls throughout Brazil.

> **“WITH THE OPENING OF THE LINDT HOME OF CHOCOLATE, WE HAVE ENTERED INTO A NEW ERA FOR THE SWISS CHOCOLATE INDUSTRY IN WHICH WE WILL PLAY A CRUCIAL ROLE IN DRIVING INNOVATION.”**
>
> Ernst Tanner, President of the Foundation

Federal Councilor Ueli Maurer, President of the Foundation Ernst Tanner, and brand ambassador Roger Federerer in front of the Lindt Home of Chocolate, the flagship project of the Lindt Chocolate Competence Foundation.

SWISS CHOCOLATE COMPETENCE CENTER

Since September 10, 2020, the world is enriched by another chocolate-themed attraction. With a spectacular inauguration, the curtain was raised on the new Lindt Home of Chocolate in Kilchberg, in the presence of Swiss Federal Councilor Ueli Maurer, President of the Foundation Ernst Tanner, and brand ambassador Roger Federer.

The Lindt Chocolate Competence Foundation aims to continue the work of Swiss chocolate pioneers and further strengthen Switzerland's position as a business location for chocolate over the long term. With the new chocolate competence center, the foundation promotes innovation and at the same time is an important momentum for the entire industry. With its flagship project, the chocolate museum, the charitable foundation is providing the wider public with an interactive information platform on all matters concerning chocolate. The heart of the project is the "Pilot Plant" a research facility, which is available to research institutes, universities, and chocolate producers. The construction work for the new building started in early 2017 and was completed in record time of just 36 months. A total of 133,590 tons of earth were removed to create a construction pit the size of a football field at Lindt & Sprüngli's site. Just a few months later, on September 12, 2017, the foundation invited guests to the ceremonial laying of the foundation stone for the immense building. Around 1,000 days later, in November 2019, the general contractor commissioned with the construction work officially handed over the building to the foundation. Until the opening in fall 2020, the interior work and the design of the multifaceted experience worlds followed. Today the multifunctional building designed by the renowned architects Christ & Gantenbein is a striking counterpart to the historic Lindt & Sprüngli factory building that dates back to 1899 and fits in perfectly with its existing surroundings.

UNIQUE CHOCOLATE EXPERIENCE

The Lindt Home of Chocolate invites visitors on a fascinating journey through the world of chocolate covering more than 1,500 m². The tour starts on a cocoa plantation in Ghana before taking visitors back through time, exploring the history of chocolate and following the footsteps of Swiss pioneers. Also, some of the secrets of the chocolate production are revealed along the way. The highlight of the exciting tour follows in the tasting room, where chocolate fans of all ages can sample many chocolate masterpieces. In the first few months, the new tourist attraction has already delighted 100,000 chocolate fans as a compelling excursion destination in the immediate vicinity and with excellent connection to Zurich.

The first breathtaking view is a spectacular chocolate fountain in the entrance hall. A homage to the world-famous Lindor chocolate truffle.

Visit the Lindt Home of Chocolate website

The journey of discovery begins with the origins of chocolate – on a cocoa plantation in Ghana. Visitors can watch cocoa farmers at work and learn how cocoa is cultivated.

In the Swiss pioneers' room, visitors learn how a small country in the heart of Europe became synonymous with chocolate and discover groundbreaking inventions that revolutionized the entire chocolate industry.

Switzerland's first Lindt Café is the ideal place for chocolate fans and offers visitors freshly prepared culinary delights, as well as delicate Lindt chocolate creations.

The world's biggest Lindt Chocolate Shop offers visitors a unique shopping experience with an exclusive selection of chocolates. They can watch first-hand as Lindt Master Chocolatiers create exquisite chocolate masterpieces, and have their gifts personalized for loved ones.

In the Chocolateria, Lindt Master Chocolatiers instruct visitors to prepare their own individual chocolate creations during chocolate-making courses as they learn everything about the production of fine Lindt chocolate.

THE GRAND OPENING

Together with Federal Councilor Ueli Maurer and tennis star Roger Federer, Ernst Tanner, President of the Lindt Chocolate Competence Foundation, unveiled the highlight of the Lindt Home of Chocolate – the over 9-meter-high chocolate fountain.

On September 10, 2020, the time had finally come. In his role as President of the Lindt Chocolate Competence Foundation, Ernst Tanner welcomed guests to the inauguration of the Lindt Home of Chocolate. Ernst Tanner welcomed the invited guests and presented the foundation's project and its significance as a new landmark for the Swiss chocolate industry.

During the opening ceremony, Swiss Federal Councilor Ueli Maurer was also impressed by the new Chocolate Competence Center and emphasized in his speech: "Chocolate is part of our national identity and the chocolate industry is an extremely important economic sector of our country. For this reason, fostering local chocolate expertise is synonymous with fostering Switzerland as an economic location."

Brand ambassador Roger Federer presented a new film during the ceremony, which created many "Chocolate Smiles". In the short film, the tennis world star and a Lindt Master Chocolatier go on a secret discovery tour through the Lindt Home of Chocolate – before its official opening – with several fun moments along the way.

Roger Federer in the film "Grand Opening"

President of the Foundation Ernst Tanner gave the guests of honor a personal tour through the multifaceted experience worlds in the chocolate museum.

At the end of the tour, brand ambassador Roger Federer and Federal Councilor Ueli Maurer obviously enjoyed the huge Lindor selection in the sampling room "Chocolate Heaven".

"THE LINDT HOME OF CHOCOLATE IS A UNIQUE CHOCOLATE EXPERIENCE AND I LOOK FORWARD TO ENJOYING IT WITH MY KIDS SOON."

Brand ambassador
Roger Federer

All the protagonists then moved on to the highlight of the ceremony – the unveiling of the chocolate fountain. In an impressive choreography, Federal Councilor Ueli Maurer, tennis star Roger Federer, and President of the Foundation Ernst Tanner brought down a golden curtain to reveal the over 9 meter high spectacular chocolate fountain. Of course, the epic ceremony also featured the famous Master Chocolatiers, as the fountain was unveiled.

After the ceremony, the invited guests, following the example of Roger Federer, embarked on a discovery tour through the Lindt Home of Chocolate and were thoroughly impressed by the unique project.

Lindt & Sprüngli Group CEO Dr Dieter Weisskopf and President of the Foundation Ernst Tanner got a first-hand experience of the chocolate-making courses on offer in the new Lindt Chocolateria.

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 2020 year-end prices, amounts to CHF 21.0 billion.

→ Security and securities listing numbers see page 99

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

→ Board of Directors see page 39
→ Group Management see page 45

The consolidation scope of Chocoladefabriken Lindt & Sprüngli AG includes national and international non-listed subsidiaries set-out in the 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 99

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

Major shareholders

Pursuant to a disclosure notification as of August 30, 2017, BlackRock Inc., New York, as parent company has a shareholding of 6,063 registered shares (with respect to 1,092 of the 6,063 registered shares, it has only the right to exercise the voting rights at its own discretion) or 4.46% of the company's share capital. According to the share register of Chocoladefabriken Lindt & Sprüngli AG as of December 31, 2020, 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 27,794 registered shares or 20.50% of the share capital and thus 20.56% of company voting rights (according to the last disclosure of November 25, 2013: 29,143 registered shares respectively 21.32% of the share capital and the voting rights).

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

https://www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html?companyId=LINDT#/panyId=LINDT

Chocoladefabriken Lindt & Sprüngli AG has no cross holdings.

Capital structure

As of December 31, 2020, Chocoladefabriken Lindt & Sprüngli AG had the following capital structure:

Ordinary capital

The ordinary capital is composed of two securities types:

	2020
Registered shares *	CHF 13,555,200
Bearer participation certificates **	CHF 10,441,460
Total ordinary capital	**CHF 23,996,660**

* 135,552 registered shares, par value of CHF 100.– each
** 1,044,146 bearer participation certificates, par value of CHF 10.– each

The registered shares have 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 company has a conditional participation capital in a maximum amount of CHF 3,633,250, comprising a maximum of 363,325 bearer participation certificates with a par value of CHF 10.– each. Out of this maximum total amount, 208,875 participation certificates can be used for employee participation programs; up to 154,450 participation certificates can be used for capital market transactions. The subscription rights of shareholders and participation certificate holders are excluded. Further information about the conditional participation capital can be found in Article 4bis of the Articles of Association of the company, available on the website of Chocoladefabriken Lindt & Sprüngli AG.

https://www.lindt-spruengli.com/media/amasty/amfile/attach/OF89pbPWztQ79st7pivUHhNXBL0PPgbd.pdf

The ordinary capital can be increased by way of the conditional participation capital by no more than 15.1% up to a maximum of CHF 27,629,910. There is no authorized capital besides the conditional capital.

Changes in capital

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

Ordinary capital

Year	Share capital in CHF	Registered shares (RS)*	Participation capital in CHF	No. of bearer participation certificates (PC)**
2018	13,608,800	136,088	10,725,350	1,072,535
2019	13,598,800	135,988	10,726,410	1,072,641
2020	**13,555,200**	**135,552**	**10,441,460**	**1,044,146**

Conditional capital

No. of bearer participation certificates (PC)**

Year	Total	Capital market PC	Employee PC
2018	399,707	254,450	145,257
2019	381,445	154,450	226,995
2020	**363,325**	**154,450**	**208,875**

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".

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

https://www.lindt-spruengli.com/media/amasty/amfile/attach/OF89pbPWztQ79st7pivUHhNXBL0PPgbd.pdf

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

In the year under review, no exceptions were granted. Based on long-term participation and with regard to the purpose of the Foundation, the Board of Directors already granted such an exception prior to the year under review for the 20.56% of the voting rights held as a group by the "Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG", "Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG", "Lindt Cocoa Foundation", and "Lindt Chocolate Competence Foundation", all in Kilchberg, ZH.

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

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

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

https://www.lindt-spruengli.com/media/amasty/amfile/attach/OF89pbPWztQ79st7pivUHhNXBL0PPgbd.pdf

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

https://www.lindt-spruengli.com/media/amasty/amfile/attach/OF89pbPWztQ79st7pivUHhNXBL0PPgbd.pdf

Outstanding options and convertible bonds

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

Year of allocation	**Number of options issued**	Strike price (CHF)	Running term	No. of rights exercised	No. of exercisable rights
2014	16,959	4,062	until 2021	16,844	115
2015	21,350	4,811	until 2022	17,283	4,067
2016	22,874	5,401	until 2023	8,343	14,531
2017	20,555	5,360	until 2024	3,294	17,261
2018	22,525	5,794	until 2025	0	22,525
2019	24,435	5,936	until 2026	0	24,435
2020	26,715	7,904	until 2027	0	26,715
Total	**155,413**			**45,764**	**109,649**

The options were granted at a ratio of one option to one participation certificate (1:1). The options can be exercised during a maximum term of seven years after the grant and are subject to a blocking period of three, four or five years, respectively. The option exercise price corresponds to the average amount of the closing price of the participation certificates of Chocoladefabriken Lindt & Sprüngli AG on the five trading days on the SIX Swiss Exchange prior to the grant.

In 2020, a total of 18,120 of the above employee options were exercised (previous year: 18,262). Therefore, the "ordinary" participation capital was increased in 2020 by CHF 181,200 by the corresponding reduction in the "conditional" participation capital for the employee participation programs. The 109,649 options outstanding as of December 31, 2020, not yet exercised, are equivalent to 4.6% of the total capital. There were no outstanding convertible bonds of Chocoladefabriken Lindt & Sprüngli AG.

Information regarding participation certificates

Chocoladefabriken Lindt & Sprüngli AG has decided in the reporting year to stop issuing physical dividend vouchers (coupons) on bearer participation certificates. Holders who keep their participation certificates as certificates in physical form e.g. at home or at their bank (e.g. in a safe deposit box or in individual custody, so-called "Heimverwahrer") were and are asked to deliver their participation certificates (including remaining coupons and talons, if any) to their bank of choice in order to book their participation certificates into their existing securities account, or one to be opened. For participation certificates which are currently not held as book-entry security, any future dividends on participation certificates will not automatically be serviced through the banking system, but only according to the applicable requirements of Swiss securities law. Holders of participation certificates which are held in physical form should be aware that dividends which are not claimed within five years will definitely be allocated to the company.

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

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

Board of Directors

Role and function

The Board of Directors makes decisions jointly and is assisted by Board committees in certain areas. The Board's primary function is to exercise the ultimate management of the Group; it makes strategic decisions and defines the general means for achieving the goals it has set. The Board of Directors sets the General Meeting agenda and approves the annual and half-year reports, as well as the Compensation Report. Decisions regarding the appointment of members to Group Management and the managing directors of subsidiaries, as well as resolutions on shareholders' motions for the General Meeting, are made by the whole Board.

Members

The Board of Directors of Chocoladefabriken Lindt & Sprüngli AG consists of at least five and not more than nine members according to Article 17 of the Articles of Association. If the number of members falls below five, the minimum number of members must only be restored at the next ordinary General Meeting.

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As of December 31, 2020, the Board had six members. Ernst Tanner is Executive Chairman of the Board; all other members are non-executive members.

Name, function	First election	until
Ernst Tanner, Executive Chairman of the Board of Directors	1993	2021
Dr Rudolf K. Sprüngli, non-executive member	1988	2021
Antonio Bulgheroni, non-executive member	1996	2021
Dkfm Elisabeth Gürtler, non-executive member	2009	2021
Dr Thomas Rinderknecht, non-executive member	2016	2021
Silvio Denz, non-executive member	2018	2021

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

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

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

Board of Directors Chocoladefabriken Lindt & Sprüngli AG

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

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

Dr Rudolf K. Sprüngli (CH) Mr. Sprüngli has been a member of the Board of Directors since 1988. He is the Chairman of the Compensation & Nomination Committee and the Corporate Sustainability Committee. He completed his studies with a doctorate in economics. Due to his former executive activities for the Group and for an international premium food-trading company, Mr. Sprüngli is an expert authority in the chocolate business. Today, he manages his own consulting firm. Mr Sprüngli is also a member of the Council of the British-Swiss Chamber of Commerce, a member of the Board of Directors of Peter Halter Liegenschaften AG, an Advisory Board member at the lnstitut für Wirtschaftsberatung as well as Chairman of Freies Gymnasium Zurich.

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

Dkfm Elisabeth Gürtler (AT) Ms. Gürtler has been a member of the Board of Directors since 2009 and is currently a member of the Audit Committee. She completed her business science studies with a master's degree, then built up an outstanding reputation, particularly as director of the world-famous Sacher Hotels in Vienna and Salzburg, in an area where premium quality plays a key role. From 1998 till 2012, Ms. Gürtler was a member of the Supervisory Board of Erste Group Bank AG, and she was a member of the general council of the Austrian National Bank from 2004 to 2014. Currently Ms. Gürtler is a member of the Board of Directors of ATP Planungs- und Beteiligungs AG in Innsbruck and since July 2019 President of the Supervisory Board of the Tiroler Museums.

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

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

Number of activities permitted outside the Group

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

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

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Internal organization

The General Meeting elects together with the members of the Board of Directors the Chairman of the Board of Directors and the members of the Compensation Committee. In other respects, the Board of Directors constitutes itself.

If the Chairman resigns from the Board before the end of the term of office, the Board of Directors appoints a Chairman from among its members until election at the next General Meeting. Should one or more members of the Compensation Committee retire early, the Board of Directors can appoint substitutes from among its members until the conclusion of the next General Meeting.

The Chairman presides over the General Meeting, represents the company externally and procures together with the CEO and the members of Group Management timely information to the Board of Directors on all matters important for decision-making and the monitoring of 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 after internal consultation between himself and the CEO of the Lindt & Sprüngli Group to the CEO;
- Responsibility for the long-term strategic direction of the Lindt & Sprüngli Group and specific 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, together with the Group Management, is entrusted with the task of managing the business. The CEO presides over Group Management and coordinates in close collaboration with the Executive Chairman of the Board of Directors on the most important decisions. Further details about the tasks of the CEO and Group Management can be found on page 44 of this Annual Report.

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

The Chairman or, in his absence, another member of the Board of Directors appointed to substitute him, presides over the meeting. Along with members of the Board of Directors, the meetings may also be attended by members of Group Management and other non-members. In the year under review, four regular meetings were held, whereby one member did not attend one of these meetings. Two regular telephone conferences were held, whereby two members did not attend one of these conferences. Three circular resolutions were conducted. The regular meetings lasted around three hours. The telephone conferences lasted around one hour. Members of Group Management regularly attended these meetings, in compliance with exclusion principles. No external consultants took part in meetings of the Board of Directors.

Committees of the Board of Directors

The Chairman of the Board of Directors and the Board of Directors are assisted in their work by three committees: the Audit Committee, the Compensation & Nomination Committee and the Corporate Sustainability Committee. The Board of Directors may decide at any time – by a majority decision – to set up further committees. Until that time, all other tasks of the Board of Directors will continue to be performed by the whole Board of Directors. The committees meet upon the invitation by their chairman as often as business requires, usually immediately before or after an ordinary meeting of the Board of Directors. Otherwise, the rules applicable to the Board of Directors apply mutatis mutandis to the meetings of the committees.

Audit Committee

The Audit Committee consists of at least three non-executive and independent members of the Board of Directors. Of these, at least two must possess substantial experience in finance and accounting. The members of the Audit Committee are appointed by the Board of Directors. The CFO has a consultative vote in the committee. As of December 31, 2020, members of the committee were: Dr Thomas Rinderknecht (Chairman), Antonio Bulgheroni, and Dkfm Elisabeth Gürtler. 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 with respect to the main areas of audit, 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 effectiveness of the internal control systems and ensures ongoing communication with external auditors. It also constantly scrutinizes the Group's risk management principles and appropriateness of risks taken, especially in the areas of investments, currencies, raw-material procurement, and liquidity.

The Audit Committee makes recommendations to the Board of Directors for important decisions in areas discussed above, such as approval of risk management principles, adoption of the annual financial statements, or proposals for the appointment of the statutory auditor. The committee itself has, except for the enactment and amendments of the Group Approval Policy, no decision-making powers. It may, however, decide independently to entrust the auditor with special assignments and approve the fee budget for audit tasks submitted by the external auditors.
The committee meets as often as business requires, but at least four times a year. In the year under review, four regularly scheduled meetings were held; at one of these meetings one member was not present. The meetings generally lasted around two hours, with members of Group Management regularly attending. Auditors attended one meeting of the Audit Committee. Auditors' direct access to the Audit Committee is guaranteed at all times. No external consultants took part in meetings of the Audit Committee.

→ Information on auditors see page 49

Compensation & Nomination Committee

The Compensation & Nomination Committee generally consists of three and of a maximum of five members of the Board of Directors, the majority of whom shall be non-executive and independent, each of whom is elected by the General Meeting for a term of office of one year until the end of the next ordinary General Meeting. As of December 31, 2020, Committee members were: Dr Rudolf K. Sprüngli (Chairman), Antonio Bulgheroni, and Silvio Denz.

→ Information on responsibilities of the Compensation & Nomination Committee see Compensation Report page 52

Corporate Sustainability Committee

The Corporate Sustainability Committee generally consists of three members of the Board of Directors. These may be both executive and non-executive members of the Board. The members of the Corporate Sustainability Committee are appointed by the Board of Directors. As of December 31, 2020, Committee members were: Dr Rudolf K. Sprüngli (Chairman), Silvio Denz 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 has decision-making power in connection with the definition of the sustainability strategy, monitors its implementation and approves global sustainability targets. It is also responsible for the development and adaption of all globally valid corporate policies in this area and monitors compliance. It is also responsible for approving the annual Sustainability Report of Lindt & Sprüngli Group. The Corporate Sustainability Committee meets as often as business requires, at least once a year. One regularly convened meeting took place in the year under review and lasted about two hours. The CEO and the CFO attended this meeting. No external consultants were present at this meeting.

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

Allocation of competences

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

Board of Directors

- Performs the inalienable statutory tasks. The Board of Directors is therefore responsible for strategic management of the company, giving necessary instructions and supervising Group Management.
- Determines strategic, organizational, accounting, and 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 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 in accordance with the organizational regulations to the CEO and Group Management.

CEO

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

Group Management

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

→ For details on members of Group Management see page 45

Information and control instruments

The Board of Directors is kept regularly informed about all important matters relating to the Group's business activity. The CEO and members of Group Management attend Board of Directors' meetings and report on the ongoing course of business, important projects, and events. Extraordinary occurrences are immediately brought to the attention of the members of the Board of Directors. To obtain a direct picture of local market situations, the Board of Directors regularly visits country subsidiaries 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 individual subsidiaries. The information is provided on both a historical basis and as a year-end forecast.

Furthermore, members of the Board of Directors receive, on an annual basis, a detailed overall budget, together with a five-year medium-term plan with forecasts for future development of individual subsidiaries and the consolidated group of companies, covering profit and loss, balance sheet, cash flow, investments, and personnel. Furthermore, an annually updated Group-wide analysis of strategic, operational, and financial risks – including assessments, as well as actions taken to limit risks, and responsibilities – is also submitted to the Board of Directors. In order to assess the Group risk parameters, the Audit Committee also receives a quarterly report on securities and cash investments, currencies, raw-material procurement, and liquidity (risk control reporting). Members of Group Management regularly attend Audit Committee meetings.

The Group does not have an internal audit department; nevertheless, the internal financial control system, management information and risk management reporting of the Group is given very high attention.

Instead of an internal audit department, the so-called "Lindt internal control system" (LICS) serves as information and control instrument within Chocoladefabriken Lindt & Sprüngli AG. As part of the Lindt internal control system the Group determines so-called financial reference controls for the subsidiaries, which are tailored by the subsidiaries to local circumstances and risks.

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

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

Group Management

As of December 31, 2020, Chocoladefabriken Lindt & Sprüngli AG's Group Management had seven members:

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

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

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

Rolf Fallegger (CH) lic. oec. HSG — Mr. Fallegger began his career in 1991 in marketing with Procter & Gamble in Geneva, the UK, and Belgium. He joined Lindt & Sprüngli (Schweiz) AG as Marketing Manager in 1997. He was then appointed CEO of the Lindt & Sprüngli subsidiary companies in the UK and France. In 2009, he returned to Swiss headquarters and was a member of the Extended Group Management from 2011 to 2014. In 2014, he was promoted to member of the Group Management, where he is responsible for the development of specific markets as well as International Marketing, Digital and Consumer & Market Intelligence.

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

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

Dr Jennifer Picenoni (CH) lic. iur. — Ms. Picenoni started her career as an attorney in a law firm in 2002 after having completed her doctorate. She joined Lindt & Sprüngli (International) AG in 2007 as Senior Legal Counsel. In 2008 she has been promoted to Head Corporate Legal and in 2014 to Group General Counsel. In 2017, Ms. Picenoni took over the additional responsibility as Corporate Secretary of the Group. Since January 2020, she has been a member of the Group Management, responsible for Group Legal, Intellectual Property and Legal Compliance.

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

In addition to the above-mentioned assignments, members of Group Management are currently not active in other major national and international management or supervisory bodies. They hold neither managing nor consulting functions with major Swiss or foreign interest groups, nor do they hold public functions or political office. There are no management agreements regarding management functions between the Lindt & Sprüngli Group and legal entities or natural persons outside the Group.

Number of permitted activities outside the Group

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

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Compensation, equity participations and loans

→ Details Compensation Report see page 51

Group Management


Dr Dieter Weisskopf


Martin Hug


Rolf Fallegger


Dr Adalbert Lechner


Alain Germiquet


Dr Jennifer Picenoni


Guido Steiner

Shareholders' rights of participation

Restrictions of voting rights and proxy

The recognition of an acquirer of registered shares as a shareholder with voting rights, as well as the registration of nominees as shareholders with voting rights are subject to certain restrictions. According to Article 3, subsection 6 of the Articles of Association in particular, the Board of Directors may refuse full shareholder status to an acquirer of shares to the extent the number for registered shares held by that acquirer exceeds 4% of the total number of registered shares as entered in the commercial register. Details regarding the registration restrictions for registered shares, limitations of nominee registrations, the Group clause included in the Articles of Association and the rules for granting exceptions, may be found on page 37 of this Annual Report and in the respective regulation of the Board of Directors "Registered Share and Shareholder Registry Regulations Lindt & Sprüngli AG".

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

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According to Article 12, subsection 3 of the Articles of Association, no shareholder may combine, in the aggregate, directly or indirectly, through shares held or shares represented, more than 6% of the votes of the existing share capital when exercising voting rights at the General Meeting. Natural persons or legal entities, which are related to each other through capital or voting rights or in any other way or are under common custody, are considered as one shareholder. In special cases, the Board of Directors may grant exceptions from the voting rights restrictions. In the reporting year, the Board of Directors granted no such exception.

The voting rights restriction does not apply to the exercise of voting rights by the independent proxy and by shareholders who are registered with more than 6% of the voting rights in the share register. Because the "Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG", "Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli Aktiengesellschaft", "Lindt Cocoa Foundation", and "Lindt Chocolate Competence Foundation", all Kilchberg ZH, have been entered as a group in the share register with a shareholding interest of more than 6%, the voting rights restriction does not apply to them.

A revocation of the statutory restrictions of voting rights requires pursuant to Article 15 subsection 3 of the Articles of Association a resolution of the General Meeting of shareholders with a three-quarter majority of the shares represented. Pursuant to Art. 12, paragraph 2 of the Articles of Association, a shareholder may be represented at the General Meeting by another shareholder or by the independent proxy on the basis of a written power of attorney. A general instruction is permitted with respect to motions announced or unannounced in the invitation.

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Statuary quorum

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

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Announcement of the annual General Meeting, agenda and share register

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

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

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

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Change in control and defensive measures

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

Auditors

Mandate

The General Meeting appointed PricewaterhouseCoopers AG, Zurich, for the first time as its statutory auditors in April 2002. According to Article 27 of the Articles of Association of the company, the auditors must be newly appointed or confirmed, respectively, each year by the General Meeting. The 2020 reporting year is the first year for the responsible lead auditor (in charge since 2020). Pursuant to the provisions of the Swiss Code of Obligations, the responsible lead auditor may not hold office for more than seven years.

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Audit fee

The total audit fees billed by the audit company in the reporting year 2020 amounted to CHF 1.7 million.

Additional fees

The total sum of additional fees – mainly related to tax and EDP advice – billed by the audit company in the reporting year 2020 amounted to CHF 0.1 million.

Supervisory and controlling bodies

Supervision and control regarding the assessment of the auditors is exercised by the whole Board of Directors. The Audit Committee supports the entire Board of Directors in this task. The committee also ensures the ongoing communication with the auditors and regularly discusses with their representatives the results of audit activities in the accounting areas, as well as suitability of the internal control systems. Before the interim audit, the auditors prepare an audit plan, which is then submitted to Audit Committee members. Based on an analysis of current business and audit risks, the main points to be audited are proposed in this plan. The audit plan is approved by the Audit Committee and then also by the Board of Directors. The appropriateness of the audit fee, as well as possible additional fees for "non-audit" services, are also reviewed on this occasion. The report on the final audit of the annual financial statements is submitted to all members of the Board of Directors. It is first discussed in the Audit Committee with the auditors and then finally approved by the whole Board of Directors at the meeting or in the circular resolution, respectively, regarding the adoption of the Annual Report. In 2020, the auditors attended one meeting of the Audit Committee. Auditors' direct access to the Audit Committee is guaranteed at all times. Information about the organization and scope of duties of the Audit Committee can be found on page 43 of this Annual Report.

Shareholder information

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

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

→ For details refer to “Information” on page 160

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

http://www.lindt-spruengli.com/media-center

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

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

Compensation Report

Dear Shareholders

On behalf of the Board of Directors and as Chairman of the Compensation & Nomination Committee, I am pleased to present you with the Compensation Report for the financial year 2020.

Since the 2015 General Meeting, the General Meeting approves in separate votes the proposals of the Board of Directors for the maximum aggregate compensation for the members of the Board of Directors until the next Annual General Meeting, and for the maximum aggregate compensation for Group Management for the forthcoming financial year. The Compensation Report for the previous financial year is also submitted to the shareholders for approval by way of an advisory vote. At the 2020 General Meeting you expressed your support for the Board of Directors and the Compensation & Nomination Committee's activities as well as all compensation-related resolutions proposed. In this regard, I would like to thank you on behalf of the entire Board of Directors for your continued trust.

Given the unforeseen challenges and impacts on the business, Lindt & Sprüngli navigated during 2020 the global pandemic with overall solid results. Following the outbreak of the virus and governmental measures to halt its spread, the Compensation & Nomination Committee addressed the effects on the compensation of the Group Management. The global pandemic had a strong impact on the achievability of the corporate financial targets for the members of Group Management in 2020. The extraordinary situation caused the Compensation & Nomination Committee to take an even closer look into and make adjustments to the short-term performance-based compensation (cash bonus) at the beginning of the year in order to be able to adequately account for additional efforts, resilience, innovation and leadership during the global pandemic. Therefore, the final short-term performance-based compensation (cash bonus) of the members of Group Management for 2020 was acknowledging positively the high degree of achievement of the annual personal qualitative targets (weighted at 35%), while the corporate financial targets (weighted at 65%) were mostly not achieved.

The Board of Directors is convinced that this 2020 Compensation Report gives you, our valued shareholders, a comprehensive and integral overview regarding the compensation of the senior management at Lindt & Sprüngli Group. On your behalf, I would also like to thank each member of our global team for their commitment and achievements.

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

Compensation Report 2020

The Compensation Report describes the underlying basics, governing principles and elements of the compensation of the senior management of the Lindt & Sprüngli Group and also contains information on the actual compensation paid to the members of the Board of Directors and Group Management. The information provided refers in each case to the financial year ending on December 31, 2020 (where required with comparative figures for the previous financial year). The Compensation Report also incorporates the disclosure obligations set out in article 14 eT seqq. VegüV and article 663c para 2 OR, the requirements of Chapter 5 of the Annex to the Corporate Governance Directive of the SIX Swiss Exchange and the recommendations of the "Swiss Code of Best Practice for Corporate Governance" issued by economiesuisse in its last published version of February 29, 2016.

This Compensation Report is structured as follows:

- I. Compensation governance
- II. Compensation for the Board of Directors
- III. Compensation for Group Management
  - i. Compensation goals and principles
  - ii. Compensation system
  - iii. Compensation elements
  - iv. Compensation
  - v. Supplementary amount
- IV. Employment contracts
- V. Participation
- VI. Additional fees, compensation, and loans to company officers
- VII. Compensation to former members of corporate bodies

I. Compensation Governance

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

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

The Articles of Association of the company are available on the website of Chocoladefabriken Lindt & Sprüngli AG.
https://www.lindt-spruengli.com/media/amasty/amfile/attach/GpG0xaZRqUJaZg1tuDfAvtYklWvSHQ4W.pdf

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

Within the framework of the compensation principles, the Articles of Association, and the resolutions of the General Meeting regarding compensation, the CNC determines upon proposal by the CEO the amount and composition of the compensation for individual members of Group Management and submits the CNC's proposals for the individual compensation of the CEO and the members of the Board of Directors to the full Board of Directors. Individual members of the Board of Directors and Group Management are excluded from the deliberations and from voting in the CNC and the Board of Directors, respectively, when it comes to their own compensation. Once a year, the CNC informs the Board of Directors about the procedure for the determination of compensation and the outcome of the compensation process. The CNC meets at least twice each year. Two regular meetings were held in the reporting year. The CEO attended these meetings unless it concerned his compensation. The CNC has general authority to consult external advisors for the performance of its tasks. In 2020, no such external services were used.

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

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The following table provides an overview of the approval system for the compensation for the Board of Directors, the CEO, and the Group Management

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

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

II. Compensation for the Board of Directors

The principles governing the compensation of members of the Board of Directors are set out in Article 21 paragraph 2 of the Articles of Association.

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No member of the Board of Directors is currently entitled to any variable compensation or any allocation of option rights or other equity interests (shares or participation certificates). The non-executive members of the Board of Directors receive compensation in the form of a fixed flat-rate fee of CHF 145,000, which is paid out in cash after the Annual General Meeting for the preceding term. The Executive Chairman of the Board of Directors receives a fixed compensation in the form of a salary of CHF 2 million per year, which is paid out in cash on a monthly basis.

The amount of total compensation is regularly reviewed by way of external benchmarking and involves a comparison of the level and structure of Board of Directors compensation with twelve industrial companies from the SMI and SMIM that are similar to Lindt & Sprüngli in terms of market capitalization and sales. The last benchmarking for the Board of Directors compensation was undertaken in December 2019.

The following compensation was effectively paid to the members of the Board of Directors in the financial years 2019 and 2020.

Compensation of the Board of Directors (audited)

	Function on 31.12.2020		2020		2019
CHF thousand		Fixed cash compensation[1]	Other compensation[2]	Fixed cash compensation	Other compensation
E. Tanner[3]	Executive Chairman of the Board of Directors, member of the CSC[4]	2,000[1]	23	3,000	22
A. Bulgheroni	Board member, member of the Audit Committee and CNC	145	40	145	41
Dkfm. E. Gürtler	Board member, member of the Audit Committee	145	12	145	12
Dr R. K. Sprüngli	Board member, Chairman of the CNC and the CSC	145	12	145	12
Dr T. Rinderknecht	Board member, Chairman of the Audit Committee	145	12	145	12
S. Denz	Board member, member of the CNC and CSC	145	12	145	14
Total		**2,725**	**111**	**3,725**	**113**

1 Total compensation in the form of a fee respectively salary for E. Tanner as member of the Board of Directors and Executive Chairman of the Board of Directors of CHF 2 million (accrual-basis). For the term of office 2019/2020 (AGM 2019–AGM 2020) a total compensation of CHF 2.667 million was effectively paid. The non-executive members of the Board of Directors received an unchanged fixed fee of CHF 145,000.
2 AHV share of the employee on salary respectively fees paid by the employer (including that of the employer, that establishes or increases social insurance or pension contributions). The compensation shown for 2020 paid to E. Tanner includes a lump-sum expense allowance of CHF 18,000 (previous year: CHF 18,000). A. Bulgheroni also received a gross fee of CHF 27,800 (previous year CHF 28,800) for his function as Chairman of the Board of Directors of Lindt & Sprüngli S.p.A and Caffarel S.p.A.
3 The fixed cash compensation of E. Tanner is decreased based on a mutally agreed reduction and reflects his reduced executive workload.
4 CSC: Corporate Sustainability Committee.

The amount of CHF 5.3 million approved by the General Meeting of May 2, 2019, as the maximum aggregate amount of compensation for the Board of Directors for the period until the General Meeting 2020 was not exceeded. An amount of CHF 3.2 million was approved by the General Meeting of April 24, 2020, as the maximum aggregate amount of compensation for the Board of Directors for the period until the General Meeting 2021. The amount effectively paid out for the financial year 2021 will be disclosed in the Annual Report 2021.

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

III. Compensation for the Group Management

i. Compensation goals and principles

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

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

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

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

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ii. Compensation system

The compensation of the members of Group Management consists of a combination of a fixed compensation (1) (base salary and other compensation / ancillary benefits), a short-term performance-based compensation (2) (cash bonus) and a long-term performance-based compensation (3) in the form of options for participation certificates, in each case consistent with their respective positions.

Overview of compensation components for members of Group Management

	Fixed compensation (1)		Variable compensation	
	Base salary	Other compensation / ancillary benefits	Short-term performance-based compensation (2) (cash bonus)	Long-term performance-based compensation (3) (option plan[1])
Plan duration				Up to 7 years
Drivers	Functional level, competencies, and experience	SMI and SMIM market practice	Pay for performance	Alignment with shareholders' experience
Settlement	Cash (immediate)	Pension, insurances, cash	Cash	Participation certificates
Performance period			1 year	3 years, 4 years, or 5 years
Payout range			0-200% of individual target cash bonus	
Share price impact	No	No	No	Yes
Forfeiture rules	No	No	Yes	Yes
Clawback	Yes	No	Yes	Yes

1 Options on participation certificates

Lindt & Sprüngli seeks to ensure that Group Management compensation outcomes are linked to the business performance by delivering a substantial portion of compensation in the form of variable performance-based compensation.

Relation between fixed and variable compensation of Group Management

	Fixed compensation	Variable compensation			
		Short-term performance-based compensation (cash bonus)			Long-term performance-based compensation (option plan)
	Base salary	Target cash bonus in % of base salary	Payout range as % of target cash bonus	Max. cash bonus in % of base salary	Individual grant level in % of base salary
CEO	100%	100%	0–200%	200%	0–200%
Group Management	100%	30–90%	0–200%	60–180%	0–200%

The amount of total target compensation is based on the requirements and responsibilites of the recipient and is regularly reviewed within the Group by means of horizontal and vertical internal comparisons. In addition, when new appointments are made, the CNC considers comparative data for the consumer goods sector, with respect to the specific vacancy for the appointment.

The periodic external benchmarking involves a comparison of the level and structure of Group Management compensation with twelve industrial companies from the SMI and SMIM that are similar to Lindt & Sprüngli in terms of market capitalization and sales. The last benchmarking for the Group Management compensation was undertaken in December 2019.

iii. Compensation elements

Fixed compensation (Base salary) and other compensation / ancillary benefits
The fixed compensation (1) (base salary) essentially reflects the particular functional level, competencies, and experience of each of the members of Group Management. It is paid out on a monthly basis in twelve or thirteen, respecitvely, equal cash installments.

In addition, members of Group Management receive other compensation and ancillary benefits, including entitlement to a company vehicle and participation in pension plans.

Short-term performance-based compensation (cash bonus)
The realization of short-term performance-based compensation (2) is tied to the achievement of clearly defined targets– on the one hand corporate financial targets, and on the other hand individual, qualitative targets for the respective financial year. The amount of the individual short-term performance-based compensation is determined by multiplying the individual target cash bonus with a target achievement degree. The payout in cash occurs in spring of the following year once the achievement of targets has been determined.

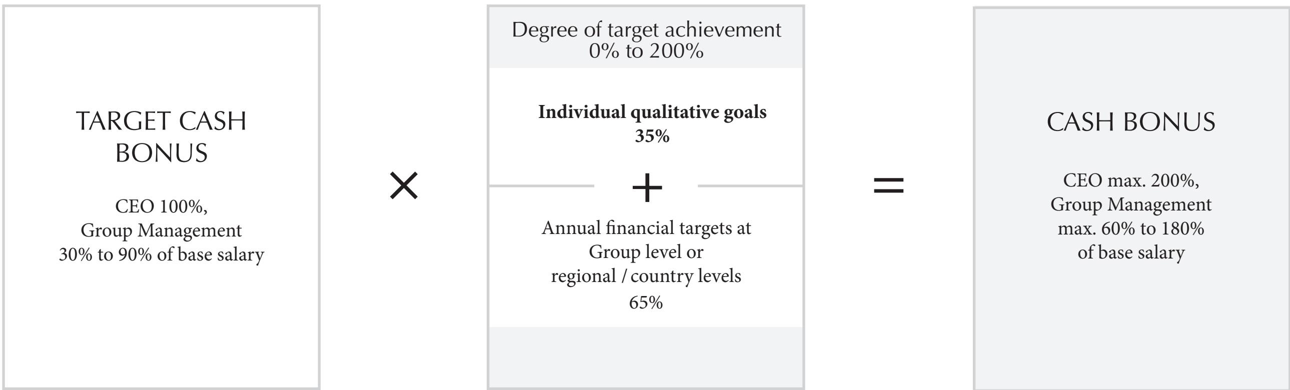
An individual target cash bonus is defined as a percentage of base salary. For the CEO it is set at 100% of base salary and for other members of Group Management this varies between 30% and 90% of base salary. In 2020, the total of the aggregate cash bonus awarded to the members of Group Management amounted to CHF 1.287 million.

A target achievement degree is determined based on a scorecard and ranges from 0% to 200% (maximum degree of target achievement). In other words, the maximum cash bonus paid out is limited to twice the target cash bonus and cannot exceed 200% of base salary for the CEO and 60% to 180% by members of Group Management, respectively.

For the CEO and the members of Group Management, the target achievement degree largely depends on the achievement of corporate financial targets for the financial year (65%) and to a smaller extend, on the achievement of annual personal qualitative targets (35%), which are set by the CNC at its discretion. The financial targets are determined annually and correlate with the long-term strategy, which strives for achieving sustainable organic sales growth accompanied by continuous improvement in profitability.

For those members of Group Management who have responsibility on regional or country level, respectively, financial targets on regional or country level, respectively, are also taken into account, along with Group targets. Non-financial targets depend on the individual function and refer to the implementation of the strategy and to defined leadership and conduct criteria, including promotion of Environment Social Governance (ESG) and Diversity & Inclusion (D&I) efforts.

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



Internal financial and individual, qualitative targets under the short-term performance-based compensation plan are considered commercially sensitive information. For this reason, the disclosure of the latter is not warranted explicitly, but rather a general comment pertaining to the performance achievements is attained.

The global restrictions and regulations to contain the pandemic have significantly impacted important areas of Lindt & Sprüngli's business. And although under the given circumstances the company achieved a solid overall result in the financial year 2020, most of the corporate financial targets set for the year under the short-term performance-based compensation program could not be achieved. In view of his overall responsibility for the achievement of the corporate financial targets, therefore the CEO has decided to forgo any cash bonus for the reporting year. For the other members of the Group Management, the effective individual cash bonuses in 2020 are significantly lower than in the previous year, taking into account the quantitative (65%) and qualitative (35%) target achievement levels, and correspond to approximately 50% of the previous year's payout or an average of 36% of base salary (77% in 2019).

Forfeiture of unsettled short-term compensation and clawback provisions for settled short-term compensation apply in a range of events, enabling the company to seek repayment where appropriate.

Long-term performance-based compensation (option plan)

The long-term performance-based compensation (3) consists of an option plan awarded to Group Management and selected key employees with expert knowledge at the annual discretion of the Board of Directors, with respect to the CEO, or, respectively, the CNC, with respect to the other members of Group Management. It strengthens the shareholder orientation and aligns the interests of Group Management with those of the company's shareholders in the long term by awarding the long-term increase of the value of the company.

Grant levels are determined by the CNC or, respectively, the Board of Directors (upon proposal by the CNC), based on multiple factors including the employee's position and influence on the long-term success of the company, yet not depending on the company's previous year's performance. The individual grant levels are based on a number of options on participation certificates valued by using the binomial model for the determination of option prices. The resulting CHF amount is however capped and may not exceed 200% of the base salary for each member in any year. In 2020, the total of the option grants awarded to the members of Group Management (other than the CEO), amounted to CHF 3.568 million. The option grant awarded to the Group CEO amounted to CHF 1.223 million.

Each option carries the right to subscribe to one participation certificate (subscription ratio 1:1). The option exercise price corresponds to the average amount of the closing price of the participation certificates of Chocoladefabriken Lindt & Sprüngli AG on the five trading days on the SIX Swiss Exchange prior to grant.

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

Forfeiture of unsettled or unexercised long-term compensation and clawback provisions for settled awards apply in a range of events, enabling the company to seek repayment where appropriate.

iv. Compensation

Compensation of the members of Group Management for the year 2020 as well as 2019 is shown in the following table. The valuation of the option-based compensation for 2020 and 2019 is based on the respective market values at the time of grant.

Compensation for the Group Management (audited)

CHF thousand	Fixed gross compensation [1]	Variable cash compensation [2]	Options [3]	**2020 market value** Total compensation
Dr Dieter Weisskopf, CEO	1,265	0	1,223	2,488
Other members of Group Management[4]	3,845	1,287	3,568	8,700
Total	**5,110**	**1,287**	**4,791**	**11,188**

CHF thousand	Fixed gross compensation [1]	Variable cash compensation [2]	Options [3]	**2019 market value** Total compensation
Dr Dieter Weisskopf, CEO	1,271	1,000	1,222	3,493
Other members of Group Management [5]	3,279	2,325	2,810	8,414
Total	**4,550**	**3,325**	**4,032**	**11,907**

1 Total of paid-out gross compensation, including pension fund and social insurance contributions paid by the employer, that establishes or increases employee benefits.
2 Expected pay-out (accrual basis) in April of following year according to the proposal of the CNC to the BoD (excluding social charges paid by employer).
D. Weisskopf waves his cash bonus for the year 2020.
3 Option grants on Lindt & Sprüngli participation certificates under the terms and conditions of the Lindt & Sprüngli employee share option plan (see also note 28).
The valuation reflects the market value at the time granted. The total number of granted options in 2020 to D. Weisskopf was 1,800 options (2,000 options in 2019) and in total to all other members of the Group Management 5,250 options (4,600 options in 2019).
4 There have been six other Group Management members as of December 31, 2020. J. Picenoni has been appointed to Group Management as per January 1, 2020.
5 There have been five other Group Management members as of December 31, 2019.

An amount of CHF 18 million was approved by the General Meeting of May 2, 2019, as the maximum aggregate amount of compensation for 2020 for the Group Management, whereby approx. CHF 11 million were utilized in 2020. The total compensation of the Group Management for 2020 was slightly lower than for the previous year. While on one hand the variable cash compensation was strongly impacted by the effects of the global pandemic, the other Group Management members were on the other hand increased to six members as of January 1, 2020, which resulted in an increase of the total amounts of the other compensation elements.

No use was made of the supplementary amount pursuant to Article 15bis paragraph 5 of the Articles of Association. No loans and credits were granted to current or past executive and non-executive members of Group Management.

v. Supplementary amount

Pursuant to Article 15bis paragraph 5 of the Articles of Association, the company or its Group affiliates are authorized to make payment to any member of Group Management who enters the Group Management during a period for which approval of the remuneration due to the Group Management has already been given, of a supplementary amount for that period, where the total amount already approved is not sufficient for such remuneration; such supplementary amount shall in no case exceed 40% of the maximum total amount already approved for the remuneration of Group Management.

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IV. Employment contracts

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

Proceedings relating to unsettled or unexercised compensation in the event of a change of control are governed in the respective compensation element plan rules, whereby the rights of members of Group Management are identical to those of all other employees.

For details refer to “Change in control and defensive measures” on page 49.

V. Participation

The following table provides information on the registered shares and participation certificates, respectively, of Chocoladefabriken Lindt & Sprüngli AG and options on participation certificates held by members of the Board of Directors and the Group Management as of December 31, 2020.

		Number of registered shares (RS)		Number of participation certificates (PC)		Number of options	
		2020	2019	**2020**	2019	**2020**	2019
E. Tanner	Executive Chairman	3,067	3,067	10,191	9,800	2,500	4,725
A. Bulgheroni	Member of the Board	1,000	1,000	295	165	–	–
Dkfm E. Gürtler	Member of the Board	1	1	50	50	–	–
Dr R. K. Sprüngli	Member of the Board	1,092	1,092	–	–	–	–
Dr T. Rinderknecht	Member of the Board	–	–	–	–	–	–
S. Denz	Member of the Board	11	11	–	–	–	–
Dr D. Weisskopf	Group Management	7	7	2,850	2,400	7,225	6,925
Dr J. Picenoni [1]	Group Management	1	–	–	–	1,600	–
R. Fallegger	Group Management	25	5	–	869	4,326	4,550
A. Germiquet	Group Management	7	7	400	400	3,646	3,053
Dr A. Lechner	Group Management	7	7	56	56	5,000	4,500
M. Hug	Group Management	1	–	–	200	3,200	2,675
G. Steiner	Group Management	2	2	–	–	3,410	2,900
Total		**5,221**	**5,199**	**13,842**	**13,940**	**30,907**	**29,328**

1 J. Picenoni has been appointed to Group Management as per January 1, 2020, therefore no participation reported in 2019.

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

Apart from the benefits listed in this report, no other compensation was provided in the reporting year 2020 – neither directly nor indirectly – to the executive and non-executive members of the Board of Directors or to the members of Group Management, to former members of Group Management or the Board of Directors, as well as to related persons of the aforementioned persons. In addition, as per December 31, 2020, no loans, advances or credits were granted by the Group or by any of its subsidiary companies to this group of persons.

VII. Compensation to former members of corporate bodies

No other compensation, apart from the benefits listed in this report, was paid in 2020 to former members of corporate bodies officers of the company.

Report of the statutory auditor

to the General Meeting of Chocoladefabriken Lindt & Sprüngli AG

Kilchberg

We have audited the accompanying compensation report of Chocoladefabriken Lindt & Sprüngli AG for the year ended 31 December 2020. 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 labelled “audited” on pages 54 and 59 of the compensation report.

Board of Directors’ responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation 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 compensation 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 compensation 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 compensation 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 compensation 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 compensation 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 compensation report of Chocoladefabriken Lindt & Sprüngli AG for the year ended 31 December 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Gerhard Siegrist	Josef Stadelmann
Audit expert Auditor in charge	Audit expert

Zurich, 1 March 2021

OUR PATHWAY TO SUSTAINABLE

CHOCOLATE

LINDT & SPRÜNGLI
COCOA
FARMING PROGRAM

OUR RESPONSIBILITY FOR A SUSTAINABLE FUTURE

Where exactly does our responsibility begin? Does it begin with our employees, to whom we offer a safe working environment and a challenging job with room for personal development? With our more than 2,500 chocolate products, which reflect our commitment to quality and product safety?

Does it begin with the cocoa bean, the heart of our chocolate, grown by cocoa farmers in our five countries of origin? With the more than 80,000 cocoa farmers whose livelihoods, together with those of their families, we support through targeted and long-term assistance under the Lindt & Sprüngli Farming Program? With our environment and our communities, which we treat with the utmost care and respect?

With the suppliers, without whose global logistics networks the transport of our raw materials and products would not be feasible? With our many partners along the value chain in production and retail trade? Partners involved in the production, packaging and sale of our products, with whom we have a long-standing and successful collaboration?

With our consumers, whom we provide with transparent and comprehensive information and outstanding service in our 500 shops?

The challenge of taking responsibility that we as a company face is not an easy one. We are well aware of this. At Lindt & Sprüngli, we feel that we have a commitment to our stakeholders and a duty to protect our environment. We strive to be guided in our actions by fairness, transparency and sustainability. Together with our global partners, we have already achieved a lot and overcome many hurdles, yet in many areas we are only just beginning to build a sustainable future for chocolate.

2020 has made clear to all of us how closely interlinked our global society, health, economy and ecology are, and how quickly everything can be thrown off balance. At this moment in history, we have the opportunity to make a difference by implementing our sustainability goals – now and for future generations.

"Sustainability is a key component of our company's DNA."

OUR GOAL: SUSTAINABLE CHOCOLATE

Sustainability plays a key role at Lindt & Sprüngli. For us, economic success, environmental protection and social responsibility go hand in hand. The Lindt & Sprüngli Sustainability Plan sets out our comprehensive commitments for a better tomorrow.

Sustainability and responsibility are thus firmly embedded in our company Credo, our Values and our Mission. In the production of our premium products, we combine our high quality standards with equally high ethical and sustainability standards.

Our wide-ranging sustainability activities present us with numerous social, environmental and economic challenges. Our goal is to create long-term and sustainable income opportunities and livelihoods for all those involved in the cultivation, trading and processing of cocoa. For the cocoa farmers in the growing regions, cocoa is an important source of income, and for us as a company, cocoa is and remains an essential raw material whose high quality and future availability we have to safeguard.

In 2020, we reached our first major milestone: 100% of our cocoa beans are traceable and externally verified. For us, however, this is just the beginning of our sustainability efforts, as in the long term we would like to implement sustainability along the entire value chain.

GUIDING PRINCIPLES

OUR PURPOSE

"We enchant the world with chocolate"

OUR MISSION

We passionately create premium chocolate and related confectionary for the global market. We continuously identify and meet consumer preferences and cooperate with our partners along the value chain to contribute to a sustainable tomorrow.

OUR VALUES

Excellence – Innovation – Entrepreneurship – Responsibility – Collaboration

OUR CREDO

We are an international Group and are recognized as a leader in the market for premium quality chocolate. Our working environment attracts and retains the best people. Our partnership with our consumers, customers and suppliers is mutually rewarding and prosperous. We want to be recognized as a company that cares for the environment and the communities we live and work in. The successful pursuit of our commitments guarantees our shareholders an attractive long-term investment and the independence of our company.

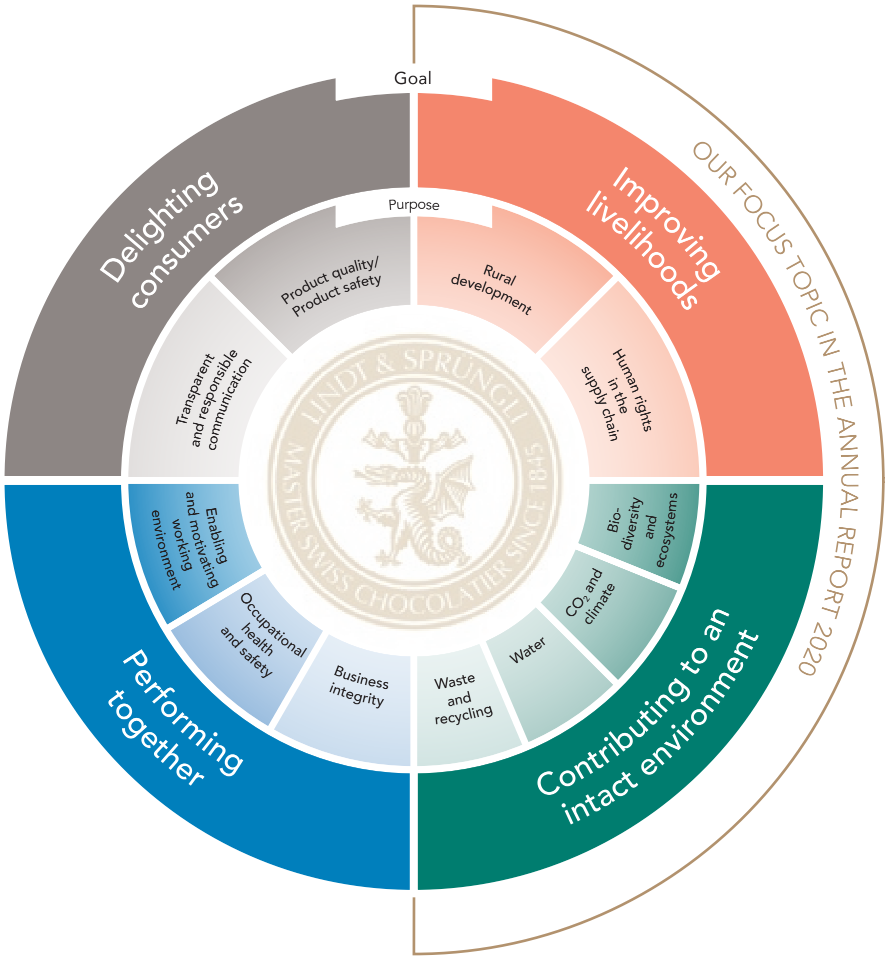
THE LINDT & SPRÜNGLI SUSTAINABILITY PLAN

OUR COMMITMENT FOR A BETTER TOMORROW

Our promise
"All products leaving our factories will ultimately live up to our commitment to sustainability along the entire value chain."

Our strategy
The Lindt & Sprüngli Sustainability Plan is based on our promise and on the company Credo. It is our strategy and the key tool for implementing sustainability along the entire value chain, from purchasing and production through to consumption. In the Sustainability Plan we focus on those areas that are of greatest relevance for our stakeholders and have the greatest impact on the environment and society.

Our goals
Four core goals form the overarching framework of the Sustainability Plan. We aim to improve the livelihoods of the farmers in the countries of origin, to contribute to an intact environment, to promote successful cooperation within the company, and to delight our consumers.



"For more than 175 years, our day-to-day actions have been shaped by our respect for and responsibility towards people and the environment."

OUR GOALS

The Lindt & Sprüngli Sustainability Plan demonstrates our commitment to a more sustainable future and our desire to create long-term added value for society, the environment and the economy together with our global partners. We aim to use our holistic strategy to achieve a positive influence on the sustainable development of the company and to reduce negative influences along the entire value chain as far as possible. In the Sustainability Plan, we focus on the social and environmental issues which are most severely affected by our business activities and on which we can have the greatest possible impact. From a business perspective, this not only reduces operational risks and increases employee engagement, but also secures the long-term supply of our high-quality key raw materials and consolidates the economic sustainability of the company.

On the following pages, we set out how we are implementing measures under our Lindt & Sprüngli Farming Program in the areas of "Improving livelihoods" and "Contributing to an intact environment" in our cocoa origins in order to fulfill our main commitments.

GOALS WITH MAIN COMMITMENTS

"DELIGHTING CONSUMERS"

Main commitments:
"Our products are marketed and advertised in accordance with national / international law."
"We comply with Lindt & Sprüngli quality and food safety standards on an ongoing basis."

"IMPROVING LIVELIHOODS"

Main commitments:
"By 2025, 100% of cocoa will be sourced through sustainability programs."
"By 2025, over 80% of procurement expenditure for raw and packaging materials bearing significant sustainability risks will be covered by a sustainable sourcing program."

"PERFORMING TOGETHER"

Main commitments:
"We are not participating in any corrupt or anti-competitive behavior."
"We continuously reduce our safety risks to achieve our long-term vision of zero lost-time accidents."
"40% women on senior leadership levels by 2025."

"CONTRIBUTING TO AN INTACT ENVIRONMENT"

Main commitments:
"Deforestation-free cocoa by 2025."
"10% reduction of greenhouse gas emissions in the production process by 2020, per ton produced ."(Base year 2015 = 100%)
√ Goal achieved
"10% reduction of municipal water used in the production process by 2020, per ton produced." (Base year 2015 = 100%)
√ Goal achieved
"50% reduction of chocolate waste in the production process by 2025, per ton produced." (Base year 2015 = 100%)
The new targets in this area will be published in the 2020 Sustainability Report in Spring 2021.

BEAN-TO-BAR

Our philosophy: chocolate production from bean-to-bar

When it comes to sustainable cocoa cultivation, it is always crucial to know where the beans come from, under what conditions they were grown locally, and how they were harvested. For us as a premium chocolate manufacturer processing chocolate ourselves, from the bean to the finished product, sustainability always starts at the very beginning, i.e. in the cocoa bean origins.

The selection of the cocoa beans is critical in the development of our high-quality chocolate recipes. Our special bean blends, based on long years of experience, and their consistently high quality make our chocolate so unique. It is therefore imperative that we know exactly where the cocoa beans come from. And so it is only logical that we systematically establish the traceability of our most important raw material and trace our cocoa bean supply chain back to its origin. We are one of the few chocolate makers that produce from bean to bar. We as a company therefore have expertise along the entire value chain – from the selection and careful processing of the cocoa beans and high-quality ingredients to the finished chocolate product. We see this as the key requirement for establishing a sustainable and traceable cocoa bean supply chain – a task which we do not want to delegate to others to implement sustainability directly and efficiently.*

*An exception is our subsidiary Russell Stover, which buys chocolate and chocolate products.

We follow the traceability approach "Identity Preserved". This highest level of traceability guarantees that the cocoa beans in our program are always processed and transported physically separated from all other beans and are fully traceable to their origin.

THE LINDT & SPRÜNGLI BEAN-TO-BAR APPROACH

1.

After harvesting, the cocoa beans are fermented and dried in the country of origin. The farmers participating in the Lindt & Sprüngli Farming Program are registered in a database with their name, farm location, and various basic data. When cocoa beans are purchased, checks are made to ensure that only beans from Program farmers are bought, and the volume purchased is recorded.

2.

The cocoa beans are packed in bags and clearly labelled. In Ghana, for example, with a tag with a barcode. This enables our partners who buy and transport the cocoa beans for us to clearly allocate the beans to the production volume of the Farming Program and trace them back to each individual farmer registered in the Program.

For us, traceability begins on the cocoa farm and does not end until the beans reach our production sites. We select only cocoa beans from countries and farmers which are part of our own sustainable sourcing Program – the Lindt & Sprüngli Farming Program. The traceability of our cocoa bean supply chain is the key foundation of our Program for improving living conditions in the growing countries in the long term. As a bean to bar manufacturer, we have built up extensive expertise, in areas ranging from the selection of high-quality beans and technological know-how in the processing of our own cocoa mass to chocolate production at our own factories. This is a differentiating feature that still distinguishes us as a premium manufacturer today.

3.

In order to guarantee the highest level of traceability, "Identity Preserved", our partners always store and transport Program beans separately from all other beans.

4.

Prior to shipment, while they are still in the port in the country of origin, the cocoa beans undergo a quality control. The cocoa beans are loaded into containers which are used solely for transporting beans from our Program.

5.

Each delivery of cocoa beans is accompanied by a traceability certificate, which is issued in the country of origin and sent to Lindt & Sprüngli when the goods are received. The document records, among other things, the production volumes of the farmers.

6.

The cocoa beans are transported by ship to the destination ports in Europe and the USA. After arrival, they undergo a quality control again. We accept the goods only if they meet our specifications.

7.

The beans are loaded and transported to our own cocoa mass factories in Europe and the USA, which are all certified to ISO 22000. The accompanying traceability certificate gives us precise information on the origin of the cocoa beans and the volume delivered.

8.

The delivered cocoa beans are stored in silos and then mixed for the recipes. They are then cleaned through infrared treatment.

9.

The cocoa beans are cracked open and the shell removed. The remaining cocoa fragments, known as nibs, undergo further processing and are then steam-cleaned again.

10.

The nibs are then roasted applying a process we have specially developed where the roasting time and temperature are perfectly aligned in order to achieve the desired aroma.

11.

Afterwards, the nibs are crushed and then ground in special mills until the cocoa mass has reached the desired particle size.

12.

The cocoa mass is transported to our production sites.

AT THIS POINT, THE CONVENTIONAL CHOCOLATE MANUFACTURING PROCESS BEGINS.

13.

The other ingredients, such as milk powder and cocoa butter, are added to the cocoa mass and refined into chocolate.

14.

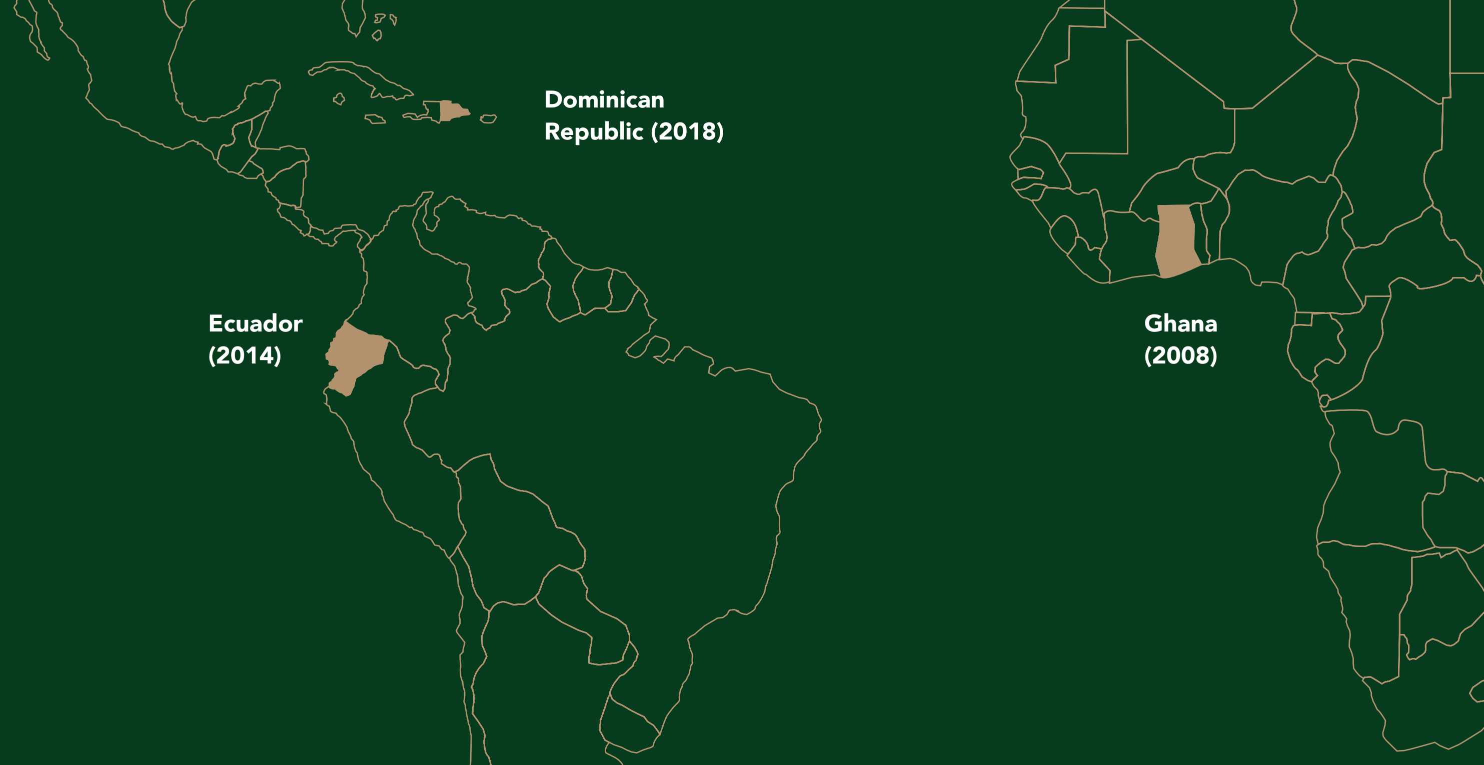
The cocoa mass is ground again.

15.

Then comes the important step – conching.

16.

The chocolate mass is formed or processed further.



LOCAL SOLUTIONS TO GLOBAL CHALLENGES

Chocolate manufacturers worldwide are faced daily with a whole range of complex challenges in the countries of origin of their cocoa. These range from basic human rights issues and the challenge for cocoa farming households to create a living income to general environmental protection issues. In many countries, everyday life is defined by structural poverty, malnutrition, child labor, a lack of infrastructure and deforestation. Combating these is essential. However, genuine change can be achieved only through a coordinated and integrated approach by all actors in the cocoa-growing countries. Many of the problems are system-imminent and call for different solutions for each country regarding the economic, social and infrastructural aspects of cocoa production. Local solutions are needed in order to actively combat these problem areas and to support farmers on the pathway to more sustainable and more productive farming methods.

COCOA OFTEN INSUFFICIENT AS A SOLE SOURCE OF INCOME

Cocoa grows in what is called the cocoa belt, where the climatic conditions are right for cultivating it. Cocoa is the main source of income for almost six million cocoa farmers[1] worldwide. It is often grown in developing countries, which have numerous structural problems to cope with. Today, over 74% of global production is concentrated in West Africa[2]. The greatest challenge in the growing countries is structural poverty, particularly in rural regions. A net income that provides a living income is therefore the crucial starting point for finding a long-term solution to the diverse problems.

90 to 95% of the almost six million cocoa farmers live in developing countries and have only small cultivation areas of between one and five hectares[3]. In addition, they struggle with low yields due to a lack of cultivation expertise, ageing trees and depleted soils. They often have limited additional sources of income besides cocoa cultivation, which makes it difficult to secure a stable and adequate basic income. Fluctuations in world market prices on the commodity market also have an impact on income levels. National institutions in West Africa set the guaranteed farm-gate price paid to farmers, which is based on world market prices, once or twice a year. Besides the price risk, the farmers have to deal with risks such as climate change, adverse weather conditions, pests and diseases, against which they are scarcely able to insure themselves and which may also impact their income.

The low levels of income may lead to social problems such as poverty and child labor in the growing countries. In West Africa, in particular, where two thirds of the world's cocoa is produced, the living and working conditions of cocoa farmers are often very difficult.

DEFORESTATION AND LOSS OF BIODIVERSITY

Intact ecosystems are vital in order for agriculture to flourish. Deforestation, the establishment of monocultures and the incorrect or over-intensive use of chemical pesticides are having a serious impact on the ecosystems in all growing countries. Over the years, the expansion of areas used for cocoa cultivation has caused much environmental damage and now threatens the quality and quantity of habitats for humans, flora and fauna. Large-scale logging of tropical forests for the sale of tropical timber and agricultural use by the rapidly growing population is also reducing biodiversity. But deforestation also threatens the livelihoods of the farmers, as the forests stabilize the microclimate and capture urgently needed rain. Moreover, the conversion of rainforest areas into agricultural land, which has until now been widespread, contributes to the intensification of climate change.

INFRASTRUCTURE CHALLENGES

The remoteness of many cocoa farms, particularly in West Africa, makes life even more difficult for the farmers. The long transport routes and difficult road conditions hinder access to markets and public goods. However, access to the capital market and partially outdated land laws also pose challenges for the farmers. In addition, the children's future career prospects are limited by the lack of good-quality schools and poor access to education. Even access to clean drinking water is often not guaranteed. The same applies to the widespread lack of healthcare provision for the cocoa farmers and their communities. Access to water is often very time-consuming and reduces the time available to households for income generation. Moreover, contaminated drinking water can cause serious diseases.

LACK OF MARKET POWER

Most cocoa farmers are not organized and as individual farmers are in a poor negotiating position compared to the local buyers. In addition, they also have little influence with the state-regulated institutions in major growing countries, such as for example Ghana. Furthermore, the trading and supply chain to the chocolate manufacturer is very complex. The individual farmers sell their cocoa harvest to local intermediaries, who supply the beans to large exporters, who ultimately sell them to the manufacturers. Consequently, the individual farmers find themselves poorly exposed to exert any influence on the existing systems.

All actors involved in the supply chain have an equal responsibility to help solving the existing problems. Joint solutions with politicians and local governments are required in order to continuously improve the living and working conditions of the farmers and their families and to give them sustainable prospects for the future. Below, we look in detail at exactly how we are addressing these structural challenges in the countries of origin from which we source cocoa beans in the context of the overall supply chain and how it is helping to make improvements.

LINDT & SPRÜNGLI FARMING PROGRAM

Through the Lindt & Sprüngli Farming Program for cocoa beans, we aim to provide cocoa farmers and their families with a decent and resilient livelihood, sustainably intensify cultivation, and at the same time ensure the supply of high-quality cocoa beans from a consistent base of farmers.

Where sustainability of its cocoa beans is concerned, Lindt & Sprüngli has decided to follow its own path. Our bean to bar model is the basis for a sustainable and traceable cocoa bean supply chain. It is essential for us to know where the beans come from and under what conditions they were grown and harvested locally. Traceability enables us to trace cocoa beans back to their place of origin. Lindt & Sprüngli sees this as a prerequisite for taking responsibility for sustainable cocoa cultivation in the countries of origin.

In 2008, Lindt & Sprüngli launched its own sustainability program, the Lindt & Sprüngli Farming Program, with the aim of achieving a 100% traceable and externally verified cocoa bean supply chain by 2020 and of supporting the local farmers and their communities. The Program started in Ghana and in subsequent years was extended to all the growing regions from which Lindt & Sprüngli sources cocoa beans: Ghana, Ecuador, the Dominican Republic, Madagascar and Papua New Guinea.

Our own sustainability Program enables us to ensure that the cocoa farmers, their families and their communities in the countries of origin benefit directly from the investments that are made and that their livelihoods are improved. At the same time, the Farming Program ensures the supply of high-quality cocoa beans from the same farmers over the long term. For consumers, knowing that the cocoa beans come from our own externally verified Program is an important indication of transparency. Lindt & Sprüngli works together with long-term suppliers implementing the Program in the countries of origin to ensure this. The long-term partnership with the suppliers is the basis for a stable cooperation with the farmers, who can be provided with targeted support over an extended period.

The goal of the Program is to enable cocoa farmers and their families to have a decent livelihood and to sustainably intensify cultivation.

Lindt & Sprüngli aims to achieve this goal through increased farm productivity and income diversification, and by preserving biodiversity and natural ecosystems, combating child labor and expanding infrastructure. The Program enables farmers to manage their farms in accordance with good agricultural, social, environmental and economic practices. In order to push forward with these goals systematically, the Program is based on four key pillars: traceability and farmer organization, training and knowledge transfer, farmer investments and community development, and external verification and continuous progress of the Program.

The Farming Program thus pursues a holistic approach which addresses various challenges, is continuously being improved and always seeks local solutions. The strength of the Program lies precisely in this flexibility to tailor measures to the local context and to improve continuously.

The Lindt & Sprüngli Farming Program is financed through a price premium per ton of cocoa beans and contributions from the charitable Lindt Cocoa Foundation, which was established in 2013. The Program is funded with around USD 12 million a year, of which USD 10 million come directly from Lindt & Sprüngli and USD 2 million from the Lindt Cocoa Foundation. Other organizations, such as the State Secretary for Economic Affairs (SECO) and "IDH, The Sustainable Trade Initiative", also help to co-finance the Program.

INITIATIVES ON INCOME DIVERSIFICATION

The cocoa harvest is seasonal, and the resulting fluctuations in harvest volumes mean that farmers' income streams are unevenly spread over the year. In addition, fluctuating cocoa prices or harvest volumes which are adversely affected by diseases, pests or climate conditions make it difficult to plan their income. For this reason, income diversification is crucial to farmer resilience and leads to an improved distribution of revenues throughout the year. In Ecuador, for example, farmers have been trained to produce their own organic liquid fertilizer. They use it on their farms, enabling them to cut costs, and they sell the fertilizer on the local market. Farmers received interest free loans as start-up capital for beekeeping, which now provides them with additional income from honey. The Farming Program in Ghana is also increasingly fostering this approach to show farmers how to generate additional income. Secondary activities in Ghana range from snail, fish or pig farming to crop diversification with maize, cassava, cocoyam, chilli, carrots or cabbage.

THE 4 PILLARS OF THE PROGRAM

1. Traceability and farmer organization

Traceability is the basis for any commitment to sustainability. Only if we know where the beans are coming from and who is producing them we can have a positive impact on local circumstances. The Program therefore starts by organizing the farmers into groups for training. In order to assess the baseline situation, basic data on the farms and the farmers is collected including their GPS data. This is followed by the establishment of a traceability system with processes that enable to trace cocoa beans from the farmers to the cocoa mass production. This is an important basis for the implementation of our "No-Deforestation and Agroforestry Action Plan for Cocoa".

2. Farmer training and knowledge transfer

Theoretical and practical trainings for farmers helps them to improve their agricultural, social, environmental and economic practices. They learn everything about cocoa cultivation – how to grow, harvest, ferment and dry the beans correctly – as well as how to manage their plantations professionally and in an environmentally friendly way. The content of the training enables them to increase the yields of their mostly small farms, to diversify their income sources and thereby increase their net income. The farmers are also trained in social practices to raise their awareness of important issues such as work safety and child labor. In addition to group training courses, individual coaching sessions are playing an increasingly important role in knowledge transfer.

3. Farmer investment and community development

In order that farmers can put into practice what they have learned, they receive farming equipment, such as rubber boots, cutting tools and fertilizers, in the form of in-kind premiums. High-yielding and disease-resistant cocoa seedlings and shade trees are also distributed, in order to encourage agroforestry. As part of our "No-Deforestation and Agroforestry Action Plan for Cocoa", farmers receive native shade tree seedlings, which generate additional income along with ecological and agronomic benefits. Since many farmers do not have access to banks, we support the creation of village savings and loan groups. The communities are supported through the construction of rural infrastructure, such as boreholes for clean drinking water, and the renovation of schools.

4. Verification and continuous progress

An internal monitoring system helps to assess the progress farmers made in their environmental, agricultural, social and economic practices and to ensure the effectiveness of our activities. In addition, in all five countries where it exists, the Farming Program undergoes an annual review by an independent third party at least once a year. To this end, Lindt & Sprüngli has been working with the "Earthworm Foundation" since 2015. The verification process is based on a sound methodology and includes the development of an action plan drawn up by all the partners, which is adjusted annually.

OUR SUCCESSES SINCE 2008

THE 4 PILLARS OF THE PROGRAM:

1. Traceability and farmer organization
2. Farmer training and knowledge transfer
3. Farmer investment and community development
4. Verification and continuous progress

3.

1,940,122

shade trees have been planted since the launch of the Program.

3.

5,990,841

cocoa seedlings have been planted since the launch of the Program.

1.

79,979

cocoa farmers participate in the Farming Program.

3.

~130,000

members of village communities are benefiting from investments in the development of water infrastructure.

2. 4.

443

field staff support the cocoa farmers every day in the countries of origin and track the progress of the Program.

2.

21,883

cocoa farmers have received income diversification training since the launch of the Program.

3.

33

schools have been renovated, benefitting 4,862 children to go to school.

MILESTONES OF THE LINDT & SPRÜNGLI FARMING PROGRAM

2008	The Lindt & Sprüngli Farming Program is launched in Ghana.
2012	The Program is expanded to include four new pillars: traceability, training, community support and verification.
2013	The Lindt Cocoa Foundation is established.
2014	The Lindt & Sprüngli Farming Program starts in Ecuador.
2015	The Lindt & Sprüngli Farming Program starts in Madagascar.
2016	Important milestone in Ghana: 100% of cocoa beans are fully traceable and externally verified.
2017	Papua New Guinea becomes part of the Farming Program.
2018	Start of the Program in the Dominican Republic. All countries from which Lindt & Sprüngli sources cocoa beans are now part of the Farming Program.
2019	The No-Deforestation and Agroforestry Action Plan for Cocoa enters into force in all five countries of origin.
2020	**Goal achieved: 100% traceable and externally verified cocoa beans.**

FOR A MORE SUSTAINABLE WORLD OF CHOCOLATE

... in Ghana

Ghana is the world's second-largest cocoa producer, producing around 800,000 tons of Forastero cocoa[4] annually – almost 20% of the world's harvest. Cocoa from Ghana is known for its high quality, due to its higher fat content and low breakage rate. In order to maintain this, Ghana carries out comprehensive and stringent quality controls. Most of the cocoa is produced by small farmers cultivating areas of just two to three hectares. It is estimated that cocoa cultivation provides a livelihood for around 1,000,000 households[5]. However, the sector is challenged by numerous issues such as deforestation, rapid population growth, child labor, and insufficient income for farmers. Yields are low due to a lack of knowledge of agricultural cultivation methods, overaged farms and a lack of investments. They are further reduced by pests and diseases such as the viral disease CSSD (Cocoa Swollen Shoot Disease), which affects the trees.

THIS IS HOW WE ARE TAKING ON RESPONSIBILITY

Ghana is Lindt & Sprüngli's major cocoa bean origin and therefore also the first country in which the newly developed Farming Program was established in 2008. Since its inception, the Program has taken a holistic approach to improving the livelihoods of the farmers and intensifying cocoa cultivation sustainably.

The Program has now been implemented by our local partners in the 51 districts we source cocoa beans from. 378 field staff support 64,406 farmers. Almost all the farmers received theoretical and practical training in good agricultural cultivation methods and important environmental aspects of cultivation. They learn how to manage their farms professionally. But the training also includes important social practices, in order to increase the farmers' awareness of child labor and equality. As part of our «No-Deforestation and Agroforestry Action Plan for Cocoa», 1,833,301 shade trees have been distributed in the last three years alone. We have set ourselves a target of plant-

GHANA IN FIGURES

1. Production:
800,000 tons of cocoa[4]
2. Cocoa varieties:
Forastero (consumer cocoa), Criollo and Trinitario (fine-flavor cocoa)[7]
3. Population:
31 million
4. Area:
238,537 km²
5. Cocoa farmers:
1 million[6]
6. Main harvesting season:
October – April[8]
7. Average area under cultivation:
2 – 3 hectares[5]

"Knowledge creates opportunities."

ing 2,000,000 shade trees by the end of 2021 as an important milestone.

In order to increase yields and thereby the net income of farmers, our Program offers training and individual coaching sessions. The field staff also provide support to the farmers to help them renovate their farms and distribute disease-resistant and high-yielding cocoa seedlings. Since the start of the Program, 4,786,926 cocoa seedlings have been distributed. In addition, support and training for generating additional or alternative sources of income have been provided. Since 2017, 19,543 farmers in Ghana have taken part. The Program has also set up 137 "Village Saving and Loan Associations" (VSLAs), in the communities. Moreover, Lindt & Sprüngli is supporting the Ghanaian government's initiative to improve the livelihoods of farmers via the so-called LID (Living Income Differential). From the 2020/21 harvest season onward, a price premium (differential) of USD 400 is paid on top of the market price for every ton of raw cocoa.

Improvement of the infrastructure in communities and access to education are an integral part of our Program. In this context, 206 boreholes for water have been built and 30 schools have been renovated since the launch of the Program. Thanks to these initiatives, 123,600 farmers and their communities have a clean drinking water supply and 4,033 children have access to education.

Building on the content of the Program to date, in the 2020/21 season farmers are benefiting from an expanded training plan. Important topics such as "climate-smart cocoa", i.e. the dissemination of practices which will promote resilience to climate change and sustainably increase cocoa production, are being included for the first time. The training also covers the important issue of including women in financial decision-making. In addition, the establishment of a "revolving fund" enables the direct provision of start-up capital under the Program within the context of income diversification and supports the implementation of further packages of measures to improve the livelihoods of farmers.

In order to prevent child labor and to implement the protection of children's rights, Lindt & Sprüngli has drawn up an action plan against child labor, which applies three key levers. Our field staff are actively working to prevent child labor through training courses and awareness-raising measures, and by identifying unauthorized child labor through unannounced visits. In this way, the training has already reached all farmers in the Program. We have implemented our activities on a long-term basis, and in 2021, the action plan will be adapted to current needs and refocused.

FOR A MORE SUSTAINABLE WORLD OF CHOCOLATE

...in Ecuador

"Preserving the diversity of fine-flavor cocoa."

ECUADOR IN FIGURES

1. Production:
328,000 tons of cocoa[12]
2. Cocoa varieties:
Nacional (fine-flavor cocoa), Castro Naranja Collection CNN-51 (hybrid cocoa), Sacha Gold and other Amazonian varieties[13]
3. Population:
17.3 million
4. Area:
284,516 km²
5. Cocoa farmers:
350,000[10]
6. Main harvesting season in the north:
November – February[14]
6. Main harvesting season in the south:
September – December[15]
7. Average area under cultivation:
under 10 hectares, with some large farms of over 200 hectares[11]

Ecuador is the world's largest and most important producer of fine-flavor cocoa and is responsible for two-thirds of global fine-flavor cocoa production[9]. The cocoa is grown by around 350,000 cocoa farmers[10] whose farms sizes range from one to ten hectares[11]. The stock of trees on many plantations planted with fine-flavor cocoa is either ageing or, where they are not irrigated, suffering from water stress due to a lack of shade, unless they are watered. If there is no money available for basic investment in the farm, this leads to low productivity. Consequently, Ecuadorian cocoa farmers are increasingly planting hybrid varieties, especially Castro Naranja Collection 51 (CCN-51), rather than fine-flavor cocoa varieties. For Lindt & Sprüngli this trend poses a challenge, as the only cocoa varieties from Ecuador used for manufacturing chocolate are fine-flavor cocoa varieties.

THIS IS HOW WE ARE TAKING ON RESPONSIBILITY

Ecuador is our major fine-flavor cocoa supplier and has been part of the Farming Program since 2014. In the 2019/20 season, a total of 8,473 farmers and 29 field staff are part of the Program. Since the launch of activities, we have set the goal of preserving the diversity of fine-flavor cocoa by promoting the rehabilitation and rejuvenation of cocoa farms with fine-flavor cocoa varieties. The farmers have so far been supplied with 780,426 disease-resistant and high-yielding fine-flavor cocoa seedlings. Our Program is pursuing a holistic approach in order to increase the appeal of growing fine-flavor cocoa. This includes training and in-kind premiums in the form of tools and farming equipment. Recently, new elements have been incorporated into the Program, such as a tailored training initiative involving specialist workshops on cultivation, income diversification from beekeeping and pig rearing, and financial skills for farm management. In addition, the Program is focusing increasingly on individual coaching, the promotion of organic cultivation methods, the introduction of dynamic agroforestry systems and raising the awareness of farmers of the need to conserve areas of high conservation value in and around their plantations. The Program is implemented by two suppliers which operate independently of one another in different regions.

In the 2020/21 cocoa season, the Farming Program in Ecuador will be enhancing its measures in the areas of training involving individual farm management plans, the rehabilitation and rejuvenation of cocoa farms, and the development of agroforestry systems.

FOR A MORE SUSTAINABLE WORLD OF CHOCOLATE

...in Madagascar

Madagascar is a fine-flavor cocoa producer whose cocoa is distinguished by a particularly wide variety of flavors and is considered to be of very high quality. Around 33,000 cocoa farmers[16] currently produce approximately 14,000 tons of cocoa[17] a year, which equates to around only 0,5% of the global harvest. Cultivation is concentrated in the north-west of the country and is mostly grown according to organic criteria.

The cocoa sector is not regulated and receives scarcely any government support. Besides the structural poverty, the small and ageing farms and in some cases a lack of knowledge about cocoa cultivation itself, the situation of small and ageing farms is exacerbated by a lack of infrastructure in rural areas.

"Establishing infrastructure."

THIS IS HOW WE ARE TAKING ON RESPONSIBILITY

The Farming Program was established in Madagascar in 2015. In the 2019/20 cocoa season, 2,223 cocoa farmers were involved in our Program, supported and trained by 14 field staff. The Program farmers, with an average age of 47, often have an area of less than one hectare under cocoa cultivation, with trees that are mainly over 20 years old. Action is being taken to address this ageing of the farms and has to date involved the distribution of more than 40,000 cocoa seedlings and more than 4,000 shade trees. The farmers do generally not use any chemicals for cocoa production, and training courses teach them methods to increase agricultural production or to control pests and diseases biologically. Model farms are used to familiarize the farmers with the use of such practices. Another priority area of our Program in Madagascar is access to clean drinking water. Around 4,500 villagers use the three solar-powered water systems which were set up in cooperation with Helvetas Switzerland and financed by the Lindt Cocoa Foundation.

In the 2020/21 cocoa season, the number of farmers in our Program will remain stable, but the Program's activities will continue to expand. To promote income diversification among producers, training in the cultivation of ginger and vanilla, small livestock rearing and honey production is being offered. As a supplementary measure, training in general financial knowledge is being stepped up and communities are being helped to set up savings and loan groups. Alongside the ten group training modules which are designed to be attended by the majority of farmers, the number of farmers receiving individual coaching is being increased. As far as infrastructure funding is concerned, the focus in the next season will be on support for schools and further investment in water infrastructure.

MADAGASCAR IN FIGURES

1. Production:
14,000 tons of cocoa[17]
2. Cocoa varieties:
Criollo and Trinitario (fine-flavor cocoa), Forastero (consumer cocoa)[18]
3. Population:
26 million
4. Area:
587,295 km²
5. Cocoa farmers:
33,000[16]
6. Main harvesting season:
May – July[19]
7. Average area under cultivation:
0.5 – 1.25 hectares[20]

FOR A MORE SUSTAINABLE WORLD OF CHOCOLATE

...in Papua New Guinea

"Improving living conditions."

Papua New Guinea is one of the world's youngest producers of fine-flavor cocoa. On the second-largest island in the world, over 85%[21] of the population live in rural areas and are largely dependent on small-scale agriculture. Besides coffee, cocoa is the country's most important crop and the source of income for more than half a million households. Around 120,000 cocoa farmers[22] produce 35,000 tons of fine-flavor cocoa[23]. The average cocoa cultivation area per farmer, most of whom grow cocoa organically, stands at just one hectare[24]. In Papua New Guinea, too, the poor rural infrastructure, lack of knowledge of professional methods of cultivation, lack of equipment and lack of investment lead to low productivity and as a consequence to low incomes for farmers.

THIS IS HOW WE ARE TAKING ON RESPONSIBILITY

Papua New Guinea joined the Farming Program in 2017. Our Program reached 4,138 farmers in the 2019/20 cocoa season and is being implemented by 18 field staff. Due to the diverse challenges, the Program is very broad in scope and was initially primarily aimed at providing training courses on topics ranging from good agricultural practices and the protection of natural resources to social topics such as equality and health issues such as HIV/Aids. These six basic modules have already been completed by 80% of the farmers. To enable the farmers to implement the agronomic practices they have learnt, these are demonstrated on 44 model farms and the farmers are provided with agricultural equipment. In order to help improve productivity, the farmers have been provided with approximately 200,000 disease-resistant and productive fine-flavor cocoa seedlings and recently also with around 15,000 shade trees. Since the last cocoa season, training courses on financial literacy are now also being conducted and access to banks is being promoted, with a particular focus on the involvement of women.

Needs assessment on farming communities has shown that, as far as infrastructure is concerned, investment is most urgently required in water supply and education. Our Program has therefore invested in drinking-water systems, which are helping an estimated 2,800 village inhabitants to obtain clean drinking water, and has already renovated three schools, benefiting around 830 children.

Following expansion of our Program in the last two years, in the next season the number of producers will remain steady and efforts will be made to ensure that all the cocoa farmers take part in all the basic training modules. At the same time, the training courses on general financial education, as well as individual coaching, are being expanded and other key activities such as the development of model farms, the distribution of seedlings and shade trees and investments in the community are being continued.

PAPUA NEW GUINEA IN FIGURES

1. Production:
35,000 tons of cocoa[23]
2. Cocoa varieties:
Trinitario (fine-flavor cocoa) and Forastero (consumer cocoa)[25]
3. Population:
9 million
4. Area:
462,840 km²
5. Cocoa farmers:
120,000[22]
6. Main harvesting season:
April – August[26]
7. Average area under cultivation:
1 hectare[24]

FOR A MORE SUSTAINABLE WORLD OF CHOCOLATE

...in the Dominican Republic

Alongside the cultivation of coffee, cocoa cultivation is the major source of income of around 40,000 small-scale farmers[27] in the Dominican Republic. The island state's cocoa production is characterized by high-quality fine-flavor cocoa beans with a fruity acidic taste, most of which are grown organically in agroforestry systems. The greatest challenge for the cocoa farmers is the low level of productivity which they achieve on their small-to-medium areas of cultivation of up to five hectares[28].

THIS IS HOW WE ARE TAKING ON RESPONSIBILITY

The Dominican Republic is the most recent country of origin to join our Farming Program. Cooperation with our implementation partner began in 2018. The Program currently covers 739 farmers who are supported by three field trainers. The goal of the Program is to professionalize agricultural practices and to achieve corresponding increases in yields and income. The focus is on a comprehensive eight-module training program, supplemented by specialist workshops (e.g. on financial management), the distribution of around 90,000 cocoa seedlings and shade trees annually, and the promotion of farm rejuvenation and rehabilitation. The establishment of working groups and financial incentives

" Promoting biodiversity."

have made it possible to implement the rehabilitation and rejuvenation of plantations successfully. Farmers who successfully apply what they have learned receive a premium as remuneration for their efforts, while work on the plantation is carried out in the form of community work, with the group of farmers being instructed by one of the field staff. Recently, a rural savings cooperative has provided the farmers with a savings account into which their premiums are paid directly and digitally. Membership of the cooperative enables them not only to save but also to obtain access to loans on preferential terms, allowing them to make vital investments in their plantations.

After another successful year of scaling, new farmers will again be admitted from the 2020/21 season onward. The focus will be on training sessions and continuous improvements in the Program's structures. Feedback from the farmers will be incorporated so that process structures can be improved appropriately to meet their needs. The first project to support agroforestry will be implemented shortly.

DOMINICAN REPUBLIC IN FIGURES

1. Production:
75,000 tons of cocoa[29]
2. Cocoa varieties:
Criollo and Trinitario (fine-flavor cocoa)
3. Population:
10.77 million
4. Area:
48,730 km²
5. Cocoa farmers:
40,000[27]
6. Main harvesting season:
April – July[30]
7. Average area under cultivation:
3 hectares[28]

"We are very proud of having reached our major milestone in our anniversary year of 2020. Our cocoa beans are 100% traceable and externally verified."

Dr Dieter Weisskopf
Group CEO Lindt & Sprüngli

LINDT & SPRÜNGLI

Financial Report

Consolidated Statements of the Lindt & Sprüngli Group

Financial Statements of Chocoladefabriken Lindt & Sprüngli AG

Financial and other Information

Consolidated Balance Sheet

CHF million	Note	December 31, 2020		December 31, 2019	
Assets					
Property, plant and equipment	9	1,327.2		1,323.9	
Right-of-use assets	10	408.8		449.7	
Intangible assets	11	1,300.9		1,366.8	
Financial assets	12	1,898.2		1,801.7	
Deferred tax assets	13	162.0		123.0	
Total non-current assets		**5,097.1**	**63.3%**	**5,065.1**	**63.0%**
Inventories	14	701.5		750.1	
Accounts receivable	15	825.0		973.8	
Other receivables		123.9		156.0	
Accrued income and prepayments		29.9		3.9	
Derivative assets	16	23.5		31.9	
Marketable securities and short-term financial assets		401.7		405.2	
Cash and cash equivalents	17	848.4		654.8	
Total current assets		**2,953.9**	**36.7%**	**2,975.7**	**37.0%**
Total assets		**8,051.0**	**100.0%**	**8,040.8**	**100.0%**
Liabilities					
Share and participation capital	18	24.0		24.3	
Treasury stock	18	–26.7		–399.2	
Retained earnings and other reserves		4,603.5		5,034.7	
Equity attributable to shareholders		**4,600.8**		**4,659.8**	
Non-controlling interests	2	5.5		10.4	
Total equity		**4,606.3**	**57.2%**	**4,670.2**	**58.1%**
Bonds	19	997.4		498.5	
Lease liabilities	10	390.1		411.6	
Deferred tax liabilities	13	579.7		541.5	
Pension liabilities	20	153.5		184.7	
Other liabilities		6.6		5.9	
Provisions	21	37.1		38.7	
Total non-current liabilities		**2,164.4**	**26.9%**	**1,680.9**	**20.9%**
Accounts payable to suppliers	22	187.4		233.9	
Other accounts payable		115.6		58.8	
Lease liabilities	10	68.1		67.5	
Current tax liabilities		90.4		99.8	
Accrued liabilities and deferred income	23	745.4		693.0	
Derivative liabilities	16	9.6		10.6	
Provisions	21	59.9		20.6	
Bonds	19	–		499.9	
Bank and other borrowings	19	3.9		5.6	
Total current liabilities		**1,280.3**	**15.9%**	**1,689.7**	**21.0%**
Total liabilities		**3,444.7**	**42.8%**	**3,370.6**	**41.9%**
Total liabilities and equity		**8,051.0**	**100.0%**	**8,040.8**	**100.0%**

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

Consolidated Income Statement

CHF million	Note	2020		2019	
Income					
Sales		4,016.8	100.0%	4,509.0	100.0%
Other income		22.2		16.6	
Total income		**4,039.0**	**100.6%**	**4,525.6**	**100.4%**
Expenses					
Material expenses [1]		–1,435.0	–35.7%	–1,505.8	–33.4%
Changes in inventories		13.4	0.4%	–11.8	–0.2%
Personnel expenses [2]	24	–885.4	–22.0%	–978.9	–21.7%
Operating expenses [3]		–1,035.9	–25.9%	–1,113.3	–24.7%
Depreciation, amortization and impairment [4]	9, 10, 11	–275.8	–6.9%	–322.8	–7.2%
Total expenses		**–3,618.7**	**–90.1%**	**–3,932.6**	**–87.2%**
Operating profit (EBIT) [5]		**420.3**	**10.5%**	**593.0**	**13.2%**
Financial income	25	2.3		3.1	
Financial expense	25	–28.5		–35.0	
Income before taxes		**394.1**	**9.8%**	**561.1**	**12.4%**
Taxes [6]	13	–74.0		–49.2	
Net income		**320.1**	**8.0%**	**511.9**	**11.4%**
of which attributable to non-controlling interests	2	–1.6		2.3	
of which attributable to shareholders of the parent	2	321.7		509.6	
Non-diluted earnings per share/10 PC (CHF)	26	1,333.1		2,141.5	
Diluted earnings per share/10 PC (CHF)	26	1,321.9		2,123.7	

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

1 Includes CHF –3.1 million one-off effects in the USA (increase in inventory reserve for packaging material) in prior year. More information about these one-off effects is disclosed within note 14.
2 Includes CHF –10.0 million one-off effects in the USA (severance payments to employees) in prior year. More information about these one-off effects is disclosed within note 21.
3 Includes CHF –16.1 million one-off effects in the USA (other one time expenses) in prior year. More information about these one-off effects is disclosed within note 21.
4 Includes CHF –52.4 million one-off effects in the USA (impairment of right-of-use assets, manufacturing buildings and equipment) in prior year. More information about these one-off effects is disclosed within notes 9 and 10.
5 Includes CHF –81.6 million one-off effects in the USA in prior year, which are the sum of above mentioned components. This had a corresponding impact on the operating profit of the segment "North America". Refer to note 7 for further information.
6 Includes CHF +22.3 million impact of above mentioned one-off effects in the USA and CHF +59.0 million one-off impacts from the new tax law in Switzerland and other tax credits in prior year. More information about these one-off effects is disclosed within note 13.2. The reconciliation from the above disclosed non recurring operating result to the recurring operating result is presented in the alternative performance measures.

Statement of Comprehensive Income

CHF million	**2020**	2019
Net income	320.1	511.9
Other comprehensive income after taxes		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	62.0	169.1
Items that may be reclassified subsequently to profit or loss		
Hedge accounting	–9.2	–3.7
Currency translation	–147.7	–51.9
Total comprehensive income	**225.2**	**625.4**
of which attributable to non-controlling interests	–4.5	1.9
of which attributable to shareholders of the parent	229.7	623.5

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

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 13.

Consolidated Statement of Changes in Equity

CHF million	Note	Share-/ PC-capital	Treasury stock	Share premium	Hedge accounting	Retained earnings	Currency translation	**Equity attributable to share-holders**	Non-con-trolling interest	**Total equity**
Balance as at January 1, 2019		**24.3**	**–202.4**	**333.2**	**24.9**	**4,539.9**	**–242.6**	**4,477.3**	**9.1**	**4,486.4**
Net income		–	–	–	–	509.6	–	509.6	2.3	511.9
Other comprehensive income		–	–	–	–3.7	169.1	–51.5	113.9	–0.4	113.5
Capital increase	18	0.2	–	77.5	–	–	–	77.7	–	77.7
Purchase of own shares and participation certificates	18	–	–337.1	–	–	–	–	–337.1	–	–337.1
Sale of own shares	18	–	20.1	–	–	15.9	–	36.0	–	36.0
Capital decrease (destruction)	18	–0.2	119.6	–	–	–119.4	–	–	–	–
Share-based payment	28	–	0.6	–	–	18.6	–	19.2	–	19.2
Reclass into retained earnings		–	–	–85.3	–	85.3	–	–	–	–
Distribution of profits		–	–	–	–	–236.8	–	–236.8	–0.6	–237.4
Balance as at December 31, 2019		**24.3**	**–399.2**	**325.4**	**21.2**	**4,982.2**	**–294.1**	**4,659.8**	**10.4**	**4,670.2**
Net income		–	–	–	–	321.7	–	321.7	–1.6	320.1
Other comprehensive income		–	–	–	–9.2	62.0	–144.8	–92.0	–2.9	–94.9
Capital increase	18	0.2	–	87.7	–	–	–	87.9	–	87.9
Purchase of own shares and participation certificates	18	–	–34.9	–	–	–	–	–34.9	–	–34.9
Sale of own shares	18	–	70.2	–	–	18.3	–	88.5	–	88.5
Capital decrease (destruction)	18	–0.5	337.1	–	–	–336.6	–	–	–	–
Share-based payment	28	–	–	–	–	20.2	–	20.2	–	20.2
Transactions with minorities	2	–	–	–	–	–32.8	–	–32.8	–	–32.8
Reclass into retained earnings		–	–	–78.7	–	78.7	–	–	–	–
Distribution of profits		–	–	–	–	–417.6	–	–417.6	–0.4	–418.0
Balance as at December 31, 2020		**24.0**	**–26.8**	**334.4**	**12.0**	**4,696.1**	**–438.9**	**4,600.8**	**5.5**	**4,606.3**

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

Consolidated Cash Flow Statement

CHF million	Note	2020	2020	2019	2019
Net income		320.1		511.9	
Taxes		74.0		49.2	
Interest expense		28.5		35.0	
Interest income		–2.3		–3.1	
Depreciation, amortization and impairment	9, 10, 11	275.8		322.8	
Decrease (–)/Increase (+) of provisions		4.7		31.9	
Decrease (–)/Increase (+) of allowances		21.9		–0.2	
Decrease (+)/Increase (–) of pension plans		2.2		–12.5	
Profit (+)/Loss (–) from disposals of fixed asset		–4.4		–0.9	
Decrease (+)/Increase (–) of accounts receivables		90.1		34.9	
Decrease (+)/Increase (–) of inventories		–0.8		–15.3	
Decrease (+)/Increase (–) of other receivables		18.7		–29.7	
Decrease (+)/Increase (–) of accrued income, prepayments, derivative assets and liabilities		–2.3		0.2	
Decrease (–)/Increase (+) of accounts payable		–34.2		15.5	
Decrease (–)/Increase (+) of other payables and accrued liabilities		106.0		42.1	
Interest received from third parties [2]		1.3		1.8	
Interest paid to third parties [2]		–27.2		–34.7	
Taxes paid [2]		–119.7		–142.8	
Non-cash effective items [1]		35.2		24.8	
Cash flow from operating activities (operating cash flow)			**787.6**		**830.9**
Investments in property, plant and equipment	9	–225.9		–209.4	
Disposals of property, plant and equipment	9	8.0		5.5	
Investments in intangible assets	11	–23.2		–25.8	
Disposals (+)/Investments (–) in financial assets (excluding pension assets)		–		2.0	
Investments in marketable securities and short-term financial assets		2.3		–403.9	
Acquisition of subsidiaries	2	–1.7		–	
Cash flow from investment activities			**–240.5**		**–631.6**
Repayments of borrowings		–1.6		–6.5	
Repayments of loans		–		–0.8	
Repayments of lease liabilities	10	–65.3		–66.7	
Proceeds from the issuance of bond	19	498.9		–	
Repayment of bond	19	–499.9		–	
Capital increase (including premium)		87.9		77.7	
Purchase of treasury stock		–34.9		–337.1	
Sale of treasury stock		92.8		35.1	
Distribution of profits		–417.6		–236.8	
Cash flow with non-controlling interests	2	–0.4		–0.5	
Cash flow from financing activities			**–340.1**		**–535.6**
Net increase (+)/decrease (–) in cash and cash equivalents			**207.0**		**–336.3**
Cash and cash equivalents as at January 1		654.8		996.1	
Exchange gains(+)/losses (–) on cash and cash equivalents		**–13.4**	**641.4**	**–5.0**	**991.1**
Cash and cash equivalents as at December 31	**17**		**848.4**		**654.8**

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

1 As at December 31, 2020, movements of CHF 23.4 million result from the translation of foreign exchange balances (CHF 7.5 million in 2019).

2 To increase transparency, paid and received interest as well as paid taxes are newly included directly in the cash flow from operating activities. This results in reclassifications within the cash flow from operating activities in prior year.

Notes to the Consolidated Financial Statements

1. Organization, Business Activities and Lindt & Sprüngli Group Companies

Chocoladefabriken Lindt & Sprüngli AG and its subsidiaries manufacture and sell premium chocolate products. The products are sold under the brand names Lindt, Ghirardelli, Russell Stover, Whitman's, Caffarel, Hofbauer, Küfferle and Pangburn's. The Lindt & Sprüngli Group has eleven manufacturing plants worldwide (six in Europe and five in the United States) and mainly sells in countries within Europe and North America.

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

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

These consolidated financial statements were approved for publication by the Board of Directors on March 1, 2021.

The subsidiaries of Chocoladefabriken Lindt & Sprüngli AG as at December 31, 2020 are:

Country	Domicile	Subsidiary	Business activity	Ownership (%)	Currency	Capital in million
Switzerland	Kilchberg	Chocoladefabriken Lindt & Sprüngli (Schweiz) AG	P&D	100	CHF	10.0
		Indestro AG [1]	M	100	CHF	0.1
		Lindt & Sprüngli (International) AG [1]	M	100	CHF	0.2
		Lindt & Sprüngli Financière AG [1]	M	100	CHF	5.0
Germany	Aachen	Chocoladefabriken Lindt & Sprüngli GmbH [1]	P&D	100	EUR	1.0
France	Paris	Lindt & Sprüngli SAS	P&D	100	EUR	13.0
Italy	Induno	Lindt & Sprüngli SpA [1]	P&D	100	EUR	5.2
	Luserna	Caffarel SpA	P&D	100	EUR	2.2
	Induno	Lindt & Sprüngli Retail S.r.l. [2]	D	100	EUR	0.01
United Kingdom	London	Lindt & Sprüngli (UK) Ltd. [1]	D	100	GBP	1.5
USA	Kansas City, MO	Lindt & Sprüngli (North America) Inc. [1]	M	100	USD	0.1
	Stratham, NH	Lindt & Sprüngli (USA) Inc.	P&D	100	USD	1.0
	San Leandro, CA	Ghirardelli Chocolate Company	P&D	100	USD	0.1
	Kansas City, MO	Russell Stover Chocolates, LLC	P&D	100	USD	0.1
Spain	Barcelona	Lindt & Sprüngli (España) SA	D	100	EUR	3.0
Netherlands	Rotterdam	Lindt & Sprüngli (Netherlands) B.V.	D	100	EUR	0.1
Austria	Vienna	Lindt & Sprüngli (Austria) Ges.m.b.H. [1]	P&D	100	EUR	4.5
Poland	Warsaw	Lindt & Sprüngli (Poland) Sp. z o.o. [1]	D	100	PLN	17.0
Canada	Toronto	Lindt & Sprüngli (Canada) Inc. [1]	D	100	CAD	2.8
Australia	Sydney	Lindt & Sprüngli (Australia) Pty. Ltd. [1]	D	100	AUD	1.0
Mexico	Mexico City	Lindt & Sprüngli de México SA de CV [1]	D	100	MXN	285.1
Sweden	Stockholm	Lindt & Sprüngli (Nordic) AB [1]	D	100	SEK	0.5
Czech Republic	Prague	Lindt & Sprüngli (CEE) s.r.o. [1]	D	100	CZK	0.2
Japan	Tokyo	Lindt & Sprüngli Japan Co., Ltd.	D	100	JPY	1,227.0
South Africa	Capetown	Lindt & Sprüngli (South Africa) (Pty) Ltd. [1]	D	100	ZAR	100.0
Hong Kong	Hong Kong	Lindt & Sprüngli (Asia-Pacific) Ltd. [1]	D	100	HKD	248.3
China	Shanghai	Lindt & Sprüngli (China) Ltd.	D	100	CNY	199.5
Russia	Moscow	Lindt & Sprüngli (Russia) LLC [1]	D	100	RUB	16.0
Brazil	São Paulo	Lindt & Sprüngli (Brazil) Holding Ltda.	D	100	BRL	50.0
		Lindt & Sprüngli (Brazil) Comércio de Alimentos S.A. [3]	D	51	BRL	40.8

D – Distribution, P – Production, M – Management
1 Subsidiaries held directly by Chocoladefabriken Lindt & Sprüngli AG.
2 The subsidiary Lindt & Sprüngli Retail S.r.l. has been added to the consolidation scope for the first time in 2020. See also note 2 for more information.
3 The Joint Venture with the CRMPAR Holding S.A. is a subsidiary with substantial non-controlling interests and is therefore fully consolidated according to IFRS 10 "Consolidated Financial Statements". The non-controlling interests are CHF 5.5 million at December 31, 2020 (CHF 10.4 million at December 31, 2019). These are not material to the Group. See also note 2 for more information.

Changes in the consolidation scope or of non-controlling interests are disclosed within note 2.

2. Changes in the Consolidation Scope and Non-Controlling Interests

In 2020 there has been the following change in consolidation:

– Lindt & Sprüngli Retail S.r.l., Italy, December 2020.

On December 30, 2020 the Lindt & Sprüngli Group has concluded an agreement to purchase the Lindt & Sprüngli related retail operations of S.T. SpA, an Italian company based in Varese. The effective purchase data is December 31, 2020. A family member of a member of the Board of Directors has a majority share in the selling company. S.T. SpA is the exclusive retail partner for the Lindt & Sprüngli Group in Italy and runs Lindt retail stores there. Thanks to the acquisition of the own Lindt retail stores, their enhancement and the direct ownership over these stores, the Lindt & Sprüngli Group expects positive impulses from this sales channel. The acquired operations have been contributed in-kind into a new company, Lindt & Sprüngli Retail S.r.l, which is a fully owned subsidiary of Lindt & Sprüngli SpA. The company is fully consolidated in the financial statements of the Group since the acquisition date.

The purchase price amounted to CHF 13.7 million including a contingent consideration of CHF 0.8 million. Thereof, CHF 3.3 million will be settled in cash (CHF 1.7 million were already paid as of December 31, 2020), the residual will be balanced through receivables against the selling company. The contingent consideration will only be due if a minimum profit level is reached in 2022 or 2023. Currently, it is expected that this contingent consideration will become due.

In the course of the asset deal and based on the provisional purchase price allocation the Lindt & Sprüngli Group identified the following net assets of CHF 1.1 million:

CHF million	**2020**
Right-of-use assets	11.3
Intangible assets	2.9
Deferred tax assets	2.2
Inventories	1.9
Property, plant and equipment	1.1
Cash and cash equivalents	0.1
Other current assets	0.4
Lease liabilities	–11.0
Current provisions	–5.9
Accrued liabilities and deferred income	–0.8
Deferred tax liabilities	–0.5
Non-current provisions	–0.3
Accounts payable to suppliers	–0.2
Pension liabilities	–0.1
Fair value of acquired net assets	**1.1**
Goodwill	12.6
Total	**13.7**

Since the assessment of acquired net assets hasn't been finalized yet and the agreement foresees that the purchase price could still be adjusted in 2021, these values are only preliminary.

The fair values of the identifiable intangible assets consist of "brands and intellectual property rights" and "other intangible assets" and were derived by an independent expert. The goodwill resulting from the acquisition amounts to CHF 12.6 million and mainly represents a control premium and the synergies that can be expected from integrating the acquired operations into the Lindt & Sprüngli Group's existing business. The deferred tax liabilities mainly arise from provisions not capitalized in the tax accounts. Directly attributable transaction costs of CHF 0.3 million are reported as part of the operating expenses.

Thanks to the purchase, incremental annual sales of CHF 21.3 million and income of CHF 0.9 million are expected. Since the purchase was effective December 31, 2020 there has been no impact on 2020 consolidated sales or income figures. If the purchase occurred on January 1, 2020 net sales would have increased by CHF 17.0 million and operating income would have roughly remained the same.

In December 2020 the Lindt & Sprüngli Group has signed an agreement to purchase the minority shares in Lindt & Sprüngli (Brazil) Comércio de Alimentos S.A. This agreement is to be treated as a forward contract according to IFRS. The purchase price of BRL 180.0 million (CHF 32.8 million) therefore has been recognized in other accounts payable as of December 31, 2020 and reduces the consolidated equity. The effective purchase date of the non-controlling interests is January 27, 2021 (for more details refer to note 32 "Events after the Balance Sheet Date"). Since the Lindt & Sprüngli Group already possessed the majority share before the purchase and Lindt & Sprüngli (Brazil) Comércio de Alimentos S.A. thus was accounted for using the purchase method, the transactions will be accounted for as a pure capital transaction in 2021.

3. Accounting Principles

Basis of preparation

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

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

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

New IFRS and Interpretations

New and amended IFRS and interpretations (effective as of January 1, 2020)

The Lindt & Sprüngli Group has implemented all new or amended accounting standards and interpretations to the IFRS, which must be applied for the reporting period beginning January 1, 2020, especially the new expedient added to IFRS 16 "Leases".

Standard/interpretation	Effective Date	Effective Application
New expedient – Amendments to IFRS 16	June 1, 2020	Early as of January 1, 2020
Definition of material – Amendments to IAS 1 and IAS 8	January 1, 2020	Reporting year 2020
Definition of a Business – Amendments to IFRS 3	January 1, 2020	Reporting year 2020
Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020	Reporting year 2020
Amendments to the Framework	January 1, 2020	Reporting year 2020

Except for IFRS 16, none of these new or amended accounting standards and clarifications resulted in any significant changes to the accounting policies of the Lindt & Sprüngli Group. Neither did these have a significant impact on the recognition or measurement in the consolidated financial statements.

New practical expedient under IFRS 16 –"Leases"

The Lindt & Sprüngli Group uses the new practical expedient of IFRS 16 – "Leases" published in May 2020 and early applies the expedient as of January 1, 2020. For rent concessions fulfilling the conditions listed in the amended standard, no assessment is made whether these represent lease modifications. Instead, these concessions are accounted for as a reduction to expenses.

Impact of the IBOR reform and herewith related amendments to IFRS 9 – "Financial Instruments" and IFRS 7 – "Financial Instruments – Disclosures"

The Lindt & Sprüngli Group mostly uses internal financing and only possesses a few external financing contracts. These few loans and bonds against third parties are neither IBOR dependent nor material. The Lindt & Sprüngli Group has no IBOR based mortgages. Moreover, the Lindt & Sprüngli Group issues neither loans nor own bonds to third parties. Therefore, the Lindt & Sprüngli Group's consolidated financial statements are only impacted by the IBOR reform to a limited extent.

But in particular the intercompany loans, which eliminate upon consolidation, are LIBOR dependent. These contracts will be updated accordingly. The changes however, are not expected to occur before the fourth quarter in 2021, since the Swiss Market is presently not yet very advanced in implementing the IBOR reform.

Therefore, the Lindt & Sprüngli Group is not applying the IBOR reform related amendments in IFRS 7 and IFRS 9, as the hedged transactions designated as hedge accounting under IFRS 9 are not impacted by the reform.

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

Standard/interpretation	Effective date	Planned application
Proceeds before intended use – Amendments to IAS 16	January 1, 2022	Reporting year 2022
Costs of fulfilling a contract – Amendments to IAS 37	January 1, 2022	Reporting year 2022
IFRS 17 Insurance Contracts	January 1, 2023	Reporting year 2023
Amendments to the classification as current or non-current – Amendments to IAS 1	January 1, 2023	Reporting year 2023

Consolidation method

The consolidated financial statements include the accounts of the parent company and all the entities it controls (subsidiaries) up to December 31 of each year. The Lindt & Sprüngli Group controls an entity when it is exposed to, or has the rights to variable returns from its investment in the entity, and has the ability to direct these returns through its influence over the entity.

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

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

Foreign currency translation

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

Foreign exchange differences arising from the translation of loans that are held as net investments in a foreign operation are recognized separately in other comprehensive income. The repayment of these loans is not considered as a divestment (neither partial nor full). As a consequence, the respective accumulated currency translation differences are not recycled from other comprehensive income to the income statement.

Foreign exchange rates
The Lindt & Sprüngli Group applied the following exchange rates:

		Balance sheet year-end rates		Income statement average rates	
CHF		**2020**	2019	**2020**	2019
Euro zone	1 EUR	1.08	1.09	1.07	1.11
USA	1 USD	0.88	0.97	0.93	0.99
United Kingdom	1 GBP	1.20	1.27	1.20	1.27
Canada	1 CAD	0.69	0.74	0.70	0.75
Australia	1 AUD	0.68	0.68	0.65	0.69
Poland	100 PLN	23.59	25.50	24.13	25.85
Mexico	100 MXN	4.43	5.12	4.30	5.16
Sweden	100 SEK	10.76	10.37	10.27	10.45
Czech Republic	100 CZK	4.12	4.27	4.06	4.32
Japan	100 JPY	0.85	0.89	0.88	0.91
South Africa	100 ZAR	6.01	6.89	5.81	6.86
Hong Kong	100 HKD	11.36	12.43	12.11	12.68
China	100 CNY	13.46	13.91	13.59	14.18
Russia	100 RUB	1.17	1.56	1.29	1.54
Brazil	100 BRL	16.95	24.09	18.24	25.14

Property, plant and equipment

Property, plant and equipment are valued at historical cost less accumulated depreciation. The assets are depreciated using the straight-line method over the period of their expected useful life. Assets are linearly depreciated to reduce the carrying amount to the expected residual value over the following useful lives:
- Buildings (incl. installations) 5–40 years
- Machinery 10–15 years
- Other fixed assets 3–8 years

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

Intangible assets

Intangible assets are linearly amortized to reduce the carrying amount to the expected residual value over the following useful lives:
- Goodwill Indefinite
- Brands and intellectual property rights Indefinite
- EDP-Software 3–7 years
- Customer relationships 10–20 years

Goodwill
Goodwill is the excess of the acquisition costs over the Lindt & Sprüngli Group's interest in the fair value of the net assets acquired. Goodwill is not amortized, but tested for impairment at least in the fourth quarter of each reporting period. In case of the prevalence of impairment indicators, goodwill is tested for impairment before year-end.

Other intangible assets
"EDP Software" and "customer relationships" are recognized at cost and amortized on a straight line basis over their economic life. The economic life of the intangible asset is regularly reviewed. "Brands and intellectual property rights" are not amortized but have an indefinite life, as they can be renewed without significant costs, are supported by ongoing marketing and selling activities and there is no foreseeable limit to the cash-flows they generate. The useful life and the recoverability of their value is tested at least at each balance sheet date. All identifiable intangible assets (such as "brands and intellectual property rights" and "customer relationships") acquired in the course of a business merger are initially recognized at fair value.

Impairment
The Lindt & Sprüngli Group records the difference between the recoverable amount and the book value of fixed assets, goodwill or intangible assets as impairment. The valuation is made for an individual asset or, if this is not possible, on a group of assets that generates separable cash flows. In order to establish the future benefits, the expected future cash flows are discounted. Assets with indefinite useful life as for example goodwill or intangible assets, which are not in use yet, are not amortized and are subject to a yearly impairment test. Depreciable assets are tested for their recoverability, if there are indicators that the book value is no longer realizable.

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

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

The right-of-use assets are initially recognized on the balance sheet at cost, which comprises the amount of the initial measurement of the corresponding lease liability, adjusted for any lease payments made at or prior to the commencement date of the lease, any lease incentive received by the Lindt & Sprüngli Group, and expected costs for obligations to dismantle and remove right-of-use assets when they are no longer used. Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease over the shorter of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are linearly depreciated to reduce the carrying amount to the expected residual value over the following usual periods in time:

– Buildings	2–10 years
– Vehicles	2–4 years
– Other fixed assets	2–5 years

Right-of-use assets are assessed for impairment whenever there is an indication that the balance sheet carrying amount may not be recoverable.

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

Cash and cash equivalents

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

Financial assets

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

Financial assets are initially measured at its fair value. In case financial assets are not measured at FVTPL, transaction costs increase the book value at initial recognition. All financial assets not designated as amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Lindt & Sprüngli Group may designate a financial asset that otherwise meets the criteria to be measured at amortized cost or FVOCI as measured at FVTPL if doing so eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. An equity instrument not held for trading may be classified as FVOCI with subsequent changes in fair value in OCI. The classification is irrevocable.

For financial assets valued at amortized cost or FVOCI, the expected loss is calculated and provided for, if there is an impairment risk for the position.

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

Interest is reported as interest income or in the case of negative interest as expense, both being part of the financial result. Moreover, interest is shown within the operating cash flow.

Provisions

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

Allowance for accounts receivable

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

Dividends

In accordance with Swiss law and the Articles of Association, dividends are treated as an appropriation of profit in the year in which they are approved by the Annual Shareholders' Meeting and subsequently paid.

Financial liabilities

Financial liabilities are recognized initially when the Lindt & Sprüngli Group commits to a contract and records the amount of the proceeds (net of transaction costs) received. Borrowings are then valued at amortized cost using the effective interest method. The amortized cost consists of a financial obligation at its initial recording, minus repayment, plus or minus accumulated amortization (the potential difference between the original amount and the amount due at maturity). Interest is reported as interest expense, being part of the financial result. Moreover, interest is shown within the operating cash flow. Gains or losses are recognized in the income statement as a result of amortization or when a borrowing is derecognized. A borrowing is derecognized when it is repaid, offset or when it expires.

Employee benefits

The expense and defined benefit obligations for the significant defined benefit plans and other long-term employee benefits in accordance with IAS 19 are determined using the "Projected Unit Credit Method", with independent actuarial valuations being carried out at the end of each reporting period. This method takes into account years of service up to the reporting period and requires the Lindt & Sprüngli Group to make estimates about demographic variables (such as mortality or turnover) and financial variables (such as future salary increase and the long-term interest rate on pension assets) that will affect the final cost of the benefits. The valuation of the pension asset is carried out yearly and recognized at its fair market value.

The cost of defined benefit plans has three components:

- service cost recognized in profit and loss;
- net interest expense or income recognized in profit and loss; and
- remeasurement recognized in other comprehensive income.

Service cost includes current service cost, past service cost and gains or losses on settlements. Past service cost is recognized in the period the plan amendment occurs. Curtailment gains and losses are accounted for as past service cost. Contributions from plan participants' or a third party reduce the service cost and are therefore deducted if they are based on the formal terms of the plan or arise from a constructive obligation.

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

Remeasurements of the net defined benefit liability (asset) include actuarial gains and losses on the defined benefit obligation from:

- changes in assumptions and experience based adjustments;
- return on plan assets excluding the interest income on the plan assets that is included in net interest; and
- changes in the effect of the asset ceiling (if applicable) excluding amounts included in net interest.

Remeasurements are recorded in other comprehensive income and are not recycled. The Lindt & Sprüngli Group presents both components of the defined benefit costs in the line item "Personnel Expenses" in its consolidated income statement.

The retirement benefit obligation recognized in the consolidated financial statements represents the actual deficit or surplus in the Lindt & Sprüngli Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. Payments to defined contribution plans are reported in personnel expenses when employees have rendered services entitling them to the contributions. Obligations arising from termination of employments are recognized at the earlier of when the entity can no longer withdraw from the termination obligation or when the entity recognizes any related restructuring costs.

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

Revenue recognition

Revenue is recognized in accordance with the requirements of IFRS 15 – "Revenue from Contracts with Customers" and the five-step model described therein. Revenue consists of the expected considerations in exchange for the delivery of Lindt & Sprüngli products, which are sold in the normal course of business. In addition to sales or value-added tax, contractually agreed obligations with the trade, such as price or promotional discounts, end-of-year discounts or returns of goods, are deducted from revenue, except the considerations for distinct and clearly identifiable services rendered by trade partners, which could also be rendered by third parties at comparable costs. Adequate trade accruals are recognized for contractually agreed performance obligations.

Revenue is recognized at the point in time when goods are transferred to customers in the amount of the consideration that the Lindt & Sprüngli Group can reasonably expect in return for the transfer of these goods. Estimates are made based on historical experience and take into consideration the specific contractual characteristics.

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

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

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

"Other income" mainly includes license fees, reimbursement of freight charges as well as the gain on sale of assets and of internally invested property, plant and equipment. All income is recognized after the fulfillment of the obligation.

Operating expenses

Operating expenses include marketing, distribution and administrative expenses.

Borrowing costs

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

Taxes

Taxes are based on the annual profit and include non-refundable taxes at source levied on the amounts received or paid for dividends, interests and license fees. These taxes are levied according to country regulations.

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

Deferred taxes are accounted for using the "Balance-Sheet-Liability Method" and arise on temporary differences between the tax and IFRS bases of assets and liabilities. In order to calculate the deferred taxes, the legal tax rate in use at the time or the future tax rate announced is applied. Deferred tax assets are recorded to the extent that it is probable that future taxable profit is likely to be achieved against which the temporary differences can be offset.

Deferred taxes also arise due to temporary differences from investments in subsidiaries and associated companies. Deferred taxes for such investments are not recognized if the following two conditions are met: (1) the parent company is able to manage the timing of the release of temporary differences and, (2) it is probable that the temporary differences are not going to be reversed in the near future.

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

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

Research and development costs

Development costs for new products are capitalized if the relevant criteria for capitalization are met. Currently there are no capitalized development costs in the consolidated financial statements.

Share-based payments

The Lindt & Sprüngli Group grants options on officially listed participation certificates to several employees. These options have a blocking period of three to five years and a maximum maturity of seven years. The options expire once the employee leaves the company. Cash settlements are not allowed. The disbursement of these equity instruments is valued at fair value at grant date. The fair value determined at grant date is recorded on a straight-line method over the vesting period. This is based on the estimated number of participation certificates, which entitles a holder to additional benefits. The fair value was derived by using the binomial model for the determination of option prices. The anticipated maturity period included the conditions of the employee option plan, such as the blocking period and the non-transferability.

Accounting for derivative financial instruments and hedging activities

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

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

The effective portion of the derivatives' change in fair value, which are designated as cash flow hedges and comply with the requirements to apply hedge accounting, is accounted for in other comprehensive income. Profit and loss from the ineffective portion of the change in fair value are recognized immediately in the income statement. Changes in fair value of the financial instrument are accumulated in other comprehensive income and released to the income statement in the same reporting period when the hedged item affects profit and loss. However, if the hedged transaction subsequently results in the recognition of a non-financial item such as inventories, the amount is released from the cash flow hedge reserve and included in the initial cost of the non-financial asset or liability.

Value changes of derivative financial instruments not designated as hedging instrument are shown within the financial result.

Critical accounting estimates and judgments

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

- Pension plans: the calculation of the recognized assets and liabilities from defined benefit plans is based on statistical and actuarial calculations performed by actuaries. The present value of defined benefit liabilities in particular is heavily dependent on assumptions such as the discount rate used to calculate the present value of future pension liabilities, future salary increases and changes in employee benefits. In addition, the Lindt & Sprüngli Group's independent actuaries use statistical data such as probability of withdrawals of members from the plan and life expectancy in their assumptions.
- When testing goodwill and other intangible assets with indefinite useful lives for potential impairment, parameters such as future discounted cash flows, underlying discount and growth rates, as well as the EBIT-margin development are based on estimates and assumptions.
- The Lindt & Sprüngli Group operates in and is subject to taxes in numerous jurisdictions. Potential changes in local tax laws and their interpretations result in various uncertainties. Thus, significant judgment is required in determining deferred tax assets and deferred tax liabilities or other tax positions. Uncertainties exist in determining the applicable tax rate and the resulting expected tax assets or liabilities.
- The below disclosed potential consolidation requirement for the both non-profit funds.

In the course of restructuring the pension fund schemes within the Lindt & Sprüngli Group in 2013, two non-profit foundations were founded:
– Lindt Chocolate Competence Foundation
– Lindt Cocoa Foundation

These foundations are both independent and the Lindt & Sprüngli Group holds no shares in them.

Both of these foundation are not required to be consolidated according to IFRS 10 – "Consolidated Financial Statements". On one hand the Lindt & Sprüngli Group does not have the opportunity to dictate the significant decision, since at most one member of the foundation board is allowed to be from the Lindt & Sprüngli Group. On the other hand, the Lindt & Sprüngli Group is not exposed to variable returns, since transactions are conducted under the same conditions being used for transactions with other third parties as well.

4. Impact of Covid-19

On March 11, 2020 the WHO declared the outbreak of Covid-19 a pandemic. Worldwide, governments took measures to limit the spread of the pandemic and support businesses.

Since the beginning of March, the global health and economic crisis resulting from the Covid-19 pandemic, together with the severe restrictions imposed to limit the spread of the virus in many major markets, are impacting the Lindt & Sprüngli Group's business in all three of its segments (Europe, North America and Rest of the World). The main impact was upon duty free, the own store network, food service, the Easter and Christmas business as well as the grocery trade in certain markets. However, the e-commerce business, home delivery and pick-up services at some stores are gaining in importance.

The Lindt & Sprüngli Group's growth and financial outlook 2020 has been withdrawn on March 31, 2020. Thanks to a strong financial year 2019, a solid balance sheet with a high equity ratio and high liquidity, the dividend could still be distributed as planned.

Since the outbreak of the Covid-19 pandemic, the Lindt & Sprüngli Group has taken all the necessary measures to protect the health of its employees, consumers, business partners and suppliers. There were no major bottlenecks or disruptions neither in the supply chain nor in operations. In order to have a better picture of the impact of the pandemic and to detect significant risks early on, internal processes have been adjusted by, for example, asking for specific information earlier or more often.

For this annual report, the Lindt & Sprüngli Group considered all known consequences of the pandemic. However, the impact on the future income and profitability measures cannot be fully determined, but is updated on an ongoing basis by means of different scenarios and is highly dependent on the further development of the pandemic.

Recoverability of deferred tax assets

Caused by the decrease in sales, some subsidiaries report lower income before taxes. Therefore, additional tax loss carryforwards have been capitalized, resulting in an increase in deferred tax assets. The deferred tax assets in general have been tested for recoverability as of December 31, 2020. There were no material impairments due to Covid-19, in particular because the Lindt & Sprüngli Group expects that business will recover in the mid- and long-term.

Recoverability of right-of-use assets and property, plant and equipment within the own store network

Due to the measures taken across the globe to limit the spread of the pandemic, many stores of the own store network were closed temporarily. Therefore, for property plant and equipment as well as leases related to the own store network it has been assessed whether these need to be impaired. The impairment assessments were made by means of different scenarios. On one hand, a realistic scenario ("best estimate") was analyzed. On the other hand, more pessimistic scenarios were analyzed to better estimate the potential incremental impairment risk. Based on the impairment tests the Lindt & Sprüngli Group booked impairments amounting to CHF 22.7 million, whereof CHF 11.9 million relate to property, plant and equipment and CHF 10.8 million to right-of-use assets.

Recoverability of goodwill

Moreover, on top of the annual impairment assessment, goodwill has also been tested for impairment throughout the year. Furthermore, the goodwill recoverability is also analyzed by means of a sensitivity analysis. More information is disclosed within note 11. Based on the conducted recoverability assessments, the Lindt & Sprüngli Group concluded that goodwill is deemed recoverable as of December 31, 2020. This assessment highly depends on the further extent of the pandemic and is monitored closely.

Risk of defaults on accounts receivables

To consider the increased risks of defaults of accounts receivable, the Lindt & Sprüngli Group adjusted the different components of the expected credit loss model to reflect the current circumstances. Consequently, historical rates of defaults were updated as well as the credit spreads for the future portfolio allowance of accounts receivable. In total, this resulted in a relative increase in the allowance for accounts receivable, in absolute numbers however, the impact is immaterial.

Other recoverability considerations

Inventory levels decreased in comparison to prior year. However, their composition changed. Since the share of products close to their best before date increased due to lower sales in comparison to prior year, the allowance has been increased by CHF 15.3 million. Since the recognized allowances are covering the risk for impairment, the position is deemed recoverable as of December 31, 2020.

Drawn subsidies

The Lindt & Sprüngli Group notably obtained rent concessions for leases of the own stores network. For such concessions, the Lindt & Sprüngli Group applies the new practical expedient under IFRS 16 and accounts for concessions, which fulfill the conditions mentioned in the amended standard, as reduction to expenses. The rent concessions accounted as reduction to expenses amount to CHF 4.4 million for 2020.

The obtained grants in certain jurisdictions, for example short-time work compensation, are amounting to CHF 6.8 million, only. The Lindt & Sprüngli Group applies IAS 20 – "Government Grants" to account for such grants. For these the "netting-method" is applied whereby any obtained grant is deducted from the corresponding expense.

Due to the pandemic some jurisdictions also introduced various tax reliefs, as for example extended periods for tax loss carry-forwards. The impact of such reliefs on the tax rate is disclosed within note 13 on taxes.

Share-based payments

The impact of the pandemic on share-based payments is not material, since there were no significant changes to the employees' stock option plan. For more information, refer to note 28 "Share-based Payments".

Pension plans

The computations for pension plans according to IAS 19 consider potential impacts of the pandemic such as on the discount rate or the valuation of plan assets. The pandemic especially led to lower discount rates. More details are disclosed within note 20 "Pension Plans and Other Long-term Employee Benefits".

5. Risk Management

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

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

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

Centralized systems and processes, specifically for the ongoing recognition and consolidation of the group wide foreign exchange and commodity positions, as well as regular internal reporting, ensure that the risk positions are consolidated and managed in a timely manner. The Lindt & Sprüngli Group only engages in derivative financial instruments in order to hedge against market risks.

Market risks

Commodity price risks

The Lindt & Sprüngli Group's products are manufactured with raw materials (commodities) that are subject to strong price fluctuations due to climate dependent supply, seasonal demand, and market speculation. In order to mitigate the price and quality risks of the expected future net demand, the manufacturing Lindt & Sprüngli Group companies enter into contracts with suppliers for the future physical delivery of the raw materials. Commodity futures are also used, but only processed centrally by Corporate Treasury. The commodity futures for cocoa beans of a required quality are always traded for physical-delivery agreements. The number of outstanding commodity futures is dependent on the expected production volumes and price development and may therefore vary significantly throughout the year. Based on the existing contract volume as of December 31, 2020 and 2019, no material sensitivities exist on these positions. The changes in commodity prices include the fair value of the futures since entering into the agreement and are recognized in accordance with IFRS 9.

Exchange rate risks

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

Since the operational Lindt & Sprüngli Group companies transact the majority of their transactions in their own functional currencies and any remaining non-functional currency based transactions are hedged with currency forward contracts, the exchange rate risk at balance sheet date is not material. The changes in exchange rates include the fair value of the currency forward contracts since entering into the contract and are recognized in accordance with IFRS 9.

Interest rate risks

Corporate Treasury monitors and minimizes interest rate risks from a mismatch of quality, maturity period, and currency of the financial position on a continuous basis. Corporate Treasury may use derivative financial instruments in order to manage the interest rate risk of balance sheet assets and liabilities and future cash flows. As of December 31, 2020 and 2019, there were no such transactions.

As of December 31, 2020 and 2019, the position financial assets is made up of two equal parts of interest-bearing and non interest-bearing financial assets. Interest-bearing financial assets predominantly include cash and cash equivalents in Swiss francs.

Credit risks

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

Liquidity risks

Liquidity risks exist when the Lindt & Sprüngli Group or a subsidiary does not settle or meet its financial obligations (untimely repayment of financial debt, payment of interest). The Lindt & Sprüngli Group's liquidity is ensured by means of regular group wide monitoring and planning of liquidity as well as an investment policy coordinated on a timely basis by Corporate Treasury. The net financial position is monitored on a company-by-company basis by Corporate Treasury. As of December 31, 2020, the net financial position amounted to CHF –209.4 million (CHF –423.1 million in 2019).

CHF million	**December 31, 2020**	December 31, 2019
Marketable securities and short-term financial assets	401.7	405.2
Cash and cash equivalents	848.4	654.8
Bonds non-current	–997.4	–498.5
Lease liabilities non-current	–390.1	–411.6
Lease liabilities current	–68.1	–67.5
Bonds current	–	–499.9
Bank and other borrowings	–3.9	–5.6
Total net financial position	**–209.4**	**–423.1**

For extraordinary financing needs, adequate credit lines with financial institutes have been arranged.

The tables show the contractually fixed payments as at December 31, 2020 and 2019:

CHF million	< 3 months	Between 3 and 12 months	Between 1 and 3 years	Over 3 years	**2020 Total**
Bonds (including interests)	–	3.9	7.8	1,011.3	1,023.0
Lease liabilities (including interests)	19.8	59.6	132.7	312.0	524.1
Accounts payable	185.7	1.7	–	–	187.4
Other accounts payable	73.8	41.8	–	–	115.6
Derivative assets	–8.4	–13.9	–1.2	–	–23.5
Derivative liabilities	3.3	5.7	0.6	–	9.6
Bank and other borrowings	3.1	0.8	–	–	3.9
Total contractually fixed payments	**277.3**	**99.6**	**139.9**	**1,323.3**	**1,840.1**

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

Changes in bonds are disclosed within note 19.

6. Capital Management

The goal of the Lindt & Sprüngli Group with regards to capital management is to support the business with a sustainable and risk adjusted capital basis and to achieve an accurate return on the invested capital. The Lindt & Sprüngli Group assesses the capital structure on an ongoing basis and makes adjustments in view of the business activities and the changing economical environment. As an example the Lindt & Sprüngli Group completed a share buyback program of CHF 500.0 million in 2019.

The Lindt & Sprüngli Group monitors its capital based on the ratio of shareholders' equity in percentage to total assets, which was 57.2% as of December 31, 2020 (58.1% in 2019).

The objectives, policies and procedures as of December 31, 2020, related to capital management have not been changed compared to the previous year.

7. Segment Information: According to Geographic Segments

The Lindt & Sprüngli Group is organized and managed by means of individual countries. For the definition of business segments to be disclosed, the Lindt & Sprüngli Group has aggregated companies of individual countries on the basis of similar economic structures (foreign exchange risks, growth perspectives, element of an economic area), similar products and trade landscapes as well as economic attributes (gross profit margins). The three business segments to be disclosed are:

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

The Lindt & Sprüngli Group considers the operating result as the segment result. Transactions between segments are valued and recorded in accordance with the "Cost Plus"–Method.

Segment income

	Segment Europe		Segment North America		Rest of the World		**Total**	
CHF million	2020	2019	2020	2019	2020	2019	**2020**	2019
Sales	2,266.9	2,451.7	1,541.9	1,769.1	469.4	600.4	4,278.2	4,821.2
Whereof sales between segments	255.5	305.4	5.9	6.8	–	–	261.4	312.2
Third party sales	**2,011.4**	**2,146.3**	**1,536.0**	**1,762.3**	**469.4**	**600.4**	**4,016.8**	**4,509.0**
Operating profit	289.9	411.1	88.9	76.4 [1]	41.5	105.5	420.3	593.0
Net financial result							–26.2	–31.9
Income before taxes							**394.1**	**561.1**
Taxes							–74.0	–49.2
Net income							**320.1**	**511.9**

1 Included CHF –81.6 million one-off effects from the USA in 2019 that had an impact on material expenses, personnel expenses, operating expenses as well as depreciation, amortization and impairment.

The following countries achieved the highest sales in 2020:

- USA CHF 1,312.0 million (CHF 1,490.7 million in 2019)
- Germany CHF 668.9 million (CHF 678.8 million in 2019)
- France CHF 402.5 million (CHF 420.5 million in 2019)
- Switzerland CHF 298.4 million (CHF 397.5 million in 2019)

For better understanding, the revenues of the Lindt & Sprüngli Group are further disaggregated by sales channels, such as "Global Retail" (consisting of store network, own webshops and other direct sales), key accounts (local and international) and distributors (local and international). The disaggregation by sales channel is not used by Management for business controlling and thus does not represent an operating segment. In 2020 revenues of "Global Retail" amounted to CHF 446.9 million (CHF 608.3 million in 2019). There is no individual customer exceeding 10% of the third party sales recognized in the reporting period.

Balance sheet and other information

	Segment Europe		Segment North America		Rest of the World		Total	
CHF million	2020	2019	2020	2019	2020	2019	**2020**	2019
Assets [1]	5,523.1	5,229.8	2,199.5	2,446.5	328.4	364.5	8,051.0	8,040.8
Liabilities [1]	2,614.9	2,506.2	656.2	667.7	173.6	196.7	3,444.7	3,370.6
Investments [2]	201.6	197.8	116.5	85.0	15.2	25.4	333.3	308.2
Depreciation and amortization	139.8	137.2	90.3	106.7	21.3	21.4	251.4	265.3
Impairment	6.2	0.9	14.5	55.5	3.7	1.1	24.4	57.5

1 Assets of CHF 0.0 million (CHF 3.9 million in 2019) and liabilities of CHF 0.0 million (CHF 58.1 million in 2019), which cannot be clearly allocated to a particular segment, are disclosed in the category "Rest of the World".
2 The position investments consists of investments into property, plant and equipment, right-of-use assets and intangible assets.

The following countries held the greatest portion of right-of-use, fixed and intangible assets in 2020:
- USA CHF 1,361.7 million (CHF 1,501.4 million in 2019)
- Switzerland CHF 695.1 million (CHF 661.1 million in 2019)
- Germany CHF 327.7 million (CHF 325.6 million in 2019)

8. Financial Instruments, Fair Value and Hierarchy Levels

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

			December 31, 2020		December 31, 2019	
CHF million	Note	Level[1]	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Fair value through profit or loss						
Derivative assets[2]	16	2	1.5	1.5	2.2	2.2
Marketable securities and short-term financial assets		2	150.0	150.0	150.0	150.0
Investments third parties		3	–	–	1.1	1.1
Total			**151.5**		**153.3**	
Derivatives used for hedging						
Derivative assets[2]	16	1	7.6	7.6	15.5	15.5
Derivative assets[2]	16	2	14.4	14.4	14.2	14.2
Total			**22.0**		**29.7**	
Other financial assets at amortized cost[3]						
Cash and cash equivalents	17		848.4	–[1]	654.8	–[1]
Accounts receivable	15		825.0	–[1]	973.8	–[1]
Other receivables[4]			89.9	–[1]	111.3	–[1]
Marketable securities			251.7	–[1]	255.2	–[1]
Total			**2,015.0**		**1,995.1**	
Total financial assets			**2,188.5**		**2,178.1**	
Financial liabilities						
Fair value through profit or loss						
Derivative liabilities[2]	16	2	1.1	1.1	0.1	0.1
Total			**1.1**		**0.1**	
Derivatives used for hedging						
Derivative liabilities[2]	16	1	1.2	1.2	1.5	1.5
Derivative liabilities[2]	16	2	7.3	7.3	9.0	9.0
Total			**8.5**		**10.5**	
Other financial liabilities at amortized costs						
Bonds	19	1	997.4	1,029.9	998.4	1,025.4
Other non-current liabilities			6.6	–[1]	5.9	–[1]
Accounts payable	22		187.4	–[1]	233.9	–[1]
Other accounts payable			115.6	–[1]	58.8	–[1]
Bank and other borrowings	19		3.9	–[1]	5.6	–[1]
Total			**1,310.9**		**1,302.6**	
Total financial liabilities			**1,320.5**		**1,313.2**	

1 Level 1 – The fair value measurement of same financial instruments is based on quoted prices in active markets.
Level 2 – The fair value measurement of same financial instruments is based on observable market data, other than quoted prices in Level 1.
Level 3 – Valuation technique using non-observable data.
For the category "amortized costs" it is expected that the carrying amounts are a reasonable approximation of the respective fair values, except for the position "bonds".
2 To increase transparency derivatives used for hedging are newly disclosed as separate position.
3 To increase transparency this position is now split in its components.
4 Excluding prepayments and current tax assets.

Since the position "marketable securities" predominantly consists of a fixed deposit (CHF 250.0 million in 2020 and 2019) at a bank with a good rating the risk for impairment is considered negligible and therefore no expected loss allowance is provided for this position.

The position "other receivables" mainly represents indirect tax receivables such as VAT, receivables against insurances or other authorities, thus the impairment risk for this position is as well assessed as immaterial.

The following table shows the changes in financial liabilities due to financing activity for the year:

CHF million	**2020**	2019
Opening Balance as at January 1	**1,483.1**	**1,011.0**
Changes in accounting principles [1]	–	515.7
Opening Balance as at January 1	**1,483.1**	**1,526.7**
Proceeds from the issuance of bond	498.9	–
Total proceeds from financial liabilities	**498.9**	**–**
Repayments of borrowings	–1.6	–6.5
Repayments of loans	–	–0.8
Repayments of bonds	–499.9	–
Repayments of lease liabilities	–65.3	–66.7
Total repayments of financial liabilities	**–566.8**	**–74.0**
Currency translations and exchange differences	–34.0	–6.8
Changes in lease liabilities [2]	78.3	36.7
Other	–	0.5
Closing balance as at December 31	**1,459.5**	**1,483.1**
Bonds non-current	997.4	498.5
Lease liabilities non-current	390.1	411.6
Lease liabilities current	68.1	67.5
Bonds current	–	499.9
Bank and other borrowings	3.9	5.6

1 For 2019 this position includes the impacts of the new leasing standard (IFRS 16) only and represents the opening balances of the lease liabilities.
2 This position includes non-cash effective changes in lease liabilities such as in-/decreases in scope.

9. Property, Plant and Equipment

CHF million	Land/ buildings	Machinery	Other fixed assets	Construction in progress	2020 Total
Acquisition costs as at January 1, 2020	**1,178.6**	**1,481.8**	**279.9**	**142.4**	**3,082.7**
Additions	32.0	40.7	14.4	133.5	220.6
Acquisition of subsidiary (note 2)	0.5	0.3	0.3	–	1.1
Retirements	–23.0	–21.8	–21.2	–	–66.0
Transfers	25.9	62.4	5.1	–93.1	0.3
Currency translation	–36.6	–40.7	–7.3	–6.7	–91.3
Acquisition costs as at December 31, 2020	**1,177.4**	**1,522.7**	**271.2**	**176.1**	**3,147.4**
Accumulated depreciation as at January 1, 2020	**609.7**	**933.0**	**216.1**	**–**	**1,758.8**
Additions	56.2	81.3	21.1	–	158.6
Impairments	6.9	3.1	1.9	–	11.9
Retirements	–22.1	–21.0	–19.4	–	–62.5
Currency translation	–18.1	–24.2	–4.3	–	–46.6
Accumulated depreciation as at December 31, 2020	**632.6**	**972.2**	**215.4**	**–**	**1,820.2**
Net fixed assets as at December 31, 2020	**544.8**	**550.5**	**55.8**	**176.1**	**1,327.2**

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

Advance payments of CHF 20.3 million (CHF 45.7 million in 2019) are included in the position "construction in progress". No mortgages exist on land and buildings.

The impairment charge of CHF 11.9 million (CHF 36.7 million in 2019) consists of write-downs of land and buildings of CHF 6.9 million (CHF 28.1 million in 2019) and of machinery, production equipment and other fixed assets of CHF 5.0 million (CHF 8.6 million in 2019). The impairment charge for 2020 is mainly related to planned closures in the own store network, see note 4 for more details. For 2019 the impairment charge mostly relates to the one-off effects in the USA (CHF 34.1 million). Mainly due to planned closures in production and logistics some assets within property, plant and equipment could not be used anymore, and hence have been impaired.

10. Leases

10.1 Right-of-use assets

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

CHF million	Note	Buildings	Vehicles	Other fixed assets	2020 Total
Right-of-use assets as at January 1, 2020		**517.3**	**17.0**	**2.7**	**537.0**
Accumulated depreciation		–80.8	–5.4	–1.1	–87.3
Additions		81.9	6.1	1.5	89.5
Acquisition of subsidiary	2	11.3	–	–	11.3
Depreciation of the period		–63.2	–6.1	–1.1	–70.4
Impairments		–10.8	–	–	–10.8
Decreases in scope		–14.0	–1.4	–	–15.4
Transfers		–	–0.2	0.2	–
Currency translation		–30.3	–0.4	–	–30.7
Other		–14.4	–	–	–14.4
Right-of-use assets as at December 31, 2020		**397.0**	**9.6**	**2.2**	**408.8**
Retirements [1]		6.2	3.0	–	9.2

CHF million	Buildings	Vehicles	Other fixed assets	2019 Total
Right-of-use assets as at January 1, 2019	**498.9**	**13.6**	**3.2**	**515.7**
Accumulated depreciation	–	–	–	–
Additions	55.7	5.1	0.3	61.1
Depreciation of the period	–69.1	–5.7	–1.2	–76.0
Impairments	–20.7	–	–	–20.7
Retirements and decreases in scope	–23.7	–0.8	–	–24.5
Transfers	1.0	–0.4	–0.6	–
Currency translation	–5.6	–0.2	–0.1	–5.9
Right-of-use assets as at December 31, 2019	**436.5**	**11.6**	**1.6**	**449.7**

1 This position represents the impact of expired leases on the gross value of the right-of-use assets consisting of historical costs and accumulated depreciation, whilst such leases have no impact on the net book value of the right-of-use assets.

The position "additions" includes new contracts, extensions and increases in scope of existing contracts. The position "decreases in scope" includes agreed upon (early) terminations, termination options reasonably certain to be exercised and decreases in the leased asset. Right-of-use assets shown in buildings contain in particular leases of external warehouses, retail stores and offices.

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

Impairments for the year 2020 are all attributable to non-recoverable retail store leases and are caused by the Covid-19 induced decrease in sales in this business area. The majority of these impairments is mapped to the segment "North America". Impairments for the year 2019 were mostly caused by the one-off effects in the USA (CHF 18.3 million).

The position "other" mainly is related to an onerous contract of a warehouse lease. Already as of December 31, 2019 a provision has been booked for this contract. As soon as the lease of this warehouse commenced in 2020, the right-of-use asset was impaired against the provision recognized, and therefore this transaction had no impact on profit and loss. This contract accounts for CHF 12.1 million of the position "other".

10.2 Other lease information

CHF million	2020	2019
Interest expense (included in financial expense)	14.4	16.9
Expenses relating to short-term leases (included in operating expenses)[1]	4.1	5.8
Expenses relating to variable lease payments (included in operating expenses)[2]	14.7	20.3
Total cash outflow for leases (including interest)	79.7	83.6
Income from subleasing	4.4	2.5

1 Expenses related to short-term leases of low value assets are shown in the position "expenses relating to short-term leases".
2 This position only includes variable lease payments, which are not yet included in the lease liabilities.

Some store leases contain variable payment terms that are linked to sales. The applied percentage to sales varies case by case and can reach up to 100 percent. Variable lease payments also consist of incidental leasing expenses. Variable lease payments are recognised in operating expenses in the period in which the condition that triggers those payments occurs. Due to Covid-19, variable lease payments decreased in 2020. More information on Covid-19 related impacts can be found in note 4.

In few instances, the Lindt & Sprüngli Group subleases leased assets. Subleasing mainly occurs for buildings such as offices or warehouses. Predominantly, the subleases classify as operating leases. In case of an operating lease the right-of-use asset of the head lease is not derecognized. In case of a financial lease the right-of-use asset of the head lease is derecognized and a lease receivable against the sublessee is recognized.

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

The maturity of lease liabilities is shown in note 5.

11. Intangible Assets

CHF million	EDP software & consultancy	Customer relationships	Brands & IP	Goodwill	Other intangible assets	2020 Total
Acquisition costs as at January 1, 2020	**119.8**	**129.5**	**459.8**	**763.1**	**20.0**	**1,492.2**
Additions	22.4	–	–	–	0.8	23.2
Acquisition of subsidiary (note 2)	0.1	–	–	12.6	2.8	15.5
Retirements	–3.8	–	–	–	–	–3.8
Transfers	–0.7	–	–	–	0.4	–0.3
Currency translation	–5.0	–11.7	–	–69.2	–2.9	–88.8
Acquisition costs as at December 31, 2020	**132.8**	**117.8**	**459.8**	**706.5**	**21.1**	**1,438.0**
Accumulated amortization as at January 1, 2020	**76.4**	**46.1**	**–**	**–**	**2.9**	**125.4**
Additions	13.2	8.4	–	–	0.8	22.4
Impairments	0.3	–	–	–	0.3	0.6
Retirements	–3.7	–	–	–	–	–3.7
Currency translation	–2.6	–4.7	–	–	–0.3	–7.6
Accumulated amortization as at December 31, 2020	**83.6**	**49.8**	**–**	**–**	**3.7**	**137.1**
Net intangible assets as at December 31, 2020	**49.2**	**68.0**	**459.8**	**706.5**	**17.4**	**1,300.9**

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

Customer relationships of CHF 68.0 million (CHF 83.4 million in 2019) relate to the acquisition of Russell Stover Chocolates, LLC in 2014 and have a remaining useful life of 9 years. The same applies for brands and intellectual property ("IP") amounting to CHF 459.8 million (CHF 459.8 million in prior year) as well as the majority of goodwill, whereof CHF 693.9 million of the total CHF 706.5 million (CHF 763.1 million of CHF 763.1 million in prior year) relate to the acquisition of Russell Stover Chocolates, LLC. Both positions have an indefinite useful life. The remaining goodwill of CHF 12.6 million relates to the acquisition of Lindt & Sprüngli Retail S.r.l.

Research and development expenditures amounted to CHF 14.8 million (CHF 14.7 million in 2019) and are expensed as incurred.

Impairment test of goodwill and other intangible assets with infinite life segment "North America"

The impairment test of goodwill and other intangible assets with infinite life (i.e. "brands and intellectual property") relates to the acquisition of Russell Stover Chocolates, LLC in 2014 and is performed on the operating segment "North America". The impairment test of the position "brands and intellectual property" is on one hand as well performed on the segment "North America" and on the other hand performed on a stand-alone basis for the position brand and intellectual property only. The impairment test of goodwill is done using the discounted cash flow method, whilst the test for the brand and intellectual property is based on license income ("licence income approach"). Once the value-in-use are derived, these are compared against the carrying amounts.

The recoverable amount equals to the net present value of discounted future cash flows. It was determined based on planning assumptions over the next years plus a residual value. The planning assumptions are based on budget and mid-term plans, adjusted for example given expansion investments to ensure assets are only considered in their status quo. The EBIT-margin is based on historical data and industry specific benchmarks of the Lindt & Sprüngli Group. The discount rate reflects time value of money and characteristic risks for the asset being tested for impairment. The terminal growth rate is adjusted for inflation.

The main planning assumptions are summarized as follows:

	2020	2019
Period of cash flow projections	5 years	5 years
Annual sales growth	5.5%	5.3%
Annual EBIT-margin evolution	Improvement	Improvement
Terminal growth	2.2%	2.3%
Discount rate post tax	5.5%	5.1%

Moreover, a sensitivity analysis is conducted in the goodwill impairment test. The following changes (increases and decreases) in the main planning assumptions are elaborated:
– Discount rate post tax 80 basis points
– Terminal growth 40 basis points
– Annual sales growth 200 basis points
– EBIT-margin evolution 200 basis points

No impairment need was identified in any of the sensitivity simulations.

12. Pension Assets & Financial Assets

CHF million	2020	2019
Pension assets [1]	1,898.2	1,800.6
Investments third parties	–	1.1
Total	**1,898.2**	**1,801.7**

1 See note 20 for the detailed disclosure of pension assets.

13. Taxes

13.1 Deferred tax assets and liabilities

The net value of deferred tax liabilities is as follows:

CHF million	2020	2019
Net deferred tax liabilities as at January 1	**418.5**	**407.3**
Deferred income tax expense (+)/income (–)	–26.9	–57.9
Tax charged to comprehensive income	23.3	70.8
Tax charged to other components of equity	–4.7	–3.8
Currency translation	7.5	2.1
Net deferred tax liabilities as at December 31	**417.7**	**418.5**

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

CHF million	2020	2019
Deferred tax assets		
Property, plant and equipment	14.5	9.2
Intangible assets	31.1	15.8
Pension plans	44.9	51.1
Receivables	8.1	7.6
Inventories	28.9	27.8
Leases	13.1	7.6
Payables and accruals	59.1	66.0
Derivative assets and liabilities	3.5	3.4
Tax loss carry-forwards	52.0	66.8
Other	4.2	2.8
Deferred tax assets gross	**259.4**	**258.1**
Netting	–97.4	–135.1
Total	**162.0**	**123.0**
Deferred tax liabilities		
Property, plant and equipment	26.0	24.3
Intangible assets	64.8	69.0
Pension plans	568.2	540.2
Receivables	2.0	2.8
Inventories	4.1	4.4
Payables and accruals	9.1	22.8
Derivative assets and liabilities	2.8	3.4
Other	0.1	9.7
Deferred tax liabilities gross	**677.1**	**676.6**
Netting	–97.4	–135.1
Total	**579.7**	**541.5**
Net deferred tax	**417.7**	**418.5**

Deferred tax assets from intangible assets increased predominantly due to transitional provisions within the Swiss tax reform.

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

CHF million	2020	2019
Between 1 and 5 years	0.3	6.9
Between 6 and 10 years	0.6	–
Over 10 years	–	0.4
Total	**0.9**	**7.3**

Tax loss carry-forwards utilized in 2020 amounted to CHF 6.1 million (CHF 9.9 million in 2019).

13.2 Tax expense

CHF million	2020	2019
Current tax expense	98.6	116.5
Deferred income tax expense (+)/income (–)	–26.9	–57.9
Other taxes	2.3	–9.4
Total	**74.0**	**49.2**

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

CHF million	2020	2019
Income before taxes	**394.1**	**561.1**
Expected tax [1]	**78.8**	**114.1**
Change in applicable tax rates on temporary differences	0.3	0.7
Utilization of unrecognized tax loss carry-forwards from prior years	–1.7	–3.8
Adjustments related to prior years	1.5	–0.9
Non-taxable items	6.5	–1.8
Withholding tax levied and other taxes	–3.6	–54.2
Income components with lower tax rates	–1.4	–1.1
Other	–6.4	–3.8
Total	**74.0**	**49.2**

1 Based on the expected weighted average tax rate of 20.0% in 2020 (20.3% in 2019).

The position "other" includes amongst others Covid-19 related tax benefits of CHF 5.1 million for the reporting period 2020. In 2019, the position "withholding taxes levied and other taxes" included mainly the impact of the new tax law in Switzerland on income taxes, the refund of the withholding tax credit, which is reported under other receivables, and the effects of uncertainties. The total impact of these factors amounted to CHF 59.0 million for the reporting period 2019.

The tax for each component of other comprehensive income is:

			2020			2019
CHF million	Before tax	Tax	After tax	Before tax	Tax	After tax
Hedge accounting	–9.2	–	–9.2	–3.7	–	–3.7
Defined benefit plan	85.3	–23.3	62.0	239.9	–70.8	169.1
Currency translation	–157.0	9.3	–147.7	–53.6	1.7	–51.9
Total	**–80.9**	**–14.0**	**–94.9**	**182.6**	**–69.1**	**113.5**

14. Inventories

CHF million	2020	2019
Raw material	124.0	126.8
Packaging material	101.5	103.1
Semi-finished and finished products	541.0	569.9
Inventory reserves	–65.0	–49.7
Total	**701.5**	**750.1**

In 2020, CHF 4.0 million (CHF 8.6 million in 2019) of the inventory reserve that existed as of year-end 2019 has been credited to the income statement. At the same time, the increased risks of non-saleability of inventory caused amongst others by the Covid-19 pandemic were considered by increasing the inventory reserve by CHF 15.3 million.

15. Accounts Receivable

CHF million	**2020**	2019
Accounts receivable gross	856.7	1,001.9
Allowances	–31.7	–28.1
Total	**825.0**	**973.8**
Allowance as at January 1	**–28.1**	**–30.6**
Addition	–10.6	–5.4
Utilization	4.3	7.1
Release	2.1	0.6
Currency translation	0.6	0.2
Allowance as at December 31	**–31.7**	**–28.1**

The allowance is calculated as follows:

December 31, 2020	Key accounts	Distributors	Other customers	**2020 Total**
Share in %	61.0%	9.8%	18.8%	
Probability of default	0.9%	4.0%	1.4%	
Forward looking allowance in %	**0.5%**	**0.4%**	**0.3%**	**1.2%**
Accounts receivable gross				**856.7**
Forward looking allowance				–10.3
Historical allowance				–21.4
Accounts receivable net				**825.0**

December 31, 2019	Key accounts	Distributors	Other customers	**2019 Total**
Share in %	56.4%	11.7%	18.5%	
Probability of default	0.9%	4.0%	1.3%	
Forward looking allowance in %	**0.5%**	**0.5%**	**0.2%**	**1.2%**
Accounts receivable gross				**1,001.9**
Forward looking allowance				–11.9
Historical allowance				–16.2
Accounts receivable net				**973.8**

Since for “Global Retail” payment usually occurs simultaneously to the sale, there are no material unpaid accounts receivable balances. Therefore, “Global Retail” customers are not considered in the calculation of the forward looking allowance.

The following table presents the aging of accounts receivable:

CHF million	2020	2019
Not yet past due	720.7	836.0
Past due 1–30 days	85.4	112.1
Past due 31–90 days	25.4	30.6
Past due over 91 days	25.2	23.2
Accounts receivable gross	**856.7**	**1,001.9**

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

CHF million	2020	2019
CHF	45.3	68.8
EUR	280.9	328.7
USD	266.6	306.3
GBP	80.9	82.7
Other currencies	151.3	187.3
Accounts receivable net	**825.0**	**973.8**

16. Derivative Financial Instruments and Hedging Reserves

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

	2020		2019	
CHF million	Assets	Liabilities	Assets	Liabilities
Derivatives for hedging (currencies and raw material)	22.0	8.5	29.7	10.5
Other derivatives	1.5	1.1	2.2	0.1
Total	**23.5**	**9.6**	**31.9**	**10.6**

The carrying amount (contract value) of the outstanding forward-currency and raw material contracts as at December 31, 2020 is CHF 1,421.1 million (CHF 1,472.5 million in 2019). Value changes in those derivatives qualifying for hedge accounting according to IFRS 9 are shown within other comprehensive income.

The majority of the net hedging result, amounting to a net gain of CHF 12.0 million as of December 31, 2020 (CHF 21.2 million in 2019), which is shown as hedging reserve in the consolidated statement of changes in equity, will be released to the position "material expenses" in the consolidated income statement at various dates within the next 24 months. Other derivative instruments, which are used for hedging purposes in line with the risk policy, do not qualify for hedge accounting under the criteria of IFRS 9. Changes in value of such derivatives are disclosed within the position "other" as part of the note "Net Financial Result".

17. Cash and Cash Equivalents

CHF million	2020	2019
Cash at bank and in hand	807.8	614.3
Short-term bank deposits	40.6	40.5
Total	**848.4**	**654.8**

In line with the internal risk policy cash and cash equivalents may only be deposited at financial institutions with good ratings. Furthermore, balances within this position are short-term and volatile. For these reasons the impairment risk for this position is seen as negligible and no expected credit loss is provided for.

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

18. Share and Participation Capital

	Number of registered shares[1]	Number of participation certificates[2]	Registered shares (CHF million)	Participation certificates (CHF million)	Total (CHF million)
As at January 1, 2019	**136,088**	**1,072,535**	**13.6**	**10.7**	**24.3**
Capital increase	–	18,262	–	0.2	0.2
Capital decrease (destruction)	–100	–18,156	–	–0.2	–0.2
As at December 31, 2019	**135,988**	**1,072,641**	**13.6**	**10.7**	**24.3**
Capital increase	–	18,120	–	0.2	0.2
Capital decrease (destruction)	–436	–46,615	–	–0.5	–0.5
As at December 31, 2020	**135,552**	**1,044,146**	**13.6**	**10.4**	**24.0**

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

The conditional capital has a total of 363,325 participation certificates (381,445 in 2019) with a par value of CHF 10.–. Of this total, 208,875 (226,995 in 2019) are reserved for employee stock option programs; the remaining 154,450 participation certificates (154,450 in 2019) are reserved for capital market transactions. There is no other authorized capital. In 2020, a total of 18,120 (18,262 in 2019) of the employee options were exercised at an average price of CHF 4,909 (CHF 4,308 in 2019). The participation certificate has no voting right, but otherwise has the same ownership rights as the registered share.

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

	2020		2019	
	Registered shares	Participation certificates	Registered shares	Participation certificates
Inventory as at January 1	**1,475**	**46,615**	**1,597**	**18,156**
Additions	215	2,630	–	–
Retirements	–877	–2,630	–458	–
Share buy-back program	–	–	436	46,615
Capital decrease (destruction)	–436	–46,615	–100	–18,156
Inventory as at December 31	**377**	**–**	**1,475**	**46,615**
Average cost of additions (CHF)	73,663	7,238	–	–
Average sales price of retirements (CHF)	82,489	7,723	80,740	–
Average cost of share buy-back program (CHF)	–	–	76,180	6,520
Average cost of capital decrease (CHF)	76,180	6,520	74,922	6,176

19. Financial Liabilities

CHF million	**2020**	2019
Non-current		
CHF 250 million 1.0% bond, 2014–2024	249.2	248.9
CHF 250 million 0.3% bond, 2017–2027	249.6	249.6
CHF 250 million 0.01% bond, 2020–2028	249.4	–
CHF 250 million 0.25% bond, 2020–2032	249.2	–
Current		
Bank and other borrowings	3.1	5.6
Loans	0.8	–
CHF 500 million 0.5% bond, 2014–2020	–	499.9
Total borrowings	**1,001.3**	**1,004.0**

In October 2020 the Lindt & Sprüngli Group paid back the CHF 500 million 0.5% bond. The bond was immediately replaced in October 2020 by two tranches, each at CHF 250 million. The CHF 250 million 0.01% bond, due for repayment in 2028, was issued at 99.73% (net of transaction costs) and will be settled at par. The CHF 250 million 0.25% bond, due for repayment in 2032, was issued at 99.72% (net of transaction costs) and will be settled at par.

The transaction costs are not material (less than CHF 2.0 million). These are capitalized as borrowing costs and amortized over the term using the effective interest rate. Amortization as well as interest expense are reported as part of financial expenses, which are disclosed in note 25.

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

CHF million	**2020**	2019
CHF	997.4	998.4
EUR	3.0	5.5
Other currencies	0.9	0.1
Total	**1,001.3**	**1,004.0**

20. Pension Plans and Other Long-term Employee Benefits

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

20.1 Defined contribution plans

The Lindt & Sprüngli Group offers defined contribution plans to employees, who satisfy the eligibility criteria. The Lindt & Sprüngli Group is obliged to pay a fixed percentage of the annual salary to these pension schemes. To some of these plans, the employees also have to make contributions to. These are typically deducted from the monthly salary by the employer and paid to the pension fund. Apart from the payment of the contributions, the employer has no further obligation towards these pension funds or to the employees. In 2020 the employer contributions to defined contribution plans amounted to CHF 13.0 million (CHF 13.4 million in 2019).

20.2 Defined benefit plans and other long-term employee benefits

The Lindt & Sprüngli Group finances defined benefit plans for the employees, who satisfy the criteria to join such plans. The most significant defined benefit plans are located in Switzerland, Germany, USA, France, Italy and Austria. In addition to these plans, the Lindt & Sprüngli Group operates jubilee benefit plans and other plans with benefits depending on the past years of service. These plans qualify as other long-term employee benefits.

20.2.1 Employee benefit plans in Switzerland

The Lindt & Sprüngli Group operates different pension schemes in Switzerland. They are either organized through a separate foundation or through an affiliation to a collective foundation of an insurance company. The foundations are governed by foundation boards. The foundation boards are made up of an equal number of employee and employer representatives. The members of the foundation board are obliged by law and the plan rules to act in the sole interest of the plan member (active employees and pensioners). Therefore, the Lindt & Sprüngli Group cannot itself direct the compensation and financing, as decisions have to be taken equally.

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

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

In defining the benefits, the minimum requirements of the Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and its implementing provisions must be complied with. The BVG defines the minimum pensionable salary and the minimum retirement credits. The interest rate applicable to these minimum retirement savings is set by the Swiss Federal Council at least once every two years. In 2020, the rate was 1.00% (1.00% in 2019). The structure of the plan and the legal provisions of the BVG mean that the employer is exposed to actuarial risks. The main risks are investment risk, the inflation risk if it results in a salary increase, the interest risk, the disability risk and the risk of life expectancy.

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

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

20.2.2 Employee benefit plans in Germany

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

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

20.2.3 Employee benefit plans in the USA

In the USA, defined benefit plans exist. In 2018, an agreement was made with the employees to exit the multi-employer plan, which represents the largest plan. Since December 1, 2018, the ensured employees of this plan do not acquire any new benefits. The plan has been replaced with a defined contribution plan. At year-end closing 2019 there was not sufficient information available to calculate the costs for the settlement. By December 2020 the negotiations with the trustees of the plan had progressed so far that a plan settlement could be recorded in this year-end closing. This led to one-time expenses of CHF 2.3 million.

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

20.2.4 Other employee benefit plans

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

20.2.5 Actuarial calculations

The actuarial valuation was prepared by independent actuaries at December 31, 2020. The market value of assets at December 31, 2020 was estimated based on the information available at the moment of preparing the results.

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

	Pension plans		Other long-term employee benefits	
	2020	2019	**2020**	2019
Discount rate	0.5%	1.1%	0.5%	0.8%
Future salary increases	1.1%	0.9%		
Future pension adjustments	0.3%	0.3%		

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

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

	2020			2019		
	Switzerland	Germany	USA	Switzerland	Germany	USA
Retirement in 20 years (age of 45 at balance sheet date)						
Men	24.48	23.00	–	24.40	22.96	21.30
Women	26.51	25.98	–	26.44	25.93	23.70
Retirement at balance sheet date (age of 65)						
Men	22.72	20.22	–	22.61	20.18	19.60
Women	24.76	23.73	–	24.65	23.69	22.10

For all active plans an increase in the life expectancy can be observed.

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

	Pension plans		Other long-term employee benefits	
CHF million	**2020**	2019	**2020**	2019
Employee benefits expense				
Total service cost				
Current service cost	17.0	15.7	0.8	0.8
Past service cost	–	0.5	–	–
Plan settlements	2.3	–1.5	–	–
Net interest cost	–9.7	–16.5	0.1	0.1
Liability management cost	0.6	0.7	–	–
Actuarial gains (–)/losses (+)	–	–	0.6	–0.3
Total defined benefit cost (+)/gain (–) of the period	**10.2**	**–1.1**	**1.5**	**0.6**
Valuation components accounted for in OCI				
Actuarial gains (–)/losses (+)				
Arising from changes in demographic assumptions	0.2	–15.4	–	–
Arising from changes in financial assumptions	18.4	49.9	–	–
Arising from experiences	8.4	–1.2	–	–
Return on plan assets (excluding interest income)	–97.6	–287.1	–	–
Return on reimbursement (excluding amounts in net interest)	–0.7	–1.0	–	–
Changes in asset ceiling and other	–13.7	15.3	–	–
Total defined benefit cost (+)/gain (–) recognized in OCI	**–85.0**	**–239.5**	**–**	**–**
Total defined benefit cost (+)/gain (–)	**–74.8**	**–240.6**	**1.5**	**0.6**

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

Changes in the present value of the defined benefit obligation

	Pension plans		Other long-term employee benefits	
CHF million	**2020**	2019	**2020**	2019
Defined benefit obligation as at January 1	**617.6**	**599.7**	**9.7**	**9.9**
Current service cost	17.0	15.7	0.8	0.8
Plan participants' contributions	6.1	5.9	–	–
Interest expense on the net present value of the obligation	3.9	7.4	0.1	0.1
Actuarial gains (–)/losses (+)	27.0	33.2	0.6	–0.3
Past service gains (–)/losses (+)	–	0.5	–	–
Gains (–)/losses (+) on settlements	–63.0	–17.7	–	–
Benefits paid through pension assets	–19.5	–17.6	–	–
Benefits paid by employer	–4.4	–3.8	–0.8	–0.6
Currency exchange differences	–3.8	–5.7	–	–0.2
Defined benefit obligation as at December 31	**580.9**	**617.6**	**10.4**	**9.7**

Changes in the fair value of plan assets

CHF million	Pension plans 2020	2019
Fair value of plan assets as at January 1	**2,274.8**	**1,983.5**
Plan participants' contributions	6.1	5.9
Contributions by employer	7.8	9.7
Interest income	13.6	23.7
Return on plan assets (excluding interest income)	97.6	287.1
Gains (–)/losses (+) on settlements	–24.7	–16.2
Benefits paid through pension assets	–19.5	–17.6
Liability management cost	–0.6	–0.7
Currency translations	–1.1	–0.6
Fair value of plan assets as at December 31	**2,354.0**	**2,274.8**

Development of reimbursement rights[1]

CHF million	2020	2019
Reimbursement rights as at January 1	**8.8**	**8.2**
Employee contributions	0.3	0.3
Employer contributions	–	0.1
Interest income on reimbursements	0.2	0.3
Return on reimbursement (excluding interest income)	0.7	1.0
Reimbursements to employer	–1.4	–1.0
Currency translation	–0.8	–0.1
Reimbursement rights as at December 31	**7.8**	**8.8**

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

Development of not recorded plan assets

CHF million	Pension plans 2020	2019
Asset ceiling as at January 1	**31.6**	**16.1**
Interest income recognized in OCI	0.2	0.2
Change in asset ceiling recognized in OCI	–13.8	15.3
Asset ceiling as at December 31	**18.0**	**31.6**

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

Amount recognized in the balance sheet

	Pension plans		Other long-term employee benefits	
CHF million	2020	2019	2020	2019
Present value of funded obligation	558.5	593.3	–	–
Fair value of plan assets	–2,354.0	–2,274.8	–	–
Underfunding (+)/overfunding (–)	**–1,795.5**	**–1,681.5**	**–**	**–**
Unrecognized prepaid pension costs	18.0	31.6	–	–
Present value of unfunded obligations	22.4	24.3	10.4	9.7
Net pension liability (+)/asset (–)	**–1,755.1**	**–1,625.6**	**10.4**	**9.7**
of which pension liabilities	143.1	175.0	10.4	9.7
of which pension assets[1]	–1,898.2	–1,800.6	–	–

1 See note 12.

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

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

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

The pension assets mainly consist of the following asset categories:

			2020			2019
CHF million	Listed	Not listed	Total	Listed	Not listed	Total
Equities	2,007.4	–	2,007.4	1,940.7	–	1,940.7
Bonds	154.2	–	154.2	145.9	–	145.9
Alternative investments	18.9	–	18.9	17.4	–	17.4
Real estate	17.7	121.3	139.0	16.4	117.6	134.0
Qualified insurance policies	–	21.9	21.9	–	18.7	18.7
Liquidity and other	–	12.6	12.6	–	18.1	18.1
Total	**2,198.2**	**155.8**	**2,354.0**	**2,120.4**	**154.4**	**2,274.8**

The plan assets include investments in the Lindt & Sprüngli Group with a market value of CHF 1,832.1 million at December 31, 2020 (CHF 1,754.9 in 2019). Moreover, the Lindt & Sprüngli Group rents property from the pension funds with a market value of CHF 16.7 million at December 31, 2020 (CHF 16.6 million in 2019). The revaluation of assets resulted in a gain of CHF 114.7 million in 2020 and a gain of CHF 314.4 million in 2019. In 2021, the expected employer contributions amount to CHF 6.2 million and the expected payments for pensions by the employer to CHF 3.9 million.

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

		Pension plans
CHF million	**2020**	2019
Active employees	339.6	338.1
Vested terminations	11.2	21.6
Pensioners	230.1	257.9
Total	**580.9**	**617.6**

The average duration of the liabilities at December 31, 2020 is 15.4 years (14.8 years in 2019). The most important factors impacting the present value of the defined benefit obligation are the discount rate, salary increase and pension indexation. For the simulation of the impact on the present value of the defined benefit obligation only the mentioned assumption is changed, the other assumptions remain unchanged.

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

CHF million	2020		2019	
Increase (+)/decrease (–) of assumptions by	+0,25%	–0,25%	+0,25%	–0,25%
Technical interest rate	–20.7	22.3	–18.8	20.2
Salary increase	6.7	–5.6	5.3	–4.7
Pension indexation	14.1	–3.8	12.9	–3.3

21. Provisions

CHF million	Legal claims/cases [1]	Business risks	Other	Total
Provisions as at January 1, 2019	**9.3**	**74.8**	**18.4**	**102.5**
Reclassification [2]	–	–74.6	–	–74.6
Addition	14.0	–	31.3	45.3
Utilization	–1.8	–	–3.4	–5.2
Release	–1.6	–	–6.0	–7.6
Currency translation	–0.4	–	–0.7	–1.1
Provisions as at December 31, 2019	**19.5**	**0.2**	**39.6**	**59.3**
of which current	8.7	–	11.9	20.6
of which non-current	10.8	0.2	27.7	38.7
Reclassification	–	–	42.9	42.9
Addition	16.7	–	13.5	30.2
Acquisition of subsidiary (note 2)	–	–	6.2	6.2
Utilization	–2.5	–	–28.1	–30.6
Release	–2.9	–	–3.2	–6.1
Currency translation	–1.1	–	–3.8	–4.9
Provisions as at December 31, 2020	**29.7**	**0.2**	**67.1**	**97.0**
of which current	9.0	–	50.9	59.9
of which non-current	20.7	0.2	16.2	37.1

1 Due to the regroupment in prior year and to increase transparency, provisions are split into new categories.
2 Due to IFRIC 23, a reclassification was done from provisions into current income taxes. See note 3 for details.

Provisions for legal cases include unsettled claims, and legal proceedings as of December 31, 2020, which arise during the normal course of business. Provisions are recognized at balance sheet date when a present legal or constructive obligation as a result of past events exists and the expected outflow of resources can be reliably estimated. Especially for the non-current positions, the timing of outflows is uncertain as it depends upon the outcome of the proceedings. The additions to provisions for legal cases were due to new legal proceedings.

The reclassification into other provisions in 2020 is related to settlement negotiations with the former multi-employer benefit plan in the USA, this amount has been reclassified from pension liabilities (see note 20 for details).

The additions to other provisions in 2019 were related to the one-off effects in the USA, whereof CHF 16.1 million were included in operating expenses and CHF 10.0 million in personnel expenses. The utilizations of other provisions in 2020 are predominantly related to these provisions.

In Management's opinion, after taking appropriate legal and administrative advice, the outcome of these business risks will not give rise to any significant loss beyond the amounts provided at December 31, 2020.

22. Accounts Payable

Accounts payable to suppliers are denominated in the following currencies:

CHF million	**2020**	2019
CHF	14.1	9.3
EUR	104.6	143.2
USD	37.2	52.6
GBP	9.2	9.1
Other currencies	22.3	19.7
Total	**187.4**	**233.9**

23. Accrued Liabilities

CHF million	**2020**	2019
Trade related accrued liabilities and deferred income	388.7	348.0
Salaries/wages and social costs	107.9	117.5
Other	248.8	227.5
Total	**745.4**	**693.0**

The position "trade related accrued liabilities and deferred income" comprises year-end rebates, returns, markdowns on seasonal products, price and promotional discounts and other services provided by trade partners. The position "salaries/wages and social costs" is related to bonuses, overtime, and outstanding vacation days. The position "other" mainly comprises accruals for uninvoiced third-party services rendered related to operating expenses (CHF 172.2 million in 2020, 156.7 million in 2019), for example for supply chain, logistics, transport or marketing related transactions.

24. Personnel Expenses

CHF million	**2020**	2019
Wages and salaries	646.9	714.4
Social benefits	157.2	155.0
Personnel leasing	50.2	58.7
Other	31.1	50.8
Total	**885.4**	**978.9**

For the year 2020, the Lindt & Sprüngli Group employed an average of 13,577 people (14,621 in 2019).

25. Net Financial Result

CHF million	2020	2019
Interest income	1.1	1.8
Other	1.2	1.3
Total financial income	**2.3**	**3.1**
Interest expense	–27.6	–35.0
Other	–0.9	–
Total financial expense	**–28.5**	**–35.0**

Changes in value of derivatives, which do not comply with the prerequisites to apply hedge accounting under IFRS 9, are shown within the net financial result as well.

26. Earnings per Share/Participation Certificate (PC)

	2020	2019
Non-diluted earnings per share / 10 PC (CHF)	**1,333.1**	**2,141.5**
Net income (CHF million)	321.7	509.6
Weighted average number of registered shares/10 PC	241,315	237,959
Diluted earnings per share / 10 PC (CHF)	**1,321.9**	**2,123.7**
Net income (CHF million)	321.7	509.6
Weighted average number of registered shares/10 PC and outstanding options on 10 PC	243,359	239,963
Weighted average number of registered shares/10 PC to derive the non-diluted earnings	241,315	237,959
Outstanding options on 10 PC	2,044	2,004
Weighted average number of registered shares/10 PC and outstanding options on 10 PC to derive diluted earnings	243,359	239,963

27. Dividend per Share/Participation Certificate (PC)

CHF	2020	2019
Dividend per share/10 PC	1,100[1]	1,750

1 Proposal of the Board of Directors.

During the period January 1, 2021 to record date May 7, 2021, the dividend-bearing capital (the number of registered shares and participation certificates) can change as a result of additions and retirements within either class of treasury stock (registered shares and participation certificates) as well as the exercise of options granted through the employee stock option plan.

28. Share-based Payments

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

	2020		2019	
	Number of options	Weighted average exercise price (CHF/PC)	Number of options	Weighted average exercise price (CHF/PC)
Outstanding options as at January 1	**103,686**	**5,503**	**101,216**	**5,180**
New option rights	27,070	7,904	26,560	5,934
Exercised rights	–18,120	4,909	–18,262	4,308
Cancelled rights	–2,987	5,974	–5,828	5,601
Outstanding options as at December 31 [1]	**109,649**	**6,181**	**103,686**	**5,503**
of which exercisable at December 31	16,313	5,249	12,914	4,800
Average remaining time to expiration (in days)	759		775	

1 The exercise price varies between CHF 4,062 to CHF 7,904 as of December 31, 2020.

Options expenses are charged to the income statement proportionally according to the vesting period. The recorded expenses amount to CHF 15.5 million (CHF 14.5 million in 2019). The assumptions used to calculate the expenses for the grants 2017 to 2020 are listed in the following table:

Date of issue	**15.1.2020**	16.1.2019	30.1.2018	16.1.2017
Number of issued options	27,070	26,510	26,070	24,205
of which in bracket A (blocking period 3 years)	9,392	9,205	9,111	8,405
of which in bracket B (blocking period 4 years)	9,534	9,330	9,146	8,525
of which in bracket C (blocking period 5 years)	8,144	7,975	7,813	7,275
Issuing price (CHF)	7,904	5,936	5,794	5,360
Price of participation certificates on date of issue (CHF)	8,010	5,820	5,755	5,260
Value of options on issuing date (CHF)				
Bracket A (blocking period 3 years)	651	562	719	631
Bracket B (blocking period 4 years)	680	615	780	690
Bracket C (blocking period 5 years)	712	663	831	737
Maximum life span (in years)	7	7	7	7
Form of compensation	PC from conditional capital			
Expected life span (in years)	5–6	5–6	5–6	5–6
Expected rate of retirement per year	2.3%	2.2%	2.1%	2.1%
Expected volatility	14.6%	18.3%	20.5%	21.2%
Expected dividend yield	1.65%	1.68%	1.66%	1.63%
Risk-free interest rate	(0.46)–(0.38)%	(0.27)–(0.11)%	0.03–0.17%	(0.38)–(0.25)%
Model	Binomial model			

Moreover, CHF 4.7 million deferred taxes on employee stock options in the USA have been booked as share-based payment (CHF 3.8 million in 2019).

29. Contingencies

The Lindt & Sprüngli Group has a contingent liability as at December 31, 2020 in respect to withdrawing from a US multi-employer plan in 2018 in the amount of CHF 9.4 million. Current legal assessment indicates that it is not probable that this amount needs to be paid. Besides that, in line with prior year, the Lindt & Sprüngli Group has no contingent liabilities that would require disclosure as of December 31, 2020. With respect to the Lindt Chocolate Competence Foundation's construction of the Lindt Home of Chocolate, refer to note 31.

30. Commitments

Capital expenditure and right-of-use assets contracted for at the balance sheet date but not yet incurred nor commenced are:

CHF million	**2020**	2019
Property, plant and equipment	80.1	81.4
Right-of-use assets	31.9	62.9

The lease commitments represent leases that have not commenced yet, which are highly likely to materialize, mainly for rentals of warehouses, offices and retail stores.

31. Transactions with Related Parties

A family member of a member of the Board of Directors has a majority share in a company, to which products were sold for the value of CHF 8.4 million (CHF 21.3 million in 2019) and license fee income of CHF 0.3 million (CHF 0.7 million in 2019) was generated. Receivables outstanding against this company were CHF 0.0 million (CHF 14.8 million in 2019) at the balance sheet date. Moreover, the Lindt & Sprüngli Group purchased the retail operations from this company in 2020 (see note 2 for more information).

In current and prior year the Lindt & Sprüngli Group provided various administration services to the Lindt Chocolate Competence Foundation, the Lindt Cocoa Foundation, the Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG and the Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG. Additionally, 200 own shares have been sold to the Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG for a price of CHF 84,080. Furthermore, the Lindt & Sprüngli Group rents property from the pension funds with a market value of CHF 16.7 million at December 31, 2020 (CHF 16.6 million in 2019).

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

Remuneration of the Board of Directors and Group Management

As at December 31, 2020 the Board of Directors consisted of 6 non-executive and executive Directors (6 in 2019). The number of executive Officers as at December 31, 2020 is 7 (6 in 2019). The compensation paid to non-executive Directors and executive Officers is shown below:

CHF thousand	**2020**	2019
Fixed cash compensation [1]	7,835	7,345
Variable bonus component [2]	1,287	3,325
Other compensation [3]	111	113
Options [4]	4,791	4,032
Registered shares	–	930
Total	**14,024**	**15,745**

1 Total gross cash compensation and allowances for Officers and Directors including pension benefits paid by employer amounting to TCHF 320 (TCHF 276 in 2019) (excluding social charges paid by employer) for the Officers.
2 As per the Compensation Report it is the expected pay-out (accrual basis) in April of following year according to the application of the CNC and BoD (excluding social charges paid by employer).
3 Employees part of social charges (AHV), paid by employer.
4 The valuation of option grants on Lindt & Sprüngli participation certificates is based on the market value at grant date.

Apart from the payments mentioned above, no payments were made on a private basis or via consulting companies to either an executive or a non-executive member of the Board of Directors or a member of the Group Management. As of December 31, 2020, there were no loans, advances or credits due to the Lindt & Sprüngli Group or any of its subsidiaries by any of the members of the Board of Directors or the Group Management.

32. Events after the Balance Sheet Date

The consolidated financial statements were approved for publication by the Board of Directors on March 1, 2021. The approval of the consolidated financial statements by the shareholders will take place at the Annual Shareholders' Meeting.

In January 2021 the minority shares in Lindt & Sprüngli (Brazil) Comércio de Alimentos S.A. were acquired for a price of CHF 32.8 million. Since the Lindt & Sprüngli Group already possessed the majority share before the purchase, the investment in Lindt & Sprüngli (Brazil) Comércio de Alimentos S.A. was accounted for using the purchase method, therefore the transaction is a pure capital transaction. For more information refer to note 2 "Changes in the Consolidation Scope and Non-Controlling Interests".

Besides that no other events have occurred up to March 1, 2021, which would necessitate adjustments to the carrying values of the Lindt & Sprüngli Group's assets or liabilities or which require additional disclosure.

Report of the Statutory Auditor on the Consolidated Financial Statements

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Report of the statutory auditor

to the General Meeting of Chocoladefabriken Lindt & Sprüngli AG

Kilchberg

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Chocoladefabriken Lindt & Sprüngli AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 94 to 138) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

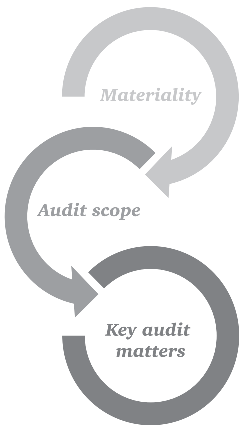
Basis for opinion

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

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

Our audit approach

Overview



Overall Group materiality: CHF 39,000,000

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

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

- Impairment testing of goodwill
- Valuation of pension fund assets

pwc

Materiality

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

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

Overall Group materiality	CHF 39,000,000
How we determined it	7.5% of average profit before income taxes of the last three years
Rationale for the materiality benchmark applied	We chose profit before income taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations. We chose 7.5% in light of the Group's high level of equity and past performance. We used the three-year average of the benchmark because of the decrease in profit before income taxes due to Covid-19 and in the light of the level of forecasted future results.

Audit scope

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

The Group financial statements are a consolidation of 31 units, each of which is considered a component. In collaboration with management, we identified 27 Group companies at which an audit of the financial information was performed. The four Group companies not in scope are not material to the Group.

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

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

Key audit matters

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

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Impairment testing of goodwill

Key audit matter	How our audit addressed the key audit matter
Intangible assets are recognised in the amount of CHF 1,307 million, of which CHF 694 million is the goodwill of the US business. During our audit, we focussed on the goodwill of the US business because of the significance of the amount and because the valuation of goodwill by management involves significant scope for judgement concerning the future results of the business in the USA that underlies the goodwill. Management compares the book value of goodwill to the value in use of the underlying business in the USA. Value in use is calculated by estimating the future cash flows that the business is expected to generate. If the value in use is lower than the book value of goodwill, an impairment charge is recognised. The most significant elements of the value in use calculation are the assessment of the discounted cash flow model used and the assessment of the underlying assumptions. The underlying assumptions that offer the greatest scope for judgement are the long-term sales growth rates, EBIT margin growth rates and the discount rate used in the calculation of present values. Please refer to note 11 for details of the impairment test and management's assumptions.	We assessed the determination of the cash-generating units used in the calculation of the cash flow forecasts. We evaluated the components used in management's forecasts of future cash flows. We also assessed the process adopted to calculate the forecasts. Lindt & Sprüngli Group prepares five-year plans, which are approved by the Board of Directors. These plans form the basis for management's cash flow forecasts used in the goodwill impairment test. We compared the 2020 actual results with the 2020 budget figures fixed in the previous year to assess the accuracy of those budget figures. In addition, with the support of a PwC valuation specialist, we assessed the following assumptions: • the long-term growth rates, by comparing them with economic and industry forecasts; • the EBIT margin growth rates, by comparing them with other mature Lindt & Sprüngli production entities; • the discount rate, by assessing the costs of capital for the company and comparable organisations, taking into consideration country-specific factors. We checked management's valuations for correctness. Additionally, we assessed management's sensitivity analyses of the key assumptions to ascertain the extent of change in those assumptions that would be required, either individually or collectively, for the goodwill to be impaired. We discussed the outcomes of the sensitivity analyses with management. We concluded that the models and assumptions used are appropriate to test goodwill for impairment.

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Valuation of pension fund assets

Key audit matter	How our audit addressed the key audit matter
Financial assets include pension fund assets in the amount of CHF 1,898 million. We focussed on this area because of the significant amount represented by pension fund assets and because management's assessment of the valuation of this item involves significant scope for judgement concerning the valuation parameters used and the estimates of future benefits from the pension fund assets. Management engages an external actuary to perform the calculation of the net present value of the pension benefit obligations, which are then compared with the pension fund assets to determine the pension fund liabilities and assets recognised in the balance sheet. The most judgemental assumptions underlying this calculation are the salary growth rates, the pension increase rates, the mortality rate and the discount rate. For further information, please refer to notes 12 and 20.	We compared on a sample basis the personnel data used in the calculation of the pension benefit obligations with the data made available to us by the pension institution. We did not identify any differences. We assessed the engagement terms and the professional competency and independence of the actuary engaged by management. We concluded that we could place reliance on the calculation performed by the actuary. Additionally, we evaluated the following assumptions used by management: • the salary growth rates and the pension increase rates, by comparing them with economic and industry forecasts; • the mortality rate, by ensuring that the appropriate generation table was used; • the discount rate, by comparing it with relevant market data. We tested on a sample basis whether the pension fund assets existed and were measured correctly. On the basis of the audit procedures we performed, we concluded that the assumptions used by management in the valuation of the pension fund assets were within an acceptable range.

Other information in the annual report

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

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Gerhard Siegrist	Josef Stadelmann
Audit expert Auditor in charge	Audit expert

Zurich, 1 March 2021

Balance Sheet

CHF thousand	Note	December 31, 2020	December 31, 2019
Assets			
Cash and cash equivalents		448,850	287,059
Marketable securities and short-term financial assets		440,000	440,131
Accounts receivable			
from subsidiaries		877	6,973
Other receivables			
from third parties		19,929	29,946
from subsidiaries		5,355	–
Loans to subsidiaries		–	260,000
Accrued income			
from subsidiaries		28,149	32,850
Total current assets		**943,160**	**1,056,959**
Investments	4	884,477	884,899
Intangible assets	5	528,776	426,028
Total non-current assets		**1,413,253**	**1,310,927**
Total assets		**2,356,413**	**2,367,886**
Liabilities and Shareholders' Equity			
Accounts payables			
from third parties		833	–
from subsidiaries		126,836	3,055
Short-term interest-bearing liabilities			
to subsidiaries		–	114,750
Bonds	6	–	500,000
Other accounts payable			
to third parties		1,051	102
Tax liabilities		18,142	20,800
Accrued liabilities			
to third parties		5,255	5,710
to subsidiaries		104	4
Total current liabilities		**152,221**	**644,421**
Bonds	6	1,000,000	500,000
Total non current liabilities		**1,000,000**	**500,000**
Share capital		13,555	13,599
Participation capital		10,441	10,726
Reserve from capital contribution	8	106,918	96,892
General legal reserve		76,040	76,040
Special reserve	8	722,706	1,060,378
Retained earnings			
Balance brought forward from previous year		26,249	38,388
Net income for the year		275,021	326,695
Treasury stock	7	–26,738	–62,111
Treasury stock (share buy-back program)	7	–	–337,142
Total shareholders' equity		**1,204,192**	**1,223,465**
Total liabilities and shareholders' equity		**2,356,413**	**2,367,886**

Income Statement

CHF thousand	**2020**	2019
Dividends and other income from subsidiaries	350,588	378,728
Other income	610	333
Other expenses	–36,783	–30,738
Impairments on investments	1,358	10,777
Amortizations on intangible assets	–25,060	–25,060
Operating profit	**290,713**	**334,040**
Financial income	28,149	24,659
Financial expense	–11,541	–8,570
Income before taxes	**307,321**	**350,129**
Taxes	–32,300	–23,434
Net income	**275,021**	**326,695**

Notes to the Financial Statements

1. Introduction

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

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

2. Accounting Policies

Non-current assets

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

Treasury shares

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

Financial liabilities

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

Dividends and other income from subsidiaries

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

Foreign currency translation

The foreign exchange rates are listed on page 103 of the notes to the consolidation financial statements. In deviation to the table, transactions in the income statement are booked at the respective month-end rate.

3. Liabilities arising from Guarantees and Pledges in favor of Third Parties

Contingent liabilities as at December 31, 2020, amounted to CHF 315.3 million (CHF 328.0 million in 2019). This figure comprises guarantees given to counterparties providing credit lines for borrowings to subsidiaries.

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

4. Investments

The investments in subsidiaries are listed on page 99 of the notes to the consolidated financial statements.

5. Intangible assets

In 2020, an Advance Pricing Agreement was concluded with the United States of America. For this reason, an additional payment of CHF 127.8 million must be made for the intellectual property rights acquired in 2014 in connection with the acquisition of Russell Stover LLC. The acquisition costs were thus increased by the same amount. The impairment test showed no need for an impairment as at 31 December, 2020, which is why the intangible property rights are considered to be recoverable.

6. Bonds

The current bonds consist of the following tranches:

				2020	2019
CHF million	Interest rate	Interest maturity	Term	Notional amount	Notional amount
Straight bond	0,50%	October 8	2014–2020	–	500.0
Straight bond	1,00%	October 8	2014–2024	250.0	250.0
Straight bond	0,30%	October 6	2017–2027	250.0	250.0
Straight bond	0,01%	October 6	2020–2028	250.0	–
Straight bond	0,25%	October 6	2020–2032	250.0	–
Total				**1,000.0**	**1,000.0**

7. Acquisition and Sale of Registered Shares and Participation Certificates

		2020		2019
	Registered shares	Participation certificates	Registered shares	Participation certificates
Inventory as at January 1	**1,475**	**46,615**	**1,597**	**18,156**
Additions	215	2,630	–	–
Retirements	–877	–2,630	–458	–
Share buy-back program	–	–	436	46,615
Capital decrease (destruction)	–436	–46,615	–100	–18,156
Inventory as at December 31	**377**	**–**	**1,475**	**46,615**
Average cost of additions (CHF)	73,663	7,238	–	–
Average sales price of retirements (CHF)	82,489	7,723	80,740	–
Average cost of share buy-back program (CHF)	–	–	76,180	6,520
Average cost of capital decrease (CHF)	76,180	6,520	74,922	6,176

8. Reserves

CHF thousand	Requested	Approved	Not approved [1]	Reserves from capital contribution Total	Special reserves Total
Balance as at January 1, 2019	**–**	**88,773**	**14,904**	**103,677**	**1,060,755**
Reserve from retained earnings	–	–	–	–	120,000
Additions during the year	77,545	–	937	78,482	–937
Approved reserves from capital contribution					
FTA approval February 21, 2020	–77,545	77,545	–	–	–
Share buy-back program	–	–	–	–	–119,440
Proposed dividend distribution	–	–87,603	–	–87,603	–
Undistributed dividends on own registered shares and participation certificates	–	2,626	–	2,626	–
Options exercised from January 1 to May 8, 2019	–	–290	–	–290	–
Balance as at December 31, 2019	**–**	**81,051**	**15,841**	**96,892**	**1,060,378**
Additions during the year	87,730		1,040	88,770	–1,040
Share buy-back program				–	–336,632
Proposed dividend distribution		–80,273		–80,273	–
Undistributed dividends on own registered shares and participation certificates		1,964		1,964	–
Options exercised from January 1 to May 4, 2020		–435		–435	–
Balance as at December 31, 2020	**87,730**	**2,307**	**16,881**	**106,918**	**722,706**

1 The Swiss federal tax administration (FTA) has not yet approved the capital transaction costs of TCHF 16,881 as reserves from capital contribution. This practice may be changed in the future.

9. Mandatory Disclosure of Interest Positions pursuant to Art. 663c CO

As of December 31, 2020, Chocoladefabriken Lindt & Sprüngli AG disclosed the following shareholders known to the Company (in accordance with Art. 663c CO and the articles of association), which own voting shares of more than 4%: "BlackRock Inc." held 4.46% of the Company's shares (4.46% in 2019). "Fonds für Pensionsergänzungen of Chocoladefabriken Lindt & Sprüngli AG", "Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG", "Lindt Cocoa Foundation" and "Lindt Chocolate Competence Foundation" held as a group 20.50% of the voting rights of the Company (20.29% in 2019).

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

		Number of registered shares (RS)		Number of participation certificates (PC)		Number of options	
		2020	2019	**2020**	2019	**2020**	2019
E. Tanner	Executive Chairman	3,067	3,067	10,191	9,800	2,500	4,725
A. Bulgheroni	Member of the Board	1,000	1,000	295	165	–	–
Dkfm E. Gürtler	Member of the Board	1	1	50	50	–	–
Dr R. K. Sprüngli	Member of the Board	1,092	1,092	–	–	–	–
Dr T. Rinderknecht	Member of the Board	–	–	–	–	–	–
S. Denz	Member of the Board	11	11	–	–	–	–
Dr D. Weisskopf	Group Management	7	7	2,850	2,400	7,225	6,925
Dr J. Picenoni [1]	Group Management	1	–	–	–	1,600	–
R. Fallegger	Group Management	25	5	–	869	4,326	4,550
A. Germiquet	Group Management	7	7	400	400	3,646	3,053
Dr A. Lechner	Group Management	7	7	56	56	5,000	4,500
M. Hug	Group Management	1	–	–	200	3,200	2,675
G. Steiner	Group Management	2	2	–	–	3,410	2,900
Total		**5,221**	**5,199**	**13,842**	**13,940**	**30,907**	**29,328**

1 J. Picenoni has been appointed to Group Management as per January 1, 2020, therefore no participation reported in 2019.

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

10. Number of Employees

Chocoladefabriken Lindt & Sprüngli AG has no employees (0 in 2019).

Proposal for the Distribution of Available Retained Earnings and Reserves

CHF	**December 31, 2020**	December 31, 2019
Balance brought forward	19,666,399	34,229,750
Net income	275,020,818	326,695,427
Other	6,582,926[1]	4,159,204
Available retained earnings	**301,270,143**	**365,084,381**
Shares and participation certificates as per bylaws of CHF 23,996,660 as at December 31, 2020 (CHF 24,325,210 in 2019)		
1,100% (720% in 2019) dividend	–263,963,260[2&3]	–175,141,512
0% (700% in 2019) special dividend	–	–170,276,470
Allocation to special reserves	–20,000,000	–
Balance carried forward	**17,306,883**	**19,666,399**
Allocation of approved capital contribution reserve to free reserves[3]	–[3]	80,273,193
Withholding tax exempt distribution CHF 0.– per registered share/ CHF 0. – per participation certificate (CHF 330.– per RS/CHF 33.– per PC in 2019)[3]	–[3]	–80,273,193

1 Includes dividends not distributed on treasury stock held of CHF 8,451,130 distributed on options exercised during the period January 1 to May 4, 2020 of CHF –1,872,412, and expired dividends of CHF 4,208.

2 Number of registered shares and participation certificates, status as at December 31, 2020. During the period from January 1 until record date of May, 7, 2021, the dividend-bearing capital (the number of registered shares and participation certificates) can change as a result of additions and retirements within either class of treasury stock as well as the exercise of options, granted through the employee stock option plan.

3 In case the net addition to requested reserves from capital contribution (agio) amounting to CHF 87,730,826 in 2020 are approved by the Federal Tax Administration (EStV) until the publication of the invitation to the shareholders' meeting, a maximum of up to CHF 88,547,675 of these reserves from capital contribution would be distributed and the remaining amount of at least CHF 175,415,585 would be distributed out of the available retained earnings. The total dividend per registered share and participation certificate would therefore remain the same. This would represent a distribution of the reserves from capital contribution of a maximum of up to CHF 369.– per registered share and CHF 36.90 per participation certificate as well as from retained earnings of a minimum of CHF 731.– per registered share and CHF 73.10 per participation certificate.

For 2020 the Board of Directors proposes a total dividend of CHF 1,100.– per registered share and CHF 110.– per participation certificate.

In case the net addition to requested reserves from capital contribution (agio) amounting to CHF 87,730,826 in 2020 are approved by the Federal Tax Administration (EStV) until the publication of the invitation to the shareholders' meeting, a maximum of up to CHF 88,547,675 of these reserves from capital contribution would be distributed and the remaining amount of at least CHF 175,415,585 would be distributed out of the available retained earnings. The total dividend per registered share and participation certificate would remain the same. This would represent a distribution of the reserves from capital contribution of a maximum of up to CHF 369.– per registered share and CHF 36.90 per participation certificate as well as from retained earnings of a minimum of CHF 731.– per registered share and CHF 73.10 per participation certificate. However, during the period from January 1 until record date of May, 7, 2021, the dividend-bearing capital (the number of registered shares and participation certificates) can change as a result of additions and retirements within either class of treasury stock as well as the exercise of options, granted through the employee stock option plan.

In case the requested reserves from capital contribution are not approved by the Federal Tax Administration (EStV) until the distribution of the invitation to the shareholders' meeting, the total dividend of CHF 1,100.– per registered share and CHF 110.– per participation certificate would be distributed out of available retained earnings.

Report of the Statutory Auditor on the Financial Statements

pwc

Report of the statutory auditor

to the General Meeting of Chocoladefabriken Lindt & Sprüngli AG

Kilchberg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Chocoladefabriken Lindt & Sprüngli AG, which comprise the balance sheet as at 31 December 2020, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 144 to 149) as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

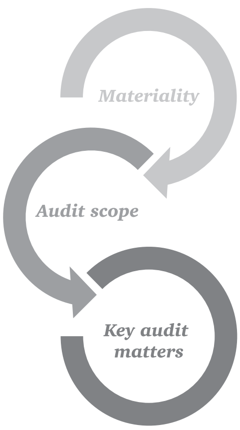
Basis for opinion

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

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

Our audit approach

Overview



Overall materiality: CHF 23,500,000

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

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

- Impairment testing of intangible assets
- Impairment testing of investments

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Materiality

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

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

Overall materiality	CHF 23,500,000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark for determining materiality. Total assets is a generally accepted benchmark for materiality considerations in relation to a holding company.

Audit scope

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

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

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

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Impairment testing of intangible assets

Key audit matter	How our audit addressed the key audit matter
Intangible assets recognised in the amount of CHF 529 million relate to the Russell Stover (CHF 496 million), Ghirardelli (CHF 28 million) and Caffarel (CHF 5 million) brands. We focussed on this area because of the significant amount this item represents on the balance sheet and because the valuation of the three above-mentioned brands depends significantly on their future results. The intangible assets are stated individually at acquisition cost less accumulated depreciation and any impairment, in accordance with the requirements of commercial accounting and financial reporting. Impairment testing of the brands is based on a comparison of their book value with the capitalised licensing income. If the book value of the brands exceeds the capitalised licensing income, an impairment is recognised. Please refer to note 2 'Accounting principles'.	We tested the correct and consistent calculation of the depreciation of the brands. Additionally, we tested management's impairment testing of the brands for its technical appropriateness and mathematical accuracy as follows: • We compared on a sample basis the licensing income used in the valuations with the contractual agreements. • We assessed the capitalisation rate, taking into account the cost of capital of the company and of comparable organisations as well as country-specific factors. • Further, we inspected on a sample basis the budgets approved by the Board of Directors of the individual licence holders in order to assess the financial performance of the individual licence holders. We concluded that the models and assumptions used are appropriate to test for the impairment of the intangible assets.

Impairment testing of investments

Key audit matter	How our audit addressed the key audit matter
Investments are recognised in the amount of CHF 884 million. We focussed our audit on these assets because of the significant amount they represent and the significant scope for judgement involved in testing them for impairment and in light of the financial performance of certain subsidiaries. Investments are recorded individually at acquisition cost less impairment in accordance with the requirements of commercial accounting and financial reporting. The impairment testing of the investments is based on a comparison of their book value with the intrinsic value of the investment. The intrinsic value of an investment is determined using historical and forward-looking financial information and on the basis of generally accepted valuation methods. If the book value of the investment exceeds the intrinsic value thus determined, an impairment is recorded. Please refer to note 2 'Accounting principles'.	We examined management's impairment testing of investments as follows: • We assessed the technical appropriateness and mathematical accuracy of management's valuations. • We compared on a sample basis the input data used in the tests with audited historical financial information. • We compared the forward-looking financial information used in the valuation process with the forecast figures approved by the Board of Directors. On the basis of our audit procedures, we consider the impairment tests on investments performed by management to be appropriate.

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Responsibilities of the Board of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Gerhard Siegrist	Josef Stadelmann
Audit expert Auditor in charge	Audit expert

Zurich, 1 March 2021

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

		2020	2019	2018	2017	2016
Income Statement						
Sales	CHF million	4,016.8	4,509.0	4,313.2	4,088.4	3,900.9
EBITDA	CHF million	696.1	915.8	816.2	764.4	714.0
in % of sales	%	17.4	20.3	18.9	18.7	18.3
EBIT	CHF million	420.3	593.0 [1]	636.7	595.4	562.5
in % of sales	%	10.5	13.2 [1]	14.8	14.6	14.4
Net income	CHF million	320.1	511.9	487.1	452.5	419.8
in % of sales	%	8.0	11.4	11.3	11.1	10.8
in % of average shareholders' equity	%	6.9	11.2	11.2	11.5	11.7
Operating cash flow	CHF million	787.6	830.9	651.6	591.0	515.4
in % of sales	%	19.6	18.4	15.1	14.5	13.2
Depreciation, amortization and impairment	CHF million	275.8	322.8	179.5	169.0	151.5
Balance Sheet						
Total assets	CHF million	8,051.0	8,040.8	7,249.8	6,975.6	6,428.8
Current assets	CHF million	2,953.9	2,975.7	2,933.0	2,781.1	2,374.5
in % of total assets	%	36.7	37.0	40.5	39.9	36.9
Non-current assets	CHF million	5,097.1	5,065.1	4,316.8	4,194.5	4,054.3
in % of total assets	%	63.3	63.0	59.5	60.1	63.1
Non-current liabilities	CHF million	2,164.4	1,680.9	1,735.3	1,730.8	1,495.9
in % of total assets	%	26.9	20.9	23.9	24.8	23.3
Shareholders' equity	CHF million	4,606.3	4,670.2	4,486.4	4,195.0	3,674.0
in % of total assets	%	57.2	58.1	61.9	60.1	57.1
Investments in PPE/intangible assets	CHF million	243.8	247.0	257.3	185.2	234.1
in % of operating cash flow	%	31.0	29.7	39.5	31.3	45.4
Employees						
Average number of employees		13,557	14,621	14,570	13,949	13,539
Sales per employee	TCHF	296.3	308.4	296.0	293.1	288.1

1 Includes one-off effects of CHF 81.6 million in 2019. Without these effects the EBIT amounts to CHF 674.6 million and the EBIT-margin to 15.0%.

Five-Year Overview: Data per Share/Participation Certificate

		2020	2019	2018	2017	2016
Share						
Registered shares at CHF 100.– par[1]	Number	135,552	135,988	136,088	136,088	136,088
Participation certificates at CHF 10.– par[2]	Number	1,044,146	1,072,641	1,072,535	1,048,153	1,013,136
Non-diluted earnings per share/10 PC[3]	CHF	1,333	2,142	2,021	1,893	1,791
Operating cash flow per share/10 PC[3]	CHF	3,264	3,492	2,715	2,482	2,200
Shareholders' equity per share/10 PC[4]	CHF	19,088	19,626	18,437	17,414	15,476
Payout ratio	%	82.5	83.2	50.0	49.5	49.8
Registered share						
Year-end price	CHF	88,400	85,500	73,300	70,485	61,900
High of the year	CHF	93,800	86,000	85,400	72,280	74,090
Low of the year	CHF	65,200	68,600	65,600	61,790	57,025
Dividend	CHF	1,100.00[5]	1,750.00	1,000.00	930.00	880.00
P/E ratio[6]	Factor	66.32	39.92	36.27	37.23	34.56
Participation certificate						
Year-end price	CHF	8,630	7,515	6,100	5,950	5,275
High of the year	CHF	8,665	7,715	7,270	5,985	6,240
Low of the year	CHF	6,365	5,730	5,270	5,055	4,877
Dividend	CHF	110.00[5]	175.00	100.00	93.00	88.00
P/E ratio[6]	Factor	64.74	35.08	30.18	31.43	29.45
Market capitalization[6]	CHF million	20,993.8	19,687.9	16,517.7	15,828.7	13,768.1
in % of shareholders' equity[4]	%	455.8	421.6	368.2	377.3	374.7

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

Addresses of the Lindt & Sprüngli Group

"We enchant the world with chocolate"

Lindt & Sprüngli has been enchanting the world with chocolate for more than 175 years. The traditional Swiss company with roots in Zurich is a global leader in the premium chocolate sector. Today, Lindt & Sprüngli produces quality chocolates at its 11 factories in Europe and the USA. Its products are sold by 28 subsidiaries and regional offices, in around 500 of own stores as well as via a network of more than 100 independent distributors around the globe. The Lindt & Sprüngli Group includes the brands Lindt, Ghirardelli, Russell Stover, Whitman's, Pangburn's, Caffarel, Hofbauer und Küfferle. With more than 13,500 employees, the Lindt & Sprüngli Group reported sales of CHF 4.02 billion in 2020.

Headquarter

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Information

Agenda

May 4, 2021	123rd Annual Shareholders' Meeting
May 10, 2021	Payment of dividend
July 27, 2021	Half-year report 2021
Mid January, 2022	Net sales 2021
Early March, 2022	Full-year results 2021
Spring 2022	124th Annual Shareholders' Meeting

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