FINANCIAL REPORT

OF THE LINDT & SPRÜNGLI GROUP

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, 2016		December 31, 2015	
ASSETS					
Property, plant, and equipment	7	1,240.4		1,150.3	
Intangible assets	8	1,424.4		1,393.9	
Financial assets	9	1,302.2		1,571.3	
Deferred tax assets	10	87.3		31.8	
Total non-current assets		**4,054.3**	**63.1%**	**4,147.3**	**66.3%**
Inventories	11	657.6		647.5	
Accounts receivable	12	994.5		907.1	
Other receivables		109.0		122.4	
Accrued income		10.9		4.1	
Derivative assets	13	10.1		26.1	
Marketable securities and short-term financial assets	14	0.2		0.2	
Cash and cash equivalents	15	592.2		404.3	
Total current assets		**2,374.5**	**36.9%**	**2,111.7**	**33.7%**
Total assets		**6,428.8**	**100.0%**	**6,259.0**	**100.0%**
LIABILITIES					
Share and participation capital	16	23.7		23.5	
Treasury stock		–100.3		–113.1	
Retained earnings and other reserves		3,743.8		3,575.1	
Equity attributable to shareholders		**3,667.2**		**3,485.5**	
Non-controlling interests		6.8		4.2	
Total equity		**3,674.0**	**57.1%**	**3,489.7**	**55.7%**
Bonds	17	747.7		997.1	
Loans	17	1.2		1.8	
Deferred tax liabilities	10	433.5		461.7	
Pension liabilities	18	191.7		209.7	
Other non-current liabilities		7.6		8.4	
Provisions	19	114.2		103.6	
Total non-current liabilities		**1,495.9**	**23.3%**	**1,782.3**	**28.5%**
Accounts payable to suppliers	20	180.4		183.3	
Other accounts payable		46.8		50.6	
Current tax liabilities		39.4		28.0	
Accrued liabilities	21	618.3		608.6	
Derivative liabilities	13	57.6		29.4	
Bonds	17	249.9		–	
Bank and other borrowings	17	66.5		87.1	
Total current liabilities		**1,258.9**	**19.6%**	**987.0**	**15.8%**
Total liabilities		**2,754.8**	**42.9%**	**2,769.3**	**44.3%**
Total liabilities and shareholders' equity		**6,428.8**	**100.0%**	**6,259.0**	**100.0%**

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

CONSOLIDATED INCOME STATEMENT

CHF million	Note	2016		2015	
INCOME					
Sales		3,900.9	100.0%	3,653.3	100.0%
Other income	22	17.2		17.9	
Total income		**3,918.1**	**100.4%**	**3,671.2**	**100.5%**
EXPENSES					
Material expenses		–1,388.8	–35.6%	–1,363.1	–37.3%
Changes in inventories		12.6	0.3%	57.1	1.6%
Personnel expenses	23	–846.3	–21.7%	–807.1	–22.1%
Operating expenses		–981.6	–25.1%	–912.3	–25.0%
Depreciation, amortization, and impairment	7, 8	–151.5	–3.9%	–127.0	–3.5%
Total expenses		**–3,355.6**	**–86.0%**	**–3,152.4**	**–86.3%**
Operating profit (EBIT)		**562.5**	**14.4%**	**518.8**	**14.2%**
Income from financial assets	24	5.7		3.7	
Expense from financial assets	24	–14.1		–11.0	
Income before taxes		**554.1**	**14.2%**	**511.5**	**14.0%**
Taxes	10	–134.3		–130.5	
Net income		**419.8**	**10.8%**	**381.0**	**10.4%**
of which attributable to non-controlling interests		0.1		0.6	
of which attributable to shareholders of the parent		419.7		380.4	
Non-diluted earnings per share/10 PC (in CHF)	25	1,791.3		1,645.7	
Diluted earnings per share/10 PC (in CHF)	25	1,766.8		1,612.4	

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

STATEMENT OF COMPREHENSIVE INCOME

CHF million	**2016**	2015
Net income	419.8	381.0
Other comprehensive income after taxes		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	–171.9	237.0
Items that may be reclassified subsequently to profit or loss		
Hedge accounting	–63.0	10.7
Currency translation	44.6	–67.2
Total comprehensive income	**229.5**	**561.5**
of which attributable to non-controlling interests	1.1	–0.2
of which attributable to shareholders of the parent	228.4	561.7

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

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 10.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF million	Note	Share-/ PC-capital	Treasury stock	Share premium	Hedge accounting	Retained earnings	Currency translation	**Equity attributable to share-holders**	Non-controlling interest	**Total equity**
Balance as at January 1, 2015		**23.2**	**–159.8**	**318.9**	**8.8**	**2,981.8**	**–172.6**	**3,000.1**	**1.6**	**3,001.7**
Total comprehensive income		–	–	–	10.7	617.4	–66.4	561.7	–0.2	561.5
Capital increase [1]	16	0.4	–	103.2	–	–1.5	–	102.1	2.8	104.9
Purchase of own shares and participation certificates	16	–	–10.1	–	–	–	–	–10.1	–	–10.1
Sale of own shares [1]	16	–	1.0	–	–	1.4	–	2.4	–	2.4
Cancellation of shares		–0.1	54.6	–	–	–54.5	–	–	–	–
Share-based payment	27	–	1.2	–	–	15.6	–	16.8	–	16.8
Recognition of defined benefit plan	18	–	–	–	–	–21.2	–	–21.2	–	–21.2
Reclass into retained earnings		–	–	–74.6	–	74.6	–	–	–	–
Distribution of profits		–	–	–	–	–166.3	–	–166.3	–	–166.3
Balance as at December 31, 2015		**23.5**	**–113.1**	**347.5**	**19.5**	**3,447.3**	**–239.0**	**3,485.5**	**4.2**	**3,489.7**
Total comprehensive income		–	–	–	–63.0	247.8	43.6	228.4	1.1	229.5
Capital increase [1]	16	0.2	–	63.7	–	–	–	64.0	1.5	65.5
Purchase of own shares and participation certificates	16	–	–10.0	–	–	–	–	–10.0	–	–10.0
Sale of own shares [1]	16	–	21.4	–	–	31.5	–	52.9	–	52.9
Share-based payment	27	–	1.4	–	–	32.2	–	33.6	–	33.6
Reclass into retained earnings		–	–	–93.6	–	93.6	–	–	–	–
Distribution of profits		–	–	–	–	–187.2	–	–187.2	–	–187.2
Balance as at December 31, 2016		**23.7**	**–100.3**	**317.6**	**–43.5**	**3,665.2**	**–195.4**	**3,667.2**	**6.8**	**3,674.0**

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

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

CONSOLIDATED CASH FLOW STATEMENT

CHF million	Note		2016		2015
Net income		419.8		381.0	
Depreciation, amortization, and impairment	7, 8	151.5		127.0	
Changes in provisions, value adjustments and pension assets		2.6		29.3	
Decrease (+)/increase (–) of accounts receivable		–83.8		–47.3	
Decrease (+)/increase (–) of inventories		–3.6		–54.6	
Decrease (+)/increase (–) of other receivables		14.5		–24.0	
Decrease (+)/increase (–) of accrued income and derivative assets and liabilities		–25.6		–7.7	
Decrease (–)/increase (+) of accounts payable		–2.9		6.7	
Decrease (–)/increase (+) of other payables and accrued liabilities		16.5		28.2	
Non-cash effective items [1]		26.4		50.3	
Cash flow from operating activities (operating cash flow)			**515.4**		**488.9**
Investments in property, plant, and equipment	7	–216.8		–235.0	
Disposals of property, plant, and equipment		4.6		4.1	
Investments in intangible assets	8	–17.3		–17.8	
Disposals (+)/investments (–) in financial assets (excluding pension assets)		4.9		1.6	
Marketable securities and short-term financial assets	14				
Investments		–		–52.5	
Disposals		–		52.5	
Cash flow from investment activities			**–224.6**		**–247.1**
Proceeds from loans/borrowings	17	63.4		83.7	
Repayments of loans/borrowings	17	–83.8		–12.9	
Capital increase (including premium)		64.0		102.1	
Purchase of treasury stock		–10.0		–10.1	
Sale of treasury stock		52.0		1.4	
Distribution of profits		–187.2		–166.3	
Cash flow with non-controlling interests		1.5		2.8	
Cash flow from financing activities			**–100.1**		**0.7**
Net increase (+)/decrease (–) in cash and cash equivalents			**190.7**		**242.6**
Cash and cash equivalents as at January 1		404.3		171.8	
Exchange gains/(–)losses on cash and cash equivalents		**–2.8**	**401.5**	**–10.1**	**161.7**
Cash and cash equivalents as at December 31	**15**		**592.2**		**404.3**
Interest received from third parties [2]			2.3		1.1
Interest paid to third parties [2]			12.8		9.8
Income tax paid [2]			82.8		131.8

1 As at December 31, 2016, movements of CHF –13.7 million result from the translation of foreign exchange balances (CHF 30.8 million in 2015).
2 Included in cash flow from operating activities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION, BUSINESS ACTIVITIES, AND LINDT & SPRÜNGLI GROUP COMPANIES

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

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

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

These consolidated financial statements were approved for publication by the Board of Directors on March 6, 2017.

The subsidiaries of Chocoladefabriken Lindt & Sprüngli AG as at December 31, 2016 are:

Country	Domicile	Subsidiary	Business activity	Percentage of ownership	Currency	Capital in million
Switzerland	Kilchberg	Chocoladefabriken Lindt & Sprüngli (Schweiz) AG	P&D	100	CHF	10.0
		Indestro AG [1]	M	100	CHF	0.1
		Lindt & Sprüngli (International) AG [1]	M	100	CHF	0.2
		Lindt & Sprüngli Financière AG [1]	M	100	CHF	5.0
Germany	Aachen	Chocoladefabriken Lindt & Sprüngli GmbH [1]	P&D	100	EUR	1.0
France	Paris	Lindt & Sprüngli SAS	P&D	100	EUR	13.0
Italy	Induno	Lindt & Sprüngli SpA [1]	P&D	100	EUR	5.2
	Luserna	Caffarel SpA	P&D	100	EUR	2.2
Great Britain	London	Lindt & Sprüngli (UK) Ltd. [1]	D	100	GBP	1.5
USA	Kansas City, MO	Lindt & Sprüngli (North America) Inc. [1]	M	100	USD	0.1
	Stratham, NH	Lindt & Sprüngli (USA) Inc.	P&D	100	USD	1.0
	San Leandro, CA	Ghirardelli Chocolate Company	P&D	100	USD	0.1
	Kansas City, MO	Russell Stover Chocolates, LLC	P&D	100	USD	0.1
Spain	Barcelona	Lindt & Sprüngli (España) SA	D	100	EUR	3.0
Austria	Vienna	Lindt & Sprüngli (Austria) Ges.m.b.H. [1]	P&D	100	EUR	4.5
Poland	Warsaw	Lindt & Sprüngli (Poland) Sp. z o.o. [1]	D	100	PLN	17.0
Canada	Toronto	Lindt & Sprüngli (Canada) Inc. [1]	D	100	CAD	2.8
Australia	Sydney	Lindt & Sprüngli (Australia) Pty. Ltd. [1]	D	100	AUD	1.0
Mexico	Mexico City	Lindt & Sprüngli de México SA de CV [1]	D	100	MXN	248.1
Sweden	Stockholm	Lindt & Sprüngli (Nordic) AB [1]	D	100	SEK	0.5
Czech Republic	Prague	Lindt & Sprüngli (Czechia) 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	15.0
Brazil	São Paulo	Lindt & Sprüngli (Brazil) Holding Ltda.	D	100	BRL	49.1
		Lindt & Sprüngli (Brazil) Comércio de Alimentos S.A. [2]	D	51	BRL	39.1

D – Distribution, P – Production, M – Management

1 Subsidiaries held directly by Chocoladefabriken Lindt & Sprüngli AG.

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

2. ACCOUNTING PRINCIPLES

Basis of preparation

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

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

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

New IFRS standards and Interpretations

New and amended IFRS and interpretations (effective as of January 1, 2016 and thereafter)

The Lindt & Sprüngli Group has applied the following new IFRS standards and interpretations in 2016:

- Various revised standards and interpretations related to the annual improvements to IFRS of the Cycle 2012 to 2014
- Disclosure initiative: Amendments to IAS 1 – "Presentation of Financial Statements".

None of these changes had a significant impact on the Lindt & Sprüngli Group's financial position or performance.

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

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

- IFRS 9 – "Financial Instruments" addresses classification, measurement, and recognition of financial assets and financial liabilities. The new standard will fully replace IAS 39 – "Financial instruments: Recognition and measurements" in 2018;
- IFRS 15 – "Revenue from contracts with customers" will replace IAS 11 – "Construction Contracts", IAS 18 – "Revenue", and related interpretations in 2018; and
- IFRS 16 – "Leases" will replace IAS 17 and become effective on January 1, 2019. The new standard will change the presentation in the financial statements as the majority of leases will become on-balance sheet liabilities with corresponding right of use assets. Early adoption is permitted for companies that also apply IFRS 15 – "Revenue from contracts with customers".

These new standards may be relevant to the consolidated financial statements. The Lindt & Sprüngli Group is currently assessing the impact of the adoption.

Consolidation method

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

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

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

Foreign currency translation

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

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

Foreign exchange rates

The Lindt & Sprüngli Group applied the following exchange rates:

		Balance sheet year-end rates		Income statement average rates	
CHF		**2016**	2015	**2016**	2015
Euro zone	1 EUR	1.07	1.08	1.09	1.07
USA	1 USD	1.02	0.99	0.99	0.97
Great Britain	1 GBP	1.25	1.47	1.32	1.48
Canada	1 CAD	0.76	0.71	0.75	0.75
Australia	1 AUD	0.74	0.72	0.73	0.72
Poland	100 PLN	24.30	25.42	24.97	25.54
Mexico	100 MXN	4.92	5.70	4.44	5.02
Sweden	100 SEK	11.23	11.77	11.43	11.47
Czech Republic	100 CZK	3.97	4.00	4.03	3.94
Japan	100 JPY	0.87	0.82	0.90	0.80
South Africa	100 ZAR	7.48	6.36	6.77	7.53
Hong Kong	100 HKD	13.15	12.76	10.58	10.32
China	100 CNY	14.72	15.24	14.63	15.48
Russia	100 RUB	1.67	1.35	1.50	1.53
Brazil	100 BRL	31.19	25.21	28.91	27.75

Property, plant, and equipment

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

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

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

Intangible assets

Goodwill

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

Other intangible assets

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

Impairment

The Lindt & Sprüngli Group records the difference between the realizable value and the book value of fixed assets, goodwill or intangible assets as impairment. The valuation is made for an individual asset or, if this is not possible, on a Lindt & Sprüngli group of assets to which separate sources of cash flows are allocated. In order to establish the future benefits, the expected future cash flows are discounted. Assets with undefined utilization periods as for example goodwill or intangible assets, and which are not in use yet, are not depreciated and are subject to a yearly impairment test. Depreciable assets are tested for their recoverability, if there are signs, that the book value is no longer realizable.

Leasing

The Lindt & Sprüngli Group distinguishes between lease liabilities resulting from finance and operating leases.

Inventories

Inventories are valued at the lower of cost and net realizable value. Costs include all direct material and production costs, as well as overhead, which 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 cost of goods produced and applicable variable selling and distribution expenses.

Cash and cash equivalents

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

Financial assets

The Lindt & Sprüngli Group recognizes, measures, impairs (if required), presents and discloses financial assets as required by IAS 39 – "Financial Instruments: Recognition and Measurement", IAS 32 – "Financial Instruments: Presentation" and IFRS 7 – "Financial Instruments: Disclosures". Loans and receivables are categorized as short-term assets, unless their remaining post-balance sheet date life exceeds twelve months. Within the reporting period the majority of loans and receivables have been accounted for as short-term commitments; they were included in the balance sheet items "Accounts receivable" and "Other receivables". Value adjustments are made to outstanding receivables for which repayment is considered doubtful.

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

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

"Available-for-sale financial assets" which have a market value of more than 40 % below their original costs or are, for a sustained 18-months period, below their original costs are considered as impaired and the accumulated fair value adjustment in equity will be recognized in the income statement. Impairment losses recognized in the income statement for an investment in an equity instrument classified as "available-for-sale" shall not be reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as "available-for-sale" increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss shall be reversed in the income statement.

Provisions

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

Dividends

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

Financial liabilities

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

Employee benefits

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

The cost of defined benefit plans has three components:

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

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

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

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

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

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

Remeasurements recorded in other comprehensive income are not recycled.

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

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

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

Revenue recognition

Revenue consists of delivery of goods and services to third parties net of value-added taxes and minus price reductions, returns and all payments to trade partners with the exception of payments for distinctly and clearly identifiable services, rendered by trade partners, which could also be rendered by third parties at comparable costs. Revenue is to be recorded in the income statement once the risks and rewards of the goods are transferred to the buyer. For returns of goods or other types of payments regarding the sales, adequate accruals are recorded.

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

Dividend income resulting from financial investments is recorded upon approval of the dividend distribution.

Operating expenses

Operating expenses include marketing, distribution and administrative expenses.

Borrowing costs

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

Taxes

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

Deferred income taxes are accounted for according to the "balance-sheet-liability method", and arise on temporary differences between the tax and IFRS bases of assets and liabilities. In order to calculate the deferred income taxes, the legal tax rate in use at the time or the future tax rate announced is applied.

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

Deferred taxes also arise due to temporary differences from investments in subsidiaries and associated companies. Deferred taxes are not recognized if the following two conditions are met: the parent company is able to manage the timing of the release of temporary differences and, it is probable that the temporary differences are not going to be reversed in the near future. Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

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

Research and development costs

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

Share-based payments

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

Accounting for derivative financial instruments and hedging activities

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

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

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

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

Critical accounting estimates and judgments

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

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

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

3. RISK MANAGEMENT

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

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

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

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

Market risk

Commodity price risk

The Lindt & Sprüngli Group's products are manufactured with raw materials (commodities) that are subject to strong price fluctuations due to climatic conditions, seasonal conditions, seasonal demand, and market speculation. In order to mitigate the price and quality risks of the expected future net demand, the manufacturing Lindt & Sprüngli Group companies enter into contracts with suppliers for the future physical delivery of the raw materials. Commodity futures are also used, but only processed centrally by Corporate Treasury. The commodity futures for cocoa beans of a required quality are always traded for physical-delivery agreements. The number of outstanding commodity futures is dependent on the expected production volumes and price development and may therefore vary significantly throughout the year. Based on the existing contract volume as of December 31, 2016 and 2015, no material sensitivities exist on these positions. The changes in commodity prices include the fair value of the futures since entering into the agreement and are recognized in accordance with IAS 39.

Exchange rate risks

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

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

Interest rate risks

Corporate Treasury monitors and minimizes interest rate risks from a mismatch of quality, maturity period, and currency of the financial position on a continuous basis. Corporate Treasury may use derivative financial instruments in order to manage the interest rate risk of balance sheet assets and liabilities, and future cash flows. As of December 31, 2016 and 2015, there were no such transactions.

The most material financial assets as of December 31, 2016 and 2015 are not interest-bearing. These include predominantly cash and cash equivalents in Swiss franc. The acquisition of Russell Stover Chocolates, LLC in 2014 caused a reduction of liquid funds and the issuance of long-term bonds with a fixed interest rate by the Lindt & Sprüngli Group. The Lindt & Sprüngli Group faces a risk of a rise in the interest rate at maturity of these bonds.

Credit Risks

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

Liquidity risks

Liquidity risk exists when the Lindt & Sprüngli Group or a Lindt & Sprüngli Group company does not settle or meet its financial obligations (untimely repayment of financial debt, payment of interest). The Lindt & Sprüngli Group's liquidity is ensured by means of regular group wide monitoring and planning of liquidity as well as an investment policy coordinated on a timely basis by Corporate Treasury. The net financial position (defined as cash and cash equivalents plus marketable securities less financial debt), is monitored on a company-by-company basis by Corporate Treasury. As of December 31, 2016, the net financial position amounted to CHF –472.9 million (CHF –681.5 million in 2015). For extraordinary financing needs, adequate credit lines with financial institutes have been arranged.

The tables below present relevant maturity groupings as at December 31, 2016 and 2015, of the contractual maturity date:

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

CHF million	< 3 months	Between 3 and 12 months	Between 1 and 3 years	Over 3 years	2015 Total
Bond (including interests)	0.1	5.3	260.5	770.0	1,035.9
Loans	–	–	1.6	0.2	1.8
Accounts payable	177.4	6.0	–	–	183.4
Other accounts payable	48.9	1.1	–	–	50.0
Derivative assets	–6.2	–19.5	–0.4	–	–26.1
Derivative liabilities	25.7	3.3	0.4	–	29.4
Bank and other borrowings	86.6	0.5	–	–	87.1
Total contractually fixed payments	**332.5**	**–3.3**	**262.1**	**770.2**	**1,361.5**

4. CAPITAL MANAGEMENT

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

The Lindt & Sprüngli Group monitors its capital based on the ratio of shareholders' equity in percentage to total assets, which was 57.1% as of December 31, 2016 (55.7% in 2015).

The objectives, policies, and procedures as of December 31, 2016, related to capital management have not been changed compared to the previous year.

5. SEGMENT INFORMATION: ACCORDING TO GEOGRAPHIC SEGMENTS

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

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

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

Segment income

	Segment Europe		Segment NAFTA		All other segments		**Total**	
CHF million	2016	2015	2016	2015	2016	2015	**2016**	2015
Sales	2,051.4	1,924.6	1,670.5	1,588.7	457.1	414.0	4,179.0	3,927.3
Less sales between segments	269.3	261.4	8.8	12.6	–	–	278.1	274.0
Third party sales	**1,782.1**	**1,663.2**	**1,661.7**	**1,576.1**	**457.1**	**414.0**	**3,900.9**	**3,653.3**
Operating profit	301.4	263.7	197.7	205.7	63.4	49.4	562.5	518.8
Net financial result							–8.4	–7.3
Income before taxes							**554.1**	**511.5**
Taxes							–134.3	–130.5
Net income							**419.8**	**381.0**

The following countries achieved the highest sales group wide in 2016:

- USA CHF 1,471.3 million (CHF 1,407.2 million in 2015)
- Germany CHF 549.9 million (CHF 492.0 million in 2015)

Balance sheet and other information

	Segment Europe		Segment NAFTA		All other segments		**Total**	
CHF million	2016	2015	2016	2015	2016	2015	**2016**	2015
Assets [1]	3,919.2	3,935.1	2,278.5	2,107.4	231.1	216.5	6,428.8	6,259.0
Liabilities [1]	2,172.1	2,295.5	384.1	335.8	198.6	138.0	2,754.8	2,769.3
Investments	117.5	116.4	104.0	94.8	12.6	41.6	234.1	252.8
Depreciation and amortization	90.0	78.5	53.2	44.0	5.6	3.5	148.8	126.0
Impairment	1.1	0.9	1.2	–	0.4	0.1	2.7	1.0

1 Assets of CHF –10.1 million (CHF 4.9 million in 2015) and liabilities of CHF 130.1 million (CHF 71.3 million in 2015) which cannot be clearly allocated to a particular segment are disclosed in the category "All other segments".

The following countries held the greatest portion of fixed and intangible assets group wide in 2016:

- USA CHF 1,408.6 million (CHF 1,326.6 million in 2015)
- Germany CHF 258.6 million (CHF 257.5 million in 2015)

6. FINANCIAL INSTRUMENTS, FAIR VALUE, AND HIERARCHY LEVELS

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

			2016		2015
CHF million	Level [1]	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS					
At fair value through profit or loss					
Derivative assets	1	0.3	0.3	10.7	10.7
Derivative assets	2	9.8	9.8	15.4	15.4
Marketable securities and short-term financial assets	1/2	0.2	0.2	0.2	0.2
Total		**10.3**	**10.3**	**26.3**	**26.3**
Available-for-sale					
Investments third parties	3	1.3	1.3	1.3	1.3
Total		**1.3**	**1.3**	**1.3**	**1.3**
Other financial assets [2]					
Total		**1,649.1**	**1,649.1**	**1,377.2**	**1,377.2**
Total financial assets		**1,660.7**	**1,660.7**	**1,404.8**	**1,404.8**
FINANCIAL LIABILITIES					
At fair value through profit or loss					
Derivative liabilities	1	21.0	21.0	0.2	0.2
Derivative liabilities	2	36.6	36.6	29.2	29.2
Total		**57.6**	**57.6**	**29.4**	**29.4**
Other financial liabilities					
Bonds [3]	1	997.6	1,031.2	997.1	1,029.1
Loans [3]		1.2	1.2	1.8	1.8
Other non-current liabilities		7.6	7.6	8.4	8.4
Accounts payable		180.4	180.4	183.3	183.3
Other accounts payable		46.8	46.8	50.6	50.6
Bank and other borrowings [3]		66.5	66.5	87.1	87.1
Total		**1,300.1**	**1,333.7**	**1,328.3**	**1,360.4**
Total financial liabilities		**1,357.7**	**1,391.3**	**1,357.7**	**1,389.7**

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

7. PROPERTY, PLANT, AND EQUIPMENT

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

CHF million	Land/ buildings	Machinery	Other fixed assets	Construction in progress	2015 Total
Acquisition costs as at January 1, 2015	**927.7**	**1,117.8**	**207.4**	**116.7**	**2,369.6**
Additions	64.7	48.2	16.7	105.4	235.0
Retirements	–31.5	–7.0	–2.3	–1.4	–42.2
Transfers	16.0	55.0	4.7	–75.6	0.1
Currency translation	–44.4	–64.9	–13.4	–3.9	–126.6
Acquisition costs as at December 31, 2015	**932.5**	**1,149.1**	**213.1**	**141.2**	**2,435.9**
Accumulated depreciation as at January 1, 2015	**420.1**	**701.3**	**160.1**	**–**	**1,281.5**
Additions	36.0	58.5	16.4	–	110.9
Impairments	0.1	0.9	–	–	1.0
Retirements	–28.1	–6.5	–2.0	–	–36.6
Transfers	0.1	–	–0.1	–	0.0
Currency translation	–19.8	–40.9	–10.5	–	–71.2
Accumulated depreciation as at December 31, 2015	**408.4**	**713.3**	**163.9**	**–**	**1,285.6**
Net fixed assets as at December 31, 2015	**524.1**	**435.8**	**49.2**	**141.2**	**1,150.3**

Advance payments of CHF 95.4 million (CHF 89.9 million in 2015) are included in the position construction in progress. No mortgages exist on land and buildings.

The impairment charge totals CHF 2.5 million (CHF 1.0 million in 2015) and consists of writedowns of land and buildings amounting CHF 1.4 million (CHF 0.1 million in 2015) and of machinery and other fixed assets amounting CHF 1.1 million (CHF 0.9 million in 2015).

The net book value of capitalized assets, under financial lease, amounted to CHF 1.1 million (CHF 1.9 million in 2015). Operating lease commitments are not capitalized.

8. INTANGIBLE ASSETS

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

CHF million	EDP software & consultancy	Customer relationships	Brands and intellectual property	Goodwill	Other intangible assets	2015 Total
Acquisition costs as at January 1, 2015	**78.0**	**132.3**	**459.8**	**779.7**	**8.0**	**1,457.9**
Additions	10.5	–	–	–	7.3	17.8
Retirements	–5.6	–	–	–	–	–5.6
Transfers	–0.1	–	–	–	–	–0.1
Currency translation	–4.9	–	–	–0.2	–1.7	–6.8
Acquisition costs as at December 31, 2015	**77.9**	**132.3**	**459.8**	**779.5**	**13.6**	**1,463.1**
Accumulated depreciation as at January 1, 2015	**60.3**	**3.0**	**–**	**–**	**0.1**	**63.4**
Additions	6.3	8.6	–	–	0.2	15.1
Retirements	–5.6	–	–	–	–	–5.6
Currency translation	–3.8	0.2	–	–	–0.1	–3.7
Accumulated depreciation as at December 31, 2015	**57.2**	**11.8**	**–**	**–**	**0.2**	**69.2**
Net intangible assets as at December 31, 2015	**20.7**	**120.5**	**459.8**	**779.5**	**13.4**	**1,393.9**

Research and development expenditures amounted to CHF 11.6 million (CHF 10.5 million in 2015) and are expensed as incurred.

Impairment test of goodwill and other intangible assets with infinite life

The impairment test of goodwill and other intangible assets with infinite life (i.e. "brands and intellectual property") relates to the acquisition of Russell Stover Chocolates, LLC in 2014. The cash generating unit consists of the acquired company plus parts of the Canadian subsidiary which will be distributing Russell Stover Chocolate products in Canada from 2017 onwards.

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

	2016	2015
Period of cash flow projections	5 years	10 years
Annual sales growth	3.0%	5.0%
Annual EBIT-margin evolution	Improvement	Improvement
Terminal growth	2.3%	2.5%
Discount rate post tax	6.2%	6.1%

The recoverable amount for goodwill and intangible assets with infinite life is CHF 50.0 million above the carrying amount. The following changes to the main planning assumptions lead to a situation where the recoverable amount equals the carrying amount:

	Sensitivity
Annual sales growth	Decrease by 85 basis points
Annual EBIT-margin evolution	Decrease by 15 basis points
Terminal growth	Decrease by 15 basis points
Discount rate post tax	Increase by 10 basis points

9. FINANCIAL ASSETS

CHF million	**2016**	2015
Pension assets [1]	1,300.9	1,565.1
Loans to third parties	–	4.9
Investments third parties (available-for-sale)	1.3	1.3
Total	**1,302.2**	**1,571.3**

1 See note 18.

10. TAXES

10.1 Deferred Tax Assets and Liabilities

The net value of deferred tax liabilities is as follows:

CHF million	2016	2015
At January 1	**429.9**	**310.5**
Deferred income tax expense	18.1	29.6
Tax charged to comprehensive income	–79.6	102.2
Tax charged to other components of equity	–22.5	–14.6
Currency translation	0.3	2.2
At December 31	**346.2**	**429.9**

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

CHF million	2016	2015
Deferred tax assets		
Property, plant, and equipment	7.3	2.5
Pension assets and liabilities	48.9	44.7
Receivables	8.3	7.1
Inventories	22.7	19.9
Payables and accruals	58.3	45.1
Other	17.8	45.3
Deferred tax assets gross	**163.3**	**165.0**
Netting	–76.0	–133.2
Total	**87.3**	**31.8**
Deferred tax liabilities		
Property, plant, and equipment	40.0	35.1
Intangible assets	58.4	45.9
Pension assets and liabilities	390.1	469.4
Receivables	2.9	6.9
Inventories	3.9	4.1
Payables and accruals	13.9	14.0
Derivative assets and liabilities	0.1	–
Other	0.2	19.5
Deferred tax liabilities gross	**509.5**	**594.9**
Netting	–76.0	–133.2
Total	**433.5**	**461.7**
Net deferred tax	**346.2**	**429.9**

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

CHF million	2016	2015
Between 1 and 5 years	9.3	6.2
Between 6 and 10 years	6.4	12.6
Over 10 years	2.8	2.9
Total	**18.5**	**21.7**

Tax loss carry-forwards utilized in 2016 amount to CHF 2.4 million (CHF 1.1 million in 2015).

10.2 Tax Expense

CHF million	2016	2015
Current tax expense	110.5	94.8
Deferred income tax expense	18.1	29.6
Other taxes	5.7	6.1
Total	**134.3**	**130.5**

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

CHF million	2016	2015
Income before taxes	**554.1**	**511.5**
Expected tax [1]	**109.6**	**119.2**
Change in applicable tax rates on temporary differences	–0.4	–1.8
Utilization of unrecognized tax loss carry-forwards from prior years	–0.7	–0.2
Adjustments related to prior years	–1.0	–2.5
Non-taxable items	9.0	0.9
Withholding tax levied and other taxes	5.7	6.1
Income components with lower tax rates	2.4	–3.0
Other	9.7	11.9
Total	**134.3**	**130.5**

1 Based on the average applicable tax rate of 19.8% in 2016 (23.3% in 2015).

The tax for each component of other comprehensive income is:

			2016			2015
CHF million	Before tax	Tax	After tax	Before tax	Tax	After tax
Hedge accounting	–63.0	–	–63.0	10.9	–0.2	10.7
Defined benefit plan	–251.5	79.6	–171.9	339.0	–102.0	237.0
Currency translation	44.6	–	44.6	–67.2	–	–67.2
Total	**–269.9**	**79.6**	**–190.3**	**282.7**	**–102.2**	**180.5**

11. INVENTORIES

CHF million	2016	2015
Raw material	119.3	113.9
Packaging material	96.8	96.9
Semi-finished and finished products	484.1	478.5
Value adjustment	–42.6	–41.8
Total	**657.6**	**647.5**

In 2016, CHF 7.9 million (CHF 6.3 million in 2015) of the value adjustment as at the end of 2015 have been released to the income statement.

12. ACCOUNTS RECEIVABLE

CHF million	2016	2015
Accounts receivable, gross	1,024.2	934.2
Value adjustment	–29.7	–27.1
Total	**994.5**	**907.1**
Value adjustment as at January 1	**–27.1**	**–27.4**
Addition	–6.4	–6.7
Utilization	3.5	4.8
Release	0.3	0.9
Currency translation	–	1.3
Value adjustment as at December 31	**–29.7**	**–27.1**

The following table presents the aging of accounts receivable:

CHF million	2016	2015
Not yet past due	849.1	756.0
Past due 1–30 days	123.6	130.2
Past due 31–90 days	31.6	29.0
Past due over 91 days	19.9	19.0
Accounts receivable gross	**1,024.2**	**934.2**

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

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

CHF million	2016	2015
CHF	52.5	48.6
EUR	334.3	312.3
USD	364.5	340.6
GBP	60.8	57.3
Other currencies	182.4	148.3
Accounts receivable net	**994.5**	**907.1**

13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING RESERVES

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

	2016		2015	
CHF million	Assets	Liabilities	Assets	Liabilities
Derivatives for hedging (currencies and raw material)	8.0	57.4	26.1	7.3
Other derivatives	2.1	0.2	–	22.1
Total	**10.1**	**57.6**	**26.1**	**29.4**

The carrying amount (contract value) of the outstanding forward-currency and raw material contracts as at December 31, 2016, is CHF 1,275.7 million (CHF 1,531.2 million in 2015). The majority of gains and losses recognized in the hedging reserve, as shown in the Consolidated Statement of Changes in Equity amounting to a net loss of CHF 43.5 million as of December 31, 2016 (net gains of CHF 19.5 million in 2015), will be released to material expenses in the income statement at various dates within the next 24 months. Other derivative instruments which have been executed in accordance with the risk policy and do not qualify for hedge accounting under the criteria of IAS 39 as well as the ineffective portion of designated derivative instruments, have been recognized immediately in the income statement.

14. MARKETABLE SECURITIES AND SHORT-TERM FINANCIAL ASSETS

CHF million	**2016**	2015
Fair-value-through-profit-or-loss financial assets	0.2	0.2
Total	**0.2**	**0.2**

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

CHF million	**2016**	2015
CHF equity securities	0.2	0.2
Total	**0.2**	**0.2**

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

15. CASH AND CASH EQUIVALENTS

CHF million	**2016**	2015
Cash at bank and in hand	151.8	141.9
Short-term bank deposits	440.4	262.4
Total	**592.2**	**404.3**

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

16. SHARE AND PARTICIPATION CAPITAL

	Number of registered shares (RS)[1]	Number of participation certificates (PC)[2]	Registered shares (CHF million)	Participation certificates (CHF million)	**Total** (CHF million)
At January 1, 2015	**136,111**	**956,066**	**13.6**	**9.6**	**23.2**
Capital increase	–	45,139	–	0.451	0.5
Cancellation of shares	–23	–12,730	–0.002	–0.127	–0.1
At December 31, 2015	**136,088**	**988,475**	**13.6**	**9.9**	**23.5**
Capital increase	–	24,661	–	0.247	0.2
At December 31, 2016	**136,088**	**1,013,136**	**13.6**	**10.1**	**23.7**

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

The conditional capital has a total of 459,106 participation certificates (PC) (483,767 in 2015) with a par value of CHF 10.–. Of this total, 204,656 (229,317 in 2015) are reserved for employee stock option programs; the remaining 254,450 participation certificates (254,450 in 2015) are reserved for capital market transactions. There is no other authorized capital. In 2016, a total of 24,661 (45,139 in 2015) of the employee options were exercised at an average price of CHF 2,631 (CHF 2,297 in 2015). 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 capital (treasury stock) of the Lindt & Sprüngli Group are as follows:

	2016		2015	
Inventory of treasury stock	Registered shares	Participation certificates	Registered shares	Participation certificates
Inventory as at January 1	**2,584**	**–**	**2,558**	**12,730**
Additions	150	–	139	–
Retirements	–825	–	–90	–
Cancellation of shares	–	–	–23	–12,730
Inventory as at December 31	**1,909**	**–**	**2,584**	**–**
Average cost of additions (in CHF)	66,889	–	72,316	–
Average sales price of retirements (in CHF)	68,079	–	58,171	–
Average cost of cancellation of shares (in CHF)	–	–	50,076	4,200

17. FINANCIAL LIABILITIES

CHF million	**2016**	2015
Non-current		
CHF 250 million floating rate bond, 2014–2017	–	249.8
CHF 500 million 0.5% Bond, 2014–2020	499.3	499.1
CHF 250 million 1.0% Bond, 2014–2024	248.4	248.2
Loans	1.2	1.8
Current		
Bank and other borrowings	66.5	87.1
CHF 250 million floating rate bond, 2014–2017	249.9	–
Total borrowings	**1,065.3**	**1,086.0**

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

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

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

CHF million	**2016**	2015
CHF	997.6	997.1
EUR	65.7	4.5
USD	0.6	83.7
Other currencies	1.4	0.7
Total	**1,065.3**	**1,086.0**

18. PENSION PLANS AND OTHER LONG-TERM EMPLOYEE BENEFITS

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

18.1 Defined contribution plans

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

In 2016 the employer contributions to defined contribution plans amounted to CHF 11.9 million (CHF 10.6 million in 2015).

18.2 Defined benefit plans and other long-term employee benefits

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

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

18.2.1 Employee benefits plans in Switzerland

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

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

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

In defining the benefits, the minimum requirements of the Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and its implementing provisions must be observed. The BVG defines the minimum pensionable salary and the minimum retirement credits. The interest rate applicable to these minimum retirement savings is set by the Swiss Federal Council at least once every two years. In 2016, the rate was 1.25% (1.75% in 2015). 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 longevity.

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 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.

In the year 2016, the foundation board decided to change the pension benefits in view of lower interest rates leading to an one-time expense of CHF 1.3 million.

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.

18.2.2 Employee benefits plans in Germany

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

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

18.2.3 Employee benefits plans in the USA

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

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

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

18.2.4 Other employee benefits plans

The other plans are located in France, Italy and Austria. These plans are based on the local legal requirements.

The last actuarial valuation was prepared by independent actuaries at December 31, 2016. The market value of assets at December 31, 2016 was estimated based on the information available at the moment of preparing the results.

18.2.5 Actuarial calculations

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

		Pension plans		Other long-term employee benefits
	2016	2015	**2016**	2015
Discount rate	1.6%	2.0%	1.5%	2.0%
Future salary increases	0.9%	1.3%		
Future pension adjustments	0.2%	0.4%		

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

			2016			2015
	Switzerland	Germany	USA	Switzerland	Germany	USA
Retirement in 20 years (age of 45 at balance sheet date)						
Men	24.18	21.77	19.94	23.24	21.64	19.36
Women	26.22	25.70	22.21	25.67	25.58	21.51
Retirement at balance sheet date (age of 65)						
Men	22.26	19.13	18.14	21.49	18.99	17.69
Women	24.32	23.19	20.66	23.96	23.06	20.41

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	**2016**	2015	**2016**	2015
Employee benefits expense				
Total service cost				
Current service cost	17.4	17.1	0.6	0.5
Past service cost and curtailments	1.3	0.1	0.1	–
Plan settlements	–	–0.8	–	–
Net interest cost	–16.9	–16.0	0.1	0.1
Liability management cost	0.6	0.6	–	–
Actuarial gains (–)/losses (+)	–	–	0.4	0.2
Total defined benefit cost (+)/gain (–) of the period	**2.4**	**1.0**	**1.2**	**0.8**
Valuation components accounted for in OCI				
Actuarial gains (–)/losses (+)				
Arising from changes in demographic assumptions	–6.1	1.5	–	–
Arising from changes in financial assumptions	0.3	11.4	–	–
Arising from experiences	–3.3	–0.6	–	–
Return on plan assets (excluding amounts in net interest)	260.7	–351.9	–	–
Return on reimbursement (excluding amounts in net interest)	–0.1	0.6	–	–
Total defined benefit cost (+)/gain (–) recognized in OCI	**251.5**	**–339.0**	**–**	**–**
Total defined benefit cost (+)/gain (–)	**253.9**	**–338.0**	**–**	**–**

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	**2016**	2015	**2016**	2015
Defined benefit obligation as at January 1	**607.4**	**542.3**	**7.3**	**8.1**
Current service cost	17.4	17.1	0.6	0.5
Plan participants' contributions	4.6	4.1	–	–
Interest expense on the net present value of the obligation	11.4	10.3	0.1	0.1
Actuarial gains (–)/losses (+)	–8.9	12.3	0.4	0.2
Past service gains (–)/losses (+)	1.3	0.1	0.1	–
Gains (-)/losses (+) on settlements	–	–0.8	–	–
Benefits paid through pension assets	–18.3	–18.3	–	–
Benefits paid by employer	–5.0	–10.1	–0.7	–1.0
Recognition of defined benefit plan [1]	–	61.3	–	–
Currency exchange differences	2.0	–10.9	–	–0.6
Defined benefit obligation as at December 31	**611.9**	**607.4**	**7.8**	**7.3**

1 See explanation in paragraph 18.2.

Changes in the fair value of plan assets

CHF million	Pension plans 2016	2015
Fair value of plan assets as at January 1	**1,970.2**	**1,578.5**
Plan participants' contributions	4.6	4.1
Contributions by employer	4.8	3.6
Interest income	27.7	25.9
Return on plan assets (excluding interest income)	–260.7	351.9
Benefits paid through pension assets	–18.3	–18.3
Liability management cost	–0.6	–0.6
Recognition of defined benefit plan [1]	–	25.5
Currency translations	1.2	–0.4
Fair value of plan assets as at December 31	**1,728.9**	**1,970.2**

1 See explanation in paragraph 18.2.

Development of reimbursement rights [1]

CHF million	2016	2015
Reimbursement rights as at January 1	**12.0**	**13.1**
Employer contributions	0.7	0.8
Interest income on reimbursements	0.5	0.6
Return on reimbursement (excluding interest income)	0.1	–0.6
Reimbursements to employer	–1.9	–1.8
Currency translation	0.4	–0.1
Reimbursement rights as at December 31	**11.8**	**12.0**

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

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	2016	2015	2016	2015
Present value of funded obligation	583.6	579.4	–	–
Fair value of plan assets	–1,728.9	–1,970.2	–	–
Underfunding (+)/overfunding (–)	–1,145.3	–1,390.8	–	–
Present value of unfunded obligations	28.3	28.0	7.8	7.3
Net pension liability (+)/asset (–)	**–1,117.0**	**–1,362.8**	**7.8**	**7.3**
Thereof pension liabilities	183.9	202.4	7.8	7.3
Thereof pension assets [1]	–1,300.9	–1,565.1	–	–

1 See note 9.

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

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

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

The pension assets mainly consist of the following asset categories:

			2016			2015
CHF million	Listed	Not listed	Total	Listed	Not listed	Total
Equities	1,410.9	–	1,410.9	1,661.0	–	1,661.0
Bonds	132.6	–	132.6	106.4	–	106.4
Alternative investments	11.7	–	11.7	5.8	–	5.8
Real estate	17.2	108.1	125.3	3.4	105.0	108.4
Qualified insurance policies	–	18.5	18.5	–	18.2	18.2
Liquidity and other	–	29.9	29.9	–	70.4	70.4
Total	**1,572.4**	**156.5**	**1,728.9**	**1,776.6**	**193.6**	**1,970.2**

The plan assets include investments in the Lindt & Sprüngli Group with a market value of CHF 1,267.4 million at December 31, 2016 (CHF 1,514.4 million at December 31, 2015). Moreover, the Lindt & Sprüngli Group has occupied property from the pension funds with a market value of CHF 16.5 million at December 31, 2016 (CHF 16.8 million at December 31, 2015).

The revaluation of assets resulted in a loss of CHF 233.0 million in 2016 and a gain of CHF 380.5 million in 2015 respectively. In 2017 the expected employer contributions amount to CHF 5.0 million and the expected payments for pensions by the employer to CHF 4.1 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	2016	2015
Active employees	337.5	345.9
Vested terminations	22.1	23.2
Pensioners	252.3	238.3
Total	**611.9**	**607.4**

The average duration of the liabilities at December 31, 2016 is 17.1 years (17.5 years at December 31, 2015).

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

CHF million	2016		2015	
Increase (+)/decrease (–) of assumptions by	+0.25%	–0.25%	+0.25%	–0.25%
Technical interest rate	–24.1	26.0	–24.9	26.8
Salary increase	8.4	–7.5	9.5	–9.4
Pension indexations	14.3	–2.4	14.5	–13.8

19. PROVISIONS

CHF million	Business risks	Other	Total
Provisions as at January 1, 2015	**60.3**	**17.1**	**77.4**
Addition	39.7	6.0	45.7
Utilization	–1.5	–2.9	–4.4
Release	–14.2	–	–14.2
Currency translation	–0.7	–0.2	–0.9
Provisions as at December 31, 2015	**83.6**	**20.0**	**103.6**
Addition	22.0	18.0	40.0
Utilization	–7.1	–2.9	–10.0
Release	–19.6	–	–19.6
Currency translation	0.1	0.1	0.2
Provisions as at December 31, 2016	**79.0**	**35.2**	**114.2**

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

In Management's opinion, after taking appropriate legal and administrative advice, the outcome of these business risks will not give rise to any significant loss beyond the amounts provided at December 31, 2016.

20. ACCOUNTS PAYABLE

Accounts payable to suppliers are denominated in the following currencies:

CHF million	2016	2015
CHF	11.8	13.3
EUR	96.1	97.5
USD	43.2	50.6
GBP	13.0	8.6
Other currencies	16.3	13.3
Total	**180.4**	**183.3**

21. ACCRUED LIABILITIES

CHF million	**2016**	2015
Trade related accrued liabilities	342.5	335.2
Salaries/wages and social costs	105.4	107.0
Other	170.4	166.4
Total	**618.3**	**608.6**

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

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

22. OTHER INCOME

CHF million	**2016**	2015
Fees from third parties	3.0	2.8
Insurance reimbursements	1.1	3.5
Other	13.1	11.6
Total	**17.2**	**17.9**

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

23. PERSONNEL EXPENSES

CHF million	**2016**	2015
Wages and salaries	631.3	604.5
Social benefits	124.7	123.6
Other	90.3	79.0
Total	**846.3**	**807.1**

For the year 2016, the Lindt & Sprüngli Group employed an average of 13,539 people (13,180 in 2015).

24. NET FINANCIAL RESULT

CHF million	2016	2015
Interest income	2.3	0.6
Interest expense	–14.1	–11.0
Income from other financial instruments	3.4	3.1
Total	**–8.4**	**–7.3**

25. EARNINGS PER SHARE/PARTICIPATION CERTIFICATE (PC)

	2016	2015
Non-diluted earnings per share/10 PC (CHF)	**1,791.3**	**1,645.7**
Net income (CHF million)	419.7	380.4
Weighted average number of registered shares/10 PC	234,298	231,149
Diluted earnings per share/10 PC (CHF)	**1,766.8**	**1,612.4**
Net income (CHF million)	419.7	380.4
Weighted average number of registered shares/10 PC and outstanding options on 10 PC	237,546	235,920

26. DIVIDEND PER SHARE/PARTICIPATION CERTIFICATE (PC)

CHF	2016	2015
Dividend per share/10 PC	880.00[1]	800.00

1 Proposal of the Board of Directors.

During the period January 1 to record date (April 25, 2017), the dividend-bearing capital (the number of registered shares and participation certificates) can change as a result of additions and retirements within either class of treasury stock (registered shares and participation certificates) as well as the exercise of options, granted through the employee stock option plan.

27. SHARE-BASED PAYMENTS

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

	2016		2015	
	Number of options	Weighted average exercise price (CHF/PC)	Number of options	Weighted average exercise price (CHF/PC)
Outstanding options as at January 1	**120,888**	**3,416**	**144,425**	**2,809**
New option rights	26,830	5,401	25,465	4,811
Exercised rights	–24,661	2,631	–45,139	2,297
Cancelled rights	–4,825	4,027	–3,807	2,977
Expired rights	–	–	–56	3,149
Outstanding options as at December 31 [1]	**118,232**	**4,005**	**120,888**	**3,416**
of which exercisable at December 31	21,018	2,739	13,354	2,421
Average remaining time to expiration (in days)	735		743	

1 The exercise price varies between CHF 2,200 to CHF 5,401 as at December 31, 2016.

Options expenses are charged to the income statement proportionally according to the vesting period. The recorded expenses amount to CHF 13.9 million (CHF 14.0 million in 2015). The assumptions used to calculate the expenses for the grants 2013 to 2016 are listed in the following table:

Date of issue	**21.1.2016**	28.1.2015	13.1.2014	11.1.2013
Number of issued options	26,830	25,465	19,550	33,450
of which in bracket A (blocking period 3 years)	9,353	8,847	6,787	11,649
of which in bracket B (blocking period 4 years)	9,444	8,962	6,883	11,758
of which in bracket C (blocking period 5 years)	8,033	7,656	5,880	10,043
Issuing price in CHF	5,401	4,811	4,062	3,123
Price of participation certificates on date of issue in CHF	5,285	4,730	4,036	3,159
Value of options on issuing date				
bracket A (blocking period 3 years) in CHF	637	607	634	568
bracket B (blocking period 4 years) in CHF	697	654	692	588
bracket C (blocking period 5 years) in CHF	747	688	735	592
Maximum life span (in years)	7	7	7	7
Form of compensation	PC from conditional capital			
Expected life span (in years)	5–6	5–6	5–6	5–6
Expected rate of retirement per year	2.1%	2.2%	2.3%	2.4%
Expected volatility	21.4%	21.3%	22.1%	22.9%
Expected dividend yield	1.57%	1.53%	1.49%	1.45%
Risk-free interest rate	(0.51)–(0.36)%	(0.53)–(0.38)%	0.66–0.92%	0.46–0.57%
Model	Binomial model			

28. CONTINGENCIES

The Lindt & Sprüngli Group is exposed to a contingency in respect to the funding bank of the Lindt Chocolate Competence Foundation's construction project. No guarantees in favor of third parties or other contingencies existed as of December 31, 2015.

29. COMMITMENTS

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

CHF million	**2016**	2015
Property, plant, and equipment	32.1	62.4

The future lease payments under operating lease commitments are:

CHF million	**2016**	2015
Up to one year	66.9	54.8
Between one and five years	176.4	141.0
Over five years	72.6	66.0
Total	**315.9**	**261.8**

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

30. TRANSACTIONS WITH RELATED PARTIES

A family member of a member of the Board of Directors has a majority share in a company, to which products were sold at arm's length for the value of CHF 18.8 million (CHF 17.4 million in 2015) and license fee income of CHF 0.6 million (CHF 0.6 million in 2015) were generated. Receivables outstanding against this company were CHF 13.7 million (CHF 12.6 million in 2015) at the balance sheet date.

The Lindt & Sprüngli Group sold 180 registered shares to the "Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG" in 2016 (Nil in 2015) at a price of CHF 68,470 per share (including stamp duty), which corresponds to the five-day average of the closing prices of the share at the SIX Swiss Exchange for the period July 25 to 29, 2016.

The Lindt & Sprüngli Group has provided the "Lindt Chocolate Competence Foundation" with the building right for the Chocolate Competence Centre. The conditions of this contract are agreed at arm's length. In addition, the Lindt & Sprüngli Group purchased 150 shares (Nil in 2015) at a price of CHF 66,889 per share (including stamp duty), which corresponds to the five-day average of the closing prices of the share at the SIX Swiss Exchange for the period September 19 to 23, 2016. The prior year loan to the Foundation of CHF 4.9 million has been repaid in 2016.

Remuneration of the Board of Directors, Group Management, and Extended Group Management

In 2016 the Lindt & Sprüngli Group consisted of 6 non-executive and executive directors (6 in 2015). The number of executive officers is 8 in 2016 (8 in 2015). The compensation paid to non-executive directors and executive officers is shown below:

CHF thousand	**2016**	2015
Fixed cash compensation [1]	7,085	6,937
Variable bonus component [2]	4,786	4,676
Other compensation [3]	598	1,747
Options [4]	6,913	6,804
Registered shares	3,232	2,859
Total	**22,614**	**23,023**

1 Total gross cash compensation and allowances for Officers and Directors including pension benefits paid by employer (excluding social charges paid by employer) for the Officers.
2 Accrual at year end for expected pay-out in April of following year (excluding social charges paid by employer).
3 Employees part of social charges (AHV) related to exercising of options and grant of registered shares, paid by employer.
4 The valuation of Option grants on Lindt & Sprüngli participation certificates is based on the market value at grant date.

Apart from the payments mentioned above, no payments were made on a private basis or via consulting companies to either an executive or non-executive member of the Board or a member of Group Management or Extended Group Management. As of December 31, 2016, 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, the Group Management or the Extended Group Management.

31. EVENTS AFTER THE BALANCE SHEET DATE

The consolidated financial statements were approved for publication by the Board of Directors on March 6, 2017. The approval of the consolidated financial statements by the shareholders will take place at the Annual Shareholders' Meeting. No events have occurred up to March 6, 2017, 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

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 statement of financial position as at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 72 to 108) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

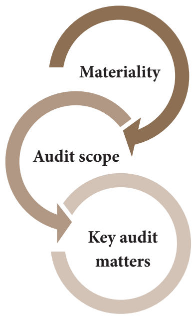
Basis for opinion

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

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

Our audit approach

Overview



Overall Group materiality: CHF 41,000,000

We concluded full scope audit work at 26 reporting units in 18 countries.

Our audit scope addressed 99% of the Group's revenues and assets.

As key audit matters the following areas of focus have been identified:
- Intangible Assets: goodwill impairment assessment
- Financial Assets: prepaid pension funds valuation

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated 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.

In identifying these areas of focus, we tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the Group financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls and the industry in which the Group operates.

The Group financial statements are a consolidation of 29 reporting units, each of which is considered to be a component. Together with management, we identified 26 reporting units, where an audit of the complete financial information is performed. The 3 reporting units that are not in our scope, are immaterial to the group and contribute less than 1% to the Group's assets and revenues.

Where the work was performed by component auditors, we determined the appropriate level of our involvement as Group auditors at those reporting units. Our procedures included a thorough review of the audit approach applied by the component auditors and regular calls with selected component audit teams.

Further specific audit procedures over the Group consolidation and areas of significant judgement (including taxation, goodwill, intangible assets, treasury, post-retirement benefits, litigations and the elimination of unrealised intercompany profit in inventory) were directly led by the Group audit team.

Taken together, the territories and functions where we performed our audit work accounted for 99% of consolidated revenue and 99% of total assets.

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 41,000,000
How we determined it	7.5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and is a generally accepted benchmark. We chose 7.5% due to the strong equity level, a low level of external debt and past performance of the group.

We agreed with the Board of Directors that we would report to them misstatements above CHF 2,050,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key Audit Matters

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

INTANGIBLE ASSETS – GOODWILL IMPAIRMENT ASSESSMENT

Key audit matter	How our audit addressed the key audit matter
Refer to the balance sheet item intangible assets totaling CHF 1,424.4 million of which CHF 803.6 million relates to goodwill recognised when acquiring Russell Stover LLC – a US based chocolate producer – in 2014. We focused on this area due to the size of the goodwill balance and because management's assessment of the valuation of this balance involves important judgements about future results of the Russell Stover business. Management compares the carrying value of goodwill to the value in use of the underlying business. Value in use is calculated by estimating the future cash flows that the business is expected to generate. To the extent that value in use is lower than the carrying value of goodwill, an impairment charge is recognised. The most significant elements of the value in use calculation were the assessment of the discounted cash flow model used and the underlying assumptions. The most judgmental assumptions underlying the cash flow forecasts were the longterm sales growth rates, EBIT margin growth rates and the discount rate. Refer to note 8 for details of management's impairment test and assumptions.	We evaluated and challenged the composition of management's future cash flow forecasts and the process by which they were established. Lindt Group prepares 3-year budgets which are approved by the Board of Directors and which are the basis for management's cash flow forecasts used in the impairment assessment. We compared the 2016 actual results with the cash flow forecasts used in the 2015 impairment test to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. 2016 performance of Russell Stover was found to be lower than the level forecasted and management has appropriately reflected this in this year's model. Additionally, we evaluated the following assumptions used by management: – terminal growth rates, by comparing them to economic and industry forecasts; – EBIT margin growth rates, by comparing them to other mature Lindt production entities; and – the discount rate, by assessing the costs of capital for the company and comparable organizations, as well as considering territory specific factors. We performed thorough sensitivity analyses around the key assumptions to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired. We discussed the headroom of the sensitivity analyses with management. We concluded the assumptions to be consistent and in line with our expectations and concur with the view that an impairment is not necessary.

FINANCIAL ASSETS – PREPAID PENSION FUNDS VALUATION

Key audit matter	How our audit addressed the key audit matter
Refer to the balance sheet item financial assets totaling of CHF 1,302.2 million of which CHF 1,300.9 million relates to prepaid pension funds. We focused on this area due to the size of the prepaid pension funds balance and because management's assessment of the valuation of this balance involves judgements about future developments of the group's employees and pension funds. Management engages an external actuary to perform the calculation of the net defined pension position. The most judgemental assumptions underlying this calculation were the salary growth rates, the pension increase rates, the mortality rate and the inflation rate. Refer to notes 9 and 18 for further details.	We evaluated the census data that was used for the actuarial calculation. No differences were identified. We assessed the engagement and the professional competency and independence of the actuary engaged by management. We concluded that we could place reliance on the calculation performed by the actuary. Additionally, we evaluated the following assumptions used by management: – the salary growth rates and the pension increase rates by comparing them to economic and industry forecasts; – the pension increase rates, by comparing them to industry benchmarks; – the mortality rate, by ensuring that the appropriate generation table was used; and – the inflation rate, by comparing it to relevant market data. Based on the evidence obtained, we found that the assumptions used by management in the valuation of the net defined pension position were within a range considered to be reasonable using an internally developed range of acceptable assumptions, based on our view of various economic indicators.

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 standalone financial statements and the remuneration 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://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.

pwc PricewaterhouseCoopers AG

Bruno Häfliger	**Richard Müller**
Audit expert	Audit expert
Auditor in charge	

Zurich, 6 March 2017

BALANCE SHEET

CHF thousand	Note	December 31, 2016	December 31, 2015
ASSETS			
Cash and cash equivalents		17,425	10,182
Marketable securities and short-term financial assets		440,000	261,895
Accounts receivable			
from third parties		8,890	7,301
from subsidiaries		5,026	1,978
Other receivables			
from subsidiaries		–	83,091
Loans to subsidiaries		–	260,000
Accrued income			
from third parties		–	1
from subsidiaries		31,260	23,197
Total current assets		**502,601**	**647,645**
Loans to subsidiaries		430,000	170,000
Investments	4	857,965	855,683
Intangible assets		501,210	501,210
Total non-current assets		**1,789,175**	**1,526,893**
Total assets		**2,291,776**	**2,174,538**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable to subsidiaries		1,732	–
Short-term interest-bearing liabilities			
to third parties		–	83,091
to subsidiaries		73,752	70,804
Other accounts payable			
to third parties		1,048	428
Bonds	5	250,000	–
Tax liabilities		19,831	13,749
Accrued liabilities			
to third parties		3,679	3,350
to subsidiaries		12	10
Total current liabilities		**350,054**	**171,432**
Bonds	5	750,000	1,000,000
Total non current liabilities		**750,000**	**1,000,000**
Share capital		13,609	13,609
Participation capital		10,131	9,885
Reserve from capital contribution	7	85,879	114,856
General legal reserve		76,040	76,040
Special reserve	7	773,074	653,983
Retained earnings			
Balance brought forward from previous year		34,175	36,032
Net income for the year		299,129	211,766
Treasury stock	6	–100,315	–113,065
Total shareholders' equity		**1,191,722**	**1,003,106**
Total liabilities and shareholders' equity		**2,291,776**	**2,174,538**

INCOME STATEMENT

CHF thousand	**2016**	2015
Dividends and other income from subsidiaries	313,947	262,363
Other income	351	1,104
Other expenses	–14,974	–13,807
Value adjustments on investments	–4,960	–15,558
Operating profit	**294,364**	**234,102**
Income from financial assets	46,380	27,458
Expense from financial assets	–11,199	–26,276
Income before taxes	**329,545**	**235,284**
Taxes	–30,416	–23,518
Net income	**299,129**	**211,766**

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.

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 79 of the notes to the consolidation financial statements. In deviation to the table on page 79 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, 2016, amounted to CHF 287.2 million (CHF 271.5 million in 2015). 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 77 of the notes to the consolidated financial statements.

5. BONDS

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

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

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

6. ACQUISITION AND SALE OF REGISTERED SHARES AND PARTICIPATION CERTIFICATES

	2016		2015	
Inventory of treasury stock	Registered shares	Participation certificates	Registered shares	Participation certificates
Inventory as at January 1	**2,584**	**–**	**2,558**	**12,730**
Additions	150	–	139	–
Retirements	–825	–	–90	–
Cancellation of shares	–	–	–23	–12,730
Inventory as at December 31	**1,909**	**–**	**2,584**	**–**
Average cost of additions (in CHF)	66,889	–	72,316	–
Average sales price of retirements (in CHF)	68,079	–	58,171	–
Average cost of cancellation of shares (in CHF)	–	–	50,076	4,200

7. RESERVES

CHF thousand	Reserves from capital contribution Requested	Approved	Not approved [1]	Total	Special reserves Total
Balance as at January 1, 2015	**72,794**	**3,225**	**10,168**	**86,187**	**629,646**
Reserve from retained earnings	–	–	–	–	120,000
Additions during the year	101,726	–	1,508	103,234	–1,508
Approved reserves from capital contribution					
FTA approval March 19, 2015	–72,794	72,794	–	–	–
FTA approval February 16, 2016	–101,726	101,726	–	–	–
Share buy-back program	–	–	–	–	–54,615
Cancellation of shares	–	–	–	–	130
Reclassification of valuation of treasury shares	–	–	–	–	–39,670
Proposed dividend distribution	–	–75,308	–	–75,308	–
Undistributed dividends on own registered shares and participation certificates	–	1,229	–	1,229	–
Options exercised from January 1 to April 29, 2015	–	–486	–	–486	–
Balance as at December 31, 2015	**–**	**103,180**	**11,676**	**114,856**	**653,983**
Reserve from retained earnings	–	–	–	–	120,000
Additions during the year	63,737	–	910	64,647	–910
Approved reserves from capital contribution					
FTA approval February 27, 2017	–63,737	63,737	–	–	–
Proposed dividend distribution	–	–93,974	–	–93,974	–
Undistributed dividends on own registered shares and participation certificates	–	1,013	–	1,013	–
Options exercised from January 1 to April 26, 2016	–	–663	–	–663	–
Balance as at December 31, 2016	**–**	**73,293**	**12,586**	**85,879**	**773,073**

1 The Swiss federal tax administration (FTA) has not yet approved the capital transaction costs of TCHF 12,586 as reserves from capital contribution. This practice may be changed in the future.

8. MANDATORY DISCLOSURE OF INTEREST POSITIONS PURSUANT TO ART. 663C CO

As of December 31, 2016, 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%: “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”. As a group they held 20.23% of the voting rights of the Company (20.21% in 2015).

The participation of the Board of Directors, Group Management, and Extended Group Management as at December 31, 2016, according to Art. 663c CO is as follows:

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

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

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

9. NUMBER OF EMPLOYEES

Chocoladefabriken Lindt & Sprüngli AG has no employees.

PROPOSAL FOR THE DISTRIBUTION OF AVAILABLE RETAINED EARNINGS

CHF	**December 31, 2016**	December 31, 2015
Balance brought forward	33,824,277	35,117,871
Net income	299,128,993	211,766,388
Other	351,205[1]	914,218
Available retained earnings	**333,304,475**	**247,798,477**
Shares and participation certificates as per bylaws of CHF 23,740,160 as at December 31, 2016 (CHF 23,493,550 in 2015)		
580% (400% in 2015) dividend	–137,692,928[2]	–93,974,200
Allocation to special reserves	–160,000,000	–120,000,000
Balance carried forward	**35,611,547**	**33,824,277**
Allocation of approved capital contribution reserve to free reserves	71,220,480[2]	93,974,200
Withholding tax exempt distribution CHF 300.– per registered share/ CHF 30.– per participation certificate (CHF 400.– per RS/CHF 40.– per PC in 2015)	–71,220,480[2]	–93,974,200

1 Includes dividends not distributed on treasury stock held (CHF 1,013,600), dividends distributed on options exercised during the period January 1 to April 26, 2016 (CHF –663,360) and unclaimed, expired dividends (CHF 965).
2 Number of registered shares and participation certificates, status as at December 31, 2016. During the period from January 1 until record date (April 25, 2017), the dividend-bearing capital (the number of registered shares and participation certificates) can change as a result of additions and retirements within either class of treasury stock as well as the exercise of options, granted through the employee stock option plan. Consequently the allocation of the approved capital contribution reserve to free reserves will be adjusted accordingly.

For 2016 the Board of Directors proposes a total dividend of CHF 880.– per registered share and CHF 88.– per participation certificate.

CHF 300.– per registered share and CHF 30.– per participation certificate are distributed out of the approved capital contribution reserve (agio) and CHF 580.– per registered share and CHF 58.– per participation certificate are distributed out of retained earnings.

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

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 2016, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 116 to 121) as at 31 December 2016 comply with Swiss law and the company's articles of incorporation.

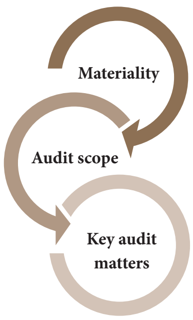
Basis for opinion

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 24,000,000

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

As key audit matters the following areas of focus have been identified:
– Intangible Assets: impairment assessment of intangible assets with indefinite-lives
– Investments: Investments and loans to group companies valuation

Audit scope

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

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the 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 24,000,000
How we determined it	7.5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the company is most commonly measured and because it is a generally accepted benchmark. We chose 7.5% due to the strong equity level, a low level of external debt and past performance of the entity.

We agreed with the Board of Directors that we would report to them misstatements above CHF 1,200,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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

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

INTANGIBLE ASSETS – IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS WITH INDEFINITE-LIVES

Key audit matter	How our audit addressed the key audit matter
Refer to the balance sheet item intangible assets totalling CHF 501 million which relates to acquired brand names "Russell Stover" (CHF 460 million), "Ghirardelli" (CHF 35 million) and "Caffarel" (CHF 6 million). We focused on this area due to the size of the balance and because management's assessment of the valuation of the Russell Stover intangible involves important judgements about future results of this entity. Management performs a value in use valuation of the Russell Stover business in order to justify the relevant brand's valuation. Value in use is calculated by estimating the future cash flows that the business is expected to generate. To the extent that value in use is lower than the carrying value of indefinite-lived intangible assets, an impairment charge is recognised. The most significant elements were the assessment of the discounted cash flow model used and the underlying assumptions. The most judgmental assumptions underlying the cash flow forecasts were the long-term sales growth rates, EBIT margin growth rates and the discount rate. Refer to note 8 of the consolidated financial statements and for details of management's Russell Stover value in use valuation.	We evaluated and challenged the composition of management's future cash flow forecasts and the process by which they were established for Russell Stover. Lindt Group prepares 3-year budgets which are approved by the Board of Directors and which are the basis for management's cash flow forecasts used in the impairment assessment. We compared the 2016 actual results with the cash flow forecasts used in the 2015 impairment test to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. 2016 performance of Russell Stover was found to be lower than the level forecasted and management has appropriately reflected this in this year's valuation model. Additionally, we evaluated the following assumptions used by management: – terminal growth rate, by comparing it to economic and industry forecasts; – EBIT margin growth rates, by comparing them to other mature Lindt production entities; and – the discount rate, by assessing the costs of capital for the company and comparable organizations, as well as considering territory specific factors. We performed thorough sensitivity analyses around the key assumptions to ascertain the extent of change in those assumptions that either individually or collectively would be required for the indefinite-lived intangibles to be impaired. We discussed the headroom of the sensitivity analyses with management. For the brand names of Ghirardelli and Caffarel we compared the licence fee income to the carrying value of the brand name. We concluded the assumptions to be consistent and in line with our expectations and concur with the view that an impairment is not necessary.

INVESTMENTS – VALUATION OF INVESTMENTS AND LOANS TO GRPOUP COMPANIES

Key audit matter	How our audit addressed the key audit matter
Refer to the balance sheet items investments totaling CHF 858 million and loans to group companies totaling CHF 430 million. We focused our audit on these assets because of the large value of the account balances, the judgment involved in the assessment of recoverability of these assets and in light of the financial performance of certain subsidiaries. In order to assess any potential impairments in the value of the investments and the loans granted to subsidiaries, management has performed an assessment. The value of the investments is determined using generally accepted valuation methods in Switzerland that are based on current financial information and past performance. An impairment loss is recognized if the carrying amount of the investment exceeds the value determined by the valuation model. The valuation of the loans is determined by assessing the financial strength (equity) of the debtor. In the financial year 2016, no impairments were considered necessary by management. Refer to the company's accounting policy summarized in note 2.	We have tested management's assessment of the recoverability of loans and investments as follows: – We assessed the mathematical and technical accuracy of management's valuations; – We audited the consistency of the applied valuation method; – We reconciled the input parameters used for the valuations to publicly available data; – We tested the financial information used in the valuations for accuracy. Based on our audit work we concur with management's conclusions.

Responsibilities of the Board of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

PricewaterhouseCoopers AG

Bruno Häfliger Audit expert Auditor in charge	**Richard Müller** Audit expert

Zurich, 6 March 2017

LINDT & SPRÜNGLI GROUP FINANCIAL KEY DATA – FIVE-YEAR REVIEW

		2016	2015	2014	2013	2012
INCOME STATEMENT						
Sales	CHF million	3,900.9	3,653.3	3,385.4	2,882.5	2,669.5
EBITDA	CHF million	714.0	645.8	588.0	503.3	435.9
in % of sales	%	18.3	17.7	17.4	17.5	16.3
EBIT	CHF million	562.5	518.8	474.3	404.1	330.1
in % of sales	%	14.4	14.2	14.0	14.0	12.4
Net income	CHF million	419.8	381.0	342.6	303.0	244.9
in % of sales	%	10.8	10.4	10.1	10.5	9.2
in % of average shareholders' equity	%	11.7	11.7	12.2	14.0	14.9
Operating cash flow	CHF million	515.4	488.9	308.2	419.1	381.2
in % of sales	%	13.2	13.4	9.1	14.5	14.3
Depreciation, amortization, and impairment	CHF million	151.5	127.0	113.7	99.2	105.8
BALANCE SHEET						
Total assets	CHF million	6,428.8	6,259.0	5,581.5	3,880.7	2,640.9
Current assets	CHF million	2,374.5	2,111.7	1,822.1	1,965.7	1,714.2
in % of total assets	%	36.9	33.7	32.6	50.7	64.9
Non-current assets	CHF million	4,054.3	4,147.3	3,759.4	1,915.0	926.7
in % of total assets	%	63.1	66.3	67.4	49.3	35.1
Non-current liabilities	CHF million	1,495.9	1,782.3	1,638.4	507.4	259.5
in % of total assets	%	23.3	28.5	29.3	13.1	9.8
Shareholders' equity	CHF million	3,674.0	3,489.7	3,001.7	2,634.7	1,694.4
in % of total assets	%	57.1	55.7	53.8	67.9	64.2
Investments in PPE/intangible assets	CHF million	234.1	252.8	234.6	191.4	144.6
in % of operating cash flow	%	45.4	51.7	76.1	45.7	38.0
EMPLOYEES						
Average number of employees		13,539	13,180	10,712	8,949	8,157
Sales per employee	CHF thousand	288.1	277.2	316.0	322.1	327.3

DATA PER SHARE/PARTICIPATION CERTIFICATE – FIVE-YEAR REVIEW

		2016	2015	2014	2013	2012
SHARE						
Registered shares at CHF 100.– par[1]	Number	136,088	136,088	136,111	136,111	136,700
Participation certificates at CHF 10.– par[2]	Number	1,013,136	988,475	956,066	925,311	894,488
Non-diluted earnings per share/10 PC[3]	CHF	1,791	1,646	1,504	1,339	1,079
Operating cash flow per share/10 PC[3]	CHF	2,200	2,115	1,353	1,852	1,680
Shareholders' equity per share/10 PC[4]	CHF	15,476	14,854	12,954	11,523	7,492
Payout ratio	%	49.8	49.4	49.0	49.0	53.1
REGISTERED SHARE						
Year-end price	CHF	61,900	74,620	57,160	48,100	34,515
High of the year	CHF	74,090	76,000	59,140	48,890	36,265
Low of the year	CHF	57,025	53,740	48,100	34,650	30,385
Dividend	CHF	880.00[5]	800.00	725.00	650.00	575.00
P/E ratio[6]	Factor	34.56	45.33	38.01	35.92	31.99
PARTICIPATION CERTIFICATE						
Year-end price	CHF	5,275	6,255	4,932	4,021	2,980
High of the year	CHF	6,240	6,300	5,095	4,036	3,050
Low of the year	CHF	4,877	4,570	4,013	3,002	2,650
Dividend	CHF	88.00[5]	80.00	72.50	65.00	57.50
P/E ratio[6]	Factor	29.45	38.00	32.79	30.03	27.62
Market capitalization[6]	CHF million	13,768.1	16,337.8	12,495.4	10,267.6	7,383.8
in % of shareholders' equity[4]	%	374.7	468.2	416.3	389.7	435.8

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

ADDRESSES OF THE LINDT & SPRÜNGLI GROUP

For more than 170 years, Lindt & Sprüngli confirms its reputation as one of the most innovative and creative companies in the Premium chocolate market. Quality chocolate from Lindt & Sprüngli is distributed via own subsidiary companies and representative offices as well as countless independent distributors around the globe. The main markets are Switzerland, Germany, France, Italy, Great Britain, Spain, and other European countries, as well as North America, Canada and Australia. The LINDT brand with its extensive and innovative global and local range of finest quality chocolate is present in around 120 countries worldwide.

GLOBAL PRESENCE

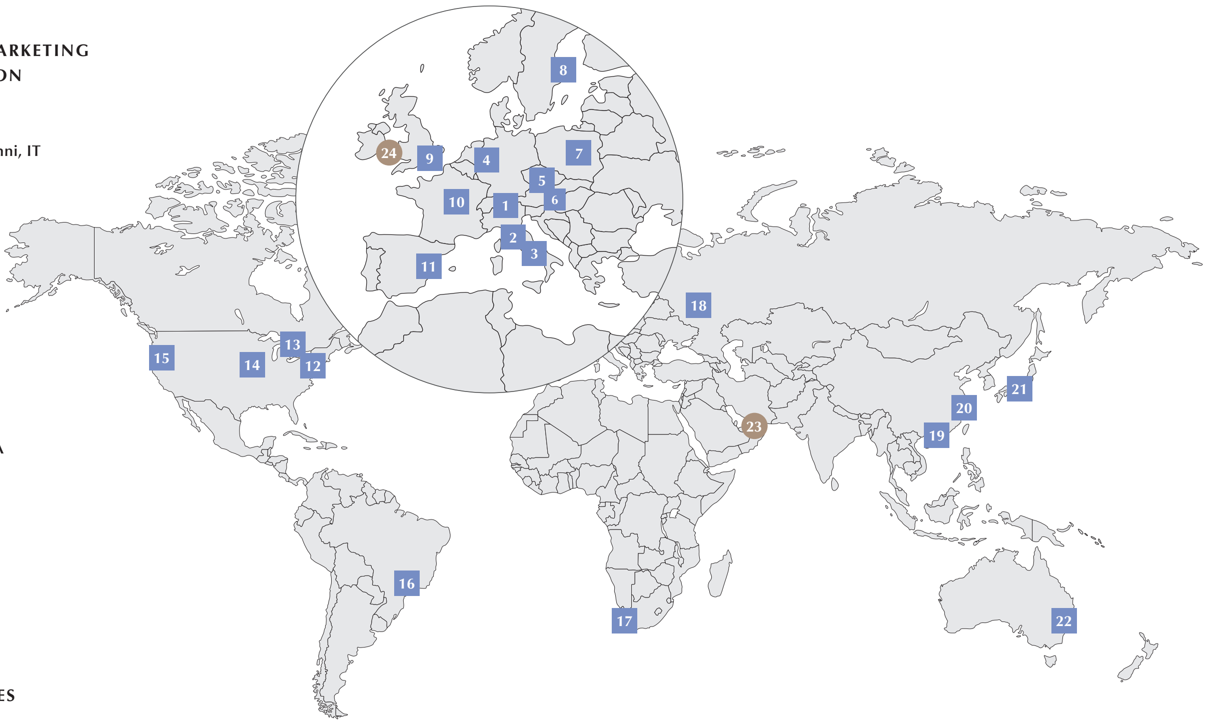
WE MAKE THE WORLD A SWEETER PLACE

PRODUCTION, MARKETING AND DISTRIBUTION

1 Kilchberg, CH
2 Induna Olona, IT
3 Luserna S. Giovanni, IT
4 Aachen, DE
5 Prague, CZ
6 Vienna, AT
7 Warsaw, PL
8 Stockholm, SE
9 London, GB
10 Paris, FR
11 Barcelona, ES
12 Stratham, USA
13 Toronto, CA
14 Kansas City, USA
15 San Leandro, USA
16 São Paulo, BR
17 Cape Town, ZA
18 Moscow, RU
19 Hong Kong, CN
20 Shanghai, CN
21 Tokyo, JP
22 Sydney, AU

REGIONAL OFFICES

23 Dubai, UAE
24 Dublin, IRL



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INFORMATION

AGENDA

April 20, 2017	119th Annual Shareholders' Meeting
April 26, 2017	Payment of dividend
July 25, 2017	Half-year report 2017
mid January, 2018	Net sales 2017
mid March, 2018	Full-year results 2017
May 3, 2018	120th Annual Shareholders' Meeting

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