Financial Report

Consolidated Financial 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, 2022		December 31, 2021	
Assets					
Property, plant and equipment	8	1,371.4		1,347.2	
Right-of-use assets	9	397.0		436.1	
Intangible assets	10	1,321.2		1,308.8	
Financial assets	11	1,810.8		2,653.6	
Deferred tax assets	12	154.9		185.6	
Total non-current assets		**5,055.3**	**63.6%**	**5,931.3**	**66.2%**
Inventories	13	875.6		761.6	
Accounts receivable	14	953.1		895.3	
Other receivables		116.9		109.5	
Accrued income and prepayments		40.2		47.1	
Derivative assets	15	39.1		23.8	
Marketable securities and current financial assets		0.3		250.3	
Cash and cash equivalents	16	864.6		937.2	
Total current assets		**2,889.8**	**36.4%**	**3,024.8**	**33.8%**
Total assets		**7,945.1**	**100.0%**	**8,956.1**	**100.0%**
Liabilities and equity					
Share and participation capital	17	23.9		24.2	
Own shares	17	–570.3		–460.6	
Retained earnings and other reserves		4,947.0		5,660.0	
Equity attributable to shareholders of the parent		**4,400.6**		**5,223.6**	
Total equity		**4,400.6**	**55.4%**	**5,223.6**	**58.3%**
Pension liabilities	19	95.3		136.7	
Bonds	18	998.3		997.8	
Lease liabilities	9	362.1		398.9	
Deferred tax liabilities	12	459.9		669.8	
Provisions	20	41.4		37.6	
Other liabilities		10.2		6.0	
Total non-current liabilities		**1,967.2**	**24.8%**	**2,246.8**	**25.1%**
Accounts payable to suppliers	21	290.5		237.9	
Other accounts payable		108.3		103.8	
Lease liabilities	9	68.0		70.1	
Current tax liabilities		129.1		120.2	
Accrued liabilities and deferred income	22	942.5		908.6	
Derivative liabilities	15	15.7		13.7	
Provisions	20	15.4		16.0	
Bank and other borrowings	18	7.8		15.4	
Total current liabilities		**1,577.3**	**19.8%**	**1,485.7**	**16.6%**
Total liabilities		**3,544.5**	**44.6%**	**3,732.5**	**41.7%**
Total liabilities and equity		**7,945.1**	**100.0%**	**8,956.1**	**100.0%**

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

Consolidated Income Statement

CHF million	Note	2022		2021	
Income					
Sales		4,970.2	100.0%	4,585.5	100.0%
Other income		27.9		31.4	
Total income		**4,998.1**	**100.6%**	**4,616.9**	**100.7%**
Expenses					
Changes in inventories		77.0	1.5%	70.3	1.5%
Cost of materials		–1,754.7	–35.3%	–1,588.4	–34.6%
Personnel expenses	23	–1,008.2	–20.3%	–986.0	–21.5%
Operating expenses		–1,294.5	–26.0%	–1,191.3	–26.0%
Depreciation, amortization and impairment	8, 9, 10	–273.1	–5.5%	–276.6	–6.0%
Total expenses		**–4,253.5**	**–85.6%**	**–3,972.0**	**–86.6%**
Operating profit (EBIT)		**744.6**	**15.0%**	**644.9**	**14.1%**
Financial income	24	6.6		4.1	
Financial expenses	24	–29.7		–27.3	
Income before taxes (EBT)		**721.5**	**14.5%**	**621.7**	**13.6%**
Taxes	12	–151.8		–131.2	
Net income		**569.7**	**11.5%**	**490.5**	**10.7%**
of which attributable to shareholders of the parent	2	569.7		490.5	
Non-diluted earnings per share/10 PC (CHF)	25	2,415.9		2,048.8	
Diluted earnings per share/10 PC (CHF)	25	2,387.1		2,019.4	

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

Consolidated Statement of Comprehensive Income

CHF million	2022	2021
Net income	**569.7**	**490.5**
Other comprehensive income after taxes	**–638.0**	**673.8**
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	–616.4	660.9
Items that may be reclassified subsequently to profit or loss		
Hedge accounting	11.9	–1.1
Currency translation	–33.5	14.0
Total comprehensive income	**–68.3**	**1,164.3**
of which attributable to non-controlling interests	–	–0.4
of which attributable to shareholders of the parent	–68.3	1,164.7

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 12.

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 shareholders**	Non-controlling interest[1]	**Total equity**
Balance as at January 1, 2021		**24.0**	**–26.8**	**334.4**	**12.0**	**4,696.1**	**–438.9**	**4,600.8**	**5.5**	**4,606.3**
Net income		–	–	–	–	490.5	–	490.5	–	490.5
Other comprehensive income		–	–	–	–1.1	660.9	14.4	674.2	–0.4	673.8
Capital increase	17	0.2	–	119.0	–	–	–	119.2	–	119.2
Purchase of own shares and participation certificates	17	–	–444.8	–	–	–	–	–444.8	–	–444.8
Sale of own shares	17	–	11.0	–	–	2.9	–	13.9	–	13.9
Share-based payment[2]	27	–	–	–	–	28.8	–	28.8	–	28.8
Transactions with minorities		–	–	–	–	5.1	–	5.1	–5.1	–
Reclass into retained earnings		–	–	–88.6	–	88.6	–	–	–	–
Distribution of profit		–	–	–	–	–264.1	–	–264.1	–	–264.1
Balance as at December 31, 2021		**24.2**	**–460.6**	**364.8**	**10.9**	**5,708.8**	**–424.5**	**5,223.6**	**–**	**5,223.6**
Balance as at January 1, 2022		**24.2**	**–460.6**	**364.8**	**10.9**	**5,708.8**	**–424.5**	**5,223.6**	**–**	**5,223.6**
Net income		–	–	–	–	569.7	–	569.7	–	569.7
Other comprehensive income		–	–	–	11.9	–616.4	–33.5	–638.0	–	–638.0
Capital increase	17	0.1	–	82.6	–	–	–	82.7	–	82.7
Purchase of own shares and participation certificates	17	–	–555.2	–	–	–	–	–555.2	–	–555.2
Sale of own shares	17	–	0.6	–	–	0.2	–	0.8	–	0.8
Capital decrease (destruction)	17	–0.4	444.9	–94.4	–	–350.1	–	–	–	–
Share-based payment[2]	27	–	–	–	–	1.1	–	1.1	–	1.1
Distribution of profit		–	–	–	–	–284.1	–	–284.1	–	–284.1
Balance as at December 31, 2022		**23.9**	**–570.3**	**353.0**	**22.8**	**5,029.2**	**–458.0**	**4,400.6**	**–**	**4,400.6**

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

1 See note 2 for the changes in non-controlling interests.

2 The recorded expenses for share based payments amount to CHF 16.0 million (CHF 14.8 million in prior year). Moreover, CHF 14.9 million deferred tax expenses (CHF 14.0 million deferred tax benefits in prior year) on employee stock options in the USA were recorded directly in equity.

Consolidated Cash Flow Statement

CHF million	Note	2022		2021	
Net income		569.7		490.5	
Taxes		151.8		131.2	
Interest expenses		29.7		25.4	
Interest income		–2.5		–1.8	
Depreciation, amortization and impairment	8, 9, 10	273.1		276.6	
Decrease (–)/Increase (+) of provisions		4.2		–44.6	
Decrease (–)/Increase (+) of allowances from current assets		6.9		13.8	
Decrease (+)/Increase (–) of pension plans		–8.0		4.4	
Profit (–)/Loss (+) from disposals of fixed asset		1.2		–5.5	
Decrease (+)/Increase (–) of accounts receivables		–85.9		–73.2	
Decrease (+)/Increase (–) of inventories		–140.6		–79.2	
Decrease (+)/Increase (–) of other receivables		–10.6		1.5	
Decrease (+)/Increase (–) of accrued income, prepayments, derivative assets and liabilities		–0.5		–14.5	
Decrease (–)/Increase (+) of accounts payable		62.3		57.2	
Decrease (–)/Increase (+) of other payables and accrued liabilities		47.5		173.0	
Interest received		2.3		1.6	
Interest paid		–28.3		–24.7	
Taxes paid		–138.3		–121.8	
Non-cash effective items [1]		22.0		16.9	
Cash flow from operating activities (operating cash flow)			**756.0**		**826.8**
CAPEX in property, plant and equipment		–205.3		–217.1	
Disposal proceeds property, plant and equipment		1.5		8.7	
CAPEX in intangible assets		–24.4		–23.5	
Disposal proceeds intangible assets		0.1		–	
CAPEX in right-of-use assets [2]		–0.2		–0.2	
Disposal proceeds right-of-use assets		0.1		–	
Disposal proceeds (+)/Investing expenditures (–) in financial assets (excluding pension assets)		–		–0.3	
Disposal proceeds (+)/Investing expenditures (–) in marketable securities and short-term financial assets		250.0		151.4	
Acquisition of subsidiaries	2	–		–1.5	
Cash flow from investment activities			**21.8**		**–82.5**

The accompanying notes form an integral part of the consolidated statements.
1 Movements of CHF 3.0 million result from the translation of foreign exchange balances (CHF –0.5 million in prior year).
2 This position consists of payments made before lease inception.

Consolidated Cash Flow Statement

CHF million	Note		**2022**		2021
Proceeds from borrowings		3.7		15.0	
Repayments of borrowings		–11.8		–2.9	
Repayments of lease liabilities	9	–75.4		–73.0	
Capital increase (including premium)		82.7		119.2	
Purchase of own shares and participation certificates		–551.4		–433.3	
Sale of own shares and participation certificates		0.8		14.5	
Distribution of profits		–284.1		–264.1	
Cash flow with non-controlling interests	2	–		–30.4	
Cash flow from financing activities			**–835.5**		**–655.0**
Net increase (+) / decrease (–) in cash and cash equivalents			**–57.7**		**89.3**
Cash and cash equivalents as at January 1		937.2		848.4	
Exchange gains (+) / losses (–) on cash and cash equivalents		**–14.9**	**922.3**	**–0.5**	**847.9**
Cash and cash equivalents as at December 31	**16**		**864.6**		**937.2**

Notes to the Consolidated Financial Statements

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

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

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

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

These consolidated financial statements were approved for publication by the Board of Directors on March 6, 2023.

The subsidiaries of Chocoladefabriken Lindt & Sprüngli AG as at December 31, 2022, are:

Country	Domicile	Subsidiary	Business activity	Ownership (%)	Currency	Capital in million
Switzerland	Kilchberg	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
		Lindt & Sprüngli Distribution Services AG [2]	M	100	CHF	0.1
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 S.p.A. [1]	P&D	100	EUR	5.2
United Kingdom	London	Lindt & Sprüngli (UK) Ltd. [1]	D	100	GBP	1.5
USA	Kansas City, MO	Lindt & Sprüngli (North America) Inc. [1]	M	100	USD	0.1
	Stratham, NH	Lindt & Sprüngli (USA) Inc.	P&D	100	USD	1.0
	San Leandro, CA	Ghirardelli Chocolate Company	P&D	100	USD	0.1
	Kansas City, MO	Russell Stover Chocolates, LLC	P&D	100	USD	0.1
Spain	Barcelona	Lindt & Sprüngli (España) S.A.	D	100	EUR	3.0
Netherlands	Rotterdam	Lindt & Sprüngli (Netherlands) B.V.	D	100	EUR	0.1
Austria	Vienna	Lindt & Sprüngli (Austria) Ges.m.b.H. [1]	P&D	100	EUR	4.5
Poland	Warsaw	Lindt & Sprüngli (Poland) Sp. z o.o. [1]	D	100	PLN	17.0
Canada	Toronto	Lindt & Sprüngli (Canada) Inc. [1]	D	100	CAD	2.8
Australia	Sydney	Lindt & Sprüngli (Australia) Pty. Ltd. [1]	D	100	AUD	1.0
Mexico	Mexico City	Lindt & Sprüngli de México SA de CV [1]	D	100	MXN	285.1
Sweden	Stockholm	Lindt & Sprüngli (Nordic) AB [1]	D	100	SEK	0.5
Czech Republic	Prague	Lindt & Sprüngli (CEE) s.r.o. [1]	D	100	CZK	0.2
Japan	Tokyo	Lindt & Sprüngli Japan Co., Ltd.	D	100	JPY	1,227.0
South Africa	Capetown	Lindt & Sprüngli (South Africa) (Pty) Ltd. [1]	D	100	ZAR	100.0
Hong Kong	Hong Kong	Lindt & Sprüngli (Asia-Pacific) Ltd. [1]	D	100	HKD	248.3
China	Shanghai	Lindt & Sprüngli (China) Ltd.	D	100	CNY	199.5
Russia	Moscow	Lindt & Sprüngli (Russia) LLC [1/3]	D	100	RUB	17.0
Brazil	São Paulo	Lindt & Sprüngli (Brazil) Comércio de Alimentos S.A.	D	100	BRL	230.0

D – Distribution, P – Production, M – Management
1 Subsidiaries held directly by Chocoladefabriken Lindt & Sprüngli AG.
2 Lindt & Sprüngli Distribution Services AG was registered in May 2022. See also note 2 for more information.
3 For information regarding Lindt & Sprüngli (Russia) LLC, see note 2.

Information on changes in the consolidation scope or in non-controlling interests is disclosed within note 2.

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

Closures

As communicated in August 2022, the Lindt & Sprüngli Group decided to retire from the Russian market. The subsidiary Lindt & Sprüngli Russia LLC belongs to the segment "Europe" and there are no minority shares. There are no material positions within the Consolidated Financial Statements. Assets have been tested for recoverability. Therefore, impairments amounting to CHF 3.1 million have been recognized within the Consolidated Income Statement during 2022. As of December 31, 2022, provisions and accruals of CHF 3.5 million have been booked for the expected liquidation costs.

Formations

In May 2022, the Lindt & Sprüngli Distribution Services AG was founded and added to the consolidation scope of the group. The company provides services connected to the distribution, marketing and sales of Lindt & Sprüngli products.

Mergers

In January 2022, the following intragroup mergers occurred:

Lindt & Sprüngli S.p.A. absorbed its two fully-owned subsidiaries Lindt & Sprüngli Retail S.r.l. and Caffarel S.p.A. This represents an upstream merger. Moreover, Lindt & Sprüngli (Brazil) Comércio de Alimentos S.A. absorbed its 100% parent company Lindt & Sprüngli (Brazil) Holding Ltda. This represents a downstream merger. In both cases, all business operations are continued with. Since both transactions are group-internal mergers, the impact on the consolidated financial statements is limited.

The minority shares in Lindt & Sprüngli (Brazil) Comércio de Alimentos S.A. have been purchased previously on January 27, 2021, for a purchase price of BRL 180.0 million (CHF 30.4 million). Since the Lindt & Sprüngli Group already possessed the majority share before the purchase and Lindt & Sprüngli (Brazil) Comércio de Alimentos S.A. thus was accounted for using the purchase method, the transaction has been accounted for as a pure capital transaction and hence resulted in an elimination of the remaining non-controlling interests.

3. Accounting Principles

Basis of preparation

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

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

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

New IFRS and Interpretations

New and amended IFRS and interpretations (effective as of January 1, 2022)

The Lindt & Sprüngli Group has implemented all new or amended accounting standards and interpretations to the IFRS, which must be applied for the reporting period beginning January 1, 2022.

Standard / interpretation	Effective Date	Effective Application
Proceeds before intended use – Amendments to IAS 16	January 1, 2022	Reporting year 2022
Costs of fulfilling a contract – Amendments to IAS 37	January 1, 2022	Reporting year 2022
Updated references to conceptual framework – Amendments to IFRS 3	January 1, 2022	Reporting year 2022
Annual improvements – IFRS 1, IFRS 9, IFRS 16	January 1, 2022	Reporting year 2022
Extensions of expedients in IFRS 16 (until June 30, 2022)	April 1, 2021	Since reporting year 2020

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

Proceeds before intended use – Amendments to IAS 16

The Lindt & Sprüngli Group already used to recognize proceeds and expenses realized from property, plant or equipment, which is still in progress of being constructed, in profit and loss before IAS 16 was amended accordingly and will continuously apply this accounting policy.

Costs of fulfilling a contract – Amendments to IAS 37

The Lindt & Sprüngli Group only considers direct costs of onerous contracts and herewith related provisions. The so called direct costs consist of incremental costs and an allocation of indirect costs which are directly attributable to the contract such as depreciation.

Updated references to conceptual framework – Amendments to IFRS 3

The Lindt & Sprüngli Group will apply the changes made in IFRS 3 "Business Combinations" concerning the recognition of liabilities, contingent liabilities and contingent assets arising in a business combination.

Annual improvements – IFRS 1, IFRS 9, IFRS 16

The Lindt & Sprüngli Group will comply with the annual improvements in the future. The improvements have not been applied though in 2022. The Lindt & Sprüngli Group has no subsidiary with cumulative currency translation differences, which is a first-time adopter of IFRS (IFRS 1). There were no material changes in the financial liabilities, requiring a derecognition assessment (IFRS 9). Additionally, the Lindt & Sprüngli Group has not obtained any leasehold improvement incentives from lessors, which fall in the scope of the amended IFRS 16.

Extension of practical expedient under IFRS 16 "Leases"
The Lindt & Sprüngli Group used the extension of the new practical expedient of IFRS 16 "Leases" until June 30, 2022, and continued to apply the expedient for the first half of the reporting year 2022. For rent concessions fulfilling the conditions listed in the amended standard, no assessment is made whether these represent lease modifications. These concessions are rather accounted for as a reduction to expenses.

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

Standard / interpretation	Effective date	Planned application
New standard – IFRS 17 "Insurance Contracts"	January 1, 2023	Reporting year 2023
Deferred taxes and initial recognition exemption clarification – Amendments to IAS 12	January 1, 2023	Reporting year 2023
Clarification definition of accounting estimates – IAS 8	January 1, 2023	Reporting year 2023
Clarification disclosure of material accounting policies – IAS 1	January 1, 2023	Reporting year 2023
Classification of liabilities as current or non-current – Amendments to IAS 1	January 1, 2024	Reporting year 2024
Clarification sale and lease back transactions – IFRS 16	January 1, 2024	Reporting year 2024

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

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

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

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

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

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

		Balance sheet year-end rates		Income statement average rates	
CHF		**2022**	2021	**2022**	2021
Euro zone	1 EUR	0.99	1.03	1.00	1.08
USA	1 USD	0.92	0.91	0.96	0.92
United Kingdom	1 GBP	1.11	1.23	1.17	1.25
Canada	1 CAD	0.68	0.72	0.73	0.73
Australia	1 AUD	0.63	0.66	0.66	0.69
Poland	100 PLN	21.08	22.51	21.33	23.50
Mexico	100 MXN	4.74	4.47	4.78	4.51
Sweden	100 SEK	8.86	10.09	9.34	10.63
Czech Republic	100 CZK	4.09	4.16	4.08	4.20
Japan	100 JPY	0.70	0.79	0.74	0.83
South Africa	100 ZAR	5.44	5.75	5.82	6.17
Hong Kong	100 HKD	11.86	11.71	12.19	11.76
China	100 CNY	13.31	14.36	13.94	14.23
Russia	100 RUB	1.27	1.22	1.30	1.25
Brazil	100 BRL	17.49	16.39	18.59	16.90

Property, plant and equipment

Property, plant and equipment are valued at historical cost less accumulated depreciation. The assets are depreciated using the straight-line method over the period of their expected useful life. Assets are linearly depreciated to reduce the carrying amount to the expected residual value over the following useful lives:

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

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

Intangible assets

Intangible assets are linearly amortized to reduce the carrying amount to the expected residual value over the following useful lives:

- Goodwill Indefinite
- Brands and intellectual property rights Indefinite
- EDP-Software 3–7 years
- Customer relationships 10–20 years

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

Other intangible assets
"EDP Software" and "customer relationships" are recognized at cost and amortized on a straight line basis over their economic life. The economic life of the intangible asset is regularly reviewed.

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

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

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

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

The right-of-use assets are initially recognized on the balance sheet at cost, which comprises the amount of the initial measurement of the corresponding lease liability, adjusted for any lease payments made at or prior to the commencement date of the lease ("initial direct costs"), plus expected asset retirement obligations, less any lease incentives granted by the lessors. Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease over the shorter of the useful life of the right-of-use asset or the end of the lease term.

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

– Buildings	2–15 years
– Vehicles	2–5 years
– Other fixed assets	2–5 years

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

Inventories

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

Cash and cash equivalents

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

Financial assets

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

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

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

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

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

Provisions

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

Allowance for accounts receivable

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

Dividends

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

Financial liabilities

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

Employee benefits

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

The cost of defined benefit plans has three components:

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

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

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

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

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

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

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

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

Revenue recognition

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

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

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

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

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

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

Operating expenses

Operating expenses include marketing, distribution and administrative expenses.

Borrowing costs

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

Taxes

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

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

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

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

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

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

Research and development costs

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

Share-based payments

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

Accounting for derivative financial instruments and hedging activities

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

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

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

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

Critical accounting estimates and judgments

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

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

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

- Lindt Chocolate Competence Foundation
- Lindt Cocoa Foundation

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

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

4. Risk Management

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

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

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

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

Market risks

Commodity price risks

The Lindt & Sprüngli Group's products are manufactured with raw materials (commodities) that are subject to strong price fluctuations due to climate dependent supply, seasonal demand, and market speculation. In order to mitigate the price and quality risks of the expected future net demand, the manufacturing Lindt & Sprüngli Group companies enter into contracts with suppliers for the future physical delivery of the raw materials. Commodity futures are also used, but only processed centrally by Corporate Treasury. The commodity futures for cocoa beans of a required quality are always traded for physical-delivery agreements. The number of outstanding commodity futures is dependent on the expected production volumes and price development and may therefore vary significantly throughout the year. The changes in commodity prices include the fair value of the futures since entering into the agreement and are recognized in accordance with IFRS 9.

Exchange rate risks

The Lindt & Sprüngli Group reporting is in Swiss francs, and is exposed to fluctuations in foreign exchange rates, primarily with respect to the Euro, the various Dollar currencies, and the Pound Sterling. Foreign exchange rate risk is not originating 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 with 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 execute the majority of their transactions in their own functional currencies and any remaining non-functional currency based transactions are hedged with currency forward contracts, the exchange rate risk at balance sheet date is not material. The changes in exchange rates include the fair value of the currency forward contracts since entering into the contract and are recognized in accordance with IFRS 9.

Interest rate risks
Corporate Treasury monitors and minimizes interest rate risks from a mismatch of quality, maturity period, and currency of the financial position on a continuous basis. Corporate Treasury may use derivative financial instruments in order to manage the interest rate risk of balance sheet assets and liabilities as well as future cash flows. As of December 31, 2022 and 2021, there were no such transactions.

As of December 31, 2022 and 2021, the position financial assets is made up of two approximately equal parts of interest-bearing and non interest-bearing financial assets. Interest-bearing financial assets predominantly include cash and cash equivalents in Swiss francs.

Credit risks

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

Liquidity risks

Liquidity risks exist when the Lindt & Sprüngli Group or a subsidiary does not settle or meet its financial obligations (e.g., untimely repayment of financial debt, payment of interest). The Lindt & Sprüngli Group's liquidity is ensured by means of regular group wide monitoring and planning of liquidity as well as an investment policy coordinated on a timely basis by Corporate Treasury. The net financial position is monitored on a company-by-company basis by Corporate Treasury. As of December 31, 2022, the net financial position amounted to CHF –571.3 million (CHF –294.7 million in prior year).

CHF million	**December 31, 2022**	December 31, 2021
Marketable securities and current financial assets	0.3	250.3
Cash and cash equivalents	864.6	937.2
Bonds non-current	–998.3	–997.8
Lease liabilities non-current	–362.1	–398.9
Lease liabilities current	–68.0	–70.1
Bank and other borrowings	–7.8	–15.4
Total net financial position	**–571.3**	**–294.7**

To finance potential liquidity needs, corresponding credit lines with financial institutes were available.

The following tables show the contractually fixed payments as of December 31, 2022, and December 31, 2021:

CHF million	< 3 months	Between 3 and 12 months	Between 1 and 3 years	Over 3 years	2021 Total
Bonds (including interest)	–	3.9	257.8	757.4	1,019.1
Lease liabilities (including interest)	20.5	63.0	139.8	316.4	539.7
Accounts payable	237.9	–	–	–	237.9
Other accounts payable	101.2	2.6	–	–	103.8
Derivative assets	−7.2	−13.4	−3.2	–	−23.8
Derivative liabilities	4.7	7.8	1.2	–	13.7
Bank and other borrowings	10.5	4.9	–	–	15.4
Total contractually fixed payments	**367.6**	**68.8**	**395.6**	**1,073.8**	**1,905.8**

CHF million	< 3 months	Between 3 and 12 months	Between 1 and 3 years	Over 3 years	2022 Total
Bonds (including interest)	–	3.9	255.3	756.0	1,015.2
Lease liabilities (including interest)	21.1	61.0	143.3	282.7	508.1
Accounts payable	287.6	2.9	–	–	290.5
Other accounts payable	106.0	2.3	–	–	108.3
Derivative assets	−10.5	−24.0	−4.6	–	−39.1
Derivative liabilities	6.5	9.1	0.1	–	15.7
Bank and other borrowings	6.1	1.7	–	–	7.8
Total contractually fixed payments	**416.8**	**56.9**	**394.1**	**1,038.7**	**1,906.5**

Changes in bonds are disclosed within note 18.

5. 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. In August 2022, the Lindt & Sprüngli Group has again launched a buyback program for registered shares and participation certificates in the amount of up to CHF 1 billion. The buyback started on August 2, 2022, and will last until July 31, 2024, at the latest. The buyback program that started in June 2021 in the amount of CHF 750 million has been successfully completed as of June 21, 2022.

The Lindt & Sprüngli Group monitors its capital based on its equity ratio, which was 55.4% as of December 31, 2022 (58.3% in prior year).

The objectives, policies and procedures as of December 31, 2022, related to capital management have not been changed compared to the previous year.

6. 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, member of same economic area), similar products and trade landscapes as well as economic attributes (gross profit margins). The three business segments to be disclosed are:

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

The Lindt & Sprüngli Group considers the operating profit as the segment result. Transactions between segments are valued and recorded at arm's length ("Cost-Plus"-Method).

Segment income

	Segment Europe		Segment North America		Rest of the World			**Total**
CHF million	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Sales	2,615.8	2,612.5	2,034.1	1,694.9	645.5	568.2	5,295.4	4,875.6
Whereof sales between segments	320.2	283.7	5.0	6.4	–	–	325.2	290.1
Third party sales	**2,295.6**	**2,328.8**	**2,029.1**	**1,688.5**	**645.5**	**568.2**	**4,970.2**	**4,585.5**
Operating profit	408.9	424.9	220.7	129.4	115.0	90.6	744.6	644.9
Net financial result							–23.1	–23.2
Income before taxes							**721.5**	**621.7**
Taxes							–151.8	–131.2
Net income							**569.7**	**490.5**

The following countries achieved the highest sales in 2022:

- USA CHF 1,730.4 million (CHF 1,428.9 million in prior year)
- Germany CHF 734.8 million (CHF 745.9 million in prior year)
- Switzerland CHF 406.8 million (CHF 353.6 million in prior year)

For better understanding, the sales of the Lindt & Sprüngli Group are further disaggregated by sales channels, such as Global Retail (consisting of store network, own webshops and other direct sales), key accounts (local and international) and distributors (local and international). The disaggregation by sales channel is not used by Management for business controlling and thus does not represent an operating segment. In 2022, sales of Global Retail amounted to CHF 686.0 million (CHF 585.4 million in prior year). There is no individual customer exceeding 10% of the third party sales recognized in the reporting period.

Balance sheet and other information

CHF million	Segment Europe		Segment North America		Rest of the World		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Assets	5,072.0	6,173.3	2,494.8	2,410.5	378.3	372.3	7,945.1	8,956.1
Liabilities	2,614.2	2,819.1	744.6	726.0	185.7	187.4	3,544.5	3,732.5
Investments [1]	192.8	185.1	94.4	122.6	23.6	26.6	310.8	334.3
Depreciation and amortization	145.0	156.6	98.3	91.6	21.7	21.1	265.0	269.3
Impairment	6.6	6.8	1.5	0.1	–	0.4	8.1	7.3

1 The position investments consists of investments into property, plant and equipment, right-of-use assets and intangible assets.

The following countries held the largest share of right-of-use, fixed and intangible assets in 2022:
- USA CHF 1,454.2 million (CHF 1,444.3 million in prior year)
- Switzerland CHF 723.7 million (CHF 694.8 million in prior year)
- Germany CHF 297.8 million (CHF 317.6 million in prior year)

7. Financial Instruments, Fair Value and Hierarchy Levels

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

			December 31, 2022		December 31, 2021	
CHF million	Note	Level [1]	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Fair value through profit or loss						
Derivative assets (level 2)	15	2	0.8	0.8	0.9	0.9
Investments third parties		3	0.3	0.3	0.3	0.3
Total			**1.1**		**1.2**	
Derivatives used for hedging						
Derivative assets (level 1)	15	1	25.6	25.6	9.2	9.2
Derivative assets (level 2)	15	2	12.7	12.7	13.7	13.7
Total			**38.3**		**22.9**	
Other financial assets at amortized cost						
Cash and cash equivalents	16		864.6	–[1]	937.2	–[1]
Accounts receivable	14		953.1	–[1]	895.3	–[1]
Other receivables [2]			94.7	–[1]	86.5	–[1]
Marketable securities and current financial assets			0.3	–[1]	250.3	–[1]
Total			**1,912.7**		**2,169.3**	
Total financial assets			**1,952.1**		**2,193.4**	
Financial liabilities						
Fair value through profit or loss						
Derivative liabilities (level 2)	15	2	0.1	0.1	0.1	0.1
Total			**0.1**		**0.1**	
Derivatives used for hedging						
Derivative liabilities (level 1)	15	1	–	–	1.6	1.6
Derivative liabilities (level 2)	15	2	15.6	15.6	12.0	12.0
Total			**15.6**		**13.6**	
Other financial liabilities at amortized costs						
Bonds	18	1	998.3	907.9	997.8	1,012.9
Other non-current liabilities			10.2	–[1]	6.0	–[1]
Accounts payable	21		290.5	–[1]	237.9	–[1]
Other accounts payable			108.3	–[1]	103.8	–[1]
Bank and other borrowings	18		7.8	–[1]	15.4	–[1]
Total			**1,415.1**		**1,360.9**	
Total financial liabilities			**1,430.8**		**1,374.6**	

1 Level 1 – The fair value measurement of same financial instruments is based on quoted prices in active markets.
Level 2 – The fair value measurement of same financial instruments is based on observable market data, other than quoted prices in Level 1.
Level 3 – Valuation technique using non-observable data.
For the category “amortized costs” it is expected that the carrying amounts are a reasonable approximation of the respective fair values, except for the position “bonds”.

2 Excluding prepayments and current tax assets.

Since the position “marketable securities and short-term financial assets” is immaterial as of December 31, 2022, and predominantly consisted of a fixed deposit amounting to CHF 250.0 million at a bank with a good rating in prior year, the risk for impairment is considered negligible and therefore no expected loss allowance is provided for this position.

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

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

CHF million	**2022**	2021
Opening Balance as at January 1	**1,482.2**	**1,459.5**
Proceeds from borrowings	3.7	15.0
Total proceeds from financial liabilities	**3.7**	**15.0**
Repayments of borrowings	–11.8	–2.9
Repayments of lease liabilities	–75.4	–73.0
Total repayments of financial liabilities	**–87.2**	**–75.9**
Currency translations and exchange differences	–6.8	2.9
Changes in lease liabilities [1]	43.9	82.7
Other	0.4	–2.0
Closing balance as at December 31	**1,436.2**	**1,482.2**
Bonds non-current	998.3	997.8
Lease liabilities non-current	362.1	398.9
Lease liabilities current	68.0	70.1
Bank and other borrowings	7.8	15.4

1 This position includes non-cash effective changes in lease liabilities such as in-/decreases in scope.

8. Property, Plant and Equipment

CHF million	Land/buildings	Machinery	Other fixed assets	Construction in progress	2021 Total
Acquisition costs as at January 1, 2021	**1,177.4**	**1,522.7**	**271.2**	**176.1**	**3,147.4**
Additions	35.8	51.7	14.9	118.4	220.8
Retirements	–34.2	–20.6	–12.9	–0.1	–67.8
Transfers	32.3	53.7	0.8	–94.7	–7.9
Currency translation	–14.5	–25.4	–4.8	0.7	–44.0
Acquisition costs as at December 31, 2021	**1,196.8**	**1,582.1**	**269.2**	**200.4**	**3,248.5**
Accumulated depreciation as at January 1, 2021	**632.6**	**972.2**	**215.4**	**–**	**1,820.2**
Additions	57.4	88.5	23.2	–	169.1
Impairments	2.6	3.0	0.8	–	6.4
Retirements	–32.1	–20.2	–12.5	–	–64.8
Transfers	3.5	–	–6.3	–	–2.8
Currency translation	–7.1	–15.3	–4.4	–	–26.8
Accumulated depreciation as at December 31, 2021	**656.9**	**1,028.2**	**216.2**	**–**	**1,901.3**
Net fixed assets as at December 31, 2021	**539.9**	**553.9**	**53.0**	**200.4**	**1,347.2**

CHF million	Land/buildings	Machinery	Other fixed assets	Construction in progress	2022 Total
Acquisition costs as at January 1, 2022	**1,196.8**	**1,582.1**	**269.2**	**200.4**	**3,248.5**
Additions	37.4	33.8	15.5	140.4	227.1
Retirements	–46.3	–75.1	–31.5	–	–152.9
Transfers	52.1	83.9	8.0	–136.9	7.1
Currency translation	–28.0	–36.4	–7.0	–0.1	–71.5
Acquisition costs as at December 31, 2022	**1,212.0**	**1,588.3**	**254.2**	**203.8**	**3,258.3**
Accumulated depreciation as at January 1, 2022	**656.9**	**1,028.2**	**216.2**	**–**	**1,901.3**
Additions	55.1	89.7	20.2	–	165.0
Impairments	3.3	1.4	1.2	–	5.9
Retirements	–45.2	–73.8	–31.3	–	–150.3
Transfers	9.3	–4.1	2.1	–	7.3
Currency translation	–14.8	–21.5	–6.0	–	–42.3
Accumulated depreciation as at December 31, 2022	**664.6**	**1,019.9**	**202.4**	**–**	**1,886.9**
Net fixed assets as at December 31, 2022	**547.4**	**568.4**	**51.8**	**203.8**	**1,371.4**

Advance payments of CHF 13.8 million (CHF 18.3 million in prior year) are included in the position "construction in progress". No mortgages exist on land and buildings.

The impairment charge of CHF 5.9 million (CHF 6.4 million in prior year) consists of write-downs of land and buildings of CHF 3.3 million (CHF 2.6 million in prior year) as well as machinery and other fixed assets of CHF 2.6 million (CHF 3.8 million in prior year).

The position "transfers" contained balance sheet reclassifications of net CHF 3.8 million from property, plant and equipment into right-of-use assets in prior year.

9. Leases

9.1 Right-of-use assets

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

CHF million	Buildings	Vehicles	Other fixed assets	2021 Total
Right-of-use assets gross as at January 1, 2021	**548.8**	**18.4**	**4.0**	**571.2**
Accumulated depreciation	–151.8	–8.8	–1.8	–162.4
Right-of-use assets net as at January 1, 2021	**397.0**	**9.6**	**2.2**	**408.8**
Additions	82.3	6.3	0.9	89.5
Depreciation of the period	–69.3	–6.1	–1.0	–76.4
Impairments	–2.1	–	–	–2.1
Decreases in scope	–3.2	–0.2	–	–3.4
Transfers	18.2	–	–	18.2
Currency translation	1.5	–0.1	–0.1	1.3
Other	0.2	–	–	0.2
Right-of-use assets net as at December 31, 2021	**424.6**	**9.5**	**2.0**	**436.1**
Retirements [1]	15.0	4.4	–	19.4

CHF million	Buildings	Vehicles	Other fixed assets	2022 Total
Right-of-use assets gross as at January 1, 2022	**637.8**	**19.8**	**4.8**	**662.4**
Accumulated depreciation	–213.2	–10.3	–2.8	–226.3
Right-of-use assets net as at January 1, 2022	**424.6**	**9.5**	**2.0**	**436.1**
Additions	47.7	5.6	1.8	55.1
Depreciation of the period	–68.5	–5.5	–1.2	–75.2
Impairments	–1.8	–	–	–1.8
Decreases in scope	–9.7	–0.4	–	–10.1
Transfers	–	–	–	–
Currency translation	–6.9	–0.2	–0.1	–7.2
Other	–	0.1	–	0.1
Right-of-use assets net as at December 31, 2022	**385.4**	**9.1**	**2.5**	**397.0**
Retirements [1]	20.1	5.5	1.1	26.7

1 This position represents the impact of expired leases. Expired leases have no impact on the net book value of the right-of-use assets, but reduce historical costs and accumulated depreciation.

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

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

The position "transfers" (CHF 18.2 million) comprised of balance sheet reclassifications in prior year. CHF 14.4 million were related to reclassifications from intangible assets into right-of-use assets and CHF 3.8 million to reclassifications from property, plant and equipment into right-of-use assets.

9.2 Other lease information

CHF million	2022	2021
Interest expenses (included in financial expenses)	13.3	14.1
Expenses relating to short-term leases (included in operating expenses)[1]	8.0	3.4
Expenses relating to variable lease payments (included in operating expenses)[2]	27.7	21.6
Total cash outflow for leases (including interest)	88.7	87.1
Income from subleasing	7.8	7.6

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

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

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

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

The maturity of lease liabilities amounting to CHF 430.1 million as at December 31, 2022, (CHF 469.0 million in prior year) is shown in note 4, lease commitments in note 29.

10. Intangible Assets

CHF million	EDP software & consultancy[1]	Customer relationships	Brands & IP	Goodwill	Other intangible assets	Intangible assets in progress[1]	2021 Total
Acquisition costs as at January 1, 2021	**124.0**	**117.8**	**459.8**	**706.5**	**21.1**	**8.8**	**1,438.0**
Additions	9.5	–	0.5	–	–	14.0	24.0
Retirements	–2.2	–	–	–	–0.8	–	–3.0
Transfers	2.9	–	–	–	–16.7	–7.2	–21.0
Currency translation	–0.4	4.3	–	25.3	–0.2	–	29.0
Acquisition costs as at December 31, 2021	**133.8**	**122.1**	**460.3**	**731.8**	**3.4**	**15.6**	**1,467.0**
Accumulated amortization as at January 1, 2021	**83.6**	**49.8**	**–**	**–**	**3.7**	**–**	**137.1**
Additions	14.2	8.2	–	–	1.4	–	23.8
Impairments	0.4	–	–	–	0.7	–	1.1
Retirements	–2.2	–	–	–	–	–	–2.2
Transfers	–	–	–	–	–2.4	–	–2.4
Currency translation	–0.8	1.7	–	–	–0.1	–	0.8
Accumulated amortization as at December 31, 2021	**95.2**	**59.7**	**–**	**–**	**3.3**	**–**	**158.2**
Net intangible assets as at December 31, 2021	**38.6**	**62.4**	**460.3**	**731.8**	**0.1**	**15.6**	**1,308.8**

CHF million	EDP software & consultancy [1]	Customer relationships	Brands & IP	Goodwill	Other intangible assets	Intangible assets in progress [1]	2022 Total
Acquisition costs as at January 1, 2022	**133.8**	**122.1**	**460.3**	**731.8**	**3.4**	**15.6**	**1,467.0**
Additions	17.0	–	–	–	–	11.6	28.6
Retirements	–8.8	–	–	–	–0.1	–	–8.9
Transfers	17.3	–	–	–	0.3	–17.0	0.6
Currency translation	–3.0	1.5	–	8.3	–0.1	0.4	7.1
Acquisition costs as at December 31, 2022	**156.3**	**123.6**	**460.3**	**740.1**	**3.5**	**10.6**	**1,494.4**
Accumulated amortization as at January 1, 2022	**95.2**	**59.7**	**–**	**–**	**3.3**	**–**	**158.2**
Additions	16.3	8.5	–	–	–	–	24.8
Impairments	0.4	–	–	–	–	–	0.4
Retirements	–8.6	–	–	–	–0.1	–	–8.7
Transfers	0.1	–	–	–	0.2	–	0.3
Currency translation	–2.2	0.4	–	–	–	–	–1.8
Accumulated amortization as at December 31, 2022	**101.2**	**68.6**	**–**	**–**	**3.4**	**–**	**173.2**
Net intangible assets as at December 31, 2022	**55.1**	**55.0**	**460.3**	**740.1**	**0.1**	**10.6**	**1,321.2**

1 Intangible assets, which are not yet finalized, are now disclosed separately for materiality reasons.

Customer relationships of CHF 55.0 million (CHF 62.4 million in prior year) relate to the acquisition of Russell Stover Chocolates, LLC in 2014 and have a remaining useful life of 7 years. The same applies for the largest share of CHF 459.8 million of the position "brands and intellectual property" ("IP")(CHF 459.8 million in prior year) as well as the majority of goodwill, whereof CHF 728.6 million of the total CHF 740.1 million (CHF 719.8 million of CHF 731.8 million in prior year) relate to the acquisition of Russell Stover Chocolates, LLC. Both positions have an indefinite useful life. The remaining goodwill of CHF 11.5 million (CHF 12.0 million in prior year) relates to the acquisition of Lindt & Sprüngli Retail S.r.l., which has been merged with Lindt & Sprüngli S.p.A. in January 2022.

The position "transfers" contained balance sheet reclassifications of net CHF 14.4 million from other intangible assets into right-of-use assets in prior year.

Research and development expenditures amounted to CHF 18.4 million (CHF 17.1 million in prior year) and are expensed as incurred.

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

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

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

The main planning assumptions are summarized as follows:

	2022	2021
Period of cash flow projections	5 years	5 years
Annual sales growth [1]	7.7%	6.5%
Annual EBIT-margin evolution	Improvement	Improvement
Terminal growth	2.5%	2.5%
Discount rate	7.9%	5.4%

1 The above presented annual sales growth is based on mid-term plans. According to IAS 36, this sales growth figure must then be adjusted for, example given, capacity expansion investments in the impairment test. Therefore, an adjusted growth of 5.9% (5.4% in prior year) is used solely for the purpose of the calculations in the impairment test.

Moreover, a sensitivity analysis is conducted in the goodwill impairment test. The following changes (increases and decreases) in the main planning assumptions are elaborated:

- Discount rate post tax 80 basis points
- Terminal growth 40 basis points
- Annual sales growth 200 basis points
- EBIT-margin evolution 200 basis points

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

Impairment test of goodwill division "Retail Italy"

In addition, the goodwill of CHF 11.5 million (CHF 12.0 million in prior year), stemming from the purchase of the Lindt & Sprüngli related retail operations of S.T. SpA in 2020 has been tested for impairment. The impairment test is performed on the level of the division "Retail Italy" and is as well done using the discounted cash flow method.

The impairment test and the conducted sensitivity analysis confirmed that no impairment is required. Even if key assumptions were to worsen by partly up to 200 basis points, there is no need for impairment.

Due to its immateriality and since an impairment is very unlikely, further disclosures regarding the applied assumptions in the impairment test are omitted.

11. Pension Assets & Financial Assets

CHF million	**2022**	2021
Pension assets [1]	1,810.5	2,653.3
Investments third parties	0.3	0.3
Total	**1,810.8**	**2,653.6**

1 See note 19 for the detailed disclosure of pension assets.

12. Taxes

12.1 Deferred tax assets and liabilities

The net value of deferred tax liabilities is as follows:

CHF million	2022	2021
As at January 1	**484.2**	**417.7**
Deferred income tax expense (+) / income (–)	3.8	–30.4
Tax charged to comprehensive income	–198.3	109.8
Tax charged to other components of equity	14.9	–14.0
Currency translation	0.4	1.1
As at December 31	**305.0**	**484.2**

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

CHF million	2022	2021
Deferred tax assets		
Property, plant and equipment	11.9	12.0
Intangible assets	30.4	38.2
Pension plans	20.7	48.9
Receivables	6.8	7.4
Inventories	36.8	27.3
Leases	13.0	12.9
Payables and accruals	96.9	75.2
Derivative assets and liabilities	1.7	4.6
Tax loss carry-forwards	74.3	72.2
Other	8.0	6.7
Deferred tax assets gross	**300.5**	**305.4**
Netting	–145.6	–119.8
Total	**154.9**	**185.6**
Deferred tax liabilities		
Property, plant and equipment	44.2	25.4
Intangible assets	83.0	73.5
Pension plans	459.8	671.0
Receivables	3.0	2.2
Inventories	5.1	4.0
Payables and accruals	7.8	8.6
Derivative assets and liabilities	1.8	4.6
Other	0.8	0.3
Deferred tax liabilities gross	**605.5**	**789.6**
Netting	–145.6	–119.8
Total	**459.9**	**669.8**
Net deferred tax	**305.0**	**484.2**

Utilization of tax loss carry-forwards is fully supported by budget and mid-term projections and is expected to occur within 5–10 years. Tax loss carry-forwards were primarily generated in the USA and the majority have no expiration date.

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

CHF million	2022	2021
Between 1 and 5 years	–	1.0
Over 10 years	12.4	0.2
Total	**12.4**	**1.2**

The tax loss carry-forwards in 2022, of which no deferred tax assets are recognized, are all related to Lindt & Sprüngli Russia LLC. Tax loss carry-forwards utilized in 2022 amounted to CHF 0.2 million (CHF 0.7 million in prior year).

12.2 Tax expense

CHF million	2022	2021
Current tax expense	145.7	159.4
Deferred income tax expense (+) / income (–)	3.8	–30.4
Other taxes	2.3	2.2
Total	**151.8**	**131.2**

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

CHF million	2022	2021
Income before taxes	**721.5**	**621.7**
Expected tax [1]	**142.5**	**129.9**
Change in applicable tax rates on temporary differences	–2.4	–0.8
Utilization of unrecognized tax loss carry-forwards from prior years	–	–0.2
Adjustments related to prior years	–10.6	–0.4
Non-taxable items	4.1	1.6
Withholding tax levied and other taxes	22.4	4.2
Income components with lower tax rates	–1.8	–2.5
Other	–2.4	–0.6
Total	**151.8**	**131.2**

1 Based on the expected weighted average tax rate of 19.8% in 2022 (20.9% in prior year).

The Lindt & Sprüngli Group is currently assessing the impacts of BEPS 2.0 Pillar II, an international tax reform, initiated by the OECD, which foresees a global minimal tax rate of 15%. Currently, Management has not yet sufficient information to quantify the impacts. Generally, due to the reform, a negative impact is expected for countries with a current tax rate below 15%.

The tax for each component of other comprehensive income is:

			2022			2021
CHF million	Before tax	Tax	After tax	Before tax	Tax	After tax
Hedge accounting	11.9	–	11.9	–1.1	–	–1.1
Defined benefit plan	–814.7	198.3	–616.4	770.7	–109.8	660.9
Currency translation	–33.5	–	–33.5	17.6	–3.6	14.0
Total	**–836.3**	**198.3**	**–638.0**	**787.2**	**–113.4**	**673.8**

13. Inventories

CHF million	**2022**	2021
Raw material	163.2	134.1
Packaging material	144.7	113.0
Semi-finished and finished products	652.3	593.8
Inventory reserves	–84.6	–79.3
Total	**875.6**	**761.6**

In 2022, CHF 22.3 million (CHF 18.1 million in prior year) of the inventory reserve that existed as of year-end 2021 has been credited to the income statement.

14. Accounts Receivable

CHF million	**2022**	2021
Accounts receivable gross	984.4	926.4
Allowances	–31.3	–31.1
Total	**953.1**	**895.3**
Allowance as at January 1	**–31.1**	**–31.7**
Addition	–20.9	–5.4
Utilization	2.8	3.3
Release	17.6	2.6
Currency translation	0.3	0.1
Allowance as at December 31	**–31.3**	**–31.1**

The allowance is calculated as follows:

December 31, 2021	Key accounts	Distributors	Other customers	2021 Total
Share in %	60.1%	8.2%	21.0%	
Rating	B-BB	B x 3	B-BB	
Probability of default	0.9%	3.9%	1.3%	
Forward looking allowance in %	**0.5%**	**0.3%**	**0.3%**	**1.1%**
Accounts receivable gross				**926.4**
Forward looking allowance				–10.6
Historical allowance				–20.5
Accounts receivable net				**895.3**

December 31, 2022	Key accounts	Distributors	Other customers	2022 Total
Share in %	59.3%	8.5%	19.7%	
Rating	BB	B x 3	B-BB	
Probability of default	0.6%	5.8%	1.8%	
Forward looking allowance in %	**0.4%**	**0.5%**	**0.4%**	**1.3%**
Accounts receivable gross				**984.4**
Forward looking allowance				–12.3
Historical allowance				–19.0
Accounts receivable net				**953.1**

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

The following table presents the aging of accounts receivable:

CHF million	2022	2021
Not yet past due	835.0	794.3
Past due 1–30 days	121.2	89.5
Past due 31–90 days	19.2	30.0
Past due over 91 days	9.0	12.6
Accounts receivable gross	**984.4**	**926.4**

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

CHF million	2022	2021
CHF	61.2	48.1
EUR	307.6	291.9
USD	330.4	294.9
GBP	81.7	85.8
AUD	72.4	72.0
CAD	42.4	45.2
Other currencies	57.4	57.4
Accounts receivable net	**953.1**	**895.3**

15. Derivative Financial Instruments and Hedging Reserves

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

	2022		2021	
CHF million	Assets	Liabilities	Assets	Liabilities
Derivatives for hedging (currencies and raw material)	38.3	15.6	22.9	13.6
Other derivatives	0.8	0.1	0.9	0.1
Total	**39.1**	**15.7**	**23.8**	**13.7**

The carrying amount (contract value) of the outstanding forward-currency and raw material contracts as at December 31, 2022, is CHF 1,200.7 million (CHF 1,538.5 million in prior year). Value changes in those derivatives qualifying for hedge accounting according to IFRS 9 are shown within other comprehensive income.

The majority of the net hedging result, amounting to a net gain of CHF 22.8 million as of December 31, 2022 (CHF 10.9 million in prior year), which is shown as hedging reserve in the consolidated statement of changes in equity, will be released to the position "cost of materials" in the consolidated income statement at various dates within the next 24 months. Other derivative instruments, which are used for hedging purposes in line with the risk policy, do not qualify for hedge accounting under the criteria of IFRS 9. Changes in value of such derivatives are disclosed within the position "other" as part of the note "Net Financial Result".

16. Cash and Cash Equivalents

CHF million	2022	2021
Cash at bank and in hand	560.3	896.8
Current bank deposits	304.3	40.4
Total	**864.6**	**937.2**

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

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

17. Share and Participation Capital

	Number of registered shares [1]	Number of participation certificates [2]	Registered shares (CHF million)	Participation certificates (CHF million)	Total (CHF million)
As at January 1, 2021	**135,552**	**1,044,146**	**13.6**	**10.4**	**24.0**
Capital increase	–	22,418	–	0.2	0.2
Capital decrease (destruction)	–	–	–	–	–
As at December 31, 2021	**135,552**	**1,066,564**	**13.6**	**10.6**	**24.2**
Capital increase	–	14,962	–	0.1	0.1
Capital decrease (destruction)	–453	–37,570	–0.1	–0.3	–0.4
As at December 31, 2022	**135,099**	**1,043,956**	**13.5**	**10.4**	**23.9**

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

The conditional capital has a total of 325,945 participation certificates (340,907 in prior year) with a par value of CHF 10. Of this total, 171,495 (186,457 in prior year) are reserved for employee stock option programs; the remaining 154,450 participation certificates (154,450 in prior year) are reserved for capital market transactions. There is no other authorized capital. In 2022, a total of 14,962 (22,418 in prior year) of the employee options were exercised at an average price of CHF 5,599 (CHF 5,382 in prior year). The participation certificate has no voting right, but otherwise has the same ownership rights as the registered share.

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

	2022		2021	
	Registered shares	Participation certificates	Registered shares	Participation certificates
Inventory as at January 1	**667**	**37,570**	**377**	**–**
Retirements	–9	–	–163	–
Share buy-back program	376	50,544	453	37,570
Capital decrease (destruction)	–453	–37,570	–	–
Inventory as at December 31	**581**	**50,544**	**667**	**37,570**
Average sales price of retirements (CHF)	100,299	–	89,054	–
Average cost of share buy-back program (CHF)	104,752	10,204	106,203	10,560
Average cost of capital decrease (CHF)	106,203	10,560	–	–

18. Financial Liabilities

CHF million	2022	2021
Non-current		
CHF 250 million 1.0% bond, 2014–2024	249.6	249.4
CHF 250 million 0.3% bond, 2017–2027	249.8	249.6
CHF 250 million 0.01% bond, 2020–2028	249.5	249.4
CHF 250 million 0.25% bond, 2020–2032	249.4	249.4
Total non-current borrowings	**998.3**	**997.8**
Current		
Bank and other borrowings	5.1	10.5
Loans	2.7	4.9
Total current borrowings	**7.8**	**15.4**
Total borrowings	**1,006.1**	**1,013.2**

Amortization as well as interest expense are reported as part of financial expenses, which are disclosed in note 24.

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

CHF million	2022	2021
CHF	998.3	997.8
EUR	5.1	7.2
USD	–	3.3
Other currencies	2.7	4.9
Total	**1,006.1**	**1,013.2**

19. Pension Plans and Other Long-term Employee Benefits

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

19.1 Defined contribution plans

The Lindt & Sprüngli Group offers defined contribution plans to employees, who satisfy the eligibility criteria. The Lindt & Sprüngli Group is obliged to pay a fixed percentage of the annual salary to these pension schemes. To some of these plans, the employees also make contributions to. These are typically deducted from the monthly salary by the employer and paid to the pension fund. Apart from the payment of the contributions, the employer currently has no further obligation towards these pension funds or to the employees. In 2022, the employer contributions to defined contribution plans amounted to CHF 14.9 million (CHF 14.3 million in prior year).

19.2 Defined benefit plans and other long-term employee benefits

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

19.2.1 Employee benefit plans in Switzerland

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

The foundation board members are responsible for defining an investment strategy, changing the pension plan regulations and in particular defining the financing of the pension benefits.

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

In defining the benefits, the minimum requirements of the Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and its implementing provisions must be complied with. The BVG defines the minimum pensionable salary and the minimum retirement credits. The interest rate applicable to these minimum retirement savings is set by the Swiss Federal Council at least once every two years. In 2022, the rate was 1.00% (1.00% in prior year). Due to the structure of the plan and the legal requirements of the BVG, the employer is exposed to actuarial risks. The main risks are investment risk, the inflation risk if it results in salary adjustments, the interest risk, the disability risk and the risk of increased life expectancy.

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

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

19.2.2 Employee benefit plans in Germany

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

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

19.2.3 Employee benefit plans in the USA

In the USA, defined benefit plans exist. The most significant one represents a contribution based promise plan, where the employee receives a lump sum equal to the savings account at retirement. In addition to the savings account, the return on the investments chosen by the employee is 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.

19.2.4 Other employee benefit plans

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

19.2.5 Actuarial calculations

The actuarial valuation was prepared by independent actuaries at December 31, 2022. The market value of assets at December 31, 2022 was estimated based on the information available at the moment of preparing the results.

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

	Pension plans		Other long-term employee benefits	
	2022	2021	**2022**	2021
Discount rate	2.8%	0.8%	3.0%	0.6%
Future salary increases	1.8%	1.1%		
Future pension adjustments	0.4%	0.3%		

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

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

	2022		2021	
	Switzerland	Germany	Switzerland	Germany
Retirement in 20 years (age of 45 at balance sheet date)				
Men	24.97	23.36	24.86	23.23
Women	26.49	26.25	26.40	26.15
Retirement at balance sheet date (age of 65)				
Men	22.70	20.61	22.57	20.47
Women	24.48	24.04	24.37	23.92

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

	Pension plans		Other long-term employee benefits	
CHF million	**2022**	2021	**2022**	2021
Employee benefits expense				
Total service cost				
Current service cost	17.2	19.0	0.8	0.8
Past service cost	–0.1	–0.1	–	–
Net interest cost	–15.5	–8.8	0.1	0.1
Liability management cost	0.6	0.6	–	–
Actuarial gains (–)/losses (+)	–	–	–1.6	–0.1
Total defined benefit cost (+)/gain (–) of the period	**2.2**	**10.7**	**–0.7**	**0.8**
Valuation components accounted for in OCI				
Actuarial gains (–)/losses (+)				
Arising from changes in demographic assumptions	–	–16.4	–	–
Arising from changes in financial assumptions	–107.8	–21.3	–	–
Arising from experiences	12.7	1.3	–	–
Return on plan assets (excluding interest income)	623.2	–749.4	–	–
Return on reimbursement (excluding amounts in net interest)	1.3	–1.1	–	–
Changes in asset ceiling and other	285.3	16.2	–	–
Total defined benefit cost (+)/gain (–) recognized in OCI	**814.7**	**–770.7**	**–**	**–**
Total defined benefit cost (+)/gain (–)	**816.9**	**–760.0**	**–0.7**	**0.8**

The changes in pension obligations, pension assets, and 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	**2022**	2021	**2022**	2021
Defined benefit obligation as at January 1	**545.9**	**580.9**	**10.4**	**10.4**
Current service cost	17.2	19.0	0.8	0.8
Plan participants' contributions	6.9	5.7	–	–
Interest expense on the net present value of the obligation	4.0	3.0	0.1	0.1
Actuarial gains (–)/losses (+)	–95.1	–36.4	–1.6	–0.1
Past service gains (–)/losses (+)	–0.1	–0.1	–	–
Gains (–)/losses (+) on curtailments	–0.1	–	–	–
Liabilities assumed in business combinations	0.1	–	–	–
Benefits paid through pension assets	–13.7	–15.2	–	–
Benefits paid by employer	–4.6	–5.2	–0.6	–0.6
Currency exchange differences	–5.1	–5.8	–0.7	–0.2
Defined benefit obligation as at December 31	**455.4**	**545.9**	**8.4**	**10.4**

Changes in the fair value of plan assets

CHF million	Pension plans 2022	Pension plans 2021
Fair value of plan assets as at January 1	**3,107.1**	**2,354.0**
Plan participants' contributions	6.9	5.7
Contributions by employer	3.1	2.5
Interest income	19.5	11.8
Return on plan assets (excluding interest income)	–623.2	749.4
Benefits paid through pension assets	–13.7	–15.2
Liability management cost	–0.6	–0.6
Currency translations	–0.3	–0.5
Fair value of plan assets as at December 31	**2,498.8**	**3,107.1**

Development of reimbursement rights[1]

CHF million	2022	2021
Reimbursement rights as at January 1	**7.9**	**7.8**
Employee contributions	–	0.2
Interest income on reimbursements	0.1	0.1
Return on reimbursement (excluding interest income)	–1.3	1.1
Reimbursements to employer	–1.1	–1.7
Currency translation	0.2	0.4
Reimbursement rights as at December 31	**5.8**	**7.9**

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

Development of not recorded plan assets

CHF million	Pension plans 2022	Pension plans 2021
Asset ceiling as at January 1	**34.2**	**18.0**
Interest income recognized in OCI	0.2	0.1
Change in asset ceiling recognized in OCI	285.3	16.1
Asset ceiling as at December 31	**319.7**	**34.2**

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

Net position of pension obligations recognized in the balance sheet

	Pension plans		Other long-term employee benefits	
CHF million	2022	2021	2022	2021
Present value of funded obligation	440.8	526.1	–	–
Fair value of plan assets	–2,498.8	–3,107.1	–	–
Underfunding (+) / overfunding (–)	**–2,058.0**	**–2,581.0**	**–**	**–**
Asset ceiling	319.7	34.2	–	–
Present value of unfunded obligations	14.7	19.8	8.4	10.4
Net pension liability (+) / asset (–)	**–1,723.6**	**–2,527.0**	**8.4**	**10.4**
of which pension liabilities	86.9	126.3	8.4	10.4
of which pension assets[1]	–1,810.5	–2,653.3	–	–

1 See note 11.

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

The foundation boards of the pension funds regularly review whether the chosen investment strategy is appropriate in view of the pension benefits to be provided and whether the risk capability is in line with the demographic structure. Compliance with the investment guidelines and the investment results of the investment advisors is reviewed on a quarterly basis. Moreover, on a periodic basis an external consultant reviews the investment strategy for its effectiveness and appropriateness.

The investments of the employer foundation and primarily of the finance foundation predominantly consist of shares of the Lindt & Sprüngli Group.

The pension assets are mainly composed of the following asset categories:

			2022			2021
CHF million	Listed	Not listed	Total	Listed	Not listed	Total
Shares	2,139.1	–	2,139.1	2,738.4	–	2,738.4
Bonds	151.7	–	151.7	167.8	–	167.8
Alternative investments	18.7	–	18.7	19.6	–	19.6
Real estate	20.2	123.3	143.5	19.5	123.4	142.9
Qualified insurance policies	–	26.8	26.8	–	24.0	24.0
Liquidity and other	–	19.0	19.0	–	14.4	14.4
Total	**2,329.7**	**169.1**	**2,498.8**	**2,945.3**	**161.8**	**3,107.1**

The plan assets include shares of the Lindt & Sprüngli Group with a market value of CHF 1,982.2 million at December 31, 2022 (CHF 2,549.7 in prior year). Moreover, the Lindt & Sprüngli Group rents property from the pension funds with a market value of CHF 16.0 million at December 31, 2022 (CHF 16.0 million in prior year). The revaluation of assets resulted in a loss of CHF 603.5 million in 2022 (gain of CHF 764.8 million in prior year). In 2023, the expected employer contributions amount to CHF 3.1 million and the expected payments for pensions by the employer to CHF 3.0 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	2022	2021
Active employees	270.0	319.8
Vested terminations	6.6	10.3
Pensioners	178.8	215.8
Total	**455.4**	**545.9**

The average duration of the liabilities at December 31, 2022, is 10.5 years (14.1 years in prior year). The most important factors impacting the present value of the defined benefit obligation are the discount rate, salary increase and pension indexation. For the simulation of the impact on the present value of the defined benefit obligation only the mentioned assumption is changed, the other assumptions remain unchanged.

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

CHF million	2022		2021	
Increase (+) / decrease (–) of assumptions by	**+0.25%**	**–0.25%**	**+0.25%**	**–0.25%**
Technical interest rate	–10.3	11.4	–17.7	19.0
Salary increase	3.9	–3.2	6.1	–5.0
Pension indexation	7.3	–2.0	11.9	–3.2

20. Provisions

CHF million	Legal claims/ cases	Business risks	Asset retirement obligations	Other	Total
Provisions as at January 1, 2021	**29.7**	**0.2**	**8.7**	**58.4**	**97.0**
Addition	12.8	0.2	1.2	8.6	22.8
Utilization	–7.6	–	–0.4	–49.9	–57.9
Release	–8.3	–0.1	–0.3	–0.6	–9.3
Currency translation	0.1	–	–0.3	1.2	1.0
Provisions as at December 31, 2021	**26.7**	**0.3**	**8.9**	**17.7**	**53.6**
of which current	4.5	–	1.0	10.5	16.0
of which non-current	22.2	0.3	7.9	7.2	37.6
Addition	14.4	2.9	0.6	9.4	27.3
Utilization	–3.6	–	–0.3	–10.1	–14.0
Release	–4.2	–0.3	–0.2	–4.2	–8.9
Currency translation	–0.3	–0.1	–0.6	–0.2	–1.2
Provisions as at December 31, 2022	**33.0**	**2.8**	**8.4**	**12.6**	**56.8**
of which current	8.4	–	0.8	6.2	15.4
of which non-current	24.6	2.8	7.6	6.4	41.4

Provisions for legal cases include unsettled claims, and legal proceedings as of December 31, 2022, which arise during the normal course of business. Provisions are recognized at balance sheet date when a present legal or constructive obligation as a result of past events exists and the expected outflow of resources can be reliably estimated. Especially for the non-current positions, the timing of outflows is uncertain as it depends upon the outcome of the proceedings. As in prior years, the additions to provisions were mainly due to new legal 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 losses beyond the amounts provided as of December 31, 2022.

The provisions for asset retirement obligations mainly relate to potential asset retirement obligations for leases.

The utilization of provisions of CHF 40.0 million in 2021 is related to settlement negotiations with the former multi-employer benefit plan in the USA. Since an agreement has been achieved, the corresponding provisions have been utilized in 2021.

21. Accounts Payable

Accounts payable to suppliers are denominated in the following currencies:

CHF million	**2022**	2021
CHF	30.9	23.1
EUR	153.0	133.3
USD	60.8	44.0
GBP	15.6	12.6
Other currencies	30.2	24.9
Total	**290.5**	**237.9**

22. Accrued Liabilities

CHF million	**2022**	2021
Trade related accrued liabilities and deferred income	514.1	478.9
Salaries/wages and social costs	144.8	150.2
Accrued cost of materials	25.2	23.9
Accrued operating expenses	206.5	220.4
Accrued Capex	22.9	14.8
Other	29.0	20.4
Total	**942.5**	**908.6**

The position "trade related accrued liabilities and deferred income" comprises year-end rebates, returns, markdowns on seasonal products, price and promotional discounts and other services provided by trade partners. The position "salaries / wages and social costs" is related to bonuses, overtime, and outstanding vacation days.

23. Personnel Expenses

CHF million	**2022**	2021
Wages and salaries	746.5	714.2
Social benefits	152.0	175.0
Personnel leasing	63.1	57.8
Other	46.6	39.0
Total	**1,008.2**	**986.0**

For the year 2022, the Lindt & Sprüngli Group employed an average of 14,466 people (14,135 in prior year).

24. Net Financial Result

CHF million	**2022**	2021
Interest income	2.5	1.8
Other	4.1	2.3
Total financial income	**6.6**	**4.1**
Interest expenses	–29.7	–25.4
Other	–	–1.9
Total financial expenses	**–29.7**	**–27.3**

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

25. Earnings per Share / Participation Certificate (PC)

	2022	2021
Non-diluted earnings per share / 10 PC (CHF)	**2,415.9**	**2,048.8**
Net income attributable to sharesholders according to income statement (CHF million)	569.7	490.5
Weighted average number of registered shares / 10 PC	235,811	239,412
Diluted earnings per share / 10 PC (CHF)	**2,387.1**	**2,019.4**
Net income attributable to sharesholders according to income statement (CHF million)	569.7	490.5
Weighted average number of registered shares / 10 PC and outstanding options on 10 PC	238,657	242,894
Weighted average number of registered shares / 10 PC to derive the non-diluted earnings	235,811	239,412
Outstanding options on 10 PC	2,846	3,482
Weighted average number of registered shares / 10 PC and outstanding options on 10 PC to derive diluted earnings	238,657	242,894

26. Dividend per Share / Participation Certificate (PC)

CHF	2022	2021
Dividend per share / 10 PC	1,300[1]	1,200

1 Proposal of the Board of Directors.

During the period January 1, 2023, to record date April 25, 2023, 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, equal to the average of the price of the five days preceding the issue date. The options have a blocking period during the vesting period of three to five years and are expiring after seven years, if not being exercised. Changes in outstanding options can be viewed in the table below:

	2022		2021	
	Number of options	Weighted average exercise price (CHF / PC)	Number of options	Weighted average exercise price (CHF / PC)
Outstanding options as at January 1	**112,156**	**6,760**	**109,649**	**6,181**
New option rights	24,233	10,251	28,980	7,918
Exercised rights	–14,962	5,599	–22,418	5,382
Cancelled rights	–2,426	7,926	–4,055	6,993
Outstanding options as at December 31[1]	**119,001**	**7,593**	**112,156**	**6,760**
of which exercisable at December 31	22,514	5,653	15,955	5,499
Average remaining time to expiration (in days)	652		680	

1 The exercise price varies between CHF 5,360 to CHF 10,251 as of December 31, 2022.

Options expenses are charged to the income statement proportionally according to the vesting period. The recorded expenses amount to CHF 16.0 million (CHF 14.8 million in prior year). Moreover, CHF 14.9 million deferred tax expenses on employee stock options in the USA were recorded directly in equity (CHF 14.0 million deferred tax benefits in prior year).

The assumptions used to calculate the expenses for the grants 2019 to 2022 are listed in the following table:

Date of issue	25.1.2022	29.1.2021	15.1.2020	16.1.2019
Number of issued options	24,233	28,980	27,070	26,510
of which in bracket A (blocking period 3 years)	8,400	10,062	9,392	9,205
of which in bracket B (blocking period 4 years)	8,509	10,203	9,534	9,330
of which in bracket C (blocking period 5 years)	7,324	8,715	8,144	7,975
Issuing price (CHF)	10,251	7,918	7,904	5,936
Price of participation certificates on date of issue (CHF)	10,110	7,730	8,010	5,820
Value of options on issuing date (CHF)				
Bracket A (blocking period 3 years)	784	519	651	562
Bracket B (blocking period 4 years)	852	571	680	615
Bracket C (blocking period 5 years)	905	613	712	663
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	2.6%	2.5%	2.3%	2.2%
Expected volatility	15.5%	14.9%	14.6%	18.3%
Expected dividend yield	1.53%	1.60%	1.65%	1.68%
Risk-free interest rate	(0.55)–(0.47)%	(0.55)–(0.46)%	(0.46)–(0.38)%	(0.27)–(0.11)%
Model	Binomial model			

28. Contingencies

The Lindt & Sprüngli Group has a contingent liability as of December 31, 2022, in respect to withdrawing from a US multi-employer plan in 2018 in the amount of CHF 9.5 million (CHF 8.9 million in prior year). Current legal assessment indicates that it is not probable that this amount needs to be paid. Besides that, in line with prior year, the Lindt & Sprüngli Group has no contingent liabilities that would require disclosure as of December 31, 2022. With respect to the Lindt Chocolate Competence Foundation's construction of the Lindt Home of Chocolate, refer to note 30.

29. Commitments

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

CHF million	**2022**	2021
Property, plant and equipment	112.2	64.8
Intangible assets	0.2	0.2
Right-of-use assets	2.9	1.6

The contractual committments within property, plant and equipment are mostly related to the expansion of production capacity in Switzerland (CHF 56.7 million), the USA (CHF 23.1 million), Germany (CHF 16.4 millon) and Italy (CHF 10.2 million).

30. Transactions with Related Parties

A family member of a member of the Board of Directors has a majority share in a company. The Lindt & Sprüngli Group purchased the retail operations from this company in 2020. In relation to this purchase, a contingent consideration of CHF 1.0 million is still outstanding (CHF 0.9 million in prior year). Moreover, in 2022 operating expenses (mostly rent and energy costs) of CHF 0.1 million have been paid to this company (CHF 0.8 million in prior year).

In current and prior year the Lindt & Sprüngli Group provided various administration services to the Lindt Chocolate Competence Foundation, the Lindt Cocoa Foundation, the Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG as well as the Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG and also obtained such services from the first two mentioned. In 2022, no own shares have been sold to the Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG (140 own shares at a price of CHF 88,920 in prior year). Furthermore, the Lindt & Sprüngli Group rents property from the pension funds with a market value of CHF 16.0 million at December 31, 2022 (CHF 16.0 million in prior year). The resulting rent expenses are immaterial (below CHF 1.0 million).

The Lindt & Sprüngli Group has provided the Lindt Chocolate Competence Foundation with the building right for the Lindt Home of Chocolate in 2016 and obtains a ground rent for it. The conditions of this contract have been agreed at arm's length. In addition, the Lindt & Sprüngli Group has provided the funding bank with a security of up to CHF 130.0 million in relation to the construction project, which is unlikely to be used. Moreover, there are rental contracts between the Lindt & Sprüngli Group and the Lindt Chocolate Competence Foundation, in particular for office space, and therefore result in rent expenses, rent income, incidental costs and maintenance costs. Additionally, the Lindt & Sprüngli Group uses a pilot plant owned by the Lindt Chocolate Competence Foundation for research, and runs show productions, which the Lindt & Sprüngli Group is compensated for.

In total, the mentioned transactions with Lindt Chocolate Competence Foundation resulted in other income of CHF 6.0 million (CHF 5.8 million in prior year) and expenses of CHF 5.8 million (CHF 7.8 million in prior year). The outstanding receivables were as in prior year immaterial (below CHF 1.0 million) and the open payables amounted to CHF 1.0 million (immaterial in prior year).

Remuneration of the Board of Directors and Group Management

As of December 31, 2022, the Board of Directors consisted of 7 non-executive and executive Directors (6 in prior year). The number of executive Officers as of December 31, 2022, is 7 (7 in prior year). The compensation paid to non-executive Directors and executive Officers is shown below:

CHF thousand	**2022**	2021
Fixed cash compensation [1]	7,928	7,573
Variable bonus component [2]	5,112	3,981
Other compensation [3] & anciliary benefits	697	444
Options [4]	5,841	4,693
Total	**19,578**	**16,691**

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

Apart from the payments mentioned above, no payments were made on a private basis or via consulting companies to either an executive or a non-executive member of the Board of Directors or a member of the Group Management. As of December 31, 2022, there were no loans, advances or credits due to the Lindt & Sprüngli Group or any of its subsidiaries by any of the members of the Board of Directors or the Group Management.

31. Events after the Balance Sheet Date

The consolidated financial statements were approved for publication by the Board of Directors on March 6, 2023. Furthermore, the consolidated financial statements are subject to approval at the Annual Shareholders' Meeting.

No events have occurred up to March 6, 2023, which would require adjustments to the carrying values of the Lindt & Sprüngli Group's assets or liabilities or which require additional disclosure.

Report of the Statutory Auditor on the Consolidated Financial Statements

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Report of the statutory auditor

to the General Meeting of Chocoladefabriken Lindt & Sprüngli AG

Kilchberg

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Chocoladefabriken Lindt & Sprüngli AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 104 to 149) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 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.

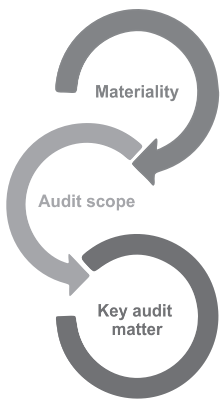
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our audit approach

Overview



Overall Group materiality: CHF 48 million

We concluded full scope audit work at 24 Group companies in 18 countries. Our audit scope addressed 99% of the Group's revenue.

As key audit matters the following areas of focus have been identified:

Impairment testing of goodwill

Valuation of pension fund assets

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, 8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, www.pwc.ch

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Materiality

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

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 48 million
Benchmark applied	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 it is a generally accepted benchmark for materiality considerations.

Audit scope

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

The Group financial statements are a consolidation of 29 Group companies. In collaboration with management, we identified 24 Group companies at which an audit of the financial information was performed. The five Group companies not in scope are not material to the Group.

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

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

Key audit matters

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

Impairment testing of goodwill

Key audit matter	How our audit addressed the key audit matter
Intangible assets are recognised in the amount of CHF 1,321 million, of which CHF 729 million is the goodwill of the US business. During our audit, we focused on the goodwill of the US business because of the significance of the amount and because the valuation of goodwill by management involves significant scope for judgement concerning the future results of the business in the USA that underlies the goodwill. Management compares the book value of goodwill to the value in use of the underlying business in the USA. Value in use is calculated by estimating the future cash flows that the business is expected to generate. If the value in use is lower than the book value of goodwill, an impairment charge is recognised. The most significant elements of the value in use calculation are the assessment of the discounted cash flow model used and the assessment of the underlying assumptions. The underlying assumptions that offer the greatest scope for judgement are the long-term sales growth rates, the EBIT margin growth rates and the discount rate used in the calculation of present values. Please refer to note 10 for details of the impairment test and management's assumptions.	We assessed the appropriateness of the determination of the cash-generating units used in the calculation of the cash flow forecasts. We evaluated the components used in management's forecasts of future cash flows, which are mainly based on the five-year plans. We also assessed the process adopted to calculate the forecasts. For some elements, with the support of a PwC valuation specialist, we assessed the following assumptions: • the long-term growth rates, by comparing them with economic and industry forecasts; • the EBIT margin growth rates, by comparing them with other mature Lindt & Sprüngli production entities; • the discount rate, by assessing the costs of capital for the company and comparable organisations, taking into consideration country-specific factors. In addition, we compared the 2022 actual results with the 2022 budget figures produced in the previous year to assess the accuracy of those budget figures. We checked management's valuations for mathematical correctness. Additionally, we assessed management's sensitivity analyses of the key assumptions to ascertain the extent to which changes in those assumptions, either individually or collectively, would require an impairment of the goodwill. We discussed the outcomes of the sensitivity analyses with management. We concluded that the models and assumptions used are appropriate to test goodwill for impairment.

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Valuation of pension fund assets

Key audit matter	How our audit addressed the key audit matter
Financial assets include pension fund assets in the amount of CHF 1,811 million. We focused on this area because of the significant amount represented by pension fund assets and because management's assessment of the valuation of this item involves significant scope for judgement concerning the valuation parameters used and the estimates of future benefits from the pension fund assets. Management engages an external actuary to perform the calculation of the net present value of the pension benefit obligations, which are then compared with the pension fund assets to determine the pension fund liabilities and assets recognised in the balance sheet. The most judgemental assumptions underlying this calculation are the salary growth rates, the pension increase rates, the mortality rate and the discount rate. For further information, please refer to notes 11 and 19.	We compared on a sample basis the personnel data used in the calculation of the pension fund assets with the data of the payroll accounting. We did not identify any differences. We assessed the engagement terms and the professional competency and independence of the actuary engaged by management. Additionally, we evaluated the following assumptions used by management: • the salary growth rates and the pension increase rates, by comparing them with economic and industry forecasts; • the mortality rate, by ensuring that the appropriate generation table was used; • the discount rate, by comparing it with relevant market data; • the future benefits from the pension plans, by checking for consistency with the regulations of the pension plans and the calculations of the actuary. We tested on a sample basis whether the pension fund assets existed and were valued correctly. On the basis of the results of our audit procedures, we consider the models and assumptions used by management in the valuation of the pension fund assets to be appropriate.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information 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 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.

Board of Directors' responsibilities 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

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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 SA-CH 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 more detailed description of our responsibilities for the audit of the consolidated financial statements can be found on the EXPERTsuisse website: http://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Gerhard Siegrist	Josef Stadelmann
Licensed audit expert Auditor in charge	Licensed audit expert

Zürich, 6 March 2023

Balance Sheet

CHF thousand	Note	December 31, 2022	December 31, 2021
Assets			
Cash and cash equivalents		172,603	259,699
Marketable securities and short-term financial assets		–	290,000
Accounts receivable			
from subsidiaries		6,691	3,908
Other receivables			
from third parties		27,883	23,130
Accrued income			
from third parties		58	–
from subsidiaries		40,007	28,321
Total current assets		**247,242**	**605,058**
Investments	4	888,448	889,358
Intangible assets		462,987	496,139
Total non-current assets		**1,351,435**	**1,385,497**
Total assets		**1,598,677**	**1,990,555**
Liabilities and Equity			
Accounts payables			
to third parties		3,921	4,516
to subsidiaries		8,749	3,678
Current interest-bearing liabilities			
to subsidiaries		16,717	26,503
Other accounts payable			
to third parties		16,166	11,786
Tax liabilities		7,561	15,600
Accrued liabilities			
to third parties		16,721	6,413
to subsidiaries		6	5,649
Total current liabilities		**69,841**	**74,145**
Bonds	5	1,000,000	1,000,000
Total non-current liabilities		**1,000,000**	**1,000,000**
Share capital		13,510	13,555
Participation capital		10,440	10,666
Reserve from capital contribution	7	128,131	138,757
General legal reserve		76,040	76,040
Special reserve	7	471,774	741,223
Retained earnings			
Balance brought forward from previous year		32,729	105,764
Net income for the year		366,537	291,042
Treasury stock	6	–15,164	–15,770
Treasury stock (share buy-back program)	6	–555,161	–444,867
Total equity		**528,836**	**916,410**
Total liabilities and equity		**1,598,677**	**1,990,555**

Income Statement

CHF thousand	2022	2021
Dividends and other income from subsidiaries	459,971	389,202
Other income	23	535
Personnel expenses	–10,339	–
Other expenses	–18,751	–38,251
Impairment losses (-)/gains (+) on investments	–5,772	4,580
Amortization on intangible assets	–33,171	–33,151
Operating profit	**391,961**	**322,915**
Financial income	11,325	6,667
Financial expenses	–16,150	–7,940
Income before taxes	**387,136**	**321,642**
Taxes	–20,599	–30,600
Net income	**366,537**	**291,042**

Notes to the Financial Statements

1. Introduction

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

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

2. Accounting Policies

Non-current assets

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

Treasury shares

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

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 at the corresponding subsidiary. "Other income from subsidiaries" mainly consist of license fees, which are recognized at the time the services are provided.

Foreign currency translation

The foreign exchange rates are listed on page 114 of the notes to the consolidated financial statements. In deviation to the table, transactions in the income statement are booked at the respective month-end rate.

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

Contingent liabilities as at December 31, 2022, amounted to CHF 338.9 million (CHF 342.2 million in prior year). This figure comprises guarantees against banks related to lending to subsidiaries.

The companies, Chocoladefabriken Lindt & Sprüngli AG, 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 in note 1 to the consolidated financial statements.

5. Bonds

The bonds consist of the following tranches:

				2022	2021
CHF million	Interest rate	Interest maturity	Term	Notional amount	Notional amount
Straight bond	1.00%	October 8	2014–2024	250.0	250.0
Straight bond	0.30%	October 6	2017–2027	250.0	250.0
Straight bond	0.01%	October 6	2020–2028	250.0	250.0
Straight bond	0.25%	October 6	2020–2032	250.0	250.0
Total				**1,000.0**	**1,000.0**

6. Purchase and Sale of Registered Shares and Participation Certificates

		2022		2021
	Registered shares	Participation certificates	Registered shares	Participation certificates
Inventory as at January 1	**667**	**37,570**	**377**	**–**
Retirements	–9	–	–163	–
Share buy-back program	376	50,544	453	37,570
Capital decrease (destruction)	–453	–37,570	–	–
Inventory as at December 31	**581**	**50,544**	**667**	**37,570**
Average sales price of retirements (CHF)	100,299	–	89,054	–
Average cost of share buy-back program (CHF)	104,752	10,204	106,203	10,560
Average cost of capital decrease (CHF)	106,203	10,560	–	–

7. Reserves

	Reserves from capital contribution					Special reserves
CHF thousand	Requested	Approved	Not approved[1]	Share buy-back program[2]	Total	Total
Balance as at January 1, 2021	**87,730**	**2,307**	**16,881**	**–**	**106,918**	**722,706**
FTA approval March 24, 2021	–87,730	87,710	20	–	–	–20
Proposed dividend distribution	–	–88,548	–	–	–88,548	–
Undistributed dividends on own registered shares and participation certificates	–	134	–	–	134	–
Options exercised from January 1 to May 5, 2021	–	–182	–	–	–182	–
Reserve from retained earnings	–	–	–	–	–	20,000
Additions during the year	–		1,463	118,972	120,435	–1,463
Reclassification[2]	–	–1,421	–	1,421	–	–
Balance as at December 31, 2021	**–**	**–**	**18,364**	**120,393**	**138,757**	**741,223**
Cancellation of shares	–	–	–	–94,242	–94,242	–348,432
Reserve from retained earnings	–	–	–	–	–	80,000
Additions during the year	–	–	1,017	82,599	83,616	–1,017
Balance as at December 31, 2022	**–**	**–**	**19,381**	**108,750**	**128,131**	**471,774**

1 The Swiss federal tax administration (FTA) has not yet approved the capital transaction costs of TCHF 19,381 as reserves from capital contribution. This practice may be changed in the future.
2 Reserves from capital contributions must be used for the share buy-back program currently in place.

8. Mandatory Disclosure of Interest Positions

As of December 31, 2022, Chocoladefabriken Lindt & Sprüngli AG disclosed the following shareholders known to the Company (in accordance with Art. 663c CO and the articles of association), which own voting shares of more than 4%: BlackRock Inc. held 4.49% of the Company's shares (4.47% in prior year). Fonds für Pensionsergänzungen of Chocoladefabriken Lindt & Sprüngli AG, Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG, Lindt Cocoa Foundation and Lindt Chocolate Competence Foundation held as a group 20.68% of the voting rights of the Company (20.61% in prior year).

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

		Number of registered shares (RS)		Number of participation certificates (PC)		Number of options	
		2022	2021	**2022**	2021	**2022**	2021
E. Tanner	Executive Chairman	3,067	3,067	9,796	8,327	–	2,500
A. Bulgheroni	Member of the Board	1,000	1,000	295	295	–	–
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	–	–	–	–	–	–
S. Denz	Member of the Board	11	11	–	–	–	–
Dr D. Weisskopf	Member of the Board (formerly Group Management)	5	5	2,013	3,000	8,500	8,350
Dr A. Lechner	Group Management	7	7	56	56	5,700	4,700
R. Fallegger	Group Management	25	25	950	850	4,750	3,950
A. Germiquet	Group Management	7	7	500	500	3,690	4,222
M. Hug	Group Management	6	6	–	–	4,650	3,850
G. Steiner	Group Management	3	2	–	–	4,110	3,730
Dr J. Picenoni	Group Management	1	1	–	–	2,950	2,350
D. Studer[1]	Group Management	1	–	–	–	1,895	–
Total		**5,224**	**5,224**	**13,660**	**13,078**	**36,245**	**33,652**

1 D. Studer was appointed to Group Management as of September 1, 2022, therefore no participation was reported for 2021.

Employees were granted 6,940 options in the reporting year (previous year 0). The value of these options, calculated using the binomial model, amounts to CHF 5,858,609.

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

9. Number of Employees

The members of the Group Management and other employees have been under contract with Chocoladefabriken Lindt & Sprüngli AG since January 1, 2022. For this reason, the number of employees increased to 14.5 full-time equivalents. (0 in prior year).

Proposal for the Distribution of Available Retained Earnings and Reserves

CHF	December 31, 2022	December 31, 2021
Balance brought forward	26,156,820	105,854,558
Net income	366,537,238	291,042,009
Other	6,573,007[1]	–89,667
Available retained earnings	**399,267,065**	**396,806,900**
Shares and participation certificates as per bylaws of CHF 23,949,460 as at December 31, 2022 (CHF 24,220,840 in prior year)		
Release of general legal reserve	71,040,000	–
Release of special reserve	471,774,222	–
1300% (1200% in prior year) dividend	–311,342,980[2]	–290,650,080
Allocation to special reserves	–	–80,000,000
Balance carried forward	**630,738,307**	**26,156,820**
Allocation of approved capital contribution reserve to free reserves	–[3]	–
Withholding tax exempt distribution CHF 0 per registered share/CHF 0 per participation certificate (CHF 0 per RS/CHF 0 per PC in prior year)	–	–

1 Includes dividends not distributed on treasury stock held of CHF 7,653,600 distributed on options exercised during the period January 1 to May 1, 2022 of CHF –1,088,640, and expired dividends of CHF 8,047.
2 Number of registered shares and participation certificates, status as at December 31, 2022. During the period from January 1 until record date of April 25, 2023, 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.
3 Reserves from capital contributions must be used for the share buy-back program currently in place and will not be available for distribution at the 2023 Annual General Meeting.

For 2022 the Board of Directors proposes a total dividend of CHF 1,300 per registered share and CHF 130 per participation certificate.

In order to simplify the capital structure, the proposal also includes the allocation of available general legal reserves in the amount of CHF 71,040,000 as well as the entire special reserves of CHF 471,774,222 to retained earnings.

Report of the Statutory Auditor on the Financial Statements

pwc

Report of the statutory auditor

to the General Meeting of Chocoladefabriken Lindt & Sprüngli AG

Kilchberg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Chocoladefabriken Lindt & Sprüngli AG (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 156 to 161) comply with Swiss law and the company's articles of incorporation.

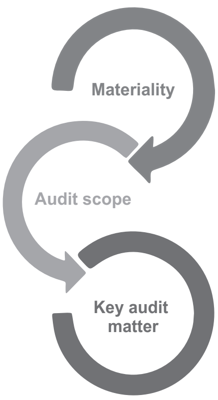
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). 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 Company 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 16 million

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 Company, the accounting processes and controls, and the industry in which the Company operates.

As key audit matters the following areas of focus have been identified:

Impairment testing of intangible assets

Impairment testing of investments

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

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, 8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, www.pwc.ch

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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 16 million
Benchmark applied	Total Assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark for determining materiality. Total assets is a generally accepted benchmark for materiality considerations in relation to a holding company.

Audit scope

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

Key audit matters

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.

Impairment testing of intangible assets

Key audit matter	How our audit addressed the key audit matter
Intangible assets recognised in the amount of CHF 463 million relate to different brands. We focused on this area because of the significant amount this item represents on the balance sheet and because the valuation of the brands depends significantly on their future results. The intangible assets are stated individually at acquisition cost less accumulated depreciation and any impairment, in accordance with the requirements of commercial accounting and financial reporting. Impairment testing of the brands is based on a comparison of their book value with the capitalised licensing income. If the book value of the brands exceeds the capitalised licensing income, an impairment is recognised. Please refer to note 2 'Accounting policies'.	We tested the correct and consistent calculation of the depreciation of the brands. Additionally, we tested management's impairment testing of the brands for its technical appropriateness and mathematical accuracy as follows: • We compared on a sample basis the licensing income used in the valuations with the contractual agreements. • We assessed the capitalisation rate, taking into account the cost of capital of the company and of comparable organisations as well as country-specific factors. • Further, we inspected on a sample basis the budgets approved by the Board of Directors of the individual license holders in order to assess the financial performance of the individual license holders. We concluded that the models and assumptions used are appropriate to test for the impairment of the intangible assets.

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Impairment testing of investments

Key audit matter	How our audit addressed the key audit matter
Investments are recognised in the amount of CHF 888 million. We focused our audit on these assets because of the significant amount they represent and the significant scope for judgement involved in testing them for impairment and in light of the financial performance of certain subsidiaries. Investments are recorded individually at acquisition cost less impairment in accordance with the requirements of commercial accounting and financial reporting. The impairment testing of the investments is based on a comparison of their book value with the intrinsic value of the investment. The intrinsic value of an investment is determined using historical and forward-looking financial information and on the basis of generally accepted valuation methods. If the book value of the investment exceeds the intrinsic value thus determined, an impairment is recorded. Please refer to note 2 'Accounting policies'.	We examined management's impairment testing of investments as follows: • We assessed the technical appropriateness and mathematical accuracy of management's valuations. • We compared on a sample basis the input data used in the tests with audited historical financial information. • We compared the forward-looking financial information used in the valuation process with the forecast figures approved by the Board of Directors. On the basis of our audit procedures, we consider the impairment tests on investments performed by management to be appropriate.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the compensation report and our auditor's reports thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Board of Directors' responsibilities 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 Company'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 Company 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

SA-CH 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 more detailed description of our responsibilities for the audit of the financial statements can be found on the EXPERTsuisse website: http://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 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 proposal for the distribution of available earnings and reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Gerhard Siegrist	Josef Stadelmann
Licensed audit expert Auditor in charge	Licensed audit expert

Zürich, 6 March 2023

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

		2022	2021	2020	2019	2018
Income Statement						
Sales	CHF million	4,970.2	4,585.5	4,016.8	4,509.0	4,313.2
EBITDA	CHF million	1,017.7	921.5	696.1	915.8	816.2
in % of sales	%	20.5	20.1	17.4	20.3	18.9
EBIT	CHF million	744.6	644.9	420.3	593.0 [1]	636.7
in % of sales	%	15.0	14.1	10.5	13.2 [1]	14.8
Net income	CHF million	569.7	490.5	320.1	511.9	487.1
in % of sales	%	11.5	10.7	8.0	11.4	11.3
in % of average shareholders' equity	%	11.8	10.0	6.9	11.2	11.2
Depreciation, amortization and impairment	CHF million	273.1	276.6	275.8	322.8	179.5
Balance Sheet						
Total assets	CHF million	7,945.1	8,956.1	8,051.0	8,040.8	7,249.8
Current assets	CHF million	2,889.8	3,024.8	2,953.9	2,975.7	2,933.0
in % of total assets	%	36.4	33.8	36.7	37.0	40.5
Non-current assets	CHF million	5,055.3	5,931.3	5,097.1	5,065.1	4,316.8
in % of total assets	%	63.6	66.2	63.3	63.0	59.5
Non-current liabilities	CHF million	1,967.2	2,246.8	2,164.4	1,680.9	1,735.3
in % of total assets	%	24.8	25.1	26.9	20.9	23.9
Shareholders' equity	CHF million	4,400.6	5,223.6	4,606.3	4,670.2	4,486.4
in % of total assets	%	55.4	58.3	57.2	58.1	61.9
Cash Flow						
Operating cash flow	CHF million	756.0	826.8	787.6	830.9	651.6
in % of sales	%	15.2	18.0	19.6	18.4	15.1
CAPEX in PPE/intangible assets/right-of-use assets [2]	CHF million	229.9	240.8	249.1	235.2	257.3
in % of operating cash flow	%	30.4	29.1	31.6	28.3	39.5
Employees						
Average number of employees		14,466	14,135	13,557	14,621	14,570
Sales per employee	TCHF	343.6	324.4	296.3	308.4	296.0

1 Includes one-off effects of CHF 81.6 million in 2019. Without these effects the EBIT amounts to CHF 674.6 million and the EBIT-margin to 15.0%.
2 The position "CAPEX in right-of-use assets" consists of payments made before lease inception, which are disclosed within the cash flow from investment activities.

Five-Year Overview: Data per Share / Participation Certificate

		2022	2021	2020	2019	2018
Share						
Registered shares at CHF 100.– par[1]	Number	135,099	135,552	135,552	135,988	136,088
Participation certificates at CHF 10.– par[2]	Number	1,043,956	1,066,564	1,044,146	1,072,641	1,072,535
Non-diluted earnings per share/10 PC[3]	CHF	2,416	2,049	1,333	2,142	2,021
Operating cash flow per share/10 PC[3]	CHF	3,206	3,453	3,264	3,492	2,715
Shareholders' equity per share/10 PC[4]	CHF	18,662	21,818	19,088	19,626	18,437
Payout ratio	%	54.6	59.3	82.5	83.2	50.0
Registered share						
Year-end price	CHF	95,000	122,200	88,400	85,500	73,300
High of the year	CHF	123,000	123,800	93,800	86,000	85,400
Low of the year	CHF	92,300	80,500	65,200	68,600	65,600
Dividend	CHF	1,300.00 [5]	1,200.00	1,100.00	1,750.00	1,000.00
P/E ratio[6]	Factor	39.32	59.64	66.32	39.92	36.27
Participation certificate						
Year-end price	CHF	9,430	12,630	8,630	7,515	6,100
High of the year	CHF	12,770	12,770	8,665	7,715	7,270
Low of the year	CHF	8,910	7,625	6,365	5,730	5,270
Dividend	CHF	130.00 [5]	120.00	110.00	175.00	100.00
P/E ratio[6]	Factor	39.03	61.64	64.74	35.08	30.18
Market capitalization[6]	CHF million	22,678.9	30,035.2	20,993.8	19,687.9	16,517.7
in % of shareholders' equity[4]	%	515.4	575.0	455.8	421.6	368.2

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