

**BEING  
GREAT  
IN LITTLE  
THINGS.**







This is for the little moments.

At Lotus we are constantly amazed  
how little things deliver instant  
pleasure.

And those little things are at the heart  
of our company. We believe that true  
greatness consists of being great  
in little things.



## MESSAGE FROM THE CHAIRMAN AND THE CEO

2015 was certainly a special - and eventful - year. We made significant strides in strategic terms - accompanied by unparalleled internal growth. Sadly, last year will always remain etched in our memories as the year of the fire at our waffle factory in Meise - a black page in the history of Lotus Bakeries. Since the fire, we have tightened up our already stringent safety measures and are focusing more than ever on fire prevention, because we never want to experience an event like that again.

### Healthy snacking moves up a gear

In 2015, we recorded our largest internal growth for many years. This was mainly due to international sales of Lotus original caramelized biscuits and spread, along with Lotus Dinosaurus and Lotus waffles. Our original caramelized biscuits and spread achieved impressive growth in the US and the UK in particular. Sales also rose sharply in countries such as China, France, Germany and Switzerland and in our network of international commercial partners.

Our external growth was also boosted significantly by three major acquisitions. We were able to open our own Lotus Bakeries office in South Korea, one of our very first export destinations. With a quarter of a century of successful partnership with our local distributor behind us, we are firmly established in that market. Our iconic original caramelized biscuits are now a regular accompaniment to a cup of coffee there. The South Korean market offers many new opportunities as well. Having our own presence will help us consolidate our position there.

Last summer, we announced the acquisition of Natural Balance Foods, a British pioneer of healthy snacking. Californian brothers Jamie and Greg Combs launched Natural Balance Foods in 2004. They offer natural snacks under the Nākd and Trek brand names. The fresh date and cashew nut bars are unprocessed, with no added sugar. Together with the founders, who have retained their stakes, we will continue to develop Nākd and Trek, within the UK and internationally.

Shortly before Christmas, we completed the acquisition of Urban Fresh Foods. This innovative British healthy food company makes natural fruit snacks. Husband and wife team Hayley and Andrew Gait-Golding from London founded the company in 2007. Their ambition? To provide children with no-nonsense foods that bridge the gap between "happy and healthy". Meanwhile, under the BEAR brand, UFF sold more than 375 million children's fruit portions. A perfect complement to the products of Natural Balance Foods.

All around the world, healthy snacking is becoming mainstream.

<

Jan Vander Stichele  
Executive Director  
Matthieu Boone  
Chairman  
Jan Boone  
CEO

### One group, different brands

Why have we invested so heavily in the acquisition of the Nākd and BEAR brands over the last few months? Because healthy snacking is becoming mainstream all around the world and Lotus Bakeries wants to offer tasty products to every consumer. We therefore intend to focus on both traditional specialities and healthy snacking going forward. In both segments, we aim to deliver a superior taste experience.

But we do not believe in doing all that under just one brand name. At Lotus, we have been making biscuits, cakes and waffles since 1932. Enjoying a treat is an integral part of the identity of this strong brand. But to carry this idea over to our recent positioning in the healthy snacking segment would not be the best decision strategically speaking. For this reason, we opt for a portfolio of different brands, each with its own personality and target group.

### Keeping pace with rapid growth

Our ambition to conquer the world with our original caramelized biscuit is gradually becoming a reality. In view of this, there was an urgent need to strengthen our sales and marketing departments in the sales offices. Last year, we took on board some new people who exhibit our TOP values and want to build on our success in regions such as France, the UK, Central Europe, the US and Canada.

Production also needs to keep up with growing demand. Our Lembeke site reached the milestone of 38 million kilos of original caramelized biscuits for the first time last year. The pace of growth achieved for original caramelized biscuits and original caramelized biscuit spread is a real feat for our production teams. Investing in extra capacity is therefore an absolute must.

A third production hall is being built at Lembeke to accommodate at least four extra production lines. We are also especially proud of the CO<sub>2</sub>-Neutral Label awarded to our plants last autumn. This represents a true milestone in our sustainability programme 'Care for Today – Respect for Tomorrow'.

**At our Lembeke production site,  
we reached the milestone of 38 million  
kilos of original caramelized biscuits for  
the first time last year.**

Thanks to the volume growth in the last few years, the US is well on the way to becoming our leading country for original caramelized biscuits.

### Conquering America

We will also be producing original caramelized biscuits locally in the US in a number of years. Lotus Biscoff is doing excellently there. Three decades ago, we launched our biscuits with several airlines. A 'home run', with which we won the Americans' hearts. The airlines received such an enthusiastic response from passengers that Biscoff soon became available nationwide via catalogue sales. Then it was the supermarkets' turn.

The result of all this effort? Nowadays we have a whole crowd of Lotus Biscoff fans in the US. What's more, thanks to the volume growth in the last few years, the US is well on the way to becoming our leading country for original caramelized biscuits. And there is still plenty of untapped potential. For this reason, we decided to build a brand-new original caramelized biscuits factory there. The aim is for the first biscuits to roll off the production line in three years' time.

### True to our roots

Lotus Bakeries is conquering the world, but our roots remain in Lembeke. The place where our success story started back in 1932. In view of our company's international expansion and internal growth, we had been looking for a larger site for our headquarters for some time. By the start of 2015 it was ready: the Executive Committee (EXCO), the international team and several corporate departments moved into the former presbytery in Lembeke. The building was fully renovated and incorporated into a modern office complex.

As you can see, 2015 was a landmark year for our Group. We would like to take this opportunity to thank all of our employees. Without their daily dedication and passion for Lotus Bakeries it would have been simply impossible to achieve these results. Together we will build on this to create a fantastic future for our company.



Jan Boone  
CEO



Matthieu Boone  
Chairman

[ 1 ]



[ 2 ]

[ 3 ]

[ 4 ]

## HIGHLIGHTS OF 2015

[ 1 ]

### February 2015

The Executive Committee (EXCO), the international team and several corporate departments move into brand-new head-quarters in the former presbytery in Lembeke.

[ 2 ]

### March 2015

In South Korea, Lotus Bakeries acquires distribution partner Lotus Korea Co Ltd.

[ 3 ]

### March 2015

Prime Minister Charles Michel and Deputy Prime Minister Alexander De Croo visit our production site in Lembeke.

[ 4 ]

### May 2015

Lotus Bakeries sponsors the Belgian pavilion at the World Expo in Milan. We gave out over five million Lotus Biscoff biscuits to visitors.

### June 2015

A major fire burns down our production facility in Meise.



[ 5 ]



[ 8 ]



[ 6 ]

[ 7 ]

[ 9 ]

[ 5 ]  
**August 2015**  
 Lotus Bakeries acquires a majority stake in Natural Balance Foods, a British pioneer of healthy snacking.

[ 6 ]  
**August 2015**  
 Peijnenburg Zero is launched, the first gingerbread with no added sugar.

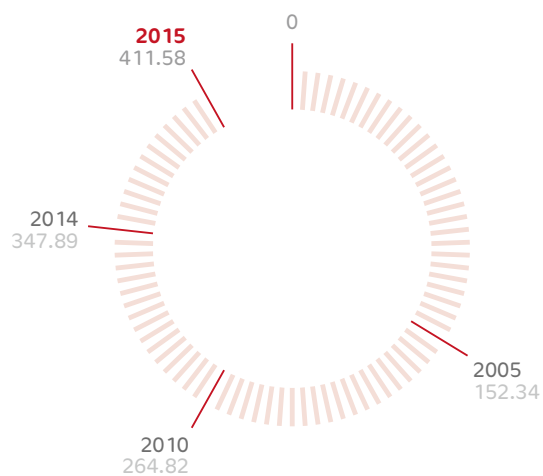
[ 7 ]  
**September 2015**  
 Our various production sites achieve the CO<sub>2</sub> Neutral-label (CO<sub>2</sub>logic.com certified).

[ 8 ]  
**December 2015**  
 Lotus Bakeries acquires 100% of the shares of Urban Fresh Foods, a British healthy food company which makes delicious natural fruit snacks for kids.

[ 9 ]  
**December 2015**  
 Our Lembeke site produces a record 38 million kilos of original caramelized biscuits.

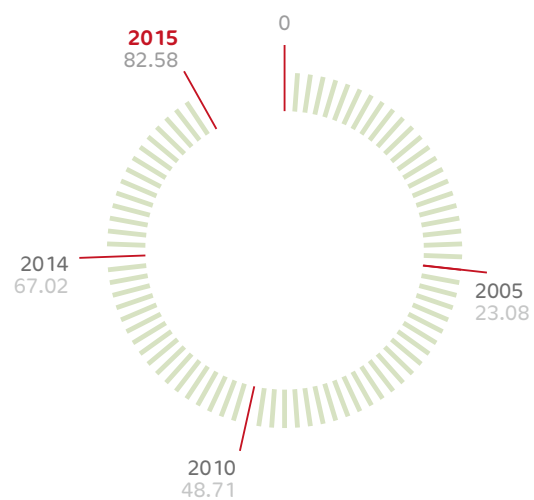
## Turnover

(IN MILLIONS OF EUR)



## REBITDA

(IN MILLIONS OF EUR)



**Gross dividend 2015**  
EUR 14.20 per share

**Number of employees**  
**2015**  
1,339

# CONSOLIDATED KEY FIGURES OF THE LOTUS BAKERIES GROUP

IN MILLIONS OF EUR	2015	2014	2013	2012	2011
<b>INCOME STATEMENT</b>					
Turnover	411.58	347.89	332.32	288.46	275.60
Raw materials, consumables and goods for resale	(121.80)	(104.43)	(111.43)	(91.15)	(85.74)
Services and other goods	(117.96)	(96.48)	(87.26)	(78.39)	(73.25)
Employee benefit expense	(88.53)	(78.89)	(78.90)	(69.97)	(68.72)
Depreciation and amounts written off <sup>(1)</sup>	(17.01)	(16.66)	(14.16)	(12.84)	(12.07)
Other operating income and charges (net)	(1.52)	(1.99)	0.80	0.57	0.55
Recurrent operating result (REBIT)	64.76	49.43	41.37	36.68	36.37
Recurrent operating cash flow (REBITDA) <sup>(2)</sup>	82.58	67.02	55.62	49.85	49.36
Non-recurrent operating result	(1.75)	(0.26)	(3.65)	(1.95)	(2.70)
Operating result (EBIT) <sup>(3)</sup>	63.01	49.17	37.72	34.73	33.67
Financial result	(0.78)	0.02	(1.74)	(1.57)	(0.69)
Profit for the year before taxes	62.23	49.19	35.98	33.16	32.98
Taxes	(16.62)	(12.42)	(8.06)	(7.41)	(9.17)
<b>NET RESULT</b>	<b>45.61</b>	<b>36.77</b>	<b>27.92</b>	<b>25.75</b>	<b>23.81</b>
Net result: non-controlling interests	0.20	-	-	0.01	0.01
Net result: Group share	45.41	36.77	27.92	25.74	23.80
<b>BALANCE SHEET</b>					
Balance sheet total	571.22	336.99	334.10	270.62	237.89
Equity	217.53	200.63	171.38	145.21	126.76
Investments <sup>(4)</sup>	16.07	16.55	33.16	40.54	16.98
Net financial debts <sup>(5)</sup>	163.86	20.20	48.89	24.16	10.88
<b>NUMBER OF PERSONS EMPLOYED</b>					
	<b>1,339</b>	<b>1,221</b>	<b>1,244</b>	<b>1,218</b>	<b>1,198</b>
<b>CONSOLIDATED KEY FIGURES PER SHARE IN EUR <sup>(6)</sup></b>					
Recurrent operating result (REBIT)	82.15	63.46	54.09	49.17	48.54
Recurrent operating cash flow (REBITDA) <sup>(2)</sup>	104.76	86.03	72.72	66.82	65.90
Net result: share of the Group	57.61	47.21	36.50	34.50	31.77
Gross dividend <sup>(7)</sup>	14.20	12.40	10.80	9.80	9.40
Net dividend	10.37	9.30	8.10	7.35	7.05
Weighted average number of shares	788,341	778,944	764,828	746,052	749,088
<b>Total number of shares per 31 December</b>	<b>811,863</b>	<b>803,013</b>	<b>795,113</b>	<b>779,643</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 warrantplan.

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

(4) Investments in tangible and intangible fixed assets.

(5) Net financial debt is defined as interest bearing financial debt - investments - cash and cash equivalents - treasury shares.

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

(7) For 2015: dividend proposed to the Ordinary General Shareholders' Meeting of 13 May 2016.

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**CSR: 'CARE FOR TODAY, RESPECT FOR TOMORROW' . . . . . 78**

A close-up photograph of a person's hands holding a single, golden-brown Lotus Biscoff cookie. The cookie is rectangular with rounded corners and has the word "Lotus" embossed in a cursive font on its top surface. The person is wearing a white t-shirt with a colorful floral pattern. The background is slightly blurred, showing more of the floral pattern and the person's arms.

### **MISSION STATEMENT LOTUS BAKERIES**

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.

## STRATEGY

### LOTUS BAKERIES

Lotus Bakeries is active worldwide in the snacking segment with the Lotus, Lotus Biscoff, Lotus Dinosaurus, Lotus Suzy, Peijnenburg, Snelle Jelle, Annas, Näkd, Trek, BEAR and Urban Fruit brands. By maintaining a healthy balance between tradition and innovation, the Lotus brand indulges consumers with a unique range of high-quality, tasty products.

Lotus Bakeries is a dynamic, internationally oriented company with a clear long-term vision based on continuous investment in marketing, R&D and production.

Building brands is central to Lotus Bakeries. Through our brands, we want to become market leaders in our traditional markets while continuing to pursue the internationalization of certain brands. Since every strong brand has a unique personality, specific DNA and its own consumers, brand ownership is kept separate for each brand. Parallel to this, we focus strongly on our unique capacity to stimulate growth through our extensive international network of sales offices and commercial partners, across all brands.

Lotus Bakeries' strategy is based on the following pillars:

1. An offer of delicious, high quality products to all consumers. For this reason, the range has been expanded to include natural, unprocessed fruit and nut-based products for adults and children. All products in each of our categories must stand out by offering a superior taste experience.
2. A strong focus on the best performing products.
3. Clear and consistent communication with the consumer is key, and sufficient resources are allocated to this.
4. Targeted product innovations, primarily based on format innovations to constantly introduce our best performing products to new groups of consumers and achieve new consumption moments.
5. A clear focus on continuously improving the manufacturing efficiency. This is in order to continue to produce the best quality products at the most competitive cost.
6. Continuous commitment to Corporate Social Responsibility. The Corporate Social Responsibility theme is implemented in the organization as 'Care for Today - Respect for Tomorrow'.

# PROFILE LOTUS BAKERIES









Lotu's  
PEIJNENBUI  
SNELLE JELLE  
Madeléino  
Suzy  
URBAN FRUIT  
ANNAS

Lotu's  
PEIJNENBUI  
Suzy  
URBAN FRUIT  
ANNAS

Lotu's  
ANNAS  
Suzy  
URBAN FRUIT  
ANNAS

## 1. BRANDS AND PRODUCTS

The global brand portfolio is of invaluable importance to Lotus Bakeries Group. In both the traditional specialities and healthy snacking segments, we have strong brands which we intend to develop in the long term. We implement our marketing strategy by continuously investing in our brands in our home markets whilst also stimulating the international growth of certain brands such as Lotus Biscoff and Lotus Dinosaurus. Every Lotus Bakeries brand has its own DNA and target group, and its own story.



### Lotus

Ever since Jan Boone senior founded Lotus Bakeries in 1932, the Lotus brand has been inextricably linked with original caramelized biscuits: a thoroughly Belgian product whose typical taste is due to the caramelization during baking. Our caramelized biscuits only contain carefully selected ingredients and are free from artificial colourings and flavourings. The superior quality is reflected in the brand name. It refers to the lotus flower, the ultimate symbol of purity. With its iconic shape and jagged edge, our original caramelized biscuit is gradually conquering the world.

Lotus Bakeries also incorporates the unique flavour of original caramelized biscuits in spreads and ice cream. Our original caramelized biscuit spread is a perfectly spreadable sweet spread with the familiar, unique taste of Lotus original caramelized biscuits. There are two varieties: crunchy and smooth. As well as being delicious on bread, the spread is also a favourite ingredient for desserts. Lotus caramelized biscuit ice cream is a sweet ice cream containing crunchy pieces of original caramelized biscuits and original caramelized biscuit spread.

Lotus also offers consumers in Belgium a wide range of cake specialities, including frangipane, madeleine, carré confiture and Zebra, and Breton butter specialities in France. Each of these local traditional specialities strongly contributes to Lotus' popularity in the markets in question.

In Belgium and France, both renowned for their waffle culture, Lotus continues to offer an extensive range of waffles: Liège waffles, soft waffles, filled waffles, vanilla waffles and crunchy galettes.



### Lotus Biscoff

Over the next few years, Lotus Bakeries continues to focus fully on the sustainable internationalization of caramelized biscuits and spread. Outside our home markets of Belgium, the Netherlands and France, Lotus original caramelized biscuits are marketed under the brand name 'Lotus Biscoff', a contraction of 'Biscuit with coffee' and a reference to the complementarity of the two tastes. Research shows that whenever coffee and original caramelized biscuits are consumed together, the two flavours lift one another to a higher level. Our international strategy therefore consists in introducing new consumers to original caramelized biscuits during their regular coffee time.



### Lotus Dinosaurus

These crunchy biscuits are made from a balanced combination of natural ingredients. The brand inspires and motivates children and young people to discover the world, face challenges and let their imagination run wild. They can count on Lotus Dinosaurus for the energy they need.

Besides the three basic varieties – milk chocolate, dark chocolate and wholewheat – the range also includes 'Lotus Dinosaurus filled' with a light filling of Belgian milk or dark chocolate or vanilla.

Lotus Dinosaurus biscuits have already been popular in our home markets of Belgium and France for several years. We aim to strengthen our position in these markets while simultaneously exploring new markets. We therefore launched the range in several European countries, including the Netherlands, in 2015.



### Lotus Suzy

Lotus Bakeries markets waffles with pieces of pearl sugar under this brand, plain or covered with dark chocolate, as well as vanilla waffles. The waffles stand out thanks to their high quality, taste and texture. There are several varieties: the classic format, the XL version and the mini-version.

The figurehead of Lotus Suzy is the young lady of the same name who promotes the waffles from her retro van, winning many hearts in the process. Through her presence at heartwarming occasions with family and friends, Suzy always makes a difference. The packaging of the waffles and the communication around the brand exude the same atmosphere.



### Peijnenburg

When baker Harry Peijnenburg started selling his freshly baked gingerbread in Geldrop in the Netherlands in 1883, the Peijnenburg brand was born. The gingerbread was an instant hit and over the years the bakery grew into a proper factory.

Peijnenburg stands for moist gingerbread made from specially selected rye and spices, according to a traditional preparation and baking process. The typical product of the Low Countries is especially popular in the Netherlands. Koninklijke Peijnenburg, the company behind the gingerbread brand, has almost 60% of the gingerbread market there.

Peijnenburg offers gingerbread in a variety of flavours and different formats. In 2015, Peijnenburg Zero was added to the range, a variety with no added sugar. The gingerbread contains only natural sweeteners, without affecting the taste, moistness or structure.



### Snelle Jelle

In 2002, Dutch brand Snelle Jelle was born. This tasty wholemeal gingerbread snack is packed with carbohydrates and handy to eat on the go. Snelle Jelle focuses on a target group of sporty men and women looking for natural energy for their activities.

Snelle Jelle is a hit and is currently available in eight different flavours. There are also handy takeaway formats, including 'Snelle Jelle Tussendoor': small gingerbread bars with the same familiar taste.



### Annas

The Annas brand dates from 1929, the year in which Anna and Emma Karlsson opened their bakery near Stockholm (Sweden). There they baked the typical Swedish speciality of pepparkakor biscuits: thin, crunchy biscuits flavoured with ginger and cinnamon.

Annas is a success story in its home markets of Sweden and Finland. The biscuits can also be found on the shelves in some twenty other countries, including the US, Canada and a number of Asian markets.

There are now four different flavours. Although Annas pepparkakor biscuits are available all year round, in Scandinavia they are especially popular at Christmas. Special Annas pepparkakor houses are also sold at that time of the year.



### Nākd

With uncomplicated snacks and bars, Nākd's approach is 100% natural. The brand offers young, active women an innovative, totally natural alternative to overprocessed snacks.

The raw, all-natural ingredients – fruit and nuts – are unprocessed (cold pressed), never baked and wheat, lactose and gluten free. Nākd bars contain no added sugars, syrups or other additives.

Nākd is available in 25 different flavours, each variety has its own bright, appealing name and packaging. The ambition? To turn every healthy snack into a feast.



### Trek

Trek shares Nākd's natural philosophy, but these snacks are also packed with protein. The nutritionally balanced energy bars and flapjacks help keep blood sugar levels stable and supply long-lasting energy. This makes Trek ideal for anyone wanting a handy energy boost during or after playing sport.

The bars are made from different kinds of fruit and gluten-free cereals with extra protein crunchies. The gluten free cereals in the flapjacks give a healthy boost. The snacks are available in ten different flavours, including Peanut Power, Cocoa Coconut and Morning Berry.



### BEAR

BEAR offers an extensive range of healthy snacks and breakfast cereals. The snacks are made from pure fruit (not concentrate) and vegetables. The philosophy behind the brand is as simple as it is ambitious: making families happier and healthier with products that children enjoy and their parents can trust.

The innovative range of healthy snacks includes Yoyos (fruit rolls), Paws (fruit snacks for toddlers) and Claws (shapes made of one third vegetables and two thirds fruit). BEAR only uses gently baked, freshly picked seasonal fruits. The products are free from added sugars, concentrate, preservatives and stabilizers.

BEAR Yoyos make it easier for parents to get their children to eat more fruit. Every Yoyos pack contains a set of cards to collect, to make it even more fun. BEAR Paws are the first ready-to-eat snack for toddlers made from pure fruit. This snack contains a fun element too: matching the shape with the correct animal encourages shape recognition.



### Urban Fruit

With its modern product range, Urban Fruit has been offering a healthy, natural and tasty alternative to typical sweet snacks since 2010. The products are gently baked, healthy pure fruit snacks. Urban Fruit wants to offer a solution to busy young adults who like eating fruit but in a handy way, on the go.

As Urban Fruit stands for pure nature, there are no added sugars, sulphites or fats. The brand also offers appealing snacks made from more unusual fruits such as strawberries or raspberries. There are a total of eight varieties. They are offered in snack packs to eat on the go as well as larger packaging formats.







PICKUP WINDOW  
ORDER INSIDE



*Biscoff* COOKIE SERVED  
WITH EVERY CUP OF COFFEE



## 2. OUR BRANDS IN 2015

Last year, Lotus Bakeries experienced its strongest growth in turnover for years, with original caramelized biscuits as the main driver for our organic growth. The other top performers in our portfolio – original caramelized biscuit spread, Dinosaurus and waffles – also made a significant contribution to turnover and profitability. Besides this strong internal growth, 2015 also saw the acquisition of Natural Balance Foods and Urban Fresh Foods, two British market leaders in the natural and healthy snacking segment.

### Lotus Biscoff: iconic biscuit conquers the world

Sales of Lotus Biscoff – both the caramelized biscuits and the spread – moved up a gear in 2015. The US, the UK and France saw the greatest increase in turnover. Our International Distributors area also achieved excellent results for sales of both Lotus Biscoff and Lotus Biscoff spread.

#### Joining forces in Asia

We now have our own sales office in South Korea, one of our first export markets. We achieved this by acquiring 100% of the shares from the two reference shareholders of Lotus Korea Co Ltd, the distribution partner with which we have enjoyed over a quarter of a century of successful cooperation. Initially, we will continue to focus on our strategically most important product, Lotus Biscoff.

Together with our sales office in China, which opened in 2014, Lotus Korea offers a unique opportunity to consolidate our growth in the important Asian market. The two offices will now join forces to form the new Sales Offices Asia area.

#### Expansion of distribution network

Last year, we put considerable effort into strengthening and improving our distribution channels. We acquired additional listings in several markets, including Germany and Switzerland, so that Lotus Biscoff is now available in more retail outlets than ever.

We also strengthened our position in the out-of-home channel, forming new partnerships in France and China, for example.

#### Full steam ahead for marketing

To increase the visibility of Lotus Biscoff in retail outlets, we continue to focus on optimal positioning of our products on the shelf.

In several markets, we have also invested in TV advertising as well as in-store promotions and sampling campaigns. We also had a presence at Milan Expo 2015; as sponsors of the Belgian pavilion, we gave out over five million Lotus Biscoff biscuits to visitors.

<

Michelle Singer, General Manager Americas in front of the Biscoff Coffee Corner on Pier 39 in San Francisco (US)



### New packaging design

Lotus original caramelized biscuit spread was given new packaging that makes the link to the iconically shaped biscuit even more strongly. Another factor behind the growth of Lotus original caramelized biscuit spread was a series of successful marketing campaigns, including a tag-on to TV commercials for Lotus original caramelized biscuits. Internationally, the spread is also becoming increasingly popular as a dessert ingredient.

### Lotus Biscoff in the US

For three decades now, Lotus Biscoff has experienced sustainable growth in the US, but last year saw a real growth spurt. Profitability is even outstripping the growth in volume there. During 2015, we managed to add several supermarket chains to our distribution network, along with some new airlines.

#### Airline cookie becomes a firm favourite

In the US, coffee and cookies are an established part of the daily routine, but the link between the two is not as strong as in Europe. Diners and cafés are not in the habit of serving a free cookie with a cup of coffee.

Americans often grab a cup of coffee during their day: at breakfast, for a mid-morning caffeine boost or at lunchtime. The major coffee chains have also introduced the typical American coffee-on-the-go culture, so a lot of coffee is now drunk on the bus or the tram or just in the street.

Cities in particular are seeing the opening of more and more independent coffee shops: trendy meeting places focussing on quality and taste.

**“Passengers really loved the unique taste of their ‘airline cookie’.”**

Many Americans first encountered our original caramelized biscuits on a flight. The airlines were our first distribution partners when we first set foot in the US with our iconic biscuits in 1985.

Passengers loved the unique taste of their ‘airline cookie’ so much that, by the early 90s, Lotus Biscoff was made available nationwide through catalogue sales.

**“In the Biscoff Coffee Corner in San Francisco, customers can try our ‘cookies’ “**

Since 2010, there has also been a ‘Biscoff Coffee Corner’ on Pier 39 in San Francisco. Consumers can try our ‘cookies’ there, with or without a cup of coffee.

## Lotus Biscoff in the UK

Lotus Biscoff has grown in volume and profitability in the UK too – in both the retail and out-of-home channels. We have managed to expand our distribution network. The penetration – the average number of product purchases per household – of our biscuits has increased by more than 43%.

### “20,000 coffee shops and counting”

Although Britain will always remain a nation of tea lovers, coffee has grown substantially in popularity over the last decade.

In the last few years, branches of major coffee chains have shot up all over the country. However, every town or city still has a couple of independent coffee shops. Now there are 20,000 coffee shops ... and counting.

### “The British love to dunk biscuits in their hot drinks”

Giving away a free biscuit with a cup of coffee is not yet a well-established practice. But those coffee shops which serve a biscuit alongside their coffee have a premium feel. They offer their customers that little bit extra for the perfect taste experience. The British love to dunk biscuits in their hot drinks.

### “Every year 65 million coffee lovers enjoy Lotus original caramelized biscuits”

Lotus Biscoff has a long history in the UK. We have had our own sales office there for the last ten years as well. We are represented in both the out-of-home and retail sectors. Every year, 65 million coffee lovers enjoy Lotus original caramelized biscuits: in cafes, during meetings, at the hairdresser's, in their hotel room or just at home. The British are also crazy about Biscoff spread. Our original caramelized biscuit spread has been on the market since 2014 and can be found on the shelves of several major supermarket chains. The unique caramelized biscuit taste is also appreciated as a doughnut topping, in milkshakes and desserts.

>

Paul Hunter, Sales & Marketing Director Lotus Bakeries UK in one of the many coffee shops in Manchester





### Lotus: high visibility in home markets

In Belgium, Lotus is the proud purveyor of original caramelized biscuits to Saint Nicholas. The range of special Saint Nicholas packaging was redesigned and the magic of the feast of Saint Nicholas was brought to life in a TV commercial for the first time.

Lotus frangipane and madeleine also received extra media support in Belgium. We developed an original TV commercial for the two mainstays of our cake range.

In France, Liège waffles experienced growth once more in 2015. Thanks to a range of new packaging formats, point-of-sale promotions and a national TV campaign, we achieved very pleasing sales growth for this product.



### Lotus Dinosaurs: new varieties and markets

In Belgium, the total penetration of Dinosaurs increased significantly in 2015. Thanks to the new filled varieties, with a layer of Belgian chocolate or vanilla, we also managed to reach new customer groups.

Lotus Dinosaurs is beginning to conquer the international market too. In the Netherlands, the basic range was successfully launched in 2014 with marketing support at points of sale and on TV. Since 2015, the different varieties of Lotus Dinosaurs filled are also present in the retail channels.

We also tapped into other markets with the basic range. In each of these markets, we aim simultaneously for a broad diversity of distribution channels, campaigns at points of sale and a good position on the shelf. In view of the substantial investments in sales and marketing, the contribution to profit was limited during the launch period.



### Lotus Suzy: on tour all year

In Belgium, we continued to support the rebranding of Lotus waffles to 'Lotus Suzy'. Suzy travelled all round the country in her unique retro van. She was waiting at the finish of lots of running events to offer participants a delicious waffle and during the summer she treated tourists on the coast. So the world of Lotus Suzy was brought to life far beyond the point of sale.



### Peijnenburg Zero: a real boost

In 2015, we introduced new stay fresh packaging for single piece gingerbread and added varieties with special kinds of grain to the range. Peijnenburg was also present in the media. We developed a new TV commercial in the series 'Lekker thuis met Peijnenburg' ('Home's best with Peijnenburg') and kicked off the 'Het goede van rogge' ('Goodness of rye') campaign to promote gingerbread as a healthy snack.

But the event of the year for Peijnenburg was without question the launch of Peijnenburg Zero, gingerbread with no added sugar. This innovative product met with an enthusiastic reception from retailers and consumers alike on its launch.



### Natural Foods area: positioning ourselves in another product segment

#### Two new British group companies:

##### Natural Balance Foods and Urban Fresh Foods

Lotus Bakeries continues to grow strongly in the segment of traditional specialities and there remains considerable untapped potential for our products and brands globally. However, there is growing global demand for healthy and tasty alternatives. As a Group, we want to be able to offer high-quality, tasty products to all consumers, in the form of more traditional biscuits and cakes as well as healthy snacks.

Since we believe in strong brands and want to respond to the growing demand for healthy snacks, we have invested strongly in the Natural Foods category in the past year.

#### Näkd and Trek

On 14 August 2015, Lotus Bakeries announced a strategic partnership with Natural Balance Foods (NBF), the pioneering British company making 100% natural snacks from cashew nuts and dates with no added sugar.

NBF, which has around 40 employees, was founded in 2004 by Californian brothers Jamie and Greg Combs. Lotus Bakeries acquired a majority stake in NBF by purchasing the shares of external, non-active investors, whereas the two founders have kept most of their shares. The founders will continue to lead and run the company.

Over the last three years, NBF has grown sales threefold, primarily driven by an explosive demand for its all-natural products in British supermarkets. The Näkd brand continues to experience strong growth in the UK, where it currently stands at number 5 in the healthy snacking category.





### BEAR and Urban Fruit

On 17 December 2015, Lotus Bakeries acquired 100% of the shares of Urban Fresh Foods (UFF), an innovative British healthy food company, which makes delicious natural fruit snacks. The BEAR brand is the market leader in the UK for pure fruit snacks for children. Under the Urban Fruit brand, the company offers a range of pure fruit snacks aimed at young adults.

UFF was founded in 2007 by husband and wife team Hayley and Andrew Gait-Golding from London. Giles Brook, former manager of smoothie producer innocent drinks, lent his support to the start-up by becoming a partner in 2009.

The business, which now has 40 employees, has seen rapid growth over the past six years with average annual growth in excess of 50%. This has been driven by an explosive demand from the UK's major grocery and retail channels. The two founders and their business partner will continue to run the business from its London offices ('the Cave').

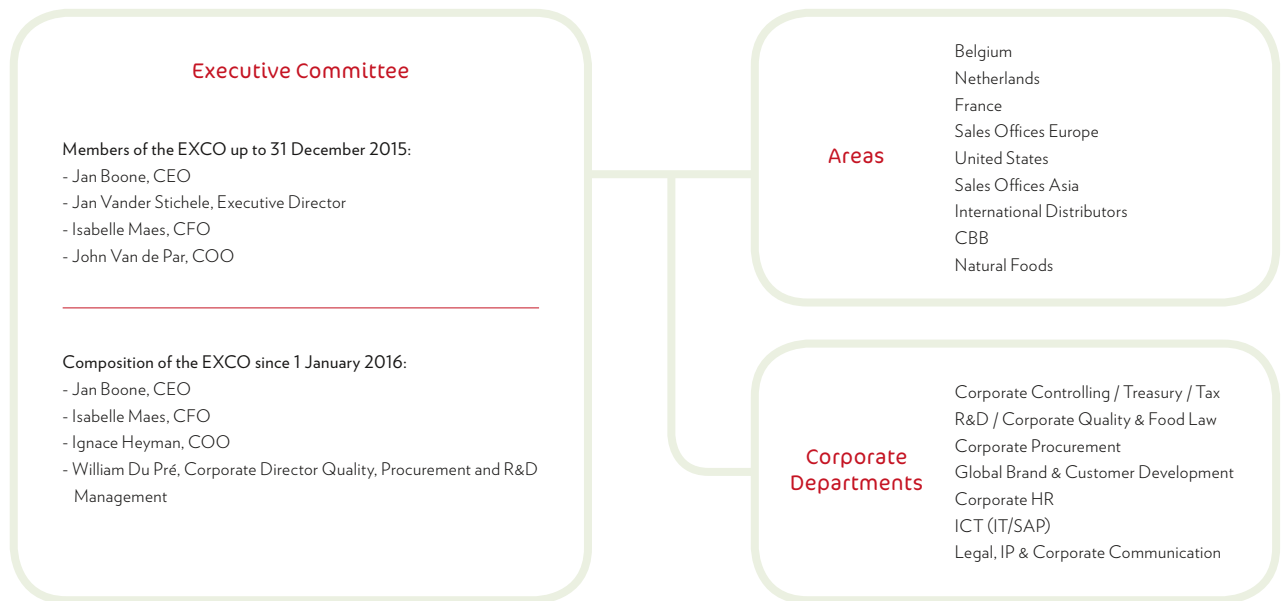


### 3. ORGANISATION

#### 3.1 Group structure and day-to-day management

The Executive Committee ('EXCO') defines Lotus Bakeries Group's strategy and objectives and submits them to the Board of Directors for approval. This strategy is implemented by the country and regional organizations (the 'areas'), supported by the various corporate departments.

As of 1 January 2016, the area structure is as follows:



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William Du Pré - Corporate Director Quality, Procurement and R&D Management

Ignace Heyman - COO

Jan Boone - CEO

Isabelle Maes - CFO



**Jan Boone** has been CEO of Lotus Bakeries Group since 2011 and leads the members of the EXCO on a day-to-day basis. He began his career in the Audit department of PwC. From 2000-2005, he was responsible for corporate controlling, reporting and M&A at pharmaceutical company Omega Pharma. He sat on the Executive Committee and Board of Directors there. Jan joined Lotus Bakeries as General Manager and Director in May 2005.

**Isabelle Maes** is CFO, in charge of Corporate Controlling, Treasury & Insurance and ICT. She also helps shape the policy for Natural Foods, areas Asia & International Distributors and M&A. She began her career as an auditor for PwC. In May 2001, she moved to the Barry Callebaut chocolate company. Having fulfilled various roles and been involved in various projects in Finance and SAP, she was appointed Finance Officer of Barry Callebaut Belgium in 2006. Since May 2014, Isabelle has fulfilled the role of CFO at Lotus Bakeries Group as well as being a member of the EXCO.

As COO, **Ignace Heyman** is in charge of several areas (Belgium, the Netherlands, France, USA, Sales Offices Europe), Global Brand & Customer Development and the corporate HR department. He pursued a career in marketing in both Belgium and France, firstly at Procter & Gamble, PAB Benelux (Panzani-Amora-Blédina) and then at Reckitt Benckiser. In 2008, Ignace joined Lotus Bakeries as Marketing Director Belgium, before going on to become Corporate Director Marketing in 2011. From mid-2012 to the end of 2015 he was General Manager France.

**William Du Pré** is Corporate Director Quality, Procurement and R&D, in charge of these corporate departments. He is also responsible for risk management and the 'Care for Today – Respect for Tomorrow' programme. William's career with Lotus Bakeries began in 1982. Over the years, he has occupied a variety of sales roles. He has been General Manager Belgium for almost ten years (2007-2015).

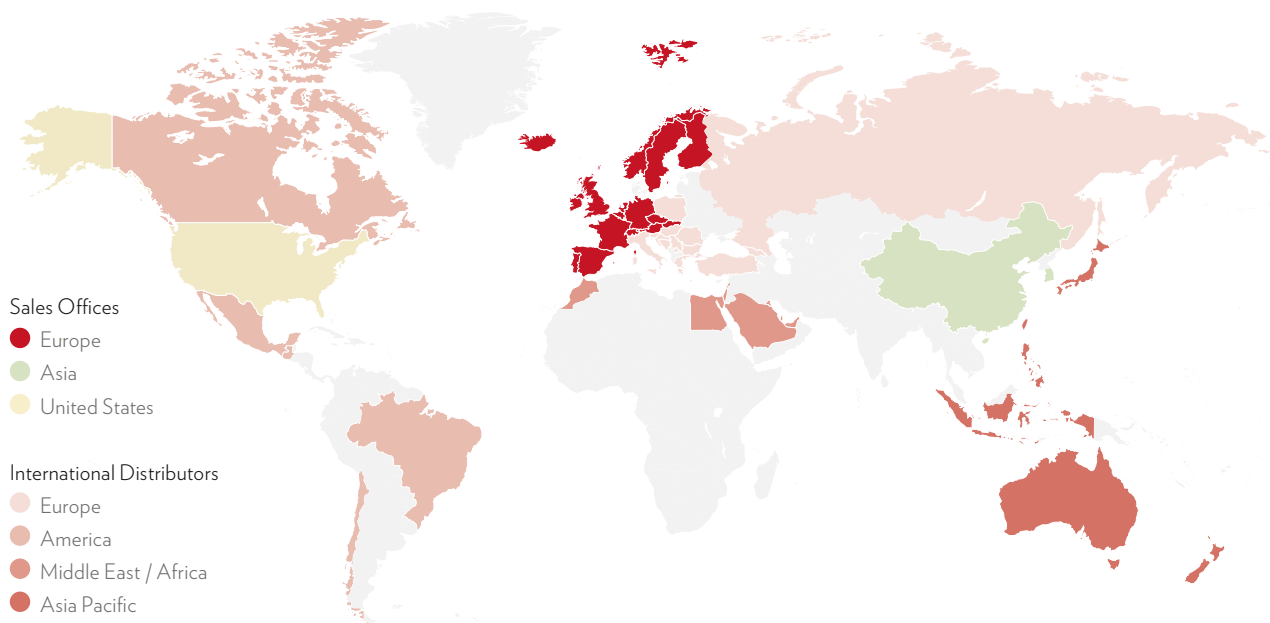
Together with the general managers from the various areas, the EXCO members make up the Group Management Team ('GMT'). Each area implements the Lotus Bakeries strategy according to a clearly defined business model. The corporate departments advise and support Lotus Bakeries Group across all areas and report directly to the EXCO.

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Lotus Bakeries recently moved into new headquarters in the former presbytery in Lembeke. The building has been fully renovated and incorporated into a modern office complex.

### 3.2 Sales structure

Lotus Bakeries has a total of seventeen Sales Offices in Belgium, France, the Netherlands, the UK (3), Spain, Germany, Sweden, Switzerland, the Czech Republic, the US, Chile, China and South Korea.



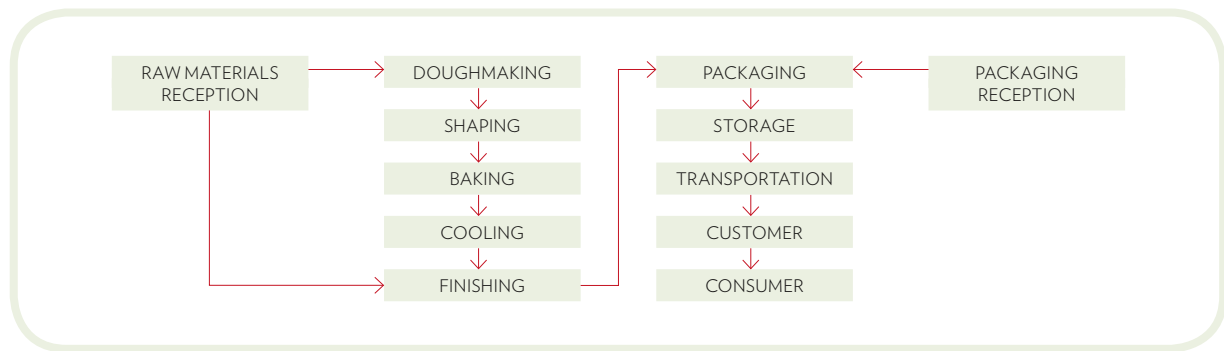
In 40 other countries, we work closely with commercial partners. These partnerships are combined in a separate area: International Distributors. The main countries in this area are Japan, Israel, Saudi Arabia, Italy, Kuwait, Australia, United Arab Emirates, Taiwan, Lebanon and the Philippines.

Following the acquisitions of Natural Balance Foods and Urban Fresh Foods in 2015, we created the brand-new 'Natural Foods' area. This area combines all of Lotus Bakeries' activities in the healthy, natural snacking segment.

### 3.3 Production sites

Production for our traditional specialties segment takes place at various Lotus Bakeries sites. To guarantee the typical characteristics of our extensive product range, we deploy various production technologies. Mastering, managing and developing these technologies represent a permanent challenge for Lotus Bakeries Group. We therefore try to limit the number of products and technologies for each production site and to centralize production processes in specialized plants.

On the third of June 2015, a major fire devastated our plant in Meise (Belgium), which mainly produced waffles for the French market. In September 2015, it was decided not to rebuild the site, but to integrate the production volumes with our waffle factory in Courcelles (Belgium). Thanks to two new production lines, we will be able to bring the entire waffle production under one roof.



Lotus Bakeries has a total of ten production sites. They are spread across Belgium, France, the Netherlands and Sweden. We also have our own distribution centre in Lokeren (Belgium).

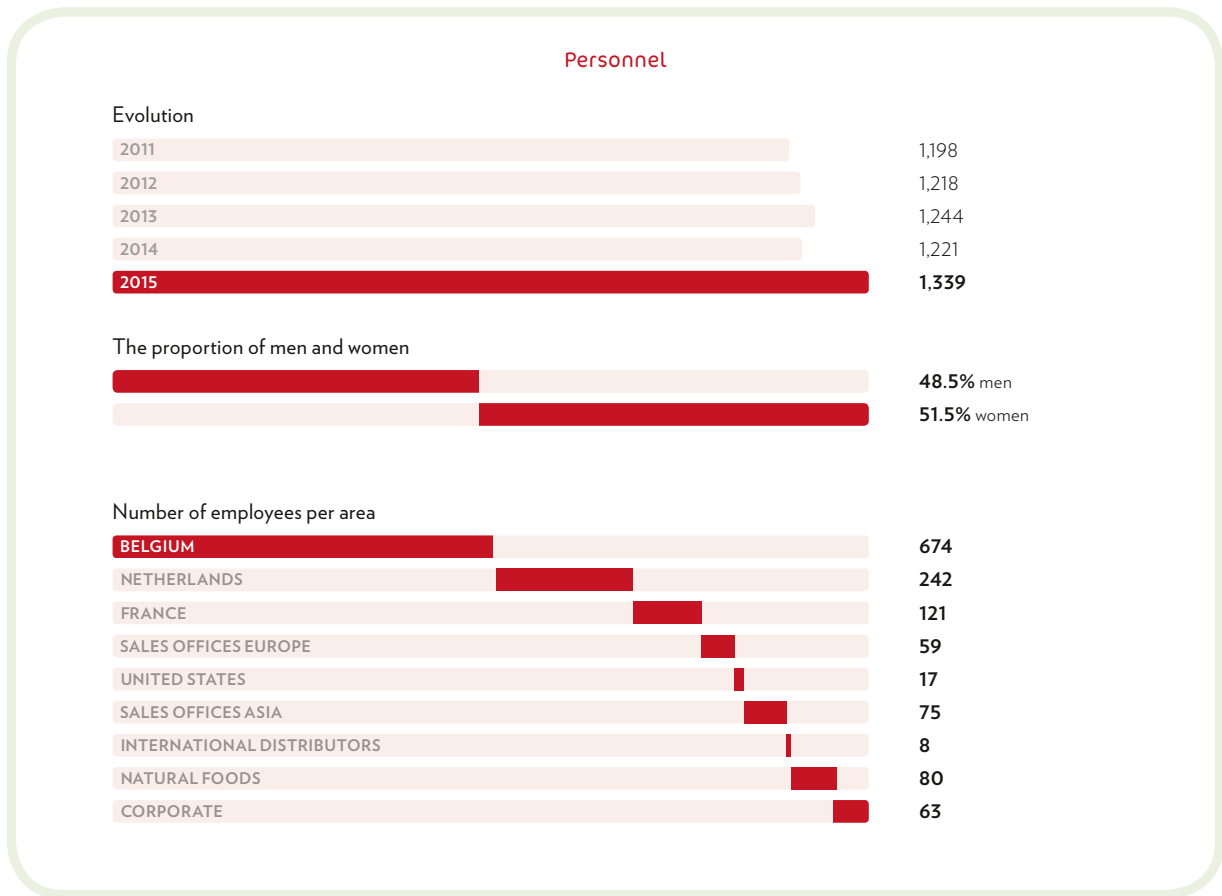
Each production site focuses on a specific product or product category.

The awarding of the CO<sub>2</sub>-Neutral Label to Lotus Bakeries' various production sites in September 2015 not only marked a milestone in the 'Care for Today – Respect for Tomorrow' programme, but was also a welcome reward for our efforts over the years to reduce our group's ecological footprint.





### 3.4 Personnel



# REPORT OF THE BOARD OF DIRECTORS





# 1. ACTIVITIES IN 2015

## 1.1 Market situation and sales results in 2015

### General evolution of turnover

In 2015 the consolidated turnover of the Lotus Bakeries Group grew by 18.3% to EUR 411.6 million. Internal growth, amounting to EUR 46.4 million or 13.3% , comes almost entirely from branded products. Most of this relates to the international growth of Lotus original caramelized biscuits ('Lotus Biscoff') and Lotus Biscoff spread, with Lotus Dinosaurus and Lotus waffles also experiencing significant growth. The impact of the acquisitions on turnover amounts to EUR 17.3 million.

The continuing internationalization of **Lotus Biscoff** made a significant contribution to growth in 2015. Further expansion of distribution was achieved in both the US and the UK, resulting in Lotus Biscoff becoming available and familiar to more and more people. By combining this with appropriate support at points of sale and targeted promotional campaigns, we managed to achieve sustainable, very strong growth. Other countries such as China, France, Germany, Switzerland and our network of international commercial partners also presented good growth in Lotus Biscoff.

In line with the growth of Lotus Biscoff, we are also seeing very strong growth of **Lotus Biscoff spread**. This success is due to a variety of factors including the new packaging, which makes the link with the biscuit stronger, support from TV campaigns in various countries and the continuing success of Lotus Biscoff spread as an ingredient in a variety of desserts including ice cream, yoghurt and cakes. Growth is not confined to a small number of countries, but is generalised; within Europe and beyond, appreciation of Lotus Biscoff spread is growing.

### Evolution of turnover

(in millions of EUR)

2015	411.6
2014	347.9
2013	332.3
2012	288.5
2011	275.6

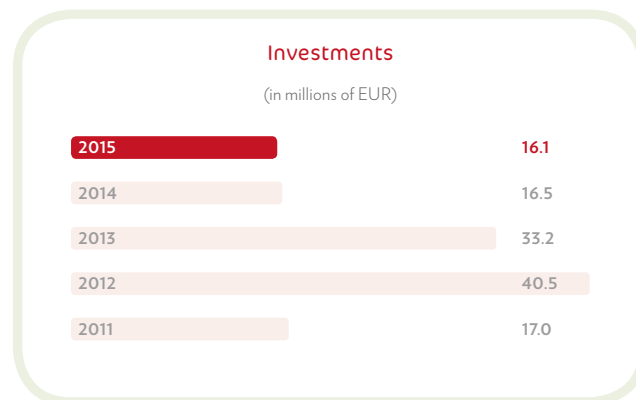
**Lotus Dinosaurus** remains another major growth driver. In our home markets of France and Belgium, growth mainly comes from the successful launch of ‘Dinosaurus filled’, the typical Dinosaurus biscuits filled with a layer of real Belgian chocolate or vanilla. Thanks to further distribution gains, improved shelf impact and strong in-store activation, the basic range also experienced strong growth. Good progress was also made in internationalizing Lotus Dinosaurus, both in the Netherlands, where the launch was strongly supported both at the point of sale and on television, and in other new markets such as the Czech Republic, Sweden and Israel. Since launching Dinosaurus in totally new markets requires considerable investment in sales and marketing, the initial contribution to profit is low.

Last year’s relaunch of Liège **waffles** in France, with new packaging formats, point-of-sale promotions and the support of a national TV campaign, continues to generate strong growth in turnover. The rebranding to ‘Lotus Suzy’ in the Belgian market was also a success, supported by a new commercial, presence at events and support at points of sale.

In August 2015, ‘Peijnenburg Zero’, a new variety **gingerbread** with no added sugar was launched. This innovation met with an enthusiastic reception from retailers and consumers alike and generated further growth in sliced gingerbread. Lotus Bakeries continues to invest in gingerbread, with the introduction of new stay fresh packaging and a new TV campaign ‘Lekker thuis met Peijnenburg’ (‘Home’s best with Peijnenburg’), although the category as a whole remains under pressure.

## 1.2 Investments

In 2015 we invested a total of EUR 16.1 million, mainly to expand capacity. The waffle factory in Courcelles and the Lotus Biscoff factory in Lembeke will each be expanded with two new production lines, to become operational in 2016/2017. We made further investments in increasing efficiency in 2015, including the installation of a new packaging robot for Lotus madeleine, and a new oven and improved cutting process for the gingerbread facility in Sintjohannesga (the Netherlands).



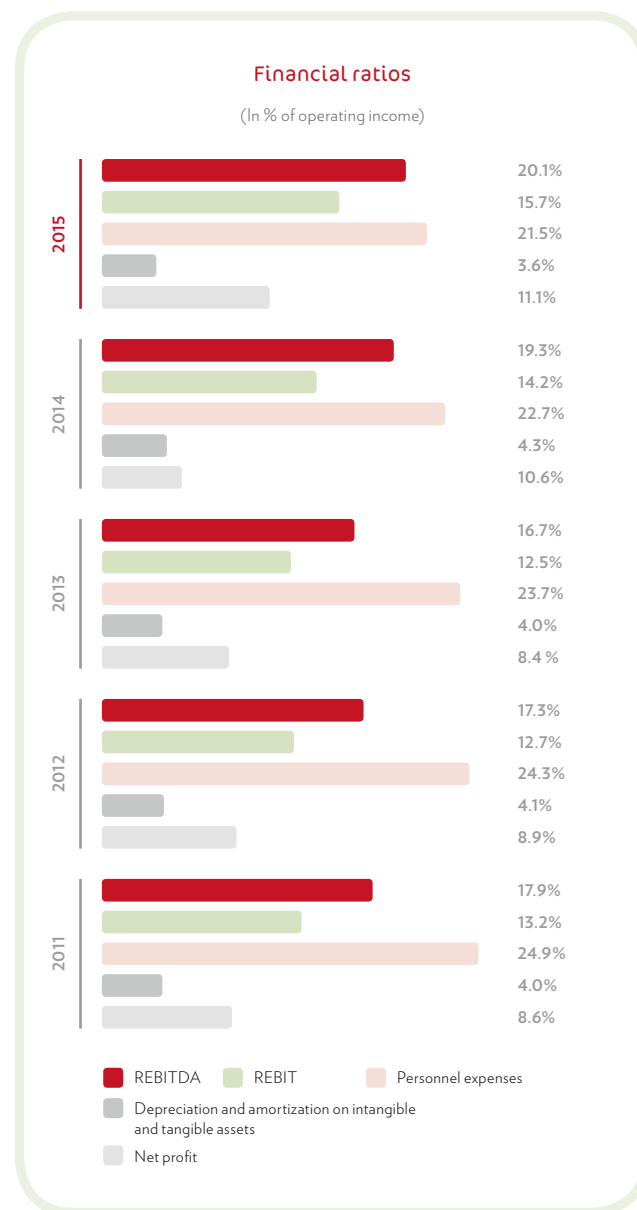
## 2. FINANCIAL INFORMATION

### 2.1 Profitability and evolution of costs

The recurrent operating result (EUR 64.8 million) and recurrent operating cash flow (EUR 82.6 million) increased by EUR 15.3 million (31.0%) and EUR 15.6 million (23.2%) respectively compared to last year.

The increase in the operating result is due to strong growth in turnover. It also allows us to invest more in our brands in the various countries, in terms of marketing, our sales organizations and promotion at the point of sale. As far as marketing is concerned, Lotus was omnipresent on television in 2015, in Belgium, France and the Netherlands. We invested in a new commercial for Lotus Biscoff and spread. In Belgium, Lotus frangipane, Lotus madeleine, and Lotus Dinosaurus were constantly supported through TV campaigns and, for the first time, we invested in a pre-Christmas commercial for Sinterklaas (Saint Nicholas' Day). In France, we advertised Lotus Biscoff and Lotus Biscoff spread and Lotus waffles on TV. Meanwhile in the Netherlands, there were TV commercials for gingerbread, Lotus Biscoff and Lotus Dinosaurus. We also recruited several new colleagues to join the sales and marketing departments at our sales offices in amongst others France, the UK, Central Europe, the US and China.

The very strong growth for both Lotus Biscoff and Lotus Biscoff spread, as well as Lotus Dinosaurus, meant that the Lembeke factory worked at maximum capacity. Investments in past years have created increased operational efficiency and flexibility and the guarantee of superior product quality. These investments also continue to make a significant positive contribution to profitability.



The non-recurrent operating loss as at the end of 2015 amounts to EUR 1.7 million and is mainly due to acquisition costs and the amortization of the Wieger Ketellapper brand.

Financial charges in 2015 consisted almost entirely of interest charges and amounted to EUR 0.8 million.

The tax expense is EUR 16.6 million or 26.7% of the result before taxes.

The net result increases by 24% compared with 2014 to stand at EUR 45.6 million.

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 Principal risks and uncertainties

The text below describes the business risks as assessed by the Executive Committee of Lotus Bakeries. The Lotus Bakeries Group's greatest market risks are fluctuations in raw material and packaging prices, exchange rates and interest rates.

### 2.1 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.

### 2.2 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, SEK, CNY and KRW. 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 if there is a material unhedged net risk for the Group.

Lotus Bakeries' consolidated financial statements are presented in euros. The operating results and financial position of each Lotus Bakeries company whose functional currency is not the euro have to be converted into euros at the applicable exchange rate for inclusion in the Group's consolidated financial statements. Lotus Bakeries does not hedge against this "translation risk". However, the Group does try to limit this exposure by financing the activities of Lotus Bakeries companies in their functional currency where possible.

A 5% lower average rate for Lotus Bakeries' key foreign currencies would have had a negative impact on the net profit amounting to a total of 441 kEUR. A 5% higher average rate for Lotus Bakeries' key foreign currencies would have had a positive impact on the net profit amounting to a total of 482 kEUR.

### CURRENCY RISK

	EFFECT ON THE NET RESULT OF THE LOWER AVERAGE RATE OF 5% (AMOUNT IN KEUR)	EFFECT ON THE NET RESULT OF THE HIGHER AVERAGE RATE OF 5% (AMOUNT IN KEUR)
USD	(120)	133
GBP	(213)	235
CZK	(57)	63
Other	(51)	51
Total	(441)	482

### 2.3 Interest rate risk

The interest rate risk is the risk associated with interest-bearing financial instruments and relates to the risk of the fair value or related interest cash flows of the underlying financial instrument fluctuating due to future changes in market interest rates.

Lotus Bakeries Group's objectives with regard to interest rate risks are to reduce fluctuations in income, limit interest expenses in the long term and protect future cash flows against the impact of significant negative interest rate fluctuations.

As part of managing its interest rate risks, where necessary, the Group enters into interest rate agreements to convert a variable rate into a fixed rate. As of 31 December 2015, the majority of financial interest-bearing liabilities (97.000 kEUR) were hedged at a variable rate under such agreements.

A Euribor rate ten basis points higher in 2015 would have had a negative impact on interest expenses amounting to approximately 72 kEUR.

### 2.4 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.

### 2.5 Liquidity risk

Lotus Bakeries uses an international cash pooling structure for daily cash pooling where possible. Lotus Bakeries also closely monitors the amount of short-term funds and the ratio of short-term funds to its total debts, as well as the availability of committed lines of credit in relation to the level of outstanding short-term debt.

In connection with the acquisition of Natural Balance Foods Ltd in 2015, put options were granted to third parties with respect to the remaining non-controlling interests, where these put options give holders the right to sell part or the whole of their investment in this subsidiary. A financial liability is shown on the consolidated balance sheet for this, which could potentially result in a larger cash outlay if the acquired entity performs better than forecast in the long-term business plan. Further details are given in note 21 in part 2 of the 2015 annual review.



In view of the significant cash flow from operations compared with the net financial debt position, and the available committed lines of credit, the liquidity risk for the Lotus Bakeries Group is low.

## 2.6 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 interest-bearing financial debt - monetary investments - liquid assets - treasury shares) and the recurrent company cash flow (REBITDA) at what is considered to be a normal healthy level in the financial market.

FINANCIAL RATIOS	2015	2014	2013	2012	2011
Days customer credit	45	41	40	38	35
Solvency ratio (%)	38.1	59.5	51.3	53.7	53.3
Net financial debts / Rebitda*	1.85	0.30	0.88	0.48	0.22
Net profitability of equity (%)	21.0	18.3	16.3	17.7	18.8

(\*) REBITDA normalized for the impact of acquisitions

## 2.7 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.

## 2.8 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. Pension benefits can be provided under defined contribution schemes or defined benefit schemes.

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. Under this type of scheme, there is no legal or constructive obligation to pay further contributions irrespective of the capacity of the funds to pay future pension contributions.

Because of the Belgian legislation applicable to second pillar pension plans (so-called 'Law Vandebroucke'), basically all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans because of the minimum guaranteed return of 3.75% on employee contributions and 3.25% on employer contributions, although they are normally insured by an external insurance company that collects and manages the contributions. As from 1 January 2016, these percentages will be replaced by a single percentage which will change in line with market rates, subject to a minimum of 1.75% and a maximum of 3.75%. This reduces the risk for the employer.

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.

## 2.3 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.

## 2.4 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, 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.

The continuous flow of ideas into the innovation funnel is managed efficiently by R&D.

### Sustainability

The 'Care for Today - Respect for Tomorrow' programme represents in a clear way how Lotus Bakeries is handling sustainability. This programme has been widely communicated to all employees and the Board of Directors. At the end of 2014, 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 about the progress so far in the chapter 'Care for Today - Respect for Tomorrow'.

## 2.5 Significant facts after 31 December 2015

No significant events have occurred after 31 December 2015.

### 3. PROSPECTS FOR 2016

In 2015, Lotus Bakeries was able to produce an attractive turnover growth of over 18%, more than 13% of this being internal growth. Profitability grew even stronger, with recurrent operating cash flow up 23.2% to EUR 82.6 million and a net result of EUR 45.6 million.

The internal turnover growth, linked to the consistent application of the Lotus Bakeries commercial and marketing strategy, also contributes significantly to profitability. Furthermore, in 2015, Lotus Bakeries invested significantly more in marketing and sales than in previous years because we strongly believe that this is a 'must have' for future growth.

2015 was not only a record year for internal growth, but also in terms of production volumes of Lotus Biscoff, Lotus Biscoff spread and Lotus Dinosaurus. Lotus Bakeries is convinced of the growth potential for our iconic Lotus Biscoff biscuits and has decided to invest in a third production hall in Lembeke to support future growth. The new production hall will have sufficient capacity for a maximum of four production lines. The first Lotus Biscoff line in this facility will go into operation in the first half of 2017.

Volumes are also growing strongly in the US, where there is huge potential for Lotus Biscoff. We have therefore decided, in addition to investing in additional capacity in Belgium, to invest in a totally new Lotus Biscoff factory in the US. The first step will be to decide the precise location. The factory is currently scheduled to go into operation in 2019.

2015 was also the year in which the strategically important decision was made to invest in the natural and healthy snacking segment. The new Näkd & Trek and BEAR & Urban Fruit brands complement our current product and brand portfolio and ensure that Lotus has something to offer to everyone. Lotus aims to grow these brands further in the UK and also put them on the map internationally. Lotus Bakeries' experience

in the internationalization of consumer products, combined with our international network of sales offices and commercial partners will act as a powerful lever for launching these products in new markets and among new consumers.

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 for 2015 amounted to EUR 45.6 million as compared to EUR 36.8 million last year.

### Statutory

The results for 2015 for the parent company Lotus Bakeries NV are as follows:

IN EUR	
Profit for the financial year	11,708,112.37
Transfer from untaxed reserves	-
Transfer to untaxed reserves	-
<b>Profit for the year available for appropriation</b>	<b>11,708,112.37</b>

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

IN EUR	
Allocation to legal reserves	3,894.00
Transfer from other reserves	(80,626.23)
Distribution of a gross dividend <sup>(1)</sup>	11,534,844.60
Distribution of emoluments to directors	250,000.00
<b>TOTAL</b>	<b>11,708,112.37</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 sheet presented for the approval of the shareholders has been drawn up based on this distribution.

If the Ordinary General Meeting of shareholders of 13 May 2016 accepts the Board of Directors' proposal to distribute a gross dividend of EUR 14.20 per share, this gross dividend per share - after deducting a withholding tax of 27% - will be payable as from 23 May 2016 on surrender of coupon no. 28 at Degroof - Petercam, BNP Paribas Fortis, Belfius, ING Bank and KBC Bank.

### Gross dividend

(in EUR)

2015	14.20
2014	12.40
2013	10.80
2012	9.80
2011	9.40

## 5. CORPORATE GOVERNANCE DECLARATION

Lotus Bakeries has adopted a Corporate Governance Charter under which we commit to apply the principles of the Corporate Governance Code of 12 March 2009 and to respect the associated legal norms and regulations. The charter outlines our corporate governance policy and the internal rules of procedure of the Board of Directors, the Committees and the Executive Committee. It can be consulted on our website ([www.lotusbakeries.com](http://www.lotusbakeries.com)).

Based on the relevant legislation or developments in corporate governance policy, we adapt the charter as necessary or advisable. In this annual review, we report actual changes to the Corporate Governance Charter. 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 3 April 2015 by EUR 37,180.00 from EUR 3,533,983.65 to EUR 3,571,163.65. On 5 October 2015, through the exercise of warrants, the share capital of Lotus Bakeries NV was again increased by EUR 1,760.00 from EUR 3,571,163.65 to EUR 3,572,923.65.

#### 5.1.2 Shares

Through the exercise of warrants and subsequent capital increases, new shares of Lotus Bakeries NV were issued: 8,450 on 3 April 2015 and 400 on 5 October 2015. As a result, the total number of shares of Lotus Bakeries increased from 803,013 to 811,463 and subsequently to 811,863.

As of 31 December 2015, there were 811,863 shares of Lotus Bakeries NV, in registered or dematerialised form.

#### 5.1.3 Share options

In the context of the Lotus Bakeries share option scheme, 3,562 share options were issued in 2015. Per 31 December 2015 the total number of unexercised share options was 19,275.

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	11,350	600
2008	-	-	-
2009	-	-	-
2010	2,400	2,400	-
2011	1,300	1,250	50
2012	5,198	-	5,198
2013	4,188	-	4,188
2014	5,736	-	5,736
2015	3,503	-	3,503

(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. 24 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 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 higher 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 lower than this average increased by 20 percent.

In 2015 4,089 treasury shares were purchased. The total number of purchased treasury shares in the portfolio at the end of the financial year is 22,005. They represent an accounting par value of EUR 96,822.0 or 2.71% of the issued capital.

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

### 5.1.6 Forced sale of bearer shares

Following the abolition of bearer shares and in accordance with the provisions of the relevant Law of 14 December 2005 and the Royal Decree of 25 July 2014 implementing this law, on 26 August 2015, Lotus Bakeries NV published the notice of the forced sale of the remaining bearer shares in the Belgian Official Journal, on the website of Euronext Brussels and on its own website ([www.lotusbakeries.com](http://www.lotusbakeries.com)). Once the process was complete, the Statutory Auditor confirmed to the Board of Directors of Lotus Bakeries NV in writing that the procedure had been carried out in accordance with the statutory provisions.

## 5.2 Shareholders and shareholders structure

The shareholding structure of Lotus Bakeries NV on 31 December 2015:

	NO. OF VOTING RIGHTS	% OF VOTING RIGHTS
Stichting Administratiekantoor van Aandelen Lotus Bakeries <sup>(1)</sup>	455,323	56.08%
Lotus Bakeries NV <sup>(2)</sup>	22,005	2.71%
<b>Total held by Stichting Administratiekantoor van Aandelen Lotus Bakeries and Lotus Bakeries NV</b>	<b>477,328</b>	<b>58.79%</b>
Holding Biloba BVBA <sup>(3)</sup>	27,000	3.33%
Christavest Comm.VA <sup>(4)</sup>	20,298	2.50%
Publicly held	287,237	35.38%
<b>Total</b>	<b>811,863</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 82.82% 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

Lotus Bakeries NV is not aware of any updates to any communication according to article 74 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 as of 1 January 2015:

**Chairman:**

Beukenlaan NV, represented by its permanent representative Matthieu Boone

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**Managing directors:**

- o Mercur Consult BVBA, represented by its permanent representative Jan Boone
  - o Vasticom BVBA, represented by its permanent representative Jan Vander Stichele
- 

**Non-executive directors:**

- o PMF NV, represented by its permanent representative Johan Boone
  - o Anton Stevens
  - o Bene Invest BVBA, represented by its permanent representative Benedikte Boone
- 

**Independent directors:**

- o Herman Van de Velde NV, represented by its permanent representative Herman Van de Velde
  - o Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich
  - o Dominique Leroy
  - o Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert
-



**Matthieu Boone** Chairman of the Board of Directors

- Master's degree in Commercial Engineering (KU Leuven)
  - Executive director of Lotus Bakeries since 1970 and managing director since 1989. Chairman of the Board of Directors since 2012
  - CEO of Lotus Bakeries during the period 2006-2011
  - Current director of Itinecar Gent, Crop's NV, Odisee (previously HUB KAHO)
  - Chairman of Etion Oost-Vlaanderen
- 

**Jan Boone** CEO / Managing director

- Master's degree in Applied Economics (KU Leuven); Master in Audit (UMH)
- Started his career in the Audit department of PwC
- Between 2000 and 2005 Head of Corporate Controlling, member of the Executive Committee and Board of Directors at Omega Pharma
- Since 2005, active at Lotus Bakeries as managing director and since 2011 as CEO
- Since 2005, member of the Board of Directors at Lotus Bakeries and managing director since 2011
- Member of the Board of Directors of Omega Pharma and director at Durabrik and Club Brugge

**Jan Vander Stichele** Executive Director / Managing director

- Master's degree in Civil Engineering (KU Leuven) and Candidate degree in Applied Economics (KU Leuven)
  - Was technical director of the Verlipack Group
  - Since the end of 1996 active in the Lotus Bakeries Group as General Manager Lotus Bakeries France, thereafter as General Manager Operations and since 2011 as Executive Director
  - Since 2005, member of the Board of Directors at Lotus Bakeries and since May 2011, managing director
  - Chairman of the Board of Directors at Team Industries and Fevia Vlaanderen/Flanders' Food
- 

**Johan Boone** Non-executive director

- Master's degree in dentistry (KU Leuven)
  - Dentist
  - Member of the Board of Directors at Lotus Bakeries since 1996
- 

**Anton Stevens** Non-executive director

- Master's degree in Law (UGent) and in Notarial law (UGent)
- Member of the Board of Directors at Lotus Bakeries since 2002

**Benedikte Boone** Non-executive director

- Master's degree in Applied Economics (KU Leuven)
  - She has held positions at Creyf's Interim and Avasco Industries
  - Director in various family companies (Bene Invest BVBA, Holve NV and Harpis NV) and also director at Deceuninck NV
  - Member of the Board of Directors at Lotus Bakeries since 2012
- 

**Herman Van de Velde** Independent director

- Master's degree in Applied Economics (KU Leuven) and post-graduate degree in Business Management (UFSIA)
  - From 1989 to 2014, managing director of the listed lingerie group Van de Velde
  - Since 2005, member of the Board of Directors at Lotus Bakeries
  - Director at Van de Velde, Top Form International (Hong Kong) and the Arteveldehogeschool
  - Commissioner at Brabantia in the Netherlands
  - Chairman of Ondernemersplatform Etion and Vlajo (Jonge Vlaamse Ondernemingen)
- 

**Benoit Graulich** Independent director

- Master's degrees in Law, Business and Finance (KU Leuven)
- Began his professional career at PwC and then at Artesia Bank. In 2000 he became a partner at Ernst & Young. Currently he is a managing partner at Bencis Capital Partners
- Different mandates at a.o. Van de Velde, Omega Pharma and Xeikon
- Member of the Board of Directors at Lotus Bakeries since 2009

**Dominique Leroy** Independent director

- Master's degree in Commercial Engineering (Solvay Business School)
  - She has a 24-year career with Unilever, beginning in finance and followed by various sales and marketing functions. In 2007 she became Country Manager of Unilever Belgium and was also member of the Unilever Benelux Board
  - Since 2011, working at Proximus, initially as Vice President Sales for the consumer division. Since January 2014, managing director of Proximus Group and president of the Executive Committee
  - President of the Board of Directors of BICS
  - Member of the Board of Directors of Delhaize Group
  - Member of the Board of Directors at Lotus Bakeries since 2009
- 

**Sabine Sagaert** Independent director

- Master's degree in Commercial Engineering (KU Leuven), Master in Economic Legislation (UCL) and MBA (KU Leuven), graduate degree in Taxation (Fiscale Hogeschool Brussel)
- Held various logistics and commercial positions in the Benelux at CBR cement companies. Thereafter she held various positions at AB InBev, most recently as Business Unit President Belux. Subsequently, she led the Dental Division at Arseus
- Currently, President, Global Managing Director Malt Business at Cargill
- Director at Miko and vzw Spullenhulp
- Member of the Board of Directors at Lotus Bakeries since 2011

During the entire financial year 2015 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 Art. 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 526-ter of the Companies Code.

During the financial year 2015 the secretary of the Board of Directors was 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 2015. All directors were present at all meetings, except for Dominique Leroy, Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich and Herman Van de Velde NV, represented by its permanent representative Herman Van de Velde. These directors were not present at one 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 release
- investment budget and global budget
- clarification of the year action plans of the different countries
- deepdive US
- capacity extension original caramelized biscuits in the US
- reports and recommendations of the Committees
- production capacity of Lembeke plant
- masterplan logistics Belgium and France
- evaluation starting up plant in Meise again and social plan

- M&A transactions (Lotus Korea, Natural Balance Foods, Urban Fresh Foods)
- product developments and product innovations
- proposed appointments of directors
- agenda of General Meeting.

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

In the course of 2015, 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 2015 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 and one non-executive director. The two independent directors are Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich (Chairman) and Dominique Leroy. The non-executive director is Beukenlaan NV, represented by its permanent representative Matthieu Boone. All three members have accounting and audit experience.

The Audit Committee met twice in 2015 and all members were present at all meetings. The Auditor participated in all two meetings, at which he presented his findings to the Audit Committee.

The subjects examined were:

- shared service center: realizations and future vision
- risk management
- authorised services of Statutory Auditor
- changes to IFRS
- discussion of report and internal controls / recommendations of the Statutory Auditor
- discussion of annual and interim results.

### 5.3.3 Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of two independent directors and one non-executive director. The independent directors are 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. The non-executive director is 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 2015, with all members present.

The subjects examined were:

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

### 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 general functioning of the Board of Directors, the way meetings are prepared, the contribution of each individual director to the work of the Board, 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. The CEO is not present at his own evaluation.

## 5.4 Executive Committee

Since 1 January 2016 the Executive Committee has the following members:

- Jan Boone, permanent representative of Mercur Consult BVBA, CEO
- Isabelle Maes, permanent representative of Valseba BVBA, CFO
- Ignace Heyman, COO
- Willam Du Pré, Corporate Director Quality, Procurement and R&D Management.

Up to 31 December 2015, the following persons were members of the Executive Committee:

- Jan Boone, permanent representative of Mercur Consult BVBA, CEO
- Jan Vander Stichele, permanent representative of Vasticom BVBA, Executive Director
- Isabelle Maes, permanent representative of Valseba BVBA, CFO
- John Van de Par, COO.

The Executive Committee met sixteen times in 2015. All members were present at all meetings.

## 5.5 Remuneration report

### 5.5.1 Introduction

The purpose of the 2015 remuneration report is to provide transparent information about the specific remuneration policy adopted by Lotus Bakeries for directors and executive managers.

The remuneration report below will be submitted to the General Meeting of 13 May 2016 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 other listed companies to enable Lotus Bakeries to attract directors with appropriate 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.

The 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. The consultant reports directly to the Remuneration and Nomination Committee and provides verbal explanations.

### 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 2015

### 5.5.3.1 Non-executive and executive directors

#### Policy criteria

The non-executive directors receive 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.

Lotus Bakeries aims at 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 appropriate competences according to its ambitions.

#### Remuneration

Members of the Board of Directors each receive EUR 20,000 a year. The Chairman receives 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 2015 to each member of the Board of Directors.

NAME	BOARD OF DIRECTORS	AUDIT COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE	TOTAL REMUNERATION 2015
Beukenlaan NV, represented by its permanent representative Matthieu Boone	Chairman	Member	Member	50,000 EUR
Mercur 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 the remuneration of managers in Belgium in order to facilitate an external comparison of key functions.

In order to ensure an internal logic between remuneration levels, in defining the remuneration for executive managers for each function, account is taken of the way the function is fulfilled at Lotus Bakeries.

In addition to their fixed remuneration, there is a variable compensation. For executive managers, this depends on the results of Lotus Bakeries, based on well-defined criteria with a one year evaluation period and evaluation periods of two and three years.

The evaluation criteria used to determine the variable compensation in 2015 are the main performance indicators based on the objectives for 2015. 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 2 and 3-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 then by the Remuneration and Nomination Committee.

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

The objectives for 2015 were presented to the Remuneration and Nomination Committee. The evaluation criteria used to determine the variable compensation in 2015 are the main performance indicators based on the objectives for 2015. 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 then 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 periods are two and three years. In 2015, bonuses were paid as part of the long-term remuneration policy.

#### 5.5.5 CEO's remuneration in 2015

The remuneration of 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 2015 amounts to EUR 672,722. The variable portion based on the 2015 targets amounts to EUR 399,035 and

will be paid in 2016. 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 2015 (excluding CEO)

In 2015, two members of the EXCO were paid through a management company and directorships and one member through an employment contract. In the case of pay through an employment contract, the amounts given do not include social insurance contributions and in the case of pay through a management company, the full cost is given. Compared with 2014, one additional person was paid through a management company, i.e. at full cost.

The remuneration for all executive managers together on a full year's basis, are the following for 2015.

The fixed annual salary in 2015 amounts to EUR 1,307,943. The variable portion based on the 2015 targets amounts to EUR 534,848 and will be paid in 2016. The contributions to the pension scheme amount to EUR 169,357. Other components of the remuneration amount to EUR 26,764. 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

### 5.8.1 Allocations in 2015

In 2015, share options were granted to members of the Executive Committee.

NAME	YEAR OF ALLOCATION	NUMBER OF OPTIONS	EXERCISE PRICE
Jan Boone	2015	500	1,243.57 EUR
Jan Vander Stichele	2015	500	1,243.57 EUR
Isabelle Maes	2015	250	1,243.57 EUR
John Van de Par	2015	250	1,243.57 EUR

### 5.5.8.2 Exercise of stock options and/or warrants in 2015

The members of the Executive Committee have exercised the following share options or warrants in 2015.

DATE	NAME	TRANSACTION	AMOUNT	PRICE	TOT. VALUE
03/04/2015	Jan Boone	Exec. warrants	5,000	246.02 EUR	1,230,100 EUR

In 2015 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 2015 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 in the same ERP package (SAP). This offers comprehensive capabilities for internal control and management and facilitates the internal audits carried out by the Corporate Finance department.

### 5.6.2 Risk management process

Lotus Bakeries implemented an ongoing process of risk management aimed at ensuring that this is organized so that risks 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. The Executive Director is responsible for the coordination.

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 are directly communicated to the Executive Director by means of written reports in prescribed formats.

There is one occasion a year when the entire risk management process is formally 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. The results are included in the annual plans for the coming year. The outcome and the progress of the actions are reported to the Audit Committee.

In 2015, 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. This will be rolled out further to other parts of the organization over the next few years.

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 Finance department directs the whole process.

For this Lotus Bakeries has developed various KPIs for the sales oper-

ations, for the financial reporting of each area and for the consolidated results. There are also KPIs relating to personnel and for factory operations, purchasing and logistics. These KPIs and 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: Corporate Finance for proper compliance with accounting principles and standards or the investment procedure, Corporate Treasury for the authorisation of payments, 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). This not only offers extensive functionality with regard to internal reporting and communication, but also the ability to manage and audit access rights and authorization management on a centralized basis.

As mentioned above, the results of each area are reported in writing on a monthly basis 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 Finance department directs the information and communication process. For both internal and external information reporting and communication there exists an annual financial calendar in which all reporting dates are set out and which is communicated to all parties involved.

For the provision of information Lotus Bakeries has developed various KPIs for its sales operations, for the financial reporting, as well as KPIs relating to 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 and improve existing procedures and practices.

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 of 8 May 2015, 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 8 May 2015.
2. By resolution of the Extraordinary General Meeting of Shareholders of 8 May 2015 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 27 May 2015 and is renewable.

### 5.8 External audit

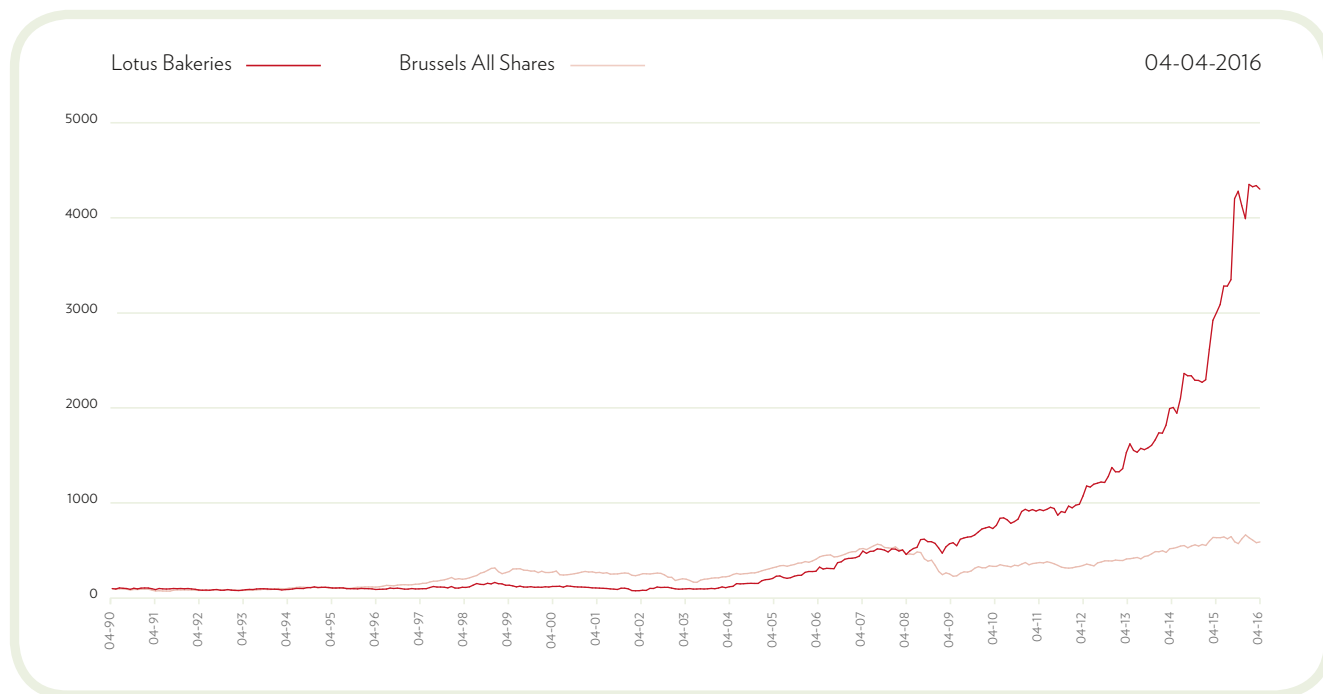
PwC Bedrijfsrevisoren BCVBA, represented by Mr. Peter Opsomer, 'bedrijfsrevisor', was appointed as Auditor of Lotus Bakeries NV on 14 May 2013 by the Ordinary General Meeting for a term of three years. Its mandate expires immediately after the Ordinary General Meeting of 2016. The compensation received in 2014 for auditing and non-auditing services by PwC Bedrijfsrevisoren BCVBA and by people connected to PwC Bedrijfsrevisoren BCVBA, is described in note 37 of the financial supplement.

<b>AUDIT FEE FOR THE GROUP AUDIT 2015</b>	IN THOUSANDS OF EUR
Lotus Bakeries NV	64
Lotus Bakeries Group	342
<b>Total</b>	<b>406</b>



# STOCK MARKET AND SHAREHOLDERS' INFORMATION

Evolution of the Lotus Bakeries share  
in comparison to the BASR-index



Both share evolutions are with reinvested net dividend.

IN EUR	2016	2015	2014	2013	2012	2011
<b>STOCK DATA ABOUT THE LOTUS BAKERIES SHARE</b>						
Highest price till 31/12 (till 31/03 in 2016)	1,817.50	1,845.00	989.95	725.00	615.00	423.00
Lowest price till 31/12 (till 31/03 in 2016)	1,557.00	926.10	711.00	555.00	407.00	325.00
Price per 31/12 (per 31/03 in 2016)	1,730.00	1,750.00	933.00	713.63	555.00	416.00
Market capitalization per 31/12 in millions of EUR (per 31/03 in 2016 in millions of EUR)	1,404.52	1,420.76	749.21	567.42	432.70	321.40
Number of shares per 31/12 (per 31/03 in 2016)	811,863	811,863	803,013	795,113	779,643	772,563
Ratio price/earning (PER) <sup>(1)</sup> per 31/03 in 2016	30.93	31.29	20.37	20.32	16.81	13.50

(1) PER: Price Earnings Ratio: The price at the end of the year (per 31 March in 2016 respectively) divided by net result, per share at the end of the year.

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

## 3. Liquidity and visibility of the share

Lotus Bakeries has appointed the stock market company Degroof - Petercam as 'liquidity provider'. The liquidity and market activation agreement that was agreed with Degroof - 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 2015, market capitalization of Lotus Bakeries amounted to EUR 1,420.76 million.

## 5. Evolution of the Lotus Bakeries share

The graph on page 70 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 11 and 71 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.

## 8. Financial calendar

### **Wednesday 13 April 2016**

Annual review 2015 available on [www.lotusbakeries.com](http://www.lotusbakeries.com)

### **Friday 13 May 2016**

Ordinary General Meeting of Shareholders at 4.30 p.m

### **Monday 23 May 2016**

Payment of dividend for the 2015 financial year

### **Friday 19 August 2016**

Announcement of the half-year results for 2016

### **Friday 10 February 2017**

Announcement of the year results for 2016

### **Friday 12 May 2017**

Ordinary General Meeting of Shareholders

## 9. Annual review

This annual review is also available on the internet site:  
[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 Dutch annual review will prevail.



# FINANCIAL STATEMENTS

In this section of the 2015 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 the entire consolidated annual account, including the consolidated external Auditor's report, and is available in Dutch and English.

The consolidated financial statements for 2015 shown, are based on the 2015 consolidated annual account, which has been prepared in accordance with IFRS rules as adopted for use within the European Union with comparative IFRS figures for 2014.

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 Belgian 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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## CONSOLIDATED BALANCE SHEET

IN THOUSANDS OF EUR	31-12-2015	31-12-2014
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>	<b>442,884</b>	<b>263,881</b>
Property, plant and equipment	139,377	137,569
Goodwill	93,229	46,135
Intangible assets	107,901	74,674
Investment in other companies	96,244	22
Deferred tax assets	5,889	5,275
Other non current assets	244	206
<b>CURRENT ASSETS</b>	<b>128,337</b>	<b>73,108</b>
Inventories	35,659	17,898
Trade receivables	56,143	38,804
VAT receivables	4,868	3,333
Income tax receivables	938	421
Other amounts receivable	10,504	112
Cash and cash equivalents	18,547	11,855
Deferred charges and accrued income	1,678	685
<b>TOTAL ASSETS</b>	<b>571,221</b>	<b>336,989</b>

IN THOUSANDS OF EUR	31-12-2015	31-12-2014
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>	<b>217,525</b>	<b>200,629</b>
Share Capital	15,367	13,190
Retained earnings	219,109	196,147
Treasury shares	(13,677)	(9,419)
Other reserves	(3,249)	656
Non-controlling interests	(25)	55
<b>NON-CURRENT LIABILITIES</b>	<b>169,242</b>	<b>39,506</b>
Interest-bearing loans and borrowings	97,000	325
Deferred tax liabilities	44,607	34,905
Net employee defined benefit liabilities	3,225	3,558
Provisions	726	661
Derivative financial instruments	869	-
Other non-current liabilities	22,815	57
<b>CURRENT LIABILITIES</b>	<b>184,454</b>	<b>96,854</b>
Interest-bearing loans and borrowings	99,086	41,144
Net employee defined benefit liabilities	32	56
Provisions	521	56
Trade payables	42,498	33,309
Employee benefit expenses and social security	18,336	12,357
VAT payables	1,017	126
Tax payables	10,861	7,097
Derivative financial instruments	7	10
Other current liabilities	9,070	147
Accrued charges and deferred income	3,026	2,552
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>571,221</b>	<b>336,989</b>

# CONSOLIDATED INCOME STATEMENT

IN THOUSANDS OF EUR	2015	2014
<b>TURNOVER</b>	<b>411,576</b>	<b>347,890</b>
Raw materials, consumables and goods for resale	(121,803)	(104,430)
Services and other goods	(117,959)	(96,483)
Employee benefit expense	(88,527)	(78,888)
Depreciation and amortization on intangible and tangible assets	(14,919)	(14,845)
Impairment on inventories, contracts in progress and trade debtors	(2,086)	(1,819)
Other operating charges	(3,566)	(4,034)
Other operating income	2,048	2,042
<b>RECURRENT OPERATING RESULT (REBIT)<sup>(1)</sup></b>	<b>64,764</b>	<b>49,433</b>
Non-recurrent operating result	(1,748)	(261)
<b>OPERATING RESULT (EBIT)<sup>(2)</sup></b>	<b>63,016</b>	<b>49,172</b>
Financial result	(778)	16
<b>PROFIT FOR THE YEAR BEFORE TAXES</b>	<b>62,238</b>	<b>49,188</b>
Taxes	(16,623)	(12,415)
<b>RESULT AFTER TAXES</b>	<b>45,615</b>	<b>36,773</b>
<b>NET RESULT- attributable to:</b>	<b>45,615</b>	<b>36,773</b>
Non-controlling interests	202	(2)
Equity holders of Lotus Bakeries	45,413	36,775

IN THOUSANDS OF EUR	2015	2014
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that may be subsequently reclassified to profit and loss</b>	<b>(5,125)</b>	<b>(1,194)</b>
Currency translation differences	(4,551)	(1,194)
Gain/(Loss) on cash flow hedges, net of tax	(574)	-
<b>Items that will not be reclassified to profit and loss</b>	<b>494</b>	<b>(564)</b>
Remeasurement gains/(losses) on defined benefit plans	494	(564)
<b>Other comprehensive income</b>	<b>(4,631)</b>	<b>(1,758)</b>
<b>Total comprehensive income - attributable to:</b>	<b>40,984</b>	<b>35,015</b>
Non-controlling interests	(524)	(2)
Equity holders of Lotus Bakeries	41,508	35,017
<b>EARNINGS PER SHARE</b>		
Weighted average number of shares	788,341	778,944
<b>Basic earnings per share (EUR) - attributable to:</b>		
Non-controlling interests	0.26	-
Equity holders of Lotus Bakeries	57.61	47.21
Weighted average number of shares after effect of dilution	803,247	796,420
<b>Diluted earnings per share (EUR) - attributable to:</b>		
Non-controlling interests	0.25	-
Equity holders of Lotus Bakeries	56.54	46.18
Total number of shares <sup>(3)</sup>	811,863	803,013
<b>Earnings per share (EUR) - attributable to:</b>		
Non-controlling interests	0.25	-
Equity holders of Lotus Bakeries	55.94	45.80

(1) REBIT is defined as the recurrent trading 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

# ABRIDGED FIVE-YEAR FINANCIAL SUMMARY

## Consolidated balance sheet

IN THOUSANDS OF EUR	31-12-2015	31-12-2014	31-12-2013	31-12-2012	31-12-2011
<b>NON CURRENT ASSETS</b>	<b>442,884</b>	<b>263,881</b>	<b>262,729</b>	<b>214,154</b>	<b>184,861</b>
Property, plant and equipment	139,377	137,569	136,489	109,064	95,052
Goodwill	93,229	46,135	46,517	25,960	25,710
Intangible assets	107,901	74,674	75,744	76,248	61,859
Investment in other companies	96,244	22	27	32	32
Deferred tax assets	5,889	5,275	3,859	2,691	2,045
Other non current assets	244	206	93	159	163
<b>CURRENT ASSETS</b>	<b>128,337</b>	<b>73,108</b>	<b>71,375</b>	<b>56,461</b>	<b>53,025</b>
Inventories	35,659	17,898	16,665	14,917	14,285
Trade receivables	56,143	38,804	36,036	29,751	26,305
Cash and cash equivalents	18,547	11,855	11,933	6,452	7,369
<b>TOTAL ASSETS</b>	<b>571,221</b>	<b>336,989</b>	<b>334,104</b>	<b>270,615</b>	<b>237,886</b>
<b>EQUITY</b>	<b>217,525</b>	<b>200,629</b>	<b>171,375</b>	<b>145,206</b>	<b>126,760</b>
<b>NON-CURRENT LIABILITIES</b>	<b>169,242</b>	<b>39,506</b>	<b>43,984</b>	<b>34,041</b>	<b>41,312</b>
Interest-bearing loans and borrowings	97,000	325	7,925	-	6,632
Deferred tax liabilities	44,607	34,905	32,687	30,323	29,187
Other non-current liabilities	22,815	57	5	5	9
<b>CURRENT LIABILITIES</b>	<b>184,454</b>	<b>96,854</b>	<b>118,745</b>	<b>91,368</b>	<b>69,814</b>
Interest-bearing loans and borrowings	99,086	41,144	62,337	41,675	19,474
Trade payables	42,498	33,309	34,249	30,886	29,430
Employee benefit expenses and social security	18,336	12,357	12,525	10,792	10,690
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>571,221</b>	<b>336,989</b>	<b>334,104</b>	<b>270,615</b>	<b>237,886</b>

## Consolidated income statement

IN THOUSANDS OF EUR	2015	2014	2013	2012	2011
<b>TURNOVER</b>	<b>411,576</b>	<b>347,890</b>	<b>332,319</b>	<b>288,455</b>	<b>275,598</b>
<b>RECURRENT OPERATING RESULT (REBIT)</b>	<b>64,764</b>	<b>49,433</b>	<b>41,371</b>	<b>36,680</b>	<b>36,363</b>
Non-recurrent operating result	(1,748)	(261)	(3,655)	(1,953)	(2,695)
<b>OPERATING RESULT (EBIT)</b>	<b>63,016</b>	<b>49,172</b>	<b>37,716</b>	<b>34,727</b>	<b>33,668</b>
Financial result	(778)	16	(1,740)	(1,569)	(688)
<b>PROFIT FOR THE YEAR BEFORE TAXES</b>	<b>62,238</b>	<b>49,188</b>	<b>35,976</b>	<b>33,158</b>	<b>32,980</b>
Taxes	(16,623)	(12,415)	(8,057)	(7,408)	(9,165)
<b>RESULT AFTER TAXES</b>	<b>45,615</b>	<b>36,773</b>	<b>27,919</b>	<b>25,750</b>	<b>23,815</b>
<b>NET RESULT - attributable to:</b>	<b>45,615</b>	<b>36,773</b>	<b>27,919</b>	<b>25,750</b>	<b>23,815</b>
Non-controlling interests	202	(2)	(1)	13	13
Equity holders of Lotus Bakeries	45,413	36,775	27,920	25,737	23,802

# CORPORATE SOCIAL RESPONSIBILITY :



A close-up photograph of a hand reaching out to touch a stalk of wheat in a field. The wheat is green and appears to be in the early stages of ripening. The background is a soft-focus field of similar wheat stalks, creating a sense of depth and connection to nature. The overall tone is warm and natural, emphasizing the theme of care and respect for the land and its produce.

**Care for Today  
Respect for Tomorrow**

## KEY RESULTS 2015

The 'Care for Today - Respect for Tomorrow' sustainability programme reflects Lotus Bakeries' approach to Corporate Social Responsibility (CSR). In 2015, we began reporting on its rollout, in accordance with the Global Reporting Initiative (GRI), version GRI G4. It is our intention to share the progress with stakeholders in this way every year.



Well on the way to 100% RSPO-segregated and fully traceable palm oil



Wheat for Lotus original caramelized biscuits is 2/3 locally grown



Strategic move into the natural snacking segment through the acquisition of Natural Balance Foods and Urban Fresh Foods



Completely CO<sub>2</sub>-neutral production, since 1 January 2015



Launch of Peijnenburg Zero% with no added sugar: the first gingerbread with 0% added sugar and 100% taste

-6%

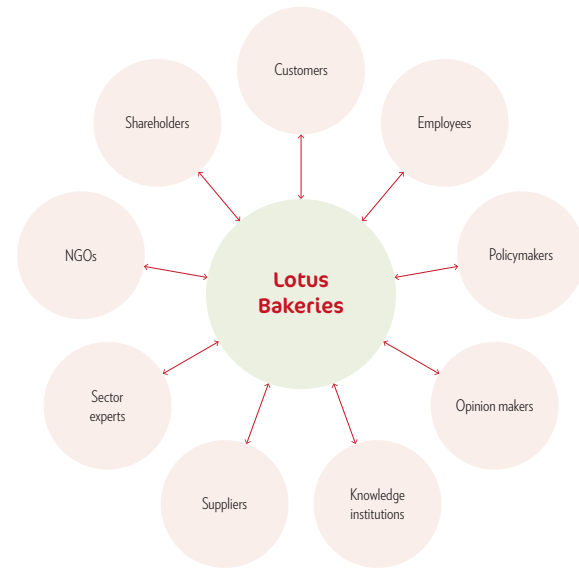
In 2015 further reduction in energy consumption of 6% per kg produced



# 1. SUSTAINABILITY, THE BEST INGREDIENT OF ALL

I work for a company that really wants to move forward. And Lotus Bakeries is managing to do that, with exceptional passion and drive to go for it together. I'd go so far as to call it a Lotus family.

Valerie Demeyere  
Dispatch Coordinator Lembeke (Belgium)



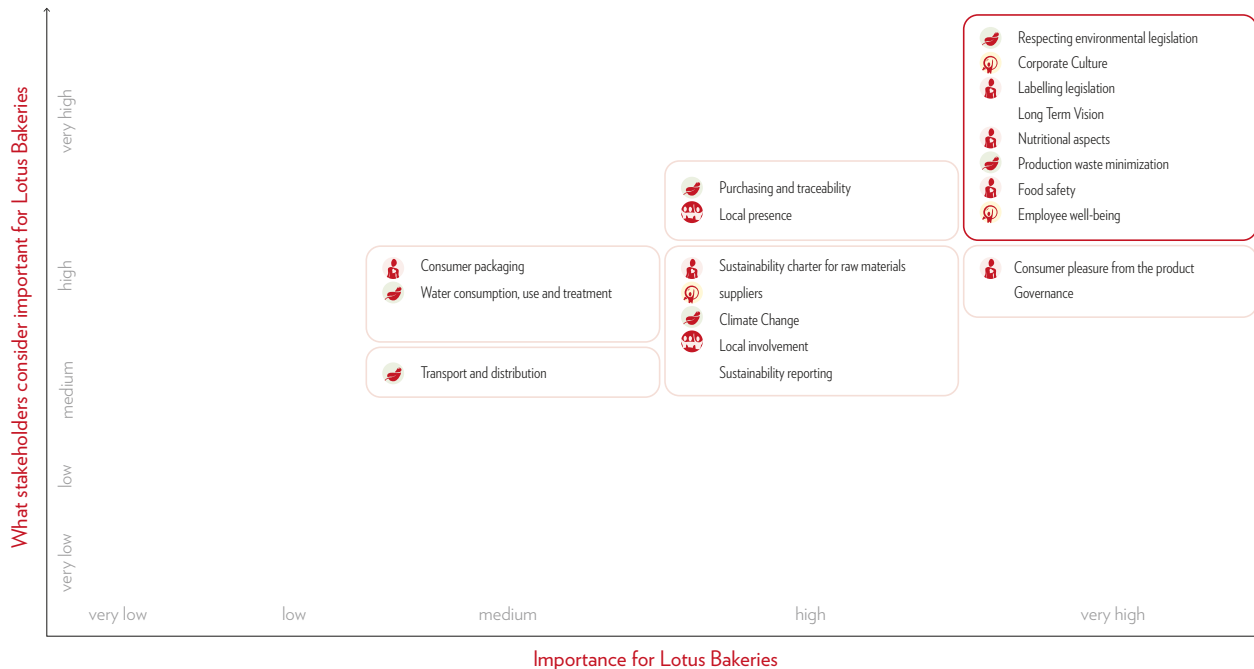
## Taking the pulse of our stakeholders

Our objective is to produce Lotus Bakeries products more and more sustainably. And this ambition involves much more than just our production process. People, environment and society - we treat them all with care and respect. So that we remain successful as a company - in the long term. And consumers can continue to enjoy our products.

To ensure that the outside world was sufficiently represented in our Corporate Social Responsibility policy (CSR), we carried out a materiality analysis at the end of 2014. For this, we identified several issues that are important to our stakeholders as well as the company.

Based on a questionnaire, we gauged the relevance of these issues and how important they are to our stakeholders. The questions were also put to our Executive Committee. The questionnaire is based on the GRI G4 guidelines and the themes of our sustainability programme 'Care for Today – Respect for Tomorrow'. We also took our inspiration from the latest trend analyses in CSR.

We plotted our stakeholders' answers on the y-axis theme by theme and the Executive Committee's answers on the x-axis. The result of this exercise is known as the 'materiality matrix'. According to the analysis, the upper right frame contains the most important issues from the four pillars of our sustainability programme 'Care for Today – Respect for Tomorrow': employees, people, environment, society.



## Putting what we have learnt into practice

The survey revealed that our stakeholders' top priorities are the quality of our products and hygiene in our plants. Two issues that are already firmly embedded in our policy.

Quality is the top priority for all of our Lotus Bakeries products. In their daily striving for high quality products and processes, our employees put this into practice. Our R&D department aims to refine the composition of our products further with new insights into a variety of ingredients. In addition to their own expertise, they also rely on the know-how of well-known university knowledge centres and existing innovation platforms in the food industry. Organized consultation takes place to apply best practices in this area in the other plants as soon as possible.

Hygiene rules are equally strict in all our plants, wherever they are in the world.

The survey also told us that consumers need an offer for different consumption moments: breakfast, snacking at work and on the go. At Lotus Bakeries, we are constantly looking for new opportunities to supply these moments. Accordingly, in 2015, we expanded our offer with natural products by the acquisition of British companies Natural Balance Foods and Urban Fresh Foods on the one hand, and product innovations, including Peijnenburg Zero% with no added sugar on the other.

### Our 4 pillars of sustainability



#### Employees

Our motivated and committed employees enable us to make a difference. For this reason, every employee deserves our respect.



#### People

Our ambition? To ensure in the most responsible way that consumers can enjoy products produced by us in a sustainable manner. We shun no challenge in reaching that goal.



#### Environment

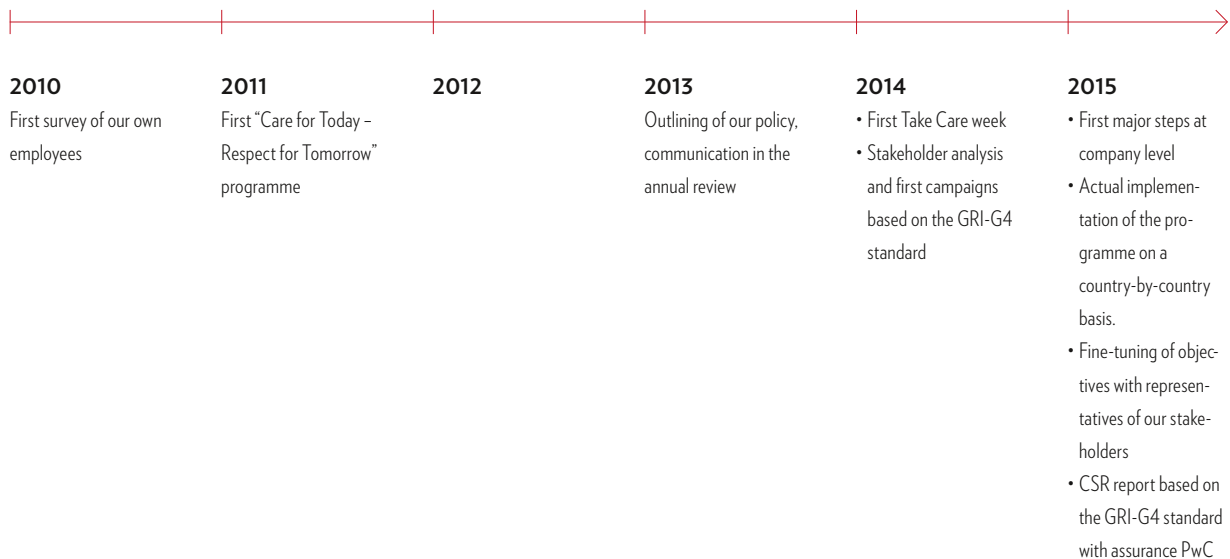
Nature provides us with all the ingredients for our products. And we like to give nature something back in return.



#### Society

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

### Timeline





## Our corporate values are TOP

We give our corporate values the acronym TOP: Team spirit, Open dialogue and Passion.

- **Team spirit** means all employees working well together: each link in the process is equally important, from marketing to production and packaging. We work together every day to make Lotus Bakeries a success, in a safe and pleasant working environment.
- Transparency and **open dialogue** are essential to ensure that everyone is involved. We inform our employees of important decisions as a matter of course, through regular departmental meetings and internal communication platforms. We also encourage our managers to enter into a dialogue with their teams.
- Our employees' **passion** and commitment are evident on a daily basis in the workplace. This manifests itself in our employees' justified pride in our products. Investing in our employees benefits the whole company.

## 2. OUR EMPLOYEES' WELL-BEING



As an employer, Lotus Bakeries places great importance on involvement. We want to offer our employees challenging work in a pleasant environment. Our employees' well-being and an inspirational corporate culture form the key objectives of our first pillar of sustainability.

**At Lotus we're respected and really well looked after. Some people have been working here for more than 30 years - that says it all.**

Els Rutsaert  
Corporate QA Manager

The various aspects of our employees' well-being are central to this first pillar. For instance, we help them adopt the correct posture while working. We encourage them to take part in sport and promote a healthy lifestyle, for example by offering fruit alongside our own products in all of our plants. And in the event of stress-related complaints, we consider how we can deal with work pressure better.

### Safety first

But first and foremost, our employees' well-being is about working safely on our production floors. 'Safety first' is always top of the agenda at work meetings. But 36 occupational accidents still happened in 2015. And that's 36 too many. An accident can happen any time, and a moment's carelessness can have serious consequences. So, our employees and managers discuss safety situations on a daily basis and we are committed to bring about improvements across the board. We can only create a safe working environment together by staying focussed. We are pulling out all the stops to recover from the low standards and downward trend of the last few years.

#### Number of work accidents

2011	44
2012	44
2013	21
2014	18
<b>2015</b>	<b>36</b>

Since 2014 incl. Eeklo



### Moving forward together

People who are fit have more energy for their work and enjoy it more. As an employer, we want to promote this fitness. To help all of our employees with this individually, every one of them was given the opportunity to take part in a health check in 2015. We assessed factors including their ability to work, any health risks and their lifestyle.

Where possible, we try to promote sport and exercise. In our newsletters, we invite employees to take part in sports events. Last year, for instance, a Lotus team took part in the Vasaloppet, an epic cross-country skiing race in Sweden.

Fehim Hodzic, operator in the packing department at Geldrop (Netherlands), illustrates this with another recent example: "Since last year, there's been a boot camp in the car park at work. Come rain or shine, we work out for an hour together every Thursday after work. Everyone joins in: office workers as well as production staff. You might suddenly find yourself boxing with the manager, for instance, a bit strange but good for team spirit. We're all getting to know each other in a totally different way."

## VIEWS OF OUR EMPLOYEES

### Honest and open

"What strikes you about Lotus is the openness and equality between employees. At all levels, I sense a great passion here to create something together. There are no barriers between the various levels and communication is honest and open, in both directions." -

**Stéphane Wattez**  
Production Manager France

### Involvement

"In 2014 I spent a few months working in the International Distributors area, standing in for a colleague who was on maternity leave. The team leaders took me under their wing from the start. During my first week, the general manager of our business unit in the United States visited Belgium and I was invited to attend the meeting. From day one, I felt like a member of the team and was kept in the loop." -

**Valerie Demeyere**  
Dispatch Coordinator (Belgium)

### Values and care

"Lotus takes lots of care of its employees. We feel that respect every day." -

**Els Rutsaert**  
Corporate QA Manager

### Plenty of opportunities for development

“It always feels good to arrive here and experience the friendly atmosphere. You can talk about anything, including problems, with a colleague or a manager. We’re shown a lot of trust by the HR department and the management, and given scope to develop.”-

**Christophe Moens**

**Team Leader Packing, Lembeke (Belgium)**

### Sport is good for you

“During Take Care Week, Lotus Bakeries tries to get all employees moving. And we’re encouraged to take part in sports events during the rest of the year too. Clear proof that the company is fully committed to our health.”-

**Evelyn Louis**

**Corporate R&D Data Manager**



### Helping to set the standard

In 2015, Lotus Bakeries Netherlands took part in a pilot project around occupational health and safety (Arbo in Dutch). The aim was to design a standard in that area. The Dutch Association for the Baking and Confectionary Industry (VBZ) has developed the “Arbovignet” or occupational health and safety logo, a quality label combining risk management, implementation of the occupational health and safety structure and focus on behavioural and cultural change. At the time of the pilot, not a single company in the sector had this label.

The pilot at Enkhuizen (Netherlands) was a success and is now considered as a model project by the Ministry of Social Affairs and Employment. Taking part was also of great benefit to Lotus Bakeries. As well as achieving the label, we have also managed to roll out these high quality standards across our whole organization. The aim is to apply the lessons we learnt from this pilot across all of our plants internationally. In this way, we are developing at group level towards a higher standard that we have set ourselves.



### **Jenny's story**

Jenny is a 50-year-old single mum with 2 sons. When the clothing factory in which she worked closed down, she lost her job. In 2005 she was given a job on BEAR's production site, where she took advantage of all the training opportunities she was offered. In 2008, Hayley and Andrew, the founders of Urban Fresh Foods, came to the production site with their idea for Yoyos (fruit rolls).

Jenny was promoted to Senior Supervisor and put in charge of the entire Yoyos team. Instead of 2 or 3 employees, she suddenly found herself leading a 100 strong team. She is really proud of BEAR and grateful for the opportunities she was given there to develop.



### 3. RESPONSIBLE, HEALTHY EATING



Ensuring that people enjoy our products as responsibly as possible, now and in the future. That's what our second pillar of sustainability is about and we dedicate ourselves to this on a daily basis. Ensuring the quality, origin, composition and safety of our products is vital.

**For me, CSR is synonymous with doing business in a healthy way: with a strong vision and for the long term. In the 20 years that I've worked for Lotus Bakeries, that's always been the culture.**

Fehim Hodzic  
Operator Packing Department Geldrop (Netherlands)

At Lotus Bakeries, we want consumers to keep enjoying our products, now and in the future. But awareness of the importance of healthy eating is also growing. So we are reducing the sugar and salt content and putting less saturated fats in our products, without impacting on taste or quality. We also take care to ensure that the majority of our ingredients come from natural sources and, apart from a few products, contain no artificial colourings or flavourings.

#### Raising the bar

This constant striving for high quality products and processes is audited both externally and internally and all of our employees are closely involved in this.

Offering both large and small packs means that consumers can deliberately opt to consume fewer calories. We concentrate heavily on natural flavours. The quality of our products remains an absolute priority.

#### Full steam ahead for R&D

Lotus Bakeries invests heavily in R&D: more than twice as much as the average European food company. We are constantly looking to reduce the salt, sugar and fat content of our products, without impacting on taste or quality. We managed to banish trans fatty acids completely as early as 2011.

	100 g	1 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 10,6 g	7,7 g 3,4 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 %

### A step ahead of the law

At the end of 2014, the new European FIC(3) food labelling legislation came into force. The aim is to provide consumers with better information, particularly about allergens and the composition of fats. At Lotus Bakeries, we were already compliant with this legislation before it came into force. In Europe – on a totally voluntary basis – we show the detailed Reference Intake values on our packaging. Each pack shows the number of calories per portion, together with the daily reference intake as a percentage. Since 2015, we have also shown the use of sustainable palm oil and barn eggs on our packaging.



“In our efforts to source sustainable ingredients for our products, local producers are key. We want them to work in good conditions (and to ensure them in turn). We also try to incorporate all links of our supply chain in our sustainability policy and to keep the whole chain short. It’s about staying as close as possible to the source.”

### Certified palm oil is a fact

**“We were one of the first food companies to demand sustainable palm oil from our suppliers.”**

Since 2014, all of our internally sourced palm oil is 100% RSPO segregated. Considering that we also use external margarine and additives containing palm oil, as of the end of 2015, we achieved 98.5% RSPO segregation for all palm oil used by us. Our goal remains to reach 100% and maximum traceability back to the plantation by the end of 2016.

### Progressive approach to other ingredients

“As of January 2012, all of our eggs come from barn hens. All chocolate processed in the Netherlands is UTZ certified.”





### First sugar-free gingerbread

Besides adapting our existing products, we also focus on expanding our portfolio of products. In 2015, we launched Peijnenburg Zero%, the first gingerbread with no added sugar. The gingerbread is sweetened with Xylitol, a natural sweetener extracted from birch trees among other sources. The result is a gingerbread with a deliciously smooth taste, with 23% fewer calories and 6 times more fibre than its classic equivalent. Four years' research preceded the launch. And it was a roaring success: Dutch consumers crowned the new gingerbread Product of the Year and the Dutch consumers' association voted Peijnenburg Zero% with no added sugar healthiest snack.



### Exploring a new segment

Consumers are more conscious than ever of the impact of eating habits on their well-being. And demand for natural alternatives to classic snacks is growing all around the world. In response to this demand, Lotus Bakeries made the strategic decision to invest in this segment. In 2015 we acquired a majority stake in Natural Balance Foods (with the Nākd and Trek brands), and Urban Fresh Foods (with the BEAR and Urban Fruit brands) also joined the Lotus Bakeries family. The Nākd and Trek brands offer bars and snacks made of cashew nuts and dates, unprocessed and with 100% natural ingredients. BEAR and Urban Fruit are pure fruit snacks. Urban Fresh Foods selects high-quality seasonal fruit, which is gently baked locally by the growers. This ensures that the full flavour and healthy characteristics of freshly ripened fruit are preserved.



## 4. CARE FOR THE ENVIRONMENT



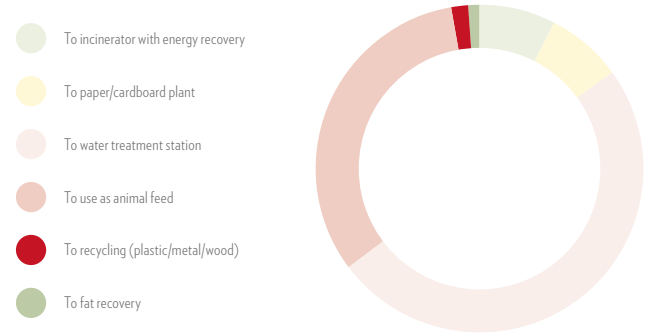
It's not just about installing the best plant at the lowest possible cost, we also take into account machine safety, energy consumption and the materials used. In short, people, planet and profit.

Michel Boelen  
Plant Manager Sintjohannesga (Netherlands)

Lotus Bakeries relies on natural products. So, treating nature responsibly is crucial to our long-term survival. Therefore, as part of our third pillar of sustainability, we continuously monitor and improve the impact of our plants on the environment: waste, energy consumption and CO<sub>2</sub> emissions.

When it comes to respect for the environment, Lotus Bakeries leaves nothing to chance. From purchasing to production and packaging: right down the line, care for the environment is high on our list of priorities. Naturally, we scrupulously comply with all environmental regulations, but as a company we are in the midst of society.

External waste flux

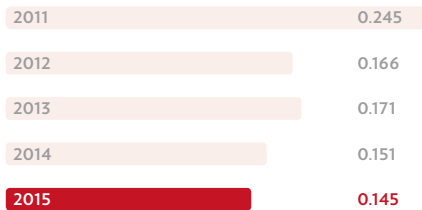


### Reducing and preventing waste

By systematically optimizing the production process, we keep our production waste as low as possible. Anything left over from production is processed into animal feed, but we also intend to reduce waste flows further. More efficient use of ingredients also creates less waste.

### Evolution emissions CO<sub>2</sub> per kg produced

(scope 1, 2)



Since 2014 incl. Eeklo

### Saving energy

The 2015 climate summit in Paris highlighted once again that climate change is caused by human actions. At Lotus Bakeries, we want to do our bit by reducing our energy consumption and CO<sub>2</sub> emissions. The aim is to consume 2% less energy per kilogramme produced every year. We monitor energy consumption closely and managed to achieve our goal once again in 2015. Last year, we reduced our energy and gas consumption by 6% per kilogramme produced.

As Plant Manager in Sintjohannesga (Netherlands), Michel Boelen goes out in all weathers on a daily basis, reducing Lotus Bakeries' ecological footprint:

**“As a company, it is our duty to ensure that this environment remains a pleasant place in which to live”**

“What does CSR mean in our plant? Taking care of one another and of the local community in which we operate: a rural area with lots of farms. As a company, it is our duty to ensure that this environment remains a pleasant place in which to live.”

#### All pulling together

“Together with my team, I look at how we can create a safe and pleasant workplace. And how we can do this in the most environmentally friendly way possible. The idea is for us all to pull together. So we set up multidisciplinary teams for large or completely new projects. We ask everyone to think about workability, but about energy consumption and safety too.”

#### Energy scan pays off

“Last year we carried out an energy scan of the plant. A diverse set of parameters was defined: process-related measures, compressed air, power, water supply, the building envelope, etc. The scan revealed that we could profitably implement a series of measures already. Thus we installed light sensors everywhere, so that the light only comes on when someone enters the room. And unlike in the past, we no longer leave our steam generator running all weekend. The result of these quick wins? A 18% reduction per kg produced in electricity consumption.”

#### Every bit helps

“We've been optimizing our production process over a number of years. This means that improvements often happen step by step.

But perhaps the greatest result of these successes is that a collective commitment has arisen to reduce our footprint. That makes me happy.”



## CO<sub>2</sub>-neutral production

By carrying out several activities at the same time, we managed to reduce our CO<sub>2</sub> emissions per kilogramme produced by more than 7% in 2015. In this way, we can systematically reduce energy consumption, and the associated CO<sub>2</sub> emissions. Our new ovens mean less downtime and a sharp fall in gas consumption. Our electricity is green. Gas is offset via a WWF gold standard programme. Taken together, all of these efforts mean that Lotus Bakeries' production has been CO<sub>2</sub>-neutral since January 2015.

## Traceable right back to the origin

Our 'Care for Today – Respect for Tomorrow' sustainability programme is thriving, even beyond our company. When we sit down at the table with a supplier, sustainability is always on the agenda. They also admit that Lotus Bakeries plays a leading role in their own CSR policy. It is our constant aim to make the supply chain and the industry as a whole more sustainable.

Traceability is another important element of our supply chain policy. After all, once we know the origin of a product or ingredient, we can begin managing it. That's why, as far as possible, we seek out local ingredients and/or growing and harvesting conditions that we can help to determine. For instance, most of the grain for our Liège waffles actually comes from Liège, and two thirds of the grain for our original caramelized biscuits comes from Zeeland (close to Lembeke).

Using local ingredients offers many advantages as far as sustainability is concerned, including less transport and greater control over cultivation, land use and working conditions.





## 5. ENGAGING WITH LOCAL COMMUNITIES



Based on the conviction that all businesses eventually rely on help, Lotus Bakeries has supported ‘Entrepreneurs for Entrepreneurs’ for over 15 years. As a not-for-profit organisation, we put companies in touch with projects in developing countries that promote entrepreneurship.

Ronny Inslegers  
Volunteer for Entrepreneurs for Entrepreneurs

At Lotus Bakeries we are conscious of our social responsibility. Under our fourth and final pillar of sustainability, we enthusiastically take this up. Primarily at local level, where we are present through our plants and sales organizations. But we also support social and development projects nationally and internationally.

Lotus Bakeries is in the midst of society. So respecting our immediate environment is not just our responsibility, but also means that we can do our work better and with more enjoyment. Therefore, each of our plants supports initiatives that contribute to positive involvement with the local community. The closer these activities relate to our core business, the greater our impact.

### Healthy eating begins in the school canteen

We don’t just highlight the importance of a healthy lifestyle within our own business, but also in the communities in which we operate. Therefore, we are pleased to support sports activities and municipal initiatives on a regular basis.

At our plant in Geldrop (Netherlands), we are working on this with Jongeren op Gezond Gewicht (JOGG), an organization that promotes a healthy weight among young people. Their mission? To create a context within which children and young people can live, learn and enjoy themselves and in which a healthy lifestyle is the most normal thing in the world. Together with JOGG, we offer a range of healthy products in school refectories. Eventually, we want to do the same in sports club canteens and workplaces.

### Helping to fight cancer

Our sponsorship activities are also aimed at people with limited mobility, due to illness or a physical impairment. In 2015, we raised funds for the fight against childhood cancer, among other causes. As part of the ‘Naar de top met Kika’ (‘To the top with Kika’) campaign in the Netherlands, a group of our employees climbed a Swiss mountain. We also supported the Kom Op Tegen Kankerfonds (Fight against cancer charity) in Belgium last year.

## Pioneer of Entrepreneurs for Entrepreneurs

Fifteen years ago, Lotus Bakeries was one of the pioneers supporting Entrepreneurs for Entrepreneurs, a non-profit organization that puts companies in touch with projects promoting entrepreneurship in developing countries. The organization is still going strong today and every year we support several projects that are close to our heart.

For instance, for 11 years we supported the 'Boat to Kinshasa' project financially. This project in the Democratic Republic of Congo combined investment in road and water infrastructure with training of farmers and partner organizations and reached a total of over 5,500 families in and around the Mai Ndombe lakes district. Since 2014, Lotus Bakeries has supported projects in Tanzania and Bolivia. In Tanzania, the ngo Trias trains farmers to become entrepreneurs.

## Flying start for Tanzanian farmers

As part of Entrepreneurs for Entrepreneurs, together with ngo Trias, we help young people from Tanzania start their own business. So they can take their future in their own hands. Agriculture is the largest employer in the East African country, but due to limited access to land and means of production, this sector has less and less to offer young people. In conjunction with two nationally recognized membership organizations, Trias provides training and finance for over 2,000 young farmers. The focus is mainly on product improvement and increasing production, along with the commercial side of the business. We want to train them up to become enthusiastic entrepreneurs.

## Bolivian quinoa biscuit factory going strong

The ngo Louvain Coopération has set up a programme in Bolivia for quinoa growing and processing. Through Entrepreneurs for Entrepreneurs, we give Louvain Coopération's Bolivian quinoa project a boost. The ngo promotes the growing of quinoa and its processing into biscuits. The superfood quinoa became very popular in Europe a few years ago, resulting in a sharp rise in crop prices. Bolivia is the largest producer of quinoa in the world, but the local population can no longer afford to consume this local grain on a regular basis. Nevertheless, its high nutritional value could save many children from malnutrition.

### Involvement in the workplace too

"I think it's great that Lotus Bakeries manages to bring these projects to life in the workplace too. During Take Care Week we baked our own quinoa biscuits to highlight Louvain Coopération's project in Bolivia."

Evelyn Louis  
Corporate R&D Data Manager

Louvain Coopération appealed for help from local organizations to call a halt to this negative trend. The aim is to help a total of 430 quinoa farmers improve their crops. These farmers' quinoa fields are at high altitude, where cultivating the naturally infertile soil is challenging. The ngo has also set up several small businesses to process the nutritious grain into biscuits and cereal bars. The snacks are then offered in school canteens so that quinoa reaches the local population once more.



When Entrepreneurs for Entrepreneurs was born 15 years ago, the founders thought that Lotus Bakeries would be eager to support their mission to help entrepreneurs in developing countries. And they were right, as their philosophy is a perfect fit for our family values. Fifteen years on, Lotus Bakeries is still actively involved as a key member of this not-for-profit organization. Matthieu Boone is a member of the Board of Directors.

“At Lotus Bakeries they deliberately choose to offer long-term support for projects in countries at the bottom of the UN development index. They also think it’s great that the product fits in with their core business. Such as the quinoa factory in Bolivia, for instance. The small scale and entrepreneurship are also decisive factors.”

Ronny Inslegers  
Volunteer for Entrepreneurs for Entrepreneurs

## TAKE CARE WEEK

An enthusiastic working group (members from the Belgium area and corporate departments), organized for the second time 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 2015, the emphasis on Monday was on our products, on Tuesday on employees, on Wednesday on society and on Thursday on the environment.

The 'environment' day was a highlight of the week with the awarding of the official CO<sub>2</sub> neutral label. Lotus Bakeries is the first company to receive this certificate from Vinçotte.



Lotus Bakeries also joined in with the national 'Mobility week' campaign, in which around 200 employees took part by cycling or car pooling.





Although the weather looked a bit doubtful, people donned their walking boots for a hike in the countryside around Lembeke.



Other plants held evacuation exercises for all staff. Fire-fighting training also took place at Oostakker.



Lotus Bakeries sponsors the Jean-Luc Dehaene Scholarship at the College of Europe in Bruges.



Photo © College of Europe

Photo © College of Europe



## INDEPENDENT LIMITED ASSURANCE REPORT ON CARE FOR TODAY – RESPECT FOR TOMORROW SECTION OF THE ANNUAL REPORT 2015 OF LOTUS BAKERIES AND ITS SUBSIDIARIES

This report has been prepared in accordance with the terms of our engagement contract dated 23 February 2016, 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 2015 in the accompanying Annual Report 2015 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:

*PwC Bedrijfsrevisoren cuba, burgerlijke vennootschap met handelsvorm - PwC Réviseurs d’Entreprises scrl, société civile à forme commerciale - Financial Assurance Services  
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- 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 2015 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 2015 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.

Sint-Stevens-Woluwe, 12 April 2016

PwC Bedrijfsrevisoren bevbva  
Represented by

Marc Daelman\*  
Registered auditor

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

Peter Opsomer\*  
Registered auditor

\*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 2015	*	**	***
G4-1	Statement from the CEO about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	p. 5-7; p. 80-82	●		
G4-2	Description of key impacts, risks, and opportunities	p. 47-49; p. 66-67; p. 80-82	●		✓
ORGANIZATIONAL PROFILE		WHERE IN AR 2015	*	**	***
G4-3	Name of the organization	frontpage	●		✓
G4-4	Primary brands, products, and services	p. 19-24; p. 27-33; p. 38-39	●		✓
G4-5	Location of the organization's headquarters	p. 8; p.36; p. 110	●		✓
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations	p. 35; p. 38-39	●		✓
G4-7	Nature of ownership and legal form	p. 55	●		✓
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	p. 27-33; p. 38-39	●		✓
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. 37-39; p. 41; p. 74-77	●		✓
G4-10	Workforce	p. 41; 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. 39	●	(note 3)	✓
G4-13	Changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	p. 8-9; p. 27-33; p. 44-45	●		✓
G4-14	Precautionary approach or principle= approach taken to address potential environmental impacts	p. 64-68	●		
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives	p. 78-109	●		
G4-16	Memberships of associations	p. 57	●		
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		WHERE IN AR 2015	*	**	***
G4-17	All entities included in the organization's consolidated financial statements	p. 38-39; 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. 80-82	●		✓
G4-19	Material Aspects identified in the process for defining report content	p. 80-82	●		✓
G4-20	Aspect Boundary within the organization	p. 80-82	●		
G4-21	Aspect Boundary outside the organization	p. 80-82	●		
G4-22	Restatements of information provided in previous reports	p. 5-7; p. 11; p. 44-50; p. 52	●		
G4-23	Changes from previous reporting periods in the Scope and Aspect Boundaries	p. 80-82	●		✓



GRI - G4 REPORTING		IN ACCORDANCE - OPTIE 'CORE'			
<b>STAKEHOLDER ENGAGEMENT</b>		<b>WHERE IN AR 2015</b>	<b>*</b>	<b>**</b>	<b>***</b>
G4-24	List of stakeholder groups engaged by the organization	p. 81			✓
G4-25	Basis for identification and selection of stakeholders with whom to engage	p. 80-82			✓
G4-26	Approach to stakeholder engagement	p. 80-82			✓
G4-27	Key topics and concerns that have been raised through stakeholder engagement	p. 80-82			✓
<b>REPORT PROFILE</b>		<b>WHERE IN AR 2015</b>	<b>*</b>	<b>**</b>	<b>***</b>
G4-28	Reporting period	year 2015			✓
G4-29	Date of most recent previous report	year 2014, 08/04/2015			✓
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. 102-103; p. 104-109			✓
G4-33	Policy and current practice with regard to seeking external assurance for the report	p. 102-103			✓
<b>GOVERNANCE</b>		<b>WHERE IN AR 2015</b>	<b>*</b>	<b>**</b>	<b>***</b>
G4-34	Governance structure	p. 53-54			✓
G4-35	Delegating authority for economic, environmental and social topics to senior executives and other employees	p. 59-60			✓
G4-36	Executive-level position	p. 61			✓
G4-38	Composition of the highest governance body and its committees	p. 56-59			✓
G4-39	Chair of the highest governance body is also an executive officer	p. 56-59			✓
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. 59-60			✓
G4-51	Remuneration policies for the highest governance body and senior executives	p. 61-65			✓
G4-52	Process for determining remuneration	p. 61-62			✓
<b>ETHICS AND INTEGRITY</b>		<b>WHERE IN AR 2015</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. 15-16; p.85-88			✓

**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. 102-103)

MATERIAL ASPECTS		DMA AND INDICATORS					
CATEGORY	ECONOMIC		where in AR	*	comment	***	
Long Term Vision		DMA (°/°°) (° : very high/°° : very high)	p. 80-82			✓	
		G4-EC1 Coverage of the organization's results, financial performance, taxes paid, dividends paid, investments, salaries	p. 44-68	●		✓	
Sourcing and traceability		DMA (°/°°) (° : high/°° : very high)	p. 80-82			✓	
		FP1 Percentage of purchasing volume from suppliers compliant with the companies sourcing policy		○	we will start up analysis in 2016		
		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 2016		
CATEGORY	ENVIRONMENTAL		where in AR	*	comment	***	
Climate Change		DMA (°/°°) (° : high/°° : high)	p. 80-82			✓	
	Materials				Fost+, Eco-Emballages, Dutch convenant, ...		
	Energy						
		G4-EN3 Energy consumption within the organization	p. 80; p.93-95	●	is expressed in total as our ambition to decrease YoY	✓	
		G4-EN6 Reduction of energy consumption	p. 94	●	is expressed in total as our ambition to decrease YoY	✓	
	Emissions						
		G4-EN15 Direct greenhouse gas (ghg) emissions (scope 1)	p. 94	●	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. 94	●	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. 80; p. 94	●	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. 94	●	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. 93	●	water discharge is limited, all waste water is treated		
		G4-EN23 Total weight of waste by type and disposal method	p. 93	●	figures are presented relatively	✓	
Environmental compliance		DMA (°/°°) (° : very high/°° : very high)	p. 80-82			✓	
		G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	0 euro	●		✓	

MATERIAL ASPECTS		DMA AND INDICATORS					
CATEGORY	SOCIAL			where in AR	*	comment	***
SUB-CATEGORY: LABOR PRACTICES							
Employee well being		DMA (°/°°)	(° : very high/°° : very high)	p. 80-82			✓
	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.85		100% on labor accidents (2), no fatalities and no breakdown given the limited numbers	✓
Company culture		DMA (°/°°)	(° : very high/°° : very high)	p. 80-82			✓
	Training & Education			p. 84; p. 86-87		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)	✓
SUB-CATEGORY: HUMAN RIGHTS							
Sustainability charter suppliers raw materials		DMA (°/°°)	(° : high/°° : high)	p. 80-82			✓
	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. 90; p. 95		100% for operations, for the 'others' we will start up analysis in 2016	
	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. 90; p. 95		we will start up analysis in 2016	
	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. 90; p. 95		we will start up analysis in 2016	

MATERIAL ASPECTS		DMA AND INDICATORS					
CATEGORY	SOCIAL		where in AR	*	comment	***	
SUB-CATEGORY: SOCIETY							
Community engagement		DMA (°/°°) (° : high/°° : high)	p. 80-82			✓	
	Local Communities						
		G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	p. 97-98		100% on community engagement nearby our plants, for the "others" we will start up analysis	✓
	Anti-corruption						
		G4-SO4	Communication and training on anti-corruption policies and procedures	p. 66-67		100 % as included in the general directives	
	Public Policy						
		G4-SO6	Total value of political contributions by country and recipient/beneficiary	0 euro			✓
	Compliance						
		G4-SO8	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	p. 90		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. 80-82			✓	
	Customer Health and Safety						
		G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	p. 50; p. 89-90			
		FP5	External Quality-certification (HACCP, BRC, IFS, ACG)	p. 90			✓
Nutritional aspects		DMA (°/°°) (° : very high/°° : very high)	p. 80-82			✓	
	Customer Health and Safety						
		FP6	Percentage of total sales volume of consumer products, by category, lowered in fat, trans fat, sodium, added sugars	p. 9; p.23-24; p. 31-33; p. 49; p. 91			
		FP7	Percentage of total sales volume of consumer products, by category, containing increased nutritious ingredients (fiber, vitamins, minerals, phytochemicals or functional food additives)	p. 9; p.23-24; p. 31-33; p. 49; p. 91			

MATERIAL ASPECTS		DMA AND INDICATORS				
CATEGORY	SOCIAL		where in AR	*	comment	***
SUB-CATEGORY: PRODUCT RESPONSIBILITY						
Labelling regulation		DMA (°/°°) (° : very high/°° : very high)	p. 80-82			✓
	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. 90	●		
Product's pleasure		DMA (°/°°) (° : very high/°° : high)	p. 80-82			✓
	Compliance					
		G4-PR5 Results of surveys measuring consumers satisfaction	p. 50; p. 82 p. 89	●		
		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 (°°)

**references**

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

\*\*\* external validation

✓ external assurance by PwC (p. 102-103)

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Register of legal persons of Ghent,  
Enterprise number 0401.030.860

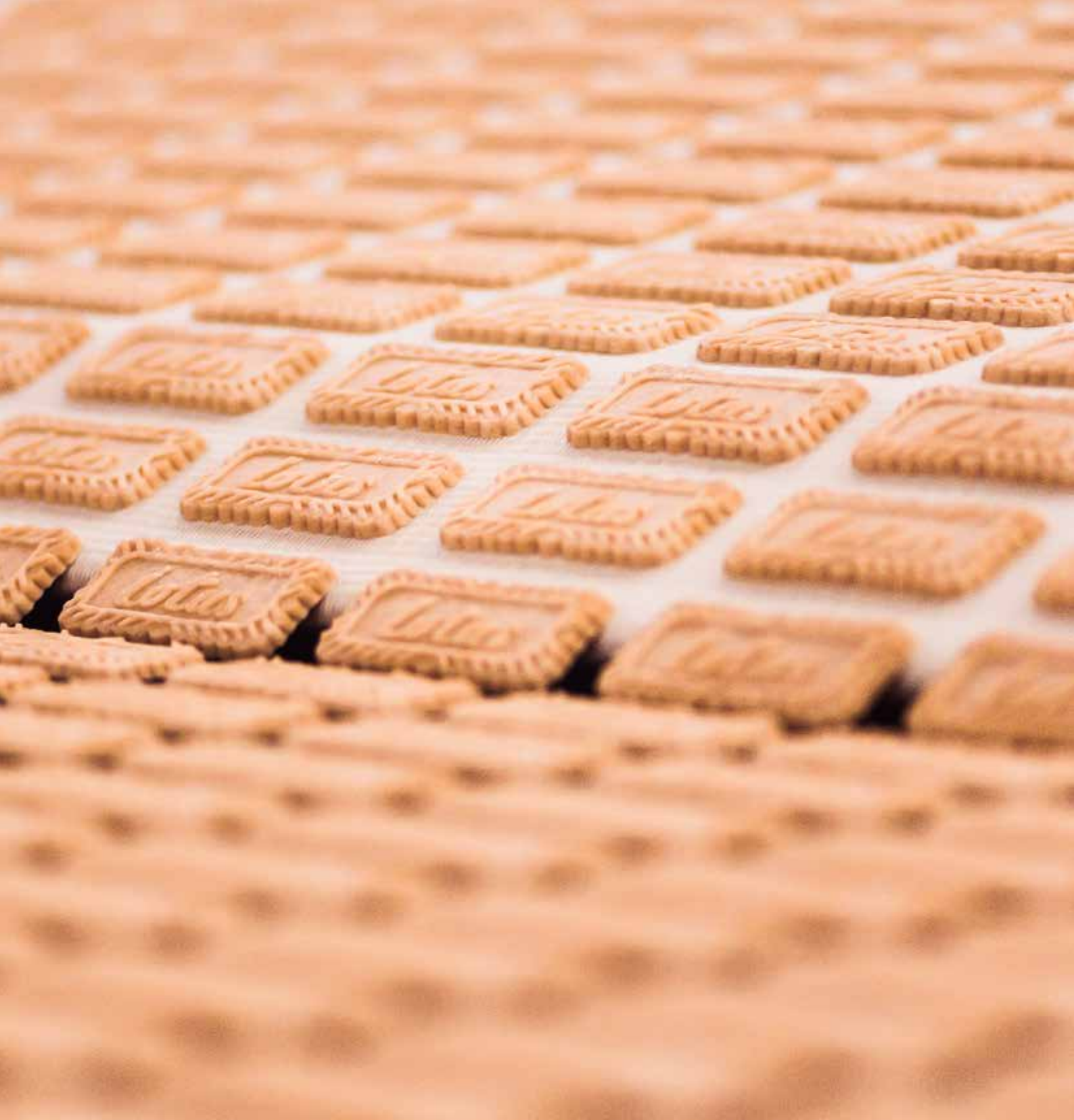
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FSC MIX





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BEING  
GREAT  
IN LITTLE  
THINGS.



The consolidated financial statements for 2015 shown below have been prepared in accordance with IFRS as adopted for application within the European Union with comparative IFRS figures for 2014.

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 2015 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	31-12-2015	31-12-2014
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	139,377	137,569
Goodwill	6	93,229	46,135
Intangible assets	7	107,901	74,674
Investment in other companies	4	96,244	22
Deferred tax assets	8	5,889	5,275
Other non current assets	9	244	206
<b>CURRENT ASSETS</b>			
Inventories	10	35,659	17,898
Trade receivables	11	56,143	38,804
VAT receivables	11	4,868	3,333
Income tax receivables	11	938	421
Other amounts receivable	11	10,504	112
Cash and cash equivalents	12, 13	18,547	11,855
Deferred charges and accrued income		1,678	685
<b>TOTAL ASSETS</b>		<b>571,221</b>	<b>336,989</b>

IN THOUSANDS OF EUR	NOTES	31-12-2015	31-12-2014
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share Capital	14	15,367	13,190
Retained earnings		219,109	196,147
Treasury shares	16, 24	(13,677)	(9,419)
Other reserves	18	(3,249)	656
Non-controlling interests		(25)	55
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	17	97,000	325
Deferred tax liabilities	8	44,607	34,905
Net employee defined benefit liabilities	18	3,225	3,558
Provisions	19	726	661
Derivative financial instruments	20	869	-
Other non-current liabilities	21	22,815	57
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	17	99,086	41,144
Net employee defined benefit liabilities	18	32	56
Provisions	19	521	56
Trade payables	22	42,498	33,309
Employee benefit expenses and social security	22	18,336	12,357
VAT payables	22	1,017	126
Tax payables	22	10,861	7,097
Derivative financial instruments	20	7	10
Other current liabilities	22	9,070	147
Accrued charges and deferred income	22	3,026	2,552
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>571,221</b>	<b>336,989</b>

## Consolidated income statement

IN THOUSANDS OF EUR	NOTES	2015	2014
<b>Turnover</b>		<b>411,576</b>	<b>347,890</b>
Raw materials, consumables and goods for resale		(121,803)	(104,430)
Services and other goods		(117,959)	(96,483)
Employee benefit expense	23	(88,527)	(78,888)
Depreciation and amortization on intangible and tangible assets	25	(14,919)	(14,845)
Impairment on inventories, contracts in progress and trade debtors	10, 11	(2,086)	(1,819)
Other operating charges	26	(3,566)	(4,034)
Other operating income	26	2,048	2,042
<b>RECURRENT OPERATING RESULT (REBIT) <sup>(1)</sup></b>		<b>64,764</b>	<b>49,433</b>
Non-recurrent operating result	27	(1,748)	(261)
<b>OPERATING RESULT (EBIT) <sup>(2)</sup></b>		<b>63,016</b>	<b>49,172</b>
Financial result	28	(778)	16
<b>PROFIT FOR THE YEAR BEFORE TAXES</b>		<b>62,238</b>	<b>49,188</b>
Taxes	8, 29	(16,623)	(12,415)
<b>RESULT AFTER TAXES</b>		<b>45,615</b>	<b>36,773</b>
<b>NET RESULT - attributable to:</b>		<b>45,615</b>	<b>36,773</b>
Non-controlling interests		202	(2)
Equity holders of Lotus Bakeries		45,413	36,775

IN THOUSANDS OF EUR	NOTES	2015	2014
<b>OTHER COMPREHENSIVE INCOME:</b>			
<b>Items that may be subsequently reclassified to profit and loss</b>		<b>(5,125)</b>	<b>(1,194)</b>
Currency translation differences		(4,551)	(1,194)
Gain/(Loss) on cash flow hedges, net of tax		(574)	-
<b>Items that will not be reclassified to profit and loss</b>		<b>494</b>	<b>(564)</b>
Remeasurement gains/(losses) on defined benefit plans	18	494	(564)
<b>Other comprehensive income</b>		<b>(4,631)</b>	<b>(1,758)</b>
<b>Total comprehensive income - attributable to:</b>		<b>40,984</b>	<b>35,015</b>
Non-controlling interests		(524)	(2)
Equity holders of Lotus Bakeries		41,508	35,017
<b>EARNINGS PER SHARE</b>	30		
Weighted average number of shares		788,341	778,944
<b>Basic earnings per share (EUR) - attributable to:</b>			
Non-controlling interests		0.26	-
Equity holders of Lotus Bakeries		57.61	47.21
Weighted average number of shares after effect of dilution		803,247	796,420
<b>Diluted earnings per share (EUR) - attributable to:</b>			
Non-controlling interests		0.25	-
Equity holders of Lotus Bakeries		56.54	46.18
Total number of shares <sup>(3)</sup>		811,863	803,013
<b>Earnings per share (EUR) - attributable to:</b>			
Non-controlling interests		0.25	-
Equity holders of Lotus Bakeries		55.94	45.80

(1) REBIT is defined as the recurrent trading 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 statement of changes in equity

IN THOUSANDS OF EUR	ISSUED CAPITAL	SHARE PREMIUM	SHARE CAPITAL	RETAINED EARNINGS
<b>EQUITY as on 1 January 2014</b>	<b>3,499</b>	<b>7,747</b>	<b>11,246</b>	<b>167,099</b>
Net result of the Financial Year	-	-	-	36,775
Currency translation differences	-	-	-	-
Remeasurement gains/(losses) on defined benefit plans	-	-	-	-
Taxes on items taken directly to or transferred from equity	-	-	-	-
Net income/(expense) for the period recognised directly in equity	-	-	-	-
<b>Total comprehensive income/(expense) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,775</b>
Dividend to shareholders	-	-	-	(8,587)
Increase in capital	35	1,909	1,944	-
Acquisition/sale own shares	-	-	-	-
Employee share-based compensation expense	-	-	-	361
Other	-	-	-	499
<b>EQUITY as on 31 December 2014</b>	<b>3,534</b>	<b>9,656</b>	<b>13,190</b>	<b>196,147</b>
Net result of the Financial Year	-	-	-	45,413
Currency translation differences	-	-	-	-
Remeasurement gains/(losses) on defined benefit plans	-	-	-	-
Cash flow hedge reserves	-	-	-	-
Taxes on items taken directly to or transferred from equity	-	-	-	-
Net income/(expense) for the period recognised directly in equity	-	-	-	-
<b>Total comprehensive income/(expense) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,413</b>
Dividend to shareholders	-	-	-	(10,293)
Increase in capital	39	2,138	2,177	-
Acquisition/sale own shares	-	-	-	-
Employee share-based compensation expense	-	-	-	479
Non-controlling interests resulting from business combinations	-	-	-	-
Impact written put options on Non-controlling interests	-	-	-	(12,892)
Other	-	-	-	255
<b>EQUITY as on 31 December 2015</b>	<b>3,573</b>	<b>11,794</b>	<b>15,367</b>	<b>219,109</b>

TREASURY SHARES	TRANSLATION DIFFERENCES	REMEASUREMENT GAINS/(LOSSES) ON DEFINED BENEFIT PLANS	CASH FLOW HEDGE RESERVES	OTHER RESERVES	EQUITY - PART OF THE GROUP	NON-CONTROLLING INTERESTS	TOTAL EQUITY
<b>(9,442)</b>	<b>2,005</b>	<b>409</b>	-	<b>2,414</b>	<b>171,317</b>	<b>58</b>	<b>171,375</b>
-	-	-	-	-	36,775	(2)	36,773
-	(1,194)	-	-	(1,194)	(1,194)	-	(1,194)
-	-	(635)	-	(635)	(635)	-	(635)
-	-	71	-	71	71	-	71
-	(1,194)	(564)	-	(1,758)	(1,758)	-	(1,758)
-	<b>(1,194)</b>	<b>(564)</b>	-	<b>(1,758)</b>	<b>35,017</b>	<b>(2)</b>	<b>35,015</b>
-	-	-	-	-	(8,587)	-	(8,587)
-	-	-	-	-	1,944	-	1,944
23	-	-	-	-	23	-	23
-	-	-	-	-	361	-	361
-	-	-	-	-	499	(1)	498
<b>(9,419)</b>	<b>811</b>	<b>(155)</b>	-	<b>656</b>	<b>200,574</b>	<b>55</b>	<b>200,629</b>
-	-	-	-	-	45,413	202	45,615
-	(3,825)	-	-	(3,825)	(3,825)	(726)	(4,551)
-	-	515	-	515	515	-	515
-	-	-	(869)	(869)	(869)	-	(869)
-	-	(21)	295	274	274	-	274
-	(3,825)	494	(574)	(3,905)	(3,905)	(726)	(4,631)
-	<b>(3,825)</b>	<b>494</b>	<b>(574)</b>	<b>(3,905)</b>	<b>41,508</b>	<b>(524)</b>	<b>40,984</b>
-	-	-	-	-	(10,293)	-	(10,293)
-	-	-	-	-	2,177	-	2,177
(4,258)	-	-	-	-	(4,258)	-	(4,258)
-	-	-	-	-	479	-	479
-	-	-	-	-	-	10,362	10,362
-	-	-	-	-	(12,892)	(9,919)	(22,811)
-	-	-	-	-	255	1	256
<b>(13,677)</b>	<b>(3,014)</b>	<b>339</b>	<b>(574)</b>	<b>(3,249)</b>	<b>217,550</b>	<b>(25)</b>	<b>217,525</b>

## Consolidated cash flow statement

IN THOUSANDS OF EUR	2015	2014
<b>Operating activities</b>		
Net result (Group)	45,413	36,775
Depreciation and amortization on intangible and tangible assets	15,382	15,308
Net valuation allowances current assets	2,029	1,819
Provisions	881	(940)
Capital loss on disposal of fixed assets	162	371
Financial result	778	(16)
Taxes	16,623	12,415
Employee share-based compensation expense	479	361
Non-controlling interests	202	(2)
<b>Gross cash provided by operating activities</b>	<b>81,949</b>	<b>66,091</b>
Decrease/(Increase) in inventories	(4,793)	(2,669)
Decrease/(Increase) in trade accounts receivable	(6,635)	(2,598)
Decrease/(Increase) in other assets	(8,439)	1,155
Increase/(Decrease) in trade accounts payable	(3,823)	91
Increase/(Decrease) in other liabilities	3,607	(1,580)
<b>Change in operating working capital</b>	<b>(20,083)</b>	<b>(5,601)</b>
Income tax paid	(12,680)	(7,731)
Interest paid	(643)	(779)
Other financial income and charges received/(paid)	(734)	664
<b>Net cash provided by operating activities</b>	<b>47,809</b>	<b>52,644</b>

IN THOUSANDS OF EUR	2015	2014
<b>Investing activities</b>		
(In)tangible assets - acquisitions	(14,357)	(17,779)
(In)tangible assets - other changes	1,063	116
Acquisition of subsidiaries	(65,313)	-
Financial assets - other changes	(97,269)	5
<b>Net cash used in investing activities</b>	<b>(175,876)</b>	<b>(17,658)</b>
<b>Net cash flow before financing activities</b>	<b>(128,067)</b>	<b>34,986</b>
<b>Financing activities</b>		
Dividends paid	(9,876)	(8,465)
Treasury shares	(4,251)	313
Proceeds of capital increase	2,177	1,944
Proceeds / (Reimbursement) of long-term borrowings	89,052	(15,100)
Proceeds / (Reimbursement) of short-term borrowings	56,481	(13,693)
Proceeds / (Reimbursement) of long-term receivables	876	(128)
<b>Cash flow from financing activities</b>	<b>134,459</b>	<b>(35,129)</b>
<b>Net change in cash and cash equivalents</b>	<b>6,392</b>	<b>(143)</b>
Cash and cash equivalents on January 1	11,855	11,933
Effect of exchange rate fluctuations	300	65
Cash and cash equivalents on December 31	18,547	11,855
<b>Net change in cash and cash equivalents</b>	<b>6,392</b>	<b>(143)</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Consolidated companies

### 1.1 List of consolidated companies

	ADDRESS	VAT OR NATIONAL NUMBER	31-12-2015	31-12-2014
<b>A. Full consolidation</b>			%	%
Cremers-Ribert NV	Gentstraat 52, B-9971 Lembeke	VAT BE 0427.808.008	100.0	100.0
Interwaffles SA	Rue de Liège 39, B-6180 Courcelles	VAT BE 0439.312.406	100.0	100.0
Lotus Bakeries NV	Gentstraat 1, B-9971 Lembeke	VAT BE 0401.030.860	100.0	100.0
Lotus Bakeries Corporate NV	Gentstraat 1, B-9971 Lembeke	VAT BE 0881.664.870	100.0	100.0
Lotus Bakeries België NV	Gentstraat 52, B-9971 Lembeke	VAT BE 0421.694.038	100.0	100.0
Biscuiterie Willems BVBA	Nieuwendorpe 33 Bus C, B-9900 Eeklo	VAT BE 0401.006.413	100.0	100.0
B.W.I. BVBA	Ambachtenstraat 5, B-9900 Eeklo	VAT BE 0898.518.522	100.0	100.0
Lotus Bakeries Schweiz AG	Baarerstrasse 135, 6301 Zug	VAT CH 482 828	100.0	100.0
Lotus Bakeries CZ s.r.o.	Praag 3, Slezská 844/96, CZ-130 00 Praag	VAT CZ 271 447 55	100.0	100.0
Lotus Bakeries GmbH	Schumanstrasse 33, D-52146 Würselen	VAT DE 811 842 770	100.0	100.0
Biscuiterie Le Glazik SAS	Zone Industrielle 2, F-29510 Briec-de-l'Odet	VAT FR 95 377 380 985	100.0	100.0
Biscuiterie Vander SAS	Place du Château BP 70091, F-59560 Comines	VAT FR 28 472 500 941	100.0	100.0
Lotus Bakeries France SAS	Place du Château BP 50125, F-59560 Comines	VAT FR 93 320 509 755	100.0	100.0
Lotus Bakeries UK Ltd.	3000 Manchester Business Park, Aviator Way, Manchester, M22 5TG UK	VAT GB 606 739 232	100.0	100.0
Natural Balance Foods Ltd.	Unit 10 Wornal Park, Menmarsh Road, Worminghall, Buckinghamshire HP18 9PH UK	VAT GB 841 254 348	67.2	-
Lotus Bakeries Réassurances SA	74, Rue de Merl, L-2146 Luxembourg	R.C.S. Luxembourg B53262	100.0	100.0
Koninklijke Peijnenburg BV	Nieuwendijk 45, 5664 HB Geldrop	VAT NL 003897187B01	100.0	100.0
Peijnenburg's Koekfabrieken BV	Nieuwendijk 45, 5664 HB Geldrop	VAT NL 001351576B01	100.0	100.0
WK Koek Beheer BV	Streek 71, 8464 NE Sintjohannesga	VAT NL 006634199B01	100.0	100.0
WK Koek Bakkerij BV	Streek 71, 8464 NE Sintjohannesga	VAT NL 006634151B01	100.0	100.0
Enkhuizer Koekfabriek BV	Oosterdijk 3e, NL-1601 DA Enkhuizen	VAT NL 82301112B01	100.0	100.0
Lotus Bakeries Nederland BV	Nieuwendijk 45, 5664 HB Geldrop	VAT NL 004458953B01	100.0	100.0
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	100.0	100.0
Lotus Bakeries North America Inc.	50 Francisco Street, Suite 115, San Francisco, CA, 94133 USA	IRS 94-3124525	100.0	100.0
Natural Balance Foods USA Inc.	406 Bryant Circle, Unit G, Ojai, CA, 93023 USA	C3598146	67.2	-
Lotus Bakeries Ibérica	C/ Severo Ochoa, 3, 2a Planta Oficina 8A, 28232 Las Rozas (Madrid), Spain	VAT ES B80405137	95.0	95.0
Annas - Lotus Bakeries Holding AB	Radiovägen 23, SE 135 48 Tyresö, Sweden	Registration nr. 556757-7241	100.0	100.0
Annas Pepparkakor Holding AB	Radiovägen 23, SE 135 48 Tyresö, Sweden	Registration nr. 556675-9030	100.0	100.0
AB Annas Pepparkakor	Radiovägen 23, SE 135 48 Tyresö, Sweden	VAT SE 556149914501	100.0	100.0

	ADDRESS	VAT OR NATIONAL NUMBER	31-12-2015	31-12-2014
<b>A. Full consolidation</b>			%	%
Pepparkakshuset i Tyresö AB	Radiovägen 23, SE 135 48 Tyresö, Sweden	VAT SE 556736094501	100.0	100.0
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	100.0	100.0
Lotus Bakeries Poland Sp z.o.o.	ul.Fordonska 199/304, 85-739 Bydgoszcz, Poland	VAT PL 5542918754	-	100.0
Lotus Bakeries Chile SpA	La Capellania 1121 casa 2, CL 7690000 Lo Barnechea, Santiago	VAT (RUT) 76.215.081-6	100.0	100.0
Lotus Bakeries China Ltd	Unit 520, Front Hall of Shanghai Exhibition Centre, 1000 Yan An Middle Road, 200040 Shanghai, P.R. China	Registration nr. 310000400722746 (Jingan)	100.0	100.0
Lotus Korea Co. Ltd.	371 Janghang-ro, Ilsandong-gu, Goyang city, Gyeonggi-do, South Korea	Registration nr. 128-81-19621	100.0	-
<b>B. Foreign branches</b>				
Lotus Bakeries Asia Pacific Limited Shanghai	Units 401-404 Level 5 - 159 MadangRoad, 200021 Shanghai, China		-	100.0
<b>C. Investments in other companies</b>				
Urban Fresh Foods Ltd. (*)	Saddlers Suite, The Courtyard, 55c, Charterhouse Street, London, EC1M 6HA UK	VAT GB 883 0600 32	100.0	-

(\*) In December 2015, Lotus Bakeries has announced the acquisition of Urban Fresh Foods Ltd. This entity will be consolidated as from 1 January 2016.

## 1.2 Changes in the group structure in 2015

The following changes to the group structure took place in 2015:

### Lotus Korea Co. Ltd.

In March 2015, Lotus Bakeries Asia Pacific Ltd. acquired 100% of the shares of Lotus Korea Co. Ltd.

### Natural Balance Foods Ltd. and Natural Balance Foods USA Inc.

In August 2015, Lotus Bakeries UK Ltd. acquired 67.2% of the shares of Natural Balance Foods Ltd., which owns 100% of Natural Balance Foods USA Inc.

### Urban Fresh Foods Ltd.

In December 2015, Lotus Bakeries UK Ltd. acquired 100% of the shares of Urban Fresh Foods Ltd. This entity will be consolidated as from 1 January 2016.

### Lotus Bakeries Poland Sp z.o.o.

In December 2015, Lotus Bakeries Poland Sp z.o.o. was liquidated.

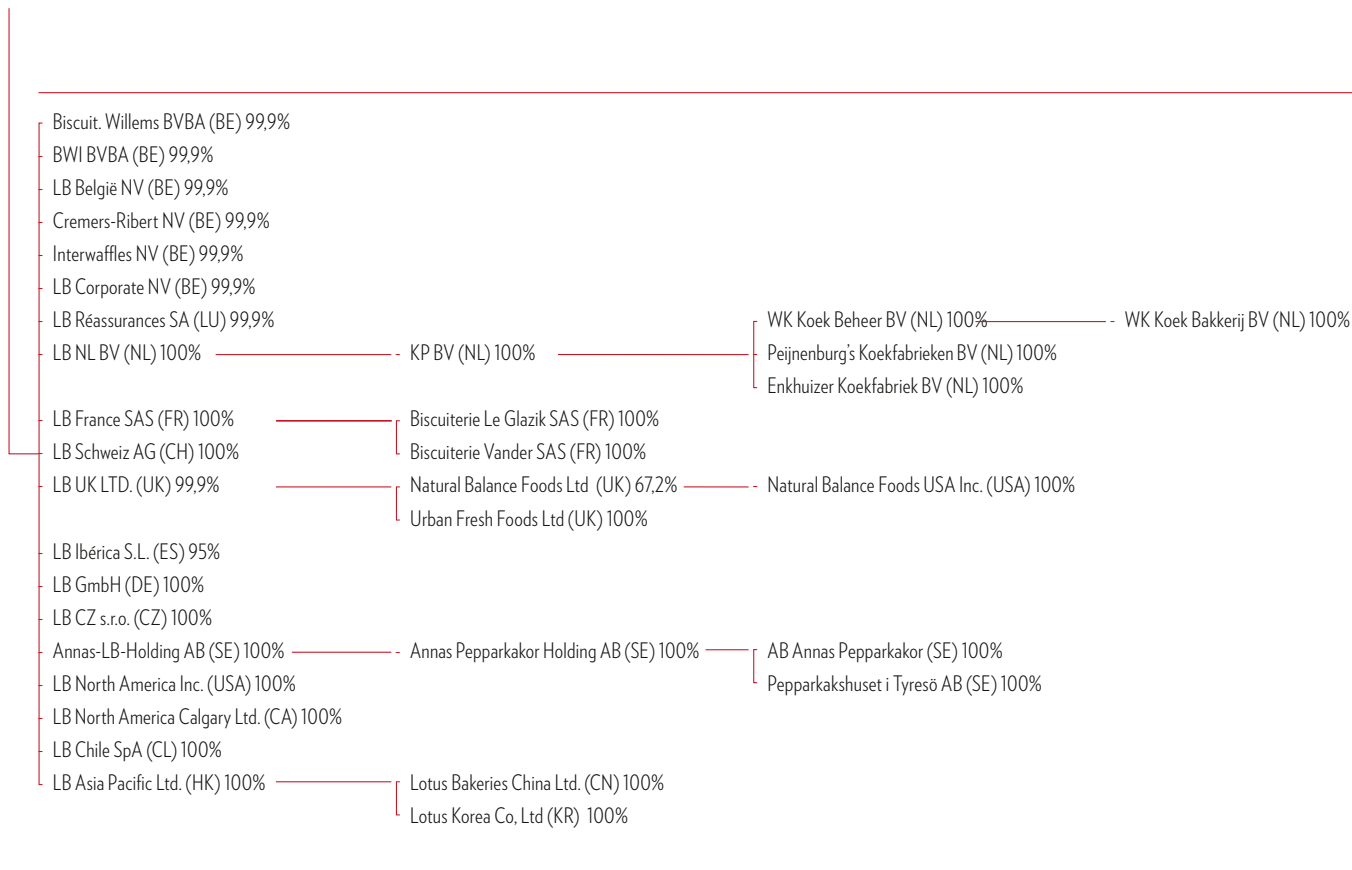
### Lotus Bakeries Asia Pacific Limited Shanghai

In January 2015, Lotus Bakeries Asia Pacific Limited Shanghai was liquidated.

Further information about the acquisitions can be found in note 4.

## 1.3 Legal Structure of the Lotus Bakeries Group at 31 December 2015

## LOTUS BAKERIES NV\*



(\*) Deviations in percentages with note 1.1 are due to insignificant minority interests held by group entities other than Lotus Bakeries NV. For reasons of simplicity, they are not included in the above legal organization chart.

## 2. Accounting principles

### 2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union. Lotus Bakeries has used IFRS as its only accounting standards since 1 January 2005.

### 2.2 Basis of presentation

The consolidated financial statements are presented in thousands of euros and present the financial situation as of 31 December 2015.

The accounting principles were applied consistently.

The consolidated financial statements are presented on the basis of the historical cost price method, with the exception of the measurement at fair value of 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 11 February 2016 for publication.

### Recent IFRS pronouncements

#### Endorsement status of the new standards as at 31 December 2015

The following interpretation and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2015:

- 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. IFRIC 21 addresses what the obligating event is and when a liability should be recognised.
- 'Annual improvements (2011-2013 cycle)' are effective for annual periods beginning on or after 1 January 2015. The amendments clarify IFRS 1 (where a new version of a standard is not yet mandatory but is available for early adoption, a first-time adopter can use either the old or the new version under IFRS 1), the scope of IFRS 3 (the standard does not apply to the accounting for the formation of any joint arrangement under IFRS 11), portfolio exception in IFRS 13 and the interrelationship of IFRS 3 'Business Combinations' and IAS 40 'Investment Property'.

The following 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 2015:

- Amendment to IAS 19 'Employee benefits', 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.

- 'Annual improvements (2010-2012 cycle)' with minor amendments, 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 (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'.
- 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.

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 2015 and have not been endorsed by the European Union:

- 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.
- 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 2018, subject to EU endorsement.
- 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.

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

### 2.3 Consolidation principles

The consolidated financial statements comprise 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 entities that the Group controls. The Group has control over an investee when it is exposed to, or has the right to, variable returns arising from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are included in the consolidation scope as from the date that the Group obtains control until the date such control ceases.

Acquisition of subsidiaries is accounted for according to the acquisition method. The financial statements of the subsidiaries have the same financial year as the Group and are prepared in accordance with the accounting principles of the Group.

#### Foreign branches

A foreign branch is not a separate legal entity, but an integral part of the Group, which implies that all transactions, assets, debts, income, costs etc. are recognised in the financial statements of the Group. The financial statements of the foreign branch are presented in the currency of the country itself.

The financial statements of branches are included in the consolidation scope from the date the Group acquires control until the date the Group ceases control.

The financial statements of branches have the same financial year as the Group and are prepared in accordance with the accounting principles of 'Subsidiaries' (see above), taken into account that the 'translation differences' are recognised in other comprehensive income.

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

#### Liabilities related to put options granted to non-controlling interests

The Group granted put options to third parties with non-controlling interests in a subsidiary, with these options given the holders the right to sell part or all of their investment in the subsidiary. These financial liabilities do not bear interest. In accordance with IAS 32, when non-controlling interests hold put options enabling them to sell their investment in the Group, a financial liability is recognized in an amount corresponding to the present value of the estimated exercise price. This financial liability is included in the

other non-current liabilities. The counterpart of this liability is a write down of the value of the non-controlling interest underlying the option. The difference between the value of the non-controlling interest and the fair value of the liability is allocated to the retained earnings (Group share).

This item is adjusted at the end of each reporting period to reflect changes in the estimated exercise price of the option and the carrying amount of non-controlling interests. If the option matures without exercising, then the liability is written off against non-controlling interests and retained earnings (Group share).

## 2.4 Use of estimates

In order to prepare the financial statements in accordance with IFRS, management has to make judgements, estimates and assumptions which have an impact on the financial statements and notes.

Estimates made on the reporting date reflect existing conditions on that date (for example: market prices, interest rates and foreign exchange rates). Though these estimates are made by management based on maximum knowledge of ongoing business and of the actions that the Group may undertake, the actual results may be different.

The assumptions made for measuring goodwill, intangible fixed assets, post-employment benefits and financial derivatives are included in notes 6, 7, 18 and 22.

## 2.5 Foreign currencies

The Group's reporting currency is the euro.

### Transactions in foreign currencies

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 reporting 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 reporting 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 reporting period are recognised as translation differences under equity. Translation differences remain 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 actual changes in carrying amount 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 financial statements:

	CLOSING RATE		AVERAGE RATE	
	2015	2014	2015	2014
EUR/CAD	1.5116	1.4063	1.4251	1.4632
EUR/CHF	1.0835	1.2024	1.0646	1.2127
EUR/CLP	773.9070	736.3660	726.6616	755.8936
EUR/CNY	7.0608	7.5358	6.9471	8.1582
EUR/CZK	27.0230	27.7350	27.2695	27.5479
EUR/GBP	0.7339	0.7789	0.7242	0.8033
EUR/KRW	1280.7800	1344.0100	1252.6100	1393.6800
EUR/PLN	4.2639	4.2732	4.1841	4.1939
EUR/SEK	9.1895	9.3930	9.3371	9.1209
EUR/USD	1.0887	1.2141	1.1046	1.3217

## 2.6 Intangible assets

Intangible assets which are acquired separately are measured initially at cost. After initial recognition, intangible assets are measured at cost less cumulative amortization and impairment. The residual value of intangible assets is assumed to be zero.

Intangible assets acquired upon acquisition of a subsidiary or as a result of the acquisition of a customer portfolio, are recognised separately in the balance sheet at their estimated fair value at acquisition date.

Costs for internally generated goodwill are recognised as costs in the income statement when they occur.

**Amortization**

Intangible assets with a finite life are amortized on a straight-line basis over the estimated useful life and reviewed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization begins when the intangible asset is ready for its intended use.

Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually or whenever there is a valid reason to do so. The indefinite life is re-assessed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made prospectively.

The investments in software and licences are amortized over a period of three to five years. The brands acquired in acquisitions or the value of the customer portfolio's obtained through acquisition are amortized on a straight-line basis over a maximum period of ten years, except when the brand can be regarded as having an indefinite life.

**Goodwill**

Goodwill arising from a business combination is initially measured at cost (i.e. the positive difference between the cost of the business combination and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities). After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate

that the carrying amount may have been impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date onwards, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

**2.7 Property, Plant and Equipment**

Property, Plant and Equipment is valued at cost less cumulative depreciation and impairment. Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of self-produced assets includes direct material costs, direct labour costs and a proportional part of the production overhead.

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

The depreciation methods, residual value, as well as the useful lives of the Property, Plant and Equipment is reassessed and adjusted if appropriate, annually.

**Subsequent expenditure**

Costs of maintenance and repair of Property, Plant and Equipment are capitalised if the cost can be measured reliably and the expenditure will result in a future economic benefit.

All other costs are recognised as operating charges when they occur.

**Depreciation**

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Depreciation of an asset begins when 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

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

## 2.8 Leasing

### Financial leases

A financial lease is a lease that transfers substantially all risks and rewards incidental to ownership of an asset to the lessee. Fixed assets held under a financial lease are, at the beginning of the lease term, measured at present value of the future minimum lease payments during the lease term. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### Operating lease

Leases in which a significant portion of the risks and rewards of ownership remain with 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 recognised at fair value when it is probable that they will be received and that the Group will comply with the conditions attached to the grant. If the grant is related to a cost item, the grant is systematically recognised as income over the periods required to attribute these grants to the costs which they are intended to compensate. When the grant is related to an asset, it is presented in the balance sheet deducted from the asset. Grants are recognised in income net of the depreciation of the related asset.

## 2.10 Impairment of non current assets

For the Group's non current assets, other than deferred tax assets, the Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and the value in use. In assessing value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash flow generating unit.

When the carrying amount exceeds the recoverable

amount, an impairment loss is recognised as an operating charge in 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 previously recognised impairment for other assets is reversed where there has been a change in the assumptions used to determine the recoverable amount. 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) that would have been determined had no impairment loss been recognised in prior years.

An impairment loss recognised on goodwill is never reversed in a subsequent period.



### 2.11 Financial assets available for sale

Financial assets available for sale include shares in companies in which the Group does not exercise control nor significant influence.

Financial assets are initially measured at cost. The cost includes the fair value of the compensation provided and acquisition costs associated with the investment.

After the initial recognition, the financial assets are measured at fair value. Changes in fair value are directly recognised in a separate component of other comprehensive income. For listed companies, the share price is the best estimate of the fair value. Investments for which no fair value can be determined, are recognised at historical cost.

The Group assesses at each reporting date whether there is objective evidence that the asset is impaired. Objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

If the financial asset is sold or an impairment loss is recognised, the cumulative profits or losses recognised in equity are transferred to profit or loss.

An impairment loss on a financial asset available for sale is not reversed through the income statement, unless it includes 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 Inventories

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

Finished products are measured 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 exceeds the net realisable value, the stock is measured at the lower net realisable value.

The net realisable value is defined as the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

### 2.14 Trade receivables and other amounts receivable

Trade receivables and other amounts receivable are measured at their nominal value less impairment, if any.

Impairments are recognised in the operating results if it becomes probably that the Group will not be able to collect all outstanding amounts.

At each reporting date, the Group estimates the impairment by evaluating all outstanding amounts individually. An impairment is recognised in the results of 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 recognised in the income statement when the investment is realized or impaired.

For the cash flow statement, cash and cash equivalents include cash and bank balances. Possible negative cash is recognised as short-term interest-bearing loans and borrowings with credit institutions.

### 2.16 Non-current assets (or disposal

### groups) held for sale and discontinued operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A non-current asset (or a disposal group) is classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or a disposal group) classified as held for sale is recognised at the lower of the carrying amount and the fair value less cost to sell.

An impairment test is performed on these assets at the end of each reporting date.

## 2.17 Share capital and treasury

### shares

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

### 2.18 Interest-bearing financial debts

All interest-bearing financial debts are initially recognised at fair value less direct attributable transaction costs. After initial recognition, the interest-bearing financial debts will be recognised at the amortized cost price based on the effective interest rate method.

### 2.19 Provisions

Provisions are recognised in the balance sheet if the Group has obligations (legal or constructive) resulting from a past event and if it is probable that fulfilment of these commitments will incur expenses that can be estimated reliably on reporting date.

No provisions are recognised for future operating costs.

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

### Restructuring

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

## 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 recognised at cost. After initial recognition, these instruments are recognised at their fair value.

Changes in fair value of the Group's derivatives that do not meet the criteria of IAS 39 for hedge accounting, 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 recognized in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged position impacts the income statement.

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

## 2.21 Trade payables and other debts

Trade payables and other debts are recognised at their nominal value.

A financial obligation is derecognised once the obligation is fulfilled, settled or lapsed.

## 2.22 Dividends

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

## 2.23 Revenues

Revenues are included in the income statement when it is probable that the Group will receive economic benefits from the transaction and the revenues can be measured reliably.

### Sale of goods and delivery of services

Revenue is deemed to have been earned when the risks and rewards 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 probable that the Group will receive the economic benefits from the transaction and the revenues can be measured reliably.

## 2.24 Employee benefits

### Pension plans

The Group holds a number of defined-contribution plans. These pension plans are funded by members of personnel and the employer and are recognised in the income statement of the reporting period 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 classified as employment benefits of the defined benefit pension plans.

For the defined benefit pension plans, provisions are measured by calculating the present value of future amounts payable to the employees.

Defined benefit costs are divided into 2 categories:

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

The current and past service cost, the net interest expense, the remeasurement of other long term personnel expenses, administrative expenses and taxes for the reporting period are included in the personnel expenses in the statement of profit or loss. 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.

### Share-based payment

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 and 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 recognised for options and warrants granted to employees as part of the stock option plan or warrant plan. The cost is determined based on the fair value of the stock options and warrants on the grant date and, together with an equal increase in equity, is recognised over the vesting period, ending on the date when the employees receive full right to the options. When the options or warrants are exercised, equity is increased by the amount of the revenues.

### Bonuses

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

## 2.25 Income tax

Income taxes in the result of the reporting period include current and deferred taxes. Both taxes are recognised in the income statement except if they have been recognised directly in other comprehensive income. If so, these taxes are also directly recognised in other comprehensive income.

Current taxes include the amount of tax 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.

In line with IAS 12 § 46 'Income Taxes', management assesses on a periodic basis the positions taken in tax declarations in respect of items subject to interpretation in the tax legislation, and records – if necessary – additional income tax liabilities based on the expected amounts payable to the tax authorities. The evaluation is made for all fiscal periods still subject to controls by the authorities.

Deferred taxes are calculated using the balance sheet method and result mainly from temporary differences between the carrying amount of both assets and liabilities in the balance sheet and their respective taxable base. Deferred taxes are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date. Deferred taxes are recognised at their nominal value and are not discounted.

Deferred tax assets from deductible temporary differences and unused tax loss carry forwards are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reassessed at each reporting date and reduced when it is no longer probable that the related tax savings can be generated. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that future taxable profits allow the deferred tax asset to be recovered.

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

## 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.

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 (2015)

For the purpose of sales, production and internal reporting, the Group is classified 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
- UK: sales by Sales Office UK and Natural Balance Foods

- Other: sales from Belgium to countries without own Sales Offices (such as South Korea until April 2015, Japan, etc.) and by own Sales Offices in Germany/Austria, Switzerland, the Czech Republic/Slovakia, North America and Chile, Spain, China, South Korea (since April 2015), Sweden and Finland plus production in Sweden.

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

YEAR ENDED 31 DECEMBER 2015	CONTINUING OPERATIONS						
	BELGIUM	FRANCE	NETHERLANDS	U.K.	OTHER <sup>(1)</sup>	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
IN THOUSANDS OF EUR							
<b>TURNOVER</b>							
Sales to external customers	129,957	66,521	87,425	33,629	94,044	-	411,576
Inter-segment sales	82,231	12,801	1,695	-	2,253	(98,980)	-
<b>Total turnover</b>	<b>212,188</b>	<b>79,322</b>	<b>89,120</b>	<b>33,629</b>	<b>96,297</b>	<b>(98,980)</b>	<b>411,576</b>
<b>RESULTS</b>							
Segment result REBIT	27,863	1,613	16,524	4,581	8,791	5,392	64,764
Non-recurrent operating result	1,918	(498)	(463)	(2,134)	(457)	(114)	(1,748)
Segment result EBIT	29,781	1,115	16,061	2,447	8,334	5,278	63,016
Financial result							(778)
Profit for the year before taxes							62,238
Taxes							(16,623)
<b>Result after taxes</b>							<b>45,615</b>
<b>ASSETS AND LIABILITIES</b>							
Non-current assets	101,127	6,682	105,317	161,852	43,429	18,545	442,884
Segment assets	101,127	6,682	105,317	161,852	43,429	18,545	436,952
Unallocated assets:							5,932
Deferred tax assets							5,889
Financial receivables							43

YEAR ENDED 31 DECEMBER 2015	CONTINUING OPERATIONS						
	BELGIUM	FRANCE	NETHERLANDS	U.K.	OTHER <sup>(1)</sup>	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
IN THOUSANDS OF EUR							
Current assets	32,865	11,897	11,686	17,185	27,129	3,222	128,337
Segment assets	32,865	11,897	11,686	17,185	27,129	3,222	103,984
Unallocated assets:							24,353
VAT receivables							4,868
Income tax receivables							938
Cash and cash equivalents							18,547
<b>Total assets</b>							<b>571,221</b>
Non-current liabilities	1,651	722	537	-	523	1,387	169,242
Segment liabilities	1,651	722	537	-	523	1,387	4,820
Unallocated liabilities:							164,422
Deferred tax liabilities							44,607
Financial liabilities							97,000
Other non-current liabilities							22,815
Current liabilities	24,417	7,949	4,240	7,628	21,079	8,177	184,454
Segment liabilities	24,417	7,949	4,240	7,628	21,079	8,177	73,490
Unallocated liabilities:							110,964
VAT payables							1,017
Tax payables							10,861
Financial liabilities							99,086
<b>Total liabilities</b>							<b>353,696</b>
<b>OTHER SEGMENT INFORMATION</b>							
Capital expenditure:							
Tangible fixed assets	9,186	760	2,838	19	258	2,441	15,502
Intangible fixed assets	-	-	67	-	1	496	564
Depreciation	8,372	1,219	2,969	33	1,042	1,284	14,919
Decrease/(increase) in amounts written off stocks, contracts in progress and trade debtors	1,232	73	328	(4)	455	2	2,086

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

### Segment reporting by geographical region (2014)

For the purpose of sales, production and internal reporting, the Group is classified 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
- UK: sales by Sales Office UK and Natural Balance Foods

- 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, North America and Chile, Spain, China, Sweden and Finland plus production in Sweden.

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

YEAR ENDED 31 DECEMBER 2014	CONTINUING OPERATIONS							
IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	U.K.	OTHERS <sup>(1)</sup>	ELIMINATIONS + CORPORATE COMPANIES	TOTAL	
<b>TURNOVER</b>								
Sales to external customers	127,198	59,845	77,613	14,906	68,328	-	347,890	
Inter-segment sales	72,227	14,641	1,741	3	2,604	(91,216)	-	
<b>Total turnover</b>	<b>199,425</b>	<b>74,486</b>	<b>79,354</b>	<b>14,909</b>	<b>70,932</b>	<b>(91,216)</b>	<b>347,890</b>	
<b>RESULTS</b>								
Segment result REBIT	23,075	1,254	12,817	2,125	1,516	8,646	49,433	
Non-recurrent operating result	430	-	(678)	-	(13)	-	(261)	
Segment result EBIT	23,505	1,254	12,139	2,125	1,503	8,646	49,172	
Financial result							16	
Profit of the year before taxes							49,188	
Taxes							(12,415)	
<b>Result after taxes</b>							<b>36,773</b>	
<b>ASSETS AND LIABILITIES</b>								
Non-current assets	103,197	7,141	105,844	4	25,351	16,979	263,881	
Segment assets	103,197	7,141	105,844	4	25,351	16,979	258,516	
Unallocated assets:							5,365	
Deferred tax assets							5,275	
Financial receivables							90	



## YEAR ENDED 31 DECEMBER 2014

## CONTINUING OPERATIONS

IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	U.K.	OTHERS <sup>(1)</sup>	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
Current assets	22,464	11,202	6,942	3,194	10,550	3,139	73,108
Segment assets	22,464	11,202	6,942	3,194	10,550	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	965	9,526	6,798	96,854
Segment liabilities	18,534	7,660	5,004	965	9,526	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	10	196	4	1,819

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

## 4. Acquisitions and disposal of subsidiaries

In 2015 Lotus Bakeries invested in the acquisitions of Lotus Korea, Natural Balance Foods and Urban Fresh Foods.

### Lotus Korea

In March 2015, Lotus Bakeries acquired 100% of the shares of Lotus Korea Co, Ltd ('Lotus Korea'), a leading distributor of biscuits and chocolate in South Korea. With this acquisition, the Lotus Bakeries Group further consolidates its position in Asia, where it is now present with a sales office in China and South Korea, two growing economies with enormous potential. The total purchase price amounted to 18,5 million EUR, of which 6,2 million EUR subject to future results.

At 30 June 2015, the fair value of the acquired assets and liabilities was determined in order to calculate provisionally the goodwill arising from this acquisition. This analysis has been finetuned in the second half of 2015, leading to adjusted fair values of the acquired assets and liabilities. Within twelve months of the date of acquisition, the final value of the acquired assets and liabilities will be determined and the necessary additional adjustments to the fair value will be made.

The goodwill arising from the acquisition amounts to 16.7 million and is explained by several components. Lotus Korea is a leading distributor in biscuits and chocolate, with a qualified sales team covering the South Korean region, and distributes products for a

select number of brand manufacturers from Europe and the US. Lotus Korea is a profitable business, has sufficient scale of operations and is acquainted with the Lotus Bakeries' strategy. The acquisition offers Lotus Bakeries the adequate platform to be present at local level and to continue to grow in an interesting market.

The fair value of the assets and liabilities acquired in the above transaction is determined on a provisional basis. Any adjustment to the provisional amounts will be recorded within twelve months of acquisition date.

The results of Lotus Korea have been included for a period of 9 months and are consolidated as from 1 April 2015.

The purchase price of Lotus Korea is composed as follows:

IN THOUSANDS OF EUR	PROVISIONAL FAIR VALUE 30 JUNE 2015	ADJUSTED FAIR VALUE 31 DECEMBER 2015
<b>Purchase price</b>	<b>18,522</b>	<b>18,522</b>
Tangible assets	4,209	4,210
Intangible assets	1	1
Deferred tax assets	823	772
Stocks	7,232	7,594
Trade and other receivables	6,561	6,654
Cash and cash equivalents	406	406
Interest-bearing loans and borrowings	(8,331)	(8,734)
Trade and other payables	(1,392)	(2,757)
Other liabilities	(3,870)	(6,290)
<b>TOTAL NET ASSETS</b>	<b>5,640</b>	<b>1,856</b>
<b>GOODWILL</b>	<b>12,881</b>	<b>16,666</b>

### Natural Balance Foods

In August 2015, Lotus Bakeries acquired 67.2% of the shares of Natural Balance Foods Ltd, famous for the Näkd and Trek brands, who offer bars and snacks made of cashew nuts and dates, unprocessed and with 100% natural ingredients. The total purchase price amounts to 53.8 million EUR. There were also put options granted to third parties concerning the entire remaining non-controlling interest. Further information is included in note 21.

As of 31 December 2015, the fair value of the acquired assets and liabilities was determined in order to calculate provisionally the goodwill arising from this acquisition. Within twelve months of the date of acquisition, the final value of the acquired assets and liabilities will be determined and the necessary additional adjustments to the fair value will be made.

The purchase price of Natural Balance Foods Ltd. is composed as follows:

IN THOUSANDS OF EUR	PROVISIONAL FAIR VALUE
<b>Purchase price</b>	<b>53,808</b>
Tangible assets	569
Intangible assets	34,781
Stocks	7,113
Trade and other receivables	7,569
Cash and cash equivalents	436
Non-controlling interest	(10,362)
Interest-bearing loans and borrowings	(1,020)
Deferred tax liabilities	(6,352)
Trade and other payables	(9,067)
Other liabilities	(2,464)
<b>TOTAL NET ASSETS</b>	<b>21,203</b>
<b>GOODWILL</b>	<b>32,605</b>

The goodwill arising from the acquisition amounts to 32.6 million and is explained by several components. In the past, Lotus Bakeries' main focus was on the traditional biscuits segment, in which we continue to grow strongly and where there remains a great deal of potential for our products and brands internationally. However, there is growing global demand for healthy and tasty alternatives. As a Group, Lotus Bakeries wants to be able to offer high-quality, tasty products to all consumers, in the form of more traditional biscuits and bakery products as well as healthy snacks. This acquisition - together with the acquisition of Urban Fresh Foods Ltd - makes Lotus Bakeries 'Category Captain' in the healthy snacking

category in the United Kingdom and we are able to offer healthy and tasty alternatives to all consumers, with the right product for each age group. In addition, Natural Balance Foods Ltd is a profitable business, with sufficient scale, and with a qualified development and sales team which allow Lotus Bakeries to grow further in this interesting market.

The fair value of the assets and liabilities acquired in the above transaction is determined on a provisional basis. Any adjustment to the provisional amounts will be recorded within twelve months of acquisition date.

The results of Natural Balance Foods Ltd are included in the consolidation as from 1 September 2015.

#### Urban Fresh Foods

In December 2015, Lotus Bakeries acquired 100% of the shares of Urban Fresh Foods, famous for the BEAR and Urban Fruit brands. The BEAR brand is the market leader in the UK for fun and healthy pure fruit snacks for children. Under the Urban Fruit brand, the company offers a range of 100% fruit snacks aimed at young adults. The total purchase price was EUR 97.3 million.

The results of Urban Fresh Foods Ltd are included in the consolidation as from 1 January 2016. The investment is included in the consolidated balance sheet as at 31 December 2015 under Investments in other companies. As the acquisition is very recent, it is impossible to reliably include the assets and liabilities of the absorbed company in the consolidation.

The costs associated with these acquisitions are included in the non-recurrent operating result. Since the acquisition date, these acquisitions have contributed EUR 17.3 million to turnover with a relatively low contribution to the recurrent operating result. Had the business combination taken place at the beginning of the year, the turnover of Lotus Bakeries would have been around EUR 55.3 million higher. This pro-forma information is given for information purposes and is not necessarily an indication of the income which would have been recorded had the acquisitions been completed at that time, nor is it a projection of future income. As a result of significant differences in accounting policies between the acquired entities and Lotus Bakeries, it is impossible to reflect the pro-forma impact on the Group's consolidated recurrent operating result.

In 2014, no subsidiaries were acquired, established or sold.

## 5. 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 32.4.

The main investments relate to expansions of capacity. The waffle factory in Courcelles and the original caramelized biscuits factory in Lembeke will both be expanded with two new production lines, to become operational in 2016/2017. We made further investments to increase efficiency in 2015, including the installation of a new packaging robot for Lotus Madeleine, and a new oven and improved cutting process for the gingerbread facility in the Sintjohannesga site (Netherlands).

IN THOUSANDS OF EUR	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	FURNITURE AND VEHICLES	ASSETS UNDER CONSTRUCTION	TOTAL
<b>On 31 December 2015</b>					
<b>Acquisition cost</b>					
At the end of the preceding year	90,011	235,468	13,705	4,848	344,032
Acquisition during the year	6,276	6,904	743	1,579	15,502
Sales and disposals	(3,244)	(10,385)	(703)	(29)	(14,361)
Transfers from one heading to another	(1,858)	1,352	521	(35)	-
Translation differences	(3)	316	243	7	563
Acquisition through business combinations	4,009	86	684	-	4,779
<b>Total acquisition cost</b>	<b>95,211</b>	<b>233,741</b>	<b>15,193</b>	<b>6,370</b>	<b>350,515</b>
<b>Depreciation and amounts written down</b>					
At the end of the preceding year	(36,435)	(157,663)	(12,187)	(178)	(206,463)
Depreciation during the year	(2,609)	(10,824)	(827)	-	(14,260)
Sales and disposals	1,432	8,173	390	-	9,995
Transfers from one heading to another	50	(50)	-	-	-
Translation differences	(23)	(251)	(131)	(5)	(410)
<b>Total depreciation and amounts written down</b>	<b>(37,585)</b>	<b>(160,615)</b>	<b>(12,755)</b>	<b>(183)</b>	<b>(211,138)</b>
<b>NET BOOK VALUE</b>	<b>57,626</b>	<b>73,126</b>	<b>2,438</b>	<b>6,187</b>	<b>139,377</b>

IN THOUSANDS OF EUR	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	FURNITURE AND VEHICLES	ASSETS UNDER CONSTRUCTION	TOTAL
<b>On 31 December 2014</b>					
<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	(35,269)	(148,065)	(11,841)	(189)	(195,364)
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 2015 kEUR 97 of capital grants were taken into the income statement, giving at year end a remaining balance of kEUR 621, which is deducted from the net book value as reported in the above tables of movements.

INVESTMENT GRANTS	2015	2014
At the end of the preceding year	(718)	(813)
Taken into the income statement	97	95
<b>At the end of the year</b>	<b>(621)</b>	<b>(718)</b>

## 6. Goodwill

The carrying value of goodwill at the end of 2015 was kEUR 93,229.

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 independent cash flow-generating units as follows:

Cash flow-generating unit	Amount kEUR
Netherlands (Koninklijke Peijnenburg)	17,151
Spain (Lotus Bakeries Iberica)	1,704
Sweden (Annas Pepparkakor Holding AB)	6,654
Customer Brand Business (Biscuiterie Willems BVBA en B.W.I. BVBA)	20,773
Lotus Korea	15,455
Natural Balance Foods	31,492

The change for the year is mainly due to the acquisition of Lotus Korea and Natural Balance Foods:

IN THOUSANDS OF EUR	2015	2014
<b>Acquisition cost</b>		
Balance at end of previous year	46,135	46,517
Effect of movements in foreign exchange	(2,177)	(382)
Acquisitions of subsidiaries	49,271	-
<b>Balance at end of year</b>	<b>93,229</b>	<b>46,135</b>

Goodwill, representing approximately 16.3% of the total assets of Lotus Bakeries at 31 December 2015, is tested for impairment every year (or whenever there is a specific reason to do so) 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). The impairment test for goodwill is based on a number of critical judgements, estimates and assumptions. The assumptions are consistent and realistic for the six cash generating units, which are mainly located in Europe:

- 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 also of 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.

Lotus Bakeries has completed its annual impairment test on goodwill and concluded from this that no impairment allowance is necessary. Lotus Bakeries believes all of its estimates to be reasonable: they are consistent with the internal reporting and reflect management's best estimates.

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. To this end, 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, will not lead to a possible exceptional downward value adjustment.

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.

## 7. 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 Nākd 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.

In 2015, the Nākd brand was acquired as part of the acquisition of Natural Balance Foods. Nākd is loved by customers for its delicious, innovative products made from 100% natural ingredients with no added sugar. They are lactose, wheat and gluten free. The Nākd brand continues to experience strong growth both in the UK - where it currently stands at number 5 in the healthy snacking category - and internationally. Since Nākd is the base brand of Natural Balance Foods in the UK and elsewhere, it is not amortized. In accordance with the valuation rules, its fair value is tested annually, using the DCF method. Accordingly, the sale of Nākd products in the UK and elsewhere is treated as a cash generating unit.

At year-end 2015, 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 also of 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 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, will not lead to a possible exceptional downward value adjustment.

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 2015</b>					
<b>Acquisition cost</b>					
At the end of the preceding year	72,075	4,627	8,149	1,030	85,881
Acquisition during the year	-	-	564	-	564
Sales and disposals	-	-	(3)	-	(3)
Translation differences	(1,018)	-	236	-	(782)
Acquisition through business combinations	34,781	-	1	-	34,782
<b>Total acquisition cost</b>	<b>105,838</b>	<b>4,627</b>	<b>8,947</b>	<b>1,030</b>	<b>120,442</b>
<b>Depreciation and amounts written down</b>					
At the end of the preceding year	-	(3,933)	(6,939)	(335)	(11,207)
Depreciation during the year	-	(463)	(556)	(103)	(1,122)
Sales and disposals	-	-	3	-	3
Translation differences	-	-	(215)	-	(215)
<b>Total depreciation and amounts written down</b>	<b>-</b>	<b>(4,396)</b>	<b>(7,707)</b>	<b>(438)</b>	<b>(12,541)</b>
<b>NET BOOK VALUE</b>	<b>105,838</b>	<b>231</b>	<b>1,240</b>	<b>592</b>	<b>107,901</b>



IN THOUSANDS OF EUR	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>
<b>Depreciation and amounts written down</b>					
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>

## 8. Deferred taxes

No deferred tax assets are recorded for the fiscally transferable losses of Interwaffles SA given the remaining uncertainty as to whether sufficient taxable revenues will be generated in the future. At the end of 2015 these fiscally transferable losses amounted to kEUR 6,744 compared with kEUR 8,517 at the end of 2014.

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 2.1 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.

IN THOUSANDS OF EUR	ON 31 DECEMBER 2014	CHARGED/ CREDITED TO THE INCOME STATEMENT	CHARGED/ CREDITED TO EQUITY	CHARGED/ CREDITED ACQUISITION	EXCHANGE DIFFERENCES	ON 31 DECEMBER 2015
Property, plant and equipment and intangible assets	(32,075)	(1,597)	-	(7,182)	208	(40,646)
Inventories	(253)	(14)	-	250	(29)	(46)
Employee benefits	760	(21)	(21)	-	(11)	707
Tax effect of tax loss carry-forwards	4,030	115	-	-	291	4,436
Provisions	(3,404)	401	-	301	(24)	(2,726)
Derivative financial instruments	3	-	295	-	-	298
Other	1,309	(2,817)	-	1,051	(284)	(741)
<b>Total deferred tax</b>	<b>(29,630)</b>	<b>(3,933)</b>	<b>274</b>	<b>(5,580)</b>	<b>151</b>	<b>(38,718)</b>

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
Property, plant and equipment and intangible assets	(30,262)	(1,938)	-	-	125	(32,075)
Inventories	(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)
Derivative 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>

## 9. Other long-term receivables

IN THOUSANDS OF EUR	31-12-2015	31-12-2014
Other long-term receivables	54	79
Cash guarantees	190	127
<b>Total</b>	<b>244</b>	<b>206</b>

## 10. Inventories

IN THOUSANDS OF EUR	31-12-2015	31-12-2014
Raw materials and consumables	8,506	8,860
Work in progress	441	304
Finished goods	10,671	8,588
Goods purchased	16,041	146
<b>Total</b>	<b>35,659</b>	<b>17,898</b>

The increase in goods for resale in 2015 is related to the acquisition of Lotus Korea and Natural Balance Foods in March and August 2015 respectively. Further details are given in note 4.

Valuation allowances of kEUR 1,989 relate mainly to packaging material (kEUR 640), finished products (kEUR 793) and goods for resale (kEUR 389).

In 2014, valuation allowances amounted to kEUR 1,766.

## 11. Trade receivables and other amounts receivable

The amount of the downward value adjustments entered as costs in 2015 is kEUR 97. In 2014, kEUR 53 of valuation allowances were charged.

The trade receivables represent an average of 45 days of customer credit (2014: 41 days).

IN THOUSANDS OF EUR	31-12-2015	31-12-2014
<b>Trade receivables</b>	<b>56,143</b>	<b>38,804</b>
<b>Tax receivables</b>		
VAT receivables	4,868	3,333
Income tax receivables	938	421
<b>Total</b>	<b>5,806</b>	<b>3,754</b>
<b>Other amounts receivable</b>	<b>10,504</b>	<b>112</b>

The other current amounts receivables item includes inter alia the proportion of long-term receivables that are due within one year, empties in custody and capital subsidies to be received, as well as the insurance claim relating to the fire at the plant in Meise in June 2015.

Movements on the group provision for impairment of trade receivables are as follows:

IN THOUSANDS OF EUR	2015	2014
<b>Amounts written off on 1 January</b>	<b>1,000</b>	<b>973</b>
Increase of amounts written off	97	53
Amounts written off used during the year	(54)	(26)
<b>Amounts written off on 31 December</b>	<b>1,043</b>	<b>1,000</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 the chapter 'Report of the Board of Directors' in the first part of the Lotus Bakeries 2015 annual review.

## 12. Cash and cash equivalents

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

IN THOUSANDS OF EUR	31-12-2015	31-12-2014
Cash	18,547	11,855
Cash equivalents	-	-
<b>Total</b>	<b>18,547</b>	<b>11,855</b>

## 13. Net financial debt

Net financial debt is defined as interest-bearing financial debt less monetary investments, liquid assets and treasury shares.

Net financial debt has increased by kEUR 143,667 compared with the end of the previous financial year. This increase is mainly due to the acquisition of the two pioneers of healthy snacks in the UK, Natural Balance Foods and Urban Fresh Foods, and of the South Korean distributor at the beginning of the year. In addition, kEUR 16,066 was invested in the plants and the investments were partially offset by very strong operating cash flow.

IN THOUSANDS OF EUR	31-12-2015	31-12-2014
Non current interest-bearing liabilities	(97,000)	(325)
Short term interest-bearing liabilities	(99,086)	(41,144)
Cash and cash equivalents	18,547	11,855
Treasury shares	13,677	9,419
<b>Total</b>	<b>(163,862)</b>	<b>(20,195)</b>

## 14. 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 24.

### Ordinary shares, issued and fully paid

IN THOUSANDS OF EUR	2015	2014
on 1 January	3,534	3,499
Increase	39	35
on 31 December	3,573	3,534

### Number of ordinary shares

on 1 January	803,013	795,113
Increase	8,850	7,900
on 31 December	811,863	803,013
Less: treasury shares held at 31 December	(22,005)	(21,416)
Shares outstanding at 31 December	789,858	781,597

### Amounts of authorized capital, not issued

IN THOUSANDS OF EUR	960	999
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As per December 31, 2014 the amount of unclaimed bearer securities was 449. On August 26, 2015, Lotus Bakeries NV published notice in the Belgian Gazette to sell the outstanding bearer shares, in line with Belgian legislation. The shares were sold on November 13, 2015 for a net proceed of 626,487 euro. The net sales proceeds resulting from the sale of shares were transferred to the Deposito- and Consignatiekas/Caisse des Dépôts et Consignations.

### Structure of shareholdings

Further details of the shareholding structure of Lotus Bakeries NV as of 31 December 2015 are contained in the Corporate Governance Statement in part 1 of the 2015 annual review of Lotus Bakeries.

## 15. Dividends

IN THOUSANDS OF EUR	2015	2014
<b>Dividend payments in</b>		
Gross dividend per ordinary share (EUR)	12,40	10,80
Gross dividend on ordinary shares	10,293	8,587
<b>Proposed dividend per ordinary share (EUR)</b>	<b>14,20</b>	<b>12,40</b>
Gross dividend on ordinary shares	11,535	10,293

The Board of Directors will propose to the Ordinary General Meeting of Shareholders of 13 May 2016 to pay a gross dividend of EUR 14.20 per share for 2015 compared with EUR 12.40 per share in 2014.

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 13 May 2016.

## 16. Treasury shares

Treasury shares purchased as part of the stock option plans and declared in note 24 were subtracted from equity.

IN THOUSANDS OF EUR	2015	2014
on 1 January	9,419	9,442
Purchased during the year	5,380	1,032
Sold during the year	(1,122)	(1,055)
on 31 December	13,677	9,419
<b>Number of treasury shares</b>		
on 1 January	21,416	24,548
Purchased during the year	4,089	1,218
Sold during the year	(3,500)	(4,350)
on 31 December	22,005	21,416

## 17. Interest-bearing liabilities

Non-current financial debts with an initial maturity of more than 1 year increased by kEUR 96,675. The non-current financial debts are denominated in euros. The financial debts are mainly expressed in euros, but partially also in US dollars (kEUR 8,689) and pounds sterling (kEUR 3,353).

All interest-bearing liabilities were contracted at market conditions and therefore 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	-	40,000	57,000	97,000
Current interest-bearing liabilities	99,086	-	-	99,086
<b>Total on 31 December 2015</b>	<b>99,086</b>	<b>40,000</b>	<b>57,000</b>	<b>196,086</b>
Interests due on non current interest-bearing liabilities	618	1,995	812	3,425

	DUE WITHIN 1 YEAR	DUE BETWEEN 1 TO 5 YEARS	DUE AFTER 5 YEARS	TOTAL
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 40,839 on 31 December 2015.

## 18. Net employee defined benefit liabilities

### 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 2<sup>nd</sup> pillar pension plans (so-called 'Law Vandenbroucke'), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. 'Law Vandenbroucke' 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. As from 1 January 2016, these percentages will be replaced by a single percentage which will change in line with market rates, subject to a minimum of 1.75% and a maximum of 3.75%, reducing the risk for the employer.

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 in principle 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 discount 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 2015 and these are assessed as not significant. The employer's contribution related to the plans amounted to a total of kEUR 1,060 in 2015.

In the Netherlands a defined benefit pension plan has been concluded with BPF ('Stichting Bedrijfstakpensioenfondsvoor 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 2,880 of contributions to these defined contribution plans in respect of 2016.

### 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:

- 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 of these is based on the following assumptions:

	2015	2014
Discount rate:	1.40%	1.10%
Inflation rate:	2% p.a.	2% p.a.

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

The Group expects to pay out around kEUR 115 in 2016 under defined benefit pension schemes for Germany and France.

IN THOUSANDS OF EUR	2015	2014
<b>Net periodic cost</b>		
Retirement charges imputed to the period	78	90
Interest charges	52	85
(Gains) / losses	153	(5)
<b>NET PERIODIC COST</b>	<b>283</b>	<b>170</b>
<b>Remeasurements (to be recognised in OCI)</b>		
Remeasurements on the defined benefit obligation	(515)	635
<b>REMEASUREMENTS</b>	<b>(515)</b>	<b>635</b>
<b>Movement in the net liability</b>		
Net debts as at 1 January	3,614	2,849
Retirement charges imputed to the period	78	90
Interest charges	52	85
Remeasurements	(515)	635
Employers contribution	(145)	(44)
(Gains) / losses	153	(5)
Other	20	4
<b>NET DEBTS AS AT 31 DECEMBER</b>	<b>3,257</b>	<b>3,614</b>

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.

## 19. Provisions

The increase of the provision for integration and restructuring in 2015 relates to the costs associated with production optimization in our production plants. The other provisions mainly relate to contractual or legal obligations towards personnel. The application of these provisions (kEUR 1,674) mainly relates to planned disbursements for companies acquired in 2015.

IN THOUSANDS OF EUR	INTEGRA- TION AND RESTRUC- TURING	ENVIRON- MENT	OTHER	TOTAL
<b>Provisions on 1 January 2015</b>	-	-	<b>717</b>	<b>717</b>
Increase of provisions	500	-	150	650
Acquisition through business combinations	-	-	1,606	1,606
Reversal of unutilized provisions	-	-	(52)	(52)
Provisions used during the year	-	-	(1,674)	(1,674)
<b>Provisions on 31 December 2015</b>	<b>500</b>	-	<b>747</b>	<b>1,247</b>
Long term	-	-	726	726
Short term	500	-	21	521
<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>717</b>	<b>717</b>
Long term	-	-	661	661
Short term	-	-	56	56

Current provisions are expected to be settled within 12 months.

## 20. 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 business purposes. Financial 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 over 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 (level 2 valuation).

In the second quarter of 2015, Lotus Bakeries refinanced its current interest-bearing liabilities with bank loans worth EUR 40 million over a period of 5 years. At the same time, Lotus Bakeries entered into five-year interest rate swaps (variable for fixed) to hedge against fluctuations in cash flow caused by changes in interest rates. The maturity dates and nominal value of the interest rate swaps ('hedging instrument') correspond to those of the underlying debt ('hedged position'), and the transaction fulfils the conditions for hedge accounting (see IAS 39). The Group has identified and documented the transaction as a 'cashflow hedge' and has processed it in the accounts as such as from the issue date.

In the second half of 2015, Lotus Bakeries acquired additional finance in the form of bank loans worth EUR 57 million over a period of 7 years. At the same time, Lotus Bakeries entered into seven-year interest rate swaps (variable for fixed) to hedge against fluctuations in cash flow due to changes in interest rates. The maturity dates and nominal value of the interest rate swaps ('hedging instrument') correspond to those of the underlying debt ('hedged position'), and the transaction fulfils the conditions for hedge accounting (see IAS 39). The Group has identified and documented the transaction as a 'cashflow hedge' and has processed it in the accounts as such as from the issue date.

As of 31 December 2015, the market value of these interest rate swaps was kEUR -869, and the change in market value is included in equity under unrealized results (loss on cash flow hedge).



### 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, CHF, SEK, CNY and KRW. 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 (level 2 valuation).

IN THOUSANDS OF EUR	2015	2014
<b>Interest rate derivatives</b>		
Fair value	(876)	(10)
Cost/(revenue) in results	(3)	(60)
Decrease/(increase) in equity	869	-

The financial instruments are level 2 instruments. The real value is calculated on the basis of the available market information.

### 21. Other non-current liabilities

Other non-current liabilities mainly concern the impact of the financial liability relating to put options granted to third parties with respect to the entire non-controlling interest in Natural Balance Foods Ltd, where these put options give holders the right to sell part or the whole of their investment in this subsidiary. This financial liability, amounting to EUR 22.8 million, does not give rise to interest expenses. The options are exercisable for the first time in 2017 and expire in 2024.

These put options are unconditional and the exercise price depends on the future results (turnover and operating result) of Natural Balance Foods. In accordance with IAS 32, where non-controlling interests hold put options giving them the right to sell their investment, a financial liability is recorded for the present value of the exercise price expected to be paid. These put options are level 3 instruments.

The counterpart of this liability is a cancellation of the underlying non-controlling interest. The difference between the value of the non-controlling interest and the fair value of the liability is added to the consolidated reserves, which are included in shareholders' equity. This item is adjusted at the end of each reporting period to take into account changes in the exercise price expected to be paid for the option and non-controlling interests. If the option expires without being exercised, the liability is cancelled with the non-controlling interests and consolidated reserves.

### 22. Trade payables and other liabilities

IN THOUSANDS OF EUR	31-12-2015	31-12-2014
Trade payables	42,498	33,309
Remuneration and social security	18,336	12,357
<b>Tax payables</b>		
VAT payables	1,017	126
Tax payables	10,861	7,097
<b>Total</b>	<b>11,878</b>	<b>7,223</b>
Derivative financial instruments	7	10
Other current liabilities	9,070	147
Accrued charges and deferred income	3,026	2,552
<b>TOTAL</b>	<b>84,815</b>	<b>55,598</b>

The increase is mainly due to the increase in trade payables and remuneration and social security, as a result of Lotus Bakeries' internal growth, together with the acquisitions which took place in 2015 (see note 4).

Other liabilities have increased mainly due to the purchase price remaining to be paid for the acquisition of Lotus Korea, which is conditional on future results. Further details are given in note 4.

## 23. Personnel costs

IN THOUSANDS OF EUR	2015	2014
Salaries and wages	57,060	51,896
Social security contributions	12,955	11,922
Contributions for company pension plans with fixed contribution	2,836	2,752
Other personnel costs	15,676	12,318
<b>Total personnel costs</b>	<b>88,527</b>	<b>78,888</b>
Average number of members of personnel	1,285	1,227
Number of members of personnel as at the end of the year	1,339	1,221

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

Personnel costs increased in 2015 compared with 2014 due to the acquisitions in 2015 (see note 4) and the higher production volumes, which were partially offset by further operational efficiencies resulting from the investment programs of past years.

## 24. Share-based payments

### Stock option plans

The stock option plans ratified by the Board of Directors of February 2005 stipulate that, options were granted each book year to executives and senior management, based on category, results and evaluation.

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 stock market days prior to offering 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 2015, 3,562 share options were granted to and also accepted by Lotus Bakeries employees. In 2014, 6,160 share options were granted to and accepted by Lotus Bakeries employees.

### Warrant plan

In 2007, a warrant plan was issued 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 2015 and 2014. 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 2015 have a weighted average term of two years and eleven months (2014: three years and eight 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 and accepted options, a charge of kEUR 479 was recorded in the income statement in 2015 (kEUR 361 in 2014). For share options exercised during 2015, the weighted average share price at exercise date was EUR 1,272.24 (2014: EUR 835.53). For the exercised warrants, the weighted average share price at the exercise date was EUR 1,267.87 (2014: EUR 873.85).

	2015	2014
<b>Number of options and warrants</b>		
<b>Outstanding at January, 1</b>	<b>32,722</b>	<b>39,669</b>
Options granted during the year	3,562	6,160
Options exercised during the year	(3,500)	(4,350)
Options expired during the year	(509)	(857)
Warrants exercised during the year	(8,850)	(7,900)
<b>Outstanding at 31 December</b>	<b>23,425</b>	<b>32,722</b>
Exercisable at 31 December	4,800	15,850
Charge recorded in the income statement (kEUR)	<b>479</b>	<b>361</b>

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

IN EUR	2015	2014
<b>Outstanding at January, 1</b>	<b>451.14</b>	<b>343.70</b>
Options granted during the year	1,239.03	802.55
Options exercised during the year	322.62	309.18
Options expired during the year	862.56	615.28
Warrants exercised during the year	246.02	246.02
<b>Outstanding at 31 December</b>	<b>658.70</b>	<b>451.14</b>
Exercisable at 31 December	246.03	250.46

Weighted average term of the share options and warrants outstanding at the end of the period.

	2015	2014
Number of years	2	3
Number of months	11	8

ALLOTTED IN		NUMBER ALLOTTED <sup>(1)</sup>	NUMBER EXERCISED <sup>(2)</sup>	AVAILABLE BALANCE	EXERCISE PRICE	EXERCISE PERIOD	
2007	Options	11,950	11,350	600	232.82	01/01/2011 -	10/05/2017
						15/03/2015 -	31/03/2015
						15/09/2015 -	30/09/2015
						15/03/2016 -	31/03/2016
						15/09/2016 -	30/09/2016
2007	Warranten	43,450	39,300	4,150	246.02	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	2,400	-	367.72	01/01/2014 -	17/05/2015
2011	Options	800	750	50	405.12	01/01/2015 -	12/05/2016
2011	Options	500	500	-	387.12	18/03/2015 -	29/07/2016
2012	Options	5,198	-	5,198	496.77	01/01/2016 -	10/05/2017
2013	Options	4,188	-	4,188	650.31	01/01/2017 -	13/05/2018
2014	Options	5,736	-	5,736	802.55	01/01/2018 -	08/05/2019
2015	Options	50	-	50	919.92	25/08/2018 -	01/01/2020
2015	Options	3,453	-	3,453	1,243.57	01/01/2019 -	07/05/2020
	<b>Total</b>	<b>77,725</b>	<b>54,300</b>	<b>23,425</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:

	2015	2014
Fair value of options granted	130.04	96.08
Share price	1,236.55	819.35
Exercise price	1,239.03	802.55
Expected volatility	18.34%	18.35%
Expected dividends	1.58%	1.82%
Risk-free interest rate	0.18%	0.79%

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

## 25. Depreciation and amounts written down on (in)tangible assets

IN THOUSANDS OF EUR	2015	2014
Depreciation of intangible assets	659	706
Depreciation of property, plant & equipment	14,260	14,139
<b>Total</b>	<b>14,919</b>	<b>14,845</b>

See notes 5, 7 and 27 concerning tangible assets, intangible assets and non-recurrent operating result.

## 26. Other operating income and charges

IN THOUSANDS OF EUR	2015	2014
<b>Other costs</b>		
Other taxes	2,166	2,000
Other operating charges	1,400	2,034
<b>Total</b>	<b>3,566</b>	<b>4,034</b>
<b>Other revenues</b>		
Transport charges	(8)	(14)
Fixed assets - own construction	(317)	(564)
Other operating income	(1,723)	(1,464)
<b>Total</b>	<b>(2,048)</b>	<b>(2,042)</b>
<b>Other operating income and charges (net)</b>	<b>1,518</b>	<b>1,992</b>

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

The other income consists primarily of changes in inventories of finished products, various costs recovered at the time of sale, contributions to the cost of training, and damage compensation payments.

## 27. 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 sale or 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.

The non-recurrent operating result at the end of 2015 amounts to kEUR -1,748 and is mainly due to acquisition costs (Lotus Korea, Natural Balance Foods and Urban Fresh Foods), the amortization of the Wieger Ketelapper brand and the net effect of restructuring in our plants in Belgium and France.

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

## 28. Financial results

IN THOUSANDS OF EUR	2015	2014
<b>Financial charges</b>		
Interest charges	846	850
Exchange rate losses	7,697	4,408
Valuation to the fair value of the financial instruments	(3)	(60)
Other	314	188
<b>Total</b>	<b>8,854</b>	<b>5,386</b>
<b>Financial income</b>		
Interest income	(37)	(18)
Exchange rate gains	(8,033)	(5,381)
Other	(6)	(3)
<b>Total</b>	<b>(8,076)</b>	<b>(5,402)</b>
<b>Financial results</b>	<b>778</b>	<b>(16)</b>

On an annual basis, the Group reports a financial charge of kEUR 778 versus income of kEUR 16 in 2014. The net financial result for 2015 consists almost entirely of interest expenses, which remain stable. The higher charge compared with the previous year is mainly due to positive results on exchange rates in 2014.

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.

## 29. Income taxes on the results

Nominal tax rose by 33.9%. This is explained by a higher nominal profit before taxation.

IN THOUSANDS OF EUR	2015	2014
<b>Income taxes on the results</b>		
Income taxes on the results of the current year	12,599	11,347
Tax adjustments for previous years	(262)	(88)
Deferred taxation of the current year	4,286	1,156
<b>Total tax charge reported in the income statement</b>	<b>16,623</b>	<b>12,415</b>
<b>Accounting profit before tax</b>	<b>62,238</b>	<b>49,188</b>
Effective tax rate of the year	26.7%	25.2%
<b>Reconciliation between theoretical and effective tax rate</b>		
Results before taxation	62,238	49,188
Theoretical tax rate	33.99%	33.99%
Theoretical income tax expense	21,155	16,719
Effect of different taxation rates in other countries	(2,444)	(2,518)
Decrease in taxable income (Deduction Notional Interest + various tax credits)	(2,409)	(2,586)
Tax adjustments for previous years	(262)	(88)
Taxes on dividend income	200	588
Disallowed items	646	588
Tax free income	(185)	(107)
Tax losses used for which no deferred tax asset has been recorded	(248)	(76)
Change tax rate: effect on prior years	9	(4)
Other	161	(101)
Actual income tax expense	16,623	12,415
Effective tax rate	26.7%	25.2%

The average effective tax rate in 2015 was 26.7% versus 25.2% in 2014. 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, and strong growth in countries with a high nominal tax rate.

### 30. 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, 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 24 hereafter).

IN THOUSANDS OF EUR	2015	2014
<b>Net result - attributable to:</b>	<b>45,615</b>	<b>36,773</b>
Non-controlling interests	202	(2)
Equity holders of Lotus Bakeries	45,413	36,775
Weighted average number of shares	788,341	778,944
<b>Basic earnings per share (EUR) - attributable to:</b>		
Non-controlling interests	0.26	-
Equity holders of Lotus Bakeries	57.61	47.21
<b>Dilutive effect</b>	<b>14,906</b>	<b>17,476</b>
Weighted average number of shares under option	25,214	32,495
Weighted average number of shares which should be issued at average market rate	(10,308)	(15,019)
Weighted average number of shares after effect of dilution	803,247	796,420
<b>Diluted earnings per share (EUR) - attributable to:</b>		
Non-controlling interests	0.25	-
Equity holders of Lotus Bakeries	56.54	46.18
Total number of shares	811,863	803,013
<b>Earnings per share (EUR) - attributable to:</b>		
Non-controlling interests	0.25	-
Equity holders of Lotus Bakeries	55.94	45.80
Total number of shares less treasury shares	789,858	781,597
<b>Earnings per share (EUR) - attributable to:</b>		
Non-controlling interests	0.26	-
Equity holders of Lotus Bakeries	57.50	47.05

### 31. Related parties

A list of all Group companies is provided in note 1. Further details of the shareholding structure of Lotus Bakeries NV as of 31 December 2015 are contained in the Corporate Governance Statement in part 1 of the 2015 annual review of Lotus Bakeries.

For information on the remuneration of the CEO and the remuneration of the executive managers (excluding the CEO) in 2015, we refer to the remuneration report included in Part 1 of the 2015 annual review.

Apart from remuneration and transactions between companies included in the scope of consolidation, no significant transactions took place with related parties.

### 32. Rights and commitments not reflected in the balance sheet

#### 1. Rent

The Group's commitments relate to the leasing of cars in Belgium, France, Germany, the Netherlands, the UK, the United States, the Czech Republic, Sweden, China, Hong Kong, Spain, South Korea 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 and the UK. The lease rental payments are charged to the income statement.

#### Future rental charges as of 31 December

IN THOUSANDS OF EUR	2015	2014
Less than one year	2,143	1,697
Greater than one year and less than five years	2,984	2,478
More than 5 years	8	5

The annual rent costs of these commitments totalled kEUR 2,375 in 2015 (kEUR 1,934 in 2014). 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 2015, the Group had kEUR 14,425 of commitments (2014: kEUR 2,906) for the purchase of fixed assets.

The main commitments relate to the expansion of capacity at the Lembeke and Courcelles plants, with two extra production lines to be installed at each of these plants.

## 3. Raw materials contracts

Raw materials purchased but not yet delivered in 2016 and 2017 amounted to kEUR 71,045, as detailed below.

IN THOUSANDS OF EUR	2015	2014
Less than one year	57,435	44,380
Greater than one year and less than five years	13,610	13,105

## 4. Other rights and commitments

Bank guarantees as of 31 December 2015: kEUR 566 (as of 31 December 2014: 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').

## 33. Financial risk management

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

For a description of these risks, please refer to the financial information contained in the report of the Board of Directors in part 1 of the 2015 annual review of Lotus Bakeries.

## 34. 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 2015 these costs amounted to kEUR 1,384.

YEAR	EXTERNAL AND INTERNAL COSTS OF RESEARCH AND DEVELOPMENT
2015	1,384
2014	1,434
2013	1,128
2012	974
2011	1,120

## 35. Post balance sheet events

No significant events have occurred after 31 December 2015.



### 36. Management responsibility statement

We hereby certify that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2015, 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 2015 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, 13 April 2016

On behalf of the Board of Directors

Jan Boone, CEO

Isabelle Maes, CFO

### 37. Information about the Statutory Auditor, its remuneration and additional services rendered

The company's Statutory Auditor is PwC Bedrijfsrevisoren BCVBA, represented by Peter Opsomer.

IN THOUSANDS OF EUR

#### Audit fee for the Group audit 2015

Lotus Bakeries NV	64
Lotus Bakeries Group	342

<b>Total</b>	<b>406</b>
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Fees for the mandates of PwC Bedrijfsrevisoren	275
Fees for the mandates of persons related to PwC Bedrijfsrevisoren	131

#### Group's Auditor fees for additional services rendered

Other audit-related fees	3
Tax fees	-
Other non-audit fees	-

#### Fees for additional services rendered by persons related to PwC Bedrijfsrevisoren

Other audit-related fees	13
Tax fees	370
Other non-audit fees	368

The exceedance of 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 2015

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 2015 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 to the Annual Review and Annual Review as such. The total of the consolidated balance amounts to EUR'000 571,221 and the consolidated statement of income shows a profit for the year, Group share, of EUR'000 45,413.

### 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 2015 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, 12 April 2016

The Statutory Auditor  
PwC Bedrijfsrevisoren bcvba  
Represented by

Peter Opsomer (\*)  
Bedrijfsrevisor

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

# ABRIDGED FIVE-YEAR FINANCIAL SUMMARY

## Consolidated balance sheet

IN THOUSANDS OF EUR	31-12-2015	31-12-2014	31-12-2013	31-12-2012	31-12-2011
<b>NON CURRENT ASSETS</b>	<b>442,884</b>	<b>263,881</b>	<b>262,729</b>	<b>214,154</b>	<b>184,861</b>
Property, plant and equipment	139,377	137,569	136,489	109,064	95,052
Goodwill	93,229	46,135	46,517	25,960	25,710
Intangible assets	107,901	74,674	75,744	76,248	61,859
Investment in other companies	96,244	22	27	32	32
Deferred tax assets	5,889	5,275	3,859	2,691	2,045
Other non current assets	244	206	93	159	163
<b>CURRENT ASSETS</b>	<b>128,337</b>	<b>73,108</b>	<b>71,375</b>	<b>56,461</b>	<b>53,025</b>
Inventories	35,659	17,898	16,665	14,917	14,285
Trade receivables	56,143	38,804	36,036	29,751	26,305
Cash and cash equivalents	18,547	11,855	11,933	6,452	7,369
<b>TOTAL ASSETS</b>	<b>571,221</b>	<b>336,989</b>	<b>334,104</b>	<b>270,615</b>	<b>237,886</b>
<b>EQUITY</b>	<b>217,525</b>	<b>200,629</b>	<b>171,375</b>	<b>145,206</b>	<b>126,760</b>
<b>NON-CURRENT LIABILITIES</b>	<b>169,242</b>	<b>39,506</b>	<b>43,984</b>	<b>34,041</b>	<b>41,312</b>
Interest-bearing loans and borrowings	97,000	325	7,925	-	6,632
Deferred tax liabilities	44,607	34,905	32,687	30,323	29,187
Other non-current liabilities	22,815	57	5	5	9
<b>CURRENT LIABILITIES</b>	<b>184,454</b>	<b>96,854</b>	<b>118,745</b>	<b>91,368</b>	<b>69,814</b>
Interest-bearing loans and borrowings	99,086	41,144	62,337	41,675	19,474
Trade payables	42,498	33,309	34,249	30,886	29,430
Employee benefit expenses and social security	18,336	12,357	12,525	10,792	10,690
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>571,221</b>	<b>336,989</b>	<b>334,104</b>	<b>270,615</b>	<b>237,886</b>

## Consolidated income statement

IN THOUSANDS OF EUR	2015	2014	2013	2012	2011
<b>TURNOVER</b>	<b>411,576</b>	<b>347,890</b>	<b>332,319</b>	<b>288,455</b>	<b>275,598</b>
<b>RECURRENT OPERATING RESULT (REBIT)</b>	<b>64,764</b>	<b>49,433</b>	<b>41,371</b>	<b>36,680</b>	<b>36,363</b>
Non-recurrent operating result	(1,748)	(261)	(3,655)	(1,953)	(2,695)
<b>OPERATING RESULT (EBIT)</b>	<b>63,016</b>	<b>49,172</b>	<b>37,716</b>	<b>34,727</b>	<b>33,668</b>
Financial result	(778)	16	(1,740)	(1,569)	(688)
<b>PROFIT FOR THE YEAR BEFORE TAXES</b>	<b>62,238</b>	<b>49,188</b>	<b>35,976</b>	<b>33,158</b>	<b>32,980</b>
Taxes	(16,623)	(12,415)	(8,057)	(7,408)	(9,165)
<b>RESULT AFTER TAXES</b>	<b>45,615</b>	<b>36,773</b>	<b>27,919</b>	<b>25,750</b>	<b>23,815</b>
<b>NET RESULT - attributable to:</b>	<b>45,615</b>	<b>36,773</b>	<b>27,919</b>	<b>25,750</b>	<b>23,815</b>
Non-controlling interests	202	(2)	(1)	13	13
Equity holders of Lotus Bakeries	45,413	36,775	27,920	25,737	23,802

## ABRIDGED STATUTORY FINANCIAL STATEMENTS OF LOTUS BAKERIES NV

### Balance sheet after appropriation of profit

ASSETS IN THOUSANDS OF EUR	31-12-2015	31-12-2014
<b>Fixed Assets</b>	<b>376,225</b>	<b>267,382</b>
<b>II. Intangible assets</b>	<b>10,478</b>	<b>11,974</b>
<b>IV. Financial assets</b>	<b>365,747</b>	<b>255,408</b>
A. Affiliated enterprises	365,747	255,408
1. Participating interests	365,747	255,408
<b>Current Assets</b>	<b>24,537</b>	<b>18,645</b>
<b>VII. Amounts receivable within one year</b>	<b>10,515</b>	<b>9,207</b>
A. Trade debtors	10,117	8,426
B. Other amounts receivable	398	781
<b>VIII. Current investments</b>	<b>13,677</b>	<b>9,419</b>
A. Own shares	13,677	9,419
<b>IX. Cash at bank and in hand</b>	<b>334</b>	<b>19</b>
<b>X. Deferred charges and accrued income</b>	<b>11</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>400,762</b>	<b>286,027</b>

LIABILITIES IN THOUSANDS OF EUR	31-12-2015	31-12-2014
<b>Capital and reserves</b>	<b>69,237</b>	<b>67,136</b>
<b>I. Capital</b>	<b>3,573</b>	<b>3,534</b>
A. Issued capital	3,573	3,534
<b>II. Share premium account</b>	<b>11,794</b>	<b>9,656</b>
<b>IV. Reserves</b>	<b>53,870</b>	<b>53,946</b>
A. Legal reserve	357	353
B. Reserves not available for distribution	13,749	9,491
1. Own shares	13,677	9,419
2. Other	72	72
C. Untaxed reserves	545	545
D. Reserves available for distribution	39,219	43,557
<b>Amounts payable</b>	<b>331,525</b>	<b>218,891</b>
<b>VIII. Amounts payable after more than one year</b>	<b>107,168</b>	<b>46,415</b>
A. Financial debts	98,140	37,518
4. Credit institutions		
5. Other loans	98,140	37,518
D. Other debts	9,028	8,897
<b>IX. Amounts payable within one year</b>	<b>223,846</b>	<b>172,285</b>
A. Current portion of amounts payable after more than one year	1,268	38,450
B. Financial debts	204,492	116,494
2. Other loans	204,492	116,494
C. Trade debts	6,371	7,027
1. Suppliers	6,371	7,027
E. Taxes, remuneration and social security	13	56
1. Taxes	13	56
F. Other amounts payable	11,702	10,258
<b>X. Accrued charges and deferred income</b>	<b>511</b>	<b>191</b>
<b>TOTAL LIABILITIES</b>	<b>400,762</b>	<b>286,027</b>

## Not-consolidated income statement

IN THOUSANDS OF EUR	2015	2014
<b>I. Operating income</b>	<b>10,078</b>	<b>8,425</b>
D. Other operating income	10,078	8,425
<b>II. Operating charges</b>	<b>(5,946)</b>	<b>(5,521)</b>
B. Services and other goods	4,407	4,002
D. Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	1,497	1,497
G. Other operating charges	42	22
<b>III. Operating profit</b>	<b>4,132</b>	<b>2,904</b>
<b>IV. Financial income</b>	<b>11,917</b>	<b>13,422</b>
A. Income from financial fixed assets	11,749	13,115
B. Income from current assets	-	3
C. Other financial income	168	304
<b>V. Financial charges</b>	<b>(3,258)</b>	<b>(4,311)</b>
A. Interest and other debt charges	3,062	4,161
C. Other financial charges	196	150
<b>VI. Profit on ordinary activities before taxes</b>	<b>12,791</b>	<b>12,015</b>
<b>VIII. Extraordinary charges</b>	<b>(1,122)</b>	-
D. Loss on disposal of financial fixed assets	1,018	-
E. Other extraordinary charges	104	-
<b>IX. Profit for the year before taxes</b>	<b>11,669</b>	<b>12,015</b>
<b>X. Income taxes</b>	<b>39</b>	<b>(50)</b>
A. Income taxes	14	50
B. Adjustment of income taxes and write-back of tax provisions	(53)	-
<b>XI. Profit for the year</b>	<b>11,708</b>	<b>11,965</b>
<b>XIII. Profit for the year available for appropriation</b>	<b>11,708</b>	<b>11,965</b>

## Appropriation account

IN THOUSANDS OF EUR	2015	2014
A. Profit to be appropriated	11,708	11,965
1. Profit for the year available for appropriation	11,708	11,965
B. Transfers from capital and reserves	81	-
2. To reserve	81	-
C. Transfer to capital and reserves	(4)	(1,422)
2. To legal reserve	4	4
3. To other reserves	-	1,418
F. Distribution of profit	(11,785)	(10,543)
1. Dividends	11,535	10,293
2. Directors' emoluments	250	250

## Extract from the notes

VIII. STATEMENT OF CAPITAL	2015	2014	2015
	IN THOUSANDS OF EUR	IN THOUSANDS OF EUR	NUMBER OF SHARES
<b>A. CAPITAL</b>			
1. Issued capital			
At the end of the preceding year	3,534	3,499	
At the end of the year	3,573	3,534	
2. Structure of the capital			
2.1. Different categories of shares			
Ordinary shares	3,573	3,534	811,863
2.2. Registered shares and bearer shares			
Registered			1,079
Bearer			-
Dematerialized			810,784
<b>C. TREASURY SHARES held by:</b>			
- Its subsidiaries	-	-	-
<b>E. Amounts of authorized capital, not issued</b>	<b>960</b>	<b>999</b>	

## Accounting principles

### 1. Assets

#### 1.1. Formation expenses

Formation expenses are 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 accounting 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 are 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 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.

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Register of legal persons of Ghent,  
Enterprise number 0401.030.860

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FSC MIX

