



ANNUAL REVIEW  
2014



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CONSOLIDATED  
KEY FIGURES



**CONSOLIDATED  
KEY FIGURES OF THE  
LOTUS BAKERIES GROUP**

in millions of EUR	2014	2013	2012	2011	2010
<b>INCOME STATEMENT</b>					
Turnover	347.89	332.32	288.46	275.60	264.82
Raw materials, consumables and goods for resale	(104.43)	(111.43)	(91.15)	(85.74)	(81.06)
Services and other goods	(96.48)	(87.26)	(78.39)	(73.25)	(69.63)
Personnel costs	(78.89)	(78.90)	(69.97)	(68.72)	(65.53)
Depreciation and amounts written off <sup>(1)</sup>	(16.66)	(14.16)	(12.84)	(12.07)	(12.50)
Other operating income and charges (net)	(1.99)	0.80	0.57	0.55	(1.15)
Recurrent operating result (REBIT)	49.43	41.37	36.68	36.37	34.96
Recurrent operating cash flow (REBITDA) <sup>(2)</sup>	67.02	55.62	49.85	49.36	48.71
Non-recurrent operating result	(0.26)	(3.65)	(1.95)	(2.70)	(0.87)
Operating result (EBIT) <sup>(3)</sup>	49.17	37.72	34.73	33.67	34.09
Financial result	0.02	(1.74)	(1.57)	(0.69)	(2.96)
Result before taxation	49.19	35.98	33.16	32.98	31.13
Income taxes	(12.42)	(8.06)	(7.41)	(9.17)	(8.06)
Result after taxation	36.77	27.92	25.75	23.81	23.07
Result from discontinued operations	-	-	-	-	-
NET RESULT	36.77	27.92	25.75	23.81	23.07
Net result: non-controlling interest	-	-	0.01	0.01	0.01
Net result: Group share	36.77	27.92	25.74	23.80	23.06
<b>SELF-FINANCING AND INVESTMENTS</b>					
Net cash flow <sup>(4)</sup>	60.19	45.41	42.99	36.41	38.15
Investments <sup>(5)</sup>	16.55	33.16	40.54	16.98	17.09
<b>BALANCE SHEET</b>					
Balance sheet total	336.99	334.10	270.62	237.89	224.73
Equity	200.63	171.38	145.21	126.76	109.80
Net financial debts <sup>(6)</sup>	20.20	48.89	24.16	10.88	23.76
<b>NUMBER OF PERSONS EMPLOYED</b>					
	<b>1,221</b>	<b>1,244</b>	<b>1,218</b>	<b>1,198</b>	<b>1,198</b>
<b>CONSOLIDATED KEY FIGURES PER SHARE in EUR<sup>(7)</sup></b>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Recurrent operating result (REBIT)	63.46	54.09	49.17	48.54	46.52
Recurrent operating cash flow (REBITDA) <sup>(2)</sup>	86.03	72.72	66.82	65.90	64.83
Net result: share of the Group	47.21	36.50	34.50	31.77	30.68
Gross dividend <sup>(8)</sup>	12.40	10.80	9.80	9.40	8.80
Net dividend	9.30	8.10	7.35	7.05	6.60
Weighted average number of shares	778,944	764,828	746,052	749,088	751,377
<b>Total number of shares per 31 December</b>	<b>803,013</b>	<b>795,113</b>	<b>779,643</b>	<b>772,563</b>	<b>772,563</b>

(1) Depreciation and amounts written off consist of depreciation and amortization of tangible and intangible fixed assets, and amounts written off on inventories, orders in progress and trade receivables.

(2) Recurrent operating cash flow is defined as recurrent operating result + depreciation + provisions and amounts written off + non-cash costs valuation option- and warrant plan.

(3) EBIT is defined as recurrent operating result + non-recurrent operating result.

(4) Net cash flow is defined as net result + all non-cash costs - all non-cash income items.

(5) Includes investments in tangible and intangible non-current assets.

(6) Net financial debts are defined as financial debts - investments - cash at bank and in hand - treasury shares.

(7) Compared to the weighted average number of shares.

(8) For 2014: proposed dividend to the General Meeting of 8 May 2015.

# REMARKABLE FACTS

JANUARY

FEBRUARY

MARCH

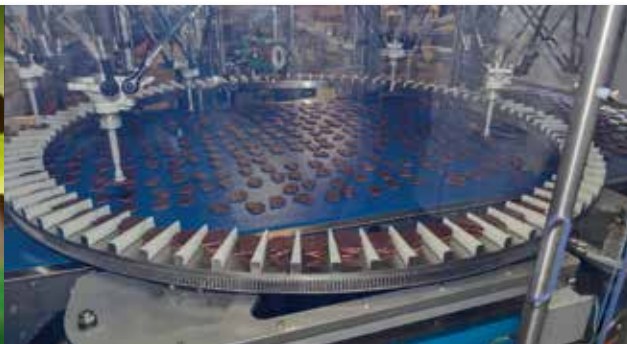
APRIL

MAY

JUNE



Dinosaurus



Start of production of Dinosaurus biscuits



New EXCO team



**MailOnline**

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**'Move over Nutella: Sales of 'crack in a jar'**

Belgian toast topper soar in Sainsbury's and Waitrose

- Biscoff Spread sales rose up 52% per cent in Sainsbury's over the past year
- It is a spreadable version of the caramelised biscuits you get with coffee
- **WARNING:** A single jar of the stuff packs a wallop! (noting 2,300 kcal)

By **DAVE NASH**, **REPORTER**

Published: 22:14 GMT, 7 June 2014 | Updated: 23:08 GMT, 7 June 2014



**זכינו בפרס מוצר השנה 2015**

**מוצר השנה**  
בחרתם בסוכריה  
פרימיום

פרס המלכות 2015



UK & Israel adore Lotus caramelized biscuit spread



JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

First invoice drafted by Lotus Bakeries China



One iconic shape



Introduction of Lotus Suzy

18,5%

MARKET SHARE IN VOLUME FOR 2014  
SOURCE: NIELSEN



LOTUS for the first time largest biscuit brand by volume in 'Bakery and sweet biscuits' in Belgium for calendar year 2014



Jan Vander Stichele  
Executive Director

Matthieu Boone  
Chairman

Jan Boone  
CEO

**1** MESSAGE FROM  
THE CHAIRMAN  
AND THE CEO

2014 was a year in which we celebrated successes but also faced challenges. Both in our home markets and internationally we took important strategic steps.

A good example is our further internationalization into Latin America. Sales in Latin America are still very minimal. Achieving permanent market penetration calls for a team with entrepreneurship, courage and lots of patience. It is a major challenge to win a whole new market, consumer by consumer, family by family.

Yes, our original caramelized biscuit is a very special product. But it does not sell itself just like that.

“ Our positioning for Lotus original caramelized biscuits is crystal clear: the best biscuit with coffee. ”

Just as we have been building up our presence in Asia for 20 years already, we will also need to show the necessary patience in Latin America. That brings us to the start-up of Lotus Bakeries China in 2014. In each Asian country we work with a local distributor or commercial partner. Given our strong sales, the potential and the strategic importance of the Chinese market we have decided, however, after 10 years to launch our own sales office.

Closer to home, we can celebrate our success in France. Our good performance in this country underlines the fact that a clear focus on key products pays off. In 2014 we again did well in

France with our original caramelized biscuits, and even better with waffles. France was Lotus Bakeries' first export country, which we entered 50 years ago. And looking at the growth rates we can still achieve there, one realizes how much potential there still exists everywhere. A striking example that tells us that all markets are still 'expandable'.

The last few years we have undergone a major restructuring in the Netherlands. The Geldrop and Sintjohannesga plants have been greatly optimized, enabling us to handle the same volume with fewer people. These difficult but at the same time courageous decisions by our team in the Netherlands were necessary in order to remain competitive.

Important in Belgium last year was the start-up and the initial production of our Dinosaurus biscuits line in Lembeke. This has been the largest investment in a single production line in our history. The 'Suzy' brand was successfully reintroduced in our home market. Finally, breaking our record market share in Belgium speaks volumes and we are proud of our number one position in volume terms.

In short, 2014 was an exceptionally strong year, in terms of both achievements in existing markets and further internationalization.

2015 also promises to be particularly interesting. We are and remain wildly ambitious. Our aim is to maintain our current strong growth at the same level at least. First of all, we shall be rolling out the Lotus Dinosaurus concept in several European markets. We are well prepared and will support Dinosaurus strongly in specific

markets. We are excited to see whether this successful concept in Belgium and France also has international potential. We are already convinced. But now we still have to convince consumers.

In Belgium, we want to maintain our focus on our key products and give them additional support. We are going on TV with Lotus original caramelized biscuits, frangipanes and madeleines, Suzy waffles and Dinosaurus. Both in Belgium and at group level we shall again increase our marketing efforts and invest further in our brands.

We also want to grow in the out-of-home channel, which includes catering and food service. A precise focus on out-of-home is a strategic priority for our various markets as a way of repeating or initiating the memory structures of the caramelized biscuit taste perception among consumers.

Our positioning for Lotus original caramelized biscuits is crystal clear: the best biscuit with coffee.



**Jan Boone**  
CEO



**Matthieu Boone**  
Voorzitter



## 2 LOTUS BAKERIES' STRATEGY



- # kagis
- sunlau jurej - kiej
- kieu
- doon
- kagis noot
- boun at the po
- plan (kup kadow)
- kiej
- sathakoj (shat)
- dan gel
- \* kiej / Annabuden!
- \* sary. kadowe sary
- \* sponstr netro! of P

“ We prefer to concentrate on selected markets, rather than unnecessarily divide our strength. ”

## MISSION STATEMENT

Lotus Bakeries wishes to base its sustainable growth and profitability on meeting the needs of the present generations, without compromising the opportunities of the next generations.

## LOTUS BAKERIES' STRATEGY

Lotus Bakeries operates in the field of authentic specialties in the biscuits, gingerbread, waffles and cake specialties markets. Lotus Bakeries wants to continuously strengthen its leadership in each of its specialty areas and is working to stimulate both its more traditional markets as well as to internationalize these products.

The strength of the Lotus Bakeries brands is determined by the value they deliver to their consumers. The brands are supported by quality, price and innovative power. Lotus Bakeries seeks to make its products more attractive and is determined to position its brands more competitively in the market with a long-term vision and with the appropriate investments in marketing, production, research and product development.

- Lotus is the brand for original caramelized biscuits, original caramelized biscuit spread and ice cream, cakes, waffles & galettes, gingerbread and (chocolate-coated) biscuits in the various worldwide markets:
  - Biscoff is the international product name for the original caramelized biscuits.
  - Using the Dinosaur brand, Lotus Bakeries wants to build a strong position in the biscuits segment.
- Peijnenburg and Snelle Jelle are the brands in the Netherlands for gingerbread.
- Annas is the brand for pepparkakor specialties. This is a strong brand, especially in Scandinavia, also with a good distribution in North America and in Asia.

This leadership is continuously reinforced by applying a number of consistently implemented strategic choices:

1. A strong focus on the best performing products. This way the specialties of Lotus Bakeries are able to continue to grow in their home markets and in growth markets.
2. Giving priority to clear and consistent communication with the consumer and allocate sufficient resources to this.
3. Targeted product innovations, aimed partly at format innovation, and partly at introducing products for new consumption moments.
4. A clear focus on continuously improving our manufacturing efficiency. This is in order to continue to produce the best quality products at the most competitive cost.
5. Continuous commitment to Corporate Social Responsibility. The Corporate Social Responsibility theme is implemented in the organization as 'Care for today - Respect for tomorrow'. The implementation and conscious improvement of CSR is directed primarily at four general areas: people, environment, society and employees.





3

LOTUS BAKERIES  
GROUP'S PROFILE

## 1 | GROUP FUNCTIONS AND COUNTRY ORGANIZATION

To implement the Lotus Bakeries Group strategy and meet the challenging objectives deriving from it, the Group Lotus Bakeries has opted for a group policy that is carried out under the direction of the Executive Committee (EXCO) and is passed on to the various corporate departments, country and regional organizations ('areas'). The organization chart shows the area structure that has been in effect since 1 January 2014. Besides mono-country areas, we also have multi-country areas covering several countries. All European countries in which Lotus Bakeries operates with its own sales offices, apart from Belgium, France and the Netherlands, are grouped together in the Sales Offices Europe area (SOF UK & Ireland, SOF Ibérica, SOF Central Europe, SOF Nordics and

SOF Switzerland). The countries where Lotus Bakeries works with commercial partners (including South Korea, Japan, Israel, Saudi Arabia, Italy, and Kuwait) are also grouped into a single International Distributors area.

The members of the Executive Committee and general managers of each area together form the Group Management Team. The country and regional organizations play a very important role of adapting to the commercial specificities of each market and the culture of each country. It is crucially important that the commercial policy of each country and/or region reflects its own particular market and that production facilities also think in a market directed way. This is part of the Lotus Bakeries group policy, and is integrated into the policy lines that are set at group level.

### EXECUTIVE COMMITTEE

### AREAS

BELGIUM  
NETHERLANDS  
FRANCE  
SALES OFFICES EUROPE  
AMERICAS  
CHINA  
INTERNATIONAL DISTRIBUTORS

### CORPORATE DEPARTMENTS

CORPORATE CONTROLLING  
CORPORATE PROCUREMENT  
CORPORATE TREASURY  
CORPORATE QUALITY / FOOD LAW & NUTRITION  
ENGINEERING SERVICES BUILDING & FACILITIES  
GLOBAL BRAND & CUSTOMER DEVELOPMENT  
HR INTERNATIONAL & CORPORATE DEPARTMENTS  
ICT  
LEGAL, IP & CORPORATE COMMUNICATION  
RESEARCH & DEVELOPMENT

The Executive Committee has the following members:

Name	Function
Jan Boone	CEO
Jan Vander Stichele	Executive Director
Isabelle Maes	CFO
John Van de Par	COO

### 3 LOTUS BAKERIES GROUP'S PROFILE





## 2 | PRODUCTS

Lotus Bakeries has opted to focus on brand products, based on authentic specialties in the biscuit and cake world: caramelized biscuits, gingerbread, cake specialties, waffles and galettes, pepparkakor biscuits and Dinosaurus biscuits. Lotus Bakeries applies this brand policy both by strengthening its leadership in existing local markets and by the internationalization of Lotus original caramelized biscuits and the Dinosaurus and Annas brands.

### CARAMELIZED BISCUITS

Caramelized biscuits are an original Belgian specialty. They owe their typical taste to the caramelization of the sugar during the baking process. In Belgium, Lotus caramelized biscuits are a top product across the biscuit market.

Lotus caramelized biscuits are proving increasingly popular internationally, so that today more than 75% of sales are realized outside Belgium. Internationally, Biscoff ('Biscuit with a coffee') is used as a product name for original caramelized biscuits.



Consumers also want to experience the unique Lotus caramelized biscuit taste in other products that are strongly anchored in their consumption patterns. For this reason Lotus caramelized biscuit spread and Lotus caramelized biscuit ice

cream have been developed on the basis of Lotus caramelized biscuits, enabling consumers to find again the familiar and unique Lotus caramelized biscuit taste in these products.

### GINGERBREAD

This authentic product from the Low Countries (modern day Belgium and Holland) has developed very strongly in the Netherlands, where gingerbread is very popular. Strong brands like Peijnenburg and Snelle Jelle have been turned into modern, contemporary concepts that match the consumption patterns of today's conscious consumers. Koninklijke Peijnenburg has almost 60% of the Dutch gingerbread market.



### CAKE SPECIALTIES

This group of authentic products is difficult to bring under a common denominator. In almost every case these are specialties that are very popular in their region and country of origin.

These specialties have an outstanding quality and strong branding. These products, like frangipane, madeleine, carré confiture and Zebra in Belgium, Glacés and Enkhuizer cookies in the Netherlands

and Breton butter specialties in France are mainstays for the popularity of the Lotus brand.



### WAFFLES AND GAULETTES

Belgium and France have long had a good reputation for waffles. Lotus Bakeries has a very wide range here consisting primarily of Liège waffles, soft waffles, filled waffles, galettes (thin, crispy waffles) and vanilla waffles. In 2014 the Suzy brand was relaunched for Liège waffles in Belgium.







### PEPPARKAKOR BISCUITS

Pepparkakor biscuits are traditional Swedish biscuits, in the form of a thin, crispy biscuit enriched with cinnamon and ginger spices. Annas Pepparkakor introduced pepparkakor biscuits as a specialty in Sweden, Finland, the United States and Canada, but also in Asia.

### DINOSAURUS BISCUITS

Using the Dinosaurus brand, Lotus Bakeries is seeking to build a position in the broad biscuits segment. Dinosaurus has for years been the favourite children's biscuit in Belgium and France. Lotus Bakeries will focus on internationalizing the brand. The basic Dinosaurus range (wholewheat - milk chocolate - dark chocolate) has been expanded with a new 'Dinosaurus filled' variety, consisting of the typical Dinosaurus biscuits sandwiching a layer of real Belgian chocolate (milk chocolate - dark chocolate) or a layer of vanilla.

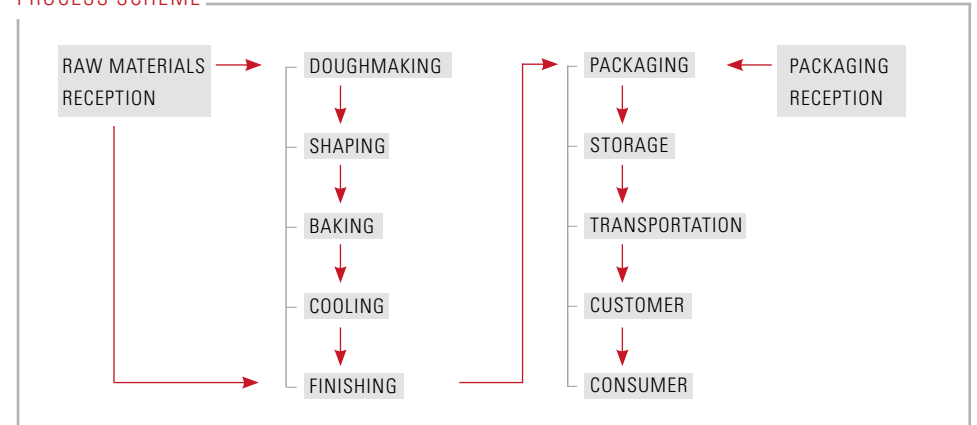


## 3 | PRODUCTION FACILITIES

Lotus Bakeries' product range involves it is active in a wide range of different production technologies.

Understanding, mastering and further developing these technologies is a constant challenge. This makes it important to concentrate the products and production processes in specialized plants.

### PROCESS SCHEME



#### Belgium

Courcelles	waffles and galettes
Eeklo	caramelized biscuits
Lembeke	caramelized biscuits and Dinosaurus biscuits
Lokeren	logistics centre
Meise	waffles
Oostakker	cake specialties

#### Netherlands

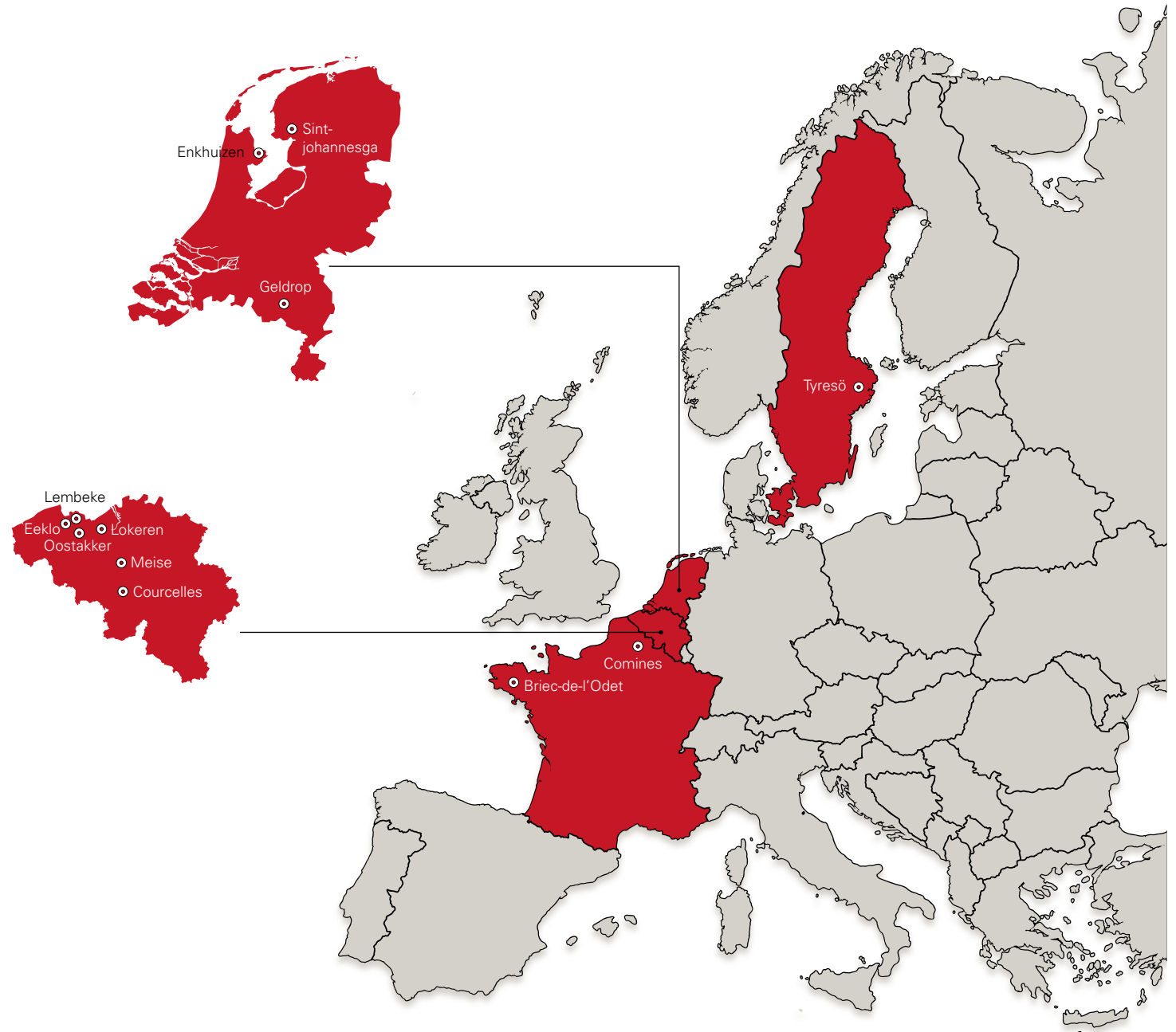
Enkhuizen	Enkhuizer cookies and cake specialties
Geldrop	gingerbread
Sintjohannesga	gingerbread

#### France

Briec-de-l'Odet	Breton butter products
Comines	cake specialties and filled waffles

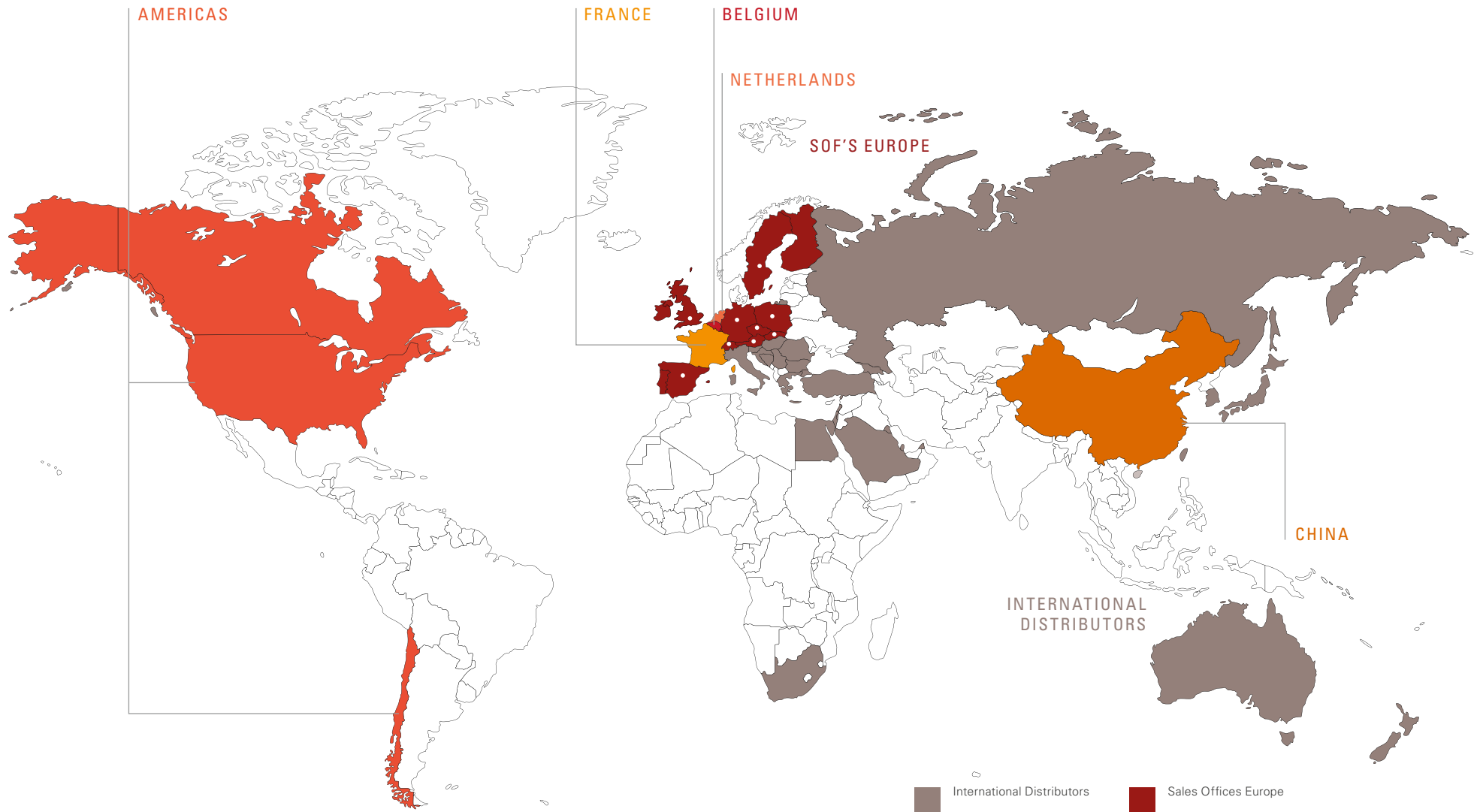
#### Sweden

Tyresö	pepparkakor biscuits
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#### 4 | COUNTRY AND REGIONAL ORGANIZATIONS WITH OWN SALES ORGANIZATION (SOF) & DISTRIBUTORS





^ TV commercial Peijnenburg

3 LOTUS BAKERIES GROUP'S PROFILE





4

REPORT OF THE BOARD  
OF DIRECTORS

## 1 | ACTIVITIES IN 2014

### 1.1 MARKET SITUATION AND SALES RESULTS

#### EVOLUTION OF TURNOVER in millions of EUR



#### GENERAL EVOLUTION OF TURNOVER

In 2014 the consolidated turnover of the Lotus Bakeries Group grew by 4.7% to EUR 348 million. This growth comes almost entirely from branded products, where turnover increased by EUR 14 million. Most of this relates to the international growth of original caramelized biscuits and spread, and the growth of Lotus Dinosaurus and waffles.

Lotus Dinosaurus made a significant contribution to growth in Belgium and France, with additional efforts made in 2014 to strengthen distribution. The basic range was successfully launched onto the Dutch market.

2014 was a very good year for Lotus waffles. During autumn Lotus Bakeries invested heavily in Belgium in rebranding the waffle category to 'Lotus Suzy', with strong media support, presence at events and support at points of sale. In France too, Lotus Bakeries fulfilled its ambition of further developing the total waffle category. Liège waffles were relaunched with new packaging formats. For the first time, Liège waffles were supported by a national TV campaign and in-shop promotions.

The strategy of internationalizing original caramelized biscuits in a sustainable way has been consistently pursued. Several countries presented good growth in original caramelized biscuits and spread, among them the UK, France, the Netherlands and Israel. Appropriate commercial efforts adjusted to the specificities of each

market contributed to a huge success and customer appreciation of both original caramelized biscuits and spread. These efforts include an active PR programme in the UK and television campaigns in France and the Netherlands. In Israel, the growth was achieved by close cooperation between the own sales team and a well-chosen distribution partner, relying strongly on television campaigns and social media.

At an international level, Lotus Bakeries will keep investing, on the one hand in the existing sales offices such as the United States and, on the other hand, in new markets. On 1 August 2014, after careful preparation, Lotus Bakeries started its own sales office in China (Shanghai) and the cooperation with the distribution partner was terminated. Lotus Bakeries has been in China for 10 years now, and the development of a sales office in this region marks the next step in its long-term strategy, aimed at further growth and market penetration.

#### SOME NOTABLE ACHIEVEMENTS IN THE DIFFERENT AREAS

##### Belgium

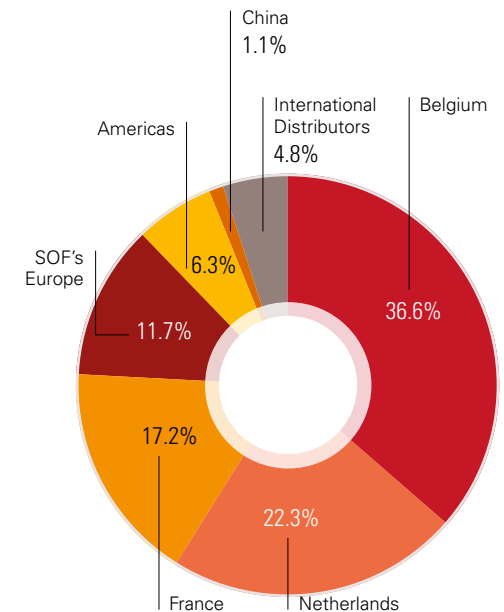
The overall category of sweet biscuits is a major category in Belgium, with a penetration of 99%, making almost every household a potential customer. This category has seen an average annual growth of over 2.4% in value during the past five years.

In 2014, the Lotus brand was the growth engine in this biscuit segment. In the process the Lotus brand has become the number one in volume in the cakes and sweet biscuits category.

The Lotus brand continues its positive growth through consistent application of its strategy of building penetration by focusing on superior product quality, strong communication and consumer-driven innovation.

2014 was a special year for Lotus Dinosaurus. Exactly one year after the introduction of the Dinosaurus biscuit in the Belgian and French markets, the entire production process was transferred to Lembeke. For this Lotus Bakeries invested in a new fully automated production and packaging line that guarantees superior product quality and flexibility.

#### GEOGRAPHICAL TURNOVER DISTRIBUTION





Right from the launch of Lotus Dinosaurus it was crucial to achieve optimal in-store presence. On top of this, Lotus Dinosaurus was strongly supported during the past year by television campaigns and in the social media. Just before year end the range was expanded with a new 'Dinosaurus filled' variety, consisting of the typical Dinosaurus biscuits sandwiching a layer of real Belgian chocolate or a layer of vanilla.

2014 was also an important year for waffles. The rebranding of the waffle category to 'Lotus Suzy' considerably strengthened the recognizability of the waffles of Lotus Bakeries, both on the shop shelf and in TV campaigns. With the 'Lotus Suzy lady' Lotus Bakeries is reverting to the original concept, but with a contemporary twist. With massive support, but also an improved recipe Lotus Bakeries gave a serious boost to the waffles category. The support consisted of several

“ If you placed in a row the Lotus caramelized biscuits that roll out of the oven each year, they would circle the world nine times. ”

elements: TV spots, attendance at events with the Lotus Suzy lady, in-store animations giving consumers an opportunity to taste the Lotus Suzy waffles, and a strong in-store presence with attractive displays bringing the Lotus Suzy world to life.

The Lotus original caramelized biscuit is the most international product and also crucial for the Belgian market. The basic caramelized biscuit products like the classic 250g, the fresh pack 700g and the family pack 1 kg continue their strong performance. Lotus Bakeries obviously wishes for every consumer to be able to find the Lotus original caramelized biscuit in the format most suitable for him or her. For this reason Lotus Bakeries has introduced a 125g pack, and in 2015 will be making mini-caramelized biscuits available in smaller retail packs. The iconic shape of the original caramelized biscuit with the typical jagged edge has been instated throughout the caramelized biscuit range.

Lotus original caramelized biscuits also remain an indispensable part of the feast of Saint Nicholas. Besides the classics Lotus Bakeries innovated in 2014 with the mini-Saint Nicholas biscuit. Lotus is and remains the proud purveyor of original caramelized biscuits to Saint Nicholas.

In the cakes category, Lotus frangipane and Lotus madeleine continue to top the list. A clear focus on product quality, combined with strong support in the media and in-store remain here the main drivers for growth. Last year a big cake festival was again successfully organized in retail outlets.

#### **The Netherlands**

The Dutch retail market in 2014 was generally difficult with a slight downturn in turnover and volume. Despite this, Lotus Bakeries maintained and even strengthened its market share. Peijnenburg stood out from the pack with its new brand campaign and the repositioning of its 'Luxe' gingerbread, as did Snelle Jelle with the

introduction of the new 'Tussendoor' ('in between' or quick snack) format. Lotus Koffieletjes continued its positive development in terms of penetration and volume in 2014.

In 2014, Peijnenburg repositioned its 'Luxe' gingerbread, with an even richer filling and appearance. The new Peijnenburg TV campaign was launched with the theme 'Lekker Thuis met Peijnenburg' ('Happy Homes with Peijnenburg'). With this campaign Peijnenburg seeks to remind consumers that the main time of day to eat gingerbread is at breakfast and thus at home with the family. The first reactions are positive, and the new campaign was nominated in December for the 'Golden Loekie' prize, confirming consumers' appreciation of the commercial.

Snelle Jelle's penetration grew again in 2014 as a result of the new 'ice skater' commercial, on-pack actions, the intensive sampling program and the new smaller formats for quick-snack moments. As a result, Snelle Jelle's market share in the single segment increased further to over 50%.

2014 was another year of growth for Lotus Koffieletjes in terms of penetration and volumes. TV commercials combined with in-store activities have further enhanced the prominence of the Lotus brand. The association of Lotus Koffieletjes with coffee time was brought prominently to the fore and further expanded with an on-pack action enabling people to save up for the original Lotus coffee cup. Through billboarding, Lotus original caramelized biscuit spread too has benefited from this TV support.

Finally, in 2014 the company took a very good step forward in building up the distribution for Lotus Dinosaurus. Despite being a completely new brand on the Dutch market, within barely two months of its introduction, Lotus Dinosaurus could already be found in over 65% of supermarkets.

### France

The Lotus brand in France again achieved double digit growth thanks to a consistent focus on the group's top products.

Lotus Bakeries strengthened its market leadership in the caramelized biscuit segment by intensive media support with a total of three TV campaigns, by greater in-store visibility, expanding the product range with a new entry format and a prominent presence of Lotus original caramelized biscuits in the out-of-home channel.

In terms of purchasing households, Lotus original caramelized biscuits are now the fifth strongest product on the entire French biscuit market. Original caramelized biscuit spread also achieved strong growth with the help of specific media support.

Lotus Bakeries strengthened its position as a market leader in waffles. Liège waffles were relaunched with new packaging formats, improved product quality, and supported for the first time with a national TV campaign and in-store promotions. The other waffle segments also performed well. The Lotus 'Tendre Gaufre' soft vanilla waffle, launched at end of 2013, gained a solid place in the market.

Lotus Dinosaurus too had a strong year with the combination of distribution growth, more in-store activation and its first national TV campaign.

The Le Glazik brand remains a strong local contender in its Brittany home area with a wide assortment of butter cakes and biscuits.

### Sales Offices Europe

This year, all European countries where Lotus Bakeries has sales offices, apart from Belgium, France and the Netherlands, were brought together in a single 'Area Sales Offices Europe' division. In this way greater focus was placed on the sales and marketing activities, and a platform created to share best practices among the various sales offices.

In the UK the sale of both Lotus Biscoff original caramelized biscuits and Lotus Biscoff original caramelized biscuit spread grew hugely, increasing its penetration, i.e. the number of households buying the product at least once a year, by 1 percentage point.. Distribution was increased across the various supermarket chains, combined with a range broadening. Original caramelized biscuit spread is now available at all major supermarket chains with attractive rotation figures. An active PR program has ensured that Lotus Bakeries is featured very positively in the media, culminating in the 'Crack in a jar' article in the Daily Mail. Fully in line with the strategy, additional steps have been taken in the out-of-home channel, with increasing numbers of customers reached with Lotus Biscoff, as the biscuit for coffee.

In Germany and Austria the commercial organization was strengthened, enhancing the distribution of Lotus Biscoff original caramelized biscuits and biscuit spread in supermarkets. A very strong grower is the Czech Republic where a dynamic activities programme has significantly increased sales and penetration.

In the Nordics the pepparkakor season started a few weeks later this year, as a result of which the overall market fell slightly. However, by introducing a 'special edition' Annas pepparkakor collectors' box, Lotus Bakeries drew consumers' attention to the Annas brand, enabling Lotus Bakeries to capture additional market share. For original caramelized biscuits, sales were switched in 2014 from the Annas Lantkakor brand to Lotus Biscoff, marking a clear distinction between the Annas brand for the Scandinavian pepparkakor specialty and Lotus Biscoff for original caramelized biscuits.

In Spain too the commercial team changed and was strengthened to provide closer follow-up in retail and out-of-home but also in the various Spanish regions. At the end of last year the office relocated to a new location in Madrid and the logistics and the warehousing activities were outsourced.

This year Switzerland exhibits an attractive penetration and revenue growth. For the Swiss team a new colleague has been recruited with exclusive focus on and responsibility for the out-of-home channel. PR activities have also been launched in Switzerland.

### Americas

For Lotus Bakeries US the longstanding cooperation with Delta Airlines remains important, with more than 60 million customers a year served with the Lotus Biscoff Filter biscuit on their flights. It has always been a basic strategic principle to use the out-of-home channel to acquaint consumers with Lotus original caramelized biscuits and so convince them to buy Lotus original caramelized biscuits in their home supermarkets.

Strong partnering with retail clients for in-store activations and shelf positioning is and remains crucial for further sales growth. Lotus Bakeries therefore decided to boost its US account and category management. This strengthening, combined with an optimization of logistic flows, provides a solid basis for further growth in the coming years in this market with significant potential.

The Chile sales office has been launched with the objective of getting Lotus Biscoff original caramelized biscuits known in South America. In 2014, further steps were undertaken and distribution agreements concluded for Lotus Biscoff original caramelized biscuits in Chile, Guatemala and Brazil.

### International Distributors

The 'International Distributors' area covers all countries in which Lotus Bakeries does not operate through its own sales offices, but distributes Lotus products through commercial distribution partners. In 2014 the 'International Distributors' area was divided into three geographic segments (Middle East & Africa/Europe/Asia Pacific), each with its own dedicated account

management. In this way Lotus Bakeries provides the appropriate support and the commercial partners gain the necessary focus.

Within the 'International Distributors' area, 'Middle East & Africa' grew very strongly in 2014, with powerful sales growth in Israel for both Lotus Biscoff original caramelized biscuits and biscuit spread. This growth is based both on the distribution of additional caramelized biscuit references and the further emphasis on TV advertising and the social media. Given the current situation in the Middle East, it is all the more remarkable that Lotus Bakeries is able to continue to grow in most countries. The Middle East remains a region with many opportunities for Lotus Biscoff. For this reason a partner was appointed in 2014 for Bahrain.

In the 'Europe' segment it was decided to work in the Italian market with two different distribution partners, one for retail and one for the out-of-home channel. The management is confident that this focus will support the continued growth of Lotus Bakeries in Italy. Other countries in the 'Europe' segment such as Turkey, Greece, Cyprus and Russia also saw further growth.

In 'Asia Pacific' the switch to a new partner in Japan went ahead successfully. Significant growth was recorded in both South Korea and Australia. In the fourth quarter a new commercial partner was appointed to introduce Lotus Biscoff in the Philippines. The strong support and activation programs in both stores and in the social media have already shown to be a promising start.

### China

The first sales of Lotus original caramelized biscuits in China date back to 2004, when a distribution partner was used for distributing the Lotus Bakeries products. To achieve even greater impact and to respond faster to customer needs it was decided in 2014 to start up a sales office in Shanghai.

In cooperation with a logistics partner Lotus Bakeries itself looks after importing and transporting Lotus products in China. The Lotus Biscoff biscuits are distributed across China via sub-distributors, national key accounts and by e-commerce customers. The China team is a good mix of experienced Lotus staff and local professionals, who together provide the necessary commercial support for our distribution partners.

The transition has gone to plan, and Lotus Bakeries is convinced that further growth will be achieved in the coming years in China by having its own local team. Currently Lotus Biscoff is available in the top 100 cities in China across some 30 provinces. The focus will be on strengthening penetration and improving the availability and visibility of the Lotus products. The catering market plays an important role here and the concept of Lotus Biscoff original caramelized biscuits accompanying coffee will be further introduced in China.



## 1.2 INVESTMENTS AND INDUSTRIAL OPERATIONS

In 2014 Lotus Bakeries invested a total of EUR 16.5 million. The largest investments were in Belgium, with the installation of a completely new automated production line for Lotus Dinosaurus and the building of a new headquarters in Lembeke.

Exactly one year after the introduction of the Dinosaurus biscuit on the Belgian and French markets, production was fully transferred to Lembeke. For this purpose Lotus Bakeries has invested in a new fully automated production and packaging line, on which other product varieties like Dinosaurus filled can also be produced.

Early in 2015 group management, along with the international and certain corporate departments, moved to a new location further along the Gentstraat. In doing so Lotus Bakeries has opted to keep its headquarters anchored in Lembeke, where the company originated in 1932.

The operational excellence programme remains the focal point for optimising the production branches with regard to safety, quality, continuity of deliveries and cost. An extensive strategy to increase safety awareness in all employees led to a drastic reduction of the number of occupational accidents by almost 50% in 2013. In 2014 this figure fell slightly, but there is now one additional production plant. Through teamwork, visual management, internal training and the '5 S's' (a tool aimed at order and tidiness under the keywords 'Sort, Set in order, Shine, Standardize, Sustain') all production employees are closely involved in the daily control of the production lines.

An internal questionnaire has also shown that the engagement and satisfaction of production employees has further increased as a result of this strategy.

The training policy was further streamlined with induction days for new employees, training checklists, visual work instructions and 'train-the-trainer' sessions.

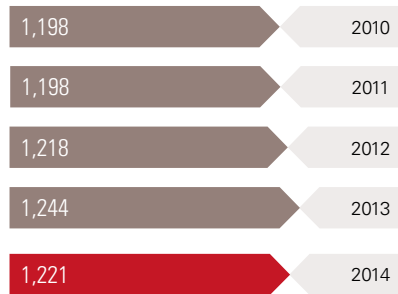
## INVESTMENTS in millions of EUR







## PERSONNEL



### 1.3 PERSONNEL AND ORGANISATION

#### Evolution of personnel

The number of employees fell during the year to 1,221 at 31 December 2014 as against 1,244 at the end of 2013.

The table below shows the number of employees per area and the evolution in comparison to last year.

Area /Organisation	Number of employees	Evolution
Belgium	695	-6
Netherlands	240	-30
France	120	+2
Sales Offices Europe	67	+3
Americas	20	-4
China	11	+8
International Distributors	6	+1
Corporate	62	+3
<b>Totaal</b>	<b>1,221</b>	<b>-23</b>

The reduced headcount in the Netherlands is explained mainly by the further optimization of production.

The proportion of men and women in the total is 49.55% and 50.45% respectively.

#### Take Care week

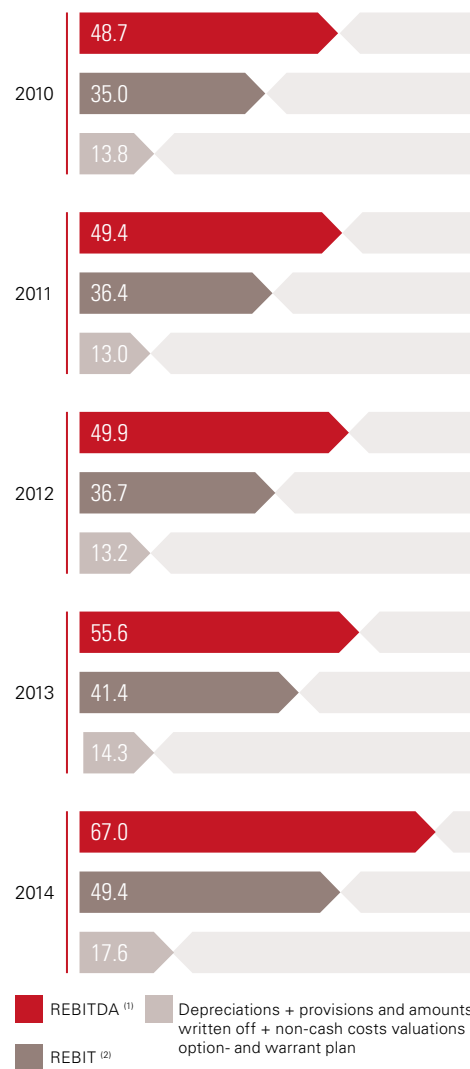
In September 2014, employees at the Belgian sites (area Belgium and Corporate) enthusiastically participated in the 'Take Care week'.

The interaction and involvement of everyone with the 'Care for today - Respect for tomorrow' program is actively illustrated here (see also p. 76-77).

“ We have clear expectations of our employees. They need to be team-oriented and open. And above all they must be passionate about their profession. ”



**EVOLUTION OF REBITDA<sup>(1)</sup> AND REBIT<sup>(2)</sup>**  
in millions of EUR



(1) REBITDA is defined as recurrent operating result + depreciations + provisions and amounts written off + non-cash costs valuations option- and warrant plan.

(2) REBIT is defined as recurrent operating result, consisting of all the proceeds and costs relating to normal business.

**2 | FINANCIAL INFORMATION**

**2.1 EVOLUTION OF COSTS**

The increase in costs in 2014 is linked to additional sales volumes and the associated commercial efforts. On top of this all areas undertook additional investments in marketing, in line with Lotus Bakeries' active branding policy which will also be pursued in the future.

The Lotus Bakeries policy of passing on changes in raw materials and packaging prices and other cost elements, in combination with production efficiencies, will be consistently continued.

**2.2 PROFITABILITY**

The recurrent operating result (EUR 49.4 million) and recurrent operating cash flow (EUR 67 million) increased by respectively EUR 8.1 million (19.5%) and EUR 11.4 million (20.5%) compared to last year.

Operational efficiencies resulting from the investment programs of recent years are making a significant positive contribution to operating profit. In particular, the restructuring of the gingerbread factories in the Netherlands and the continued focus on efficiency gains in the Belgian, French and Swedish factories, specializing in original caramelized biscuits, pepparkakor biscuits, waffles and cakes, have increased profitability.

Furthermore, the increased turnover of Lotus Dinosaurus, waffles, original caramelized biscuits and spread results in an increase of the operating result. Lotus Bakeries has chosen to further increase its marketing efforts in 2014 in its three largest countries. In France, three television campaigns were launched for original caramelized biscuits, along with a new commercial for waffles.

In Belgium, in addition to original caramelized biscuits, frangipane and Lotus Dinosaurus, Lotus Bakeries invested heavily in a new Lotus Suzy commercial. As for the Netherlands, in autumn Lotus Bakeries launched a new 'Lekker thuis' ('Home's best') TV campaign for the Peijnenburg brand, while continuing the Snelle Jelle campaign. In 2013, a non-recurrent operating loss of EUR 3.7 million was recorded, due mainly to restructuring costs in the gingerbread factories in the Netherlands. With the restructurings in the Netherlands now complete, the non-recurrent operating loss only amounts to EUR 0.3 million. The financial result in 2014 is slightly positive, partly reflecting the further reduction of financial debt and the low funding costs, but mainly due to positive results on exchange rates. The tax expense is EUR 12.4 million or 25.2% of the result before taxes. The net result increases by 31.7% compared with 2013 to stand at EUR 36.8 million. The low financial and non-recurrent costs explain why the percentage growth in net result is even higher than that of the operating result.

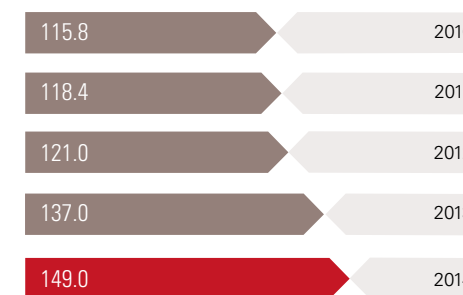
**2.3 PRINCIPAL RISKS AND UNCERTAINTIES**

The Lotus Bakeries Group's greatest market risks are fluctuations in raw material and packaging prices, exchange rates and interest rates.

**1. Raw material and packaging costs**

The risk of negative consequences of fluctuations in raw material prices on the results is limited by the signing of forward contracts with a fixed price for the most important volatile raw materials. For other raw materials and for packaging, yearly agreements are made when possible.

**EVOLUTION OF ADDED VALUE<sup>(1)</sup>**  
in millions of EUR



(1) Added value is defined as operating income minus commercial goods, raw materials, services and miscellaneous goods.

## 2. Currency Risk

Purchasing takes place predominantly in euros. On the sales side too, a very significant portion of the turnover is invoiced in euros. The main foreign currency transactions related to buying and selling are in USD, GBP, CHF, CZK and SEK. Lotus Bakeries Group seeks to net out as far as possible its purchases and sales in foreign currencies, with net foreign exchange risks hedged if necessary by forward and/or option contracts.

## 3. Interest rate risk

Part of Lotus Bakeries' financial obligations (kEUR 425) with a variable interest rate is hedged based on the Euribor.

## 4. Credit risk

The Lotus Bakeries Group opts to conclude contracts as far as possible with creditworthy parties or to limit the credit risk by means of securities.

The Lotus Bakeries Group has a diversified international customer portfolio, consisting mainly of large retail, cash-and-carry and food service customers in various countries. For export outside Western and Northern Europe, the United States and Canada the Lotus Bakeries Group works on a documentary credit basis or uses credit insurance. The average number of days' customer credit is relatively limited. Within the Lotus Bakeries Group, there are strict procedures to accurately follow up on customers and to handle possible risks as quickly and as efficiently as possible.

For financial operations, credit and hedging, the Lotus Bakeries Group works only with established financial institutions.

## 5. Liquidity risk

Given the significant size of operating and net cash flow in relation to the net financial debt position, the Lotus Bakeries Group's liquidity risk is limited.

## 6. Balance sheet structure

Lotus Bakeries aims for a capital structure (the balance between debt and capital) which will give it the required financial flexibility to implement its growth strategy.

Lotus Bakeries strives to keep the proportion of net financial debt (defined as financial debt - cash investments - liquid assets - treasury shares) and the recurrent operating cash flow (REBITDA) at what is considered to be a normal healthy level in the financial market.

## 7. Product liability risks

The production, packing and sale of food products give rise to product liability risks.

Lotus Bakeries applies the highest product safety standards to the entire production and distribution process, from the purchase of raw materials through to the distribution of the final product, supported and guaranteed by structured procedures and systematic internal quality audits. External audits take place at regular intervals.

The necessary product liability insurance has been subscribed within reasonable limits.

## 8. Pension scheme risks

The form of and benefits under pension schemes existing within the Lotus Bakeries Group depend on the conditions and customs in the countries involved.

A major portion of these pension schemes are defined contribution schemes, including in Belgium, France, Sweden, Canada and the United States. These are funded by employer and employee contributions and charged to the income statement of the year in question.

Because of the Belgian legislation applicable to second pillar pension plans (so-called 'Law Vandenbroucke'), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans.

In the Netherlands a defined benefit pension plan has been concluded with BPF. Because employers pay a fixed contribution, the scheme falls under the defined contribution scheme.

Defined benefit pension schemes exist in the Dutch and German subsidiaries.

## FINANCIAL RATIOS

	2014	2013	2012	2011	2010
Days customer credit	41	40	38	35	32
Solvency ratio (%)	59.5	51.3	53.7	53.3	48.9
Liquidity ratio (Current ratio)	0.8	0.6	0.6	0.8	0.7
Gross sales margin (%)	18.9	16.1	17.1	17.6	17.9
Net cash flow/Net financial debts (%)	298.0	92.9	177.9	334.6	160.6
Net profitability of equity (%)	18.3	16.3	17.7	18.8	21.0

In certain companies provisions also exist for early retirement ('bridge') pensions (Belgium) and pension obligations resulting from legal requirements (France). These are also treated as defined benefit schemes. For these defined benefit schemes the necessary provisions are set up based on the actuarial present value of the future obligations to the employees concerned.

Through its defined benefit plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

- Changes in bond yields: a decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.
- Salary risk: the majority of the plans' benefit obligations are calculated by reference to the future salaries of plan members. As such, a salary increase of plan members higher than expected will lead to higher liabilities.
- Longevity risk: pension plans provide benefits to the participants throughout their remaining lives. An increase in life expectancy will therefore result in an increase in the pension plan obligations.

## 2.4 FINANCIAL INSTRUMENTS

The Lotus Bakeries Group uses financial instruments to hedge the risk of adverse exchange and interest rate fluctuations. No derivatives are used for trading purposes. Derivatives are initially measured at cost and thereafter at fair value.

## 2.5 RESEARCH AND DEVELOPMENT, INNOVATION AND SUSTAINABILITY

### Innovation and production development

The quality of all Lotus Bakeries products is an absolute priority and all employees are intensely involved in the continuous drive for high quality products and processes, which are audited internally as well as externally.

The R&D department hopes to contribute to better products with new insights into processes and the interactions between various ingredients. In this, Lotus Bakeries does not only employ its own expertise but also calls on the expertise of well-known university knowledge centres in Belgium and the Netherlands, and of existing innovation platforms set up by the food industry. According to the calculation method of the IWT, Lotus Bakeries invests more than twice the average of the food sector into R&D.

Consumers also ask for an assortment aimed at certain consumption moments. These questions are plotted into the innovation funnel, and lead to interesting new developments.

### Sustainability

The 'Care for today - Respect for tomorrow' programme represents in a clear way how Lotus Bakeries is handling sustainability. Last year Lotus Bakeries began testing this programme with all its stakeholders in accordance with the Global Reporting Initiative (GRI), version GRI-G4. You can read the result in the chapter 'Care for today - Respect for tomorrow'.

## 2.6 SIGNIFICANT FACTS AFTER 31 DECEMBER 2014

No significant events have occurred after 31 December 2014.

## FINANCIAL RATIOS

	2014	2013	2012	2011	2010
<b>In % of operating income</b>					
Added value	42.8	41.2	42.0	43.0	43.7
REBITDA	19.3	16.7	17.3	17.9	18.4
Net cash flow	17.3	13.7	14.9	13.2	14.4
REBIT	14.2	12.5	12.7	13.2	13.2
Net profit	10.6	8.4	8.9	8.6	8.7
<b>In % of added value</b>					
Personnel expenses	52.9	57.6	57.8	58.1	56.6
Depreciations <sup>(1)</sup>	10.0	9.7	9.7	9.4	9.8
Taxes	8.3	5.9	6.1	7.7	7.0
Net financial charges <sup>(2)</sup>	-	1.3	1.3	0.6	2.6
Net profit	24.7	20.4	21.3	20.1	19.9

(1) Not included depreciations on consolidation differences.

(2) Net financial charges is defined as financial result excluding depreciations on consolidation differences.



### 3 | PROSPECTS FOR 2015

In 2014, Lotus Bakeries was able to produce an attractive turnover growth of over 5.2% on its branded products. Profitability grew even more strongly, with recurrent operating cash flow up 20.5% to EUR 67 million and net result up 31.7% to EUR 36.8 million.

The strong internal turnover growth, linked to the consistent application of the Lotus Bakeries commercial and marketing strategy, is contributing significantly to the increased profitability.

“ In 2015, we are going for growth. In particular with the Lotus Dinosaurus biscuit we are bringing to market in seven countries. ”

Lotus Bakeries will continue to invest heavily in marketing & sales in order to support and further develop its brands and the associated specialties.

The waffle category will continue to be supported in France and Belgium. The gingerbread category in the Netherlands experienced a slight decrease compared to last year. Various initiatives are being taken to support the category of gingerbread and healthy snacks: a new commercial, product innovations in terms of improved packaging and new product varieties.

Lotus Bakeries is focusing heavily on the further growth of Lotus Dinosaurus. In Belgium and France, where the brand is well established, Lotus Bakeries is expanding distribution by introducing 'Lotus Dinosaurus filled'. An additional focus is further internationalization with the introduction of the Lotus Dinosaurus range in a number of European countries like the Netherlands, UK, Sweden, Finland and the Czech Republic. As Lotus Bakeries will be giving these introductions maximum support both in-store and through appropriate marketing efforts, their contribution to turnover and profitability in the startup phase will be very limited.

As for China, 2014 was a transition year, in which Lotus Bakeries laid the foundations for the new sales office, which will enable Lotus Bakeries to continue growing in an interesting market. The combination of local professionals and expats with long-time Lotus Bakeries experience will enable Lotus Bakeries to focus on the appropriate marketing and sales strategy for China.

Both the management and the Board of Directors of Lotus Bakeries are convinced that the right strategy and a good basis are in place for continuing, profitable, long-term growth.



## 4 | RESULTS AND PROPOSAL FOR APPROPRIATION OF RESULTS

### CONSOLIDATED

The consolidated net profit of the year 2014 amounted to EUR 36.8 million as compared to EUR 27.9 million in 2013.

### STATUTORY

The results of the year 2014 of the parent company Lotus Bakeries NV are as follows:

in EUR

- Profit of the financial year	11,964,660.23
- Transfer from untaxed reserves	-
- Transfer to untaxed reserves	-
<b>- Profit for the year available for appropriation</b>	<b>11,964,660.23</b>

The Board of Directors proposes to appropriate the profit balance as follows:

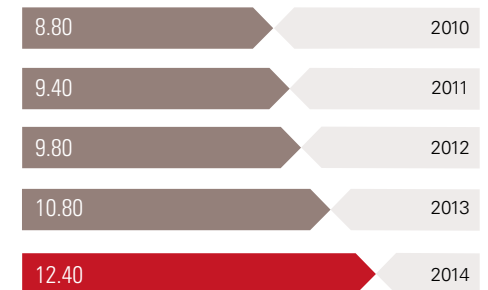
- Allocation to legal reserves	3,476.01
- Addition to other reserves	1,417,997.02
- Distribution of a gross dividend <sup>(1)</sup>	10,293,187.20
- Distribution of emoluments to directors	250,000.00
<b>TOTAL</b>	<b>11,964,660.23</b>

(1) The dividends on the purchased Lotus Bakeries shares will be paid to Lotus Bakeries NV and, as a consequence, will not be suspended.

In line with legal requirements, the balance presented for the approval of the shareholders has been drawn up based on this distribution.

If the Ordinary General Meeting of Shareholders of 8 May 2015 accepts the Board of Directors' proposal, the net dividend per share will amount to EUR 9.3, after deducting a withholding tax of 25%. This net dividend will be payable as from 18 May 2015 on surrender of coupon no. 27 at Bank Degroof, BNP Paribas Fortis, Belfius, ING Bank, KBC Bank and Petercam.

EVOLUTION OF GROSS DIVIDEND PER SHARE  
in EUR







## 5 | CORPORATE GOVERNANCE DECLARATION

Lotus Bakeries has adopted a Corporate Governance Charter which can be consulted on the website ([www.lotusbakeries.com](http://www.lotusbakeries.com)). This charter is adapted whenever this is deemed suitable or necessary in relation to the development of the policy regarding corporate governance and the changes in applicable regulations.

Through this charter Lotus Bakeries commits to applying the principles of the Corporate Governance Code of 12 March 2009 and to respecting the legal norms and regulations of corporate governance.

The charter describes the main aspects of Lotus Bakeries' corporate governance and the internal rules of procedure of the Board of Directors, the Committees and the Executive Committee.

This annual review gives the data on the application of Lotus Bakeries' corporate governance policy. There are no deviations from the provisions of the Corporate Governance Code.

### 5.1 SHARE CAPITAL AND SHARES

#### 5.1.1 Share capital

As a result of the exercise of warrants the share capital of Lotus Bakeries NV was increased on 7 April 2014 by EUR 34,760.00 from EUR 3,499,223.65 to EUR 3,533,983.65. On April 3, 2015, through the exercise of warrants, the share capital of Lotus Bakeries NV was again increased by EUR 37,180 from EUR 3,533,983.65 to EUR 3,571,163.65.

4 REPORT OF THE BOARD OF DIRECTORS

#### 5.1.2 Shares

Through the exercise of warrants and subsequent capital increases, 7,900 new shares of Lotus Bakeries NV were issued on 7 April 2014, and on 3 April 2015 another 8,450 new shares. This first transaction took the total number of Lotus Bakeries shares increased from 795,113 to 803,013 and afterwards to 811,463.

On 31 December 2014 the number of shares in Lotus Bakeries NV amounts to 803,013.

The shares are registered or dematerialised.

#### 5.1.3 Share options

In the context of the Lotus Bakeries share option scheme, 6,160 share options were issued in 2014. Per 31 December 2014 the total number of unexercised share options was 19,722.

Year of issue of the options	Number of allocated options <sup>(1)</sup>	Number of options exercised <sup>(2)</sup>	Total of available options
2007	11,950	9,900	2,050
2010	2,400	1,600	800
2011	1,200	-	1,200
2012	5,238	-	5,238
2013	4,339	-	4,339
2014	6,095	-	6,095

(1) Cumulative number allocated minus cumulative number lapsed.

(2) Cumulative number exercised.

#### 5.1.4 Warrants

The key conditions of the warrant plan set out in 2007, the exercise conditions and the key consequences of the abolition of the pre-emptive right for shareholders are set out in note no. 25 of the financial appendix.

#### 5.1.5 Purchase of treasury shares

The Extraordinary General Meeting of 9 May 2014 authorized the Board of Directors of Lotus Bakeries NV for a period of 5 years (i) to acquire the shares or profit certificates of the company in an amount of up to 20 percent of the issued capital under the conditions stipulated by the Companies Code, with as compensation the average closing share price of the company over the last 30 calendar days prior to the date of purchase, reduced by 20 per cent as a minimum price and increased by 10 percent as a maximum price; this authorization also applying to the acquisition of shares and profit certificates of the company by one of its directly controlled subsidiaries under Article 627 of the Companies Code, and (ii) to dispose of any shares or profit certificates of the company, regardless of when and on what basis they were acquired, if this divestment either forms part of a stock option plan approved by the Board of Directors of the company, subject to payment of the agreed option price, or takes place against compensation that is not lower than the average closing share price of the company over the last 30 calendar days prior to the date of sale reduced by 20 percent and no higher than this average increased by 20 percent.

In 2014 1,218 treasury shares were purchased. The total number of purchased treasury shares in the portfolio at the end of the financial year is 21,416, which represents an accounting par value of EUR 94,230.40 or 2.67% of the issued capital.

All stock market transactions were executed in accordance with the various mandates granted by the Extraordinary General Meetings of Shareholders to the Board of Directors.

## 5.2 SHAREHOLDERS AND SHAREHOLDING STRUCTURE

The shareholding structure of Lotus Bakeries NV as of 31 December 2014 is as follows:

	No. of voting rights	% voting rights
Stichting Administratiekantoor van Aandelen Lotus Bakeries <sup>(1)</sup>	455,323	56.70%
Lotus Bakeries NV <sup>(2)</sup>	21,416	2.67%
<b>Total held by Stichting Administratiekantoor van Aandelen Lotus Bakeries and Lotus Bakeries</b>	<b>476,739</b>	<b>59.37%</b>
Holding Biloba BVBA <sup>(3)</sup>	27,000	3.36%
Christavest Comm.VA <sup>(4)</sup>	20,298	2.53%
Publicly held	278,976	34.74%
<b>Total</b>	<b>803,013</b>	<b>100.00%</b>

(1) Stichting Administratiekantoor van Aandelen Lotus Bakeries is not controlled.

The interest of Stichting Administratiekantoor van Aandelen Lotus Bakeries in Lotus Bakeries NV appears in the transparency notification that Lotus Bakeries NV received on 5 April 2013\* and in the notification to Lotus Bakeries NV of the certification of Lotus Bakeries shares in July 2014.

(2) The voting rights attached to the shares held by Lotus Bakeries NV have been suspended. The dividends have not been suspended and will be distributed to Lotus Bakeries NV.

(3) Holding Biloba BVBA is not controlled. The interest of Holding Biloba BVBA in Lotus Bakeries NV appears in the transparency notification that Lotus Bakeries NV received on 3 July 2014\*.

(4) Christavest Comm.VA is controlled by Holding Biloba BVBA, which in turn has no controlling shareholder. Mr. Stanislas Boone and Mrs. Christiane De Nie are the statutory business managers of Christavest Comm.VA. The interest of Christavest Comm.VA in Lotus Bakeries NV appears in the transparency notification that Lotus Bakeries NV received on 3 July 2014\*.

(\*) Pursuant to article 6 of the Law of 2 May 2007 on disclosure of major holdings.

### Communication according to article 74§7 of the Law of 1 April 2007 on public takeover bids

On 31 August 2010 Lotus Bakeries NV received a communication from Stichting Administratiekantoor van Aandelen Lotus Bakeries in the context of article 74§7 of the Law of 1 April 2007 on public takeover bids.

This communication shows that on 31 August 2010 Stichting Administratiekantoor van Aandelen Lotus Bakeries held 446,378 voting shares in Lotus Bakeries, corresponding to a participation of 55.59% on 31 December 2014.

Since then no updates of this communication have been received pursuant to article 74§7 of the Law of 1 April 2007.



## 5.3 BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORS

### 5.3.1 Board of Directors

#### 5.3.1.1 COMPOSITION

The composition of the Board of Directors, from 1 January 2014 is as follows:

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**Beukenlaan NV, represented by its permanent representative Matthieu Boone** **Chairman**

Matthieu Boone (68) holds a degree in Commercial Engineering (KUL). He has been an executive director of Lotus Bakeries since 1970. He became a managing director in 1989, succeeding Karel Boone as CEO in 2006 until May 2011. Since May 2012 he is Chairman of the Board of Directors of Lotus Bakeries. He is also a member of the Board of Directors of ACG Gent, Crop's NV, Odiseer (previously HUB-KAHO) and Chairman of VKW Oost-Vlaanderen.

The term of office of Beukenlaan NV, represented by its permanent representative Matthieu Boone, as a director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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**Mercuur Consult BVBA, represented by its permanent representative Jan Boone** **CEO**

Jan Boone (43) holds a Master in Applied Economics (KUL), as well as a Master in Audit (UMH). He started his career in the Audit department of PwC. In 2000 he started at Omega Pharma. Until May 2005 he was Head of Corporate Controlling and a member of the Executive Committee and Board of Directors. Since May 2005, he has been active at Lotus Bakeries as managing director and, currently, as CEO. Since May 2005, he has also been a member of the Board of Directors of Lotus Bakeries and, since May 2011, a managing director. In addition he is a director of Omega Pharma (Chairman), Durabrik and Club Brugge.

The term of office of Mercuur Consult BVBA, represented by its permanent representative Jan Boone, as a managing director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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**Vasticom BVBA, represented by its permanent representative Jan Vander Stichele** **Executive Director**

Jan Vander Stichele (51) holds a degree in Civil Engineering (KUL) and has a Candidate degree in Applied Economics (KUL). His previous most important function was as technical director of the Verlipack Group. Since the end of 1996 he has been active in the Lotus Bakeries Group, initially as General Manager Lotus Bakeries France, thereafter as General Manager Operations and currently as Executive Director. He has been a member of the Board of Directors since May 2005 and a managing director since May 2010. In addition he holds a directorship of Team Industries (Chairman) and Fevia Vlaanderen/Flanders' Food (Chairman).

The term of office of Vasticom BVBA, represented by its permanent representative Jan Vander Stichele, as a managing director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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**PMF NV, represented by its permanent representative Johan Boone**

**Non-executive director**

Johan Boone (63) graduated in dentistry (KUL) and is a practising dentist. He has been a member of the Board of Directors of Lotus Bakeries since 1996.

The term of office of PMF NV, represented by its permanent representative Johan Boone, as a non-executive director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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**Anton Stevens**

**Non-executive director**

Anton Stevens (38) holds a Master's degree in Law (RUG) and in Notarial Law (RUG). He has been a director of Lotus Bakeries since 2002.

The term of office of Anton Stevens as a non-executive director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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**Bene Invest BVBA, represented by its permanent representative Benedikte Boone**

**Non-executive director**

Benedikte Boone (43) has a degree in Applied Economic Sciences (KUL). She has held positions at Creyf's Interim and Avasco Industries. She is a director in various family companies, including Bene Invest BVBA, Holve NV and Harpis NV. She is also a director of Deceuninck NV.

The term of office of Bene Invest BVBA, represented by its permanent representative Benedikte Boone as a non-executive director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2016.

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**Herman Van de Velde NV, represented by its permanent representative Herman Van de Velde**

**Independent director**

Herman Van de Velde (60) has a Master's degree in Economics (KUL) and a post-graduate degree in Business Management (UFSIA). From 1989 to 2014 he was managing director of the listed lingerie group Van de Velde. Currently he is a director of Van de Velde, Top Form International (Hong Kong), the Arteveldehogeschool and a commissioner at Brabantia in the Netherlands. He is also Chairman of Ondernemersplatform VKW.

The term of office of Herman Van de Velde NV, represented by its permanent representative Herman Van de Velde, as an independent director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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**Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich**

**Independent director**

Benoit Graulich (49) has Master's degrees in Law, Business and Finance from the Catholic University of Leuven (KUL). He began his professional career at PwC and then Artesia Bank. In 2000 he became a partner at Ernst & Young and is currently a managing partner at Bencis Capital Partners. He is also a director of a.o. Van de Velde, Omega Pharma and Xeikon. He has been a director of Lotus Bakeries since 2009.

The term of office of Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich, as an independent director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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**Dominique Leroy****Independent director**

Dominique Leroy (50) has a commercial engineering degree from Solvay Business School. She has a 24-year career with Unilever, beginning in finance and followed by various sales and marketing functions. She was nominated as Country Manager of Unilever Belgium in 2007 and was also member of the Unilever Benelux Board. In October 2011 she began working at Belgacom as Vice President Sales for the consumer division. In June 2012, she was responsible as Executive Vice President for the Consumer Business Unit and was also a member of the management committee of Belgacom Group. In January 2014, she became delegated director of Belgacom NV and president of the Executive Committee. She has been a director of Lotus Bakeries since 2009.

The term of office of Dominique Leroy as an independent director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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**Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert****Independent director**

Sabine Sagaert (48) has a degree in Commercial Engineering from the KUL, a Master's in Economic Legislation (UCL) and an MBA (KUL). She started her career at CBR cement companies, where she held various logistics and commercial positions in the Benelux. She has spent most of her business career at AB InBev, most recently as Business Unit President Belux, and CEO Dental Division at Arseus.

She is currently General Manager Europe and Global Commercial Manager for Cargill's malting activities. She is also a director of Miko and Spullenhulp. She has been a director of Lotus Bakeries since 2011.

The term of office of Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert, as an independent director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2015.

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During the entire financial year 2014 the Board of Directors was composed of the aforementioned directors. With this composition, Lotus Bakeries meets the requirement that at least one third of directors be of a different gender than that of the other members. The aforementioned obligation is contained in article 518bis, §1 of the Companies Code, which will come into force on January 1, 2017.

The abovementioned independent directors fulfil the independence criteria of article 526ter of the Companies Code.

The secretary of the Board of Directors is Sofie Dumarey, Corporate Secretary.

This means Lotus Bakeries has a balanced Board of Directors in which the majority shareholder, the independent directors and the executive board are sufficiently represented.

#### 5.3.1.2 ACTIVITIES OF THE BOARD OF DIRECTORS

The Board of Directors met six times in 2014. All directors were present at all meetings, except for Dominique Leroy who was absent once and Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert, which was not present twice at a meeting of the Board of Directors.

The subjects dealt with at the meetings were:

- recent sales and financial results
- results at 30/06 and 31/12 and proposed press releases
- investment budget and global budget
- reports and recommendations of the Committees
- Lotus (OCB) strategy and IP strategy, Dinosaurus rollout
- real estate and M&A projects
- product developments and product innovations
- Lotus Competition Compliance Program
- proposed appointments of directors
- agenda of General Meetings.

An induction training programme is provided for new directors and for the Committees.

In 2014, there were no incidences within the Board of Directors which led to the application of the conflict of interest procedure as set out in article 523 of the Companies Code.

All transactions involving shares of Lotus Bakeries NV carried out in the course of 2014 by persons considered as insiders and by persons with executive responsibility were undertaken in accordance with the internal rules of Lotus Bakeries for the prevention of market abuse.

#### 5.3.2 Audit Committee

The Audit Committee consists of two independent directors, Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich (Chairman) and Dominique Leroy, and one non-executive director, Beukenlaan NV, represented by its permanent representative Matthieu Boone. All three members have accounting and audit experience.

The Audit Committee met three times in 2014 and all members were present at all meetings.

The Auditor participated in all three meetings, at which he presented his findings to the Audit Committee.

The subjects examined were:

- risk management
- transfer pricing methodology
- status of the Business Continuity Plan
- CSR 'Global Reporting Initiative' (GRI-G4)
- discussion of the Statutory Auditor's reporting/ recommendations.

#### 5.3.3 Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of two independent directors, Herman Van de Velde NV, represented by its permanent representative Herman Van de Velde (Chairman) and Benoit Graulich BVBA represented by its permanent representative Benoit Graulich, and one non-executive director, Beukenlaan NV, represented by its permanent representative Matthieu Boone. All three members have both HR management and remuneration policy experience.

The Committee met twice in 2014, with all members present.

The subjects examined were:

- remuneration of directors
- remuneration policy and its application
- organization of external salaries measurement
- changes in the composition and appointment of new members of the Executive Committee
- application of new legal rules.

#### 5.3.4 Evaluation of the Board of Directors and its Committees

The operation of the Board of Directors and of the Committees is evaluated every three years. The evaluation of the effectiveness of the Board of Directors is undertaken by the board itself under the leadership of its Chairman. This evaluation covers the size of the Board, the functioning of the Board of Directors as a whole, the way meetings are prepared, the actual contribution of each individual director to the work of the Board of Directors, the presence and involvement of each individual director at meetings and decision-making, the composition of the Board of Directors and the interaction with the Executive Committee. This assessment makes it possible to constantly optimize the management of Lotus Bakeries. Where appropriate, based on this review, and eventually in consultation with external experts, the Remuneration and Nomination Committee presents a report on the strengths and weaknesses of the Board of Directors and, where necessary, a proposal for the appointment of a new director or the non-prolongation of a directorship. The non-executive directors evaluate annually the interaction of the Board of Directors and the Executive Committee and when appropriate, submit proposals for improving cooperation. The CEO and the Remuneration and



Nominations Committee also together evaluate annually the operation and performance of the Executive Committee, with the CEO not present at his own evaluation.

#### 5.4 EXECUTIVE COMMITTEE

The Executive Committee has the following members:

- Mercuur Consult BVBA, represented by its permanent representative Jan Boone, CEO
- Vasticom BVBA, represented by its permanent representative Jan Vander Stichele, Executive Director
- Isabelle Maes, CFO
- John Van de Par, COO.

The Executive Committee met seventeen times in 2014. All members were present at all meetings.

## 5.5 REMUNERATION REPORT

### 5.5.1 Introduction

The objective of the 2014 remuneration report is to provide specific data in a transparent manner concerning Lotus Bakeries' remuneration policy for its directors and executives. The remuneration report below will be submitted to the General Meeting of 8 May 2015 for approval. The works council has been informed in accordance with the provisions of the Act. The report has also been reviewed by the Auditor.

### 5.5.2 Procedure for defining remuneration policy and remuneration

#### 5.5.2.1 DIRECTORS

The Remuneration and Nomination Committee set up by the Board of Directors makes specific recommendations to the Board of Directors with regard to remuneration policy and its application to executive and non-executive directors.

The current remuneration policy for directors was approved by the General Meeting of 9 May 2008, based on a proposal by the Board of Directors, on the advice of the Remuneration and Nomination Committee.

Directors' remuneration is benchmarked every two years against a relevant sample of listed companies to enable Lotus Bakeries to attract directors with relevant competences according to its ambitions.

#### 5.5.2.2 EXECUTIVE MANAGERS

For the purpose of determining who falls into the category of 'executive managers' according to the Act of 6 April 2010 to strengthen corporate governance, Lotus Bakeries considers the members of its

Executive Committee as falling into this category. The Executive Committee is responsible for the management of the company.

Remuneration policy for members of the Executive Committee is set every two years based on a proposal by the Remuneration and Nomination Committee. Individual remuneration is reviewed annually.

For this Lotus Bakeries uses the services of an international HR consultancy firm, that assesses the functions and presents the corresponding salary package as commonly awarded in the relevant market. For members of the Executive Committee, the consultant reports directly to the Remuneration and Nomination Committee and elucidates its report at its meeting.

#### 5.5.2.3 SENIOR MANAGERS

Remuneration policy for senior managers ('kaderleden') is set by the Executive Committee. This is then approved by the Remuneration and Nomination Committee.

### 5.5.3 Statement on remuneration policy applied in 2014

#### 5.5.3.1 NON-EXECUTIVE AND EXECUTIVE DIRECTORS

##### *Policy Criteria*

The non-executive director receives a fixed fee, with no performance-based remuneration such as bonuses, stock-related long-term incentive schemes, fringe benefits or pension plan-related benefits.

Neither Lotus Bakeries nor its subsidiaries provide any personal loans, guarantees or the like to other members of the Board of Directors.

Besides the fee, all reasonable expenses of members of the Board of Directors incurred with the consent of the Chairman of the Board of Directors are reimbursed.

The provisions concerning the remuneration of non-executive directors apply equally to executive directors in their capacity as directors.

In this way Lotus Bakeries wishes to pay a competitive remuneration, based on a comparison of directors' remuneration in companies that are comparable in terms of size, complexity and international activity.

Directors' remuneration is benchmarked every two years against a relevant selection of listed companies, to enable Lotus Bakeries to attract directors with relevant competences according to its ambitions.

##### *Remuneration*

Members of the Board of Directors each receive EUR 20,000 a year. The Chairman receives double this amount, i.e. EUR 40,000 a year. Each member of the Audit and Remuneration and Nomination Committee receives a fee of EUR 5,000 a year. No options, shares or variable compensation are granted to non-executive directors. No other compensation is provided, such as performance bonuses in cash, shares or options.

The following table shows the remuneration awarded for 2014 to each member of the Board of Directors.

Name	Board of Directors	Audit Committee	Remuneration and Nomination Committee	Total remuneration 2014
Beukenlaan NV, represented by its permanent representative Matthieu Boone	Non-executive director	Member	Member	50,000 EUR
Mercuur Consult BVBA, represented by its permanent representative Jan Boone	Managing director	-	-	20,000 EUR
Vasticom BVBA, represented by its permanent representative Jan Vander Stichele	Managing director	-	-	20,000 EUR
PMF NV, represented by its permanent representative Johan Boone	Non-executive director	-	-	20,000 EUR
Anton Stevens	Non-executive director	-	-	20,000 EUR
Bene Invest BVBA, represented by its permanent representative Benedikte Boone	Non-executive director	-	-	20,000 EUR
Herman Van de Velde NV, represented by its permanent representative Herman Van de Velde	Independent director	-	Chairman	25,000 EUR
Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich	Independent director	Chairman	Member	30,000 EUR
Dominique Leroy	Independent director	Member	-	25,000 EUR
Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert	Independent director	-	-	20,000 EUR

The Chairman of the Board of Directors shall be provided with the necessary material resources to perform his task properly.

### 5.5.3.2 EXECUTIVE MANAGERS

#### *Policy Criteria*

The Remuneration and Nomination Committee makes specific recommendations to the Board of Directors on the remuneration of the members of the Executive Committee.

The level and structure of the remuneration of the Executive Committee must be such as to attract, retain and continually motivate qualified and skilled managers, taking into account the nature and scope of their individual responsibilities. To this end, a survey is carried out every two years of remuneration in Belgium in order to facilitate an external comparison of key functions. In defining the concrete remuneration level for each function, account is taken of the actual job content and the way the function is filled at Lotus Bakeries, in order to ensure an internal logic between remuneration levels.

In addition to their fixed remuneration, executive managers receive a variable compensation based on well-defined criteria, depending on the results of Lotus Bakeries with a one year evaluation period but also evaluation periods of two and three years.

The evaluation criteria used to determine the variable compensation in 2014 are the main performance indicators based on the objectives for 2014. The evaluation period for this is one year.

Already since the financial year 2011, a long-term incentive plan is in place for Executive Managers with objectives set over two and three-year periods. The criteria used are the objectives of the strategic plan of the Lotus Bakeries Group.

There is an additional pension plan, on the basis of a predetermined contribution. The plan is placed with an insurance company.

There also exists a stock option plan with a fixed number of options for the members of the Executive Committee.

In principle shares which have been allotted or other forms of deferred compensation are not deemed to be acquired, and options may not be exercised during the first three and a half year after being allocated.

The Board of Directors does not plan any changes in the existing remuneration policy in the coming years.

#### *Recovery Provisions*

The bonus plan for executive management provides that the bonus is earned only after approval of the consolidated figures by the Auditor and after approval by the Remuneration and Nomination Committee.

### **5.5.4 Evaluation criteria for the performance-based remuneration of executive managers**

The objectives for 2014 were presented to the Remuneration and Nomination Committee. The evaluation criteria used to determine the variable compensation in 2014 are the main performance indicators based on the objectives for 2014. The evaluation period is one year. The bonus plan for executive management provides that the bonus is earned only after approval of the consolidated figures by the Auditor and after its approval by the Remuneration and Nomination Committee.

In 2014, objectives for 2015 and 2016 were presented to the Remuneration and Nomination

Committee for determining the long-term remuneration. The main performance indicators are taken from the strategic plan of the Lotus Bakeries Group. The evaluation period is two and three years.

In 2014, bonuses were paid as part of the long-term remuneration policy.

### **5.5.5 CEO's remuneration in 2014**

The remuneration of the CEO Jan Boone is paid through a management company and a number of directorships. The remunerations mentioned are expressed as cost for the company.

The fixed annual salary in 2014 amounts to EUR 672,722. The variable portion based on the 2014 targets amounts to EUR 353,633 and will be paid in 2015. The contributions to the pension scheme amount to EUR 103,504. Other components of the remuneration amount to EUR 32,268. There is no recovery provision. Evaluation of the performance is based on the audited results.

### 5.5.6 Remuneration of executive managers in 2014 (excluding CEO)

The remuneration is, for one of the members, paid through a management company and several director mandates. The amounts mentioned herein are the total cost. The other members are paid through employment contracts. For the two members with employee status, the amounts given are before social security contributions.

The remuneration for all executive managers together on a full year's basis, are the following for 2014.

The fixed annual salary in 2014 amounts to EUR 910,905. The variable portion based on the 2014 targets amounts to EUR 418,936 and will be paid in 2015. The contributions to the pension scheme amount to EUR 145,030. Other components of the remuneration amount to EUR 62,965. There is no recovery provision. Evaluation of the performance is based on the audited results.

### 5.5.7 Arrangements for the Executive Committee as a whole

The pension plan is based on defined contributions as a function of the annual base salary. The other compensation relates primarily to insured benefits such as guaranteed income and the cost of a company car. A share option plan also exists.

### 5.5.8 Share-based compensation

#### 5.5.8.1 ALLOCATIONS IN 2014

In 2014, share options were granted to members of the Executive Committee.

Name	Year of allocation	Number of options	Exercise price
Jan Boone	2014	500	802.55 EUR
Jan Vander Stichele	2014	500	802.55 EUR
Isabelle Maes	2014	250	802.55 EUR
John Van de Par	2014	250	802.55 EUR

#### 5.5.8.2 EXERCISE OF STOCK OPTIONS IN 2014

The members of the Executive Committee have exercised the following share options or warrants in 2014.

Date	Name	Transaction	Amount	Price	Tot. value
01/04/2014	Jan Vander Stichele	Exerc. warrants	3,500	246.020 EUR	861,070 EUR
24/03/2014	Jan Boone	Exerc. options	750	232.820 EUR	174,615 EUR

In 2014 there are no lapsed unexercised options relating to members of the Executive Committee.

### 5.5.9 Severance pay

No special severance arrangements have been agreed with members of the Executive Committee. Members of the Executive Committee acting through a management company are entitled to severance pay equal to 12 months' fixed and variable remuneration. The other members of the Executive Committee are bound by salaried employee contracts.

In 2014 no severance pay was paid to members of the Executive Committee.

### 5.6 INTERNAL CONTROL AND RISK MANAGEMENT

In running its business, Lotus Bakeries seeks to implement a sustainable policy regarding internal control and risk management.

#### 5.6.1 Control environment

The organization of the finance function is based on three pillars.

First, the responsibilities of the various financial departments in the Lotus Bakeries Group are set out in general corporate guidelines ('General Directives') at group level so that each employee clearly knows his or her role and responsibility. These are set out for all operational finance-related fields such as accounting



and consolidation, management reporting, costing, planning, budgeting and forecasting processes, the central master data management, the treasury function, approval of investments, insurance and the internal control environment.

Second, there is a Lotus Bakeries Accounting Manual which establishes the accounting policies and procedures. There are also financial management reporting standards to ensure that the financial information can be interpreted unambiguously in the whole organization.

Thirdly, Lotus Bakeries has opted to implement the financial function 100% in the same ERP package (SAP), which offers comprehensive capabilities for internal control and management. This facilitates the internal audits carried out by the Corporate Finance department.

#### **5.6.2 Risk Management Process**

Lotus Bakeries has implemented an ongoing process of risk management, aimed at ensuring that this is organized so that the risks of possible events are identified, assessed, controlled and monitored in such a way that they can be kept at an acceptable level. The risk management process fits very closely with the implementation of the strategic, operational and financial objectives of the company. The entire risk management process is based on the COSO Internal Control Framework.

The Executive Committee has overall responsibility for the risk management process of Lotus Bakeries, with responsibility for coordinating the risk management process lying with the Executive Director.

All individual areas and corporate departments of Lotus Bakeries are responsible for having a risk management process in operation. Identification, assessment, management and monitoring of risks is an ongoing process, which is fully embedded into the regular management processes.

Significant alterations of individual identified risks will be directly communicated, by means of written reports in prescribed formats, to the Executive Director.

There is one formal occasion a year when the entire risk management process is examined by the members of the local area management teams and the corporate departments. In addition to a full review of the risks identified at that point in time, the progress of actions undertaken is examined, and new risks are identified. All this will be included in the annual plans for the coming year. The outcome of this process and the progress of the actions are reported to the Audit Committee.

In 2014, important measures were again undertaken to ensure the optimal management of risks. In addition, further steps were taken to improve the Business Continuity Management and Disaster Recovery processes. In the coming years these will be implemented in all parts of the Lotus Bakeries organization.

The entire corpus of policies and procedures related to the risk management process is also set down in the 'General Directives' of Lotus Bakeries.

#### **5.6.3 Control activities**

Each month the results of each area are discussed and explained by the area manager. The Executive Committee also discusses the results on a monthly basis at its meeting.

The Corporate Controlling department directs this process.

For this Lotus Bakeries has developed various reports and KPIs (key performance indicators) for its sales operations, for the financial reporting of each area and for the consolidated results, and other KPIs for personnel, for factory operations, and for purchasing and logistics. These reports exist for each area separately and are aggregated for the Lotus Bakeries Group.

The Corporate Treasury department monitors the cash position closely on a daily basis.

Finally, various internal audits are organized by the corporate departments in their areas of expertise, such as Corporate Controlling for proper compliance with accounting principles or the investment procedure, Corporate Treasury for the authorisation of payments, and the Corporate Quality department for quality standards in the production plants.

#### 5.6.4 Information and communication

Lotus Bakeries has chosen to manage all key business processes through a single ERP package (SAP) which offers extensive opportunities for internal reporting and communication. It also offers the ability to manage and audit access rights and authorisation management in general on a centralised basis.

Each month the results of each area are reported in writing and discussed and explained verbally by the area manager. The Executive Committee also discusses the results on a monthly basis at its meeting. The Corporate Controlling department directs the information and communication process.

For both internal and external information reporting and communication there exists an annual financial calendar which is communicated to all parties involved and in which all reporting dates are set out.

For the provision of information Lotus Bakeries has developed various reports for its sales operations, for the financial reporting, as well as reports for personnel, factory operations, purchasing and logistics. These reports are available on an individual basis, but also aggregated at area or group level.

#### 5.6.5 Control

Lotus Bakeries evaluates every internal audit and takes appropriate steps to avoid any deficiencies in the future by means of concrete action points.

Employees from within the Lotus competencies are asked to constantly question existing

procedures and practices and continually suggest improvements.

First and foremost both the Audit Committee and the Auditor play an important role in internal control and risk management. Any remarks by the Auditor are discussed in the Audit Committee and monitored for improvement.

Finally, the shareholders have a right to ask questions during the General Meeting, and the company falls under the supervision of the Financial Services and Markets Authority (FSMA).

#### 5.7 ANNOUNCEMENTS ACCORDING TO ARTICLE 34 OF THE ROYAL DECREE OF 14 NOVEMBER 2007 - PROTECTIVE CONSTRUCTIONS

1. The Board of Directors of Lotus Bakeries NV is authorized by the Extraordinary General Meeting of Shareholders, in the event of a public takeover bid on the shares of the company, and by application of the authorized capital, to increase the capital of the company under the conditions of article 607 of the Companies Code. This authorisation was granted for a period of three years from 11 May 2012.
2. By resolution of the Extraordinary General Meeting of Shareholders of 11 May 2012 the Board of Directors is authorized, in accordance with the provisions of article 620 of the Companies Code, to acquire shares in the company for the account of the same, whenever such acquisition is necessary to prevent the company from suffering serious

and imminent disadvantage. This authorization is granted for a period of three years from 5 June 2012 and is renewable.

#### 5.8 EXTERNAL AUDIT

PwC Bedrijfsrevisoren BCVBA, represented by Mr. Peter Opsomer, 'bedrijfsrevisor', was appointed as Auditor of Lotus Bakeries NV on 14 May 2013 by the Ordinary General Meeting for a term of three years. Its mandate expires immediately after the Ordinary General Meeting of 2016. The compensation received in 2014 for auditing and non-auditing services by PwC Bedrijfsrevisoren BCVBA and by people connected to PwC Bedrijfsrevisoren BCVBA, is described in note 38 of the financial supplement.

<b>Audit fee for the Group audit 2014</b>	<b>in thousands of EUR</b>
Lotus Bakeries NV	64
Lotus Bakeries Group	296
<b>Total</b>	<b>360</b>



^ TV commercial Lotus Suzy



5

STOCK MARKET  
INFORMATION





## 1 | STOCK MARKET LISTING

The Lotus Bakeries shares have been listed since the beginning of January 2002 on the continuous market of Euronext (Brussels). Previously, the shares were listed on the spot market with double fixing. The share code is LOTB (ISIN code 0003604155).

## 2 | FINANCIAL SERVICE

Financial services for the Lotus Bakeries share are provided by Bank Degroof, BNP Paribas Fortis, Belfius, ING Bank, KBC Bank and Petercam. The main paying agent is BNP Paribas Fortis.

## 3 | LIQUIDITY AND VISIBILITY OF THE SHARE

Lotus Bakeries has appointed the stock market company Petercam NV as 'liquidity provider'. The liquidity and market activation agreement that was agreed with Petercam lies within the context of the care taken by Lotus Bakeries to ensure a sufficiently active market in the share so that in normal circumstances adequate liquidity can be maintained.

## 4 | MARKET CAPITALIZATION

On 31 December 2014, market capitalization of Lotus Bakeries amounted to EUR 749.21 million.

## 5 | EVOLUTION OF THE LOTUS BAKERIES SHARE

The graph on page 48 shows the evolution of the share price with reinvested net dividend as from 31 December 1988 of the Lotus Bakeries share in comparison to the BASR (Brussels All Share Return) index. The BASR-index reflects the price of the total Belgian market.

## 6 | STOCK DATA ON THE LOTUS BAKERIES SHARE

Charts with the consolidated key figures per share and the stock market performance of the Lotus Bakeries share can be found on pages 3 and 47 of this annual review.

## 7 | CORPORATE WEBSITE

A substantial portion of the corporate website is reserved for investor relations. The website ([www.lotusbakeries.com](http://www.lotusbakeries.com)) thus plays an increasingly important role in the Lotus Bakeries Group's financial communication.

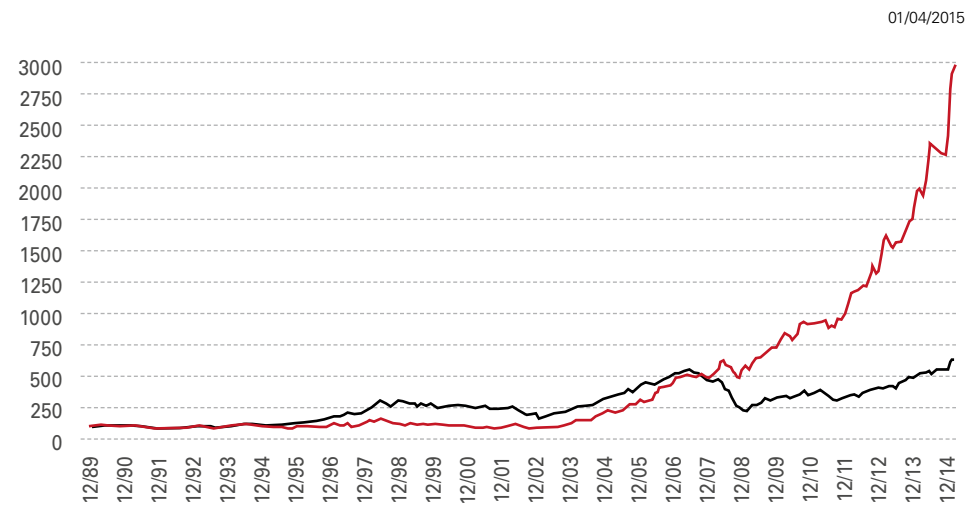
## STOCK DATA ABOUT THE LOTUS BAKERIES SHARE

in EUR	2015	2014	2013	2012	2011	2010
<b>Highest price</b> till 31/03 in 2015	1,299.00	989.95	725.00	615.00	423.00	411.50
<b>Lowest price</b> till 31/03 in 2015	926.10	711.00	555.00	407.00	325.00	310.00
<b>Price</b> per 31/12 - per 31/03 in 2015	1,220.00	933.00	713.63	555.00	416.00	404.94
<b>Market capitalization</b> per 31/12 - per 31/03 in 2015 in millions of EUR	979.68	749.21	567.42	432.70	321.40	312.84
<b>Number of shares</b> per 31/12 - per 31/03 in 2015	803,013	803,013	795,113	779,643	772,563	772,563
<b>Ratio price/earning</b> (PER) <sup>(1)</sup>	26.64	20.37	20.32	16.81	13.50	13.56
<b>Ratio price/cash flow</b> (PCF) <sup>(2)</sup>	16.28	12.45	12.50	10.07	8.83	8.20

(1) PER: Price Earnings Ratio: The price at the end of the year (per 31 March in 2015 respectively) divided by net result, per share at the end of the year.

(2) PCF: Price Cash Flow Ratio: The price at the end of the year (per 31 March in 2015 respectively) divided by net cash flow, per share at the end of the year.

## EVOLUTION OF THE LOTUS BAKERIES SHARE IN COMPARISON TO THE BASR-INDEX



— LOTUS BAKERIES  
— BRUSSELS ALL SHARES

Both share evolutions are with reinvested net dividend.

## 8 | FINANCIAL CALENDAR

### Wednesday 8 April 2015

Annual review 2014 available on  
[www.lotusbakeries.com](http://www.lotusbakeries.com)

### Friday 8 May 2015

Ordinary and Extraordinary General Meeting of  
Shareholders at 4.30 p.m.

### Monday 18 May 2015

Payment of dividend for the 2014 financial year

### Monday 24 August 2015

Announcement of the half-year results for 2015

### Friday 12 February 2016

Announcement of the year results for 2015

### Friday 13 May 2016

Ordinary General Meeting of Shareholders

## 9 | AGENDA OF THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 8 MAY 2015

1. Reading and discussion of the statutory and consolidated annual reports of the Board of Directors with respect to the financial statements of the company for the year ending 31 December 2014.
2. Reading and discussion of the statutory and consolidated audit reports of the Statutory Auditor with respect to the above-mentioned financial statements of the company for the year ending 31 December 2014.
3. Approval of the company's financial statements closed as of 31 December 2014 and allocation of the results as detailed on page 31. Taking note of the consolidated financial statements as of the same date.
4. Discharge of directors.
5. Discharge of the Statutory Auditor.
6. Approval of the remuneration report concerning the financial year of the company ended on 31 December 2014.
7. Renewal of the term of office as director of Sabine Sagaert BVBA, represented by its permanent representative Ms Sabine Sagaert.
8. Taking note of the resolution of the Board of Directors dd. 12 February 2015 to relocate the company's registered office to the present address, and amendment of article 2, first sentence of the Coordinated Articles of Association dd. 9 May 2014
9. Renewal of the empowerment in article 18/bis of the Coordinated Articles of Association dd. 9 May 2014 with regard to the authorization of the Board of Directors to acquire shares of the company in the event of a threat of serious and imminent harm to the company.
10. Taking note of the reasoned report of the Board of Directors prepared in accordance with Article 604, second paragraph read together with Article 607 of the Companies Code regarding the renewal of the authorization of the Board of Directors within the framework of the authorized capital as mentioned in items 11 and 12 below.
11. Renewal of the empowerment given in transitional provision B, a) of the Coordinated Articles of Association dd. 9 May 2014 concerning the authorization of the Board of Directors to increase the issued share capital in one or more instalments up to a specified maximum amount.
12. Renewal of the empowerment given in transitional provision B, b) of the Coordinated Articles of Association dd. 9 May 2014 concerning the authorization of the Board of Directors to increase the issued share capital in the event of a public takeover bid.
13. Empowerment to the Board of Directors to implement the decisions taken.
14. Power of attorney for the coordination of the articles of association.

The agenda, including the proposed resolutions, can be consulted on [www.lotusbakeries.com/corporate/investor-relations/doclist/shareholder-meetings](http://www.lotusbakeries.com/corporate/investor-relations/doclist/shareholder-meetings).

## Situation May 2015

### EXECUTIVE COMMITTEE

Jan Boone	Chief Executive Officer
Jan Vander Stichele	Executive Director
Isabelle Maes	Chief Financial Officer
John Van de Par	Chief Operating Officer

### CORPORATE DEPARTMENTS

#### Corporate Finance

Michiel Bloemen	Corporate Controlling & Reporting
Denis Pieters	Consolidation
Joseph Bultynck	Corporate Treasury

#### Global Brand & Customer Development

Twan Thorn	Global Brand & Customer Development
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#### Corporate HR

Katia Dobbelaere	HR International & Corporate Departments
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#### Corporate ICT

Tom De Corte	ICT
Monique Huijsmans	Enterprise Content Management
Thierry Polfliet	IT Service Delivery
Cindy Storme	SAP Operations
Patrick Van Cleemput	SAP Administrative Solutions

#### Legal, IP & Corporate Communication

Sofie Dumarey	General Counsel
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#### Corporate Services Operations

Roel de Jong	Corporate Procurement Raw Materials
Etienne Geirnaert	Food law & Nutrition
Els Rutsaert	Quality
Xavier Speeleveld	Corporate Procurement Packaging
Els Van Parys	Research & Development
Dirk Verstraeten	Engineering Services Building & Facilities



## COUNTRIES AND AREAS

### Belgium

William Du Pré	General Manager Belgium
Pascal Deckers	Category Development
Sabien Dejonckheere	Marketing
Els De Smet	Sales
Jos Destrooper	Finance & Group HR
Hein Bonte	Controlling
Charlotte Castele	Head of Accounting 'Shared Service Center'
Mia Desmet	Human Resources
Katja Maerschalc	Controlling
Filip Vanthienen	Customer Brand Business
Ivo Vermeiren	Operations
Yves Boisdenghien	Plant Courcelles
Johan Claerhout	Logistics
Christophe Laureys	Plant Oostakker
Dries Mermuys	Plant Eeklo
Eddy Thijs	Engineering Services
Jean-Paul Van Hoydonck	Equipment & Automation
Bart Vanterwyngen	Plant Lembeke
	Plant Meise

### Netherlands

René Groen	General Manager Netherlands
Leon Broer	Marketing
Nathalie Lambrechts	Sales
Dick Pouwels	Supply chain & NPD
Mattias Andersson	Plant Tyresö
Michel Boelen	Plant Sintjohannesga
Rik Houtman	Plant Enkhuizen
Marloes Kramer	Plant Geldrop
Annelies Santens	HR, Finance & Administration

### France

Ignace Heyman	General Manager France
Virginie Catteau	Human Resources
Christine Franssen	Marketing
Jean-Philippe Kloutz	Sales
Lucie La Folie	Finance & Administration
Ludovic Valente	Operations
Marc Berger	Plant Briec-de-l'Odé

### Sales Offices Europe

Han van Welie	General Manager Sales Offices Europe
Martin Birrer	Switzerland
Paul Hunter	United Kingdom & Ireland
Pelle Karlson	Nordics
Ton Kooi	Central Europe / Germany & Austria
Tomáš Zborílek	Czech Republic/Slovakia
Alfonso Oña Vazquez	Ibérica

### Americas

Michael Bannister	General Manager Americas
Michelle Singer	Sales & Marketing
Johan Wilms	Finance & Supply Chain
Angel López	Latin America

### International Distributors

Bart Bauwens	General Manager International Distributors
Martin-Frederic Eeckhout	South Europe/Middle East/Africa
Alexander van Assouw	Europe

### China

Ronald Drieduite	General Manager China
Suzanne Gong	Marketing
Jeff Wu	Sales

# 7

## FINANCIAL STATEMENTS



In this section of the 2014 annual review, only the consolidated balance sheet, the consolidated income statement and the five-year financial summary for the Lotus Bakeries Group are presented. The financial supplement to this annual review contains all the financial data, including the consolidated external Auditor's report, and is available in Dutch and English.

The consolidated financial statements for 2014 shown hereafter have been prepared in accordance with IFRS rules as adopted by the EU with comparative IFRS figures for 2013.

The statutory financial statements that have been condensed are presented in the financial supplement and are prepared in accordance with Belgian accounting standards (BGAAP).

Only the consolidated annual financial statements present a faithful picture of the assets, financial position and results of the Lotus Bakeries Group.

In light of the fact that the statutory annual financial statements give only a limited picture of the financial situation of the Group, the Board of Directors considers it appropriate to only present an abridged version of the statutory annual financial statements of Lotus Bakeries NV, in accordance with article 105 of the Companies Code.

The full statutory annual financial statements, together with the statutory annual report of the Board of Directors and the statutory audit report of the Auditor, will be submitted to the National Bank of Belgium within the legally prescribed term. These documents are available on the website [www.lotusbakeries.com](http://www.lotusbakeries.com) (Investor Relations) or can be obtained for free from the Corporate Secretary of Lotus Bakeries on simple request.

The Auditor has issued an unqualified audit opinion without reservation with respect to the consolidated and the statutory annual financial statements of Lotus Bakeries NV.

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<b>Consolidated financial statements</b>	<b>54</b>
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Consolidated income statement	55

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### **Abridged five-year financial summary Lotus Bakeries Group 57**

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## CONSOLIDATED BALANCE SHEET

in thousands of EUR

	31-12-14	31-12-13
<b>ASSETS</b>		
<b>Non current assets</b>	<b>263,881</b>	<b>262,729</b>
Tangible assets	137,569	136,489
Goodwill	46,135	46,517
Intangible assets	74,674	75,744
Investment in other companies	22	27
Deferred tax assets	5,275	3,859
Other non current assets	206	93
<b>Current assets</b>	<b>73,108</b>	<b>71,375</b>
Stocks	17,898	16,665
Trade receivables	38,804	36,036
VAT receivables	3,333	3,721
Income tax receivables	421	1,707
Other amounts receivable	112	402
Cash and cash equivalents	11,855	11,933
Deferred charges and accrued income	685	911
<b>TOTAL ASSETS</b>	<b>336,989</b>	<b>334,104</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>200,629</b>	<b>171,375</b>
Share Capital	13,190	11,246
Retained earnings	196,147	167,099
Treasury shares	(9,419)	(9,442)
Other reserves	656	2,414
Non-controlling interests	55	58
<b>Non-current liabilities</b>	<b>39,506</b>	<b>43,984</b>
Interest-bearing loans and borrowings	325	7,925
Deferred tax liabilities	34,905	32,687
Pensions	3,558	2,793
Provisions	661	574
Other non-current liabilities	57	5
<b>Current liabilities</b>	<b>96,854</b>	<b>118,745</b>
Interest-bearing loans and borrowings	41,144	62,337
Pensions	56	56
Provisions	56	1,209
Trade payables	33,309	34,249
Remuneration and social security	12,357	12,525
VAT payables	126	750
Tax payables	7,097	4,376
Derivative financial instruments	10	70
Other current liabilities	147	279
Accrued charges and deferred income	2,552	2,894
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>336,989</b>	<b>334,104</b>

## CONSOLIDATED FINANCIAL STATEMENTS



## CONSOLIDATED INCOME STATEMENT

in thousands of EUR

	2014	2013
<b>Turnover</b>	<b>347,890</b>	<b>332,319</b>
Raw materials, consumables and goods for resale	(104,430)	(111,425)
Services and other goods	(96,483)	(87,259)
Personnel costs	(78,888)	(78,900)
Depreciation and amortization on formation expenses, intangible and tangible assets	(14,845)	(13,290)
Amounts written off stocks, contracts in progress and trade debtors	(1,819)	(869)
Other operating charges	(4,034)	(2,636)
Other operating income	2,042	3,431
<b>Recurrent operating result (REBIT) <sup>(1)</sup></b>	<b>49,433</b>	<b>41,371</b>
Non-recurrent operating result	(261)	(3,655)
<b>Operating result (EBIT) <sup>(2)</sup></b>	<b>49,172</b>	<b>37,716</b>
Financial result	16	(1,740)
Financial income	5,402	2,576
Financial charges	(5,386)	(4,316)
<b>Result before taxes</b>	<b>49,188</b>	<b>35,976</b>
Taxes	(12,415)	(8,057)
<b>Result after taxes</b>	<b>36,773</b>	<b>27,919</b>
<b>NET RESULT</b>	<b>36,773</b>	<b>27,919</b>
Net result: non-controlling interests	(2)	(1)
Net result: Group share	36,775	27,920
<b>Other comprehensive income:</b>		
<b>Items that may be subsequently reclassified to profit and loss</b>	<b>(1,194)</b>	<b>(581)</b>
Currency translation differences	(1,194)	(610)
Financial instruments	-	29
<b>Items that will not be reclassified to profit and loss</b>	<b>(564)</b>	<b>409</b>
Defined benefit plans	(564)	409
<b>Other comprehensive income for the year</b>	<b>(1,758)</b>	<b>(172)</b>
<b>Total comprehensive income for the year</b>	<b>35,015</b>	<b>27,747</b>
<b>Total comprehensive income for the year attributable to:</b>		
Non-controlling interests	(2)	(1)
Equity holders of Lotus Bakeries	35,017	27,748
<b>Earnings per share</b>		
Weighted average number of shares	778,944	764,828
<b>Basic earnings per share: Group share (EUR)</b>	<b>47.21</b>	<b>36.50</b>
Weighted average number of shares after effect of dilution	796,420	787,170
<b>Diluted earnings per share: Group share (EUR)</b>	<b>46.18</b>	<b>35.47</b>
Total number of shares <sup>(3)</sup>	803,013	795,113
<b>Earnings per share: Group share (EUR)</b>	<b>45.80</b>	<b>35.11</b>

## CONSOLIDATED FINANCIAL STATEMENTS

(1) REBIT is defined as the recurrent operating result, consisting of all the proceeds and costs relating to normal business.

(2) EBIT is defined as recurrent operating result + non-recurrent operating result.

(3) Total number of shares including treasury shares.



CONSOLIDATED BALANCE SHEET

in thousands of EUR	2014	2013	2012	2011	2010
<b>Non current assets</b>	<b>263,881</b>	<b>262,729</b>	<b>214,154</b>	<b>184,861</b>	<b>178,257</b>
Tangible assets	137,569	136,489	109,064	95,052	90,233
Goodwill	46,135	46,517	25,960	25,710	25,670
Intangible assets	74,674	75,744	76,248	61,859	61,576
Deferred tax assets	5,275	3,859	2,691	2,045	637
Other non current assets	206	93	159	163	109
<b>Current assets</b>	<b>73,108</b>	<b>71,375</b>	<b>56,461</b>	<b>53,025</b>	<b>46,474</b>
Stocks	17,898	16,665	14,917	14,285	12,998
Trade receivables	38,804	36,036	29,751	26,305	23,360
Cash and cash equivalents	11,855	11,933	6,452	7,369	6,302
<b>TOTAL ASSETS</b>	<b>336,989</b>	<b>334,104</b>	<b>270,615</b>	<b>237,886</b>	<b>224,731</b>
<b>Equity</b>	<b>200,629</b>	<b>171,375</b>	<b>145,206</b>	<b>126,760</b>	<b>109,795</b>
<b>Non-current liabilities</b>	<b>39,506</b>	<b>43,984</b>	<b>34,041</b>	<b>41,312</b>	<b>50,571</b>
Interest-bearing loans and borrowings	325	7,925	-	6,632	17,902
Deferred tax liabilities	34,905	32,687	30,323	29,187	28,700
<b>Current liabilities</b>	<b>96,854</b>	<b>118,745</b>	<b>91,368</b>	<b>69,814</b>	<b>64,365</b>
Interest-bearing loans and borrowings	41,144	62,337	41,675	19,474	19,319
Trade payables	33,309	34,249	30,886	29,430	23,509
Remuneration and social security	12,357	12,525	10,792	10,690	9,081
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>336,989</b>	<b>334,104</b>	<b>270,615</b>	<b>237,886</b>	<b>224,731</b>

CONSOLIDATED INCOME STATEMENT

in thousands of EUR	2014	2013	2012	2011	2010
Turnover	347,890	332,319	288,455	275,598	264,823
<b>Recurrent operating result (REBIT)</b>	<b>49,433</b>	<b>41,371</b>	<b>36,680</b>	<b>36,363</b>	<b>34,955</b>
Non-recurrent operating result	(261)	(3,655)	(1,953)	(2,695)	(874)
<b>Operating result (EBIT)</b>	<b>49,172</b>	<b>37,716</b>	<b>34,727</b>	<b>33,668</b>	<b>34,081</b>
Financial result	16	(1,740)	(1,569)	(688)	(2,960)
<b>Result before taxation</b>	<b>49,188</b>	<b>35,976</b>	<b>33,158</b>	<b>32,980</b>	<b>31,121</b>
Income taxes	(12,415)	(8,057)	(7,408)	(9,165)	(8,055)
<b>Result after taxation</b>	<b>36,773</b>	<b>27,919</b>	<b>25,750</b>	<b>23,815</b>	<b>23,066</b>
Results from discontinued operations	-	-	-	-	-
<b>NET RESULT</b>	<b>36,773</b>	<b>27,919</b>	<b>25,750</b>	<b>23,815</b>	<b>23,066</b>
Net result: non-controlling interests	(2)	(1)	13	13	11
Net result: Group share	36,775	27,920	25,737	23,802	23,055





8 GENERAL INFORMATION



**REGISTERED OFFICE**

Lotus Bakeries NV  
Gentstraat 1  
B- 9971 Lembeke

Tel.: + 32 9 376 26 11  
Fax: + 32 9 376 26 26  
[www.lotusbakeries.com](http://www.lotusbakeries.com)

Register of legal persons of Ghent,  
Enterprise number 0401.030.860

**ANNUAL REVIEW**

This annual review is also available on the  
internetsite: [www.lotusbakeries.com](http://www.lotusbakeries.com)

The first part of this annual review is also  
available in Dutch and in French.

The financial supplement (the second part) of the  
annual review is available in Dutch and in English.

In matters of any misinterpretation, the original  
Dutch annual review will prevail.

**Contact**

For further information about the data of the  
annual review or more information  
about the Lotus Bakeries Group, please contact:

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Corporate Secretary  
Gentstraat 1  
9971 Lembeke  
Tel.: + 32 9 376 26 11  
Fax: + 32 9 376 26 26  
[sofie.dumarey@lotusbakeries.com](mailto:sofie.dumarey@lotusbakeries.com)

**Colofon**

*Concept and realization:*  
Blue Matters BVBA  
[www.bluematters.be](http://www.bluematters.be)

***Translation***

Lomax BVBA





CARE FOR TODAY

RESPECT FOR  
TOMORROW





CARE FOR TODAY

# Respect for tomorrow

## FROM ITS GENESIS TILL TODAY

Corporate Social Responsibility. This has been of paramount importance to Lotus Bakeries right from when the company was founded in 1932. Care for our products, our environment, our partners, our employees and our consumers is part of our DNA. It is also our way to offer a company an attractive today and an equally attractive tomorrow, and to enable our consumers to enjoy fully our superb range, both today and tomorrow.

In recent years, the company has pursued a policy based on four pillars: people, environment, society and employees. These form the starting point for our own 'Care for today - Respect for tomorrow' programme.

Care and respect are crucial. They line up entirely with our long-term vision. Care and respect represent our underlying

conviction of how we should conduct our business.

In last year's report we already indicated that we would be continuing on this path. We have worked very carefully with the latest version of the Global Reporting Initiative (GRI), supplemented by the G4 Sector Disclosure for food processing. GRI-G4 is today seen as the international reporting standard for non-financial information.

Simultaneously we tested the sustainability objectives in the 'Care for today - Respect for tomorrow' programme with representatives of our stakeholders.

In the diagram opposite below we group our key stakeholders, selected based on the stakeholder's importance for Lotus Bakeries and the influence the stakeholder can in turn exercise on Lotus Bakeries.

In fact, this dialogue with our stakeholders is something we do every day. We are constantly consulting with colleagues, customers, suppliers....





Corporate social responsibility is like setting out on a journey, one that started already long ago. It is a journey we shall continue into the future. Since 1988 Lotus Bakeries has published every year an analysis of its financial results in its annual report. Today our ambition extends further. For this reason, in the specific context of our sustainability objectives, we prepared a questionnaire in which we asked representatives of our stakeholders how relevant and important they consider certain topics for Lotus Bakeries. In framing these questions, we took as our primary basis the GRI guidelines, both the basic guidelines and the specific 'Food Processing Guidelines'. To these we have added the topics from our 'Care for today - Respect for tomorrow' sustainability program, supplemented by information from the most recent trend analyses.

48 stakeholder representatives were interviewed, 45 of whom contributed either in interesting roundtables or in writing, at times with additional information provided by telephone.

During these discussions, the results were discussed with the stakeholders in order to assess the issues and to validate their

WHAT STAKEHOLDERS CONSIDER IMPORTANT FOR LOTUS BAKERIES

'CARE FOR TODAY - RESPECT FOR TOMORROW'

materiality for us as a company. This led to the positioning of a number of topics on the y-axis of the materiality matrix. We then discussed the same questionnaire in the Executive Committee, weighted by importance for Lotus Bakeries, plotting the key concerns, this time on the X axis. We also clustered a number of linked themes. The result of all this analysis work is the 'materiality matrix', indicating the topics that impinge on the strategies and objectives of Lotus Bakeries and its stakeholders.

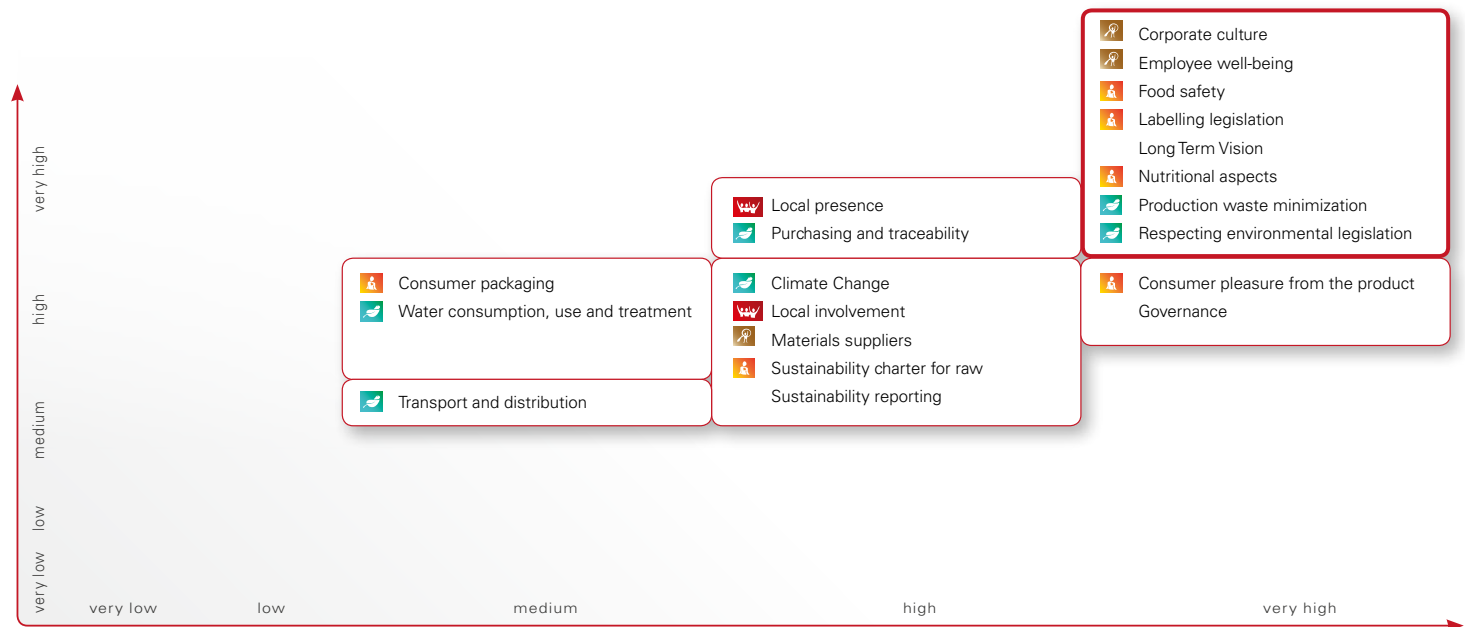
The upper right frame displays the most important topics within the four pillars of our 'Care for today - Respect for tomorrow' programme (people 🧑, environment 🌿, society 🏘️, employees 👤).

It has been a very intense process, with strong involvement of all participants. At the same time it remains an ongoing process, in which, when appropriate, we shall need to consider further steps.

Now we can already focus on the materiality matrix shown below. We are going to pay special attention to this, in order to be able to play our part and make a difference, a difference that through this approach we will now be better positioned to monitor, and which allows us to continue to grow in this maturation process.

And we are confident that together we shall be able to make this difference.

Thank you.  
Jan Boone,  
CEO, Lotus Bakeries



IMPORTANCE FOR LOTUS BAKERIES



# sustainability, the best ingredient

we want to prepare each Lotus Bakeries Product in an increasingly sustainable manner. This sustainable approach also extends beyond production itself to people, the environment, and society, and our employees, all of whom we treat with care and respect.

'CARE FOR TODAY - RESPECT FOR TOMORROW'




### PEOPLE



We shun no challenge in ensuring the most responsible way that consumers can enjoy products that have been sustainably produced by ourselves.

### ENVIRONMENT



Nature provides us with all we need to prepare our products. And we like to give nature something back in return.

### SOCIETY



Lotus Bakeries has a role to play in society. We are only too happy to assume our responsibilities, time and time again.

### EMPLOYEES



Our motivated and committed colleagues enable us to make the difference. For this reason every employee deserves our respect.



# PEOPLE



To ensure that every consumer can enjoy our products in full and as responsibly as possible, both today and in the future. That is what we strive for at Lotus Bakeries, every single day.

Enjoyment &  
Health

'CARE FOR TODAY - RESPECT FOR TOMORROW'



# Nutritional aspects

Our R&D department picks up the nutritional challenges on a daily basis, ensuring that the great majority of our raw materials are of natural origin and that virtually no colourings and flavourings are added.

Also good to know: Lotus Bakeries invests twice as much in R&D than the European food industry average.

We are constantly looking to reduce the salt, sugar and fat in our products. This we really achieve, whenever possible, with small recipe changes that importantly must not change the familiar taste of the product. On the use of fats: these are completely free of trans fatty acids. And more importantly, we are working all the time to reduce the levels of saturated fats.

But the most important thing is that the consumer can choose between a 'standard format' and a 'mini version'. They can already enjoy two formats of our original caramelized biscuits, frangipanes, Liège waffles, (Breton) madeleines, Jodekoeken, gingerbread and Snelle Jelle bars.





# FOOD safety

The quality of all Lotus Bakeries products is an absolute priority. All employees are heavily involved in the continuous pursuit of high quality products and processes, which are audited both internally and externally.

Lotus Bakeries has its own QMS<sup>(1)</sup> quality manual with specific procedures, instructions and controls. These are audited at agreed points in time by a specialist team of eight internal auditors. The goal: good compliance in the various operational units. In 2014, over 110 audit days were organized on-site.

We also bring in external auditors. In this way each production unit has at least one external audit certificate (IFS or BRC (high level)), a GMP<sup>(2)</sup> certificate and, in addition, for the Belgian plants, the 'auto-control guide'.

Perfect hygiene in the workplace is vital. For this Lotus Bakeries has developed a sophisticated checklist with which we can measure - uniformly in each plant - hygiene and cleanliness in production and adjacent areas. Units are scored monthly and special initiatives agreed on. In this way we are working all the time to optimize hygiene in each plant.

(1) QMS : Quality Management System

(2) GMP : Good Manufacturing Practices

Product traceability is essential for food safety. We need to know exactly when and with what ingredients each product was produced. In 2014, each plant again passed these controls with flying colours.

We also measure ourselves the quality of our products. For this we use our 'quality number' methodology, consisting of standardized (visual and analytical) checks on products and packaging. At the same time our trained taste panels regularly undertake sensory and organoleptic evaluations of the products.

Any consumer complaints are registered in a uniform manner, answered and followed up. From these complaints we always try to draw as much information as possible in order to avoid potential problems in the future.

All this is intended to guarantee to our consumers that at all times we offer them the Lotus Bakeries products in optimal conditions.





# Labelling Legislation

At the end of 2014, the new European FIC <sup>(3)</sup> foods labelling legislation came into force, aimed at better consumer information, including about allergens and the composition of fats and certain other ingredients. Lotus Bakeries met the requirements of this legislation long before it became mandatory.

Consumers like very much to know what they are putting into their shopping cart. We also take this into account. In Europe we mention - voluntarily - the extended RI values <sup>(4)</sup> on our packaging. On our website consumers can find appropriate responses to questions concerning allergens and specific ingredients in our products.

	100 g	1 mini frangipane	
		32,5 g	%*
Energie/Brennwert	1867 kJ/446 kcal	607 kJ/145 kcal	7 %
Vetten/Matières grasses/Fett waarvan verzadigd/dont saturées/davon gesättigte Fettsäuren	23,6 g 10,7 g	7,7 g 3,5 g	11 % 17 %
Koolhydraten/Glucides/Kohlenhydrate waarvan suikers/dont sucres/davon Zucker	54,3 g 32,2 g	17,7 g 10,5 g	7 % 12 %
Vezels/Fibres alimentaires/Ballaststoffe	0,9 g	0,3 g	
Eiwitten/Protéines/Eiweiß	4,6 g	1,5 g	3 %
Zout/Sel/Salz	0,63 g	0,21 g	3 %

1 mini  
frangipane

607 kJ  
145 kcal

7%\*  
100g  
1867 kJ/446 kcal

(3) FIC: Food Information to  
Consumer

(4) RI: Reference Intake

# ECOLOGICAL Right Down the Line

0%

definitively lost waste

When it comes to respect for the environment, Lotus Bakeries leaves nothing to chance. Our energy consumption is precisely measured for achieving our objective of using each year 2% less energy per kilogram produced (ref. year 2011). In recent years we have met this objective.

## ENVIRONMENT



### DID YOU KNOW?

That Lotus Bakeries is working on a 'sustainability agreement' with its suppliers aimed at encouraging them to work towards a better environment and to commit to fair and ethical working conditions.

We want to limit our carbon footprint as much as possible. Since 2012, all the electricity we use is CO<sub>2</sub> neutral. The efforts we have made over the last three years are now producing an attractive drop in CO<sub>2</sub> emissions per kilogram of product produced.

Another way we protect nature is by limiting our water consumption. In fact water consumption in our processes is already low. In our processes we use rain and well water as far as possible. In addition, waste water is optimally treated.

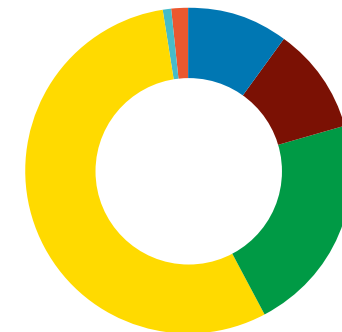
It goes without saying that we scrupulously comply with all environmental regulations. Here we underwent various controls in 2014. We received only one observation from the controlling authority, for which we are now taking the necessary actions.

Talking of waste, nothing at Lotus Bakeries is finally lost. We sort as far as we can for optimal re-use. A careful segregation of waste streams allows us to reuse a maximum of production waste as animal feed.

The figure below shows that none of all our external waste is 'definitively' lost.

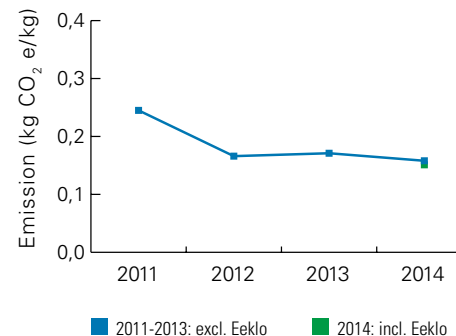
This sustainable approach we also apply right through our entire production process. We use only non-genetically modified raw materials that are grown and produced as sustainably as possible.

### Overview of external waste flux



- to incinerator with energy recovery
- to plastic recycling
- to water treatment station
- to paper/cardboard plant
- for use as animal feed
- to fat recovery

### Evolution emissions (scope 1,2) per kg produced



# With respect for nature

## WHAT IS THE LATEST STORY ABOUT PALM OIL?

Palm oil is obtained by hot pressing the pulp of the palm fruit, a process that is more than 10,000 years old. Palm oil is next to rapeseed oil, the main vegetable oil in our margarines.

Palm oil is not per se environmentally damaging, but the intensification and expansion of plantations can have environment consequences. We have in mind here deforestation, especially in Malaysia and Indonesia.

For this reason, a few years ago the RSPO (5) was set up, in which all production chain players commit to produce palm oil in a responsible manner, to end deforestation and to support local economic development.

As a member of the RSPO, Lotus Bakeries started in September 2011 using 'GreenPalm'-certificates, so as to support the sustainable palm oil production according to the Book & Claim principle.

Since May 2014 all palm oil that Lotus Bakeries buys directly for its own margarine factory is 100% RSPO segregated. This is the highest sustainability level in the RSPO certification and represents full traceability back to the plantation. All other sustainable palm oil (found in some margarines and ingredients we purchase externally) is at least at the RSPO Mass Balance level.

In the course of 2015, these remaining 5% of the total have to be 100% RSPO segregated.

Lotus Bakeries fully endorses the principles of using traceable palm oil that cannot be associated with deforestation, peat bog clearing and human exploitation.

For this reason we have set a target of achieving, in close cooperation with our suppliers, full traceability back to plantation level by the end of 2015. The goal is to ensure that all relevant suppliers can guarantee that the palm oil they buy is unassociated with deforestation, peat bog clearing and exploitation.



(5) RSPO: Round table for Sustainable Palm Oil



A photograph of three young girls of diverse backgrounds looking intently at a globe. The girl on the left is a young Black girl with her hair in braids. The girl in the middle is a young Hispanic girl with a white flower hair clip. The girl on the right is a young white girl. They are all focused on the globe, which is partially visible on the right side of the frame. The background is softly blurred.

# SOCIETY



Sustainability means more for Lotus Bakeries than just environmental friendliness. For us, there is also a social aspect that is inextricably bound up with this. Put in other words, we are **aware of our role in** society.

This role we fulfil in the first place at the local level, where we are present with our production plants and sales organizations.

For years **we have supported various social (development) projects, activities and organizations**, both locally and internationally.

#### Local initiatives

Sport and exercise are very important in our eyes. For this reason we regularly support local initiatives, where participants also enjoy our products. We also sponsor the various FC Lembeke football teams.

#### Special Olympics

2014 was also the year of the Special Olympics Summer Games in Antwerp. Lotus Bakeries developed special packaging in support of these 'Games of the Heart', and a special action with some 13 million 'personalized' biscuits.

Internationally, we support various social (development) activities and organizations, preferably those where there is a link to nutrition.

Through 'Entrepreneurs for Entrepreneurs' we have after 11 years completed the attractive 'Boat to Kinshasa' project. The related investment in road and water infrastructure, coupled with training of farmers and partner organizations, means that today over 5,500 families in and around the Mai Ndombe lakes district can better provide for their own needs.



#### Meanwhile, we are supporting two new projects:

- In Tanzania we are training young start-up entrepreneurs in the food industry
- In Bolivia, we are developing a program to promote quinoa growing and the processing of quinoa to biscuits

OUR RESPONSIBILITIES,  
TODAY & TOMORROW



# OUR PEOPLE show FULL COMMITMENT, AND SO DO WE

Lotus Bakeries wants to be a committed employer that offers its employees challenging work in a Pleasant working environment. We realize this Promise in four ways:

## 1 OUR 'TOP' CULTURE

We give high priority to team spirit, open dialogue and passion, and invest continuously in the development and the well-being of our people.



## 2 SAFETY

To work safely is to work well. **'Safety first'** is therefore a top priority theme.



# 3 COMMUNICATION

Involving our people maximally in our activities calls for open, clear communication. Our people are kept rapidly updated by our managers, and via departmental and workfloor meetings and communications platforms.

# 4 DEVELOPMENT

Investing in all our employees is good for the whole company. This is something we experience every day, because our people set to work with passion and commitment. And we want to keep it like that into the future by continuing to offer **training, coaching** and **'on the job' learning**.

# EMPLOYEES

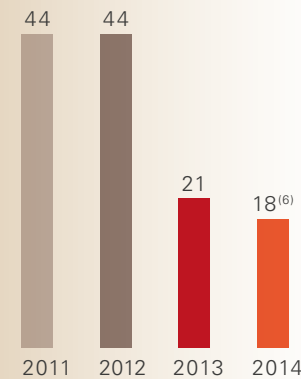


## DID YOU KNOW?

Lotus Bakeries operates a 'code of principles' aimed at a fair and ethical work environment.

These principles apply to everyone, in every country, at every level and in every workplace

Number of work accidents per year



(6) 2014 incl. Eeklo

This result reflects in particular the increased attention to all aspects of safe working. All managers and team members are involved in this right through the organization. In everything we do, the safety aspect is prominent.

An inbuilt 'safety reflex' has come into being. We maintain our priority focus on increased safety.





# TAKE CARE WEEK

An enthusiastic working group (members from the Belgium area and corporate departments), organized the Take Care week, during which each of the four themes of the Lotus 'Care for today - Respect for tomorrow' programme was addressed one by one.

During the third week of September 2014, the emphasis on Monday was on our products 🍪, on Tuesday on the environment 🌿, on Wednesday on society 🏠 and on Thursday on employees 👤.

The various testimonials indicate the extent of the impact in the various facilities in Belgium.

Each day included daily reporting Take Care mail, the Take Care boards at the plant entrance and the Take Care Link page. A week in which every employee worked on sustainability.



## LOTUS: CREATIVITY WITH ORIGINAL CARAMELIZED BISCUITS

**EVELIEN** "In R&D, we develop new products, but during the Take Care week we put a smile on our colleagues' faces with our caramelized biscuit cake and smoothie."



## 15 september PEOPLE

We do everything possible to ensure that consumers can enjoy our products which have been sustainably produced, in a responsible way. This day the R&D department showed the developments that have already been implemented.



## 16 september ENVIRONMENT

CO<sub>2</sub>, waste, energy, ... We want to keep our ecological footprint as small as possible. On 16 September we organized a car-free day. Each plant's car parks had to be as empty as possible. Walking shoes were taken off the shelf, bicycle tires inflated and colleagues living nearby invited to carpool. Each participant went home with a gadget.



**PATRICK** "The electric bicycle makes it possible to cycle to and from work. I'm happy the company supports us with charging points."



**MARINA** "I cycle to work every day. During the Take Care week it was beautiful weather and it was great to see how many cyclists we were."

## BULLETIN BOARD IN EEKLO



**KRIS** "The Take Care week got people moving. On a sunny day dozens of colleagues went rambling through the green surroundings of Lembeke."

'CARE FOR TODAY - RESPECT FOR TOMORROW'



17 september  
**SOCIETY**

September was also the month of the Special Olympics, the Olympics for athletes with mental disabilities. Lotus Bakeries played an active part and on this day we focused on this event.



18 september  
**EMPLOYEES**

TOP values, communication, development, health and safety were the key words for this day with information and activities focused on stopping smoking, exercise moments, a "working with Lync" workshop ... etc.



**VISIT TO SHELTERED WORKSHOP**



**SPECIAL OLYMPICS**



**BICYCLE ROLLERS AT EEKLO**



**JEFFREY** "The Take Care week in Eeklo was centred on cycling on rollers. On being the fastest, but sometimes in fancy dress and then the craziest! Yes, I won the competition, but the real winners were team spirit and fun."



**FRUIT**

**NELE** "Since the Take Care week, we have offered our employees various fruits twice a week. A healthy variety that is very much appreciated."



**COMPUTERS IN CAMEROON**

**PATRICK** "I'm pleased to see that the PCs and laptops that are collected here and formatted are still used. I also note that the South Cluster voluntary association is very grateful to Lotus Bakeries."



**ERGONOMICS AT COURCELLES**

**LINDA** "During the Take Care week we received joint training in ergonomic lifting and raising. Tips & tricks that I still use daily."





## **INDEPENDENT LIMITED ASSURANCE REPORT ON CARE FOR TODAY – RESPECT FOR TOMORROW SECTION OF THE ANNUAL REPORT 2014 OF LOTUS BAKERIES AND ITS SUBSIDIARIES**

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This report has been prepared in accordance with the terms of our engagement contract dated 26 February 2015, whereby we have been engaged to issue an independent limited assurance report in connection with the Care for Today – Respect for Tomorrow section as of and for the year ended 31 December 2014 in the accompanying Annual Report 2014 of Lotus Bakeries and its subsidiaries (the “Report”).

### ***Responsibility of Board of Directors***

The Board of Directors of Lotus Bakeries (the “Company”) is responsible for the preparation of the information and data in the Care for Today – Respect for Tomorrow section set forth in the Report of Lotus Bakeries and its subsidiaries and the declaration that its reporting meets the requirements of the Global Reporting Initiative (GRI) G4 (the “Subject Matter Information”), in accordance with the criteria disclosed in the Care for Today – Respect for Tomorrow section and with the recommendations of the GRI (the “Criteria”).

This responsibility includes the selection and application of appropriate methods for the preparation of the Subject Matter Information, for ensuring the reliability of the underlying information and for the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility of the Board of Directors includes the design, implementation and maintenance of systems and processes

relevant for the preparation of the Subject Matter Information.

### ***Auditor’s Responsibility***

Our responsibility is to express an independent conclusion about the Subject Matter Information set forth in the Report based on the work we have performed.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 “Assurance Engagements other than Audits or Reviews of Historical Financial Information”. This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain limited assurance as to whether nothing has come to our attention that causes us to believe that the Subject Matter Information is not fairly stated, in all material respects, based on the Criteria.

The objective of a limited-assurance engagement is to perform the procedures we consider necessary to provide us with sufficient appropriate evidence to support the expression of a conclusion in the negative form on the Subject Matter Information. The selection of such procedures depends on our professional judgment, including the assessment of the risks of management’s assertion being materially misstated. The scope of our work comprised the following procedures:

- assessing and testing the design and functioning of the systems and processes used for data-gathering, collation, consolidation and validation, including the methods used for calculating and estimating the information and data presented in the Subject Matter Information;
- conducting interviews with responsible officers;
- inspecting internal and external documents.

We have evaluated the Subject Matter Information against the Criteria. The accuracy and completeness of the Subject Matter Information are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information. Our Limited Assurance Report should therefore be read in connection with the Criteria.

#### ***Our Independence and Quality Control***

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our audit firm applies International Standard on Quality Control (ISQC) n° 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### ***Conclusion***

Based on our work, as described in this Independent Limited Assurance Report, nothing has come to our attention that causes us to believe that the information and data presented in the Care for Today – Respect for Tomorrow section for the year ended 31 December 2014 included in the Annual Report of the Company, and the Company's assertion that the Report meets the requirement GRI G4, is not fairly stated, in all material respects, in accordance with the Criteria.

#### ***Restriction on Use and Distribution of our Report***

Our assurance report has been made in accordance with the terms of our engagement contract. Our report is intended solely for the use of the Company, in connection with their Report as of and for the year ended 31 December 2014 and should not be used for any other purpose. We do not accept, or assume responsibility to anyone else, except to the Company for our work, for this report, or for the conclusions that we have reached.

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Sint-Stevens-Woluwe, 2 April 2015

PwC Bedrijfsrevisoren bcvba  
Represented by



Marc Daelman\*  
Registered auditor

Peter Opsomer\*  
Registered auditor

\*Marc Daelman BVBA  
Board Member, represented by its fixed  
representative, Marc Daelman

\*Peter Opsomer BVBA  
Board Member, represented by its fixed  
representative, Peter Opsomer



GRI - G4 REPORTING		IN ACCORDANCE - OPTIE "CORE"			
Strategy and analysis		where in AR 2014	*	**	***
G4-1	Statement from the CEO about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	p. 62-63	●		✓
G4-2	Description of key impacts, risks, and opportunities	p. 27-28; p. 42-44; p. 62-63	●		✓
Organizational Profile		where in AR 2014	*	**	***
G4-3	Name of the organization	frontpage	●		✓
G4-4	Primary brands, products, and services	p. 13-14; p. 21-24	●		✓
G4-5	Location of the organization's headquarters	p. 59	●		✓
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations	p. 14-16	●		✓
G4-7	Nature of ownership and legal form	p. 33-34	●		✓
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	p. 19-23	●		✓
G4-9	Scale of the organization, including number of employees, number of operations, net sales, total capitalization broken down in terms of debt and equity, quantity of products or services provided	p. 11; p. 25-26; p. 53-55; p. 57	●		✓
G4-10	Workforce	p. 25; p. 50-51	◐ (note 1)		✓
G4-11	Percentage of total employees covered by CBA (collective bargaining agreements)	> 90%	● (note 2)		✓
G4-12	Organization's supply chain	p. 14	◐ (note 3)		✓
G4-13	Changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	p. 4-5; p. 19-23	●		✓
G4-14	Precautionary approach or principle= approach taken to address potential environmental impacts	p. 42-44	●		
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives	p. 61-84	●		
G4-16	Memberships of associations	p. 35	●		
Identified Material Aspects and Boundaries		where in AR 2014	*	**	***
G4-17	All entities included in the organization's consolidated financial statements	p. 14-16, part 2	●		✓
G4-18	Process for defining the report content and the Aspect Boundaries, Explain how the organization has implemented the Reporting Principles for Defining Report Content	p. 62-63	●		✓
G4-19	Material Aspects identified in the process for defining report content	p. 62-63	●		✓
G4-20	Aspect Boundary within the organization	p. 62-63	●		
G4-21	Aspect Boundary outside the organization	p. 62-63	●		
G4-22	Restatements of information provided in previous reports	p. 3; p. 7; p. 19-28; p. 31	●		
G4-23	Changes from previous reporting periods in the Scope and Aspect Boundaries	p. 62-63	●		✓

<b>Stakeholder Engagement</b>		<b>where in AR 2014</b>	<b>*</b>	<b>**</b>	<b>***</b>
G4-24	List of stakeholder groups engaged by the organization	p. 62	●		✓
G4-25	Basis for identification and selection of stakeholders with whom to engage	p. 62-63	●		✓
G4-26	Approach to stakeholder engagement	p. 62-63	●		✓
G4-27	Key topics and concerns that have been raised through stakeholder engagement	p. 62-63	●		✓
<b>Report Profile</b>		<b>where in AR 2014</b>	<b>*</b>	<b>**</b>	<b>***</b>
G4-28	Reporting period	year 2014	●		✓
G4-29	Date of most recent previous report	year 2013, 09/04/2014	●		✓
G4-30	Reporting cycle	yearly	●		✓
G4-31	Contact point for questions regarding the report or its contents	Jan Vander Stichele	●		✓
G4-32	In accordance, GRI Content Index, External Assurance	p. 78-79; p. 80-84	●		✓
G4-33	Policy and current practice with regard to seeking external assurance for the report	p. 78-79	●		✓
<b>Governance</b>		<b>where in AR 2014</b>	<b>*</b>	<b>**</b>	<b>***</b>
G4-34	Governance structure	p. 33-44	●		✓
G4-35	Delegating authority for economic, environmental and social topics to senior executives and other employees	p. 38-39	●		✓
G4-36	Executive-level position	p. 39	●		✓
G4-38	Composition of the highest governance body and its committees	p. 35-37	●		✓
G4-39	Chair of the highest governance body is also an executive officer	p. 35-36	●		✓
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	p. 38-39	●		✓
G4-51	Remuneration policies for the highest governance body and senior executives	p. 39-42	●		✓
G4-52	Process for determining remuneration	p. 39	●		✓
<b>Ethics and Integrity</b>		<b>where in AR 2014</b>	<b>*</b>	<b>**</b>	<b>***</b>
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	p. 9; p.74-75	●		✓

## Legend

\* how is it reported



fully



partially



not

\*\* omissions - not applicable except as indicated

(note 1) no details on employment- nor contract-type, by gender only global

(note 2) in area NL, not all of the personnel is covered in the CBA, as this is also the case for the smaller SOF's

(note 3) only high level approach

\*\*\* external validation

✓ external assurance by PwC (p. 78-79)

Material Aspects		DMA and indicators				
CATEGORY	ECONOMIC		where in AR	*	comment	***
Long Term Vision		DMA (°/°°) (° : very high/°° : very high)	p. 62-63			✓
		G4-EC1 Coverage of the organization's results, financial performance, taxes paid, dividends paid, investments, salaries	p. 18-45	●		✓
Sourcing and traceability		DMA (°/°°) (° : high/°° : very high)	p. 62-63			✓
		FP1 Percentage of purchasing volume from suppliers compliant with the companies sourcing policy		○	we will start up analysis in 2015	
		FP2 Percentage of purchasing volume which is verified as being in accordance with credible, international recognised responsible production standards		○	we will start up analysis in 2015	
CATEGORY	ENVIRONMENTAL		where in AR	*	comment	***
Climate Change		DMA (°/°°) (° : high/°° : high)	p. 62-63			✓
	Materials				Fost+, Eco-Emballages, Dutch covenant, ...	
	Energy					
		G4-EN3 Energy consumption within the organization	p. 70	◐	is expressed in total as our ambition to decrease YoY	✓
		G4-EN6 Reduction of energy consumption	p. 70	◐	is expressed in total as our ambition to decrease YoY	✓
	Emissions					
		G4-EN15 Direct greenhouse gas (ghg) emissions (scope 1)	p. 70	◐	external report <sup>(1)</sup> , disclosed in total and relative to production as this is the most relevant information	✓
		G4-EN16 Energy indirect greenhouse gas (ghg) emissions (scope 2)	p. 70	◐	external report <sup>(1)</sup> , disclosed in total and relative to production as this is the most relevant information	✓
		G4-EN18 Greenhouse gas (ghg) emissions intensity		●	external report <sup>(1)</sup>	✓
		G4-EN19 Reduction of greenhouse gas (ghg) emissions	p. 70	◐	external report <sup>(1)</sup> , disclosed in total and relative to production as this is the most relevant information	✓
		G4-EN20 Emissions of ozone-depleting substances (ods)	p. 70	●	external report <sup>(1)</sup> , disclosed in total and relative to production as this is the most relevant information	✓
	Effluents and Waste					
		G4-EN22 Total water discharge by quality and destination	p. 70	◐	water discharge is limited, all waste water is treated	
		G4-EN23 Total weight of waste by type and disposal method	p. 70	◐	figures are presented relatively	✓
Environmental compliance		DMA (°/°°) (° : very high/°° : very high)	p. 62-63			✓
		G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	0 euro	●		✓
CATEGORY	SOCIAL		where in AR	*	comment	***
<b>SUB-CATEGORY: LABOR PRACTICES</b>						
Employee well being		DMA (°/°°) (° : very high/°° : very high)	p. 62-63			✓
	Occupational Health & Safety					

	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	p.75		100% on labor accidents <sup>(2)</sup> , no fatalities and no breakdown given the limited numbers	✓
Company culture	DMA (°/°°)	(° : very high/°° : very high)	p. 62-63			✓
Training & Education			p. 74		TOP-values	
	G4-LA9	Average hours of training per year and per gender, and by employee categorie			External training hours are registered in area Be, area Fr and Corporate (total : 5,758 hours)	✓
<b>SUB-CATEGORY: HUMAN RIGHTS</b>						
Sustainability charter suppliers raw materials	DMA (°/°°)	(° : high/°° : high)	p. 62-63			✓
Freedom of association collective bargaining						
	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	p. 70		100% for operations, for the "others" we will start ip analysis in 2015	
Child Labor						
	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	p. 70		we will start up analysis in 2015	
Forced or Compulsory Labor						
	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	p. 70		we will start up analysis in 2015	
<b>SUB-CATEGORY: SOCIETY</b>						
Community engagement	DMA (°/°°)	(° : high/°° : high)	p. 62-63			✓
Local Communities						
	G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	p. 72-73		100% on community engagement nearby our plants, for the "others" we will start up analysis in 2015	✓
Anti-corruption						
	G4-S04	Communication and training on anti-corruption policies and procedures	p. 42-43		100 % as included in the general directives	✓
Public Policy						
	G4-S06	Total value of political contributions by country and recipient/beneficiary	0 euro			✓
Compliance						
	G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	0 euro			✓
Animal Welfare						
	FP11	Percentage and total of animals raised and/or processed, by species and breed type, per housing type			relevant animal welfare is limited to the bought eggs : 100% barn eggs	



SUB-CATEGORY: PRODUCT RESPONSIBILITY						
Food security & safety	DMA (°/°°)	(° : very high/°° : very high)		p. 62-63		✓
Customer Health and Safety						
	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement		p. 28; p. 67-68	●	
	FP5	External Quality-certification (HACCP, BRC, IFS, ACG)		p. 68	●	✓
Nutritional aspects	DMA (°/°°)	(° zeer hoog/°° zeer hoog)		p. 62-63		✓
Customer Health and Safety						
	FP6	Percentage of total sales volume of consumer products, by category, lowered in fat, trans fat, sodium, added sugars		p. 28; p. 67	○	internal development of most relevant KPI will be started in 2015
	FP7	Percentage of total sales volume of consumer products, by category, containing increased nutritious ingredients (fiber, vitamins, minerals, phytochemicals or functional food additives)		p. 28; p. 67	○	internal development of most relevant KPI will be started in 2015
Labelling regulation	DMA (°/°°)	(° : very high/°° : very high)		p. 62-63		✓
Product and Service Labeling						
	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements		p. 69	●	✓
Product's pleasure	DMA (°/°°)	(° : very high/°° : high)		p. 62-63		✓
Compliance						
	G4-PR5	Results of surveys measuring consumers satisfaction		p. 28; p. 68	◐	
	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		0 euro	●	✓

## Legend

\* how is it reported

- fully
- ◐ partially
- not

DMA (°/°°) assessed by the stakeholders as (°) and by impact on the organisation (°°)

\*\*\* external validation

✓ external assurance by PwC (p. 78-79)

### references

- (1) according to the "Bilan Carbone"-methodology
- (2) accident is counted as accident if = a leave from work of minimum 24 hours



### Colophon

Design and implementation  
Blue Matters BVBA  
in collaboration with Studio Lotus Bakeries  
www.bluematters.be

Photos  
Blue Matters BVBA  
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ANNUAL REVIEW  
FINANCIAL SUPPLEMENT

2014



# FINANCIAL SUPPLEMENT

The consolidated financial statements for 2014 shown below have been prepared in accordance with IFRS rules as adopted by the EU with comparative IFRS figures for 2013.

The statutory financial statements that have been condensed are presented in the financial supplement and are prepared in accordance with Belgian accounting standards (BGAAP).

Only the consolidated annual financial statements present a faithful picture of the assets, financial position and results of the Lotus Bakeries Group.

In light of the fact that the statutory annual financial statements give only a limited picture of the financial situation of the Lotus Bakeries Group, the Board of Directors considers it appropriate to only present an abridged version of the statutory annual statements of Lotus Bakeries NV, in accordance with Article 105 of the Belgian Companies Code.

The full statutory annual statements, together with the statutory annual report of the Board of Directors and the statutory audit report of the Auditor, will be submitted to the National Bank of Belgium within the legally prescribed term. These documents are available on the corporate website of Lotus Bakeries, [www.lotusbakeries.com](http://www.lotusbakeries.com) (Investor Relations) or can be obtained for free from the Corporate Secretary of Lotus Bakeries on simple request.

This financial supplement is a part of the 2014 annual review of Lotus Bakeries NV. This annual review is in two parts which are available on the Lotus Bakeries corporate website and also on

simple request, separately and free of charge, from the Lotus Bakeries Corporate Secretary.

The Auditor has issued an unqualified audit opinion without reservation with respect to the consolidated and the statutory annual statements of Lotus Bakeries NV.

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## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET

in thousands of EUR	NOTES	31/12/2014	31/12/2013
<b>ASSETS</b>			
<b>Non current assets</b>		<b>263,881</b>	<b>262,729</b>
Tangible assets	12	137,569	136,489
Goodwill	30	46,135	46,517
Intangible assets	11	74,674	75,744
Investment in other companies		22	27
Deferred tax assets	13	5,275	3,859
Other non current assets	15	206	93
<b>Current assets</b>		<b>73,108</b>	<b>71,375</b>
Stocks	16	17,898	16,665
Trade receivables	17	38,804	36,036
VAT receivables	17	3,333	3,721
Income tax receivables	17	421	1,707
Other amounts receivable	17	112	402
Cash and cash equivalents	19	11,855	11,933
Deferred charges and accrued income		685	911
<b>TOTAL ASSETS</b>		<b>336,989</b>	<b>334,104</b>

in thousands of EUR	NOTES	31/12/2014	31/12/2013
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>200,629</b>	<b>171,375</b>
Share Capital	21	13,190	11,246
Retained earnings	14	196,147	167,099
Treasury shares	22, 25	(9,419)	(9,442)
Other reserves	14, 24	656	2,414
Non-controlling interests		55	58
<b>Non-current liabilities</b>		<b>39,506</b>	<b>43,984</b>
Interest-bearing loans and borrowings	20	325	7,925
Deferred tax liabilities	13	34,905	32,687
Pensions	24	3,558	2,793
Provisions	23	661	574
Other non-current liabilities		57	5
<b>Current liabilities</b>		<b>96,854</b>	<b>118,745</b>
Interest-bearing loans and borrowings	20	41,144	62,337
Pensions	24	56	56
Provisions	23	56	1,209
Trade payables	26	33,309	34,249
Remuneration and social security	26	12,357	12,525
VAT payables	26	126	750
Tax payables	26	7,097	4,376
Derivative financial instruments	26, 27	10	70
Other current liabilities	26	147	279
Accrued charges and deferred income	26	2,552	2,894
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>336,989</b>	<b>334,104</b>



## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

in thousands of EUR	NOTES	2014	2013
<b>Turnover</b>		<b>347,890</b>	<b>332,319</b>
Raw materials, consumables and goods for resale		(104,430)	(111,425)
Services and other goods		(96,483)	(87,259)
Personnel costs	6	(78,888)	(78,900)
Depreciation and amortization on formation expenses, intangible and tangible assets	7	(14,845)	(13,290)
Amounts written off stocks, contracts in progress and trade debtors	16, 17	(1,819)	(869)
Other operating charges	4	(4,034)	(2,636)
Other operating income	4	2,042	3,431
<b>Recurrent operating result (REBIT) <sup>(1)</sup></b>		<b>49,433</b>	<b>41,371</b>
Non-recurrent operating result	8	(261)	(3,655)
<b>Operating result (EBIT) <sup>(2)</sup></b>		<b>49,172</b>	<b>37,716</b>
Financial result	5	16	(1,740)
Financial income		5,402	2,576
Financial charges		(5,386)	(4,316)
<b>Result before taxes</b>		<b>49,188</b>	<b>35,976</b>
Taxes	9, 13	(12,415)	(8,057)
<b>Result after taxes</b>		<b>36,773</b>	<b>27,919</b>
<b>NET RESULT</b>		<b>36,773</b>	<b>27,919</b>
Net result: non-controlling interests		(2)	(1)
Net result: Group share		36,775	27,920

(1) REBIT is defined as the recurrent operating result, consisting of all the proceeds and costs relating to normal business.

(2) EBIT is defined as recurrent operating result + non-recurrent operating result

(3) Total number of shares including treasury shares

in thousands of EUR	NOTES	2014	2013
<b>Other comprehensive income:</b>			
<b>Items that may be subsequently reclassified to profit and loss</b>		<b>(1,194)</b>	<b>(581)</b>
Currency translation differences		(1,194)	(610)
Financial instruments		-	29
<b>Items that will not be reclassified to profit and loss</b>		<b>(564)</b>	<b>409</b>
Defined benefit plans	24	(564)	409
<b>Other comprehensive income for the year</b>		<b>(1,758)</b>	<b>(172)</b>
<b>Total comprehensive income for the year</b>		<b>35,015</b>	<b>27,747</b>
<b>Total comprehensive income for the year attributable to:</b>			
Non-controlling interests		(2)	(1)
Equity holders of Lotus Bakeries		35,017	27,748
<b>Earnings per share</b>	<b>10</b>		
Weighted average number of shares		778,944	764,828
<b>Basic earnings per share: Group share (EUR)</b>		<b>47.21</b>	<b>36.50</b>
Weighted average number of shares after effect of dilution		796,420	787,170
<b>Diluted earnings per share: Group share (EUR)</b>		<b>46.18</b>	<b>35.47</b>
Total number of shares <sup>(3)</sup>		803,013	795,113
<b>Earnings per share: Group share (EUR)</b>		<b>45.80</b>	<b>35.11</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of EUR

	Issued capital	Share premium	Share Capital	Retained earnings	Treasury shares	Translation differences	Remeasurements of post employment benefit obligations	Hedging reserves	Other reserves	Equity - part of the group	Non-controlling interest	Total Equity
<b>EQUITY as on 1 January 2013</b>	<b>3,431</b>	<b>4,009</b>	<b>7,440</b>	<b>146,183</b>	<b>(11,061)</b>	<b>2,615</b>	-	<b>(29)</b>	<b>2,586</b>	<b>145,148</b>	<b>58</b>	<b>145,206</b>
Profit of the Financial Year	-	-	-	27,920	-	-	-	-	-	27,920	(1)	27,919
Currency translation differences	-	-	-	-	-	(610)	-	-	(610)	(610)	-	(610)
Remeasurements of post employment benefit obligations	-	-	-	-	-	-	448	-	448	448	-	448
Financial instruments	-	-	-	-	-	-	-	44	44	44	-	44
Taxes on items taken directly to or transferred from equity	-	-	-	-	-	-	(39)	(15)	(54)	(54)	-	(54)
Net income (expense) for the period recognised directly in equity	-	-	-	-	-	(610)	409	29	(172)	(172)	-	(172)
<b>Total comprehensive income (expense) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,920</b>	<b>-</b>	<b>(610)</b>	<b>409</b>	<b>29</b>	<b>(172)</b>	<b>27,748</b>	<b>(1)</b>	<b>27,747</b>
Dividend to shareholders	-	-	-	(7,641)	-	-	-	-	-	(7,641)	-	(7,641)
Increase in capital	68	3,738	3,806	-	-	-	-	-	-	3,806	-	3,806
Acquisitions/sale treasury shares	-	-	-	-	1,619	-	-	-	-	1,619	-	1,619
Share-based payments	-	-	-	296	-	-	-	-	-	296	-	296
Other	-	-	-	341	-	-	-	-	-	341	1	342
<b>EQUITY as on 31 December 2013</b>	<b>3,499</b>	<b>7,747</b>	<b>11,246</b>	<b>167,099</b>	<b>(9,442)</b>	<b>2,005</b>	<b>409</b>	<b>-</b>	<b>2,414</b>	<b>171,317</b>	<b>58</b>	<b>171,375</b>
Unavailable for distribution				31,791								
Available for distribution				135,308								
<b>EQUITY as on 1 January 2014</b>	<b>3,499</b>	<b>7,747</b>	<b>11,246</b>	<b>167,099</b>	<b>(9,442)</b>	<b>2,005</b>	<b>409</b>	<b>-</b>	<b>2,414</b>	<b>171,317</b>	<b>58</b>	<b>171,375</b>
Profit of the Financial Year	-	-	-	36,775	-	-	-	-	-	36,775	(2)	36,773
Currency translation differences	-	-	-	-	-	(1,194)	-	-	(1,194)	(1,194)	-	(1,194)
Remeasurements of post employment benefit obligations	-	-	-	-	-	-	(635)	-	(635)	(635)	-	(635)
Taxes on items taken directly to or transferred from equity	-	-	-	-	-	-	71	-	71	71	-	71
Net income (expense) for the period recognised directly in equity	-	-	-	-	-	(1,194)	(564)	-	(1,758)	(1,758)	-	(1,758)
<b>Total comprehensive income (expense) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,775</b>	<b>-</b>	<b>(1,194)</b>	<b>(564)</b>	<b>-</b>	<b>(1,758)</b>	<b>35,017</b>	<b>(2)</b>	<b>35,015</b>
Dividend to shareholders	-	-	-	(8,587)	-	-	-	-	-	(8,587)	-	(8,587)
Increase in capital	35	1,909	1,944	-	-	-	-	-	-	1,944	-	1,944
Acquisitions/sale treasury shares	-	-	-	-	23	-	-	-	-	23	-	23
Share-based payments	-	-	-	361	-	-	-	-	-	361	-	361
Other	-	-	-	499	-	-	-	-	-	499	(1)	498
<b>EQUITY as on 31 December 2014</b>	<b>3,534</b>	<b>9,656</b>	<b>13,190</b>	<b>196,147</b>	<b>(9,419)</b>	<b>811</b>	<b>(155)</b>	<b>-</b>	<b>656</b>	<b>200,574</b>	<b>55</b>	<b>200,629</b>
Unavailable for distribution				32,129								
Available for distribution				164,018								

Reserves are unavailable for distribution because of legal restrictions.

CONSOLIDATED  
CASH FLOW STATEMENT

in thousands of EUR	2014	2013
<b>Operating activities</b>		
Net profit	36,775	27,920
Amortization of (in)tangible assets	15,308	13,290
Valuation allowances against current assets	1,819	869
Provisions	(940)	791
Capital loss on disposal of fixed assets	371	45
Financial income	(5,402)	(2,576)
Financial charges	5,386	4,308
Income taxes	12,415	8,057
Employee stock option plan	361	296
Non-controlling interests	(2)	(1)
<b>Gross cash provided by operating activities</b>	<b>66,091</b>	<b>52,999</b>
Decrease/(Increase) in inventories	(2,669)	(1,324)
Decrease/(Increase) in trade accounts receivable	(2,598)	(289)
Decrease/(Increase) in other assets	1,155	(1,301)
Increase/(Decrease) in trade accounts payable	91	(1,907)
Increase/(Decrease) in other liabilities	(1,580)	2,723
<b>Change in operating working capital</b>	<b>(5,601)</b>	<b>(2,098)</b>
Income tax paid	(7,731)	(7,470)
Interest paid	(779)	(888)
Other financial income and charges received/paid	664	(906)
<b>Net cash provided by operating activities</b>	<b>52,644</b>	<b>41,637</b>

	2014	2013
<b>Investing activities</b>		
(In)tangible assets - acquisitions	(17,779)	(30,106)
(In)tangible assets - other changes	116	505
Acquisition of a subsidiary	-	(33,028)
Financial assets - other changes	5	5
<b>Cash flow from investing activities</b>	<b>(17,658)</b>	<b>(62,624)</b>
<b>Net cash flow before financing activities</b>	<b>34,986</b>	<b>(20,987)</b>
<b>Financing activities</b>		
Dividends paid	(8,465)	(7,562)
Treasury shares	313	1,723
Increase (+)/Reimbursement (-) of capital	1,944	3,806
Receivings (+)/Reimbursement (-) of long-term funding	(15,100)	8,025
Receivings (+)/Reimbursement (-) of short-term funding	(13,693)	20,561
Receivings (+)/Reimbursement (-) of long-term receivables	(128)	79
<b>Cash flow from financing activities</b>	<b>(35,129)</b>	<b>26,632</b>
<b>Net change in cash and cash equivalents</b>	<b>(143)</b>	<b>5,645</b>
Cash and cash equivalents on January 1	11,933	6,452
Effect of exchange rate fluctuations	65	(164)
Cash and cash equivalents on December 31	11,855	11,933
<b>Net change in cash and cash equivalents</b>	<b>(143)</b>	<b>5,645</b>

NOTES  
TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

1 | CONSOLIDATED COMPANIES

1.1 LIST OF CONSOLIDATED COMPANIES

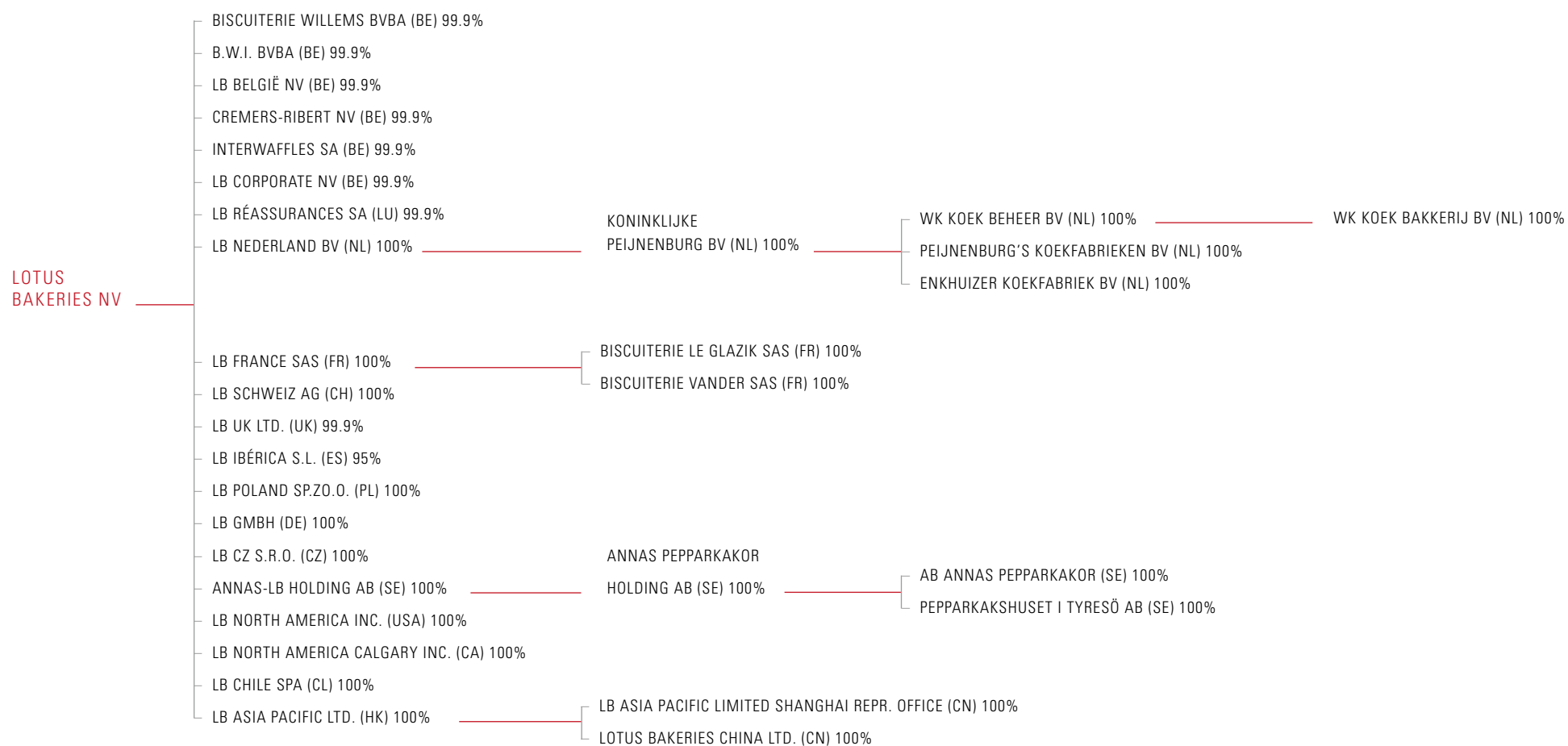
	Address	VAT or national number	2014	2013
			%	%
<b>A. Full consolidation</b>				
Cremers-Ribert NV	Gentstraat 52, B-9971 Lembeke	VAT BE 0427.808.008	100,00	100,00
Interwaffles SA	Rue de Liège 39, B-6180 Courcelles	VAT BE 0439.312.406	100,00	100,00
Lotus Bakeries NV	Gentstraat 1, B-9971 Lembeke	VAT BE 0401.030.860	100,00	100,00
Lotus Bakeries Corporate NV	Gentstraat 1, B-9971 Lembeke	VAT BE 0881.664.870	100,00	100,00
Lotus Bakeries België NV	Gentstraat 52, B-9971 Lembeke	VAT BE 0421.694.038	100,00	100,00
Biscuiterie Willems BVBA	Nieuwendorpe 33 Bus C, B-9900 Eeklo	VAT BE 0401.006.413	100,00	100,00
B.W.I. BVBA	Ambachtenstraat 5, B-9900 Eeklo	VAT BE 0898.518.522	100,00	100,00
Lotus Bakeries Schweiz AG	Baarerstrasse 135, 6301 Zug	VAT CH 482 828	100,00	100,00
Lotus Bakeries CZ s.r.o.	Praag 3, Slezská 844/96, CZ-130 00 Praag	VAT CZ 271 447 55	100,00	100,00
Lotus Bakeries GmbH	Schumanstrasse 33, D-52146 Würselen	VAT DE 811 842 770	100,00	100,00
Biscuiterie Le Glazik SAS	Zone Industrielle 2, F-29510 Briec-de-l'Odet	VAT FR95 377 380 985	100,00	100,00
Biscuiterie Vander SAS	Place du Château BP 70091, F-59560 Comines	VAT FR28 472 500 941	100,00	100,00
Lotus Bakeries France SAS	Place du Château BP 50125, F-59560 Comines	VAT FR93 320 509 755	100,00	100,00
Lotus Bakeries UK Ltd.	3000 Manchester Business Park, Aviator Way, Manchester, M22 5TG UK	VAT GB 606 739 232	100,00	100,00
Lotus Bakeries Réassurances SA	74, Rue de Merl, L-2146 Luxembourg	R.C.S. Luxembourg B53262	100,00	100,00
Koninklijke Peijnenburg BV	Nieuwendijk 45, 5664 HB Geldrop	VAT NL003897187B01	100,00	100,00
Peijnenburg's Koekfabrieken BV	Nieuwendijk 45, 5664 HB Geldrop	VAT NL001351576B01	100,00	100,00
WK Koek Beheer BV	Streek 71, 8464 NE Sintjohannesga	VAT NL006634199B01	100,00	100,00
WK Koek Bakkerij BV	Streek 71, 8464 NE Sintjohannesga	VAT NL006634151B01	100,00	100,00
Enkhuizer Koekfabriek BV	Oosterdijk 3e, NL-1601 DA Enkhuizen	VAT NL823011112B01	100,00	100,00
Lotus Bakeries Nederland BV	Nieuwendijk 45, 5664 HB Geldrop	VAT NL004458953B01	100,00	100,00
Lotus Bakeries Asia Pacific Limited	Room 2302, 23rd floor, Caroline Centre, Lee Garden Two, 28 Yun Ping road, Hong Kong	Inland Revenue Department file no. 22/51477387	100,00	100,00
Lotus Bakeries North America Inc.	50 Francisco Street, Suite 115, San Francisco, CA, 94133 USA	IRS 94-3124525	100,00	100,00
Lotus Bakeries Ibérica S.L.	C/ Severo Ochoa, 3, 2a Planta Oficina 8A, 28232 Las Rozas (Madrid), Spain	VAT ESB80405137	95,00	95,00
Annas - Lotus Bakeries Holding AB	Radiovägen 23, SE 135 48 Tyresö, Sweden	Registration no. 556757-7241	100,00	100,00
Annas Pepparkakor Holding AB	Radiovägen 23, SE 135 48 Tyresö, Sweden	Registration no. 556675-9030	100,00	100,00
AB Annas Pepparkakor	Radiovägen 23, SE 135 48 Tyresö, Sweden	VAT SE556149914501	100,00	100,00
Pepparkakshuset i Tyresö AB	Radiovägen 23, SE 135 48 Tyresö, Sweden	VAT SE556736094501	100,00	100,00
Lotus Bakeries North America Calgary Inc.	L.M. Gordon LAW Office, 2213 - 20th Street P.O. Box 586, Nanton, Alberta, Canada, T0L 1R0	GST 131 644 205	100,00	100,00
Lotus Bakeries Poland Sp z o.o.	ul.Fordonska 199/304, 85-739 Bydgoszcz, Poland	VAT PL5542918754	100,00	100,00
Lotus Bakeries Chile SpA	La Capellania 1121 casa 2, CL 7690000 Lo Barnechea, Santiago	VAT (RUT) 76.215.081-6	100,00	100,00
Lotus Bakeries China Ltd	Unit 516/517, Front Hall of Shanghai Exhibition Centre, 1000 Yan An Middle Road, 200040 Shanghai, PR. China	Registration no. 310000400722746 (Jingan)	100,00	100,00
<b>B. Foreign branches</b>				
Lotus Bakeries Asia Pacific Limited Shanghai	Units 401-404 Level 5 - 159 MadangRoad, 200021 Shanghai, China		100,00	100,00



## 1.2 CHANGES IN THE GROUP STRUCTURE IN 2014

In 2014 no changes took place in the group structure.

## 1.3 LEGAL STRUCTURE OF THE LOTUS BAKERIES GROUP AT 31 DECEMBER 2014



## 2 | ACCOUNTING PRINCIPLES

### 2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS) as endorsed within the European Union. Lotus Bakeries has used IFRS as its only accounting norm since 1 January 2005. The IFRS opening balance sheet is that dated 1 January 2004. The figures for the 2004 financial year were revised from BGAAP (Belgian accounting standards) to IFRS. The last consolidated financial statements under BGAAP were for the 2004 financial year that ended on 31 December 2004.

### 2.2 BASIS OF PRESENTATION

The consolidated financial statements are presented in thousands of euros and present the financial situation as of 31 December 2014.

The accounting principles were consistently applied.

The consolidated financial statements are presented on the basis of the historical cost price method, with the exception of the evaluation at fair value of financial derivatives and financial assets available for sale.

The consolidated financial statements are presented before allocation of the parent company's result, as proposed to the General Meeting of Shareholders and approved by the Board of Directors on 12 February 2015 for publication.

### Recent IFRS pronouncements Endorsement status of the new standards as at 31 December 2014

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:

- IAS 27 Revised 'Separate financial statements', effective for annual periods beginning on or after 1 January 2014. The revised standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IFRS 10 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2014. The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements.
- IFRS 12 'Disclosure of interests in other entities', effective for annual periods beginning on or after 1 January 2014. This is a new standard on disclosure requirements for all forms of interests in other entities.
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements' and IFRS 12 'Disclosure of interests in other entities'. The amendments clarify the transition guidance in IFRS 10, and provide additional transition relief (for example by limiting the requirement to provide adjusted comparative information to only the preceding comparative period or, for disclosures related to unconsolidated structured entities, removing the requirement to present comparative information for periods before IFRS 12 is first applied). These amendments will be effective for annual periods beginning on or after

1 January 2014 which is aligned with the effective date of IFRS 10, 11 and 12.

- Amendments to IAS 32 'Offsetting financial assets and financial liabilities', effective for annual periods beginning on or after 1 January 2014. The amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.
- Amendments to IAS 39 'Financial instruments: Recognition and measurement', effective for annual periods beginning on or after 1 January 2014. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. Similar relief will be included in IFRS 9 'Financial instruments'.

The following amendment to standard IAS 36 has been issued and been endorsed by the European Union. It was mandatory for the first time for the financial year beginning 1 January 2014, but this was applied in advance in the reporting of 2013:

- Amendments to IAS 36 'Impairment of assets', effective for annual periods beginning on or after 1 January 2014. The IASB made consequential amendments to the disclosure requirements of IAS 36 when it issued IFRS 13. One of the amendments was drafted more widely than intended. This limited scope amendment corrects this and introduces additional disclosures about fair value measurements when there has been impairment or a reversal of impairment.

The following new interpretation and amendments to standards have been issued and have been endorsed by the European Union, but are not mandatory for the first time for the financial year beginning 1 January 2014:

- IFRIC 21 'Levies', effective for annual periods beginning on or after 17 June 2014. IFRIC 21 sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.
- 'Annual improvements (2010-2012 cycle)', effective for annual periods beginning on or after 1 February 2015. The amendments relate to IFRS 2 'Definition of vesting condition', IFRS 3 'Accounting for contingent consideration in a business combination', IFRS 8 'Aggregation of operating segments', 'IFRS 8 'Reconciliation of the total of the reportable segments' assets to the entity's assets', IFRS 13 'Short-term receivables and payables', IAS 7 'Interest paid that is capitalised', IAS 16/IAS 38 'Revaluation method-proportionate restatement of accumulated depreciation' and IAS 24 'Key management personnel'.
- 'Annual improvements (2011-2013 cycle)' in response to issues addressed during the 2011-2013 cycle, effective for annual periods beginning on or after 1 January 2015. The amendments include IFRS 1 'Meaning of effective IFRSs', IFRS 3 'Scope exceptions for joint ventures', IFRS 13 'Scope of paragraph 52 (portfolio exception)' and IAS 40 'Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property'.
- Amendment to IAS 19 'Defined benefit plans', effective for annual periods beginning on or after 1 February 2015. The amendment seeks clarification for the accounting of employee contributions set out in the formal terms of a defined benefit plan.

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2014 and have not been endorsed by the European Union:

- 'Annual Improvements (2012–2014 cycle)' with amendments to 4 standards, effective for annual periods beginning on or after 1 January 2016. The amendments include IFRS 5, 'Non-current assets held for sale and discontinued operations', IAS 19, 'Employee benefits', IFRS 7, 'Financial instruments: disclosures' and IAS 34, 'Interim financial reporting'.
- IFRS 15 'Revenue from contracts with customers'. The IASB and FASB have jointly issued a converged standard on the recognition of revenue from contracts with customers. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2017, subject to EU endorsement.
- IFRS 9 'Financial instruments', effective for annual periods beginning on or after 1 January 2018. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.
- Amendment to IFRS 9 'financial instruments' on general hedge accounting, effective for annual periods beginning on or after 1 January 2018. The amendment incorporates the new general hedge accounting model which will allow reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. These amendments also impact IAS 39 and introduce new disclosure requirements for hedge

accounting, thereby impacting IFRS 7, irrespective of the fact whether hedge accounting requirements under IFRS 9 or IAS 39 are used.

- Amendments to IAS 1 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2016. The amendments to IAS 1 are part of the initiative of the IASB to improve presentation and disclosure in financial reports and are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

Lotus Bakeries expects that the application of the above new standards, the amendments to the standards and the interpretation will not have a material impact on the consolidated financial statements.

### 2.3 CONSOLIDATION PRINCIPLES

The consolidated financial statements consist of the financial statements of Lotus Bakeries NV, its subsidiaries and its foreign branch (collectively referred to as the 'Group'). All material balances and transactions within the Group have been eliminated.

#### Subsidiaries

Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights, to variable results from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidation scope as from the date that the parent company gains control until the date such control ceases.

Acquisition of subsidiaries is accounted for according to the acquisition method. The financial statements of the subsidiaries follow the same financial year as that of the parent company and are prepared according to the same accounting principles.

#### Foreign branches

A foreign branch is not a separate legal entity, but an integral part of the parent company. This means that all transactions, assets, debts, income and costs etc. are recorded in the accounts of the parent company. The accounts of the foreign branch are maintained in the currency of the country itself.

The financial accounts of branches are included in the consolidation scope from the date on which the parent company gains control until the date on which such control ends.

The financial accounts of the branches have the same financial year as the parent company and are prepared using the accounting principles applicable to 'Subsidiaries' (see above), taken into account that the 'translation differences' are recorded in other comprehensive income.

#### Associated companies

Associated companies are companies in which the Group has significant influence but no control or joint control. This is generally the case if the Group holds between 20% to 50% of the voting shares. Associated companies are consolidated using the equity method from the date on which the significant influence begins until the date on which the significant influence ends.

These associated companies are presented in the balance sheet in the section entitled 'investments in associated companies'. The Group's share in the results for the period is reported in the income statement as 'share in the result of the enterprises accounted for using the equity method'.

When the Group's share in the losses of companies using the equity method exceeds the carrying amount of these participations, this value is reduced to zero and future losses are no longer acknowledged, except to the extent of the Group's commitments to these associated companies.

The Group currently has no shareholdings in entities where Lotus Bakeries has significant influence, but without control or joint control.

#### Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement are entitled to the net assets of the joint venture. Joint control is the contractually agreed sharing of control over an arrangement, and exists only when decisions on relevant activities require unanimity. Investments in joint ventures are accounted for using the equity method.

The Group currently has no arrangements involving joint control.

A list of subsidiaries and foreign branch of the Group is given in the notes.

### 2.4 USE OF ESTIMATES

In order to prepare the annual financial statements in accordance with IFRS, management has to make a number of estimates and assumptions which have an impact on the amounts declared in the financial statements and notes.

Valuations made on the date of reporting reflect existing conditions on that date (for example: market prices, interest rates and exchange rates). Though these estimates are made by management based on maximum knowledge of ongoing business and actions that the Group may undertake, the real results may vary in relation to these estimates.

The assumptions made for valuing the intangible fixed assets, post-employment benefits, financial derivatives and goodwill are given in notes 11, 24, 27 and 30.



## 2.5 FOREIGN CURRENCIES

The Group's presentation currency is the euro.

### Transactions in foreign currencies

In the Group's companies, transactions in foreign currencies are converted using the exchange rate applicable on the date of the transaction.

Monetary assets and liabilities in foreign currencies are converted to the closing rate on the balance sheet date.

### Financial statements of foreign entities

For foreign entities using a different functional currency than the euro:

- assets and liabilities are converted to the euro using the exchange rate on the closing date.
- income statements are converted at annual average exchange rate.
- equity items are converted at the historic exchange rate.

Translation differences resulting from conversion of equity into euro using the rate at the end of the year are reported as translation differences under equity. Translation differences are kept in equity up to the disposal of the company. In case of disposal, the deferred cumulative amount included in equity is included in the results for the foreign activity in question.

Goodwill from the acquisition of a foreign entity and possible fair value changes of the acquired assets and liabilities at the moment of acquisition, are considered as assets and liabilities of the foreign activity and are converted using the closing rate.

The Group has no entities in hyper-inflationary economies.

## Exchange rates

The following exchange rates were used in preparing the annual accounts:

	Closing rate		Average rate	
	2014	2013	2014	2013
EUR/CAD	1.4063	1.4671	1.4632	1.3771
EUR/CHF	1.2024	1.2276	1.2127	1.2290
EUR/CLP	736.366	722.909	755.894	662.749
EUR/CNY	7.5358	8.3491	8.1582	8.1733
EUR/CZK	27.7350	27.4270	27.5479	26.0270
EUR/GBP	0.7789	0.8337	0.8033	0.8501
EUR/PLN	4.2732	4.1543	4.1939	4.2134
EUR/SEK	9.3930	8.8591	9.1209	8.6692
EUR/USD	1.2141	1.3791	1.3217	1.3308

## 2.6 INTANGIBLE ASSETS

Intangible assets which are acquired separately are valued at cost price less cumulative amortization and impairment. The residual value of intangible assets is assumed to be zero. Intangible fixed assets acquired upon takeover of a subsidiary or as a result of the acquisition of a customer portfolio, are expressed separately in the balance sheet at their estimated fair value at the time of acquisition.

Costs for internally generated goodwill are recorded as costs in the income statement at the time they occur.

### Amortization

Intangible assets are amortized on a straight-line basis over the estimated useful life. Amortization begins as soon as the intangible asset is ready for its intended use. The investments in software and licences are amortized over a period of three to five years.

The value of brands acquired in takeovers or the value of the customer portfolio obtained through acquisition is amortized on a straight-line basis over a maximum of ten years, except where the brand can be regarded as having an indefinite life. In the latter case, an annual analysis is carried out in order to determine whether events and situations are still supporting the assumption that the brand has an indefinite life. These assets will be examined for impairment on an annual basis or whenever there is an impairment indicator.

### Goodwill

Goodwill arising from a business combination is valued at cost price at the time of the first record (i.e. the positive difference between the cost price of the business combination and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities). After the first recording, goodwill is valued at cost price after deduction of any cumulative impairment losses.

Goodwill is tested for impairment on a yearly basis or more often if events or changes in circumstances indicate that the carrying amount may have undergone impairment. For this impairment testing, the goodwill is attributed, from the date of takeover, to cash generating units of the Group or to groups thereof that are expected to benefit from the synergy of the business combination.

## 2.7 TANGIBLE ASSETS

Tangible assets are valued at historical cost price less cumulative depreciation and impairments.

Land is not depreciated given that it has an undefined useful life.

The historical cost price covers the initial purchase price increased by other direct attributable acquisition costs (such as unclaimable taxes and costs related to transport and installation) and less possible discounts. The manufacturing price of self-produced assets covers the direct material costs and direct labour costs and a proportional part of the production overhead.

If the various parts of a tangible asset have different lifetimes, they are depreciated according to their respective lifetimes.

The residual value and lifetime of tangible fixed assets are annually verified against reality.

### Post-acquisition costs

Subsequent expenses are only recorded as assets and are thus added to the carrying amount of the asset, if they increase the future economical advantages of the individual asset item to which they are related.

Costs of maintenance and repair of tangible assets that do not increase the future economical advantages or do not extend the useful life of the asset are reported as operating charges when they occur.

## Depreciation

Depreciation is spread out over the expected useful life using the straight-line method.

Depreciation of an asset begins once the asset is ready for its intended use.

Useful life is assigned as follows:

Buildings and warehouses	25-30 years
Plant and equipment	15 years
Basic machines	20-25 years
Common machines, tools	10-15 years
Furniture	15 years
Office equipment	5 years
Computer equipment	3-5 years
Passenger vehicles	4-5 years
Trucks	10 years

## 2.8 LEASING

### Financial leases

A financial lease is a lease that transfers substantially all risks and rewards incident to ownership of an asset to the lessee. When a fixed asset is held under a financial lease, its value is recorded as an asset at the present value, at the beginning of the lease term, of the future minimum lease payments during the lease term. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability in order to obtain a constant rate of interest on the debt over the lease term.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

## Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

## 2.9 GOVERNMENT GRANTS

Government grants are recorded at their fair value when it is practically certain that they will be received and when it is practically certain that the Group will fulfil the conditions related thereto. If the grant is connected with a cost item, the grant is systematically recorded as income over the periods required to attribute these grants to the costs for which they are intended to compensate. When the grant is connected with an asset, it is presented in the balance sheet deducted from the asset. Grants are taken into income net of the depreciation of the related asset.

## 2.10 IMPAIRMENT OF FIXED ASSETS

For the Group's fixed assets, other than deferred tax assets, the Group verifies at each closing date whether there are signs that an asset has undergone impairment. If there are such signs or if annual testing for impairment is required, an estimate of the realizable value of the asset is made. For an asset that by and of itself generates no cash flows from continued use that to a large extent are independent of those from other assets, the realizable value is defined from the cash generating unit to which the asset belongs. The realizable value is the greater of the fair value less costs to sell and the value in use of the asset or cash generating unit in question. When defining the value in use, the estimated future cash flows are discounted using a pre-tax discount rate based on current market appraisal of the time value of money and the specific risks of the asset or cash generating unit. When the carrying amount exceeds the estimated realizable value, an impairment loss is recorded as an operating charge to the income statement.

### Reversal of impairments

Impairments for financial assets normally held by the Group until maturity or receivables are reversed if a subsequent increase in their net asset value can be objectively associated with an event arising after the recording of the loss.

A loss recorded earlier through an impairment for other assets is reversed where there has been a change in the estimates used to determine the net asset value. An increase in the carrying amount of an asset resulting from the reversal of an impairment can not be higher than the carrying amount (after depreciation) which would have

been obtained if no impairment loss had been recorded during previous years.

An impairment loss recognised on goodwill shall not be reversed in a subsequent period.

## 2.11 FINANCIAL ASSETS AVAILABLE FOR SALE

Shares in companies in which the Group does not exercise control or significant influence are recorded in this section.

Financial assets are initially valued at cost price. This is composed of the fair value of the compensation provided including acquisition costs associated with the investment.

After the initial recording, the financial assets are recorded at their fair value and changes therein are directly recorded in a separate part of equity. For listed companies, the share price is the best valuation criterion. Participations for which no fair value can be defined, are recorded at their historical cost price.

An impairment is recorded if the carrying amount exceeds the expected recovery value.

If the financial asset is sold or an impairment loss is recorded, the cumulative profits or losses formerly recorded in equity are included in the financial results.

An impairment loss on a financial asset available for sale is not reversed through the income statement, unless it concerns a debt instrument.

## 2.12 OTHER LONG-TERM RECEIVABLES

Long-term receivables are valued at their actual net value based on an average market interest rate in accordance with the useful life of the receivable.

## 2.13 STOCKS

Raw materials, consumables and goods for resale are recorded at purchase price on a FIFO basis.

Finished products are recorded at the standard manufacturing cost price. This includes, in addition to direct production and material costs, a proportional part of the fixed and variable overhead costs based on the normal production capacity.

If the purchase price or the manufacturing price is greater than the net realisable value, the valuation is applied to the lower net realisable value.

The net realisable value is defined as the estimated selling price under normal market conditions less the estimated costs required for further finishing and sale of the product.

#### 2.14 TRADE RECEIVABLES AND OTHER AMOUNTS RECEIVABLE

Trade receivables and other amounts receivable are recorded at their nominal value less any potential valuation allowance.

Such valuation allowances are recorded at the expense of the operating results if the Group will likely not be able to collect all outstanding amounts.

An estimate of valuation allowances to be recorded is made on the date of the balance sheet by evaluating all outstanding amounts individually. The valuation allowance loss is recorded in the results in the period in which it was identified as such.

#### 2.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include liquid assets and bank balances (current and deposit accounts). In general, investments are held until the expiration date. Profits and losses are recorded in the results when the investment is realized or written down.

For the cash flow statement, cash and cash equivalents include cash and bank balances. Possible negative cash is recorded under short-term debt with credit institutions.

#### 2.16 PROVISIONS

Provisions are recorded in the balance sheet if the Group has a present obligation (legal or de facto) resulting from a past event and if it is likely that fulfilment of these commitments will incur expenses that can be reliably estimated on the balance date.

No provisions are recorded for future operating costs.

If the effect of the time value of money is material, the provisions will be discounted.

#### Restructuring

A provision for restructuring will be recorded when a formal, detailed restructuring plan is approved by the Group and if this restructuring has either begun or is announced to the entities concerned.

#### 2.17 INTEREST-BEARING FINANCIAL DEBTS

All interest-bearing financial debts are initially recorded at fair value less direct attributable transaction costs. After this first recording, the interest-bearing financial debts will be recorded at amortized cost price based on the effective interest method.

#### 2.18 TRADE DEBTS AND OTHER DEBTS

Trade and other debts are recorded at their nominal value.

A financial obligation is no longer recorded in the balance sheet once the performance related to the obligation is completed, settled or lapsed.

#### 2.19 SHARE CAPITAL AND TREASURY SHARES

For the purchase of treasury shares, the amount paid, including any directly attributable costs, is recorded as a change in this section. Treasury shares purchased are considered as a reduction of equity.

#### 2.20 FINANCIAL DERIVATIVES

The Group uses financial derivatives to limit risks from adverse exchange rate and interest rate fluctuations. No derivatives are used for trading purposes.

Financial derivatives are initially recorded at cost price. After initial recognition, these instruments are included in the balance sheet at fair value.

Changes in fair value of those of the Group's derivatives contracts that do not fulfil the criteria of IAS 39 to be viewed as hedges are recognized in the income statement.

The effective portion of the change in fair value of derivative financial instruments that are identified as cash flow hedges is recognized in other comprehensive income. The gain or loss on the ineffective portion is immediately reported in the income statement. Amounts accumulated in equity are re-classified to the income statement in the periods in which the hedged position in question impacts the income statement.

All regular purchases and sales of financial assets are recorded on the date of transaction.

#### 2.21 REVENUES

Revenues are included in the income statement once it is likely that the Group will reap economic advantages from the transaction and the revenues can be reliably defined.

#### Sale of goods and delivery of services

Turnover is deemed to have been earned when the advantages and risks of the sale are payable by the purchaser and any uncertainty has been removed in terms of the collection of the agreed amount, transaction costs and any return of the goods.



### **Financial income**

Financial income (interests, dividends, royalties, etc.) are considered to be realized once it is likely that the company will reap the economic advantages from the transaction and the revenues can be reliably defined.

### **2.22 INCOME TAX**

Income tax on the results of the year includes current and deferred taxes. Both taxes are recorded in the income statement except in respect of items which have been directly recorded in equity. In such cases, the taxes are directly charged against equity.

Current tax includes the amount of taxation payable on the taxable earnings for the period calculated at the tax rate applicable on the reporting date. They also include adjustments of fiscal liabilities for previous years.

Deferred taxes are defined in accordance with the balance sheet method and result mainly from temporary differences between the carrying amount of both assets and liabilities in the consolidated balance sheet and their respective taxable base. Deferred tax is calculated using the tax rates and laws that are expected to be in place at the time such deferred taxes are realized or the deferred tax liability is settled.

Deferred taxes are recorded at their nominal value and are not discounted for.

Deferred tax assets from deductible temporary differences and unused tax loss carry forwards are only recorded if it is probable that sufficient taxable profits will be generated in the future and be compensated by the deductible temporary difference or unused tax losses.

Deferred tax assets are reduced when it is no longer probable that the related tax savings can be generated. Unrecorded deferred tax assets are re-assessed per balance sheet date and recorded insofar as it is probable that there will be fiscal profits in the future against which the deferred tax asset can be deducted.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

### **2.23 EMPLOYEE BENEFITS**

#### **Pension plans**

There are a number of defined-contribution plans within the Group. These pension plans are funded by members of personnel and the employer and are recorded in the income statement of the year to which they refer.

In addition, there is also a defined benefit pension plan in the subsidiary in Germany and the Netherlands.

There are also provisions in some companies for early retirement (Belgium) and pension obligations arising from legal requirements (France). These are treated as employment benefits of the defined benefit pension plans.

For the defined benefit pension plans, provisions are established by calculating the present actuarial value of future amounts to the employees concerned.

Defined benefit costs are split into 2 categories:

- Current-service cost, past-service cost, gains and losses on curtailments and settlements;
- Net-interest expense or income.

The total service cost, the net interest expense, the remeasurement of other long term personnel expenses, administrative expenses and taxes for the year are included in the personnel expenses in the consolidated financial statement. The remeasurement on the net defined benefit liability as a consequence of actuarial gains or losses is included in the statement of comprehensive income as part of other comprehensive income.

For these defined benefit plans, the corridor approach was applied including 2012. In 2013, this was aligned with the amended IAS 19.

### Benefits from shares

The stock option plan and the warrant plan allow employees to acquire shares in the company at relatively advantageous conditions. The exercise price of the option is equal to the average closing stock market price of the underlying share during the thirty calendar days prior to offering date. The exercise price of the warrant is equal to the average stock market closing price of the Lotus Bakeries share during the thirty calendar days preceding the date of offering. A personnel cost is recorded for options and warrants granted to employees as part of the stock option plan or warrant plan. The cost is calculated based on the fair value of the stock options and warrants on the grant date and, together with a similar increase in equity, is spread out in the results over the vesting period, ending on the date when the employees concerned receive full right to the options. When the options or warrants are exercised, equity is increased by the amount of the proceeds.

### Bonuses

Bonuses for employees and management are calculated based on key financial objectives and individual objectives. The estimated amount of the bonuses is recorded as a charge for the financial year based on an estimate on the reporting date.

### 2.24 DIVIDENDS

Dividends payable to shareholders of the Group are included as a liability in the consolidated balance sheet in the period in which the dividends were approved by the shareholders of the Group.

### 2.25 NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS

A component of an entity is considered to be discontinued if the criteria for classification as held for sale are fulfilled or if it is divested and if it

- represents a significantly different activity or geographical area;
- is part of a single coordinated plan to dispose of a separate and significant line of business or geographical area of operations; or
- is a subsidiary and has been acquired with the sole purpose of being resold.

Fixed assets and groups of assets are classified as held for sale if the carrying value will mainly be generated in a sales transaction and not by the continued use thereof.

Fixed assets and groups of assets that are no longer used and are held for sale are stated at the lower of their carrying amount and fair value less estimated selling costs.

An impairment test is performed on these assets at the end of each closing date of the book year.

### 2.26 EARNINGS PER SHARE

The Group calculates the ordinary profit per share on the basis of the weighted average of the number of outstanding shares during the period. For the diluted profit per share, the dilutive effect of stock options during the period is also taken into account.

### 2.27 SEGMENT REPORTING

Group turnover is centralised around a number of products that are all included in the biscuit sector. For these products, the Group is organized according to geographical regions for sales, production and internal reporting. As a result, segment reporting presents the geographical markets.

The Group's geographical segments are based on the location of the assets. The results of a segment include the income and charges directly generated by a segment. To this is added the portion of the income and charges to be allocated that can be reasonably attributed to the segment. Intersegment price-fixing is defined based on the 'at arms length' principle.

#### Four segments have been defined:

1. Belgium
2. France
3. Netherlands
4. Other: Northern and Eastern Europe, North America, the United Kingdom & Export.

The assets and liabilities of a segment are reported excluding taxes and after deduction of depreciation, impairments and valuation allowances.

### 3 | SEGMENT REPORTING BY GEOGRAPHICAL REGION

#### Segment reporting by geographical region (2014)

For the purpose of sales, production and internal reporting, the Group is organized according to geographical regions.

The regions presented in the segment reporting, which are based on the internal reporting system are composed as follows:

- Belgium: sales by Sales Office Belgium and intra-group sales by factories in Belgium
- France: sales by Sales Office France and intra-group sales by factories in France
- The Netherlands: sales by Sales Office Netherlands and intra-group sales by factories in the Netherlands
- Other: sales from Belgium to countries without own Sales Offices (such as South Korea, Japan, etc.) and by own Sales Offices in Germany/Austria, Switzerland, the Czech Republic/Slovakia, the United Kingdom, North America and Chile, China, Spain and Northern and Eastern Europe plus production in Sweden.

Sales between the various segments are carried out at arms length.

#### Year ended 31 December 2014

in thousands of EUR

	Continuing operations					Total
	Belgium	France	Netherlands	Other <sup>(1)</sup>	Eliminations + Corporate companies	
<b>Revenue</b>						
Sales to external customers	127,198	59,845	77,613	83,234		347,890
Inter-segment sales	72,227	14,641	1,741	2,607	(91,216)	-
<b>Total revenue</b>	<b>199,425</b>	<b>74,486</b>	<b>79,354</b>	<b>85,841</b>	<b>(91,216)</b>	<b>347,890</b>
<b>Results</b>						
Segment result REBIT	23,075	1,254	12,817	3,641	8,646	49,433
Non-recurrent operating result	430	-	(678)	(13)	-	(261)
Segment result EBIT	23,505	1,254	12,139	3,628	8,646	49,172
Result before tax, finance charges and finance income	23,505	1,254	12,139	3,628	8,646	49,172
Net finance costs						16
Result before income tax and non-controlling interest						49,188
Income tax expense						(12,415)
<b>Net profit for the year</b>						<b>36,773</b>
<b>Assets and liabilities</b>						
Non-current assets	103,197	7,141	105,844	25,355	16,979	263,881
Segment assets	103,197	7,141	105,844	25,355	16,979	258,516
Unallocated assets:						5,365
Deferred tax assets						5,275
Financial receivables						90
Current assets	22,464	11,202	6,942	13,744	3,139	73,108
Segment assets	22,464	11,202	6,942	13,744	3,139	57,491
Unallocated assets:						15,617
VAT receivables						3,333
Income tax receivables						421
Financial receivables						8
Cash and cash equivalents						11,855
<b>Total assets</b>						<b>336,989</b>
Non-current liabilities	1,542	803	1,034	325	515	39,506
Segment liabilities	1,542	803	1,034	325	515	4,219
Unallocated liabilities:						35,287
Deferred tax liabilities						34,905
Financial liabilities						382
Current liabilities	18,534	7,660	5,004	10,491	6,798	96,854
Segment liabilities	18,534	7,660	5,004	10,491	6,798	48,487
Unallocated liabilities:						48,367
VAT payables						126
Tax payables						7,097
Financial liabilities						41,144
<b>Total liabilities</b>						<b>136,360</b>
<b>Other segment information</b>						
Capital expenditure:						
Tangible fixed assets	8,676	949	1,668	677	3,993	15,963
Intangible fixed assets	-	-	53	-	530	583
Depreciation	8,576	1,220	2,941	1,023	1,085	14,845
Decrease/(increase) in amounts written off stocks, contracts in progress and trade debtors.	1,115	104	390	206	4	1,819

(1) 'Other' segment: there are no geographical regions representing more than 10% of total sales

## Segment reporting by geographical region (2013)

For the purpose of sales, production and internal reporting, the Group is organized according to geographical regions.

The regions presented in the segment reporting, which are based on the internal reporting system are composed as follows:

- Belgium: sales by Sales Office Belgium and intra-group sales by factories in Belgium
- France: sales by Sales Office France and intra-group sales by factories in France
- The Netherlands: sales by Sales Office Netherlands and intra-group sales by factories in the Netherlands
- Other: sales from Belgium to countries without own Sales Offices (such as South Korea, Japan, etc.) and by own Sales Offices in Germany/ Austria, Switzerland, the Czech Republic/ Slovakia, the United Kingdom, North America and Chile, Spain and Northern and Eastern Europe plus production in Sweden.

Sales between the various segments are carried out at arms length.

## Year ended 31 December 2013

in thousands of EUR

	Continuing operations					Total
	Belgium	France	Netherlands	Other <sup>(1)</sup>	Eliminations + Corporate companies	
<b>Revenue</b>						
Sales to external customers	121,289	52,116	79,723	79,191		332,319
Inter-segment sales	67,940	13,329	1,876	2,939	(86,084)	-
<b>Total revenue</b>	<b>189,229</b>	<b>65,445</b>	<b>81,599</b>	<b>82,130</b>	<b>(86,084)</b>	<b>332,319</b>
<b>Results</b>						
Segment result REBIT	22,993	583	11,368	2,590	3,837	41,371
Non-recurrent operating result	(476)	2	(2,494)	(178)	(509)	(3,655)
Segment result EBIT	22,517	585	8,874	2,412	3,328	37,716
Result before tax, finance charges and finance income	22,517	585	8,874	2,412	3,328	37,716
Net finance costs						(1,740)
Result before income tax and non-controlling interest						35,976
Income tax expense						(8,057)
<b>Net profit for the year</b>						<b>27,919</b>
<b>Assets and liabilities</b>						
Non-current assets	103,172	7,421	107,527	26,937	13,798	262,729
Segment assets	103,172	7,421	107,527	26,937	13,798	258,855
Unallocated assets:						3,874
Deferred tax assets						3,859
Financial receivables						15
Current assets	22,259	10,151	6,379	11,763	3,458	71,375
Segment assets	22,259	10,151	6,379	11,763	3,458	54,010
Unallocated assets:						17,365
VAT receivables						3,721
Income tax receivables						1,707
Financial receivables						4
Cash and cash equivalents						11,933
<b>Total assets</b>						<b>334,104</b>
Non-current liabilities	1,399	747	385	368	473	43,984
Segment liabilities	1,399	747	385	368	473	3,372
Unallocated liabilities:						40,612
Deferred tax liabilities						32,687
Financial liabilities						7,925
Current liabilities	19,106	6,589	7,995	11,454	6,138	118,745
Segment liabilities	19,106	6,589	7,995	11,454	6,138	51,282
Unallocated liabilities:						67,463
VAT payables						750
Tax payables						4,376
Financial liabilities						62,337
<b>Total liabilities</b>						<b>162,729</b>
<b>Other segment information</b>						
Capital expenditure:						
Tangible fixed assets	17,162	945	11,966	229	1,970	32,272
Intangible fixed assets	-	-	-	-	883	883
Depreciation	7,334	1,197	2,492	924	1,343	13,290
Decrease/(increase) in amounts written off stocks, contracts in progress and trade debtors.	452	41	179	186	11	869

(1) 'Other' segment: there are no geographical regions representing more than 10% of total sales

## 4 | OTHER OPERATING INCOME AND CHARGES

in thousands of EUR	2014	2013
<b>Other costs</b>		
Other taxes	2,000	1,782
Other operating charges	2,034	854
<b>Total</b>	<b>4,034</b>	<b>2,636</b>
<b>Other revenues</b>		
Transport charges	(14)	(52)
Fixed assets - own construction	(564)	(1,082)
Other operating income	(1,464)	(2,297)
<b>Total</b>	<b>(2,042)</b>	<b>(3,431)</b>
<b>Other operating income and charges (net)</b>	<b>1,992</b>	<b>(795)</b>

The other costs are mainly local indirect taxes (property taxes, municipal taxes, etc.), losses on sales of fixed assets and compensation amounts paid.

The other revenues consist primarily of, various costs recovered at the time of sale, contributions to the cost of training, and damage compensation payments.

## 5 | FINANCIAL RESULTS

in thousands of EUR	2014	2013
<b>Financial charges</b>		
Interest charges	850	1,288
Exchange rate losses	4,408	3,153
Valuation to the fair value of the financial instruments	(60)	(393)
Other	188	268
<b>Total</b>	<b>5,386</b>	<b>4,316</b>
<b>Financial income</b>		
Interest income	(18)	(75)
Exchange rate gains	(5,381)	(2,497)
Other	(3)	(4)
<b>Total</b>	<b>(5,402)</b>	<b>(2,576)</b>
<b>Financial results</b>	<b>(16)</b>	<b>1,740</b>

On an annual basis, the Group reports a net financial income of kEUR 16 as against a net financial charge of kEUR 1,740 in 2013. The limited financial result in 2014 partly reflects the further reduction of financial debt and the low funding costs, but particularly foreign exchange gains. These relate mainly to realized foreign exchange results, but also partly to unrealized exchange differences on outstanding loans and receivables within the Lotus Bakeries Group.

The financial instruments relate to the hedging of the foreign exchange risk on foreign currencies (USD, GBP, SEK, CHF and CZK). End-December 2014, there were no financial instruments hedging the currency risk.

For the temporary short-term loans with variable interest rates a two-year interest rate swap was concluded in 2012, maturing in 2014 with a positive income effect of kEUR 57. In 2013 a positive income effect of kEUR 265 was recorded, reflecting the positive development of the market value of this hedging instrument.

To finance the acquisition of Koninklijke Peijnenburg BV, the interest rate risk on the investment credits at variable interest rates was hedged by means of interest rate swaps. The final repayment on the financing took place in June 2013. The financial instruments for hedging the interest risk also ended in 2013 with a positive income effect of kEUR 173.



## 6 | PERSONNEL COSTS

in thousands of EUR	2014	2013
Salaries and wages	51,896	51,418
Social security contributions	11,922	11,990
Contributions for company pension plans with fixed contribution	2,752	1,570
Other personnel costs	12,318	13,922
<b>Total personnel costs</b>	<b>78,888</b>	<b>78,900</b>
Average number of members of personnel	1,227	1,210
<b>Number of members of personnel as at the end of the year</b>	<b>1,221</b>	<b>1,244</b>

The other personnel costs include among other things the costs of temporary staff and compensation for directors.

Personnel costs remained stable in 2014 compared to 2013, with the effect of higher production volumes offset by operational efficiencies resulting from the investment programmes of recent years.

## 7 | DEPRECIATION AND AMOUNTS WRITTEN DOWN ON (IN)TANGIBLE ASSETS

in thousands of EUR	2014	2013
Depreciation of intangible assets	706	670
Depreciation of property, plant & equipment	14,139	12,620
<b>Total</b>	<b>14,845</b>	<b>13,290</b>

See notes 8, 11 and 12 concerning non-recurrent operating result, intangible and tangible assets.

## 8 | NON-RECURRENT OPERATING RESULT

Grouped under non-recurrent operating result are those operating income items and charges that do not belong to or derive from the recurrent operating activities of the Group. This category includes primarily results from the disposal of fixed assets, any goodwill impairment losses, write-downs or impairment losses on brands as a result of takeovers, provisions and costs for restructuring and takeovers.

In 2014 the non-recurrent operating result was a loss of kEUR -261, mainly due to the write-down of the Wieger Ketellapper brand related to the acquisition of Koninklijke Peijnenburg.

The non-recurrent operating result for 2013 amounted to EUR -3.7 million. These costs can notably be attributed to (1) the restructuring costs in the gingerbread factories in Geldrop and Sintjohannesga, (2) costs for the take-over of Biscuiterie Willems BVBA and the brand Dinosaurius and (3) the depreciation on the brand Wieger Ketellapper relating to the takeover of Koninklijke Peijnenburg.

## 9 | INCOME TAXES ON THE RESULTS

Nominal tax rose by 54.1%. This is explained by a higher nominal profit before taxation.

in thousands of EUR	2014	2013
<b>Income taxes on the results</b>		
Income taxes on the results of the current year	11,347	7,958
Tax adjustments for previous years	(88)	(219)
Deferred taxation of the current year	1,156	318
Total tax charge reported in the income statement	12,415	8,057
<b>Profit before tax</b>	<b>49,188</b>	<b>35,976</b>
Effective tax rate of the year	25.2%	22.4%
<b>Reconciliation between theoretical and effective tax rate</b>		
<b>Results before taxation</b>	49,188	35,976
Theoretical tax rate	33.99%	33.99%
Theoretical income tax expense	16,719	12,228
Effect of different taxation rates in other countries + deduction notional interest	(4,193)	(3,354)
Tax adjustments for previous years	(88)	(219)
Disallowed items, including taxes on dividend income	1,176	301
Tax free income, including reductions in taxable income (various tax credits)	(1,018)	(769)
Tax losses for which no deferred tax asset has been recorded: (use)/non-recognition	(76)	(101)
Change tax rate: effect on prior years	(4)	-
Other	(101)	(29)
Actual income tax expense	12,415	8,057
Effective tax rate	25.2%	22.4%

The average effective tax rate in 2014 was 25.2% versus 22.4% in 2013. The increase of the effective tax percentage is mainly related to the lower relative importance of various tax deductions following the higher nominal pre-tax profit, as well as higher withholding taxes on dividend payments between group entities.

## 10 | EARNINGS PER SHARE

Earnings per share is calculated by dividing the Group's share in net profit by the weighted average number of outstanding shares over the year (total number of shares - treasury shares).

Diluted earnings per share is calculated by dividing the Group's share in net profit by the weighted average number of outstanding shares over the year, both adjusted for the potential dilution of ordinary shares as a result of options and warrants granted under the stock option plan for management (see note 25 hereafter).

### Year ended 31 December

in thousands of EUR	2014	2013
<b>EARNINGS PER SHARE</b>		
Net result: Group share	36,775	27,920
Weighted average number of shares	778,944	764,828
<b>Basic earnings per share: Group share (EUR)</b>	<b>47.21</b>	<b>36.50</b>
Weighted average number of shares under option	32,495	43,512
Weighted average number of shares which should be issued at average market rate	(15,019)	(21,170)
<b>Dilutive effect</b>	<b>17,476</b>	<b>22,342</b>
Weighted average number of shares after effect of dilution	796,420	787,170
<b>Diluted earnings per share: Group share (EUR)</b>	<b>46.18</b>	<b>35.47</b>
Total number of shares	803,013	795,113
<b>Earnings per share: Group share (EUR)</b>	<b>45.80</b>	<b>35.11</b>
Total number of shares less treasury shares	781,597	770,565
<b>Earnings per share: Group share (EUR)</b>	<b>47.05</b>	<b>36.23</b>

## 11 | INTANGIBLE ASSETS

Intangible assets refer to brands, software and an acquired customer portfolio.

The brands relate to:

- the brands Peijnenburg and Wieger Ketellapper
- the Annas brand
- the intellectual property rights in the Dinosaurus brand.

The value of these brands was established as part of the valuation at fair value of the asset and liability components upon first consolidation.

As the Peijnenburg brand serves as the base brand in the Netherlands, it is not amortized. In accordance with the valuation rules, its fair value is tested annually, using the DCF method. The Wieger Ketellapper brand, which serves as a second brand in the Netherlands, is being amortized over a 10-year period. The fair value of this brand is also tested annually. The 'Netherlands' segment is defined here as a cash generating unit.

The Annas brand is used as the base brand for the Nordic region and as the base brand for its pepparkakor products outside the Nordic region. This brand is not being amortized. Here too, the fair value is tested annually using the DCF method. The activity in the Nordic region plus the pepparkakor activity outside this region are defined here as a cash generating unit. This cash generating unit was part of the segment 'Other' in note 3.

In 2012 the intellectual property rights in the Dinosaurus brand were acquired. Based on an analysis of all relevant factors, there is no foreseeable limit to the period of time over which this brand is expected to generate cash flows. The Dinosaurus brand has been assigned indefinite useful life and therefore is not amortized.

At year-end 2014, the Group tested the value of these brands for possible impairment. Taking into account the assumptions used, the value in use of the unit exceeds its carrying amount and no impairment loss was recognized.

The main judgements, assumptions and estimates are:

- Revenue and gross profit margin: revenue and gross profit margin reflect management's expectations based on past experience and taking into account the risks specific to the reportable business unit.
- The first year of the model is based on the budget for the year and is management's best estimate, taking account historical results, of the free cash flow outlook for the current year;
- In years two to five of the model, free cash flows are based on Lotus Bakeries' long-term plan. The long-term plan of Lotus Bakeries is prepared country by country, based on realistic internal plans that takes into account the specific market situation and the past.
- Cash flows beyond the first five years are extrapolated by applying a growth rate of 2% to free cash flows.

- Projections are discounted at the weighted average pre-tax cost of capital, which lies between 8 and 10%. The pre-tax discount rate is calculated by dividing the discount rate after tax by one minus the applicable tax rate. This result is not materially different from an iterative calculation method as described in IAS36.

As a part of the valuation test, Lotus Bakeries carried out a sensitivity analysis for important assumptions used, including the weighted average capital costs, free cash flow and long term growth percentage.

For each of the brands a long term growth percentage varying between 1% and 2%, weighted average capital costs before taxes varying up to 12% and free cash flow between 95% and 100% of the long term plan were applied in order to take into account possible fluctuations in volumes and margins.

A change in the used estimates, as included above, does not lead to a possible impairment. Although Lotus Bakeries believes that its assessments, assumptions and estimates are suitable, actual results may differ from these estimates in the event of changed assumptions and conditions.

Software relates mainly to the capitalized external and internal costs connected with the further basic implementation of the ERP information system SAP.

In 2011 a portfolio of out-of-home customers was purchased in Spain.

in thousands of EUR

	Indefinite life brands	Definite life brands	Software	Customer portfolio	Total
<b>on 31 December 2013</b>					
<b>Acquisition cost</b>					
At the end of the preceding year	72,789	4,627	6,698	1,030	85,144
Acquisition during the year	-	-	883	-	883
Translation differences	(259)	-	(6)	-	(265)
Acquisition through business combinations	-	-	24	-	24
<b>TOTAL ACQUISITION COST</b>	<b>72,530</b>	<b>4,627</b>	<b>7,599</b>	<b>1,030</b>	<b>85,786</b>

#### Depreciation and amounts written down

At the end of the preceding year	-	(3,008)	(5,759)	(129)	(8,896)
Depreciation during the year	-	(462)	(576)	(103)	(1,141)
Translation differences	-	-	8	-	8
Acquisition through business combinations	-	-	(13)	-	(13)
<b>Total depreciation and amounts written down</b>	<b>-</b>	<b>(3,470)</b>	<b>(6,340)</b>	<b>(232)</b>	<b>(10,042)</b>
<b>NET BOOK VALUE</b>	<b>72,530</b>	<b>1,157</b>	<b>1,259</b>	<b>798</b>	<b>75,744</b>

	Indefinite life brands	Definite life brands	Software	Customer portfolio	Total
<b>on 31 December 2014</b>					
<b>Acquisition cost</b>					
At the end of the preceding year	72,530	4,627	7,599	1,030	85,786
Acquisition during the year	-	-	583	-	583
Sales and disposals	-	-	(30)	-	(30)
Translation differences	(455)	-	(3)	-	(458)
<b>TOTAL ACQUISITION COST</b>	<b>72,075</b>	<b>4,627</b>	<b>8,149</b>	<b>1,030</b>	<b>85,881</b>

#### Depreciation and amounts written down

At the end of the preceding year	-	(3,470)	(6,340)	(232)	(10,042)
Depreciation during the year	-	(463)	(603)	(103)	(1,169)
Sales and disposals	-	-	2	-	2
Translation differences	-	-	2	-	2
<b>Total depreciation and amounts written down</b>	<b>-</b>	<b>(3,933)</b>	<b>(6,939)</b>	<b>(335)</b>	<b>(11,207)</b>
<b>NET BOOK VALUE</b>	<b>72,075</b>	<b>694</b>	<b>1,210</b>	<b>695</b>	<b>74,674</b>

## 12 | TANGIBLE ASSETS

Tangible assets are purchased by and are the full property of Lotus Bakeries.

This includes land and buildings, machines and office equipment. The tangible assets are unencumbered with the exception of the notes included in 31.4. For cars, the Group switched at the end of 2006 mainly to operating leasing.

The largest investments were in Belgium, with the installation of a completely new automated production line for Lotus Dinosaurus and the extension of a new headquarters building in Lembeke.

in thousands of EUR

	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
<b>on 31 December 2013</b>					
<b>Acquisition cost</b>					
At the end of the preceding year	77,448	188,392	13,108	5,714	284,662
Acquisition during the year	4,465	16,520	535	10,752	32,272
Sales and disposals	(2,854)	(682)	(340)	-	(3,876)
Transfers from one heading to another	2,630	3,079	109	(5,818)	-
Translation differences	(281)	(297)	(27)	(9)	(614)
Acquisition through business combinations	5,567	10,896	496	450	17,409
<b>TOTAL ACQUISITION COST</b>	<b>86,975</b>	<b>217,908</b>	<b>13,881</b>	<b>11,089</b>	<b>329,853</b>

#### Depreciation and amounts written down

At the end of the preceding year	(31,544)	(132,889)	(10,974)	(191)	(175,598)
Depreciation during the year	(1,912)	(9,393)	(815)	(4)	(12,124)
Sales and disposals	1,929	460	211	-	2,600
Translation differences	23	234	20	6	283
Acquisition through business combinations	(1,765)	(6,477)	(283)	-	(8,525)
<b>Total depreciation and amounts written down</b>	<b>(33,269)</b>	<b>(148,065)</b>	<b>(11,841)</b>	<b>(189)</b>	<b>(193,364)</b>
<b>NET BOOK VALUE</b>	<b>53,706</b>	<b>69,843</b>	<b>2,040</b>	<b>10,900</b>	<b>136,489</b>

NOTES

on 31 December 2014	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
<b>Acquisition cost</b>					
At the end of the preceding year	86,975	217,908	13,881	11,089	329,853
Acquisition during the year	1,001	9,973	381	4,608	15,963
Sales and disposals	-	(322)	(694)	(7)	(1,023)
Transfers from one heading to another	2,339	8,374	114	(10,827)	-
Translation differences	(304)	(465)	23	(15)	(761)
<b>TOTAL ACQUISITION COST</b>	<b>90,011</b>	<b>235,468</b>	<b>13,705</b>	<b>4,848</b>	<b>344,032</b>
<b>Depreciation and amounts written down</b>					
At the end of the preceding year	(33,269)	(148,065)	(11,841)	(189)	(193,364)
Depreciation during the year	(2,535)	(10,865)	(739)	-	(14,139)
Sales and disposals	-	153	487	-	640
Transfers from one heading to another	(637)	710	(73)	-	-
Translation differences	6	404	(21)	11	400
<b>Total depreciation and amounts written down</b>	<b>(36,435)</b>	<b>(157,663)</b>	<b>(12,187)</b>	<b>(178)</b>	<b>(206,463)</b>
<b>NET BOOK VALUE</b>	<b>53,576</b>	<b>77,805</b>	<b>1,518</b>	<b>4,670</b>	<b>137,569</b>

During 2014 kEUR 95 of capital grants were taken into the income statement, giving at year end a remaining balance of kEUR 718, which is deducted from the net book value as reported in the above tables of movements.

#### Investment grants

on 31 December	2014	2013
At the end of the preceding year	(813)	(639)
Taken into the income statement	95	194
Acquisition through business combinations	-	(369)
<b>At the end of the year</b>	<b>(718)</b>	<b>(813)</b>

Capital subsidies were deducted from the net book value, as included in the above movement tables.

## 13 | DEFERRED TAXES

No deferred tax assets are recorded for the tax losses carried forward of Interwaffles SA given the remaining uncertainty as to whether sufficient taxable revenues will be generated in the future. At the end of 2014 these tax losses carried forward amounted to kEUR 8,517 compared with kEUR 9,889 at the end of 2013.

in thousands of EUR	on 31 December 2012	Charged/ credited to the income statement	Charged/ credited to equity	Charged/ credited acquisition	Exchange differences	on 31 December 2013
(In) tangible assets	(28,546)	(550)	-	(1,227)	61	(30,262)
Stocks	(70)	(79)	-	34	(4)	(119)
Employee benefits	742	(48)	(39)	-	-	655
Tax effect of tax loss carry-forwards	2,747	996	-	-	(143)	3,600
Provisions	(3,214)	(332)	-	59	-	(3,487)
Financial instruments	168	(136)	(15)	4	-	21
Other	541	88	-	134	1	764
<b>Total deferred tax</b>	<b>(27,632)</b>	<b>(61)</b>	<b>(54)</b>	<b>(996)</b>	<b>(85)</b>	<b>(28,828)</b>
to be recovered or settled within 12 months	(785)					(1,123)
to be recovered or settled after more than 12 months	(26,847)					(27,705)

in thousands of EUR	on 31 December 2013	Charged/ credited to the income statement	Charged/ credited to equity	Charged/ credited acquisition	Exchange differences	on 31 December 2014
(In) tangible assets	(30,262)	(1,938)	-	-	125	(32,075)
Stocks	(119)	(144)	-	-	10	(253)
Employee benefits	655	176	(71)	-	-	760
Tax effect of tax loss carry-forwards	3,600	169	-	-	261	4,030
Provisions	(3,487)	83	-	-	-	(3,404)
Financial instruments	21	(18)	-	-	-	3
Other	764	383	-	-	162	1,309
<b>Total deferred tax</b>	<b>(28,828)</b>	<b>(1,289)</b>	<b>(71)</b>	<b>-</b>	<b>558</b>	<b>(29,630)</b>
to be recovered or settled within 12 months	(1,123)					(1,790)
to be recovered or settled after more than 12 months	(27,705)					(27,840)

Deferred tax assets are included for the companies which have a loss at the end of the year, except for Interwaffles SA. The recognition of these deferred tax assets is supported by profit expectations in the foreseeable future.



At the balance sheet date the aggregate amount of deferred taxes associated with the investments in subsidiaries amounts to EUR 1.9 million. No deferred tax liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It should also be noted that the reversal of these differences, for example by way of distribution of dividends by the subsidiaries to the Parent, would generate no (or a marginal) current tax effect.

## 14 | DIVIDENDS

in thousands of EUR

	2014	2013
<b>Dividend payments in</b>		
Gross dividend per ordinary share (EUR)	10.80	9.80
Gross dividend on ordinary shares	8,587	7,641
<b>Proposed dividend per ordinary share (EUR)</b>	<b>12.40</b>	<b>10.80</b>
Gross dividend on ordinary shares	10,293	8,587

The Board of Directors will propose to the Ordinary General Meeting of Shareholders of 8 May 2015 that the company declares for 2014 a net dividend of EUR 9.30 per share (gross dividend of EUR 12.40), compared with EUR 8.10 (EUR 10.80 gross) for 2013.

This amount is not recognised as a debt on 31 December. The gross dividend takes into account warrants exercised prior to the Ordinary General Meeting of Shareholders of 8 May 2015.

## 15 | OTHER LONG-TERM RECEIVABLES

in thousands of EUR

	2014	2013
Other receivables	79	16
Cash guarantees	127	77
<b>Total</b>	<b>206</b>	<b>93</b>

## 16 | STOCKS

in thousands of EUR

	2014	2013
Raw materials and consumables	8,860	8,572
Work in progress	304	193
Finished goods	8,588	7,369
Goods purchased	146	531
<b>Total</b>	<b>17,898</b>	<b>16,665</b>

The value reductions recorded as costs amount to kEUR 1,766 and relate mainly to packaging (kEUR 739) and finished products (kEUR 728). In 2013, kEUR 869 of value reductions were recognized.

## 17 | TRADE RECEIVABLES AND OTHER AMOUNTS RECEIVABLE

The amount of the bad debt allowances entered as costs in 2014 is kEUR 53.

In 2013, kEUR 15 was entered as bad debt allowances.

The trade receivables represent an average of 41 days of customer credit (2013: 40 days).

in thousands of EUR

	2014	2013
<b>Trade receivables</b>	<b>38,804</b>	<b>36,036</b>
<b>Tax receivables</b>		
VAT receivables	3,333	3,721
Income tax receivables	421	1,707
<b>Total</b>	<b>3,754</b>	<b>5,428</b>
<b>Other amounts receivable</b>	<b>112</b>	<b>402</b>

The other current amounts receivables include inter alia the proportion of long-term receivables that are due within one year, empties in custody and capital subsidies to be received.

**Movements on the bad debt allowance for trade receivables are as follows:**

	2014	2013
<b>Amounts written off on 1 January</b>	<b>973</b>	<b>933</b>
increase of amounts written off	53	23
changes in consolidation scope	-	25
reversal of unutilized amounts written off	-	(3)
amounts written off used during the year	(26)	(5)
<b>Amounts written off on 31 December</b>	<b>1,000</b>	<b>973</b>

With regard to trade debts there are no indications that debtors will not meet their payment obligations. More information regarding the credit risk is included in note 35.

## 18 | NET CASH POSITION

The net cash position is defined as cash and cash equivalents net of current interest-bearing liabilities. The net cash position increased by kEUR 21,115 compared with 2013, primarily due to lower amounts of short-term loans for the financing of investments.

in thousands of EUR	2014	2013
Cash and cash equivalents	11,855	11,933
Short term interest-bearing liabilities	(41,144)	(62,337)
<b>Total</b>	<b>(29,289)</b>	<b>(50,404)</b>

## 19 | CASH AND CASH EQUIVALENTS

Cash and cash equivalents include balances on bank accounts remunerated at market conditions. The market value of these cash and cash equivalents is therefore equal to the carrying amount.

in thousands of EUR	2014	2013
Cash	11,855	11,933
Cash equivalents	-	-
<b>Total</b>	<b>11,855</b>	<b>11,933</b>

## 20 | INTEREST-BEARING LIABILITIES

The long-term financial debt with a remaining maturity of more than one year decreased by kEUR 7,600. All financial liabilities, both long term and short term, are denominated in euro.

All interest-bearing liabilities were contracted at market conditions and therefore the carrying amount approximates the fair value.

in thousands of EUR	Due within 1 year	Due between 1 to 5 years	Due after 5 years	Total
Non current interest-bearing liabilities	15,100	7,900	25	23,025
Current interest-bearing liabilities	47,237	-	-	47,237
<b>Total on 31 December 2013</b>	<b>62,337</b>	<b>7,900</b>	<b>25</b>	<b>70,262</b>
Interests due on non current interest-bearing liabilities	233	51	-	284
Non current interest-bearing liabilities	7,600	325	-	7,925
Current interest-bearing liabilities	33,544	-	-	33,544
<b>Total on 31 December 2014</b>	<b>41,144</b>	<b>325</b>	<b>-</b>	<b>41,469</b>
Interests due on non current interest-bearing liabilities	39	4	-	43

The interests due on the loans with variable interest rate are calculated at the actual interest rate. The unused credit amounts came to kEUR 71,339 on 31 December 2014.

## 21 | ISSUED CAPITAL

All shares are ordinary shares, registered, bearer or dematerialized. The treasury shares have been bought in within the context of the share option plans mentioned in note 25.

	2014	2013
<b>Ordinary shares, issued and fully paid</b>		
in thousands of EUR		
on 1 January	3,499	3,431
Increase	35	68
on 31 December	3,534	3,499
<b>Number of ordinary shares</b>		
on 1 January	795,113	779,643
Increase	7,900	15,470
on 31 December	803,013	795,113
Less: treasury shares held at 31 December	(21,416)	(24,548)
Shares outstanding at 31 December	781,597	770,565
<b>Amounts of authorized capital, not issued</b>		
in thousands of EUR	999	1,034

### Structure of shareholdings

The shareholding structure of Lotus Bakeries NV as of 31 December 2014 is as follows:

	No. of voting rights	% of voting rights
Stichting Administratiekantoor van Aandelen Lotus Bakeries <sup>(1)</sup>	455,323	56.70%
Lotus Bakeries NV <sup>(2)</sup>	21,416	2.67%
<b>Total held by Stichting Administratiekantoor van Aandelen Lotus Bakeries and Lotus Bakeries NV</b>	<b>476,739</b>	<b>59.37%</b>
Holding Biloba BVBA <sup>(3)</sup>	27,000	3.36%
Christavest Comm.VA <sup>(4)</sup>	20,298	2.53%
Publicly held	278,976	34.74%
<b>Total</b>	<b>803,013</b>	<b>100.00%</b>

(1) Stichting Administratiekantoor van Aandelen Lotus Bakeries is not controlled.

The interest of Stichting Administratiekantoor van Aandelen Lotus Bakeries in Lotus Bakeries NV appears in the transparency notification that Lotus Bakeries NV received on 5 April 2013\* and in the notification to Lotus Bakeries NV of the certification of Lotus Bakeries shares in July 2014.

(2) The voting rights attached to the shares held by Lotus Bakeries NV have been suspended. The dividends have not been suspended and will be distributed to Lotus Bakeries NV.

(3) Holding Biloba BVBA is not controlled. The interest of Holding Biloba BVBA in Lotus Bakeries NV appears in the transparency notification that Lotus Bakeries NV received on 3 July 2014\*.

(4) Christavest Comm.VA is controlled by Holding Biloba BVBA, which in turn has no controlling shareholder. Mr. Stanislas Boone and Mrs. Christiane De Nie are the statutory business managers of Christavest Comm.VA. The interest of Christavest Comm.VA in Lotus Bakeries NV appears in the transparency notification that Lotus Bakeries NV received on 3 July 2014\*.

(\*) Pursuant to article 6 of the Law of 2 May 2007 on disclosure of major holdings.

## 22 | TREASURY SHARES

Treasury shares purchased as part of the stock option plans and declared in note 25 were subtracted from equity.

in thousands of EUR	2014	2013
on 1 January	9,442	11,061
Purchased during the year	1,032	-
Sold during the year	(1,055)	(1,619)
on 31 December	9,419	9,442
<b>Number of treasury shares</b>		
on 1 January	24,548	30,698
Purchased during the year	1,218	-
Sold during the year	(4,350)	(6,150)
on 31 December	21,416	24,548

## 23 | PROVISIONS

The use of the provision for integration and restructuring in 2013 and 2014 relates to the costs associated with production optimization and further investments in the Koninklijke Peijnenburg plants. The other provisions mainly relate to contractual or legal obligations towards personnel and for research.

in thousands of EUR	Integration and restructuring	Environment	Other	Total
<b>Provisions on 1 January 2013</b>	<b>1,006</b>	<b>237</b>	<b>605</b>	<b>1,848</b>
Increase of provisions	1,375	-	3	1,378
Acquisition through business combinations	-	-	173	173
Reversal of unutilized provisions	(34)	(115)	(97)	(246)
Provisions used during the year	(1,277)	(47)	(45)	(1,369)
<b>Provisions on 31 December 2013</b>	<b>1,070</b>	<b>75</b>	<b>639</b>	<b>1,784</b>
Long term	-	-	574	574
Short term	1,070	75	65	1,210
<b>Provisions on 1 January 2014</b>	<b>1,070</b>	<b>75</b>	<b>639</b>	<b>1,784</b>
Increase of provisions	-	-	164	164
Reversal of unutilized provisions	-	(75)	(73)	(148)
Provisions used during the year	(1,070)	-	(13)	(1,083)
<b>Provisions on 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>717</b>	<b>717</b>
Long term	-	-	661	661
Short term	-	-	56	56

Current provisions are expected to be settled within 12 months.

## 24 | POST-EMPLOYMENT BENEFITS

### Defined contribution plan

As part of the defined contribution plan, the Group pays contributions to well-defined insurance institutions. Management of the pension plan is outsourced to an insurance company. These employer contributions are subtracted from the results for the year concerned. The Group has no further payment obligations in addition to these contributions.

Because of the Belgian legislation applicable to 2nd pillar pension plans (so-called 'Law Vandebroucke'), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. 'Law Vandebroucke' states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions.

Because of this minimum guaranteed return for defined contributions plans in Belgium, the employer is exposed to a financial risk (there is a legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods). These plans should therefore be classified and accounted for as defined benefit plans under IAS 19.

In the past the company did not apply the defined benefit accounting for these plans because higher interest rates were applicable and the return on plan assets provided by insurance companies was sufficient to cover the minimum guaranteed return. As a result of continuous low interest rates offered by the European financial markets,

the employers in Belgium effectively assumed a higher financial risk related to the pension plans with a minimum fixed guaranteed return than in the past, requiring them to measure the potential impact of defined benefit accounting for these plans.

We made an estimate of the potential additional liabilities as at 31 December 2014 and these are assessed as not significant. For information the employer's contribution related to the plans is given below: 2014: kEUR 1,004.

In the Netherlands a defined benefit pension plan has been concluded with BPF ('Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie' (collective schemes of several employers in the sector)). The employer pays an annual fixed percentage on a part of the salary (pension base) of the year in which pension is accrued. Because employers pay a fixed contribution, the scheme falls under the defined contribution scheme.

The Group expects to pay around kEUR 2,925 of contributions to these defined contribution plans in respect of 2015.

## Defined benefit pension plan

There is a defined benefit pension plan in the subsidiaries in Germany and the Netherlands.

For the Belgian companies, there are provisions for early retirement in accordance with the valid Collective Work Agreement.

In France, there are pension requirements deriving from legal requirements.

Defined benefit costs are split into 2 categories:

- Current-service cost, past-service cost, gains and losses on curtailments and settlements;
- Net-interest expense or income.

The total service cost, the net interest expense, the remeasurement of other long term personnel charges, administrative expenses and taxes for the year are included in the personnel charges in the consolidated income statement. The remeasurement on the net defined benefit liability is included in the statement of comprehensive income as part of other comprehensive income.

The provisions for early retirement pensions ('bridging pensions') of the Belgian companies make up the largest part of the defined benefit pension liabilities. For the defined benefit pension plan, provisions are formed by calculating the actuarial value of future interventions to the employees in question. No investments are held in respect of these pension plans.

The actuarial calculation is based on the following assumptions:

	2014	2013
Discount rate:	1.10%	2.50%
Inflation rate:	2.00% p.a.	2.00% p.a.

The portion of short-term liabilities in the global provision for pensions is not significant.

No major adaptations were required in the past for pension liabilities.

The Group expects to pay out around kEUR 90 in 2015 under defined benefit pension schemes for Germany and France.

Through its defined benefit plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

- Changes in bond yields: a decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.
- Salary risk: the majority of the plans' benefit obligations are calculated by reference to the future salaries of plan members. As such, a salary increase of plan members higher than expected will lead to higher liabilities.
- Longevity risk: pension plans provide for benefits for the life of the plan members, so increases in life expectancy will result in an increase in the plan's liabilities.

in thousands of EUR	2014	2013
<b>Net periodic cost</b>		
Retirement charges imputed to the period	90	209
Interest charges	85	70
(Gains) / losses	(5)	(171)
<b>Net periodic cost</b>	<b>170</b>	<b>108</b>
<b>Remeasurements (recognised in OCI)</b>		
Remeasurements on the defined benefit obligation	635	(448)
<b>Remeasurements</b>	<b>635</b>	<b>(448)</b>
<b>Movement in the net liability</b>		
Net debts as at 1 January	2,849	3,271
Retirement charges imputed to the period	90	209
Interest charges	85	70
Remeasurements	635	(448)
Employers contribution	(44)	(82)
(Gains) / losses	(5)	(171)
Other	4	-
<b>Net debts as at 31 December</b>	<b>3,614</b>	<b>2,849</b>



## 25 | SHARE-BASED PAYMENTS

### Stock option plans

The stock option plans ratified by the Board of Directors of May and July 1999 and February 2005 stipulate that options were granted to management, until 2004 partially based on category and partially based on results and evaluation. Starting in 2005, a specific number of options is granted per category.

One option gives the holder the right to purchase one normal Lotus Bakeries share at the fixed exercise price.

The exercise price is equal to the average closing stock market price of the underlying share during the thirty calendar days prior to grant date.

The standing options have a term of five years. After the exercise period, the options are no longer valid. The exercise period of the options granted in 2007 has been extended by five years under the terms of the Economic Recovery Act ('Herstelwet').

To retain their exercise rights, option holders must remain attached to Lotus Bakeries or an Affiliated Company as an employee or executive director. These rights remain in their entirety in the event of pension retirement, early pension retirement, invalidity or death. Options are exercised via equity.

In 2014, 6,160 share options were granted to Lotus Bakeries employees. In 2013, 5,133 share options were granted to Lotus Bakeries employees.

### Warrant plan

To replace the option plans for the coming years, a warrant plan was issued in 2007 for executives and senior management, with a term of seven years. Each warrant entitles the warrant holder to subscribe one Lotus Bakeries share at the established exercise price. This exercise price is equal to the average stock market closing price of the Lotus Bakeries share during the thirty calendar days preceding the date of offering. After the expiry of the exercise period the warrants become worthless. Upon exercise the company will issue shares in favour of the warrant holder.

Warrants are definitively acquired only three years after the date of the offering, viz. 19 July 2010. All warrants that have been allocated become null and void if the employment contract or directorship is terminated before the end of this three-year period, except where the warrant holder takes retirement pension, early retirement pension, or in the event of definitive disability or death. Where the warrant holder's employment contract or directorship ends in the period between the third and fifth anniversaries of the date of offering, only half of the warrants that have been definitively acquired at that time may be exercised, and the other half of the definitively acquired warrants become null and void and lose all value.

No new warrants were allocated in 2014 and 2013. The warrants run for seven years, with the exercise period of the warrants granted in 2007 extended for five years by the Economic Recovery Act.

The share options and warrants outstanding at the end of 2014 have a weighted average term of three years and eight months (2013: four years and five months).

The fair value of the options and warrants is estimated at the time of allotment, using the binomial valuation method. This valuation model is based on the following market data and assumptions: the share price at the time of allotment, the exercise price, the exercise arrangements, the estimated volatility, the dividend expectations and the risk-free interest rate. The fair value of the share options and warrants is charged to the vesting period.

For all allotted options, a charge of kEUR 361 was recorded in the income statement in 2014 (kEUR 296 in 2013).

For share options exercised during 2014, the weighted average share price at exercise date was EUR 835.53 (2013: EUR 641.06). For the exercised warrants, the weighted average share price at the exercise date was EUR 873.85 (2013: EUR 662.64).

### Number of options and warrants

	2014	2013
<b>Outstanding at January, 1</b>	<b>39,669</b>	<b>57,613</b>
Options granted during the year	6,160	5,133
Options exercised during the year	(4,350)	(6,150)
Options expired during the year	(857)	(1,457)
Warrants exercised during the year	(7,900)	(15,470)
<b>Outstanding at 31 December</b>	<b>32,722</b>	<b>39,669</b>
Exercisable at 31 December	15,850	25,700
Charge recorded in the income statement (kEUR)	361	296

The weighted average exercise price of options and warrants is as follows:

Amounts in EUR	2014	2013
<b>Outstanding at January, 1</b>	<b>343.70</b>	<b>286.89</b>
Options granted during the year	802.55	650.31
Options exercised during the year	309.18	280.20
Options expired during the year	615.28	482.66
Warrants exercised during the year	246.02	246.02
<b>Outstanding at 31 December</b>	<b>451.14</b>	<b>343.70</b>
Exercisable at 31 December	250.46	248.08

Weighted average term of the share options and warrants outstanding at the end of the period.	2014	2013
number of years	3	4
and number of months	8	5

Allotted in		Number allotted <sup>(1)</sup>	Number exercised <sup>(2)</sup>	Available balance	Exercise price	Exercise period
2007	Options	11,950	9,900	2,050	232.82	01/01/2011 - 10/05/2017
2007	Warrants	43,450	30,450	13,000	246.02	15/09/2012 - 30/09/2012
						15/03/2013 - 31/03/2013
						15/09/2013 - 30/09/2013
						15/03/2014 - 31/03/2014
						16/06/2014 - 30/06/2014
						15/09/2014 - 30/09/2014
						15/03/2015 - 31/03/2015
						15/09/2015 - 30/09/2015
						15/03/2016 - 31/03/2016
						15/09/2016 - 30/09/2016
						15/03/2017 - 31/03/2017
						15/09/2017 - 30/09/2017
						15/03/2018 - 31/03/2018
						15/09/2018 - 30/09/2018
						15/03/2019 - 31/03/2019
						16/06/2019 - 30/06/2019
2010	Options	2,400	1,600	800	367.72	01/01/2014 - 17/05/2015
2011	Options	700	-	700	405.12	01/01/2015 - 12/05/2016
2011	Options	500	-	500	387.12	18/03/2015 - 29/07/2016
2012	Options	5,238	-	5,238	496.77	01/01/2016 - 10/05/2017
2013	Options	4,339	-	4,339	650.31	01/01/2017 - 13/05/2018
2014	Options	6,095	-	6,095	802.55	01/01/2018 - 08/05/2019
	<b>Total</b>	<b>74,672</b>	<b>41,950</b>	<b>32,722</b>		

(1) Cumulative number allocated minus cumulative number lapsed.

(2) Cumulative number exercised.

The weighted fair value of the options and assumptions used in applying the option pricing model are as follows:

	2014	2013
Fair value of options granted	96.08	81.17
Share price	819.35	661.50
Exercise price	802.55	650.31
Expected volatility	18.35%	17.56%
Expected dividends	1.82%	2.37%
Risk-free interest rate	0.79%	2.40%

The volatility measured at the standard deviation is based on daily share prices of Lotus Bakeries over the last three years.

## 26 | TRADE PAYABLES AND OTHER LIABILITIES

in thousands of EUR	2014	2013
Trade payables	33,309	34,249
Remuneration and social security	12,357	12,525
<b>Tax payables</b>		
VAT payables	126	750
Tax payables	7,097	4,376
<b>Total</b>	<b>7,223</b>	<b>5,126</b>
Derivative financial instruments	10	70
Other current liabilities	147	279
Accrued charges and deferred income	2,552	2,894
<b>Total</b>	<b>55,598</b>	<b>55,143</b>

The trade and other payables remained stable compared to last year, with the higher tax liabilities offset by lower trade and VAT debts.

## 27 | FINANCIAL DERIVATIVES

The Lotus Bakeries Group uses financial derivatives to cover risks from adverse exchange rate and interest rate fluctuations. No derivatives are used for trading purposes. Derivatives are initially valued at cost price and thereafter at fair value.

### Interest rate hedges:

The interest rate contracts cover the interest rate risk of the financial liabilities with variable interest rates based on the Euribor.

The fair value of the interest rate derivatives is calculated using a model that takes into account the available market information on current and expected interest rates.

Current contracts do not meet the requirements for hedge accounting (cf. IAS 39). The changes in the fair value of these current contracts are recognized in the income statement.

The interest hedging contract at the company Bisinvest, which has been merged with Lotus Bakeries, was eligible for hedge accounting (cf. IAS 39). On this contract, that ended mid-2013, the change in fair value was taken through other comprehensive income.

#### Exchange rate hedges:

Purchasing and selling takes place predominantly in euro. The main foreign currency transactions related to buying and selling take place in USD, GBP, CZK, CHF and SEK. The net foreign exchange risk of these currencies is hedged by forward and/or option contracts whenever there exists a material uncovered net risk for the Group.

The fair value of the foreign currency derivatives is calculated using a valuation model based on the available market data on exchange rates and interest rates.

#### Fair value and result outcome

in thousands of EUR	2014	2013
<b>Interest rate derivatives</b>		
Fair value	(10)	(70)
Cost/(revenue) in results	(60)	(393)
Decrease/(increase) in equity	-	(31)

The financial instruments are level 2 instruments. The real value is calculated on the basis of the available market information.

## 28 | INVESTMENTS IN ASSOCIATED COMPANIES

In 2014 and in 2013 there were no investments by Lotus Bakeries in associated companies.

## 29 | ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

In 2014, no subsidiaries were acquired, established or sold.

The following transactions took place in 2013:

#### Biscuiterie Willems BVBA and B.W.I. BVBA

At the beginning of 2013, Lotus Bakeries NV purchased all shares in Biscuiterie Willems BVBA and B.W.I. BVBA.

Both companies are included in the consolidation as from January 1st, 2013, since Lotus Bakeries NV gained control from this date.

The limited costs related to the acquisition of Biscuiterie Willems BVBA and B.W.I. BVBA have been included in the non-recurrent operating result.

The final value of the assets and liabilities acquired has been determined within the period of 12 months following the date of acquisition. The required adjustments to the real value have been included in the consolidated annual financial statements for the year ending on December 31st, 2013.

The purchase price of Biscuiterie Willems BVBA and B.W.I. BVBA is composed as follows:

kEUR	Biscuiterie Willems BVBA + B.W.I. BVBA		
	Belgian GAAP 31/12/2012	Fair value adjustments	Fair value
in thousands of EUR			
PURCHASE PRICE			35,000
Property, plant and equipment	5,827	2,060	7,887
Intangible assets	11	-	11
Financial assets	1,000	(1,000)	-
Inventories	1,519	(100)	1,419
Trade and other receivables	5,699	(7)	5,692
Cash and cash equivalents	3,730	-	3,730
Deferred tax assets	-	313	313
Bank loans and overdrafts	(2,758)	1,000	(1,758)
Trade and other payables	(2,398)	(72)	(2,470)
Deferred tax liabilities	-	(901)	(901)
Other liabilities	-	(486)	(486)
<b>TOTAL NET ASSETS</b>	<b>12,630</b>	<b>807</b>	<b>13,437</b>
<b>Net value of revaluation of land</b>			<b>790</b>
<b>GOODWILL</b>			<b>20,773</b>

The goodwill of kEUR 20,773 generated by the acquisition can be contributed to the following components. Firstly, at Lotus Bakeries, speculoos is produced at only one site. The goodwill can therefore be partially apportioned to guaranteeing the continuity for speculoos. It is, after all, an opportunity for the Group to have another speculoos factory, besides Lembeke. Secondly, due to the acquisition of Biscuiterie Willems BVBA, Lotus Bakeries will be able to continue to grow in the catering and food service sector, where Biscuiterie Willems BVBA has a strong position, within as well as outside Europe. Thirdly, Lotus Bakeries has a strategy to also commercialise speculoos outside Europe and to expand it into a worldwide product in the long term. In important growth markets, such as Asia, the Middle East and America, where Lotus Bakeries has already booked successes, this acquisition offers a strengthening of the position. Goodwill is not eligible for tax relief. There are no further liabilities associated with the sale.

The results of Biscuiterie Willems BVBA and B.W.I. BVBA have been included in the consolidation as from January 1st, 2013. During 2013 Biscuiterie Willems BVBA contributed kEUR 25,119 to the revenue and kEUR 2,742 to the profit of the consolidated net result of the Group. During 2013 B.W.I. BVBA contributed kEUR 348 to the profit of the consolidated net result of the Group.

#### Lotus Bakeries China

Lotus Bakeries China was founded in September 2013.

## 30 | GOODWILL

The carrying value of goodwill at the end of 2014 was kEUR 46,135.

For sales, production and internal reporting, the Group is organized into geographic regions (see also geographic segment information). The segments consist of underlying business units. These business units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. These business units are the cash-generating units to which goodwill is allocated. The net carrying value of goodwill has been allocated to the various and independent cash generating units as follows:

Cash generating unit	Amount kEUR
Netherlands (Koninklijke Peijnenburg)	17,151
Spain (Lotus Bakeries Ibérica)	1,704
Sweden (Annas Pepparkakor Holding AB)	6,507
Customer Brand Business (Biscuiterie Willems BVBA and B.W.I. BVBA)	20,773

in thousands of EUR	2014	2013
<b>Acquisition cost</b>		
Balance at end of previous year	46,517	25,960
Effect of movements in foreign exchange	(382)	(216)
Acquisitions of subsidiaries	-	20,773
<b>Balance at end of year</b>	<b>46,135</b>	<b>46,517</b>
<b>Carrying amount</b>		
at 31 December	46,135	46,517

Goodwill, representing approximately 13.69% of the total assets of Lotus Bakeries at 31 December 2014, is tested for impairment by comparing the carrying value of each cash generating unit (CGU) with its recoverable amount. The recoverable amount of a cash generating unit is determined on the basis of the calculated value in use.

The value in use is determined as the present value of expected future cash flows based on the current long-term planning of the Group. The discount rate used in determining the present value of expected future cash flows is based on a weighted average cost of capital (WACC).

Lotus Bakeries has undertaken its annual impairment test for goodwill. No impairment charge is required. Lotus Bakeries believes that its estimates are very reasonable: they are consistent with the internal reporting and reflect the best estimates by management. The impairment test for goodwill is based on a number of critical judgements, estimates and assumptions. The assumptions are consistent and realistic for the four cash generating units, each of which, moreover, is in Europe.

#### CGU 'Netherlands'

At 31 December 2014, the carrying amount of the goodwill of the CGU Netherlands amounted to kEUR 17,151.

At year-end 2014, the Group tested the goodwill belonging to the CGU Netherlands for possible impairment. Taking into account the assumptions used, the value in use of the unit exceeds its carrying amount and no impairment loss was recognized.

The main judgements, assumptions and estimates are:

- Revenue and gross profit margin: revenue and gross profit margin reflect management's expectations based on past experience and taking into account the risks specific to the reportable business unit.
- The first year of the model is based on the budget for the year and is management's best estimate, taking into account historical results, of the free cash flow outlook for the current year.
- In years two to five of the model, free cash

flows are based on Lotus Bakeries' long-term plan. The long-term plan of Lotus Bakeries is prepared country by country, based on realistic internal plans that take into account the specific market situation and the past.

- Cash flows beyond the first five years are extrapolated by applying a growth rate of 2% to free cash flows.
- Projections are discounted at the weighted average pre-tax cost of capital, which lies between 8 and 10%. The pre-tax discount rate is calculated by dividing the discount rate after tax by one minus the applicable tax rate. This result is not materially different from an iterative calculation method as described in IAS36.

As a part of the valuation test, Lotus Bakeries carried out a sensitivity analysis for important assumptions used, including the weighted average capital costs, free cash flow and long term growth percentage.

For the Netherlands cash generating unit a long term growth percentage varying between 1% and 2%, weighted average capital costs before taxes varying between 6% and 12% and free cash flow between 95% and 100% of the long term plan were applied in order to take into account possible fluctuations in volumes and margins.

A change in the used estimates, as included above, will not lead to a possible exceptional impairment.

Although Lotus Bakeries believes that its assessments, assumptions and estimates are suitable, actual results may differ from these

estimates in the event of changed assumptions and conditions.

#### **CGU 'Spain'**

At 31 December 2014, the carrying amount of the goodwill of the CGU Spain amounted to kEUR 1,704.

At year-end 2014, the Group tested the goodwill belonging to the CGU Spain for possible impairment. Taking into account the assumptions used, the value in use of the unit exceeds its carrying amount and no impairment loss was recognized.

The main judgements, assumptions and estimates are:

- Revenue and gross profit margin: revenue and gross profit margin reflect management's expectations based on past experience and taking into account the risks specific to the reportable business unit.
- The first year of the model is based on the budget for the year and is management's best estimate, taking into account historical results, of the free cash flow outlook for the current year.
- In years two to five of the model, free cash flows are based on Lotus Bakeries' long-term plan. The long-term plan of Lotus Bakeries is prepared country by country, based on realistic internal plans that take into account the specific market situation and the past.
- Cash flows beyond the first five years are extrapolated by applying a growth rate of 2% to free cash flows.

- Projections are discounted at the weighted average pre-tax cost of capital, which lies between 8 and 10%. The pre-tax discount rate is calculated by dividing the discount rate after tax by one minus the applicable tax rate. This result is not materially different from an iterative calculation method as described in IAS36.

As a part of the valuation test, Lotus Bakeries carried out a sensitivity analysis for important assumptions used, including the weighted average capital costs, free cash flow and long term growth percentage.

For the Spain cash generating unit a long term growth percentage varying between 1% and 2%, weighted average capital costs before taxes varying between 6% and 12% and free cash flow between 95% and 100% of the long term plan were applied in order to take into account possible fluctuations in volumes and margins. A change in the used estimates, as included above, will not lead to a possible exceptional impairment.

Although Lotus Bakeries believes that its assessments, assumptions and estimates are suitable, actual results may differ from these estimates in the event of changed assumptions and conditions.

#### **CGU 'Sweden'**

On 31 December 2014, the carrying amount of the goodwill of the CGU Sweden amounted to kEUR 6,507.

At year-end 2014, the Group tested the goodwill belonging to the CGU Sweden for possible impairment. Taking into account the assumptions used, the value in use of the unit exceeds its carrying amount and no impairment loss was recognized.

The main judgements, assumptions and estimates are:

- Revenue and gross profit margin: revenue and gross profit margin reflect management's expectations based on past experience and taking into account the risks specific to the reportable business unit.
- The first year of the model is based on the budget for the year and is management's best estimate, taking into account historical results, of the free cash flow outlook for the current year.
- In years two to five of the model, free cash flows are based on Lotus Bakeries' long-term plan. The long-term plan of Lotus Bakeries is prepared country by country, based on realistic internal plans that take into account the specific market situation and the past.
- Cash flows beyond the first five years are extrapolated by applying a growth rate of 2% to free cash flows.
- Projections are discounted at the weighted average pre-tax cost of capital, which lies between 8 and 10%. The pre-tax discount rate is calculated by dividing the discount rate after tax by one minus the applicable tax rate. This result is not materially different from an iterative calculation method as described in IAS36.



As a part of the valuation test, Lotus Bakeries carried out a sensitivity analysis for important assumptions used, including the weighted average capital costs, free cash flow and long term growth percentage.

For the Sweden cash generating unit a long term growth percentage varying between 1% and 2%, weighted average capital costs before taxes varying between 6% and 12% and free cash flow between 95% and 100% of the long term plan were applied in order to take into account possible fluctuations in volumes and margins. A change in the used estimates, as included above, will not lead to a possible exceptional impairment.

Although Lotus Bakeries believes that its assessments, assumptions and estimates are suitable, actual results may differ from these estimates in the event of changed assumptions and conditions.

#### CGU 'Customer Brand Business'

On 31 December 2014, the carrying amount of the goodwill of the CGU Customer Brand Business amounted to kEUR 20,773.

At year-end 2014, the Group tested the goodwill belonging to the CGU Customer Brand Business for possible impairment. Taking into account the assumptions used, the value in use of the unit exceeds its carrying amount and no impairment loss was recognized.

The main judgements, assumptions and estimates are:

- Revenue and gross profit margin: revenue and gross profit margin reflect management's expectations based on past experience and taking into account the risks specific to the reportable business unit.
- The first year of the model is based on the budget for the year and is management's best estimate, taking into account historical results, of the free cash flow outlook for the current year.
- In years two to five of the model, free cash flows are based on Lotus Bakeries' long-term plan. The long-term plan of Lotus Bakeries is prepared country by country, based on realistic internal plans that take into account the specific market situation and the past.
- Cash flows beyond the first five years are extrapolated by applying a growth rate of 2% to free cash flows.
- Projections are discounted at the weighted average pre-tax cost of capital, which lies between 8 and 10%. The pre-tax discount rate is calculated by dividing the discount rate after tax by one minus the applicable tax rate. This result is not materially different from an iterative calculation method as described in IAS36.

As a part of the valuation test, Lotus Bakeries carried out a sensitivity analysis for important assumptions used, including the weighted average capital costs, free cash flow and long term growth percentage.

For the Customer Brand Business cash generating unit a long term growth percentage varying between 1% and 2%, weighted average capital costs before taxes varying between 6% and 12% and free cash flow between 95% and 100% of the long term plan were applied in order to take into account possible fluctuations in volumes and margins.

A change in the used estimates, as included above, will not lead to a possible exceptional impairment.

Although Lotus Bakeries believes that its assessments, assumptions and estimates are suitable, actual results may differ from these estimates in the event of changed assumptions and conditions.

## 31 | RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

### 1. Rent

The Group's commitments relate to the leasing of cars mainly in Belgium, France, Germany, the Netherlands, the United States, the Czech Republic, Sweden, China, Spain, Poland and Switzerland, of office space for Sales Offices other than in Belgium, the Netherlands and France and the leasing of warehouse space in the United States. The lease rental payments are charged to the income statement.

#### Future rental charges as of 31 December:

in thousands of EUR	2014	2013
Less than one year	1,697	1,680
Greater than one year and less than five years	2,478	1,984
More than 5 years	5	-

The annual rent costs of these commitments totalled kEUR 1,934 in 2014 (kEUR 1,776 in 2013).

Lease agreements in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating lease agreements. Payments made under operating lease agreements are charged to the income statement on a straight-line basis over the life of the lease agreement.

### 2. Commitments to acquire tangible fixed assets

As of 31 December 2014, the Group had kEUR 2,906 of commitments (2013: kEUR 4,497) for the purchase of fixed assets.

The main commitments relate to the completion of the new headquarters in Lembeke and further automation in the Oostakker and Meise plants.

### 3. Raw materials contracts

Raw materials purchased but still to be delivered in 2015 and 2016 amounted to kEUR 57,485, as detailed below.

in thousands of EUR	2014	2013
Less than one year	44,380	28,460
Greater than one year and less than five years	13,105	598

See also note 35-Financial risk management.

### 4. Other rights and commitments

Bank guarantees as of 31 December 2014: kEUR 261 (as of 31 December 2013: kEUR 261).

Lotus Bakeries commits itself not to dispose of, mortgage or pledge any fixed assets without prior consultation with the credit-granting institutions. These assets serve as guarantee for the loans ('full negative pledge').

A credit institution has a notarial mandate of EUR 1.5 million on the assets of Biscuiterie Willems BVBA.

## 32 | POST BALANCE SHEET EVENTS

No significant events have occurred after 31 December 2014.

## 33 | RELATED PARTIES

A list of all Group companies is provided in note 1. The biggest Lotus Bakeries Group shareholders are Stichting Administratiekantoor van Aandelen Lotus Bakeries and Lotus Bakeries NV that, as of 31 December 2014, held an undiluted interest of 59.37%, as well as Holding Biloba BVBA and Christavest Comm.VA, with holdings of 3.36% and 2.53% respectively at 31 December 2014.

Certain Executive Committee members have set up a company called Caracookie BVBA. Except for the fact that this company is controlled by certain members of the Executive Committee, there are no transactions or commitments between Lotus Bakeries and Caracookie BVBA.

For information on the remuneration of the CEO and the remuneration of the executive managers (excluding the CEO) in 2014, we refer to the remuneration report included in Part 1 of the 2014 annual review.

## 34 | ASSETS HELD FOR SALE

There were no assets held for sale on 31 December 2014.

## 35 | FINANCIAL RISK MANAGEMENT

The Lotus Bakeries Group's greatest market risks are fluctuations in raw material and packaging prices, exchange rates and interest rates.

### 1. Raw material and packaging costs

The risk of negative consequences of fluctuations in raw material prices on the results is limited by the signing of forward contracts with a fixed price for the most important volatile raw materials. For other raw materials and for packaging, yearly agreements are made when possible. See also note 31-Rights and other commitments not reflected in the balance sheet.

### 2. Currency Risk

Purchasing takes place predominantly in euros. On the sales side too, a very significant portion of the turnover is invoiced in euros. The main foreign currency transactions related to buying and selling are in USD, GBP, CHF, CZK and SEK. Lotus Bakeries Group seeks to net out as far as possible its purchases and sales in foreign currencies, with net foreign exchange risks hedged if necessary by forward and/or option contracts.

### 3. Interest rate risk

Part of our financial obligations (kEUR 425) with a variable interest rate is hedged based on the Euribor.

### 4. Financial instruments

#### SENSITIVITY ANALYSIS:

#### Interest rate risk:

A 10 basis points higher Euribor interest rate in 2014 would have negatively impacted interest expense by approximately kEUR 59.

#### Exchange rate risk:

An average 5% lower USD, GBP, CAD, CZK, CHF and SEK exchange rate would have negatively affected net result by approximately kEUR 633 in all. An average 5% higher USD, GBP, CAD, CZK, CHF and SEK exchange rate would have positively affected net result by approximately kEUR 696.

Currency	Effect on the net result of the lower average rate of 5% (amount in thousands of EUR)	Effect on the net result of the higher average rate of 5% (amount in thousands of EUR)
USD	(461)	510
GBP	(115)	127
CZK	(52)	57
Other	(5)	2
Total	(633)	696

The outstanding financial instruments concluded in the framework of the interest and exchange rate risks are intended to limit the impact of a possible rise in the Euribor interest rate of up to one year or a weakening of the exchange rate.

A change of ten basis points in the Euribor interest rate or an exchange rate fluctuation of 5% does not significantly affect the fair value of these financial instruments.

The development of the interest and exchange rates and of the financial instruments is dynamically and systematically monitored in order to limit or avoid as far as possible the potential risks with regard to the interest rate effectively paid today or in the future or the negative impact of an unfavourable exchange rate development.

## 5. Credit risk

The Lotus Bakeries Group opts to conclude contracts as far as possible with creditworthy parties or to limit the credit risk by means of securities.

The Lotus Bakeries Group has a diversified international customer portfolio, consisting mainly of large retail, cash-and-carry and food service customers in various countries. For export outside Western and Northern Europe, the United States and Canada the Lotus Bakeries Group works on a documentary credit basis or uses credit insurance. The average number of days' customer credit is relatively limited. Within the Lotus Bakeries Group, there are strict procedures to accurately follow up on customers and to

handle possible risks as quickly and as efficiently as possible.

For financial operations, credit and hedging, the Lotus Bakeries Group works only with established financial institutions.

## 6. Liquidity risk

Given the significant size of operating and net cash flow in relation to the net financial debt position, the Lotus Bakeries Group's liquidity risk is limited.

The following are the contractual maturities of non-derivative financial liabilities including interest payments and derivative financial assets and liabilities:

### Financial assets and liabilities

in thousands of EUR

	2013		
	Less than 1 year	Between 1 and 2 years	Over 2 years
<b>Non-derivative financial liabilities</b>			
Unsecured bank loans	(15,333)	(7,749)	(227)
Bank overdraft	(47,237)	-	-
Trade and other payables	(55,079)	-	-
	<b>(117,649)</b>	<b>(7,749)</b>	<b>(227)</b>
<b>Derivative financial assets and liabilities</b>			
Interest rate derivatives	(39)	(22)	(3)
	<b>(39)</b>	<b>(22)</b>	<b>(3)</b>

in thousands of EUR

	2014		
	Less than 1 year	Between 1 and 2 years	Over 2 years
<b>Non-derivative financial liabilities</b>			
Unsecured bank loans	(7,639)	(102)	(227)
Bank overdraft	(33,544)	-	-
Trade and other payables	(45,666)	-	-
	<b>(86,849)</b>	<b>(102)</b>	<b>(227)</b>
<b>Derivative financial assets and liabilities</b>			
Interest rate derivatives	(2)	(2)	(6)
	<b>(2)</b>	<b>(2)</b>	<b>(6)</b>

## 7. Balance sheet structure

Lotus Bakeries aims for a capital structure (the balance between debt and capital) which will give it the required financial flexibility to implement its growth strategy.

We strive to keep the proportion of net financial debt (defined as financial debt - cash investments - liquid assets - treasury shares) and the recurrent operating cash flow (REBITDA) at what is considered to be a normal healthy level in the financial market.

## 8. Product liability risks

The production, packing and sale of food products give rise to product liability risks. Lotus Bakeries applies the highest product safety standards to the entire production and distribution process, from the purchase of raw materials through to the distribution of the final product, supported and guaranteed by structured procedures and systematic internal quality audits. External audits take place at regular intervals. The necessary product liability insurance has been subscribed within reasonable limits.

## 9. Pension scheme risks

The form of and benefits under pension schemes existing within the Lotus Bakeries Group depend on the conditions and customs in the countries involved.

A major portion of these pension schemes are defined contribution schemes, including in Belgium, France, Sweden, Canada and the United States. These are funded by employer and employee contributions and charged to the income statement of the year in question.

Because of the Belgian legislation applicable to second pillar pension plans (so-called 'Law

Vanenbroucke'), all Belgian Defined Contribution plans have to be considered under IFRS as Defined Benefit plans.

In the Netherlands a defined benefit pension plan has been concluded with BPF. Because employers pay a fixed contribution, the scheme falls under the defined contribution scheme.

Defined benefit pension schemes exist in the Dutch and German subsidiaries.

In certain companies provisions also exist for early retirement ('bridge') pensions (Belgium) and pension obligations resulting from legal requirements (France). These are also treated as defined benefit schemes. For these defined benefit schemes the necessary provisions are set up based on the actuarial present value of the future obligations to the employees concerned.

Through its defined benefit plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

- Changes in bond yields: a decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.
- Salary risk: the majority of the plans' benefit obligations are calculated by reference to the future salaries of plan members. As such, a salary increase of plan members higher than expected will lead to higher liabilities.
- Longevity risk: pension plans provide benefits to the participants throughout their remaining lives. An increase in life expectancy will therefore result in an increase in the pension plan obligations.

## 36 | RESEARCH AND DEVELOPMENT

External and internal costs of research and development are expensed to the income statement during the year in which they are incurred. For 2014 these costs amounted to kEUR 1,434.

Year	Internal and external costs of research and development (in thousands of EUR)
2014	1,434
2013	1,128
2012	974
2011	1,120
2010	1,164

## 37 | MANAGEMENT RESPONSIBILITY STATEMENT

We hereby certify that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2014, which has been prepared in accordance with the IFRS (International Financial Reporting Standards), gives us a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation as a whole, and that the annual report includes a fair review of the important events that have occurred during the year 2014 and of the major transactions with the related parties, and their impact on the consolidated financial statements, together with a description of the principal risks and uncertainties with which the company is confronted.

Lembeke, 3 April 2015

On behalf of the Board of Directors

Jan Boone  
CEO

## 38 | INFORMATION ABOUT THE STATUTORY AUDITOR, ITS REMUNERATION AND ADDITIONAL SERVICES RENDERED

The company's Statutory Auditor is PwC Bedrijfsrevisoren BCVBA, represented by Peter Opsomer.

<b>Audit fee for the Group audit 2014</b>	in duizenden EUR
Lotus Bakeries NV	64
Lotus Bakeries Group	296
<b>Total</b>	<b>360</b>
Fees for the mandates of PwC Bedrijfsrevisoren	227
Fees for the mandates of persons related to PwC Bedrijfsrevisoren	133
<b>Group's Auditor fees for additional services rendered</b>	
Other audit-related fees	32
Tax fees	0
Other non-audit fees	0
<b>Fees for additional services rendered by persons related to PwC Bedrijfsrevisoren</b>	
Other audit-related fees	0
Tax fees	393
Other non-audit fees	163

The one to one rule has been approved by the Audit Committee of Lotus Bakeries NV.

## STATUTORY AUDITOR'S REPORT

### Statutory auditor's report to the general shareholders' meeting on the consolidated accounts for the year ended 31 December 2014.

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statements. The consolidated financial statements comprise the consolidated balance as at 31 December 2014 and the consolidated statements of income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Report on the consolidated financial statements - Unqualified opinion

We have audited the consolidated financial statements of Lotus Bakeries NV ("the Company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The consolidated accounts of the Group are set forth in the financial supplement and in chapter IV of the annual report. The total of the consolidated balance amounts to KEUR 336,989 and the consolidated statement of income shows a profit for the year, Group share, of KEUR 36,775.

### *Board of directors' responsibility for the preparation of the consolidated financial statements*

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determine, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Statutory auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

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

### *Unqualified Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2014 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

### Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Ghent, 7 April 2015

The Statutory Auditor  
PwC Bedrijfsrevisoren bcvba  
Represented by

Peter Opsomer\*  
Bedrijfsrevisor

\*Peter Opsomer BVBA  
Board Member, represented by its fixed representative,  
Peter Opsomer



CONSOLIDATED BALANCE SHEET

in thousands of EUR	2014	2013	2012	2011	2010
<b>Non current assets</b>	<b>263,881</b>	<b>262,729</b>	<b>214,154</b>	<b>184,861</b>	<b>178,257</b>
Tangible assets	137,569	136,489	109,064	95,052	90,233
Goodwill	46,135	46,517	25,960	25,710	25,670
Intangible assets	74,674	75,744	76,248	61,859	61,576
Deferred tax assets	5,275	3,859	2,691	2,045	637
Other non current assets	206	93	159	163	109
<b>Current assets</b>	<b>73,108</b>	<b>71,375</b>	<b>56,461</b>	<b>53,025</b>	<b>46,474</b>
Stocks	17,898	16,665	14,917	14,285	12,998
Trade receivables	38,804	36,036	29,751	26,305	23,360
Cash and cash equivalents	11,855	11,933	6,452	7,369	6,302
<b>TOTAL ASSETS</b>	<b>336,989</b>	<b>334,104</b>	<b>270,615</b>	<b>237,886</b>	<b>224,731</b>
<b>Equity</b>	<b>200,629</b>	<b>171,375</b>	<b>145,206</b>	<b>126,760</b>	<b>109,795</b>
<b>Non-current liabilities</b>	<b>39,506</b>	<b>43,984</b>	<b>34,041</b>	<b>41,312</b>	<b>50,571</b>
Interest-bearing loans and borrowings	325	7,925	-	6,632	17,902
Deferred tax liabilities	34,905	32,687	30,323	29,187	28,700
<b>Current liabilities</b>	<b>96,854</b>	<b>118,745</b>	<b>91,368</b>	<b>69,814</b>	<b>64,365</b>
Interest-bearing loans and borrowings	41,144	62,337	41,675	19,474	19,319
Trade payables	33,309	34,249	30,886	29,430	23,509
Remuneration and social security	12,357	12,525	10,792	10,690	9,081
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>336,989</b>	<b>334,104</b>	<b>270,615</b>	<b>237,886</b>	<b>224,731</b>

ABRIDGED FIVE-YEAR  
FINANCIAL SUMMARY  
LOTUS BAKERIES GROUP

CONSOLIDATED INCOME STATEMENT

in thousands of EUR	2014	2013	2012	2011	2010
Turnover	347,890	332,319	288,455	275,598	264,823
<b>Recurrent operating result (REBIT)</b>	<b>49,433</b>	<b>41,371</b>	<b>36,680</b>	<b>36,363</b>	<b>34,955</b>
Non-recurrent operating result	(261)	(3,655)	(1,953)	(2,695)	(874)
<b>Operating result (EBIT)</b>	<b>49,172</b>	<b>37,716</b>	<b>34,727</b>	<b>33,668</b>	<b>34,081</b>
Financial result	16	(1,740)	(1,569)	(688)	(2,960)
<b>Result before taxation</b>	<b>49,188</b>	<b>35,976</b>	<b>33,158</b>	<b>32,980</b>	<b>31,121</b>
Income taxes	(12,415)	(8,057)	(7,408)	(9,165)	(8,055)
<b>Result after taxation</b>	<b>36,773</b>	<b>27,919</b>	<b>25,750</b>	<b>23,815</b>	<b>23,066</b>
<b>NET RESULT</b>	<b>36,773</b>	<b>27,919</b>	<b>25,750</b>	<b>23,815</b>	<b>23,066</b>
Net result: non-controlling interests	(2)	(1)	13	13	11
Net result: Group share	36,775	27,920	25,737	23,802	23,055

BALANCE SHEET AFTER APPROPRIATION OF PROFIT

<b>ASSETS</b> in thousands of EUR	<b>31-12-14</b>	31-12-13
<b>Non-current Assets</b>	<b>267,382</b>	<b>248,879</b>
<b>II. Intangible assets</b>	<b>11,974</b>	<b>13,471</b>
<b>IV. Financial assets</b>	<b>255,408</b>	<b>235,408</b>
A. Affiliated enterprises	255,408	235,408
1. Participating interests	255,408	235,408
<b>Current Assets</b>	<b>18,645</b>	<b>17,974</b>
<b>V. Amounts receivable after more than one year</b>	<b>-</b>	<b>80</b>
B. Other amounts receivable	-	80
<b>VII. Amounts receivable within one year</b>	<b>9,207</b>	<b>8,142</b>
A. Trade debtors	8,426	7,426
B. Other amounts receivable	781	716
<b>VIII. Current investments</b>	<b>9,419</b>	<b>9,562</b>
A. Own shares	9,419	9,442
B. Other investments and deposits	-	120
<b>IX. Cash at bank and in hand</b>	<b>19</b>	<b>190</b>
<b>TOTAL ASSETS</b>	<b>286,027</b>	<b>266,853</b>

ABRIDGED STATUTORY  
FINANCIAL STATEMENTS  
OF LOTUS BAKERIES NV

BALANCE SHEET AFTER APPROPRIATION OF PROFIT

**EQUITY AND LIABILITIES** in thousands of EUR

	31-12-14	31-12-13
<b>Equity</b>	<b>67,136</b>	<b>63,771</b>
<b>I. Capital</b>	<b>3,534</b>	<b>3,499</b>
A. Issued capital	3,534	3,499
<b>II. Share premium account</b>	<b>9,656</b>	<b>7,747</b>
<b>IV. Reserves</b>	<b>53,946</b>	<b>52,525</b>
A. Legal reserve	353	350
B. Reserves not available for distribution	9,491	9,514
1. Own shares	9,419	9,442
2. Other	72	72
C. Untaxed reserves	545	545
D. Reserves available for distribution	43,557	42,116
<b>Liabilities</b>	<b>218,891</b>	<b>203,082</b>
<b>VIII. Non-current liabilities</b>	<b>46,415</b>	<b>115,859</b>
A. Financial debts	37,518	107,218
4. Credit institutions	-	5,000
5. Other loans	37,518	102,218
D. Other debts	8,897	8,641
<b>IX. Amounts payable within one year</b>	<b>172,285</b>	<b>87,209</b>
A. Current portion of amounts payable after more than one year	38,450	43,450
B. Financial debts	116,494	28,289
1. Other loans	116,494	28,289
C. Trade debts	7,027	6,541
1. Suppliers	7,027	6,541
E. Taxes, remuneration and social security	56	53
1. Taxes	56	53
F. Other amounts payable	10,258	8,876
<b>X. Accrued charges and deferred income</b>	<b>191</b>	<b>14</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>286,027</b>	<b>266,853</b>

ABRIDGED STATUTORY  
FINANCIAL STATEMENTS  
OF LOTUS BAKERIES NV

## NOT-CONSOLIDATED INCOME STATEMENT

in thousands of EUR

	2014	2013
<b>I. Operating income</b>	<b>8,425</b>	<b>7,512</b>
D. Other operating income	8,425	7,512
<b>II. Operating charges</b>	<b>(5,521)</b>	<b>(4,226)</b>
B. Services and other goods	4,002	2,716
D. Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	1,497	1,497
G. Other operating charges	22	13
<b>III. Operating profit</b>	<b>2,904</b>	<b>3,286</b>
<b>IV. Financial income</b>	<b>13,422</b>	<b>10,474</b>
A. Income from financial fixed assets	13,115	10,097
B. Income from current assets	3	183
C. Other financial income	304	194
<b>V. Financial charges</b>	<b>(4,311)</b>	<b>(4,727)</b>
A. Interest and other debt charges	4,161	4,464
C. Other financial charges	150	263
<b>VI. Profit on ordinary activities before taxes</b>	<b>12,015</b>	<b>9,033</b>
<b>VIII. Extraordinary charges</b>	<b>-</b>	<b>(391)</b>
E. Other extraordinary charges	-	391
<b>IX. Profit for the year before taxes</b>	<b>12,015</b>	<b>8,642</b>
<b>X. Income taxes</b>	<b>(50)</b>	<b>159</b>
A. Income taxes	50	137
B. Adjustment of income taxes and write-back of tax provisions	-	(296)
<b>XI. Profit for the year</b>	<b>11,965</b>	<b>8,801</b>
<b>XIII. Profit for the year available for appropriation</b>	<b>11,965</b>	<b>8,801</b>

## ABRIDGED STATUTORY FINANCIAL STATEMENTS OF LOTUS BAKERIES NV



APPROPRIATION ACCOUNT

in thousands of EUR	2014	2013
A. Profit to be appropriated	11,965	8,801
1. Profit for the year available for appropriation	11,965	8,801
B. Transfers from capital and reserves	-	43
2. From reserves	-	43
C. Transfer to capital and reserves	(1,422)	(7)
2. To legal reserve	4	7
3. To other reserves	1,418	-
F. Distribution of profit	(10,543)	(8,837)
1. Dividends	10,293	8,587
2. Directors' emoluments	250	250

EXTRACT FROM THE NOTES

VIII. STATEMENT OF CAPITAL

	2014	2013	
	Bedragen in duizenden EUR	Bedragen in duizenden EUR	Aantal aandelen
<b>A. CAPITAL</b>			
1. Issued capital			
At the end of the preceding year	3,499	3,431	
At the end of the year	3,534	3,499	
2. Structure of the capital			
2.1. Different categories of shares			
Ordinary shares	3,534	3,499	803,013
2.2. Registered shares and bearer shares			
Registered			1,079
Bearer			-
Dematerialized			801,934
<b>E. AMOUNTS OF AUTHORIZED CAPITAL, NOT ISSUED</b>	<b>999</b>	<b>1,034</b>	

**G. STRUCTURE OF SHAREHOLDINGS OF THE ENTERPRISE: Situation at December 31, 2014**

As applied by article 29 paragraph 1, 1 of the law of 2 May 2007 on disclosure of mayor holdings, the following notification of shareholding in Lotus Bakeries NV was received at 27 April 2010.

Announcer	2014	
	Number of voting rights	% of voting rights
Stichting Administratiekantoor van Aandelen Lotus Bakeries <sup>(1)</sup> Claude Debussylaan 24 NL-1082 MD Amsterdam	455,323	56.70%
Lotus Bakeries NV <sup>(1)(2)</sup> Gentstraat 1 9971 Lembeke	21,416	2.67%
Holding Biloba BVBA <sup>(3)</sup> Kerkstraat 33A 9971 Lembeke	27,000	3.36%
Christavest Comm.VA <sup>(4)</sup> Kerkstraat 33A 9971 Lembeke	20,298	2.53%
<b>TOTAL</b>	<b>524,037</b>	<b>65.26%</b>

(1) Stichting Administratiekantoor van Aandelen Lotus Bakeries is not controlled. The interest of Stichting Administratiekantoor van Aandelen Lotus Bakeries in Lotus Bakeries NV appears in the transparency notification that Lotus Bakeries NV received on 5 April 2013\* and in the notification to Lotus Bakeries NV of the certification of Lotus Bakeries shares in July 2014.

(2) The voting rights attached to the shares held by Lotus Bakeries NV have been suspended. The dividends have not been suspended and will be distributed to Lotus Bakeries NV.

(3) Holding Biloba BVBA is not controlled. The interest of Holding Biloba BVBA appears in the transparency notification that Lotus Bakeries NV received on 3 July 2014\*.

(4) Christavest Comm.VA is controlled by Holding Biloba BVBA, which in turn has no controlling shareholder. Mr. Stanislas Boone and Mrs. Christiane De Nie are the statutory business managers of Christavest Comm.VA. The interest of Christavest Comm.VA in Lotus Bakeries NV appears in the transparency notification that Lotus Bakeries NV received on 3 July 2014\*.

\* As applied by article 6 of the Law of 2 May 2007 on disclosure of mayor holdings.

## ACCOUNTING PRINCIPLES

### 1. ASSETS

#### 1.1 Formation expenses

Formation expenses have been recorded at cost and depreciated at 100%.

#### 1.2 Intangible fixed assets

Intangible fixed assets are recorded at purchase or transfer price. The amortization percentages applied are:

- brand 10%
- software 33%

#### 1.3 Financial fixed assets

Financial fixed assets are valued at acquisition price or contribution value without supplementary costs.

Reductions in value are applied where the estimated value of the financial fixed assets is less than the carrying value and where the loss of value so determined is of a lasting nature in the opinion of the Board of Directors.

The estimated value of the financial fixed assets is determined at the end of the accounting period based on the most recent available balance sheet and on one or more criteria.

Reductions in value are reversed, up to the amount of the previously recorded reductions in value, where the valuation at the closing date of the accounting period concerned significantly exceeds the previous valuation.

#### 1.4. Receivables

The necessary reductions in value are applied to receivables, the collection of which is in doubt.

Receivables are recorded at their nominal value, less any credit notes remaining to be drawn up.

Receivables in foreign currencies are converted at the exchange rate applying on the balance sheet date.

Negative exchange rate differences in non-euro currencies are included in the income statement as in the past.

#### 1.5. Investments and cash at bank and in hand

Treasury shares are valued at purchase price.

Cash at bank and in hand in foreign currency is converted at the exchange rate applying on the balance sheet date.

Both the negative and the positive conversion differences are included in the profit and loss account.

### 2. LIABILITIES

#### 2.1. Provisions for liabilities and charges

Provisions have been made for all normally foreseeable liabilities and charges.

#### 2.2. Amounts payable within one year

##### *Suppliers*

Debts to suppliers are booked at their nominal value. Debts in foreign currencies are valued at the rate of exchange on the balance sheet date. Exchange rate differences are processed in the same way as for foreign currency receivables.

### 3. ADDITIONAL INFORMATION

The company is part of a VAT unit which was formed within the Group and to which the following companies belong:

- Lotus Bakeries NV
- Lotus Bakeries België NV
- Cremers-Ribert NV
- Interwaffles SA
- Lotus Bakeries Corporate NV
- Biscuiterie Willems BVBA
- B.W.I. BVBA

Consequently, the company is jointly and severally liable for the tax debts of all the above companies.





Gentstraat 1 - 9971 Lembeke