



**BEING GREAT
IN LITTLE THINGS
TOGETHER**

Annual review 2018



Jamila's favourite ... Lotus Biscoff!

"Lotus Biscoff is my favourite biscuit, because the crispy texture & caramelised flavour are very unique in China. Whenever our employees meet a customer, I tell them to start the meeting with a Lotus Biscoff. The surprising flavour of our small biscuit makes sure the meeting always starts with a pleasant vibe. We are introducing this great product to more people in more occasions, get bought more often & easier."

— Jamila Xiao, Sales Director/Acting country manager China





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. We
want people all around the world
to enjoy these little moments.



MESSAGE FROM THE CHAIRMAN AND THE CEO

2018 was a year to be proud of. A year with many commercial highpoints, a fantastic acquisition and some great investment projects making good progress.

Achievements to be proud of

2018 was a year with many wide-ranging achievements to be proud of. Here are a few examples: Lotus Bakeries was ranked second for the company with the best reputation in Belgium. We launched brand-new packaging for our Lotus Biscoff range. A splendid design that looks great on the shelf in store. We also achieved a production record in the factory in Lembeke: 50 million kilogrammes of biscuits produced. This was partly thanks to the start-up of an additional production line in the third manufacturing hall.

Commercial highpoints

We achieved many successes commercially.

It's important for the future of Lotus Biscoff that we achieve consistent success in large consumer markets such as the US and the UK.

Lotus Biscoff continues to perform strongly in many countries. We are conquering bigger and bigger consumer markets with the taste of our original caramelised biscuits. It's important for the future of Lotus Biscoff that we achieve consistent success in large consumer markets such as the US and the UK.

We are also proud of BEAR's impressive breakthrough in the US. And in the Netherlands and Belgium, distribution of Nakd and BEAR in supermarkets continued to expand.

Last year, we brought all of our distributors for Biscoff and BEAR together for an inspiring Lotus seminar. We can look back on two successful events in the UK and the US, where we brought together people from more than 30 different countries. It was great to see how we were able to inspire this international group.

<

Jan Vander Stichele
Chairman
Jan Boone
CEO

Local 'hero' products were also successful once more. For example, in Belgium, the launch of Tartélice went down very well. Dinosaurus is doing fantastically too and we achieved a record market share for the Lotus brand in the Belgian market.

Healthy snacking for babies and toddlers

That's not all that happened in 2018. We made a fantastic acquisition in the UK in the summer: Kiddylicious, a market leader in healthy snacking for babies and toddlers, is now part of the Lotus family. Kiddylicious isn't just a good fit for our vision and strategy, the brand also goes well with our other brands belonging to the Natural Foods Business Unit.

Like BEAR and Nākd, Kiddylicious is a young brand and a young company that's growing and developing strongly. To foster this growth, we give these young brands and companies a high degree of autonomy, coupled with support from our international and corporate Lotus vision.

Kiddylicious, a market leader in healthy snacking for babies and toddlers, is now part of the Lotus family.

Two giga-projects

2018 is also the year in which two giga-projects steamed ahead: the construction of the new Biscoff factory in the US and the BEAR factory in South Africa.

At Lotus, we're always looking for the right people to fill vacant positions. So, it gives us great satisfaction that internal Lotus managers are at the helm of these projects. That's not all, it's heart-warming that we can count on many colleagues from the Lembeke factory to make the construction and start-up of the new factory in the US a success.

Good causes

As of 2018, Lotus Bakeries supports Kusasa, a special educational project in South Africa's Western Cape Province. The people behind Kusasa have built a new primary school and recruited highly skilled teachers to give children from the shanty towns a decent education. Thanks partly to the support of Lotus Bakeries, 150 children receive a good basic education every year and can look forward to a better future.

We want to help make the world a better place for different people in a sustainable way. However, since we realise we can't improve the whole world, we deliberately choose "educational projects for children". We use part of our profits to support these educational projects, making a positive change to the lives of hundreds of children. Besides Kusasa, we also support other educational projects.

Our company is growing,
brimming with ambition
and health.

Looking ahead

In 2019, we'll be opening two factories on two new continents: in North America and South Africa. There's still some hard work to do before we can cut the opening ribbons for these factories, but the projects are on schedule. As a result, by the end of 2019, we'll reach the milestone of 2,000 employees for the first time.

We have plenty to cope with in 2019. Many external factors will affect our business: Brexit, e-commerce, new governments, trade wars and the environment, to name but a few. No one knows exactly how it will all turn out, but Lotus Bakeries is ready to face these challenges in the coming years.

Our company is growing, brimming with ambition and health. And we continue to invest in the right people, at corporate level, in different countries and in our factories. We set the bar high for everyone who wants to join us. That's because we only want Lotus employees who are a strong fit with our culture, a culture of teamwork, ambition and a dynamic approach. We're a dynamic company and we express this to the outside world through our employees.



Jan Boone
CEO



Jan Vander Stichele
Chairman

2018 AT A GLANCE

January

Biscoff redesign

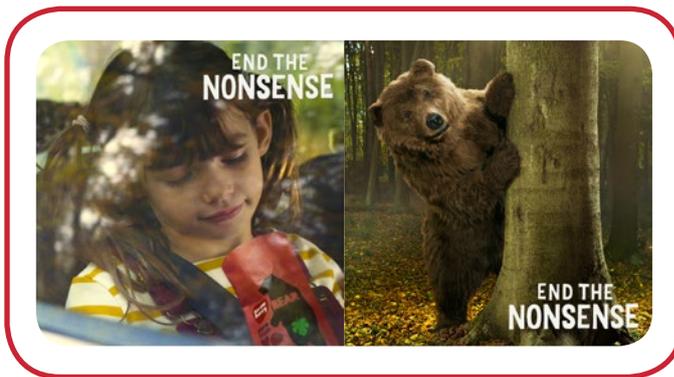
The new design for Lotus Biscoff is launched successfully.



January

BEAR on TV for the first time in the UK

The first national TV campaign for BEAR in the United Kingdom.





March

Integration of BEAR production activities

Agreement to transfer BEAR's production activities to South Africa. Lotus will become owner of a brand-new plant for the production of BEAR.

February

Sponsorships

The employees from Lotus Bakeries Corporate sponsor children in South Africa and commit to offer the children they sponsor 12 years of primary and secondary education.



April

Ranked No 2 for companies with the best reputation

Lotus Bakeries is runner-up for companies with the best reputation in Belgium.



April

Launch of Tartélice

Lotus Bakeries launches two new pastries: Tartélice Chocolat and Tartélice Framboise.





June

Additional production line for Plant 3 in Lembeke goes into operation

In June 2018, an additional production line went into operation in the third production hall in Lembeke.



May

Appointment of new director

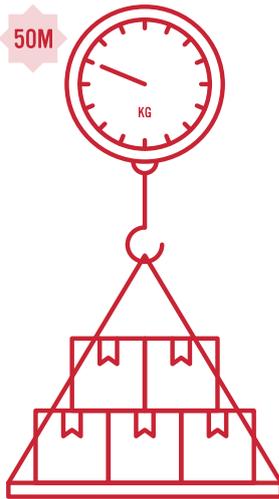
Michel Moortgat is appointed to Lotus Bakeries' Board of Directors as independent director.

July

Acquisition of Kiddylicious

Lotus Bakeries acquires Kiddylicious and is now active in the healthy snacking segment for babies and toddlers.





August

Production record

A production record is achieved in Lembeke; 50 million kilos in the last 12 months.



December

Shell of Biscoff factory in Mebane, US, complete

The Lotus Biscoff factory in Mebane is wind-tight and is being fitted out with the necessary utilities.

September

International Partner Meetings

Successful International Partner Meetings in the UK and the US for distributors of Biscoff & BEAR.



October

Support for the Kusasa project

Lotus Bakeries supports a second educational project in South Africa, Kusasa, which supports schoolchildren financially, academically and socially.



November

Lotus Bakeries - 30 years on the stock market

It's been 30 years since Lotus Bakeries was floated on the Brussels stock exchange (since 2002 Euronext Brussels).



SUBSTANTIAL INVESTMENT IN NEW PRODUCTION LINES AND FACTORIES



LOTUS BAKERIES FACTORY IN THE US

In the second half of 2019, the first Lotus Biscoff biscuits will roll off the conveyor belt in the factory in Mebane, North Carolina, USA. The construction of the factory and the production lines is making steady progress and the start-up team has been recruited.

Last February, it was just a 15-hectare field with a few trees here and there. The same piece of land now houses a Biscoff factory covering more than 11,000 m² where a billion biscuits can be baked each year and more than 50 people will work by the end of 2019.

Johan Wilms, Sourcing & Finance Director



From the left to the right: Johan Wilms, Bart Vanterwyngen, Els Van Parys, Jan Boone, Isabelle Maes, Dick Pouwels

The first meeting with our future plant team was hugely inspiring. It's fantastic to see how enthusiastically this team is working to make the new factory a success!

Bart Vanterwyngen, Operations Director



Area (m²)



11,600

Employees



±50

Capacity at
start-up (tonnes)



> 8,000



BEAR FACTORY IN SOUTH AFRICA

The new production facility for BEAR is currently under construction. In the course of 2019, the integration of the factory, along with control over BEAR's production process and know-how, will be complete.



From the left to the right: Annelies Santens, Els Rutsaert, Jan Boone, Isabelle Maes, Donald Matheson, Brechtje Haan

It's a unique experience to be part of this story: not many people get the opportunity during their career to help design and build a new factory in a country like South Africa.

Els Rutsaert, Corporate Quality Manager

I'm most looking forward to welcoming 300 new colleagues into the Lotus family. The BEAR team in South Africa is extremely proud to be relocating to the new factory and be part of the ambitious and international Lotus Bakeries.

Brechtje Haan, General Counsel



Area (m²)



3,800

Employees



300

Capacity at
start-up (tonnes)



> 2,000

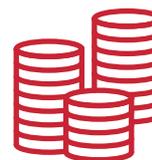
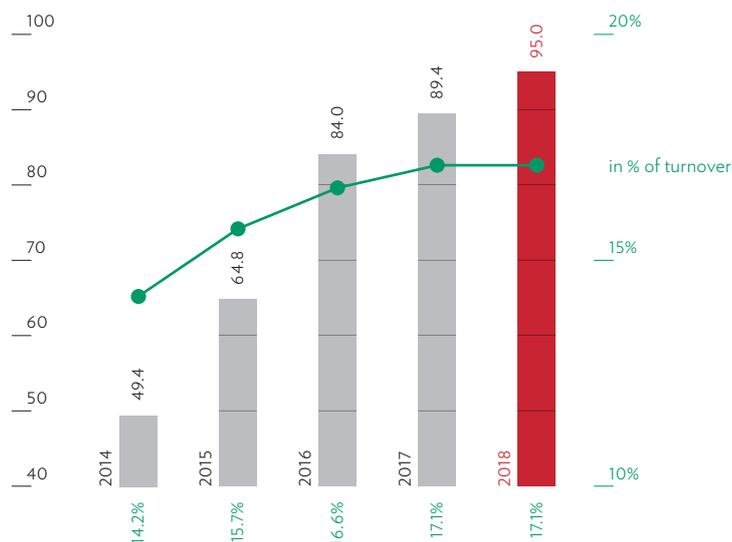
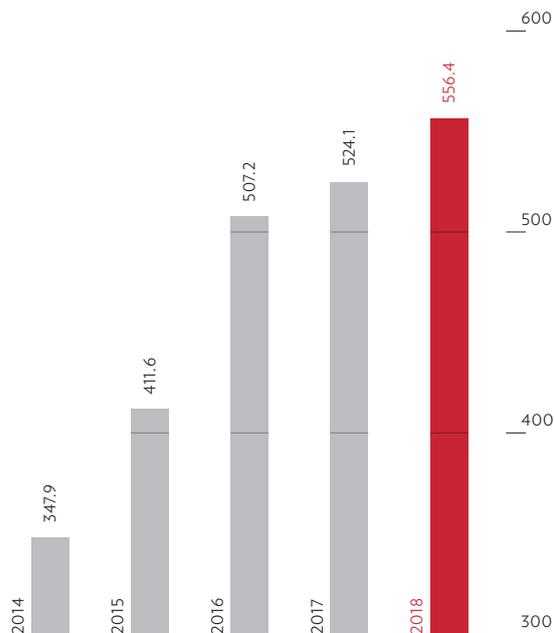
CONSOLIDATED KEY FIGURES 2018

TURNOVER

(in millions of EUR)



2018 **556.4**
 2017 **524.1** | **+6.2%**



REBIT

(in millions of EUR)

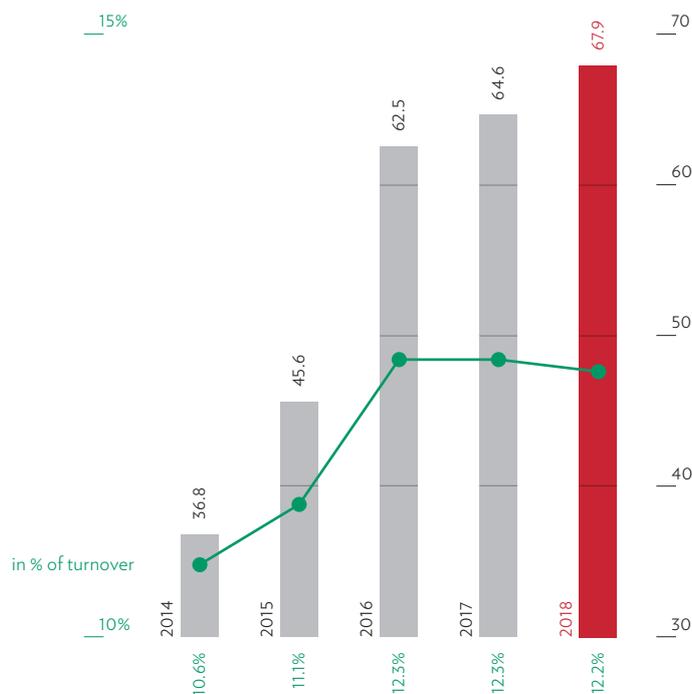
2018 **95.0**
 2017 **89.4** | **+6.4%**



NET RESULT

(in millions of EUR)

2018 **67.9**
2017 **64.6** | **+5.1%**



Consolidated income statement

IN MILLIONS OF EUR	2018	2017	2016	2015	2014
TURNOVER	556.44	524.06	507.21	411.58	347.89
RECURRENT OPERATING RESULT (REBIT)	95.03	89.35	83.95	64.76	49.43
RECURRENT OPERATING CASH FLOW (REBITDA)	110.34	104.33	101.60	82.58	67.02
Non-recurrent operating result	(3.01)	(0.09)	4.51	(1.75)	(0.26)
OPERATING RESULT (EBIT)	92.03	89.26	88.45	63.02	49.17
Financial result	(3.32)	(2.23)	(2.68)	(0.78)	0.02
PROFIT FOR THE YEAR BEFORE TAXES	88.70	87.03	85.78	62.24	49.19
Taxes	20.83	(22.40)	(23.32)	(16.62)	(12.42)
RESULT AFTER TAXES	67.87	64.63	62.45	45.61	36.77
NET RESULT - attributable to:	67.87	64.63	62.45	45.61	36.77
Non-controlling interests	0.96	1.09	1.21	0.20	(0.00)
Equity holders of Lotus Bakeries	66.91	63.54	61.25	45.41	36.78

For definitions see financial supplement.

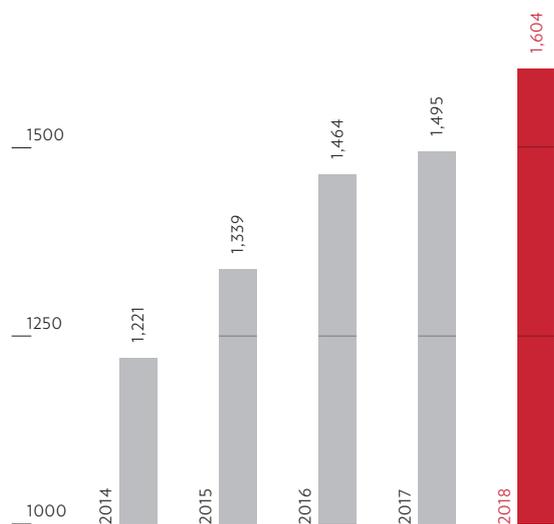


NET FINANCIAL DEBTS (NFD)

(in millions of EUR)

2018 **96.2**

2017 **57.2**

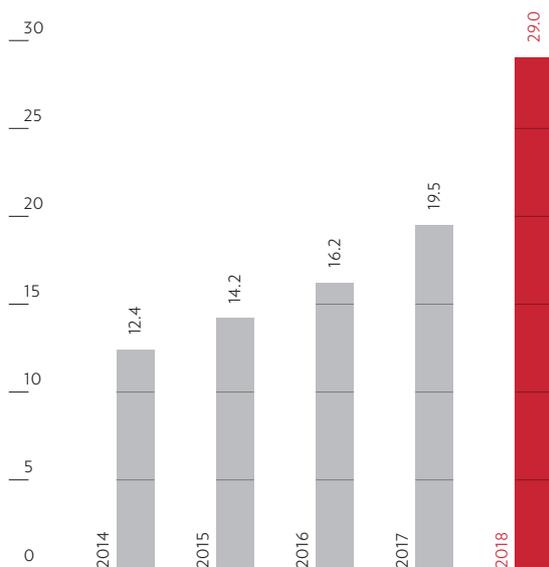


NUMBER OF PERSONS EMPLOYED

2018 **1,604**

2017 **1,495**

+7.3%



GROSS DIVIDEND

(in EUR)

2018 **29.0 EUR**

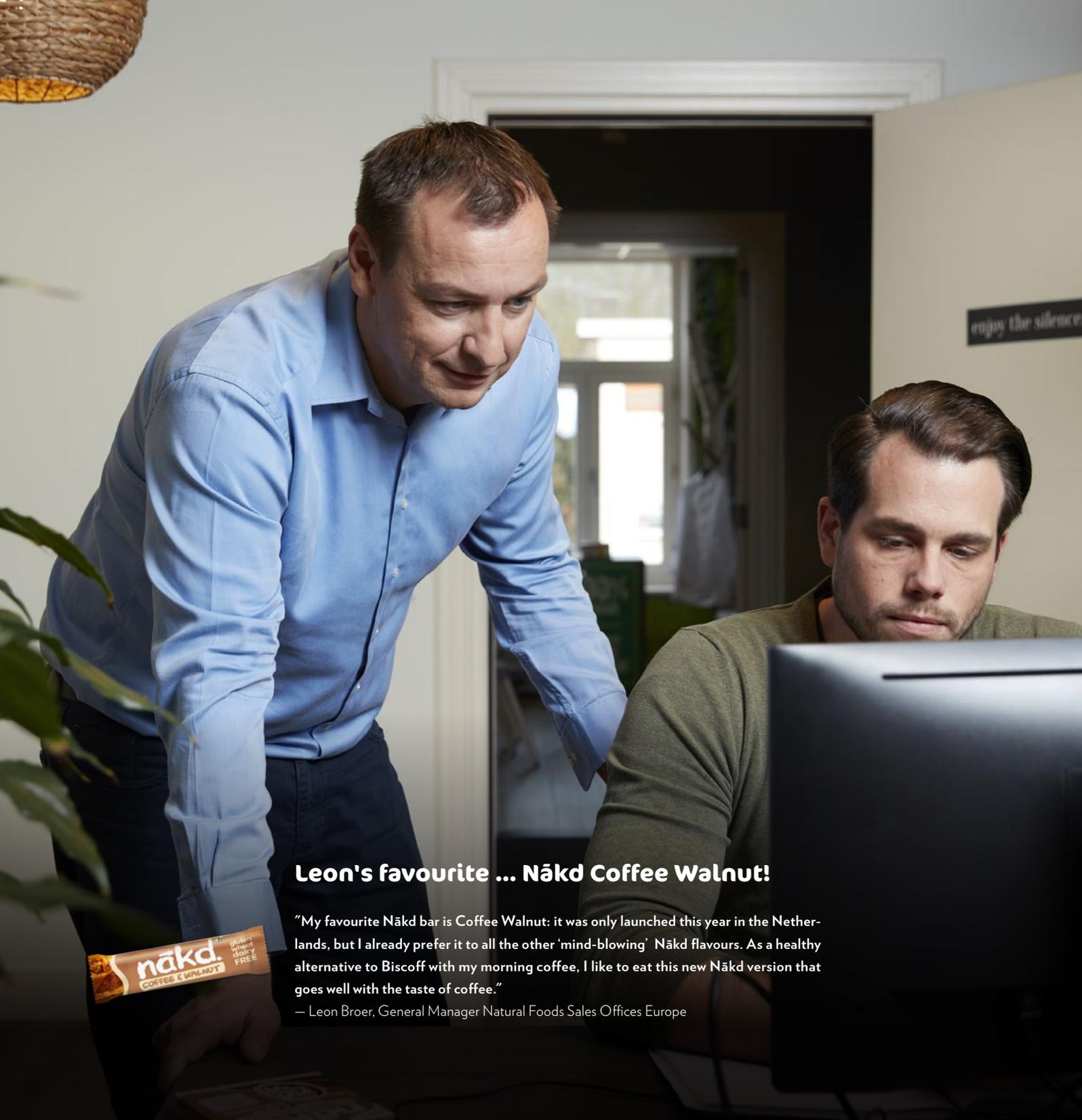
2017 **19.5 EUR**

+48.7%

Balance sheet and key figures per share

IN MILLIONS OF EUR	2018	2017	2016	2015	2014
BALANCE SHEET					
Balance sheet total	711.57	597.49	548.00	571.22	336.99
Equity	346.93	293.21	248.46	217.53	200.63
Investments	62.70	28.24	37.50	16.07	16.55
Net financial debts	96.15	57.20	94.06	163.86	20.20
CONSOLIDATED KEY FIGURES PER SHARE in EUR					
Recurrent operating result (REBIT)	118.21	111.77	105.84	82.15	63.46
Recurrent operating cash flow (REBITDA)	137.26	130.51	128.09	104.76	86.03
Net result: share of the Group	83.23	79.48	77.22	57.61	47.21
Gross dividend	29.00	19.50	16.20	14.20	12.40
Weighted average number of shares	803,878	799,423	793,147	788,341	778,944
Total number of shares per 31 December	815,733	814,433	812,513	811,863	803,013

For definitions see financial supplement.



enjoy the silence

Leon's favourite ... Nākd Coffee Walnut!

"My favourite Nākd bar is Coffee Walnut: it was only launched this year in the Netherlands, but I already prefer it to all the other 'mind-blowing' Nākd flavours. As a healthy alternative to Biscoff with my morning coffee, I like to eat this new Nākd version that goes well with the taste of coffee."

— Leon Broer, General Manager Natural Foods Sales Offices Europe



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Dee's favourite ... Kiddylicious Mini Coconut rolls!

"My favourite Kiddylicious product is our Mini Coconut rolls, simply because they taste so delicious that both babies and parents love them! It was the first coconut product on the baby fixture, and they are gluten, dairy and nut free, ideal for little ones exploring new tastes and textures."

— Dee Bulsara, Marketing Director Kiddylicious

CHAPTER 1

PROFILE LOTUS BAKERIES

1. MISSION STATEMENT AND STRATEGY

Lotus Bakeries is active worldwide in the snacking segment with the Lotus, Biscoff, Dinosaurus, Peijnenburg, Annas, Nākd, TREK, BEAR and Kiddylicious brands. By maintaining a healthy balance between tradition and innovation, Lotus Bakeries indulges consumers with a unique range of high-quality, tasty products. Lotus Bakeries aims to offer every consumer a versatile range of responsible and tasty snacks for every consumption moment. The biscuits, waffles, cakes, gingerbread and natural snacks our company offers do not need to be a decisive moment in consumers' lives, but create a moment of pleasure, cheerfulness and joy. With the unique taste experience of its products, Lotus Bakeries wants to be an established part of consumers' daily lives, in as many countries as possible.

In order to realise this ambition and achieve sustainable growth, Lotus Bakeries has a clear strategy in mind, centred on building brands. This strategy is based on three pillars.



Lotus Biscoff

Internationalisation of the Lotus Biscoff products



Delicious,
high-quality
products



Strong focus on the
best performing
products



Natural Foods

Investment in a strong healthy snacking business so that we gradually enter other markets beyond the United Kingdom



Local Heroes

Development of strong market position in our home markets by continuous investments in our broad range



7 COMPONENTS



Communication with consumers



Continuous investment in employees, marketing and R&D



Targeted product innovations



Continuous improvement of manufacturing efficiency



Continuous commitment to Corporate Social Responsibility



Pillar 1: Lotus Biscoff

The first pillar focuses on the globalisation of Lotus Biscoff and Lotus Biscoff spread. Lotus Biscoff has a highly unique but accessible flavour, with a subtle caramel touch. Lotus Bakeries believes in the universal character of its original caramelised biscuit, and consequently its original caramelised biscuit spread. These products enjoy success across national borders and cultural differences—a quite exceptional situation in the food sector. Lotus Biscoff is now enjoyed in some sixty countries. This success supports the ambition of globalisation.

To support the further internationalisation of Lotus Biscoff, Lotus Bakeries operates in fourteen countries with its own sales offices and its own sales teams. Cooperation also takes place with local commercial partners in more than fifty countries and via their channels, we launch our products in new markets. We conquer the markets with our brands by approaching consumers first in hotels and restaurants and seducing them with the taste of our products. The next step is the shop shelf. Here, we want to gradually gain a more prominent place on the shelves with displays and promotions. The more households are familiar with our products, the better. Once a substantial percentage of households within a particular region consumes our products, we can start airing TV commercials to continue to grow steadily.

Pillar 2: Natural Foods

With the second pillar, we target a second international growth area, natural and healthy snacking. Following the acquisitions of Natural Balance Foods and Urban Fresh Foods in 2015, for the BEAR, Nākd and TREK brands, Lotus Bakeries initially focussed on their home market, the United Kingdom. Our existing sales organisations have achieved initial international successes for these brands in the Netherlands, Belgium and France. BEAR has also managed to penetrate the highly competitive retail market in the United States.

In 2018, Lotus Bakeries invested further in natural and healthy snacking with the acquisition of Kiddylicious, the fastest growing brand in the baby snacking category in the United Kingdom. Internationally, the brand has taken its first successful steps in Australia, China and Norway. This brand will also be further internationalised.

Since every strong brand has a proper 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.





Pillar 3: Local Heroes

Finally, there are our local core brands, the 'hero' products. We are present in Belgium, the Netherlands, France and the United Kingdom with a wide range of local 'hero' products: biscuits, waffles, cakes, gingerbread and natural snacks. We want to develop these already strong market positions by investing continuously in this wide range. In this way, Lotus Bakeries strengthens its position as market leader in the relevant subsegments. Belief in 'hero' products is great. It is no coincidence that, when making acquisitions, Lotus Bakeries has always focussed on companies with a strong brand, exceptional products and a strong market position in the home market of the company concerned. We are firmly convinced that, by paying attention to these local 'hero' brands in their home market, we can elevate these products from 'hero' to 'superhero'.

Lotus Bakeries' strategy is supported by the following components:

1. An offer of delicious, high-quality products to all consumers. 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. Continuous investment in employees, marketing and R&D.
5. 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.
6. A clear focus on continuously improving the manufacturing efficiency. The aim is to continue to produce the best quality products at the most competitive cost.
7. Continuous commitment to Corporate Social Responsibility. The Corporate Social Responsibility theme is implemented in the organisation as 'Care for Today – Respect for Tomorrow'.

MISSION STATEMENT LOTUS BAKERIES

Lotus Bakeries wishes to base its sustainable growth and profitability on offering present generations a versatile range of responsible and tasty snacks for every consumption moment, without compromising the opportunities for generations to come.



Lotus
Since 1932
Biscoff®
CREAM
STICKS
3x

Biscoff®
Lotus

Lotus
Biscoff®
SMALL BISCUIT
UNIQUE TASTE

Lotus



2. BRANDS AND PRODUCTS

Ever since Jan Boone senior founded Lotus Bakeries in 1932, the Lotus brand has been inextricably linked with original caramelised biscuits: a thoroughly Belgian product whose typical taste is due to the caramelisation during the baking process. Thanks to the acquisition of strong brands, the Lotus Bakeries Group is now active in both a broad traditional snacking segment and the natural snacking segment.

The global brand portfolio is of invaluable importance to the Lotus Bakeries Group. In both the category of biscuits and bakery as well as in the natural snacking category, we have strong brands which we intend to develop in the long term. We implement our marketing strategy by continuously investing in our 'hero' brands in our home markets whilst also stimulating the international growth of brands such as Lotus Biscoff, Nâkd, TREK, BEAR and Kiddylicious. Every Lotus Bakeries brand has its own DNA and target group, and its own story.



Lotus Biscoff biscuit

Our caramelised 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 caramelised biscuit is gradually conquering the world.

Outside the home markets of Belgium, the Netherlands and France, Lotus original caramelised 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. Whenever coffee and Lotus Biscoff biscuits are consumed together, the two flavours lift one another to a higher level. Our international strategy therefore consists in introducing new consumers to Lotus Biscoff during their regular coffee time.



Lotus Biscoff spread

Our Lotus Biscoff spread is a spreadable, sweet spread with the familiar, unique taste of Lotus original caramelised biscuits. There are two varieties: crunchy and smooth. Both varieties offer an original, delicious alternative to traditional spreads. However, as well as being delicious on bread, this perfectly spreadable spread is also a favourite ingredient for desserts.

In 2018, a new version of this product was launched in the US, Lotus 'Biscoff & Go'. This snack combines delicious Lotus Biscoff spread with small breadsticks in a handy format to eat on the go.



Lotus Biscoff ice cream

Lotus Biscoff ice cream is a soft-scoop ice cream containing crunchy pieces of Lotus Biscoff biscuits and Lotus Biscoff spread. The ice cream is available in a family pack or in individual portions with the Lotus Biscoff ice cream cup. The ice cream range also includes Lotus Biscoff ice cream on a stick, mini-ice cream on a stick and an ice cream cone. The ice cream on a stick is made up of a core of Lotus Biscoff ice cream covered in a layer of crunchy Lotus Biscoff spread with a final coating of cracking real Belgian chocolate. The cone is filled with Lotus Biscoff ice cream, with a topping of Lotus Biscoff crumble and Lotus Biscoff spread.



Lotus cakes

Lotus Bakeries also offers consumers in Belgium a wide range of cake specialties, including Frangipane, Madeleine and Zebra. In 2017, the entire Lotus Zebra range was updated, with new, individual packaging, an improved recipe and an extra variety, Zebra Double Chocolate, a light chocolate cake with jam and a chocolate coating. Following the successful redesign of the Lotus Biscoff range, the packaging design of other cake specialties such as Frangipane, Madeleine and Carré confiture was also modified. Last year, the range also saw the relaunch of Lotus Tartélice apple and the launch of two more varieties, Lotus Tartélice raspberry and chocolate, little round tarts that melt in the mouth, with a jam or chocolate filling.



Dinosaurus

These crunchy biscuits are made from a balanced combination of high quality ingredients. In 2017, Lotus Dinosaurus was given a special brand-new look including new packaging and packaging formats. 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', a round biscuit with a light filling of Belgian milk or dark chocolate. In 2017, Lotus Dinosaurus Minis were added to the range. These are handy bags for eating on the go, that contain the familiar basic variety—with milk chocolate or in a cereal version—in mini-format.



Suzy

Lotus Bakeries markets a waffle with pieces of pearl sugar as well as a vanilla waffle under this brand, plain or covered with dark chocolate. The waffles stand out thanks to their high quality, taste and texture. There are several formats: 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.

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



Snelle Jelle

In 2002, the 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 take-away formats, including 'Snelle Jelle Tussendoor': small gingerbread bars with the same familiar taste. Following the success of Peijnenburg Zero, the Snelle Jelle range was expanded to include several flavours of Snelle Jelle Zero, a tasty gingerbread with no added sugar.



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, as well as an Annas variety with organic ingredients bearing the EU Organic Logo. Although Annas pepparkakor biscuits are available all year round, in Scandinavia they are especially popular during the Christmas period. Special Annas pepparkakor houses are also sold there at that time of the year.

For the 2018 pepparkakor season, Lotus Bakeries launched a limited edition of Annas in Sweden - Annas Knäck. Annas Knäck has a deliciously sweet caramel flavour, which, combined with the classic character of the ginger biscuits, creates a perfect sweet and slightly spicy taste.



Nākd

With uncomplicated snacks and bars, Nākd's approach is 100% natural.

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 more than 25 different flavours. Each variety has its own bright, appealing name and packaging. The ambition? To turn every natural 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 sports.

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 Cocoa Oat.



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 from BEAR 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 stabilisers.

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.



Kiddylicious

Kiddylicious was founded by Sally Preston in 2009 to help deliver delicious, nutritious food for little ones.

The brand includes an extensive range of responsible snacks which are healthier than alternative snacks consumed by children. Most products have no added sugars or salt and the majority of the range is free from dairy, lactose, gluten and allergens. The Kiddylicious brand—of which the most important products are Wafers, Veggie Straws and Melts—aims to offer a solution to busy parents looking for portion-controlled snacks that also benefit each stage of development.

Due to its diverse and innovative portfolio of baby snacks and meals, Kiddylicious is the fastest growing brand in the UK baby food market and has become a must-stock brand for all major retailers. The brand has also taken its first successful steps internationally, with four Kiddylicious snacks being consumed per second globally.



Lotus
Biscoff

3. LOTUS BAKERIES 2018

01. SUPPORT FOR TWO EDUCATIONAL PROJECTS IN SOUTH AFRICA

“Our financial support can make a difference for many children and their environment.”

‘Care for today, respect for tomorrow’: that is the slogan of Lotus Bakeries’ sustainability programme. Not hollow words, but a real plan which the company is putting into practice—partly by supporting two educational projects in South Africa financially. “We deliberately chose educational projects”, explains Corporate Director Quality, Procurement & R&D William Du Pré. “Because education is a way of rescuing children from the vicious circle of poverty.”

Lotus Bakeries’ sustainability programme consists of the pillars of people, society, environment and employees. Supporting the South African educational projects comes under the pillar of society, according to William. “Education is an important way of rescuing children from poverty.” Because someone who has access to education also has the opportunity to learn a profession. Learning a profession means that you have a chance of employment and earning an income.”

Lotus Bakeries preferred projects that take a broad view of education and want to raise standards. For example, by releasing funds for good teachers who not only believe in what they do, but also have the right skills to offer a broad education. “In the end, we chose two educational projects in South Africa. We are convinced that our support for these projects can make a difference and that we’re making a fundamental contribution.

Education is a way of rescuing children from the vicious circle of poverty. In this way, we empower them, increase their assertiveness and develop their talents.

We know that we're helping the children with their own personal development, as well as making an impact on their wider environment."

More than just education

Firstly, there's Doug Gurr's worthwhile Kusasa project, which started in 2006 and enables around 150 children to go to school. Besides this, the organisation serves 1,000 meals a day at local crèches and schools. "So, it's about more than just education: the project focuses on healthy food for the children, who often have nothing to eat, but also makes them aware of their talents, enables them to develop these talents and boosts their assertiveness", says William enthusiastically.

Also in South Africa, Lotus Bakeries has made a long-term commitment by supporting a second educational project financially and by engaging in godparenthood of around 100 children. "The financial support comes from the company, while the employees from the corporate department are the godparents and get to build up a one-to-one relationship with their sponsored child", says William. "Our employees get to know their sponsored child and letters and school reports are exchanged. They support a child from their first year at primary school to the final year of secondary education, meaning that we're committed for around 12 years. Our employees responded very enthusiastically when we started this initiative. They commented spontaneously that they were proud to work for a company that organises this."

Lots of poverty

Supporting these projects is clearly a personal passion for William. In February, he even visited the Kusasa project for himself. "Both projects are situated in a region where there's lots of poverty. That's why we decided to support this area", he says. The fact that Lotus Bakeries is building a new production site for the BEAR range in the same region also played a role. "Soon, we'll be employing more than 300 people there. Perhaps the children we currently support will work for our company one day. But at the moment it's a pipe dream. For now, it's about empowering them, increasing their assertiveness and allowing them to develop their talents. We firmly believe in the importance of this. We're determined to maintain our commitment in future."



William Du Pré, Corporate Director Quality, Procurement & R&D

02. NEW LOTUS BISCOFF MANUFACTURING FACILITY IN THE USA

“The success of this project starts with the people we recruit in the US.”

Mid-2019, the first Lotus Biscoff biscuits to be produced outside Belgium will roll off the conveyor belt in Mebane, USA. There are many challenges involved in the lead up to this, but the core team for the new factory is determined to overcome them. By recruiting the right people in the US, but also—above all—working closely with the experts in Lembeke, for the first time in Lotus’ history, we will manage to transfer the expertise, but also the spirit of Lotus Bakeries to another continent.

Lotus Bakeries is starting its production activities from scratch in the US, gradually building a new plant. “This means that new people have to be recruited, and the success of this project starts there”, says Johan Wilms, Sourcing & Finance Director. “It’s crucial for us that they convey the same values as the people in Lembeke. That they prioritise team spirit, open dialogue and passion. In Belgium, we’re all ambassadors for the Lotus family. We’re passionate, set the bar high and want results. That ambassadorship can’t be taught. It comes from the heart. We’ve already managed to recruit a passionate and ambitious plant management team, who will lead the new plant. They’re the core of our future, so we’re investing heavily in their training.”

Transferring expertise, experience and culture

Plenty of knowledge, experience and technical expertise has to be exchanged before the new plant is ready to go into operation. R&D experts, engineers, operators, bakers, dough-makers, technical experts and packaging specialists: more than 30 people make up the support team in Lembeke that keeps the transfer of expertise between Lembeke and Mebane on track. “We don’t just want to share knowledge and experience, but also the Lotus spirit”, continues Els Van Parys, Programme Director. “Working together towards the same goal and continuously improving are key here.” Members of the American team will therefore travel to Lembeke to learn from their colleagues, and employees from Belgium will also travel the other way to the US. In addition, each member of the plant team has been assigned a counterpart in Lembeke, who will support and train their American colleague during the start-up phase.

A passionate and ambitious plant management team will lead the plant in Mebane. They're the core of our future. So we're investing heavily in their training.

Johan Wilms, Sourcing & Finance Director

Veronique Onselare and Ruth Lopez—the former is production manager in Lembeke, Ruth is her counterpart in Mebane—agree with this. “It’s crucial for Lotus Bakeries employees from the US to come to Belgium and experience what Lotus stands for”, Ruth believes. “So they realise that they aren’t just going to make a product, but build a brand. Personally, I always feel really proud when I see how big Lotus is in Belgium, and think that I can be part of that here. Fortunately, everyone in the US is at least as enthusiastic as I am.”



Bart Vanterwyngen, Operations Director, Els Van Parys, Programme Director and Johan Wilms, Sourcing & Finance Director

Proud of the Lotus passion

“For the new people we’re recruiting in the US, it’s actually an incredible opportunity to join that very first team”, continues Els. “But it’s also amazing how many people in Lembeke are prepared to offer support and share their experience with the plant in the US. That surprised us, but not really. It gives us great pleasure to see how proud people are of their product. And how keen they are to share this with the new plant. We feel the Lotus passion in that. Our colleagues feel that this is an important milestone, and are really pleased to be part of it.”

Veronique shares that feeling. “I’m especially proud to be part of the support team and be able to share my 20 years’ experience as production manager with our new colleagues in Mebane”, she says. “Soon, I’ll be spending more time in the US myself. Because, naturally, production has to carry on in Belgium in the meantime, my team leaders are taking over

It’s amazing how many people in Lembeke are prepared to share their experience with the new colleagues. We can feel the Lotus passion in that.

Els Van Parys, Program Director



Left: Veronique Onseleere, production manager Lembeke
Right: Ruth Lopez, production manager Mebane

my tasks temporarily. They're trained for that, and they're supported by my manager. So we can cover this year."

First Lotus Biscoff with American ingredients

Bart Vanterwyngen, Operations Director of the new plant, is also finding that, generally speaking, preparations for the new production site are going smoothly. "The challenges lie in the fact that everything seems to be a little bit different in the United States. Raw materials, packaging materials, construction techniques: we couldn't simply transfer everything, there always had to be a transition." Fortunately, there is a solution to every challenge. When it comes to purchasing ingredients and packaging materials, purchasing and R&D work closely together and a great deal of testing is carried out in Belgium.

Biscoff will be made in the US using local ingredients. This process has also been tackled step by step. "We brought the American ingredients to Belgium and tested them—separately at first and then together", explains Veronique. "We now have a biscuit that's been produced in Belgium using ingredients from the US and approved by the management. Now we have to make the same biscuit at the new plant in the US. There's still some way to go, but we're really determined and fully confident that we'll succeed. We have the knowledge, the team and the experience to make it a success."

For the technical side, ideas were shared with the Belgian engineering team, so that the years of expertise gained in Belgium could be incorporated into the American design. "Meanwhile, we've also been working with strong local partners who're very familiar with the laws in the US. This makes that the plant in Mebane is a truly American plant, incorporating the Lotus expertise", Bart adds.

Gathering pace

Now that construction and fitting-out are complete, testing can begin on the new site. "Here on the spot, you can feel the drive, and we're finding that everything is gathering pace as we approach the start-up", says Bart. "But we have every confidence that we'll keep to the timing. By the end of 2019, we hope to have completed the start-up without incident. We want to increase the workforce in the American plant to 50 employees, then there will be a full three-shift operation. If we can then deliver the same Lotus quality as in Lembeke for a decent return, we'll feel really proud."

The challenges lie in the fact that everything seems to be a little bit different in the United States. Raw materials, packaging materials, construction techniques: we couldn't simply transfer everything, there always had to be a transition.

Bart Vanterwyngen, Operations Director

03.

BRAND-NEW BEAR PRODUCTION SITE UNDER CONSTRUCTION IN SOUTH AFRICA

“We’re especially proud to be a leading employer in the region.”

As this annual report goes to press, 12,000 miles south of Belgium—in South Africa—they are working hard on a new production facility for BEAR. The new factory is a major step in the ongoing process of marketing and internationalising the 100% natural fruit snacks, which Lotus Bakeries acquired in 2015.

“When we acquired BEAR, we wanted to own the whole supply chain too”, says Isabelle Maes, CEO Natural Foods. “So we’re in control of the whole chain: from buying the ingredients, to marketing the end product. Straight after the acquisition, we began talks with the co-manufacturer in South Africa. At our request, our co-manufacturer is now building a new factory that will only make BEAR products. Once it’s operational, we’ll transfer production and take ownership of it.”

The new factory is situated in one of the largest fruit-growing valleys in the world: the fertile Ceres Valley, where the ingredients for BEAR are freshly picked. “So, it makes sense to stay here”, says Donald Matheson, Operations Director Urban Fresh Foods. “BEAR production is also labour-intensive. It’s made from apple and pear puree, which are gently baked, then cut and rolled. Of the 350 employees who currently do this, almost everyone will move with us to our new production site. So we’re bringing all of our skills and expertise with us.”

Leading employer in the region

Lotus Bakeries will be one of the largest employers in the region, and we’re proud of that. “Unemployment is very high”, says Isabelle. As a leading employer in the region, we can make a difference to the local community. The new factory on the edge of town will be more involved

in the community than the current site, which is in a remote area. So, we’re already building bridges with the locals.”

“The brand is doing well in our home market, the UK, and since 2016 we’ve also expanded internationally”, explains Donald. “The US will probably become the second largest market, and we’re making progress in Europe too—in countries like Belgium and the Netherlands. The factory is being built to have triple our current capacity and on top of this there’s enough land to increase the surface area of the factory too. The gov-

When we acquired BEAR, we wanted to own the whole supply chain too. So we’re in control of the whole chain: from buying the ingredients, to marketing the end product.

Isabelle Maes, CEO Natural Foods



Isabelle Maes, CEO Natural Foods & Donald Matheson, Operations Director Urban Fresh Foods

ernment has already welcomed us enthusiastically as an international investor and sees us as an example for other companies. Because we market a healthy product, employ lots of people and invest in the region.”

Strong partnership

The site will be ready by mid-2019, while the project only started in the spring of 2018. “Of course, it’s not easy managing a project that’s about 12,000 miles away from the Northern Hemisphere”, says Donald. “We have to deal with a different legal system, different building regulations and so on. But all difficulties are overcome by working very closely with our partner, who brings experience and knowledge and also listens to our input.”

Isabelle agrees. “We arrive with our European background, but things are very different there. For example, we take utilities for granted, but in South Africa there’s not always water or electricity. Our co-manufacturer has experience of this and maintains good relations with the local community. We couldn’t have done it without them. After the factory is finished, the current manufacturer will continue to work closely with us for a while. So we continue to guarantee the same quality as before.”

Belief in the potential

It’s clear that Lotus Bakeries believes in the new factory and fully backs BEAR’s potential. “The Natural Foods division is becoming a bigger and bigger part of our business. The size of the investment and the future scale of the factory confirm that we believe in BEAR’s growth”, confirms Donald.

04. LOTUS BISCOFF MAKES STRONG PROGRESS IN THE UK

“This excellent result is down to the dedication of our whole team.”

It is one of Lotus Bakeries’ ambitions to make Lotus Biscoff big outside of Belgium, and in the UK we’ve made excellent progress in doing this. In 2018, we increased our sales by a quarter on our branded portfolio within the retail and out-of-home (OOH), and around 864,000 new households discovered the taste of Lotus Biscoff for the first time. “A fantastic result that’s down to our first nationwide TV commercial in the UK and the hard work of the whole team”, says Country Manager Mark Staniforth.

Lotus Biscoff’s excellent growth figures in the UK did not come out of the blue. The brand has already been on the market there for over 15 years, and has made great progress in the last few years. The UK’s strong sales performance in 2018 comes off the back of a great year in 2017 where overall sales, for instance, rose by 17%. “We’ve increased this by a quarter in 2018”, says Mark. “And we’re really proud of that.”

TV campaign reaches almost 20 million households

Lotus Biscoff’s excellent figures for 2018 are partly due to the fact that, for the first time, the company invested in national TV advertising in the UK. “The commercial—with footballer Eden Hazard as brand ambassador—had a huge impact on our sales following the first wave in February last year”, explains Mark. “On the back of this, our household penetration also increased with 864,000 new households. We reached up to 20 million households who saw the advert at least twice during the whole campaign.” So, investing in TV was clearly a good decision.

Increasing in-store confrontation

Supporting the TV campaign with a fully aligned promotional plan led to a record number of in-store second placements. “Before it was never easy to get second placements with certain retailers, but this year we managed to deliver a record number”, Mark continues. “On top of this we saw the expansion of the Biscoff range within traditional retail, value discounters and the convenience channel. That means we’re delivering growth in all channels in retail. So consumers come across our brand wherever they shop.”

We’re delivering growth in all channels in retail. So consumers come across our brand wherever they shop.



Mark Staniforth , Country Manager UK

We continue to create more memory structures in OOH

On the back of the success in retail, the UK continues to focus on delivering great memory structures within OOH. "Our OOH team continues to deliver good growth on the 1p, which is fantastic given the scale of our OOH channel in the UK", explains Mark. "On top of this, we are also seeing that more and more companies are using Lotus Biscoff spread as an ingredient. This also means that more and more consumers are discovering the unique taste of Lotus Biscoff. "We can't measure the impact of this exactly, but we feel that it's reinforcing our household penetration and is increasing the awareness of the Lotus Biscoff brand."

Teamwork

With these results, Mark is obviously proud of Lotus Biscoff's performance in the UK. "This result is down to the dedication of our whole team in the UK and to the personnel at the head office in Belgium who support us extremely well. We'll continue to forge ahead along the same path in 2019 where we hope to convince even more households to enjoy our brand and to discover more Lotus Biscoff products. It promises to be another exciting year ahead!".

This result is down to the dedication of our whole team in the UK and to the personnel at the head office in Belgium who support us extremely well.

05. NOW HEALTHY SNACKS FOR BABIES, TODDLERS AND PRE-SCHOOLERS TOO

“Responsible and tasty felt like a winning combination to us.”

In 2018, Lotus Bakeries acquired Kiddylicious, an innovative British food company that creates delicious, nutritious snacks for little ones. In the UK, it has built up a tremendous brand awareness and market position in the space of ten years. And now it is also making progress internationally.

It all began about ten years ago when former food scientist and mother of two Sally Preston was looking for responsible snacks for her growing children. “I was looking for something that was healthy and tasty. So, as parents, we could feel good about the choices we were making for our children, and they enjoyed eating the snack”, she begins. Because such a product didn’t appear to exist, she simply developed her own. Today, Kiddylicious offers a wide range of snacks for children aged six months to four years, spanning the various learning stages a child goes through during their development from infant to toddler and pre-schooler.

“But we believe portion control is just as important, so children don’t eat too much”, Sally continues. Each of our products is also nutritionally balanced, giving children something to eat that’s tasty but also responsible: that felt like a winning combination to us.”

Market leader in the UK

The power behind this idea is demonstrated by Kiddylicious’ performance in its home market, the UK. It is currently the second largest player in the market, and the company aims to become the market leader in 2019. Sally attributes this success partly to the loyal group of parents who recommend Kiddylicious to other parents. “Mouth-to-mouth advertising is what’s made us big. There’s also our broad range, through which we

Kiddylicious is the growth driver in the category of baby and toddler snacks in the UK.

Sally Preston, founder Kiddylicious.



Neil Mather, Commercial Director Kiddylicious



Twan Thorn, Managing Director Kiddylicious and Sally Preston, founder of Kiddylicious

take young parents on a journey from a simple wafer for babies from six months to more complex and interesting products for when they're older."

Retailers were also enthusiastic about Kiddylicious, with its strong focus on product innovation. "Since we bring real innovation, we've become the growth driver in the category of baby and toddler snacks in the UK. This means that retailers give us more space on the shelf, and we see our turnover increase", says Sally.

Expansion of Natural Foods

For Lotus Bakeries, the acquisition completes the range of the Natural Foods division. "For us, Kiddylicious was a logical next step following the acquisition of Näkd, TREK and BEAR", adds Managing Director Twan Thorn. "Now we can offer healthy, natural snacks for babies and toddlers too. What's more, we're not just entering a new segment, we're also discovering a new way of working. The experienced and enthusiastic team behind Kiddylicious is really agile and innovative, and that's crucial for success. It's just as crucial that we keep it like this and build

on it day by day. In 2019, we'll be relocating to brand-new offices and recruiting several new employees so we're ready to support all aspects of future growth."

Finally, for Lotus Bakeries, there's also the international growth potential of the brand. "We currently also sell Kiddylicious abroad", adds Neil Mather, Commercial Director. "Over 100 million wafers were sold worldwide in 2018. Lotus Bakeries' strength in Europe and Southeast Asia will give our growth an extra boost. However, a challenging factor is that food regulations vary from country to country. But we're an agile business that can meet the requirements of the various countries quickly and flexibly. That gives us a competitive advantage."

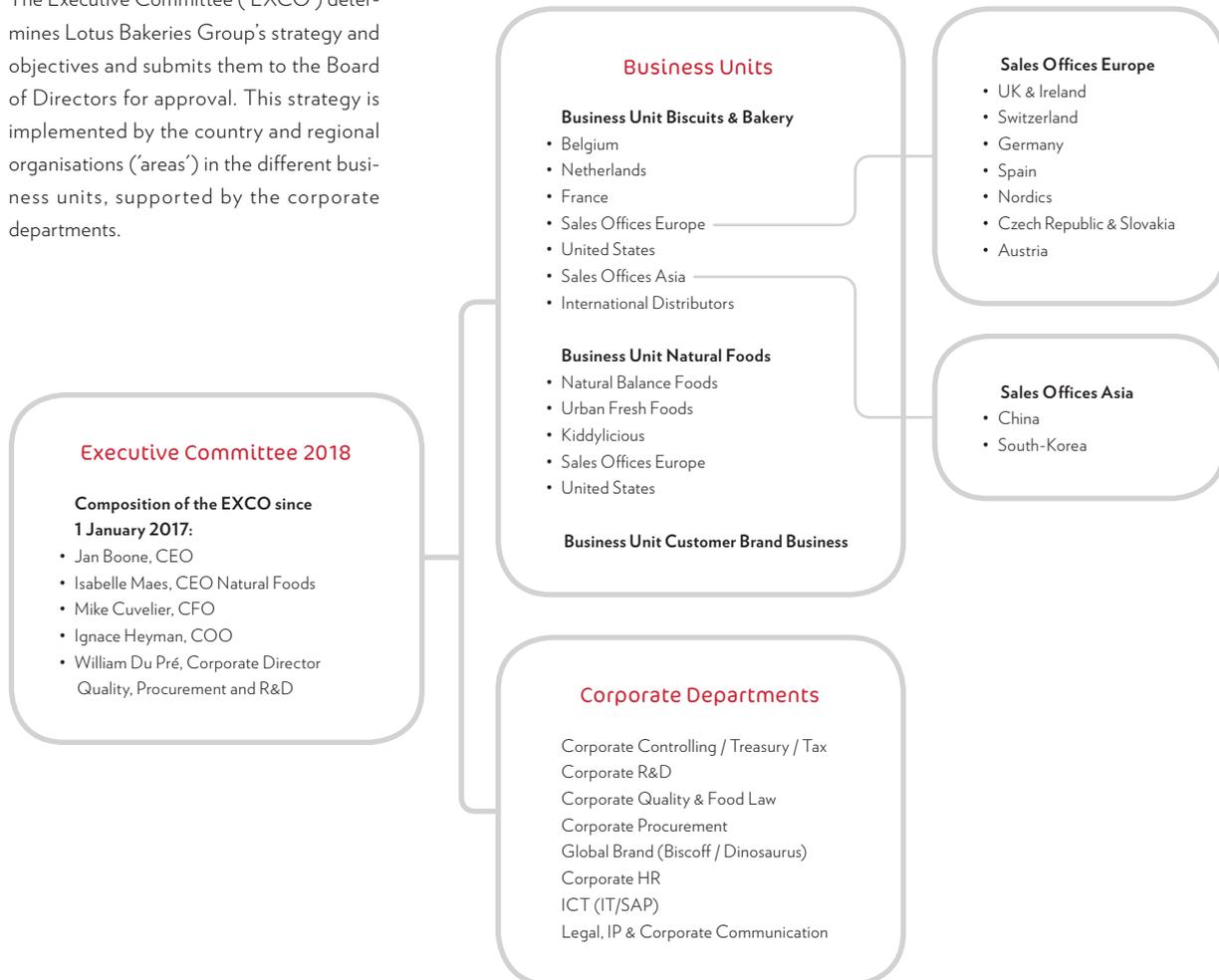


From left to right: Bart Bauwens, Ignace Heyman, Els De Smet, Michelle Singer, Mike Cuvelier, Twan Thorn, Ronald Drieduite, William Du Pré, Isabelle Maes, Paul Hunter, Jan Boone, Leon Broer, Jean-Philippe Kloutz, John Van de Par, Han van Welie

4. ORGANISATION

1. Group structure and day-to-day management

The Executive Committee ('EXCO') determines 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 organisations ('areas') in the different business units, supported by the corporate departments.



Executive Committee 2018

Composition of the EXCO since 1 January 2017:

- Jan Boone, CEO
- Isabelle Maes, CEO Natural Foods
- Mike Cuvelier, CFO
- Ignace Heyman, COO
- William Du Pré, Corporate Director Quality, Procurement and R&D

Business Units

Business Unit Biscuits & Bakery

- Belgium
- Netherlands
- France
- Sales Offices Europe
- United States
- Sales Offices Asia
- International Distributors

Business Unit Natural Foods

- Natural Balance Foods
- Urban Fresh Foods
- Kiddylicious
- Sales Offices Europe
- United States

Business Unit Customer Brand Business

Sales Offices Europe

- UK & Ireland
- Switzerland
- Germany
- Spain
- Nordics
- Czech Republic & Slovakia
- Austria

Sales Offices Asia

- China
- South-Korea

Corporate Departments

- Corporate Controlling / Treasury / Tax
- Corporate R&D
- Corporate Quality & Food Law
- Corporate Procurement
- Global Brand (Biscoff / Dinosaurus)
- Corporate HR
- ICT (IT/SAP)
- Legal, IP & Corporate Communication



Lotus
Since 19...

Lotus 2015

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 CEO Natural Foods within the Lotus Bakeries Group. 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. Between 2014 and 2017, Isabelle fulfilled the role of CFO at Lotus Bakeries Group. So as to be able to dedicate herself fully to the internationalisation and growth of the natural snacking segment, she has fulfilled the role of CEO Natural Foods since September 2017.

Ignace Heyman is COO of Lotus Bakeries Group. 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. 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).

Mike Cuvelier has been CFO of Lotus Bakeries Group since September 2017. Mike began his career in 1996 as an auditor for PwC. Between 2000 and 2013 he fulfilled various controlling roles at Bekaert in the US, Asia and finally Vice President Control Global Business Platforms in Belgium. From 2013 to 2016, Mike was CFO of the Unilin Group, part of Mohawk Industries.

Together with the general managers from the various areas within the business units, the EXCO members form 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 the Group across all business units and areas and report directly to the EXCO.

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

Ignace Heyman - COO

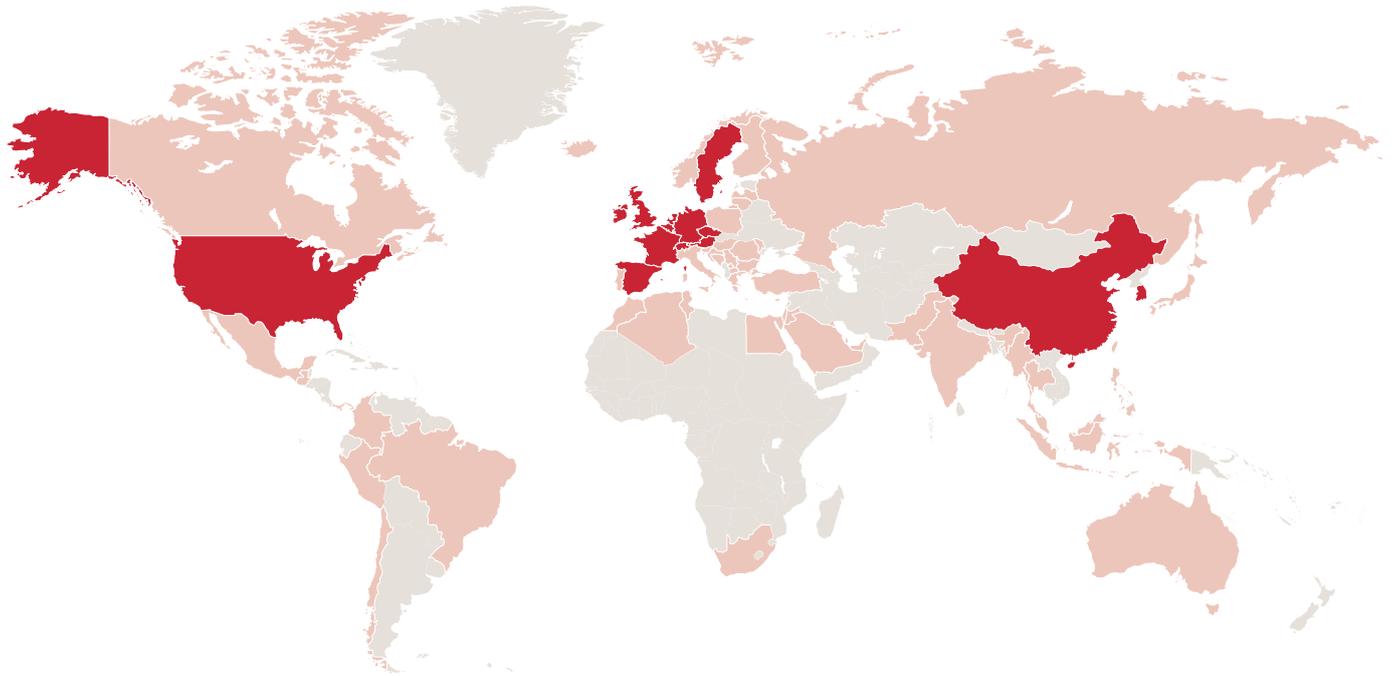
Jan Boone - CEO

Isabelle Maes - CEO Natural Foods

Mike Cuvelier - CFO

2. Sales structure

Lotus Bakeries has a total of twenty Sales Offices in Belgium (3), France, the Netherlands, the UK (4), Spain, Germany, Sweden, Switzerland, the Czech Republic, Austria, the US (2), Hong Kong, China and South Korea.



- Sales Offices
- International Distributors

In about 50 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 Saudi Arabia, Israel, Japan, United Arab Emirates, Kuwait, Italy, Lebanon, Qatar, Jordan and Taiwan.

The business unit 'Natural Foods' combines all of Lotus Bakeries' activities in the natural snacking segment. This business unit covers the Natural Balance Foods, Urban Fresh Foods and Kiddylicious teams as well as the Natural Foods sales teams for Europe and the United States.

3. Production sites

Production for the traditional specialities 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 centralise production processes in specialised plants.

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).

Belgium

Lembeke	Lotus Biscoff, Lotus Biscoff spread and Lotus Dinosaurus
Courcelles	Lotus waffle plant
Oostakker	Lotus cake specialties
Eeklo	Caramelised biscuits, caramelised biscuit spread

France

Briec-de-L'Odét	Breton butter specialties
Comines	Lotus cake specialties and filled waffles

The Netherlands

Enkhuizen	Enkhuizer biscuits and cake specialties
Geldrop	Peijnenburg gingerbread
Sintjohannesga	Peijnenburg gingerbread, Snelle Jelle gingerbread

Sweden

Tyresö	Annas pepparkakor biscuits
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In the third production hall at our factory in Lembeke (Belgium), an extra production line became operational in June 2018, capable of producing different portion packs of Lotus Biscoff.

In 2016, Lotus Bakeries announced the location for the construction of the first Lotus Biscoff manufacturing facility outside Belgium, in Mebane, North Carolina (US). In 2018, the foundation works and the construction of the buildings began. According to the project schedule, the first Lotus Biscoff cookies should roll off the conveyor belt in 2019.

In March 2018, Lotus Bakeries Group came to an agreement with the current co-manufacturer of BEAR to take control of the production process for these natural snacks. This involves building a new plant in Wolseley, South Africa. The building works began in September 2018 with production of the fruit snacks scheduled to start by summer 2019.

4. Personnel

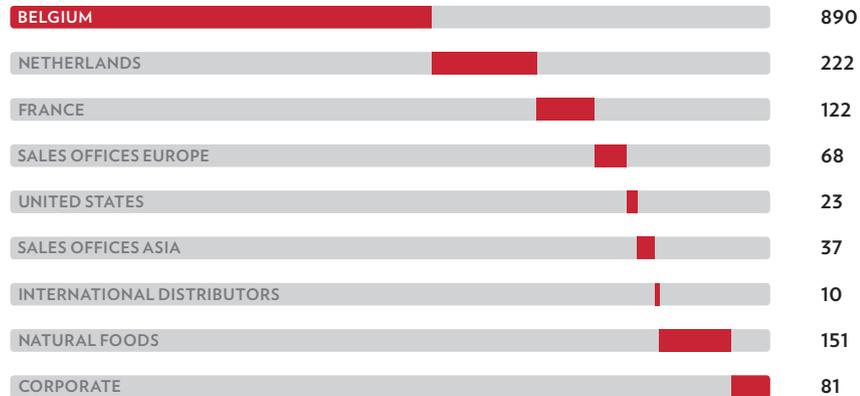
Evolution



The proportion of men and women



Number of employees per area





Michiel's favourite ... Biscoff & Go!

"In 2018, we launched Biscoff & Go in the US and I mainly focused with my team on our sales forecast & alignment with supply partners. It is very rewarding to actually find the product in store now and to see it perform so well. Personally, it quickly became one of my favourite snacks on our family day trips: convenient, tasty for the whole family & easy to share!"

— Michiel Bloemen, Director Finance and Supply Chain US

CHAPTER 2

REPORT OF THE BOARD OF DIRECTORS

1. ACTIVITIES IN 2018

1.1 Market situation and sales results in 2018

General evolution of turnover

In 2018, Lotus Bakeries Group's consolidated turnover increased by EUR 32.4 million to EUR 556.4 million, representing 6.2% growth. The Group achieved growth of 7% at constant exchange rates. This increase is due to organic growth of more than 5% and the acquisition of Kiddylicious, which is included in the consolidation as from August 2018.

This year, the main organic growth, in absolute terms, came from Lotus Biscoff. The internationalisation of Lotus Biscoff and Lotus Biscoff Spread remains a robust growth area. With strong growth in the United States (US), the United Kingdom (UK), China, Spain, the Netherlands and the Czech Republic, the Group increased its penetration in these countries in 2018, leaving plenty of room for further growth in the future. A positive factor here is that, with Lotus Biscoff, we are gradually conquering larger markets such as the US and the UK.

The new packaging design for all Biscoff products was very well received and is now available in stores worldwide. At the same time, the Group continues to innovate within the Biscoff concept. For example, the innovation Biscoff & Go, a Biscoff spread dip, was successfully launched in the test market of the US this year.

Natural snacks also experienced double-digit growth once more this year, with turnover reaching the EUR 100 million mark. The growth is due to a combination of the acquisition of Kiddylicious on the one hand and organic growth in the UK and the new countries on the other. TREK grew strongly once more and has earned its place as a major brand in the portfolio in the last few years. Besides their leading market position in the UK, distribution of Nākd and BEAR in supermarkets in the Netherlands and Belgium was further expanded. Nākd will be supported by a TV commercial for the first time in 2019, in both the UK and Belgium. The launch of BEAR in the US is a success. Distribution via the retail channel there is growing steadily.

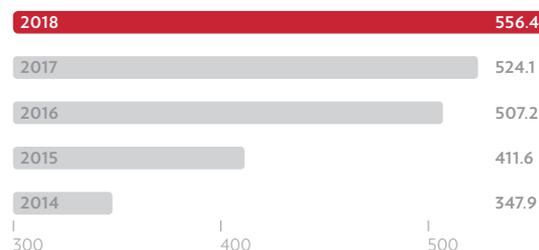
The gingerbread category in the Netherlands has undergone a transition in the last few years, partly through the introduction of Peijnenburg Zero, the no added sugar version. However, the new products were unable to prevent a decline in penetration of the gingerbread category in the Dutch market. Nevertheless, Koninklijke Peijnenburg's market share remained stable. As category captain, Lotus Bakeries aims to reverse the negative trend and bring about growth in the category once more. The management of Koninklijke Peijnenburg is pursuing an integrated plan to achieve this.

In Belgium, Lotus Bakeries continues to gain market share. This is partly due to our focus on local hero products. For instance, new, modern packaging was introduced across the entire cake range, along with several product innovations, such as the successful launches of Tartélice and Mini Dinosaurus. Waffles maintained their growth momentum too.

France experienced strong growth for waffles and Dinosaurus. Media support for waffles and targeted in-store activation for Dinosaurus delivered good results. The efforts to bring profitability more in line with the group are paying off and form a sound basis for future, profitable growth.

Evolution of turnover

(in millions of EUR)



1.2 Main projects and investments

In 2018, Lotus Bakeries invested more than EUR 100 million in the acquisition of Kiddylicious and various CAPEX projects.

As follows an overview of the main projects:

1.2.1 Investment in Biscoff factory in the US in full swing

As announced at the time of the publication of the half-year figures, the investment plan continues to progress very well. The construction of the manufacturing hall was completed during the second half of the year. The utilities are currently being installed to prepare the factory for the installation of the production lines.

The local management team is now at full strength. Integration and training are in full swing.

The factory will go into operation in the second half of 2019. Then, for the first time, Lotus Biscoff will be made outside Lembeke and even on a different continent.

1.2.2 Brand new BEAR factory about to go into operation in South Africa

On 28 March 2018, it was announced that the Lotus Bakeries Group had acquired BEAR's production activities in South Africa from the co-manufacturer, Grassroots. Under the agreement, Grassroots will deliver a brand-new, turnkey production facility by mid-2019. The project team—made up of employees from both Lotus Bakeries and Grassroots—has worked hard during the last few months. Construction is on schedule.

1.2.3 Lotus Biscoff manufacturing facility in Lembeke expanded

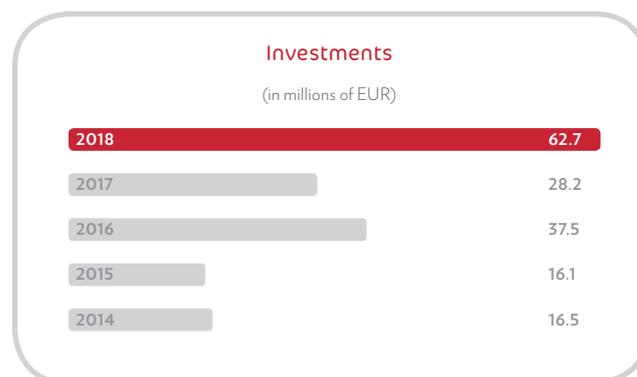
In 2016, a third production hall came into service in Lembeke. In 2018, a second production line started up in that hall. The Lembeke factory has achieved another record: for the first time, output exceeded 50 million kilogrammes. The capacity investments in Lembeke and Mebane (US) are necessary so as to continue to meet the demand for Lotus Biscoff in the future.

1.2.4 Renovation of cake factory in Enkhuizen (Netherlands) finished

In 2017, the first phase of the renovation of the cake factory in Enkhuizen (Netherlands) was completed. Two new warehouses have come into service. In 2018, we also completed the second phase of the upgrade with new, modern offices.

1.2.5 Opening of new office building in Lembeke planned for 2019

The construction of the new offices in Lembeke is on schedule. The facilities will go into service in the second half of 2019.



1.3 Successful acquisition and integration of Kiddylicious into growing Natural Foods business unit

On 26 July 2018, Lotus Bakeries acquired 100% of the shares of Kiddylicious. This innovative British food company creates delicious, nutritious, portion-controlled snacks for growing babies, toddlers and pre-schoolers.

The acquisition is perfectly aligned with Lotus Bakeries' strategic vision, focussed on food and health, and aimed at offering a versatile range of snacks. For every consumption moment and across all target groups. Kiddylicious is an excellent strategic fit with the Natural Foods business unit, into which it has therefore been integrated organisationally.

Kiddylicious was founded by Sally Preston, who still runs the business, together with her husband, Neil Mather, as Commercial Director. Both have continued in their roles following the acquisition, demonstrating just as much drive and passion for the brand and the business. Together with their team, they have laid the foundations for integration within Lotus Bakeries.

Sally Preston and Neil Mather have now decided that they wish to hand over their operational responsibilities. Consequently, Twan Thorn, current Global Brand Director at Lotus Bakeries, has been appointed as the new Managing Director of Kiddylicious, with effect from April 2019. Sally Preston and Neil Mather will remain closely involved as non-executive directors on Kiddylicious' board.

In the second half of the year, Kiddylicious grew in line with the high expectations. The brand has thus confirmed its position and potential to become market leader in the baby snacking category in the UK. Kiddylicious is flourishing internationally as well. The first steps towards further growth have already been taken.

Through the acquisition of Kiddylicious, Lotus Bakeries has once again demonstrated its strength and speed of execution in a competitive acquisition market for such great growth companies. I would like to thank Sally Preston and Neil Mather for the pleasant cooperation and the passion and dedication with which they have handed over their business. I look forward to their continued contribution as non-executives on the Kiddylicious board.

Jan Boone, CEO

2. FINANCIAL INFORMATION

2.1 Profitability and evolution of costs

The recurrent operating result (EUR 95.0 million) and recurrent operating cash flow (EUR 110.3 million) increased by EUR 5.7 million and EUR 6.0 million respectively year on year.

With percentages of 17.1% (REBIT) and 19.8% (REBITDA) respectively compared to turnover, Lotus Bakeries Group confirms once more that solid growth goes hand in hand with stable and high profitability.

The sales teams have been reinforced and expanded to support the international growth of Lotus Biscoff. We have invested strongly in media support and the development of international sales teams for the natural snacking category.

The non-recurrent operating result mainly comprises advice and due diligence costs for the Kiddylicious acquisition, and start-up costs relating to major investment projects such as the factory in the US. This explains why the non-recurrent operating result is EUR -3.0 million this year whereas it was still limited last year.

The financial result of EUR -3.3 million is primarily made up of interest expenses. The difference compared with the previous year is mainly due to negative results for exchange rates on balance sheet positions in foreign currencies (EUR -0.8 million).

The tax expense decreased further to EUR 20.8 million or 23.5% of the result before taxes. The tax expense was reduced compared with the end of 2017 due to the lower rates now applying in Belgium and the US.

The net profit increased by 5% to EUR 67.9 million and stands at 12.2% compared to turnover. The recurrent net result, consisting of the reported net result minus non-recurrent costs, rose by as much as 8.5% to EUR 70.2 million.

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, and exchange rates.

2.2.1 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.

2.2.2 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 "conversion risk".

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 2,066 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 kEUR 2,196.

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	(443)	400
GBP	(1,229)	1,358
CZK	(136)	151
Other	(258)	287
Total	(2,066)	2,196

2.2.3 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 2018, the financial interest-bearing liabilities (kEUR 115,000) were hedged at a variable rate under such agreements.

A change in the Euribor rate by ten basis points in 2018 would have had an impact on interest expenses amounting to approximately kEUR 91.

2.2.4 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, South Korea and China, the Lotus Bakeries Group works on a documentary credit basis or uses credit insurance. 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.

2.2.5 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 the financial supplement of the 2018 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.

2.2.6 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	2018	2017	2016	2015	2014
Days customer credit	45	42	37	45	41
Solvency ratio (%)	48.8	49.1	45.3	38.1	59.5
Net financial debts / REBITDA*	0.87	0.55	0.93	1.98	0.30
Net profitability of equity (%)	19.6	22.0	25.1	21.0	18.3

(*) REBITDA normalised for the impact of acquisitions

2.2.7 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.

2.2.8 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 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 'Vandenbroucke Law'), basically all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans because of the minimum guaranteed return, although it is normally insured by an external insurance company that collects and manages the contributions. This 'Vandenbroucke Law', which came into force in 2004, stipulates that, in the context of a defined contribution plan, 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 were replaced by a single percentage which changes in line with market rates, subject to a minimum of 1.75% and a maximum of 3.75%, which reduces the risk for the employer.

In the Netherlands a defined contribution scheme 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

2.4.1 Innovation and product 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.

2.4.2 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. Lotus Bakeries opts to report on its sustainability programme based on the Sustainable Development Goals (SDG reporting) proposed by the United Nations. You can read the result about the progress so far in the chapter 'Care for Today - Respect for Tomorrow'.

2.5 Significant events after 31 December 2018

No significant events have occurred since 31 December 2018 which have a material impact on the 2018 financial statements.

3. PROSPECTS FOR 2019

Lotus Bakeries continues to focus successfully on its three strategic pillars:

Firstly, there is the continued internationalisation of Biscoff, our main organic growth driver. In 2018, we recorded double-digit growth in major consumer markets such as the US, the UK and China. The construction of the new factory in Mebane (US) comes under the same pillar of internationalisation.

Secondly, there is the investment in and continued growth of a strong healthy snacking business. The acquisition of Kiddylicious forms part of this, as does the organic growth of BEAR, Nākd and TREK in the UK and new countries. There is also the construction of the BEAR factory in South Africa and in addition, we have made the first commercial for Nākd, to be shown in 2019.

Finally, we are building a strong market position for our local heroes in their home markets. We can look back on good growth for waffles in Belgium and France, and the successful introduction of new products such as Tartélice and Mini Dinosaurus. The integrated plan launched to generate growth for gingerbread once more in the Netherlands also comes under this pillar.

The management and the Board of Directors of Lotus Bakeries are convinced that the current strategy is the right one for us to continue to grow in a sustainable and profitable manner in the long term.

We continue to focus closely on our three strategic pillars and this is bringing results. Besides organic growth, the Group remains open to targeted and selective acquisitions in the longer term. We're managing to acquire and integrate successful brands and growth companies such as Kiddylicious and—while preserving their uniqueness—make them even stronger within the Group. Lotus Bakeries will take further significant strides forward in 2019. For example, by starting up two new manufacturing facilities on two new continents: the Biscoff factory in the US, and the BEAR factory in South Africa. As a result, by the end of 2019, the Group will have more than 2,000 employees worldwide. Every one of them an ambassador who joins us in helping Lotus Bakeries develop further.

Jan Boone, CEO

4. RESULTS AND PROPOSAL FOR APPROPRIATION OF RESULTS

Consolidated

The consolidated net profit for 2018 amounted to EUR 67.9 million as compared to 64.6 million EUR in 2017.

Statutory

The 2018 results for the parent company Lotus Bakeries NV are as follows:

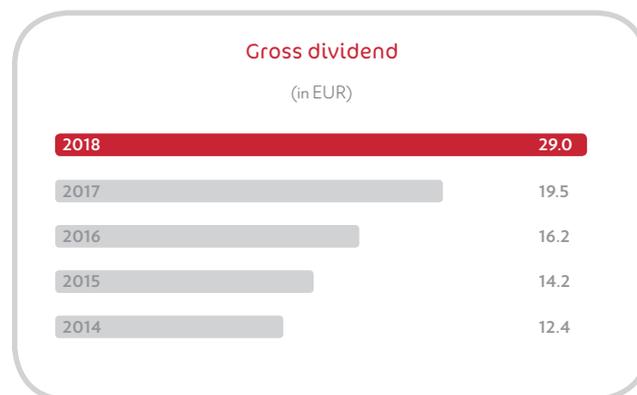
INEUR	
Profit for the financial year	11,454,054.17
Transfer from untaxed reserves	-
Transfer to untaxed reserves	-
Profit for the year available for appropriation	11,454,054.17

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

INEUR	
Allocation to legal reserves	572
Allocation / (Transfer) to other reserves	(12,460,894.83)
Distribution of a gross dividend ⁽¹⁾	23,644,377.00
Distribution of emoluments to directors	250,000.00
TOTAL	11,454,054.17

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

The Board of Directors will propose to the Ordinary General Meeting of Shareholders of 10 May 2019 to pay a gross dividend of EUR 29.0 per share for 2018 compared with EUR 19.5 per share in 2017.



We propose to pay a gross dividend of EUR 29 per share for 2018. This corresponds to one third of the recurrent net profit and gives us the right balance between providing a decent remuneration for shareholders and reinvesting the profit in the business. We believe that it's important to continue to offer Lotus Bakeries Group every opportunity for development in future, so as to be able to fully realise its strategic ambitions.

Jan Boone, CEO

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).

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

5.1.1 Capital

As a result of the exercise of warrants the share capital of Lotus Bakeries NV was increased on 4 April 2018 by EUR 1,320.00 from EUR 3,584,231.65 to EUR 3,585,551.65. This was followed by another increase on 3 October 2018 by EUR 4,400.00. This brought the share capital to EUR 3,589,951.65.

5.1.2 Shares

Through the exercise of warrants and subsequent capital increases, new shares of Lotus Bakeries NV were issued: 300 on 4 April 2018 and 1,000 on 3 October 2018.

As a result, the total number of shares of Lotus Bakeries increased from 814,433 to 814,733 and subsequently to 815,733.

As of 31 December 2018, there were 815,733 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, 1,179 share options were issued in 2018. As at 31 December 2018 the total number of unexercised share options was 9,718.

YEAR OF ISSUE OF THE OPTIONS	NUMBER OF ALLOCATED OPTIONS ⁽¹⁾	NUMBER OF OPTIONS EXERCISED ⁽²⁾	TOTAL OF AVAILABLE OPTIONS
2013	3,998	(3,998)	-
2014	5,358	(4,239)	1,119
2015	3,367	-	3,367
2016	2,367	-	2,367
2017	1,726	-	1,726
2018	1,139	-	1,139

(1) 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 24 of the financial supplement.

5.1.5 Purchase of treasury shares

The Extraordinary General Meeting of 15 May 2018 authorised 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 authorisation also applies 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 2018, 80 treasury shares were purchased. The total number of purchased treasury shares in the portfolio at the end of the financial year is 9,740. They represent an accounting par value of EUR 42,856.00 or 1.19% 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.

5.2 Shareholders and shareholders structure

The shareholding structure of Lotus Bakeries NV on 31 December 2018:

	NO. OF VOTING RIGHTS	% OF VOTING RIGHTS
Stichting Administratiekantoor van Aandelen Lotus Bakeries ⁽¹⁾	455,417	55.83%
Lotus Bakeries NV ⁽²⁾	9,740	1.19%
Publicly held ⁽³⁾	350,576	42.98%
Total	815,733	100.00%

(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 notifications to Lotus Bakeries NV of the certification of Lotus Bakeries shares in July 2014 and in April 2018.

(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) Under publicly held shares, 27,000 shares (3.31%) are held by Holding Biloba BVBA and 20,298 shares (2.49%) by Christavest Comm.VA (controlled by Holding Biloba BVBA). 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 15 May 2018:

Chairman:

Vasticom BVBA, represented by its permanent representative Jan Vander Stichele

Current term of office ends: 2021 General Meeting

Managing director:

Mercur Consult BVBA, represented by its permanent representative Jan Boone

Current term of office ends: 2021 General Meeting

Non-executive directors:

- Beneconsult BVBA, represented by its permanent representative Benedikte Boone
Current term of office ends: 2020 General Meeting
- PMF NV, represented by its permanent representative Johan Boone
Current term of office ends: 2021 General Meeting
- Concellent NV, represented by its permanent representative Sofie Boone
Current term of office ends: 2020 General Meeting
- Anton Stevens
Current term of office ends: 2021 General Meeting

Independent directors:

- Peter Bossaert
Current term of office ends: 2021 General Meeting
- Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich
Current term of office ends: 2021 General Meeting
- Lema NV, represented by its permanent representative, Michel Moortgat
Current term of office ends: 2022 General Meeting
- Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert
Current term of office ends: 2019 General Meeting

Secretary:

- Brechtje Haan

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
-

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 Club Brugge
 - President of the Board of Directors of Animal Care, a listed company in the veterinary sector
-

Johan Boone Non-executive director

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

Sofie Boone Non-executive director

- Master's degree in Pharmaceutical Sciences (KU Leuven), postgraduate degree in Business Economics (Vlekho) and Business Management for pharmacists (Vlerick Business School)
 - 1996 – 2001: deputy pharmacist and titular pharmacist.
 - Since 2002, owner and titular pharmacist of Boone pharmacy in Tervuren
 - Since 1999, active as volunteer departmental pharmacist at the Red Cross Tervuren
 - Member of the Board of Directors at Lotus Bakeries since 2016
-

Peter Bossaert Independent director

- Commercial engineer (University of Antwerp)
 - 1989 - 1997: various marketing and sales roles at Unilever and Campina
 - Between 1989 and 2018 active at Medialaan, from 2012 as CEO
 - Member of the Board of Directors at Lotus Bakeries since 2017
 - Since 2018 CEO at KBVB
-

Benoit Graulich Independent director

- Master's degrees in Law, Business and Finance (KU Leuven)
- Began his professional career at PwC and then at Paribas Bank/ Artesia Bank. In 2000 he became a partner at EY. Currently he is a managing partner at Bencis Capital Partners
- Various directorships at Van de Velde, among other companies
- Member of the Board of Directors at Lotus Bakeries since 2009

Michel Moortgat Independent director

- Master's degree in Business and Finance (Ichech Brussels) and MBA (Vlerick Business School)
 - Since 1991, active at Duvel Moortgat and since 1998 as CEO
 - Member of the Board of Directors at Lotus Bakeries since 2018
-

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 positions in the Benelux at CBR cement companies and at AB InBev, amongst others as Business Unit President Belux. Subsequently, she led the Dental Division at Arseus
- Since 2011, employed by Cargill as General Manager Malt business Europe. As of 2015, Global Managing Director Malt Business and since June 2018, Managing director Oils and Seeds Emea
- Member of the Board of Directors at Lotus Bakeries since 2011

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
-

Jan Vander Stichele Chairman of the Board of Directors

- 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 between 2011 and 2016 as Executive Director
- Since 2005, member of the Board of Directors at Lotus Bakeries
- Chairman of the Board of Directors at Fevia

Since May of the 2018 financial year, the Board of Directors has been composed of the above directors. For the composition of the Board of Directors in the first four months of 2018, please refer to the annual review of the 2017 financial year.

In the selection of candidates for the Board of Directors by the current members of the Board of Directors, prior to the proposal of a new director to the General Shareholders Meeting, skills, competencies and diversity are paramount. Lotus Bakeries is conscious that it must ensure the presence of a critical Board of Directors, with specialist knowledge of the various areas relevant to Lotus Bakeries. Certain diversity criteria are imposed by law and are naturally adopted by Lotus Bakeries, including the number of independent directors and the number of directors of a different gender. In this respect, Lotus Bakeries declares that, with the aforementioned composition, it complies with the requirement for at least one third of directors to be of a different gender than that of the other members. The aforementioned obligation is contained in Art. 518bis, §1 of the Companies Code. It also wishes to point out in this connection that the abovementioned independent directors fulfil the independence criteria of Article 526-ter of the Companies Code. Besides these diversity criteria enshrined in law, Lotus Bakeries also aims for diversity in knowledge and experience and, when selecting candidates, performs a thorough assessment based on competencies which would additionally benefit the company in view of the existing competencies among the members of the Board of Directors. The results of this policy are illustrated in the CVs described above.

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 2018. All directors were present at all meetings.

The subjects dealt with at the meetings were:

- financial results
- sales results
- results at 31/12 and 30/06 and proposed press release
- investment budget and global budget
- media investments
- clarification of the year action plans of the different countries
- price developments in various countries
- status update on new factory in the United States
- integration of BEAR production activities and status updates for new factory in South Africa
- acquisition of Kiddylicious
- evolution of prices of raw materials and packaging
- product developments and innovations
- reports and recommendations from Committees
- agenda for Annual Shareholders meeting
- initiatives in the area of CSR

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

In the course of 2018, 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.

5.3.2 Audit Committee

The Audit Committee consists of two independent directors and one non-executive director. The two independent directors are Lema NV, represented by its permanent representative Michel Moortgat (Chairman) and Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich. The non-executive director is Vasticom BVBA, represented by its permanent representative Jan Vander Stichele. All members have accounting and audit experience.

The Audit Committee met three times in 2018 and all members were present at all meetings. The Auditor participated in all three meetings, at which he presented his findings to the Audit Committee.

The subjects examined were:

- non-audit services and independence requirements of the Statutory Auditor
- risk management
- 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 Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert (Chairman) and Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich. The non-executive director is Vasticom BVBA, represented by its permanent representative Jan Vander Stichele. All members have both HR management and remuneration policy experience. The Committee met twice in 2018, with all members present.

The subjects examined were:

- remuneration Executive Committee
- remuneration policy and its application
- changes in the composition and nomination of a new member of the Board of Directors

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 optimise 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 Nomination 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

Composition of the Executive Committee since 1 September 2017:

- Jan Boone, permanent representative of Mercur Consult BVBA, CEO
- Isabelle Maes, permanent representative of Valseba BVBA, CEO Natural Foods
- Mike Cuvelier, permanent representative of Cumaco BVBA, CFO
- Ignace Heyman, COO
- William Du Pré, Corporate Director Quality, Procurement and R&D

The members of the Executive Committee are appointed by the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee selects on the basis of knowledge, competencies, experience, background and skills and aims for diversity in these areas so as to have all knowledge in house to manage Lotus Bakeries with a team specialising in all relevant areas. Within the Executive Committee, there is currently a good balance between members with a financial background and members with a marketing and/or sales background. A good proportion of members with a long history in the company and members with a fresh view of matters is also ensured.

The Executive Committee met twenty-five times in 2018. All members were present at all meetings.

5.5 Remuneration report

5.5.1 Introduction

The purpose of the 2018 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 10 May 2019 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 13 May 2011, 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 in order to realise 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 by the Board of Directors 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. The services of an international HR consultancy are also called upon in this regard. They propose the job weighting and the corresponding salary package as commonly awarded in the relevant market.

5.5.3 Statement on remuneration policy applied in 2018

5.5.3.1 Non-executive and executive directors

Policy criteria

The non-executive directors receive a remuneration as indicated in the table on the opposite page, 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 in order to realise 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 Committee and Remuneration and Nomination Committee receives a fee of EUR 5,000 a year.

No other compensation is provided to non-executive directors, such as performance bonuses in cash, shares or options. The table on the opposite page shows the remuneration awarded for 2018 to each member of the Board of Directors.

NAME	BOARD OF DIRECTORS	AUDIT COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE	TOTAL REMUNERATION 2018
Vasticom BVBA, represented by its permanent representative Jan Vander Stichele	Chairman	Member	Member	50,000 EUR
Mercuur Consult BVBA, represented by its permanent representative Jan Boone	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
Beneconsult BVBA, represented by its permanent representative Benedikte Boone	Non-executive Director	-	-	20,000 EUR
Concellent NV, represented by its permanent representative Sofie Boone	Non-executive Director	-	-	20,000 EUR
Peter Bossaert	Independent Director	-	-	20,000 EUR
Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich	Independent Director	Member	Member	30,000 EUR
Lema NV, represented by its permanent representative, Michel Moortgat	Independent Director	Chairman	-	25,000 EUR
Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert	Independent Director	-	Chairman	25,000 EUR

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

The Chairman receives an additional compensation of EUR 100,000 for representing the company with respect to interest groups.

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 2018 are the main performance indicators based on the objectives for 2018. 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.

Apart from this, there is also a stock option plan in place 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 2018 were presented to the Remuneration and Nomination Committee. The evaluation criteria used to determine the variable compensation in 2018 are the main performance indicators based on the objectives for 2018. The evaluation period for this 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.

Objectives for the 2017-2019 period were decided upon and 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.

5.5.5 CEO's remuneration in 2018

The CEO is paid on a self-employed basis and via a number of directorships. The remunerations mentioned are expressed as cost for the company.

The cost of the fixed basic salary in 2018 amounts to EUR 775,862. The variable portion based on the 2018 targets amounts to EUR 514,823 and will be paid in 2018. The contributions to the pension scheme amount to EUR 123,760. Other components of the remuneration amount to EUR 43,064. There is no recovery provision. Evaluation of the performance is based on the audited results.

5.5.6 Remuneration of executive managers in 2018 (excluding CEO)

In 2018, three members of the EXCO were paid on a self-employed basis and via 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 on a self-employed basis, the full cost is given.

The remuneration for all executive managers together on a full year's basis, are the following for 2018.

The fixed annual salary in 2018 amounts to EUR 1,354,297. The variable portion based on the 2018 targets amounts to EUR 680,345 and will be paid in 2018. The contributions to the pension scheme amount to EUR 211,444. Other components of the remuneration amount to EUR 111,433. There is no recovery provision. Evaluation of the performance is based on the audited results.

5.5.7 Arrangements for the Executive Committee as a whole

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

5.5.8 Share-based compensation

5.5.8.1 Allocations in 2018

In 2018, share options relating to the financial year 2017 were granted to members of the former Executive Committee.

NAME	YEAR OF ALLOCATION	NUMBER OF OPTIONS	EXERCISE PRICE
Jan Boone	2018	255	2,373 EUR
William Du Pré	2018	128	2,373 EUR
Ignace Heyman	2018	128	2,373 EUR
Isabelle Maes	2018	128	2,373 EUR
Mike Cuvelier	2018	128	2,373 EUR

5.5.8.2 Exercise of stock options and/or warrants in 2018

The members of the Executive Committee have exercised the following share options or warrants in 2018:

DATE	NAME	TRANSACTION	AMOUNT	PRICE	TOT. VALUE
10/04/2018	William Du Pré	Exerc. options	112	650.31 EUR	72,834.72 EUR
10/04/2018	William Du Pré	Exerc. options	196	802.55 EUR	157,299.80 EUR
18/04/2018	Jan Boone	Exerc. options	500	650.31 EUR	325,155.00 EUR
20/08/2018	Ignace Heyman	Exerc. options	135	802.55 EUR	108,405.00 EUR

In 2018 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 compensated on a self-employed basis and via directorships are entitled to severance pay equal to 12 months' fixed and variable remuneration. The other member of the Executive Committee is bound by a salaried employee contract. In 2018 no severance pay was paid to members of the Executive Committee.

5.6 Internal code of conduct

Respect for and promotion of human rights and the fight against bribery and corruption are self-evident at Lotus Bakeries. It is no coincidence that the corporate culture of Lotus Bakeries is expressed in the TOP values of 'team spirit', 'open dialogue' and 'passion'. The management of Lotus Bakeries emphasizes these values based on respect for fellow human beings, transparency, togetherness and the purity of pleasure in our work. The focus lies on upholding these values in our own organisation. We also focus on the activities of our suppliers of raw materials and packaging materials and co-manufacturers. Since 2012, Lotus Bakeries has summarised its internal code of conduct in the 'Code of Conduct', which is regularly reviewed in the light of changed circumstances. In this document, employees are reminded that bribery is unacceptable in our company, that employees must not accept any personal gifts or favours irrespective of material or commercial value except for small gifts in line with generally accepted commercial practice and that any form of inappropriate, unethical or illegal behaviour is absolutely forbidden. Armed with this code of conduct, Lotus Bakeries intends to ensure uniform respect for the above principles. In view of the increased risk of bribery in both China and South Korea, the ban on bribery and a strict gift and entertainment policy is included in the contract of employment and/or employee handbook in both countries.

The result of all this is that compliance with the law and ethical standards, respect for one another, open dialogue, collaboration, focus on training and development are not empty concepts in our company. The members of the Executive Committee and senior management who have determined these values display this corporate culture. This corporate culture is applied daily by our employees. We are therefore not aware of any case of fraud, bribery or unethical behaviour in 2018. Hence there is no need for key performance indicators in this area at present.

5.7 Internal control and risk management

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

5.7.1 Control environment

The organisation 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 organisation.

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.

5.7.2 Risk management process

Lotus Bakeries implemented an ongoing process of risk management aimed at ensuring that this is organised 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 total responsibility for the risk management process for Lotus Bakeries. The Corporate Director Quality, Procurement and R&D is responsible for coordination. The Executive Committee has defined special risks which are considered to be the most important at group level. These risks, which are defined very specifically, are tackled with the highest priority. A process owner is appointed for each of these risks who puts in place a specific action plan to avert or mitigate the risks or be as well prepared as possible. The process owner is also responsible for following up the specified actions. This top-down approach was proposed and approved at the meeting of the Audit Committee on 2 December 2016. The results will be reported to the Audit Committee on an annual basis.

5.7.3 Control activities

Each month the results of each area within the business units 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 operations, 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 organised 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.

5.7.4 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 authorisation management on a centralised basis. As mentioned above, the results of each area within the business units 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.

5.7.5 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 are asked to constantly question and improve existing procedures and practices based on the Lotus competencies.

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).

5.8 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 authorised by the Extraordinary General Meeting of Shareholders of 15 May 2018, in the event of a public takeover bid on the shares of the company, and by application of the authorised 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 15 May 2018.
2. By resolution of the Extraordinary General Meeting of Shareholders of 15 May 2018 the Board of Directors is authorised, 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 authorisation is granted for a period of three years from 15 May 2018 and is renewable.

5.9 External audit

PwC Bedrijfsrevisoren CVBA, represented by Mr. Peter Opsomer, 'bedrijfsrevisor', was reappointed as Auditor of Lotus Bakeries NV on 13 May 2016 by the Ordinary General Meeting for a term of three years. Its mandate expires immediately after the Ordinary General Meeting of 2019. The compensation received in 2018 for auditing and non-auditing services by PwC Bedrijfsrevisoren and by people connected to PwC Bedrijfsrevisoren, is described in note 38 of the financial supplement.

AUDIT FEE FOR THE GROUP AUDIT 2018	<small>IN THOUSANDS OF EUR</small>
Lotus Bakeries NV	80
Lotus Bakeries Group	322
Total	402



Claes' favourite ... Annas!

"If I have to choose my favorite cookie I have to stick to Annas original ginger thins. I am a friend of traditions and the experience every time you consume one of those crispy biscuits with the cinnamon and cloves start and the ginger finish, it's great. Working in the factory, one of the great advantages is that you have to taste on a daily basis for quality control reasons."

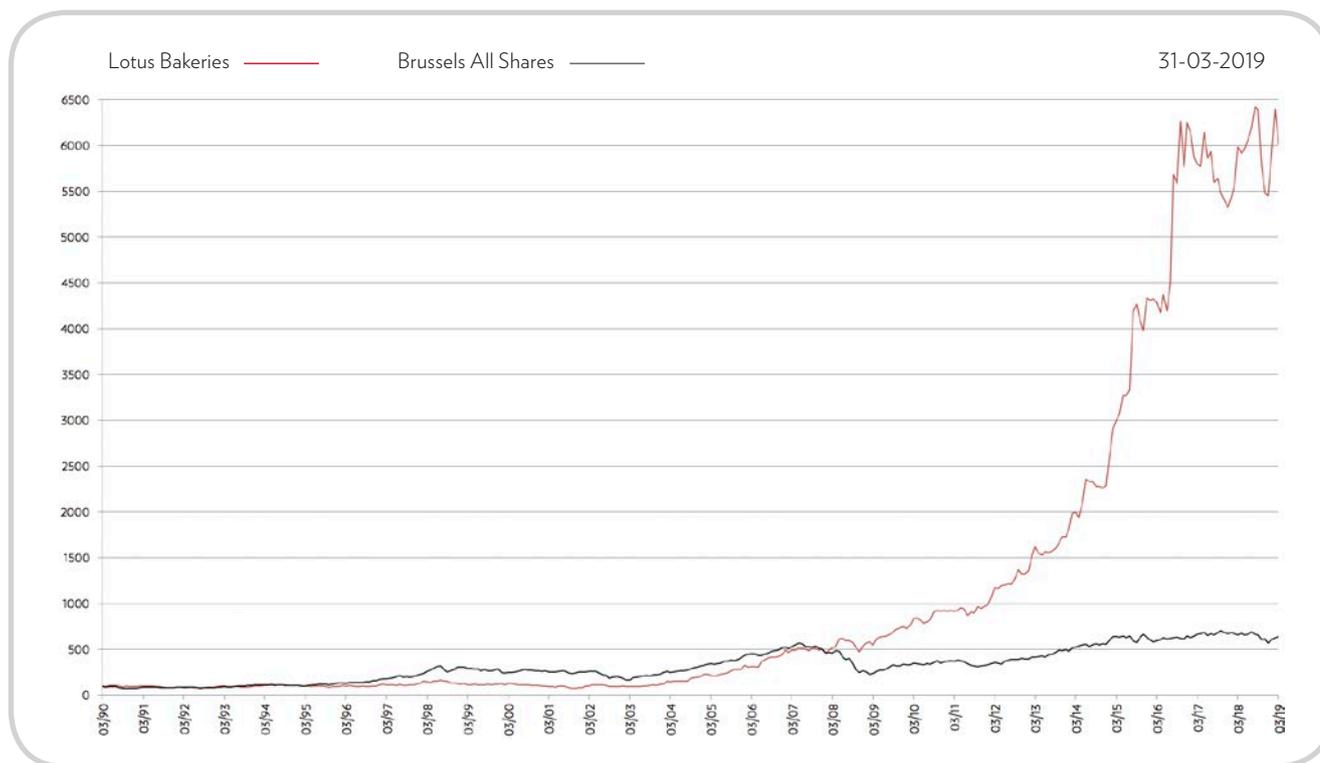
— Claes Bergsten, Plant Manager Sweden



CHAPTER 3

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.

STOCK DATA ABOUT THE LOTUS BAKERIES SHARE IN EUR

	31-03-2019	2018	2017	2016	2015	2014
Highest price till 31/12 (till 31/03 in 2019)	2.640.00	2.690.00	2.529.00	2.617.95	1.845.00	989.95
Lowest price till 31/12 (till 31/03 in 2019)	2.080.00	2.010.00	2.025.00	1.550.00	926.10	711.00
Price per 31/12 (per 31/03 in 2019)	2.370.00	2.150.00	2.116.95	2.500.00	1.750.00	933.00
Market capitalization per 31/12 in millions of EUR (per 31/03 in 2019 in millions of EUR)	1.933.29	1.753.83	1.724.11	2.031.28	1.420.76	749.21
Number of shares per 31/12 (per 31/03 in 2019)	815,733	815,733	814,433	812,513	811,863	803,013
Ratio price/earning (PER) (1) per 31/12 (per 31/03 in 2019)	28.89	26.21	27.13	33.17	31.29	20.37

⁽¹⁾ PER: Price Earnings Ratio: The price at the end of the year (per 31 March in 2019 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 capitalisation

On 31 December 2018, market capitalisation of Lotus Bakeries amounted to EUR 1,753.83 million.

5. Evolution of the Lotus Bakeries share

The graph on the previous page 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 16-19 and 96 of this annual review.

7. Corporate website

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

8. Financial calendar

Wednesday 10 April 2019

Annual review 2018 available on www.lotusbakeries.com

Friday 10 May 2019

Ordinary General Meeting of Shareholders at 4.30 PM

Friday 25 May 2019

Payment of dividend for the 2018 financial year

Monday 19 August 2019

Announcement of the half-year results for 2019

Monday 10 February 2020

Announcement of the year results for 2019

9. Annual review

This annual review is also available on the internet site: 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.



Caroliens favourite ... Bear Yoyos!

“Bear Yoyos is a fantastic product: delicious, healthy and it scores 10 out of 10 for fun factor. My children are already fans! So, they’re now real ambassadors. With the postcards, they take their friends along with them into the world of BEAR and introduce them to the delicious fruit rolls! I’m really proud to be able to develop a brand like BEAR in Belgium.”

— Carolien De Vriese, Sales Director Belgium

CHAPTER 4

FINANCIAL STATEMENTS

In this section of the 2018 annual review, only the consolidated balance sheet, the consolidated income statement and the abridged 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 2018 shown, are based on the 2018 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 2017.

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 (Investor Relations) or can be obtained for free from the Corporate Secretary of Lotus Bakeries on simple request.

The Auditor has issued an 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	31-12-2018	31-12-2017
ASSETS		
NON CURRENT ASSETS	545,647	447,693
Property, plant and equipment	219,897	174,426
Goodwill	177,639	141,001
Intangible assets	138,887	123,924
Participations	2,448	-
Investment in other companies	12	12
Deferred tax assets	3,936	4,310
Other non current assets	2,828	4,020
CURRENT ASSETS	165,925	149,801
Inventories	39,066	33,653
Trade receivables	71,097	60,104
VAT receivables	4,503	4,789
Income tax receivables	523	484
Other amounts receivable	2,993	1,487
Cash and cash equivalents	45,597	48,129
Deferred charges and accrued income	2,146	1,155
TOTAL ASSETS	711,572	597,494

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
EQUITY		
EQUITY AND LIABILITIES	346,927	293,213
Share Capital	16,319	15,999
Retained earnings	369,114	316,954
Treasury shares	(11,406)	(13,919)
Other reserves	(27,156)	(25,877)
Non-controlling interests	56	56
NON-CURRENT LIABILITIES	198,042	193,923
Interest-bearing loans and borrowings	116,500	117,500
Deferred tax liabilities	52,725	49,206
Pension liabilities	3,519	3,846
Provisions	377	414
Derivative financial instruments	2,319	1,970
Other non-current liabilities	22,602	20,987
CURRENT LIABILITIES	166,603	110,358
Interest-bearing loans and borrowings	36,655	1,750
Pension liabilities	234	152
Provisions	21	21
Trade payables	86,794	68,542
Employee benefit expenses and social security	21,330	18,383
VAT payables	300	119
Tax payables	14,761	16,464
Derivative financial instruments	-	1
Other current liabilities	3,102	1,662
Accrued charges and deferred income	3,406	3,264
TOTAL EQUITY AND LIABILITIES	711,572	597,494

CONSOLIDATED INCOME STATEMENT

IN THOUSANDS OF EUR	2018	2017
TURNOVER	556,435	524,055
Raw materials, consumables and goods for resale	(184,804)	(171,494)
Services and other goods	(150,732)	(145,568)
Employee benefit expense	(111,977)	(105,580)
Depreciation and amortisation on intangible and tangible assets	(12,942)	(12,105)
Impairment on inventories, contracts in progress and trade debtors	(1,706)	(2,198)
Other operating charges	(2,123)	(3,168)
Other operating income	2,879	5,407
RECURRENT OPERATING RESULT (REBIT)⁽¹⁾	95,030	89,349
Non-recurrent operating result	(3,005)	(91)
OPERATING RESULT (EBIT)⁽²⁾	92,025	89,258
Financial result	(3,324)	(2,228)
Interest income (cost)	(2,435)	(2,096)
Currency gains (loss)	(596)	175
Other financial income (cost)	(293)	(307)
PROFIT FOR THE YEAR BEFORE TAXES	88,701	87,030
Taxes	(20,829)	(22,397)
RESULT AFTER TAXES	67,872	64,633
NET RESULT	67,872	64,633
Attributable to:		
Non-controlling interests	964	1,094
Equity holders of Lotus Bakeries	66,908	63,539

(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.

IN THOUSANDS OF EUR	2018	2017
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit and loss	(1,726)	(2,727)
Currency translation differences	(587)	(5,989)
Gain / (Loss) on cash flow hedges, net of tax	(1,139)	3,262
Items that will not be reclassified to profit and loss	276	(757)
Remeasurement gains / (losses) on defined benefit plans	276	(757)
Other comprehensive income	(1,450)	(3,484)
Total comprehensive income	66,422	61,149
Attributable to:		
Non-controlling interests	793	449
Equity holders of Lotus Bakeries	65,629	60,700
EARNINGS PER SHARE (EUR)		
Weighted average number of shares	803,878	799,423
Basic earnings per share (EUR) - attributable to:		
Non-controlling interests	1.20	1.57
Equity holders of Lotus Bakeries	83.23	79.48
Weighted average number of shares after effect of dilution	808,813	808,735
Diluted earnings per share (EUR) - attributable to:		
Non-controlling interests	1.19	1.35
Equity holders of Lotus Bakeries	82.72	78.57
Total number of shares ⁽¹⁾	815,733	814,433
Earnings per share (EUR) - attributable to:		
Non-controlling interests	1.18	1.34
Equity holders of Lotus Bakeries	82.02	78.02

(1) Total number of shares including treasury shares, per 31 December.

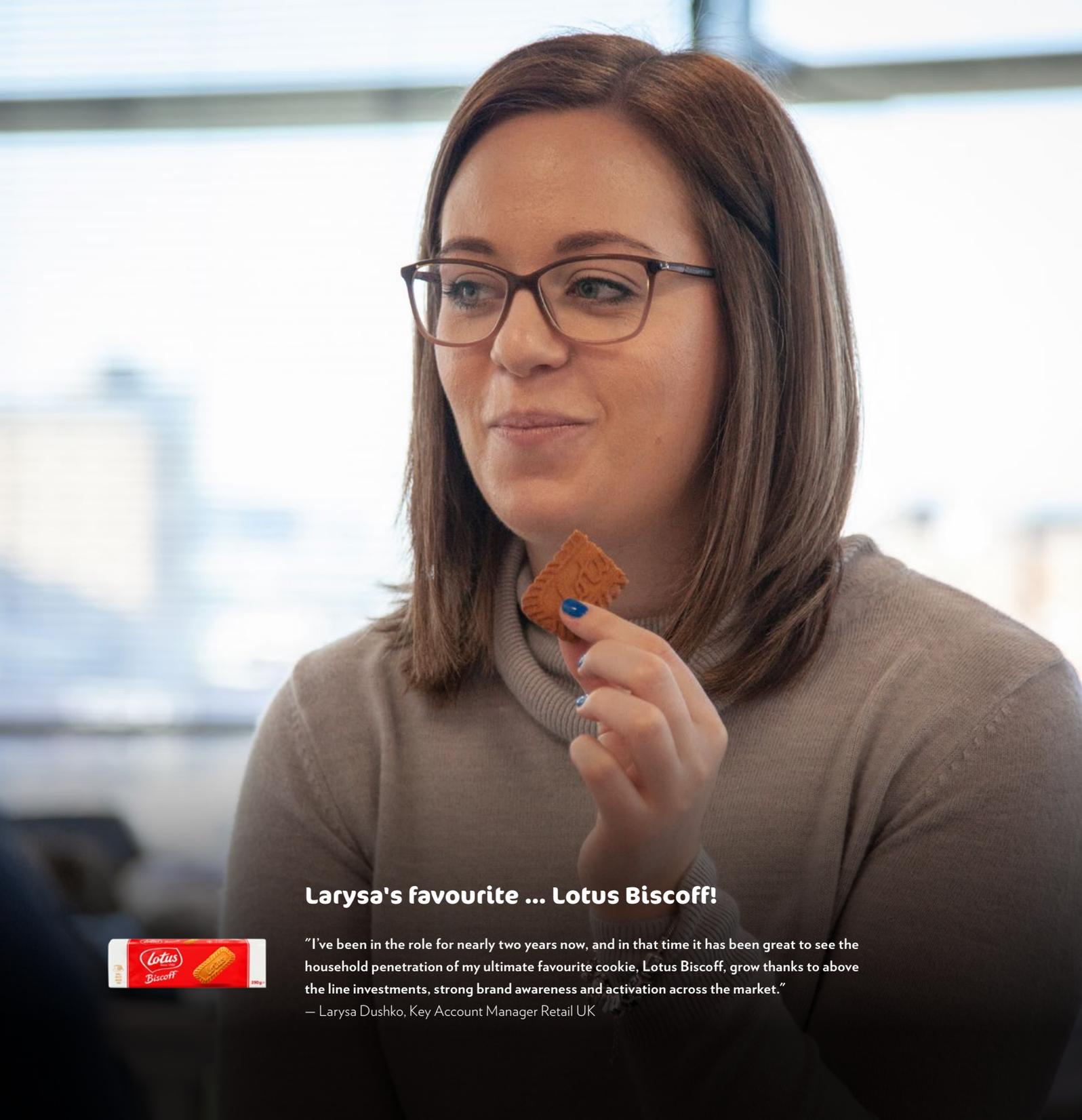
ABRIDGED FIVE YEAR FINANCIAL SUMMARY

Consolidated balance sheet

IN THOUSANDS OF EUR	31-12-2018	31-12-2017	31-12-2016	31-12-2015	31-12-2014
NON CURRENT ASSETS	545,647	447,693	437,310	442,884	263,881
Property, plant and equipment	219,897	174,426	161,590	139,377	137,569
Goodwill	177,639	141,001	144,368	93,229	46,135
Intangible assets	138,887	123,924	126,006	107,901	74,674
Participating interests	2,488	-	-	-	-
Investment in other companies	12	12	37	96,244	22
Deferred tax assets	3,936	4,310	4,854	5,889	5,275
Other non current assets	2,828	4,020	455	244	206
CURRENT ASSETS	165,925	149,801	110,692	128,337	73,108
Inventories	39,066	33,653	32,175	35,659	17,898
Trade receivables	71,097	60,104	50,922	56,143	38,804
Cash and cash equivalents	45,597	48,129	19,932	18,547	11,855
TOTAL ASSETS	711,572	597,494	548,002	571,221	336,989
EQUITY	346,927	293,213	248,464	217,525	200,629
Non-current liabilities	198,042	193,923	197,245	169,242	39,506
Interest-bearing loans and borrowings	116,500	117,500	118,500	97,000	325
Deferred tax liabilities	52,725	49,206	50,666	44,607	34,905
Other non-current liabilities	22,602	20,987	19,560	22,815	57
Current liabilities	166,603	110,358	102,293	184,454	96,854
Interest-bearing loans and borrowings	36,655	1,750	7,533	99,086	41,144
Trade payables	86,794	68,542	54,742	42,498	33,309
Employee benefit expenses and social security	21,350	18,383	18,418	18,336	12,357
TOTAL EQUITY AND LIABILITIES	711,572	597,494	548,002	571,221	336,989

Consolidated income statement

IN THOUSANDS OF EUR	2018	2017	2016	2015	2014
TURNOVER	556,435	524,055	507,208	411,576	347,890
RECURRENT OPERATING RESULT (REBIT)	95,030	89,349	83,945	64,764	49,433
Non-recurrent operating result	(3,005)	(91)	4,507	(1,748)	(261)
OPERATING RESULT (EBIT)	92,025	89,258	88,452	63,016	49,172
Financial result	(3,324)	(2,228)	(2,675)	(778)	16
PROFIT FOR THE YEAR BEFORE TAXES	88,701	87,030	85,777	62,238	49,188
Taxes	(20,829)	(22,397)	(23,322)	(16,623)	(12,415)
RESULT AFTER TAXES	67,872	64,633	62,455	45,615	36,773
NET RESULT - attributable to:	67,872	64,633	62,455	45,615	36,773
Non-controlling interests	964	1,094	1,210	202	(2)
Equity holders of Lotus Bakeries	66,908	63,539	61,245	45,413	36,775



Larysa's favourite ... Lotus Biscoff!



"I've been in the role for nearly two years now, and in that time it has been great to see the household penetration of my ultimate favourite cookie, Lotus Biscoff, grow thanks to above the line investments, strong brand awareness and activation across the market."

— Larysa Dushko, Key Account Manager Retail UK

CHAPTER 5

CORPORATE SOCIAL RESPONSIBILITY

It was not by chance that founder Jan Boone named his company Lotus in 1932. It was a reference to the purity of the lotus flower. Right from the start, the recipe for Lotus Biscoff has consisted solely (and exclusively) of natural ingredients. We still respect his decision today.

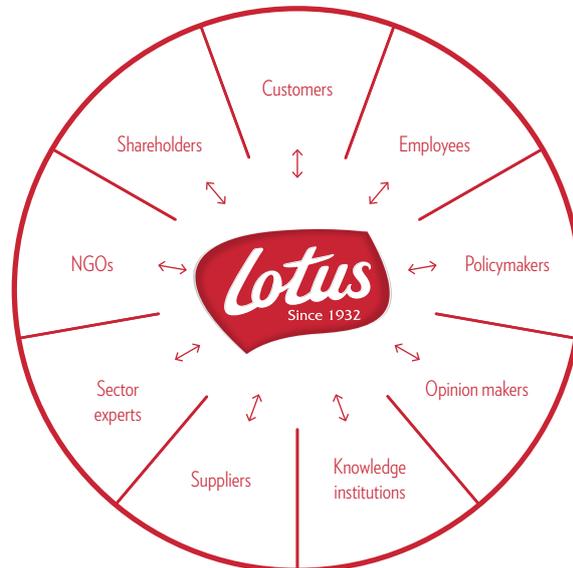
Our objective is to make Lotus Bakeries products more and more sustainable. This ambition involves much more than just the production process. People, environment and society—we treat them all with care and respect. So that we remain successful as a company, today and tomorrow. And consumers can continue to enjoy our products.

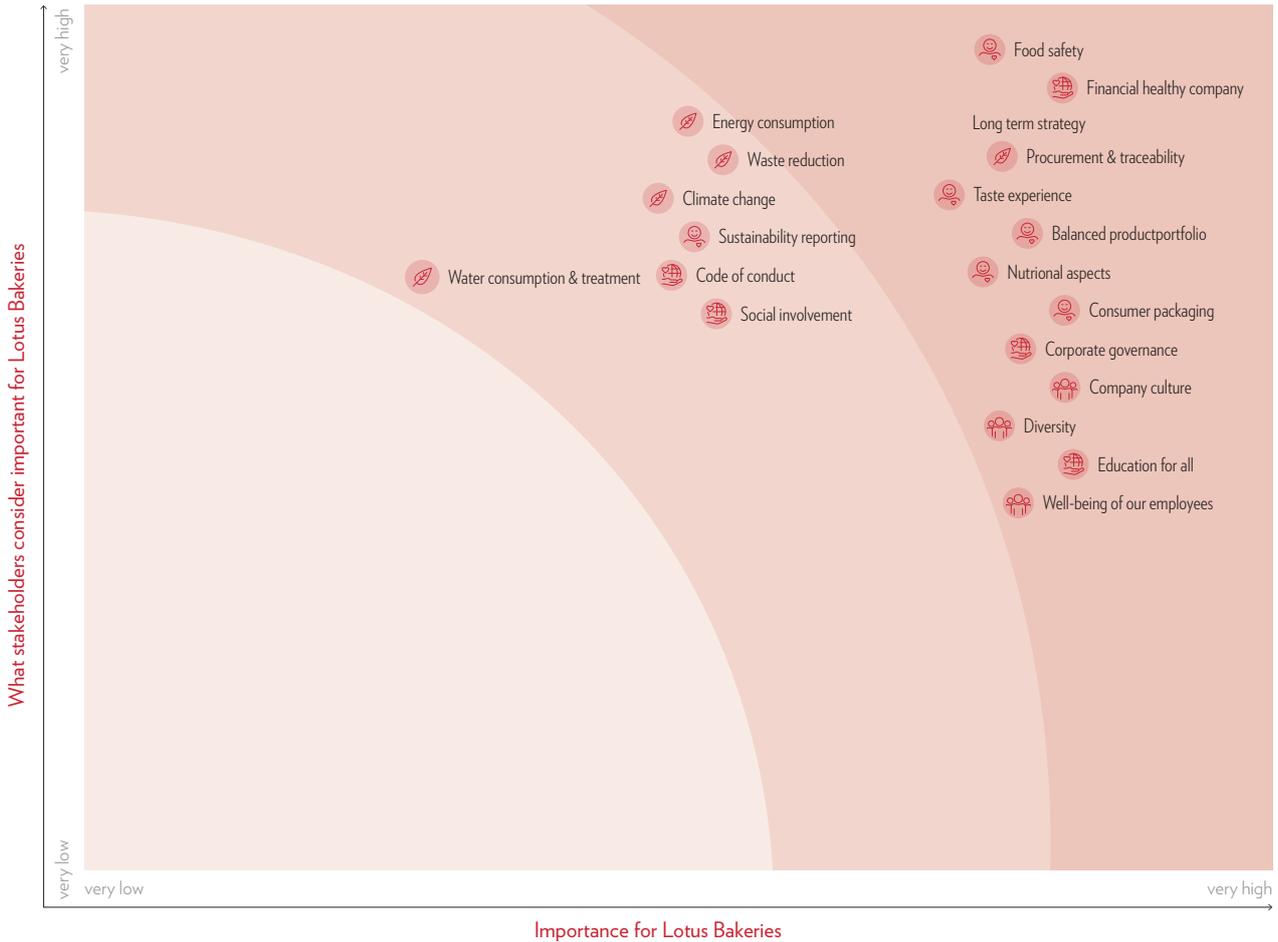
THE STARTING POINT: THE MATERIALITY MATRIX

Lotus Bakeries' approach to Corporate Social Responsibility (CSR) is reflected in our sustainability programme 'Care for Today - Respect for Tomorrow'.

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

Using a questionnaire, partly based on the themes of our sustainability programme 'Care for Today - Respect for Tomorrow' and inspired by the latest trend analyses in CSR, we gauged the relevance and importance of these issues. Besides the stakeholders, we also submitted the questionnaire to the Executive Committee.





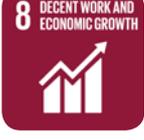
We plotted the stakeholders’ answers on the y-axis theme by theme and the Executive Committee’s answers on the x-axis. The result of the exercise is known as the ‘materiality matrix’.

This materiality matrix was recently updated by both external stakeholders and the Exco. You can see the result of this update in the modified materiality matrix.

At the top right, the materiality matrix shows the aspects viewed by both Lotus Bakeries and its stakeholders as most important. These underlie the four pillars of sustainability which form the basis for the ‘Care for Today - Respect for Tomorrow’ programme: society, employees, people and environment.

Lotus Bakeries has decided to report on its sustainability programme according to the sustainable development goals (SDG reporting) proposed by the United Nations.

The four sustainability pillars of Lotus Bakeries' CSR policy are presented in the overview below in accordance with the SDG reporting standards.

Lotus Bakeries' pillars of sustainability	SDGs	Lotus Bakeries' reporting	
SOCIETY	 <p>2 ZERO HUNGER</p>	<p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	<ul style="list-style-type: none"> • Partner of 'Entrepreneurs for Entrepreneurs' • Lotus Bakeries child sponsorship • Support for The Kusasa Project
	 <p>4 QUALITY EDUCATION</p>	<p>Ensure inclusive and quality education for all and promote lifelong learning</p>	<ul style="list-style-type: none"> • Support for The Kusasa Project • Lotus Bakeries child sponsorship
	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Ensure sustainable consumption and production patterns (waste management, sustainable production and consumption patterns, sustainable supply chain, etc.)</p>	<ul style="list-style-type: none"> • Preparation employment of employees in Wolseley, South Africa • Partner of 'Entrepreneurs for Entrepreneurs' • Training of farmers in Benin
	 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<p>Promote just, peaceful and inclusive societies, ensure access to justice for all and build effective, accountable institutions at all levels</p>	<ul style="list-style-type: none"> • Lotus Bakeries Code of Conduct
EMPLOYEES	 <p>5 GENDER EQUALITY</p>	<p>Achieve gender equality and empower all women and girls</p>	<ul style="list-style-type: none"> • Lotus Bakeries fulfils the requirement for at least one third of directors to be of a different gender to the other members • Lotus Bakeries has excellent gender diversity, with 52.4% female and 47.6% male employees
	 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Promote lasting, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<ul style="list-style-type: none"> • TOP values • 'Safety First' strategy • The Arbovignet (Netherlands)

Lotus Bakeries' pillars of sustainability	SDGs	Lotus Bakeries' reporting
PEOPLE	 <p>2 ZERO HUNGER</p> <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	<ul style="list-style-type: none"> • Internal and external audit for high-quality products and processes (IFS, BRC, ACG)
	 <p>3 GOOD HEALTH AND WELL-BEING</p> <p>Ensure healthy lives and promote well-being for all at all ages</p>	<ul style="list-style-type: none"> • Clear communication to consumers • Reduction of sugar and salt content and saturated fat in our products • Offer of both large and small packs to give consumers the opportunity to consume less calories • Entry into the natural snacking segment
ENVIRONMENT	 <p>6 CLEAN WATER AND SANITATION</p> <p>Ensure access to water and sanitation for all</p>	<ul style="list-style-type: none"> • Efficient use of ingredients to reduce waste
	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p>Ensure sustainable consumption and production patterns (waste management, sustainable production and consumption patterns, sustainable supply chain, etc.)</p>	<ul style="list-style-type: none"> • Efficient use of ingredients to reduce waste • Processing of food waste (from production) into animal feed • Use of plastic packaging to keep products fresh • Different packaging formats
	 <p>13 CLIMATE ACTION</p> <p>Take urgent action to combat climate change and its impacts</p>	<ul style="list-style-type: none"> • Energy consumption and emission reduction + offset via WWF Gold Standard • Ecological footprint reduced by the creation of a Lotus Biscoff production site outside Belgium (in North Carolina)
	 <p>15 LIFE ON LAND</p> <p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss</p>	<ul style="list-style-type: none"> • Traceability audit • RSPO certified



Our 4 pillars of sustainability



Society

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



Employees

Every employee deserves our respect. After all, it is thanks to the motivation and commitment of our employees that we make a difference.



People

Our aim is to ensure in a responsible way that consumers can enjoy products produced by us in a sustainable manner.



Environment

Because all of our ingredients come from nature, we like to give something back.

OUR SUSTAINABILITY PROGRAMME IN PRACTICE



01. WE PLAY OUR PART IN SOCIETY

Lotus Bakeries is in the midst of society and we are fully aware of our social responsibility. Under the first CSR pillar, we enthusiastically take on this role.

Locally, naturally, where we are present with our factories and sales organisations and where the main challenge lies in clear and accurate communication to consumers and in quality assurance for our products. The risks this entails are adequately dealt with by Lotus' professional quality department and focus on top quality as discussed below.

Respect for human rights is in our company's DNA. Locally and internationally, in the Lotus Bakeries family, among its other business partners. It is our duty to take steps to reduce the risk of violations of human rights—in whatever form. However, our social responsibility goes further: Lotus Bakeries also actively supports local and international social initiatives.

In its social role, Lotus Bakeries also guards against fraud and corruption and the social damage that can result from this.

These aspects are receiving more and more attention as, like similar companies, we are faced with the risks of the market: the geographical scale of our buying and selling activities, the cultural and regulatory differences in all these countries and the multitude of parties involved from purchase to sale. The risk of corrupt practices is relatively low for our company since we do not have any production facilities or sales offices of our own in countries with a Corruption Perception Index of below 57, except for South Korea (CPI score 57) and China (CPI score 39). This is compared to a global average CPI score of 43 and an increased risk for a CPI score below 50 (source: "Transparency International 2018").

We focus on supporting education

At Lotus Bakeries, we believe that it is important to support education because education is the key to breaking the vicious circle of poverty. Anyone who has access to education can learn a profession and thus also gain access to the labour market, earn an income and support a family. The quality of the education is also crucial here. In order to fulfil this commitment, Lotus Bakeries has chosen to support two educational projects.

Kusasa project

As of 2018, Lotus Bakeries supports Kusasa, a special charity in South Africa's Western Cape Province. The people behind Kusasa have built a new primary school and recruited highly skilled teachers to offer children from the shanty towns a decent education. Every year, more than 150 children can receive a good basic education. As a result, they can look forward to a better future.

By providing an outstanding “Whole Child Education” in our independent primary school, The Kusasa Project seeks to help children from South Africa's Western Cape to reach their potential, to love learning and develop skills necessary to achieve their dreams.

Doug Gurr, founder of The Kusasa Project





As a Lotus employee, it's great that we can do our bit for the 'Care for Today - Respect for Tomorrow' programme. We consider it a privilege to be able to do this as a family for children who have less opportunities than our own children, and support them in their schooling so that they too can use their talents and ultimately also do their bit to help create a better future.

Roel de Jong, Corporate Procurement Director

It gives you a fantastic feeling to be assigned a sponsored child with whom you not only develop a bond, but whom you also support tangibly by making it possible for them to receive a high quality education.

Annelies Santens, Finance Director Business Unit Natural Foods

Lotus Bakeries child sponsorship

This project was set up together with Cunina at the school in Reichenau, Underberg, South Africa. It was our wish to provide extra support in developing regions, especially in education. We wanted to increase the involvement of our employees. In 2017, we initiated a project with Cunina and the employees of Lotus Bakeries Corporate were given the opportunity to become godparents. All sponsored children are offered education from the first year of primary education to the final year of secondary education. This means a long-term commitment for 12 years. The Lotus employees involved will communicate with the children they sponsor several times a year, receive their photo and school report and follow their development. In this way, a personal bond can be developed. We chose a school in South Africa, due to the link with the manufacture of our BEAR products there.

We are particularly proud that our employees responded positively to this project en masse when it was presented. They say that they are proud to be able to work for a company in which such an initiative is proposed and carried out. An individual sponsor cannot save all of the children in the world, but they can save the world of an individual child. We are therefore pleased with our decision—together with our colleagues from the corporate departments—to give about a hundred children access to a decent education, giving them the chance of a better future.



Creating employment

By starting up production facilities for BEAR in Wolseley, South Africa, Lotus Bakeries will provide extra employment in the region. We plan to employ more than 300 people when the factory starts up in Wolseley. This means that we will be a major employer in the region, and as a result make a significant contribution to improving local society.

Unemployment in the region is very high. As a leading employer in the region, we can make a difference to the local community. The new factory on the edge of town will be more involved in the community than the current site, which is in a remote area. So, we're already building bridges with the locals.

Isabelle Maes, CEO Natural Foods

We promote entrepreneurship

Partner of 'Entrepreneurs for Entrepreneurs'

When Entrepreneurs for Entrepreneurs was founded almost two decades ago, Lotus Bakeries was one of its partners right from the start. After all, the mission of helping entrepreneurs in developing countries was a perfect fit for our family values. Today we are still actively involved as a key member of this not-for-profit organisation.

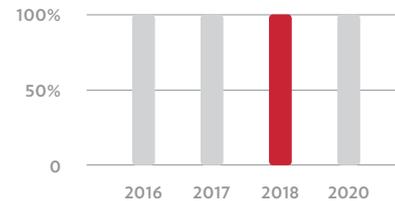
Promoting entrepreneurship in Benin

In the north of Benin, fonio is one of the staple food crops, which can be used in many ways. However, crops have been declining for several years. Via Entrepreneurs for Entrepreneurs and Louvain Coopération, Lotus Bakeries supports a project with the goal of ensuring continuous access all year round to healthy and nutritious food products for 8,000 families. For this, 850 microprojects have been set up and 3,300 families receive help to produce fonio.

KPIs



% of Lotus Bakeries production sites involved in local community and development programmes





02. THANKS TO OUR EMPLOYEES, WE MAKE A DIFFERENCE

Offering pleasant work in a challenging environment is our motto. Our employees' well-being and an inspirational corporate culture form the key objectives of our second pillar of sustainability. Lotus Bakeries is committed to sustainable growth so as to offer long-term employment.



Our corporate values are TOP

Team spirit: each link in the process is equally important, from marketing to production and packaging. It is essential to work as a well-oiled team. We work together every day to make Lotus Bakeries a success, in a safe and inspiring working environment

Open dialogue: a listening, open attitude, proactive communication and respectful feedback are priorities in dealings with and between employees. This is put into practice via regular departmental meetings, use of internal communication platforms and promotion of two-way communication between employees

Passion: our employees' dedication and commitment are evident on a daily basis in the workplace. In their justified pride in our products, for example. Investing in our employees benefits the whole company.

Corporate values and competencies: a priority in recruitment

A key challenge for Lotus Bakeries is to attract competent employees who reflect the TOP values. Lotus Bakeries wants to offer its consumers high-quality products and for this it needs to be able to rely on capable employees who go about their work confidently and efficiently. When selecting new employees, the competencies of the applicant and the TOP corporate values are paramount. During the selection process, the applicants meet several Lotus Bakeries employees and, where relevant, undergo an external assessment adapted to the role for which they are applying. The aim is twofold: to create a broad platform for selecting the candidates with the best set of skills and competencies for the role in question and to give the candidates a better idea of the corporate values and culture. In this way, we believe that we can employ a diversified group of employees who all have the TOP values in common.

Lotus Bakeries does not apply any quotas based on gender, age, nationality, language or any other factor. We recruit each candidate using the same process as described above, subject to internal and external assessments of competencies, skills and values, regardless of origin, age, gender and nationality. For each role within Lotus Bakeries, a job weighting is performed, based on which a pay package is defined for each role, so that an objectively determined pay package is available for each candidate.

We find that Lotus Bakeries' objective recruitment policy results in excellent gender diversity, with 52.4% female and 47.6% male employees.

Onboarding

Once on board, Lotus Bakeries aims for thorough onboarding, in which new Lotus members are immersed in our company, our products, our brands and our culture. Special induction days are organised for new employees. In the case of acquisitions too, we ensure that employees have a good idea of how the Lotus Bakeries Group works.

Clear about our objectives

Only when we are all working towards the same goal can we realise our long-term objectives together and with even greater pleasure in our work. For this reason, we communicate about these long-term objectives

via various internal channels. The various departments then determine their own priorities based on this general direction and devise an action plan to achieve this.

Building bridges

Lotus Bakeries wants to build bridges between all of its employees. This happens firstly through treating one another with respect and care. It is not by chance that team spirit is one of the TOP values. To enhance cooperation between employees, Lotus Bakeries fosters clear communication throughout the entire Group, locally and internationally, including via our information sharing system LotusLink SharePoint. Teambuilding activities are also organised so that employees can get to know one another outside their everyday context. Finally, Lotus Bakeries has appointed several well-trained confidential counsellors whom employees can approach.

Plenty of growth within the organization

Once they are on board, it is a question of retaining these engaged and motivated TOP talents in the company so that the know-how these employees have acquired is not lost. Here, the focus lies on giving employees opportunities to develop, offering adequate training opportunities, but also making sure that there are sufficient challenges within the Group for employees who are hungry for more.

We are convinced that internal mobility is one of the keys to greater commitment and improved employability for our employees. At Lotus Bakeries Netherlands, for instance, we managed to fill more than 75% of our vacancies internally last year. Employees are given a new set of tasks or different responsibilities to enable them to develop to the full within the organisation. In 2018, we were able once again to give several Lotus employees the opportunity to gain experience abroad as expats. Regular training opportunities are offered too and we have also started up a 'Young graduates programme'. This contributes to the continuous development of skills and high-grade competencies among the Lotus team.

Safety first in the workplace

Another challenge especially in the production environment of Lotus Bakeries is the safety and well-being of employees. 'Safety first' is always top of the agenda.

'Safety first' top of the agenda

Our employees' well-being depends first and foremost on a safe working environment. An accident can happen any time, and a moment's carelessness can have serious consequences on a production floor. That's why 'safety first' is always top of the agenda at work meetings. Our employees and managers discuss safety situations on a daily basis and we are committed to bringing about improvements across the board.

In 2018 across all Lotus Bakeries Group sites, there were a total of 47 occupational accidents resulting in absence from work and—although none of them could be classed as a serious occupational accident—that is 47 too many.



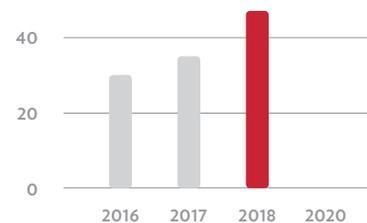
Arbovignet for Lotus Bakeries Netherlands

The Dutch Working Conditions Act, known as the Arboret for short, contains rules for promoting the health, safety and well-being of employees and preventing occupational accidents. The Dutch Association for the Baking and Confectionary Industry (VBZ) has developed an "Arbovignet" or occupational health and safety label for the industry. Both the plant in Enkhuizen and the plant in Geldrop have proved that they can meet the high quality standards and been awarded the label.

KPIs



Number of occupational accidents involving absence from work in our current production sites



The majority of occupational accidents occurred in two plants where volumes have increased enormously and many new employees have started. In themselves, these factors are no excuse for the increase in occupational accidents. We will therefore make an extra effort to bring about a dramatic improvement in results in future.

The fact that some departments and even some factories have kept the counter at zero for several years strengthens our assurance that we must continue our efforts just as strongly to achieve our ultimate goal: 'zero' occupational accidents across all Group sites.

Make work pleasant for our employees

Pleasant working environment

Lotus Bakeries aims to offer a pleasant working environment with a variety of facilities such as standing desks to encourage working standing up, showers so that employees can easily cycle to work, sufficient expanses of glass to create light and airy offices.

Following the occupation of new offices in the US, Germany, Switzerland, China, South Korea and Austria and the renovation of the offices in Comines, in 2018, we began renovating the office complex in Lembeke. The aim is to make the workplace as pleasant as possible.



The plant and offices at Enkhuizen (NL) have also been fully renovated.



Healthy and fit for the day

Lotus Bakeries believes that paying attention to health and fitness benefits both the employee and the company. In 2018, all employees in Belgium were given the opportunity to join a bicycle leasing scheme. More than 150 enthusiastic employees have now chosen to hire a bicycle under this scheme and cycle to work regularly. This is not only good for the employees' health, but also has a positive effect on CO₂ emissions.





03.

ENJOYING OUR SUSTAINABLE PRODUCTS RESPONSIBLY

Ensuring that people enjoy our products to the full but responsibly, now and in the future. We are committed to this day after day as part of our third pillar of sustainability.

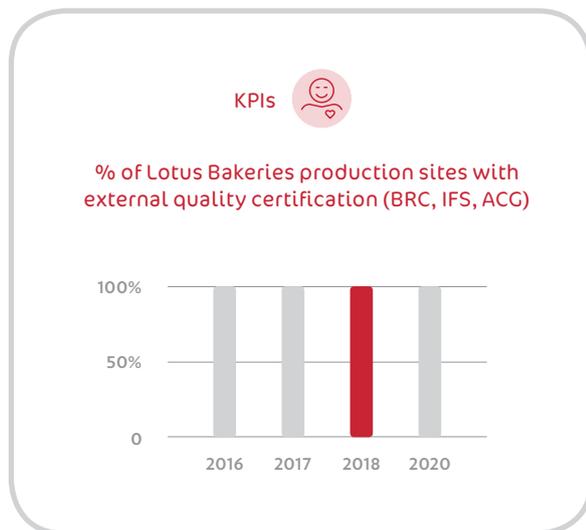
Lotus Bakeries wants to be able to offer its consumers delicious, high-quality snacks, for all times of the day, in both the biscuits and bakery and the natural snacking category. Within the range of biscuits and bakery, the emphasis is on enjoyment, but with a constant focus on a healthy balance between enjoyment and health. In the natural snacking range, the primary focus is on health, but with the aim of offering healthy, natural products which are also really tasty. Lotus Bakeries wants to make 'tasty' as healthy as possible and 'healthy' as tasty as possible. Ensuring the quality, origin, composition and safety of our products is vital.

This policy is associated with many challenges. In order to be able to bring high-quality products to the market we rely on a skilled internal R&D department. Ever-growing public awareness of healthy eating requires us to commit to a diversified offer of products and to analyse the product composition and keep updating it where possible.

Top quality right down the line

We work to achieve high-quality products and processes every day, accompanied by high levels of investment in research. Accordingly, our R&D department refines the composition of our products. In addition to their own expertise, they also rely on new insights into various ingredients from well-respected knowledge institutions and innovation platforms in the food industry. We learn a lot from one another too. In order to apply best practices in the other plants as soon as possible, we use a system of organised consultation. The constant striving for high-quality products and processes is audited both externally and internally (IFS, BRC, ACG) and all of our employees are closely involved in this.





As Lotus Bakeries, we consider it important to be able to offer consumers different solutions for leading a responsible lifestyle. Such a responsible lifestyle can be presented as a balance between diet and exercise.

In order to support consumers in their nutritional choices, we believe that it is paramount to give them the correct information about the nutritional value of every item. This information can be found not only on the packaging, but also on our website. We are also responding to growing awareness of healthy eating by offering several of our top products in large and small packs.

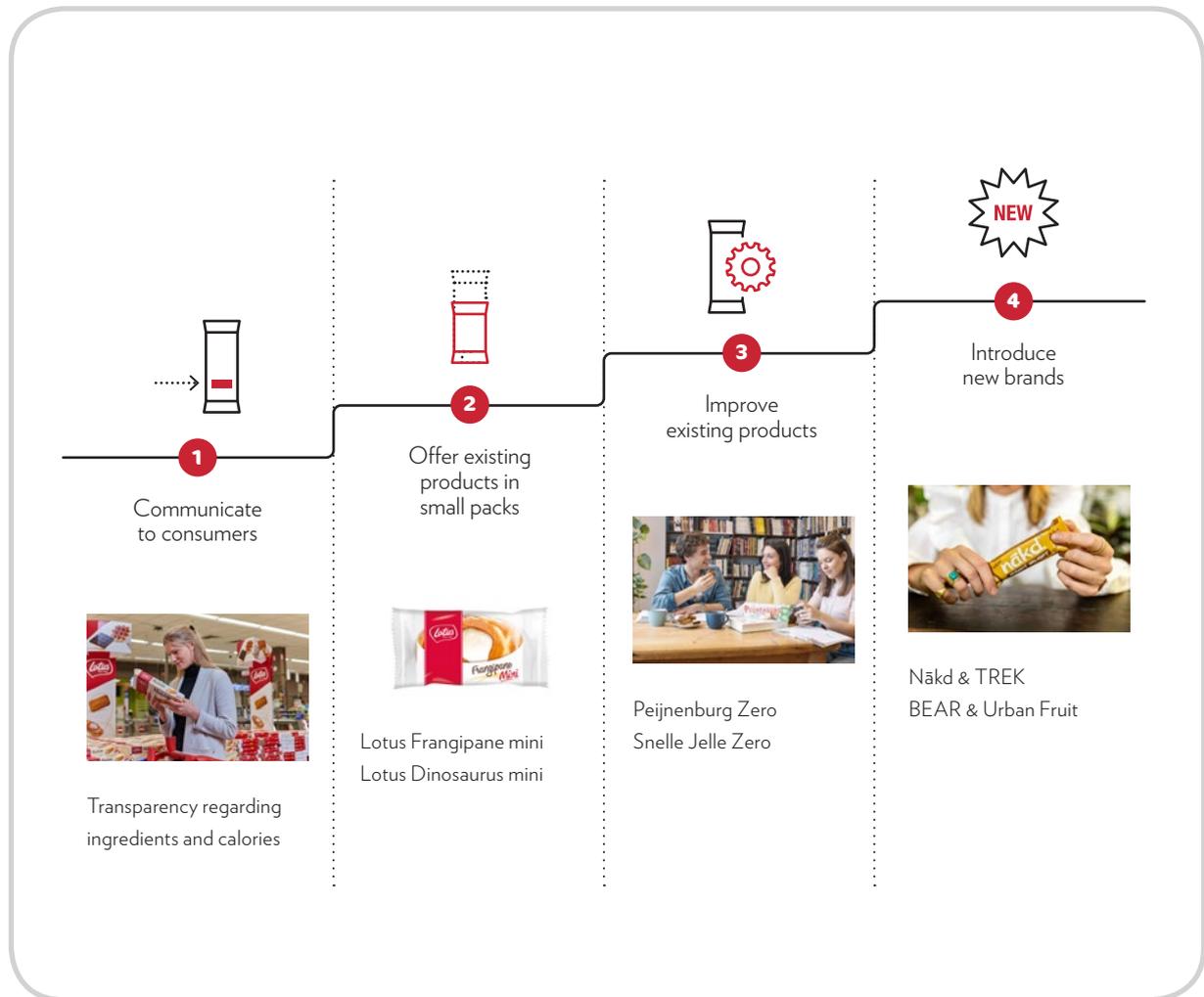
Our R&D department is tasked with developing products with an improved nutritional composition, while still maintaining the quality of the product. They have made significant progress in reducing trans fats, saturated fats and sugars.

Finally, since the acquisition of Näkd, TREK, BEAR, Urban Fruit and Kiddylicious, our range has expanded to include healthy snacks.

Healthy lifestyle: catch them young

Anyone who learns about healthy eating and a healthy lifestyle as a child will reap the rewards in later life. Based on this reasoning, our site at Geldrop in the Netherlands has teamed up with the JOGG organisation, which promotes a healthy weight among young people. We have also signed up to 'healthy school canteens' and, in partnership with JOGG, we offer healthy alternatives for breaktime by introducing Näkd, BEAR, Snelle Jelle and Peijnenburg Zero.







04. SYSTEMATICALLY REDUCING OUR IMPACT ON THE ENVIRONMENT

When it comes to respect for the environment, we leave nothing to chance. From purchasing to production and packaging: care for our living environment is key. As part of the fourth pillar of sustainability, we continuously monitor and improve the impact of all of our processes on nature.

Lotus Bakeries wishes to achieve sustainable growth. Compliance with the relevant environmental legislation is an obvious aim. Our goal goes further. Lotus Bakeries closely monitors the impact of its activities on the environment and constantly strives to reduce its ecological footprint.

Based on the materiality matrix, we have identified some key environmental risks. Firstly, Lotus Bakeries now sells products in sixty countries and produces them in four—soon to be six—countries, so that we have to deal with constantly changing legislation, including in relation to the environment. Reducing waste, but also cutting energy, CO₂ and water consumption are also a key focus in the food sector. Finally, the purchasing side presents various challenges, regarding traceability and compliance of our suppliers with principles corresponding to those valued by Lotus Bakeries with regard to the environment and society.

Professional quality department

Our Corporate Quality Assurance department is responsible for constantly monitoring changes in the law and incorporating them in our Quality Management System (QMS). Among other aspects, the department ensures that there is clear information on packaging in accordance with the law, so that the consumer is well informed about our products

and their ingredients. Suppliers and their products are also tested against the requirements that Lotus Bakeries imposes on them, so that we can offer consumers high-quality, safe food products. Quality guarantees are constantly monitored by laboratory testing and supplier evaluations.

Reducing and preventing waste

By systematically optimising 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 minimise waste flows through more efficient use of ingredients.

We also help consumers waste less food by offering a choice of different packaging formats. And we are increasingly using portion packs. The idea behind this: throwing away food is much more damaging to the environment than using a small amount of plastic to package portions separately. The ecological footprint of the production process in the broadest sense (growing, harvesting, assembling, etc.) is generally significantly larger than that of the packaging. At Lotus, we seek flexibility in our packaging formats and a solution for different sizes of household and consumption moments, depending on how often people want to enjoy our biscuits.

Using packaging responsibly

The purpose of packaging

Without its contents, packaging is often perceived as waste, since it has no significance for the consumer when it no longer contains a biscuit or product. However, packaging fulfils a number of important functions that are crucial, amongst other purposes, for preserving and protecting the product during transport and interim storage between Lotus Bakeries' factory and the consumer. In addition, good packaging guarantees the health and safety of consumers. Packaging also fulfils other roles, such as providing information (allergens), marketing, diversification and portion-controlled presentation of products.

Packaging materials

Lotus Bakeries uses three types of packaging material to ensure our products reach the consumer safely and full of flavour: cardboard, glass and plastic.

For transport, the main packaging material, in terms of weight, is cardboard. This offers optimal protection. More than 90% of our transport packaging consists of recycled materials. Cardboard is already collected and recycled on a large scale and helps create a circular economy.

Our Lotus Biscoff spread is mostly sold in glass jars because this ensures optimum preservation and taste. The used jars can then be collected and recycled.

When Lotus Bakeries uses plastic, it is to preserve the product and keep it fresh for longer. In using plastic, we deliberately choose mono-materials, in order to maximise the recycling possibilities.

Recycling

If we want to continue to enjoy the advantages of plastic in future without harming the environment, we must use it smartly. We design packaging that protects the product as well as possible, while also minimising the environmental impact of both product and packaging. We also note that the weight of all packaging material per consumer trade item (or kg of product) for Lotus Bakeries is extremely low.

We actively analyse the recyclability of our packaging, but recyclability alone is not enough. Biscoff is marketed globally. But collection and sorting is organised locally. For materials that are "harder" to recycle, we seek alternatives, together with our suppliers and scientific institutions. These alternatives are extensively tested, without losing sight of the quality and taste of our product.

Food waste versus pre-packaged

It is a misconception that large value packs are better for the environment than portion packs. It is true that the amount of packaging is less here than for portion packs. But, on the other hand, portion packs can prevent food waste and are therefore better for the environment. This is because the impact of throwing away food versus the impact of a few grams more of plastic is much greater.

Innovation

When we develop new products and packaging formats, we consider the whole supply chain. For example, we always try to load the pallets and trucks in the best possible way to minimise the impact of the transport. Naturally, we consider it our job to keep a close eye on trends and developments in the areas of materials, sustainability and recycling and implement them where possible.

Respect for our ecological footprint

Reducing energy consumption and emissions

In 2018, our Carbon Footprint (kg CO₂) Scope 1 & 2 per produced tonne fell by 8% compared with 2017. A reduction was achieved at no less than 10 out of 11 production sites, while the other site remained virtually stable.

Our gas consumption is also offset via the WWF Gold Standard programme and our electricity is green. The result of all these efforts: since 2015, Lotus Bakeries' production has been CO₂ neutral.

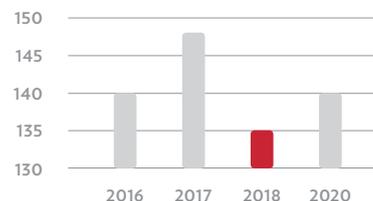
Raising awareness among employees of waste and emissions

Our employees are involved in reducing waste and emissions too. For example, Lotus has installed a LotusLink SharePoint platform whereby information is completely digitised and access to it facilitated. This is a significant step towards a paperless working environment. The use of modern means of communication is also promoted to reduce travel. Attention is also paid to a greener car fleet and a bicycle leasing scheme has been introduced for our employees in Belgium.

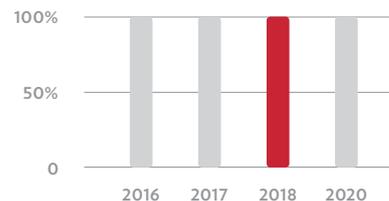
KPIs



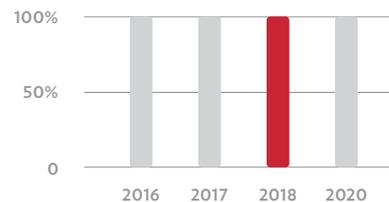
Emission of CO₂ equivalent emissions per tonne produced (in kgCO₂e/tonne) * in our current production sites



% of our current production sites that has achieved the CO₂ neutral label *



% of our current production sites that has achieved the RSPO-certificate



*These KPIs apply to scope 1 and 2 emissions and are calculated on the basis of Bilan Carbone.



Local production in our largest export market

When developing a new product or a different packaging format, we always take the whole logistics chain into account. Such as optimal loading of pallets and trucks. In this way we minimise the impact of transport.

To supply our largest export market for Biscoff, we are even going a step further. The first Lotus Biscoff manufacturing facility outside Belgium will be built in North Carolina, USA. As for our European factories, in the US we will purchase our raw materials and packaging materials locally as far as possible. Moreover, the production lines will be equipped with modern energy recovery technology. The aim is to organise all production for the US market locally. This will not only have a significant impact on our ecological footprint, we will also create new jobs in that region. The first Lotus Biscoff biscuits will roll off the production line there in 2019.



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Concept and realisation

Focus Advertising and Lotus Bakeries

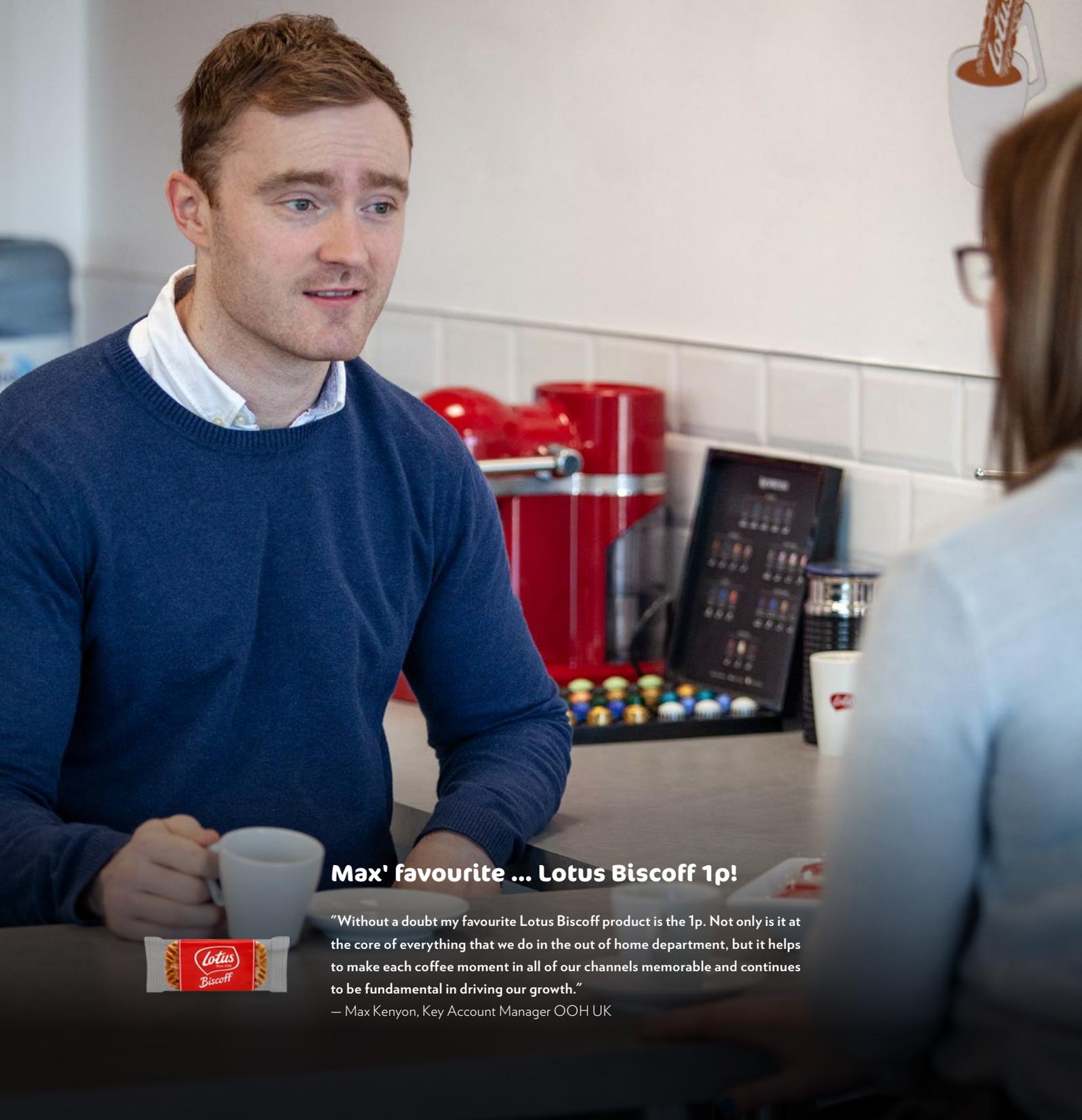
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Illustration cover

Flore Deman

www.floredeman.com





Max' favourite ... Lotus Biscoff 1p!

"Without a doubt my favourite Lotus Biscoff product is the 1p. Not only is it at the core of everything that we do in the out of home department, but it helps to make each coffee moment in all of our channels memorable and continues to be fundamental in driving our growth."

— Max Kenyon, Key Account Manager OOH UK





www.lotusbakeries.com



BEING GREAT IN LITTLE THINGS TOGETHER

Annual review 2018 - Financial supplement

The consolidated financial statements for 2018 shown below have been prepared in accordance with IFRS as adopted for application within the European Union with comparative IFRS figures for 2017.

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

Only the consolidated financial statements, as set out on the following pages, 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 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 (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 2018 annual review of Lotus Bakeries NV. This annual review consists of 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 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	31-12-2018	31-12-2017
ASSETS			
NON-CURRENT ASSETS		545,647	447,693
Property, plant and equipment	5	219,897	174,426
Goodwill	6	177,639	141,001
Intangible assets	7	138,887	123,924
Participating interests	9	2,448	-
Investment in other companies	4	12	12
Deferred tax assets	8	3,936	4,310
Other non-current assets	9, 20	2,828	4,020
CURRENT ASSETS		165,925	149,801
Inventories	10	39,066	33,653
Trade receivables	11	71,097	60,104
VAT receivables	11	4,503	4,789
Income tax receivables	11	523	484
Other amounts receivable	11	2,993	1,487
Cash and cash equivalents	12, 13	45,597	48,129
Deferred charges and accrued income		2,146	1,155
TOTAL ASSETS		711,572	597,494

IN THOUSANDS OF EUR	NOTES	31-12-2018	31-12-2017
EQUITY AND LIABILITIES			
EQUITY		346,927	293,213
Share Capital	14	16,319	15,999
Retained earnings		369,114	316,954
Treasury shares	13, 16, 24	(11,406)	(13,919)
Other reserves	18	(27,156)	(25,877)
Non-controlling interests		56	56
NON-CURRENT LIABILITIES		198,042	193,923
Interest-bearing loans and borrowings	13, 17	116,500	117,500
Deferred tax liabilities	8	52,725	49,206
Pension liabilities	18	3,519	3,846
Provisions	19	377	414
Derivative financial instruments	20	2,319	1,970
Other non-current liabilities	21	22,602	20,987
CURRENT LIABILITIES		166,603	110,358
Interest-bearing loans and borrowings	13, 17	36,655	1,750
Pension liabilities	18	234	152
Provisions	19	21	21
Trade payables	22	86,794	68,542
Employee benefit expenses and social security	22	21,330	18,383
VAT payables	22	300	119
Tax payables	22	14,761	16,464
Derivative financial instruments	20, 22	-	1
Other current liabilities	22	3,102	1,662
Accrued charges and deferred income	22	3,406	3,264
TOTAL EQUITY AND LIABILITIES		711,572	597,494

Consolidated income statement

IN THOUSANDS OF EUR	NOTES	2018	2017
Turnover		556,435	524,055
Raw materials, consumables and goods for resale		(184,804)	(171,494)
Services and other goods		(150,732)	(145,568)
Employee benefit expense	23	(111,977)	(105,580)
Depreciation and amortisation on intangible and tangible assets	25	(12,942)	(12,105)
Impairment on inventories, contracts in progress and trade debtors	10, 11	(1,706)	(2,198)
Other operating charges	26	(2,123)	(3,168)
Other operating income	26	2,879	5,407
RECURRENT OPERATING RESULT (REBIT) ⁽¹⁾		95,030	89,349
Non-recurrent operating result	27	(3,005)	(91)
OPERATING RESULT (EBIT) ⁽²⁾		92,025	89,258
Financial result	28	(3,324)	(2,228)
Interest income (expense)		(2,435)	(2,096)
Foreign exchange gains (losses)		(596)	175
Other financial income (expense)		(293)	(307)
PROFIT FOR THE YEAR BEFORE TAXES		88,701	87,030
Taxes	8, 29	(20,829)	(22,397)
RESULT AFTER TAXES		67,872	64,633
NET RESULT - attributable to		67,872	64,633
Non-controlling interests		964	1,094
Equity holders of Lotus Bakeries		66,908	63,539

IN THOUSANDS OF EUR	NOTES	2018	2017
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to profit and loss		(1,726)	(2,727)
Currency translation differences		(587)	(5,989)
Gain/(Loss) on cash flow hedges, net of tax		(1,139)	3,262
Items that will not be reclassified to profit and loss		276	(757)
Remeasurement gains/(losses) on defined benefit plans	18	276	(757)
Other comprehensive income		(1,450)	(3,484)
Total comprehensive income - attributable to:		66,422	61,149
Non-controlling interests		793	449
Equity holders of Lotus Bakeries		65,629	60,700
EARNINGS PER SHARE	30		
Weighted average number of shares		803,878	799,423
Basic earnings per share (EUR) - attributable to:			
Non-controlling interests		1.20	1.37
Equity holders of Lotus Bakeries		83.23	79.48
Weighted average number of shares after effect of dilution		808,813	808,735
Diluted earnings per share (EUR) - attributable to:			
Non-controlling interests		1.19	1.35
Equity holders of Lotus Bakeries		82.72	78.57
Total number of shares ⁽³⁾		815,733	814,433
Earnings per share (EUR) - attributable to:			
Non-controlling interests		1.18	1.34
Equity holders of Lotus Bakeries		82.02	78.02

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

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

(3) Total number of shares including treasury shares at 31 December.

Consolidated statement of changes in equity

IN THOUSANDS OF EUR	ISSUED CAPITAL	SHARE PREMIUM	CAPITAL	RETAINED EARNINGS
EQUITY as on 1 January 2018	3,584	12,415	15,999	316,954
Net result of the Financial Year	-	-	-	66,908
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	-	-	-	-
Total comprehensive income / (expense) for the period	-	-	-	66,908
Dividend to shareholders	-	-	-	(15,887)
Increase in capital	6	314	320	-
Acquisition / sale own shares	-	-	-	-
Employee share-based compensation expense	-	-	-	(1,436)
Impact written put options on non-controlling interests	-	-	-	590
Other	-	-	-	1,985
EQUITY as on 31 December 2018	3,590	12,729	16,319	369,114
EQUITY as on 1 January 2017	3,576	11,951	15,527	267,947
Net result of the Financial Year	-	-	-	63,539
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	-	-	-	-
Total comprehensive income/(expense) for the period	-	-	-	63,539
Dividend to shareholders	-	-	-	(13,191)
Increase in capital	8	464	472	-
Acquisition / sale own shares	-	-	-	-
Employee share-based compensation expense	-	-	-	620
Impact written put options on non-controlling interests	-	-	-	(2,013)
Other	-	-	-	52
EQUITY as on 31 December 2017	3,584	12,415	15,999	316,954

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
(13,919)	(26,428)	(454)	1,005	(25,877)	293,157	56	293,213
-	-	-	-	-	66,908	964	67,872
-	(416)	-	-	(416)	(416)	(170)	(586)
-	-	199	-	199	199	-	199
-	-	-	(1,594)	(1,594)	(1,594)	-	(1,594)
-	-	77	456	533	533	-	533
-	(416)	276	(1,138)	(1,278)	(1,278)	(170)	(1,448)
-	(416)	276	(1,138)	(1,278)	65,630	794	66,424
-	-	-	-	-	(15,887)	(444)	(16,331)
-	-	-	-	-	320	-	320
2,513	-	-	-	-	2,513	-	2,513
-	-	-	-	-	(1,436)	(350)	(1,786)
-	-	-	-	-	590	-	590
-	-	-	(1)	(1)	1,984	-	1,984
(11,406)	(26,844)	(178)	(134)	(27,156)	346,871	56	346,927
(12,038)	(21,084)	303	(2,257)	(23,038)	248,398	66	248,464
-	-	-	-	-	63,539	1,094	64,633
-	(5,344)	-	-	(5,344)	(5,344)	(646)	(5,990)
-	-	(828)	-	(828)	(828)	-	(828)
-	-	-	4,974	4,974	4,974	-	4,974
-	-	71	(1,712)	(1,641)	(1,641)	-	(1,641)
-	(5,344)	(757)	3,262	(2,839)	(2,839)	(646)	(3,485)
-	(5,344)	(757)	3,262	(2,839)	60,700	448	61,148
-	-	-	-	-	(13,191)	(358)	(13,549)
-	-	-	-	-	472	-	472
(1,881)	-	-	-	-	(1,881)	-	(1,881)
-	-	-	-	-	620	-	620
-	-	-	-	-	(2,013)	(100)	(2,113)
-	-	-	-	-	52	-	52
(13,919)	(26,428)	(454)	1,005	(25,877)	293,157	56	293,213

Consolidated cash flow statement

IN THOUSANDS OF EUR	2018	2017
Operating activities		
Net result (Group)	66,908	63,539
Depreciation and amortization of (in) tangible assets	12,942	12,105
Net valuation allowance current assets	1,701	2,198
Provisions	68	(1,316)
Disposal of fixed assets	29	1,776
Financial result	3,324	2,228
Taxes	20,829	22,397
Employee share-based compensation expense	589	620
Non-controlling interests	964	1,094
Gross cash provided by operating activities	107,354	104,641
Decrease/(Increase) in inventories	(5,023)	(4,345)
Decrease/(Increase) in trade accounts receivable	(8,098)	(9,825)
Decrease/(Increase) in other assets	1,821	(955)
Increase/(Decrease) in trade accounts payable	(3,445)	12,819
Increase/(Decrease) in other liabilities	(2,694)	(2,982)
Change in operating working capital	(17,439)	(5,288)
Income tax paid	(20,051)	(22,240)
Interest paid	(2,461)	(2,102)
Other financial income and charges received/(paid)	(504)	(263)
Net cash provided by operating activities	66,899	74,748

IN THOUSANDS OF EUR	2018	2017
Investing activities		
(In)tangible assets - acquisitions	(42,590)	(26,172)
(In)tangible assets - other changes	630	-
Acquisition of subsidiaries	(48,284)	-
Financial assets - other changes	(2,448)	24
Net cash used in investing activities	(92,692)	(26,148)
Net cash flow before financing activities	(25,793)	48,600
Financing activities		
Dividends paid	(16,129)	(13,218)
Treasury shares	4,056	(1,155)
Proceeds of capital increase	320	472
Proceeds / (Reimbursement) of long-term borrowings	(1,000)	(1,000)
Proceeds / (Reimbursement) of short-term borrowings	34,352	(5,734)
Proceeds / (Reimbursement) of long-term receivables	(49)	(50)
Cash flow from financing activities	21,550	(20,685)
Net change in cash and cash equivalents	(4,243)	27,915
Cash and cash equivalents on January 1	48,129	19,932
Effect of exchange rate fluctuations	1,711	282
Cash and cash equivalents on 31 December	45,597	48,129
Net change in cash and cash equivalents	(4,243)	27,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated companies

1.1 List of consolidated companies

	ADDRESS	VAT OR NATIONAL NUMBER	31-12-2018	31-12-2017
			%	%
A. Fully consolidated subsidiaries				
Cremers-Ribert NV	Gentstraat 52, 9971 Lembeke, BE	VAT BE 0427.808.008	100.0	100.0
Interwaffles SA	Rue de Liège 39, 6180 Courcelles, BE	VAT BE 0439.312.406	100.0	100.0
Lotus Bakeries NV	Gentstraat 1, 9971 Lembeke, BE	VAT BE 0401.030.860	100.0	100.0
Lotus Bakeries Corporate NV	Gentstraat 1, 9971 Lembeke, BE	VAT BE 0881.664.870	100.0	100.0
Lotus Bakeries België NV	Gentstraat 52, 9971 Lembeke, BE	VAT BE 0421.694.038	100.0	100.0
Biscuiterie Willems BVBA	Nieuwendorpe 33 Bus C, 9900 Eeklo, BE	VAT BE 0401.006.413	100.0	100.0
B.W.I. BVBA	Ambachtenstraat 5, 9900 Eeklo, BE	VAT BE 0898.518.522	100.0	100.0
Lotus Bakeries Schweiz AG	Nordstrasse 3, 6300 Zug, CH	VAT CHE 105.424.218	100.0	100.0
Lotus Bakeries CZ s.r.o.	Slezská 844/96, Vinohrady (Praha 3), 130 00 Praha, CZ	VAT CZ 271 447 55	100.0	100.0
Lotus Bakeries GmbH	Rather Strasse 110a, 40476 Düsseldorf, DE	VAT DE 811 842 770	100.0	100.0
Biscuiterie Le Glazik SAS	Zone Industrielle 2, 29510 Briec-de-l'Odet, F	VAT FR95 377 380 985	100.0	100.0
Biscuiterie Vander SAS	Place du Château BP 70091, 59560 Comines, F	VAT FR28 472 500 941	100.0	100.0
Lotus Bakeries France SAS	Place du Château BP 50125, 59560 Comines, F	VAT FR93 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 1A Drakes Drive, Longcrendon, Bucks, HP18 9BA, UK	VAT GB 841 254 348	67.2	67.2
Urban Fresh Foods Ltd.	The Emerson Building, 4-8 Emerson Street, London, SE1 9DU, UK	VAT GB 883 0600 32	100.0	100.0
Lotus Bakeries Réassurances SA	74, Rue de Merl, 2146 Luxembourg, L	R.C.S. Luxembourg B53262	100.0	100.0
Koninklijke Peijnenburg BV	Nieuwendijk 45, 5664 HB Geldrop, NL	VAT NL003897187B01	100.0	100.0
Peijnenburg's Koekfabrieken BV	Nieuwendijk 45, 5664 HB Geldrop, NL	VAT NL001351576B01	100.0	100.0
WK Koek Beheer BV	Streek 71, 8464 NE Sintjohannesga, NL	VAT NL006634199B01	100.0	100.0
WK Koek Bakkerij BV	Streek 71, 8464 NE Sintjohannesga, NL	VAT NL006634151B01	100.0	100.0
Enkhuizer Koekfabriek BV	Oosterdijk 3e, 1601 DA Enkhuizen, NL	VAT NL823011112B01	100.0	100.0
Lotus Bakeries Nederland BV	Nieuwendijk 45, 5664 HB Geldrop, NL	VAT NL004458953B01	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.	1000 Sansome Street Suite 220, San Francisco, CA 94111-1323, USA	IRS 94-3124525	100.0	100.0
Lotus Bakeries US, LLC	1000 Sansome Street Suite 220, San Francisco, CA 94111-1323, USA	IRS 82-1300826	100.0	100.0
Lotus Bakeries US Manufacturing, LLC	1000 Sansome Street Suite 220, San Francisco, CA 94111-1323, USA	IRS 82-2542596	100.0	100.0
Natural Balance Foods USA Inc.	406 Bryant Circle, Unit G, Ojai, CA 93023, USA	C3598146	67.2	67.2
Lotus Bakeries Ibérica S.L.	C/ Severo Ochoa, 3, 2a Planta Oficina 8A, 28232 Las Rozas (Madrid), Spain	VAT ESB80405137	95.0	95.0

	ADDRESS	VAT OR NATIONAL NUMBER	31-12-2018	31-12-2017
A. Fully consolidated subsidiaries (continued)			%	%
Annas - Lotus Bakeries Holding AB	Radiovägen 23, SE 135 48 Tyresö, Sweden	Registration no. 556757-7241	100.0	100.0
AB Annas Pepparkakor	Radiovägen 23, SE 135 48 Tyresö, Sweden	BTW SE556149914501	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 Chile SpA	Nueva Tajamar #555 OF401, Las Condes, Santiago, Chile 7550099	VAT (RUT) 76.215.081-6	100.0	100.0
Lotus Bakeries China Ltd	Room 01.02, Floor 15, No. 511 Weihai Road, Jing'an District, Shanghai 200041, P.R. China	Registration no. 913100000781169357	100.0	100.0
Lotus Bakeries Korea Co. Ltd.	4/F, AIA Tower, 16 Tongil-ro-2-gil, Jung-gu, Seoul 04511, South Korea	Registration no. 128-81-19621	100.0	100.0
Lotus Bakeries Austria GmbH	Fleischmarkt 1/6/12, 1010 Wien, Austria	VAT ATU72710827	100.0	100.0
The Kids Food Company Ltd	Kiddy Hq Amersham Court, 152 Station Road Amersham, Buckinghamshire, HP6 5DW	VAT GB 977396157	100.0	-
Kiddylicious International Ltd.	Kiddy Hq Amersham Court, 152 Station Road Amersham, Buckinghamshire, HP6 5DW	VAT GB 211115184	100.0	-
Kids Food Global Ltd.	Dixcart House, Fort Charles, Charlestown, Nevis, St Kitts and Nevis	C44487	100.0	-

On the basis of section 2:403 of the Dutch Civil Code, legal entities with a Dutch company number are exempt from the requirements for a local statutory audit. Lotus Bakeries UK Ltd. en Urban Fresh Foods Ltd. are exempt from the requirement for a local statutory audit, based on section 479A of company law. The holding entity guarantees the debts of these two companies as at 31 December 2018.

1.2 Changes in the group structure in 2018

The following changes to the group structure took place in 2018:

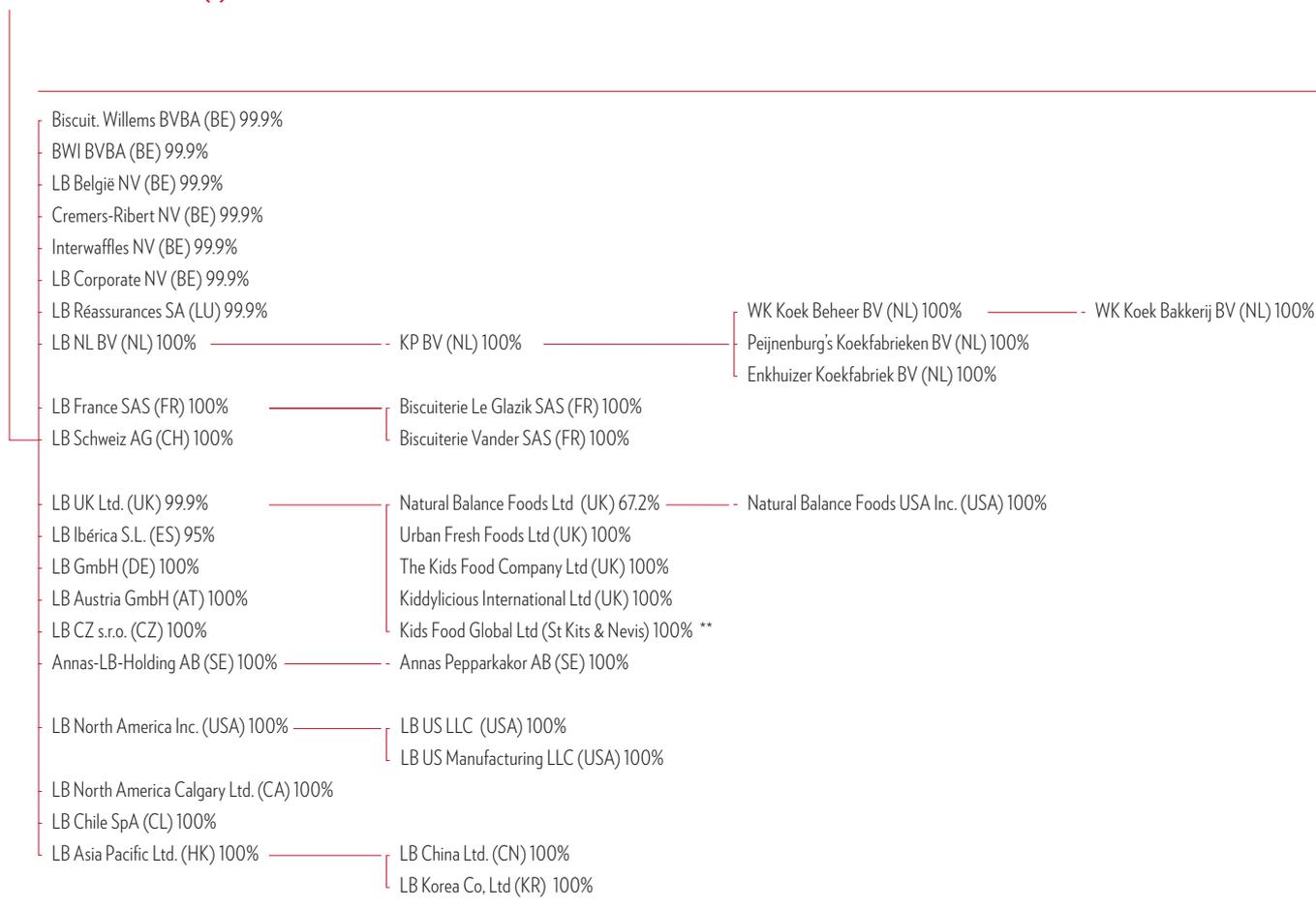
Kiddylicious

In July 2018, Lotus Bakeries UK Ltd. acquired 100% of the shares of The Kids Food Company Ltd. and Kids Food Global Ltd.

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

1.3 Legal Structure of the Lotus Bakeries Group at 31 December 2018

LOTUS BAKERIES NV (*)



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

(**) 2019 restructuring - Kids Food Global Ltd. in winding-up procedure.

2. Accounting principles

2.1 Statement of compliance

The consolidated financial statements for the Group 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 2018.

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 8 February 2019 for publication.

Recent IFRS pronouncements

Endorsement status of the new standards as at 31 December 2018

The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning 1 January 2018 and have been endorsed by the European Union:

- **IFRS 9**, 'Financial instruments' (effective 1 January 2018). This standard, relating to financial instruments on both the asset and the liability side, defines the conditions for recognition, classification and disposal of this type of instrument, together with the permitted measurement methods.
- **IFRS 15**, 'Revenue from contracts with customers' (effective 1 January 2018). The IASB and the FASB have published a joint standard concerning the recognition of revenue from contracts with customers. The standard will result in improved financial reporting of revenue and improved global comparability of revenue reported in the financial statements. Entities which apply IFRS are required to apply this standard to annual reporting periods beginning on or after 1 January 2018.
- **Amendments to IFRS 15**, 'Revenue from contracts with customers' – clarification (effective 1 January 2018). These amendments provide clarification on identifying performance obligations, accounting for licences relating to intellectual property and principal versus agent considerations. The amendment also contains clarifying examples.
- **IFRIC 22**, Foreign currency transactions and advance consideration (effective 1 January 2018):

This interpretation relates to foreign currency transactions or parts of foreign currency transactions where there is advance consideration expressed in a foreign currency. The interpretation contains additional information for when a single payment/receipt takes place and for when multiple payments/receipts take place. This interpretation is designed to reduce the current diversity in accounting for such transactions.

- **Annual improvements to IFRS standards 2014-2016** applicable to standards where the amendments to IFRS 1 and IAS 28 are effective from 1 January 2018 and the amendments to IFRS 12 will be effective from 1 January 2017. The improvements consist of clarifications regarding the scope of IFRS 12 'Disclosure of interests in other entities'. These amendments are to be applied retrospectively to annual accounting periods beginning on or after 1 January 2017.
- **Amendments to IFRS 2**: Share-based payments (effective 1 January 2018): The amendment clarifies the valuation method for cash-settled share-based payment transactions and accounting for modification of the payment transaction from cash-settled to equity-settled payment transactions. The amendment also provides for a deviation from IFRS 2 principles to treat a payment transaction where the employer has to deduct part of the payment for tax reasons and pay this to the tax authorities as an equity-settled share-based payment transaction.

The following **new standards and amendments** to standards have been published, but are not yet mandatory for the first time for the financial year beginning 1 January 2018 and have been endorsed by the EU:

- **IFRS 16, 'Leases'** (effective 1 January 2019): This standard replaces the current guidance in IAS 17 and is a major change in accounting by lessees in particular. Under IAS 17, lessees were required to distinguish between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **Amendments to IFRS 9, 'Prepayment features with negative compensation'** (effective 1 January 2019 within the EU). Amendment allowing companies to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income, instead of at fair value in profit or loss, because they would otherwise fail the SPPI test. This amendment also explains an aspect of accounting for a modification of a financial liability.

- **IFRIC 23**, The treatment of uncertainty concerning income tax (effective 1 January 2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The following **new standards, amendments and interpretations** for standards have been published, but are not yet mandatory for the first time for the financial year beginning 1 January 2018 and have not been endorsed by the EU:

- **Amendments to IAS 19, 'Plan amendment, curtailment or settlement'** (effective 1 January 2019). The amendments require a company to use updated assumptions to determine current service cost and net interest for the remainder of the reporting period after an amendment to, curtailment or settlement of the plan. Furthermore, an entity must recognise in profit or loss as part of past service cost, or as a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendments affect any entity which changes the terms or membership of a defined benefit plan so that this results in past service cost or gain or loss on settlement.
- **Amendments to references to the conceptual framework in IFRS standards** (effective 1 January 2020). The revised conceptual framework contains a new chapter on measurement, guidance on

reporting financial performance, improved definitions and guidance (in particular the definition of a liability); and clarifications in important areas, such as the role of stewardship, prudence and measurement uncertainty in financial reporting.

- **Amendments to IFRS 3: 'Business combinations'** (effective 1 January 2020), revising the definition of 'a business'. The new guidance provides a framework for evaluating when there is an input and a substantive process (including for start-ups yet to generate any outputs). In order to be a business without an output, there must now be an organised workforce. The changes to the definition of a business will probably lead to more acquisitions being treated as 'acquisitions of assets' in all sectors, but particularly in the real estate, pharmaceutical and petrochemical sectors. The application of the amendments will also affect the recognition of divestment transactions.
- **Changes in definition of 'material' in IAS 1 and IAS 8** (effective 1 January 2020). The amendments clarify the definition of 'material' and increase consistency within IFRS. The amendment clarifies that the reference to obscuring relates to situations where the effect is similar to omitting or misstating information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' by defining them as 'present and potential investors, lenders and other creditors', who rely on the financial statements in order to obtain a large part of the financial information

they need. The amendments are not expected to have a significant effect on the preparation of the financial statements.

- **Annual improvements to IFRS standards 2015-2017 Cycle**, applicable as of 1 January 2019 and relating to the following standards:
 - IFRS 3 'Business combination' and IFRS 11 'Joint Arrangements'. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, previously held interests in that business must be remeasured. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
 - IAS 12 'Income taxes'. The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) must be recognised in profit or loss, regardless of how this tax arises.
 - IAS 23 'Borrowing costs'. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Lotus Bakeries expects that, except for IFRS 16, for which an analysis has been performed, the application of these standards will not have a material impact on the consolidated financial statements.

IFRS 16 'Leases'

Lotus Bakeries will apply the new IFRS 16 standard as from 1 January 2019, the mandatory adoption date. The Group has opted for the 'simplified transition approach' and will not publish comparative figures for periods prior to 1 January 2019. The Group has performed an analysis, in which all current operating leases were inventorized. These mainly relate to office buildings, machinery and cars. As at 31 December 2018, the Group had taken out leases worth a total of EUR 4.1 million for 2019 (see note 32). EUR 1.2 million-worth of these leases concerns short-term or low-value leases. These are outside the scope of the standard and are recognised for accounting purposes as an expense in the income statement. The Group estimates that leases falling within the scope of IFRS 16, will give rise to an increase of approximately EUR 9.2 million in both tangible assets and debts. It is estimated that the Group's REBITDA will increase by between EUR 2.5 million and EUR 3.5 million.

IFRS 9 'Financial instruments'

The standard deals with the classification, valuation and derecognition of financial assets and liabilities. The standard is effective from 1 January 2018. Lotus Bakeries performed an analysis via the expected credit loss model defined in IFRS 9, the impact of this is not material for the Group.

IFRS 15 'Revenue from contracts with customers'

The Group is primarily involved in the sale of goods and recognises the revenue at the time at which physical possession of the asset is transferred to the customer, generally upon delivery of the goods. As far as the transaction price is concerned, an impact analysis was performed in 2017, based on the underlying contracts. The Group concluded that there was no need for a shift in presentation between turnover and costs.

2.3 Consolidation principles

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

Subsidiaries

Subsidiaries are entities controlled by the Group. 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.

A list of subsidiaries 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 giving 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 recognised 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), which are included in shareholders' equity.

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, 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 assets, post-employment benefits and financial derivatives are included in notes 6, 7, 18 and 20.

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 fair value 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	
	2018	2017	2018	2017
EUR/CAD	1.5605	1.5039	1.5329	1.4718
EUR/CHF	1.1269	1.1702	1.1515	1.1161
EUR/CLP	792.9810	733.9410	755.6531	732.0983
EUR/CNY	7.8751	7.8044	7.8152	7.6556
EUR/CZK	25.7240	25.5350	25.6725	26.2863
EUR/GBP	0.8945	0.8872	0.8857	0.8758
EUR/KRW	1277.9300	1279.6100	1295.9567	1275.7250
EUR/PLN	4.3014	4.1770	4.2675	4.2427
EUR/SEK	10.2548	9.8438	10.2952	9.6437
EUR/USD	1.1450	1.1993	1.1792	1.1368
EUR/ZAR	16.4594	14.8054	15.6125	15.0552

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.

Amortisation

Intangible assets with a finite life are amortised 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. Amortisation 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 amortised over a period of three to five years. The brands acquired in acquisitions or the value of the customer portfolios obtained through acquisition are amortised 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 leases

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 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 cannot 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 probable 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 amortised 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 been 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 recognised 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 recognised in other comprehensive income. The gain or loss on the ineffective portion is immediately recognised 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 realised 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 traditional and natural snacking segment. For these products, the Group is organised 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 that can be reasonably attributed to the segment. Intersegment price-fixing is defined based on the 'at arm's length' principle.

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

YEAR ENDED 31 DECEMBER 2018

CONTINUING OPERATIONS

IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER ⁽¹⁾	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
Current assets	29,759	12,399	16,210	33,098	19,743	4,093	165,925
Segment assets	29,759	12,399	16,210	33,098	19,743	4,093	115,302
Unallocated assets:							50,623
VAT receivables							4,503
Income tax receivables							523
Cash and cash equivalents							45,597
Total assets							711,572
Non-current liabilities	1,539	679	873	-	478	2,646	198,042
Segment liabilities	1,539	679	873	-	478	2,646	6,215
Unallocated liabilities:							191,827
Deferred tax liabilities							52,725
Interest-bearing loans and borrowings							116,500
Other non-current liabilities							22,602
Current liabilities	39,302	7,821	8,033	19,295	26,471	13,965	166,603
Segment liabilities	39,302	7,821	8,033	19,295	26,471	13,965	114,887
Unallocated liabilities:							51,716
VAT payables							300
Tax payables							14,761
Interest-bearing loans and borrowings							36,655
Total liabilities							364,645

OTHER SEGMENT INFORMATION

Capital expenditure:							
Tangible fixed assets	17,831	1,073	4,254	77	34,795	1,779	59,809
Intangible fixed assets	257	-	13	-	-	175	445
Depreciation	7,911	748	2,241	110	635	1,297	12,942
Increase/(decrease) in amounts written off stocks, contracts in progress and trade debtors	895	122	265	374	48	2	1,706

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

YEAR ENDED 31 DECEMBER 2017

CONTINUING OPERATIONS

IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER ⁽¹⁾	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
Current assets	25,987	11,874	15,429	23,459	16,716	2,934	149,801
Segment assets	25,987	11,874	15,429	23,459	16,716	2,934	96,399
Unallocated assets:							53,402
VAT receivables							4,789
Income tax receivables							484
Cash and cash equivalents							48,129
Total assets							597,494
Non-current liabilities	1,704	700	937	-	512	2,377	193,923
Segment liabilities	1,704	700	937	-	512	2,377	6,230
Unallocated liabilities:							187,693
Deferred tax liabilities							49,206
Interest-bearing loans and borrowings							117,500
Other non-current liabilities							20,987
Current liabilities	33,369	8,396	7,379	13,758	17,305	11,818	110,358
Segment liabilities	33,369	8,396	7,379	13,758	17,305	11,818	92,025
Unallocated liabilities:							18,333
VAT payables							119
Tax payables							16,464
Interest-bearing loans and borrowings							1,750
Total liabilities							304,281
OTHER SEGMENT INFORMATION							
Capital expenditure:							
Tangible fixed assets	17,599	1,305	3,864	95	4,164	522	27,549
Intangible fixed assets	-	-	59	-	151	480	690
Depreciation	7,386	643	2,053	119	592	1,312	12,105
Decrease/(increase) in amounts written off stocks, contracts in progress and trade debtors	1,278	64	500	41	305	10	2,198

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

4. Acquisitions and disposal of subsidiaries

In July 2018, Lotus Bakeries acquired 100% of the shares of Kiddylicious. This British food company creates responsible and delicious snacks for growing babies, toddlers and pre-schoolers. The total purchase price was EUR 49.2 million.

The results of Kiddylicious are included in the consolidation as from 26 July 2018.

The purchase price is composed as follows:

IN THOUSANDS OF EUR	PROVISIONAL FAIR VALUE
Purchase price	49,183
Intangible assets	16,014
Stocks	1,847
Trade and other receivables	3,179
Cash and cash equivalents	899
Other assets	46
Deferred tax liabilities	(2,236)
Interest-bearing loans and borrowings	(559)
Trade and other payables	(7,575)
TOTAL NET ASSETS	11,615
GOODWILL	37,568

The Goodwill of kEUR 37,568 arising from the acquisition relates to various components. Kiddylicious is a perfect strategic fit for the Natural Foods business unit of Lotus Bakeries, which was established following the acquisition of the Näkd, TREK, BEAR and Urban Fruit brands in 2015.

The Kiddylicious brand includes an extensive range, of which the most important products are Wafers, Veggie Straws and Melts. These products enrich the product range in the healthy snacking segment. Kiddylicious products can already be found in multiple countries and, with the help of Lotus Bakeries' international sales team, its international growth can be accelerated. Kiddylicious' statutory turnover is estimated at GBP 21 million for 2018.

Within a period of twelve months following the acquisition date, the final value of the acquired assets and liabilities will be calculated and the necessary additional adjustments made to the fair value.

The combined activities of the Kiddylicious companies (The Kids Food company Ltd. and Kiddylicious international Ltd.) represent the lowest level (cash generating unit) within the Group at which goodwill is monitored for internal management purposes.

5. Tangible assets

Tangible assets are purchased by and are the full property of Lotus Bakeries. This includes land and buildings, machinery and office equipment. The tangible assets are unencumbered with the exception of the notes included in 32.4.

Once again in 2018, the main investments relate to expansions of capacity. Investments totalled EUR 59.8 million. They mainly relate to the new factory in the United States. The construction of the manufacturing hall was completed during the second half of the year and the factory is scheduled to go into operation in the second half of 2019.

In 2018, an extra line came into service in the third production hall in Lembeke. Together with the factory in the United States, this expansion of capacity is needed to be able to continue to meet rising demand for Lotus Biscoff efficiently.

In 2018, the upgrade of the cake factory in Enkhuiszen was completed. Following the first phase, during which two new warehouses were erected, in a second phase, the offices are being refurbished.

During 2018, the Group invested in new, modern offices in Lembeke. The works are on schedule and the new offices will go into service in the second half of 2019.

IN THOUSANDS OF EUR	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	FURNITURE, OFFICE EQUIPMENT AND VEHICLES	ASSETS UNDER CONSTRUCTION	TOTAL
On 31 December 2018					
Acquisition cost					
At the end of the preceding year	108,905	275,563	15,907	7,839	408,214
Acquisition during the year	12,093	13,366	841	33,509	59,809
Sales and disposals	(1,335)	(1,599)	(88)	-	(3,022)
Transfers from one heading to another	918	10	-	(928)	-
Translation differences	(205)	(263)	(6)	96	(378)
Acquisition through business combinations	-	5	144	-	149
Receipt of investment grants	(622)	(8)	-	-	(630)
Total acquisition cost	119,754	287,074	16,798	40,516	464,142
Depreciation and amounts written down					
At the end of the preceding year	(42,506)	(177,850)	(13,261)	(171)	(233,788)
Depreciation during the year	(2,731)	(8,830)	(690)	-	(12,251)
Sales and disposals	-	1,570	77	-	1,647
Translation differences	69	213	7	7	296
Acquisition through business combinations	-	(5)	(144)	-	(149)
Total depreciation and amounts written down	(45,168)	(184,902)	(14,011)	(164)	(244,245)
NET BOOK VALUE	74,586	102,172	2,787	40,352	219,897

IN THOUSANDS OF EUR	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	FURNITURE, OFFICE EQUIPMENT AND VEHICLES	ASSETS UNDER CONSTRUCTION	TOTAL
On 31 December 2017					
Acquisition cost					
At the end of the preceding year	97,483	261,038	15,067	11,751	385,339
Acquisition during the year	9,564	10,166	1,033	6,785	27,548
Sales and disposals	(3,071)	(1,124)	(134)	-	(4,329)
Transfers from one heading to another	5,170	5,520	-	(10,690)	-
Translation differences	(241)	(37)	(59)	(7)	(344)
Total acquisition cost	108,905	275,563	15,907	7,839	408,214
Depreciation and amounts written down					
At the end of the preceding year	(40,074)	(170,681)	(12,818)	(176)	(223,749)
Depreciation during the year	(2,434)	(8,288)	(666)	-	(11,388)
Sales and disposals	(47)	1,114	189	-	1,256
Translation differences	49	5	34	5	93
Total depreciation and amounts written down	(42,506)	(177,850)	(13,261)	(171)	(253,788)
NET BOOK VALUE	66,399	97,713	2,646	7,668	174,426

During 2018 kEUR 630 of newly granted capital grants were received and kEUR 55 of capital grants were taken into the income statement, giving at year end a remaining balance of kEUR 1,060, which is deducted from the net book value as reported in the above tables of movements.

INVESTMENT GRANTS

On 31 December	2018	2017
At the end of the preceding year	(485)	(548)
Taken into the income statement	55	63
Newly granted capital grants	(630)	-
At the end of the year	(1,060)	(485)

6. Goodwill

The carrying value of goodwill at the end of 2018 is EUR 178 million.

For sales, production and internal reporting, the Group is organised 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 generating units as follows:

Cash flow-generating unit	Amount kEUR
Netherlands (Koninklijke Peijnenburg)	17,151
Spain (Lotus Bakeries Ibérica)	1,704
Sweden (AB Annas Pepparkakor)	5,981
Customer Brand Business (Biscuiterie Willems BVBA en B.W.I. BVBA)	20,773
Lotus Korea	9,707
Natural Foods	122,323
Total	177,639

The change for the year is due to the acquisition of Kiddylicious and translation differences:

IN THOUSANDS OF EUR	2018	2017
Acquisition cost		
Balance at end of previous year	141,001	144,368
Acquisitions of subsidiaries	37,568	-
Effect of movements in foreign exchange rates	(930)	(3,367)
Balance at end of year	177,639	141,001

Goodwill, representing approximately 25% of the total assets of Lotus Bakeries at 31 December 2018, 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; the budget is taking into account historical results and is management's best estimate 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 to free cash flows, lying between 1% and 3%.
- Projections are discounted at the weighted average pre-tax cost of capital, which lies between 5.4% and 6.5%. 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 IAS 36.

End 2018, Lotus Bakeries has completed its annual impairment test on goodwill and concluded from this that no further 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 and long term growth percentage. Here, a fall in the long-term growth percentage by 100 basis points and an increase in the weighted average capital costs before tax by 100 basis points were applied. A change in the estimates used, as described above, does not lead to a potential material impairment.

Although Lotus Bakeries believes that its assessments, assumptions and estimates are suitable, actual results may differ from these estimates in the event of changed assumptions and conditions.

7. Intangible assets

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

The brands relate to:

- the Peijnenburg brand
- the Annas brand
- the Nākd brand
- the BEAR brand
- the Dinosaurus brand
- the Kiddylicious 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 amortised. In accordance with the valuation rules, its fair value is tested annually, using the DCF method. 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 amortised. 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 as a cash generating unit. This cash generating unit is 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 amortised.

In 2015, the Näkd brand was acquired as part of the acquisition of Natural Balance Foods. Näkd is loved by customers for its delicious, innovative products made from 100% natural ingredients with no added sugar. They are dairy, wheat and gluten free. Since Näkd is the base brand of Natural Balance Foods in the UK and elsewhere, it is not amortised. In accordance with the valuation rules, its fair value is tested annually, using the DCF method. Accordingly, the sale of Näkd products in the UK and elsewhere is treated as a cash generating unit.

At the end of 2015, the BEAR brand was acquired as part of the acquisition of Urban Fresh Foods. The BEAR brand is the market leader in the UK for pure fruit snacks for children. Since BEAR is the base brand of Urban Fresh Foods in the UK and elsewhere, it is not amortised. In accordance with the valuation rules, its fair value is tested annually, using the DCF method. Accordingly, the sale of BEAR products in the UK and elsewhere is treated as a cash generating unit.

In 2018, the Kiddylicious brand was acquired as part of the acquisition of Kiddylicious. Delicious, nutritious, portion-controlled snacks for growing babies, toddlers and pre-schoolers are marketed under this brand. Since Kiddylicious is the base brand in the UK and elsewhere, it is not amortised. In accordance with the valuation rules, its fair value is tested annually, using the DCF method. Accordingly, the sale of Kiddylicious products in the UK and elsewhere is treated as a cash generating unit.

At year-end 2018, 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 recognised.

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 cash generating unit.

- The first year of the model is based on the budget for the year, taking into account historical results and is management's best estimate 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 to free cash flows, lying between 1% and 3%.
- Projections are discounted at the weighted average pre-tax cost of capital, which lies between 5% and 6%. 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 IAS 36.

As a part of the valuation test, Lotus Bakeries carried out a sensitivity analysis for important assumptions used, including the weighted average capital costs and long term growth percentage. Here, a fall in the long-term growth percentage by 100 basis points and an increase in the weighted average capital costs before tax by 100 basis points were applied. A change in the estimates used, as included above, does not lead to a potential material impairment.

Although Lotus Bakeries believes that its assessments, assumptions and estimates are suitable, actual results may differ from these estimates in the event of changed assumptions and conditions.

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

The portfolio concerns Spanish out-of-home customers purchased in 2011.

IN THOUSANDS OF EUR	INDEFINITE LIFE BRANDS	DEFINITE LIFE BRANDS	SOFTWARE	CUSTOMER PORTFOLIO	TOTAL
On 31 December 2018					
Acquisition cost					
At the end of the preceding year	122,280	4,627	10,123	1,030	138,060
Acquisitions during the year	-	-	445	-	445
Translation differences	(805)	-	10	-	(795)
Acquisition through business combinations	16,014	-	-	-	16,014
Total acquisition cost	137,489	4,627	10,578	1,030	153,724
Depreciation and amounts written down					
At the end of the preceding year	-	(4,627)	(8,865)	(644)	(14,136)
Depreciation during the year	-	-	(588)	(103)	(691)
Translation differences	-	-	(10)	-	(10)
Total depreciation and amounts written down	-	(4,627)	(9,463)	(747)	(14,837)
NET BOOK VALUE	137,489	-	1,115	283	138,887

IN THOUSANDS OF EUR	INDEFINITE LIFE BRANDS	DEFINITE LIFE BRANDS	SOFTWARE	CUSTOMER PORTFOLIO	TOTAL
On 31 December 2017					
Acquisition cost					
At the end of the preceding year	124,336	4,627	9,480	1,030	139,473
Acquisitions during the year	-	-	691	-	691
Sales and disposals	-	-	(3)	-	(3)
Translation differences	(2,056)	-	(45)	-	(2,101)
Total acquisition cost	122,280	4,627	10,123	1,030	138,060
Depreciation and amounts written down					
At the end of the preceding year	-	(4,627)	(8,299)	(541)	(13,467)
Depreciation during the year	-	-	(611)	(103)	(714)
Translation differences	-	-	45	-	45
Total depreciation and amounts written down	-	(4,627)	(8,865)	(644)	(14,136)
NET BOOK VALUE	122,280	-	1,258	386	123,924

8. Deferred taxes

Deferred tax assets are included for the companies which have a loss at the end of the year, except for Interwaffles SA (kEUR 4,477 in 2018 versus kEUR 4,792 in 2017). The recognition of these deferred tax assets is supported by profit expectations in the foreseeable future.

IN THOUSANDS OF EUR	ON 31 DECEMBER 2017	CHARGED/ CREDITED TO THE INCOME STATEMENT	CHARGED/ CREDITED TO EQUITY	CHARGED/ CREDITED ACQUISITION	EXCHANGE DIFFERENCES	ON 31 DECEMBER 2018
Property, plant and equipment and intangible assets	(44,646)	(372)	-	(2,722)	160	(47,580)
Inventories	291	120	-	-	4	415
Pension liabilities	586	39	77	-	-	702
Tax effect of tax loss carry-forwards	2,880	(612)	-	-	(29)	2,239
Provisions	(1,966)	(40)	-	-	-	(2,006)
Derivative financial instruments	(554)	-	456	-	-	(98)
Other	(1,487)	(1,767)	-	486	307	(2,461)
Total deferred tax	(44,896)	(2,632)	533	(2,236)	442	(48,789)

IN THOUSANDS OF EUR	ON 31 DECEMBER 2016	CHARGED/ CREDITED TO THE INCOME STATEMENT	CHARGED/ CREDITED TO EQUITY	CHARGED/ CREDITED ACQUISITION	EXCHANGE DIFFERENCES	ON 31 DECEMBER 2017
Property, plant and equipment and intangible assets	(48,897)	4,037	-	-	214	(44,646)
Inventories	24	280	-	-	(15)	291
Pension liabilities	744	(228)	71	-	(1)	586
Tax effect of tax loss carry-forwards	3,269	(249)	-	-	(140)	2,880
Provisions	(2,158)	197	-	-	(5)	(1,966)
Derivative financial instruments	1,164	(6)	(1,712)	-	-	(554)
Other	42	(1,755)	-	-	226	(1,487)
Total deferred tax	(45,812)	2,276	(1,641)	-	281	(44,896)

9. Participating interests and other long-term receivables

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Participating interests	2,448	-

In March 2018, an agreement was reached with Grassroots, the current co-manufacturer for the BEAR range, for the acquisition of the production activities of BEAR. The new turnkey production facility should be operational in 2019. In that respect, a first payment was done, which is reported under participating interests in the accounting report. The transfer will become official when all specified conditions are met and after approval by the regulatory authorities.

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Derivative financial instruments	2,280	3,525
Cash guarantees	538	485
Other long-term receivables	10	10
Total	2,828	4,020

Please refer to note 20.

10. Inventories

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Raw materials and consumables	10,764	10,252
Work in progress	433	376
Finished goods	18,551	12,531
Goods for resale	9,318	10,494
Total	39,066	33,653

Valuation allowances of kEUR 1,551 relate mainly to raw materials (kEUR 138), packaging material (kEUR 357), finished products (kEUR 550) and goods for resale (kEUR 505). In 2017, valuation allowances amounted to kEUR 2,075.

11. Trade receivables and other amounts receivable

The amount of valuation allowances in 2018 is kEUR 155. In 2017, kEUR 123 of valuation allowances were charged. The trade receivables represent an average of 45 days of sales outstanding (2017: 42 days).

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Trade receivables	71,097	60,104
Tax receivables		
VAT receivables	4,503	4,789
Income tax receivables	523	484
Total	5,026	5,273
Other amounts receivable	2,993	1,487

The other current amounts receivables item includes amongst others the proportion of long-term receivables that are due within one year, empties in custody and investment grants to be received. The increase compared with 2017 is due to a receivable relating to the sale of a tangible asset.

Movements on valuation allowances of trade receivables:

IN THOUSANDS OF EUR	2018	2017
Amounts written off on 1 January	434	1,148
Increase of amounts written off	155	123
Amounts written off used during the year	22	(837)
Amounts written off on 31 December	611	434

With regard to trade receivables there are no indications that debtors will not meet their payment obligations. In 2017, a provision was used for doubtful debts, which was not the case for 2018. Nor are there any customers representing more than 10% of the consolidated turnover. IFRS 9 requires Lotus Bakeries to establish a provision for expected losses on the recovery of trade receivables. The application of this new IFRS standard has no material impact. More information regarding the credit risk is included in the chapter 'Report of the Board of Directors' in part 1 of the Lotus Bakeries 2018 annual review.

12. Cash and cash equivalents

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

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Cash and cash equivalents	45,597	48,129
Total	45,597	48,129

13. Net financial debt

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

Net financial debt has increased by kEUR 38,950 compared with the end of the previous financial year. The increase is due to investments in non-current assets and the acquisition of Kiddylicious. This increase is partially offset by very strong operating cash flow.

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Non current interest-bearing liabilities	(116,500)	(117,500)
Short term interest-bearing liabilities	(36,655)	(1,750)
Cash and cash equivalents	45,597	48,129
Treasury shares	11,406	13,919
Total	(96,152)	(57,202)

14. Issued capital

All shares are ordinary shares, registered or dematerialised. The treasury shares have been purchased as part of the share option plans mentioned in note 24.

Ordinary shares, issued and fully paid

IN THOUSANDS OF EUR	2018	2017
On 1 January	3,584	3,576
Increase	6	8
On 31 December	3,590	3,584

Number of ordinary shares

On 1 January	814,433	812,513
Increase	1,300	1,920
On 31 December	815,733	814,433
Less: treasury shares held at 31 December	(9,740)	(15,171)
Shares outstanding at 31 December	805,993	799,262

Amounts of authorized capital, not issued

IN THOUSANDS OF EUR	943	949
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Structure of shareholdings

Further details of the shareholding structure of Lotus Bakeries NV as of 31 December 2018 are contained in the Corporate Governance Statement in part 1 of the 2018 annual review of Lotus Bakeries.

Capital risk management

The goal of Lotus Bakeries as far as capital management is concerned is to ensure that Lotus Bakeries can continue to operate as a going concern in order to generate a return for shareholders and provide benefits for other stakeholders. Furthermore, Lotus Bakeries aims for a capital structure (balance between debt and equity) that gives it the required financial flexibility to implement its growth strategy. The aim is to maintain the ratio of net financial debt (defined as interest-bearing financial debt less monetary investments, cash equivalents and treasury shares) to recurring operating cash flow (REBITDA) at what is considered as a normal healthy level in the financial market.

15. Dividends

IN THOUSANDS OF EUR	2018	2017
Dividend payments in		
Gross dividend per ordinary share (EUR)	19.50	16.20
Gross dividend on ordinary shares	15,887	13,191
Proposed dividend per ordinary share (EUR)	29.00	19.50
Gross dividend on ordinary shares	23,664	15,887

The Board of Directors will propose to the Ordinary General Meeting of Shareholders of 10 May 2019 to pay a gross dividend of EUR 29.00 per share for 2018 compared to EUR 19.50 per share in 2017.

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 10 May 2019.

16. Treasury shares

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

IN THOUSANDS OF EUR	2018	2017
On 1 January	13,919	12,038
Purchased during the year	173	3,437
Sold during the year	(2,686)	(1,556)
On 31 December	11,406	13,919
Number of treasury shares		
On 1 January	15,171	17,630
Purchased during the year	80	1,611
Sold during the year	(5,511)	(4,070)
On 31 December	9,740	15,171

17. Interest-bearing liabilities

Non-current financial debts with an initial maturity of more than 1 year increased by kEUR 1,000. The current interest-bearing liabilities increased by kEUR 34,905. The currency of all non-current interest-bearing liabilities is euro. Current interest-bearing liabilities are mainly expressed in euro.

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

IN THOUSANDS OF EUR	DUE WITHIN 1 YEAR	DUE BETWEEN 1 TO 5 YEARS	DUE AFTER 5 YEARS	TOTAL
Non current interest-bearing liabilities	-	116,500	-	116,500
Current interest-bearing liabilities	36,655	-	-	36,655
Total on 31 December 2018	36,655	116,500	-	153,155
Interests due on non current interest-bearing liabilities	1,805	4,382	-	6,187

IN THOUSANDS OF EUR	DUE WITHIN 1 YEAR	DUE BETWEEN 1 TO 5 YEARS	DUE AFTER 5 YEARS	TOTAL
Non current interest-bearing liabilities	-	42,500	75,000	117,500
Current interest-bearing liabilities	1,750	-	-	1,750
Total on 31 December 2017	1,750	42,500	75,000	119,250
Interests due on non current interest-bearing liabilities	1,816	5,872	315	8,003

The interests due on the loans with variable interest rate are calculated at the actual interest rate.

The unused committed credit lines amounted to kEUR 72,499 on 31 December 2018.

18. Pension liabilities

Defined contribution plan

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

Because of the Belgian legislation applicable to 2nd pillar pension plans (so-called 'Law Vandenbroucke'), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. This 'Law Vandenbroucke', which came into force in 2004, 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 changes 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 contribution 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 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 2018 and these are assessed as not significant. The employer's contribution related to the plans amounted to a total of kEUR 1,297 in 2018.

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

The Group expects to pay around kEUR 3,583 of contributions to these defined contribution plans in respect of 2019.

Defined benefit pension plan

There is a defined benefit pension plan in the subsidiaries in Germany and the Netherlands. For the Belgian companies, there are provisions for early retirement in accordance with the valid Collective Work Agreement. In France, there are pension requirements deriving from legal requirements.

Defined benefit costs are split into 2 categories:

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

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

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

The actuarial calculation for the Belgian companies is based on the following assumptions:

	2018	2017
Discount rate	1.15%	0.76%
Inflation rate	1.8% p.a.	1.8% p.a.

No major adaptations were required in the past for pension liabilities. The Group expects to pay out around kEUR 21 in 2019 under defined benefit pension schemes for Germany and France.

IN THOUSANDS OF EUR	2018	2017
Net periodic cost		
Service cost	103	118
Interest charges	33	33
(Gains) / losses	(52)	(44)
NET PERIODIC COST	84	107
Remeasurements (recognised in OCI)		
Remeasurements on the defined benefit obligation	(199)	833
REMEASUREMENTS	(199)	833
Movement in the net liability		
Net debts as at 1 January	3,998	3,203
Service cost	103	118
Interest charges	33	33
Remeasurements	(199)	833
Employers contribution	(129)	(145)
(Gains) / losses	(52)	(44)
Other	-	-
NET DEBT AS AT 31 DECEMBER	3,754	3,998

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 higher than expected salary increase of plan members 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.

The actuary has performed a sensitivity analysis on actuarial assumptions used. In this respect, both the discount rate and the inflation rate were altered by 50 basis points. A change in the estimates used, as recorded above, does not lead to a possible material impact on Lotus Bakeries' financial statements.

19. Provisions

The provisions mainly relate to contractual or legal obligations towards personnel.

IN THOUSANDS OF EUR	INTEGRATION AND RESTRUCTURING	OTHER	TOTAL
Provisions on 1 January 2018	-	435	435
Increase of provisions	-	-	-
Reversal of unutilised provisions	-	(16)	(16)
Provisions used during the year	-	(21)	(21)
Provisions on 31 December 2017	-	398	398
Long-term	-	377	377
Short-term	-	21	21

IN THOUSANDS OF EUR	INTEGRATION AND RESTRUCTURING	OTHER	TOTAL
Provisions on 1 January 2017	1,400	607	2,007
Increase of provisions	-	-	-
Reversal of unutilised provisions	-	(22)	(22)
Provisions used during the year	(1,400)	(150)	(1,550)
Provisions on 31 December 2017	-	435	435
Long-term	-	414	414
Short-term	-	21	21

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 trading 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 based on the Euribor. The fair value of the interest rate derivatives is calculated using a model that takes into account the available market information on current and expected interest rates (level 2 valuation).

In 2016, Lotus Bakeries acquired additional finance with bank loans worth EUR 18 million over a period of 7 years (variable rate), for which seven-year interest rate agreements were entered into at the same time (variable for fixed) to hedge against fluctuations in cash flow caused by changes in interest rates.

In 2015, Lotus Bakeries already acquired finance with bank loans worth EUR 40 million (over a period of 5 years) and EUR 57 million (over a period of 7 years), for which interest rate agreements were entered into at the same time (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 meets the hedge accounting requirements (cf. IAS 39). The Group has identified and documented these transactions as a 'cashflow hedge' and processed this in the accounts as such from the issue dates.

As of 31 December 2018, the market value of these interest rate swaps was kEUR -2,319, and the change in market value is included in equity under other comprehensive income (loss on cash flow hedge).

Exchange rate hedges

The Group is subject to foreign currency risks. The main foreign currency transactions take place in USD, GBP, ZAR, CHF, SEK, CNY and KRW. Management is considering the hedging of the net foreign exchange risk of these currencies by forward and/or option contracts whenever there exists a material uncovered net risk for the Group. As of 31 December 2018, the market value of this hedge was kEUR 2,280, and the change in market value is included in equity under other comprehensive income.

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).

Fair value of derivative financial instruments

IN THOUSANDS OF EUR	2018	2017
Financial derivatives		
Fair value	(39)	1,554
Cost/(revenue) in results before tax	(1)	(3)
Decrease/(increase) in equity before tax	1,594	(4,974)

The financial instruments are level 2 instruments. The fair value is calculated on the basis of the available market information. With respect to put options on non-controlling interests, please refer to note 21.

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 22.6 million, does not give rise to interest expenses. The options were 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	31-12-2018	31-12-2017
Trade payables	86,794	68,542
Remuneration and social security	21,330	18,383
Tax payables		
VAT payables	300	119
Tax payables	14,761	16,464
Total	15,061	16,583
Derivative financial instruments	-	1
Other current liabilities	3,102	1,662
Accrued charges and deferred income	3,406	3,264
TOTAL	129,693	108,435

The increase in 2018 is mainly due to the increase in trade payables and remuneration and social security, as a result of Lotus Bakeries' internal growth, the purchase of tangible assets and the acquisition of Kiddylicious.

23. Personnel costs

IN THOUSANDS OF EUR	2018	2017
Salaries and wages	75,005	69,801
Social security contributions	14,361	13,489
Contributions for company pension plans with fixed contribution	3,245	2,659
Other personnel costs	19,366	19,631
Total personnel costs	111,977	105,580
Average number of members of personnel	1,555	1,500
Number of members of personnel as at the end of the year	1,604	1,495

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

Personnel costs increased in 2018 compared with 2017 due to the increase in the number of staff.

24. Share-based payments

Stock option plans

The stock option plan ratified by the Board of Directors of March 2012 stipulates that options are granted each financial 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 calendar 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 2018, 1,179 share options were granted to and accepted by Lotus Bakeries employees.

In 2017, 2,260 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 2018 and 2017. 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 2018 have a weighted average term of two years and three months (2017: two years and three 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 590 was recorded in the income statement in 2018 (kEUR 620 in 2017). For share options exercised during 2018, the weighted average share price at exercise date was EUR 2,352.57 (2017: EUR 2,370.98). For the exercised warrants, the weighted average share price at the exercise date was EUR 2,529.74 (2017: EUR 2,316.09).

Number of options and warrants	2018	2017
Outstanding at January, 1	15,971	20,687
Options granted during the year	1,179	2,260
Options exercised during the year	(5,511)	(4,070)
Options expired during the year	(341)	(986)
Warrants exercised during the year	(1,300)	(1,920)
Outstanding at 31 December	9,998	15,971
Exercisable at 31 December	1,429	2,852
Charge recorded in the income statement (kEUR)	590	620

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

IN EUR	2018	2017
Outstanding at January, 1	1,148.04	841.50
Options granted during the year	2,373.00	2,347.52
Options exercised during the year	767.41	560.70
Options expired during the year	1,981.06	1,646.83
Warrants exercised during the year	246.02	246.02
Outstanding at 31 December	1,591.17	1,148.04
Exercisable at 31 December	695.97	426.33

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

	2018	2017
Number of years	2	2
Number of months	3	3

ALLOTTED IN		NUMBER ALLOTTED ⁽¹⁾	NUMBER EXERCISED ⁽²⁾	AVAILABLE BALANCE	EXERCISE PRICE	EXERCISE PERIOD	
2007	Options	11,950	11,950		232.82	01/01/2011 -	10/05/2017
						15/03/2018 -	31/03/2018
						15/09/2018 -	30/09/2018
2007	Warrants	43,450	43,170	280	246.02	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	800	-	405.12	01/01/2015 -	12/05/2016
2011	Options	500	500	-	387.12	18/03/2015 -	29/07/2016
2012	Options	5,069	5,069	-	496.77	01/01/2016 -	10/09/2017
2013	Options	3,998	3,998	-	650.31	01/01/2017 -	13/05/2018
2014	Options	5,358	4,239	1,119	802.55	01/01/2018 -	08/05/2019
2015	Options	30	-	30	919.92	25/08/2018 -	01/01/2020
2015	Options	3,317	-	3,317	1,243.57	01/01/2019 -	07/05/2020
2016	Options	20	-	20	1,591.00	10/08/2019 -	12/12/2020
2016	Options	2,367	-	2,367	1,702.49	01/01/2020 -	12/05/2021
2017	Options	-	-	-	2,417.75	01/01/2021 -	31/12/2021
2017	Options	1,726	-	1,726	2,331.77	01/01/2021 -	11/05/2022
2018	Options	1,139	-	1,139	2,373.00	01/01/2022 -	14/05/2023
	Total	82,124	72,126	9,998			

(1) Cumulated 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:

	2018	2017
Fair value of options granted	316.29	378.27
Share price	2,310.00	2,459.00
Exercise price	2,373.00	2,331.77
Expected volatility	22.43%	22.02%
Expected dividends	0.93%	1.07%
Risk-free interest rate	0.11%	(0.12%)

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

25. Depreciation and amortisation of (in)tangible assets

IN THOUSANDS OF EUR	2018	2017
Depreciation of intangible assets	691	714
Depreciation of property, plant & equipment	12,251	11,391
Total	12,942	12,105

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	2018	2017
Other costs		
Other taxes	2,310	2,931
Other operating charges	(187)	237
Total	2,123	3,168
Other revenues		
Transport charges	(7)	(7)
Fixed assets - own construction	(890)	(1,006)
Other operating income	(1,982)	(4,394)
Total	(2,879)	(5,407)
Other operating charges (income)	(756)	(2,239)

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

The other income consists primarily of 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 disposal of fixed assets, any goodwill impairment losses, write-downs or impairment losses on brands from takeovers, project costs for the start-up of new factories under construction, provisions and costs for restructuring and takeovers.

The non-recurrent operating result at the end of 2018 amounts to kEUR -3,005. It comprises costs relating to acquisitions, start-up costs for the factory in the United States and the gain on the sale of land in South Korea.

In 2017, the non-recurrent operating result amounted to kEUR -91. It comprised the proceeds of the sale of land in Meise, restructuring costs, start-up costs for the factory in the US and costs relating to the recall of Lotus Biscoff spread and the fipronil crisis.

28. Financial results

IN THOUSANDS OF EUR	2018	2017
Interest expense (income)	2,435	2,096
Interest charges	2,463	2,131
Fair value valuation of the financial instruments	(1)	(3)
Interest income	(27)	(32)
Foreign exchange losses (gains)	596	(175)
Exchange rate losses	2,554	5,128
Exchange rate gains	(1,958)	(5,303)
Other financial expenses (income)	293	307
Financial results	3,324	2,228

On an annual basis, the Group reports a financial charge of kEUR 3,324 versus kEUR 2,228 in 2017. The net financial result for 2018 consists mostly of interest expenses. The higher charge compared with the previous year is due to a foreign exchange loss and the higher net financial debt on average in 2018 as a result of the investments in tangible assets and the acquisition of Kiddylicious.

29. Taxes

Income tax amounted to EUR 20.8 million and fell by 7% compared with 2017. The average effective tax rate was 23.48% in 2018 compared with 25.73% in 2017.

IN THOUSANDS OF EUR	2018	2017
Income taxes on the results		
Income taxes on the results of the current year	20,264	21,054
Tax adjustments for prior years	(2,067)	3,619
Deferred taxes of the current year	2,632	(2,276)
Total tax charge reported in the income statement	20,829	22,397
Accounting profit before tax	88,701	87,030
Effective tax rate of the year	23.48%	25.73%
Reconciliation between theoretical and effective tax rate		
Results before taxation	88,701	87,030
Legal tax rate	29.58%	33.99%
Legal income tax expense	26,238	29,581
Effect of different tax rates in other countries	(2,481)	(4,203)
Deductions of taxable income (Deduction Notional Interest + various tax credits)	(1,329)	(1,335)
Tax adjustments for prior years	(2,067)	3,619
Taxes on dividend income	(35)	174
Disallowed expenses	870	1,950
Tax free income	35	(287)
Tax losses used for which no deferred tax asset has been recorded	(162)	(170)
Changes in tax rate or new taxes	(153)	(6,767)
Other	(87)	(165)
Effective tax	20,829	22,397
Effective tax rate	23.48%	25.73%

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).

IN THOUSANDS OF EUR	2018	2017
Net result - attributable to:	67,872	64,633
Non-controlling interests	964	1,094
Equity holders of Lotus Bakeries	66,908	63,539
Weighted average number of shares	803,878	799,423
Ordinary earnings per share (EUR) - attributable to:		
Non-controlling interests	1.20	1.37
Equity holders of Lotus Bakeries	83.23	79.48
Dilutive effect	4,935	9,312
Weighted average number of shares under option	11,266	15,716
Weighted average number of shares which should be issued at average market rate	(6,331)	(6,404)
Weighted average number of shares after effect of dilution	808,813	808,735
Diluted earnings per share (EUR) - attributable to:		
Non-controlling interests	1.19	1.35
Equity holders of Lotus Bakeries	82.72	78.57
Total number of shares	815,733	814,433
Earnings per share (EUR) - attributable to:		
Non-controlling interests	1.18	1.34
Equity holders of Lotus Bakeries	82.02	78.02
Total number of shares less treasury shares	805,993	799,262
Earnings per share (EUR) - attributable to:		
Non-controlling interests	1.20	1.37
Equity holders of Lotus Bakeries	83.01	79.50

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 2018 are contained in the Corporate Governance Statement in part 1 of the 2018 annual review of Lotus Bakeries.

For information on the remuneration of the CEO and the remuneration of the executive managers (excluding the CEO) in 2018, we refer to the remuneration report included in part 1 of the 2018 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. Leases

The Group's commitments mainly relate to the leasing of office buildings, storage space and cars.

Future rental charges as of 31 December:

IN THOUSANDS OF EUR	2018	2017
Less than one year	4,089	4,880
More than one year and less than five years	6,399	6,652
More than 5 years	1,157	1,621

The annual rent costs of these commitments totalled kEUR 4,569 in 2018 (kEUR 4,892 in 2017).

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 per 31 December 2018, the Group had kEUR 25,394 of commitments (2017: kEUR 5,661) for the purchase of fixed assets.

The main commitments relate to the construction of the new factory in Mebane, North Carolina, USA

3. Contracts for raw materials and finished products

Purchased but not yet delivered raw materials and finished products in 2019 and 2020 amount to kEUR 95,888, as detailed below.

IN THOUSANDS OF EUR	2018	2017
Less than one year	76,819	85,295
More than one year and less than five years	19,069	10,828

4. Other rights and commitments

Bank guarantees as per 31 December 2018: kEUR 601 (as per 31/12/2017: kEUR 601).

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 2018 annual review of Lotus Bakeries.

34. Categories and fair value of financial instruments

Financial Assets by Class and Measurement Category:

Financial assets (trade receivables, cash and cash equivalents) are measured at amortised cost. Financial liabilities (interest-bearing liabilities, trade payables) are recognised at amortised cost. Derivative financial instruments are measured at fair value.

Financial Assets by Class and Measurement Category:		31 DECEMBER 2018		
IN THOUSANDS OF EUR	NOTE	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE	TOTAL
		LOANS AND RECEIVABLES	DERIVATIVES - THROUGH EQUITY	
Derivative financial instruments	20	-	2,280	2,280
Trade receivables	11	71,097	-	71,097
Cash and cash equivalents	12, 13	45,597	-	45,597
Total financial assets		116,694	2,280	118,974

31 DECEMBER 2017

IN THOUSANDS OF EUR	NOTE	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE	TOTAL
		LOANS AND RECEIVABLES	DERIVATIVES - THROUGH EQUITY	
Derivative financial instruments	20	-	3,525	3,525
Trade receivables	11	60,104	-	60,104
Cash and cash equivalents	12, 13	48,129	-	48,129
Total financial assets		108,233	3,525	111,758

Financial Liabilities by Class and Measurement Category		31 DECEMBER 2018				
		FINANCIAL LIABILITIES AT FAIR VALUE				TOTAL
IN THOUSANDS OF EUR	NOTE	FINANCIAL LIABILITIES AT AMORTISED COST	DERIVATIVES - THROUGH PROFIT OR LOSS	DERIVATIVES - THROUGH EQUITY	FAIR VALUE HIERARCHY	
Interest-bearing liabilities	13, 17	116,500	-	-	-	116,500
Derivative financial instruments	20	-	-	2,319	Level 2	2,319
Other non-current liabilities	21	5	-	22,597	Level 3	22,602
Non-current liabilities		116,505	-	24,916	-	141,421
Interest-bearing liabilities	13, 17	36,655	-	-	-	36,655
Trade payables	22	86,794	-	-	-	86,794
Derivative financial instruments	20, 22	-	1	-	Level 2	1
Current liabilities		123,449	1	-	-	123,450
Total financial liabilities		239,954	1	24,916	-	264,871

31 DECEMBER 2017

		FINANCIAL LIABILITIES AT FAIR VALUE				
		FINANCIAL LIABILITIES AT FAIR VALUE				TOTAL
IN THOUSANDS OF EUR	NOTE	FINANCIAL LIABILITIES AT AMORTISED COST	DERIVATIVES - THROUGH PROFIT OR LOSS	DERIVATIVES - THROUGH EQUITY	FAIR VALUE HIERARCHY	
Interest-bearing liabilities	13, 17	117,500	-	-	-	117,500
Derivative financial instruments	20	-	-	1,970	Level 2	1,970
Other non-current liabilities	21	5	-	20,982	Level 3	20,987
Non-current liabilities		117,505	-	22,952	-	140,457
Interest-bearing liabilities	13, 17	1,750	-	-	-	1,750
Trade payables	22	68,542	-	-	-	68,542
Derivative financial instruments	20, 22	-	1	-	Level 2	1
Current liabilities		70,292	1	-	-	70,293
Total financial liabilities		187,797	1	22,952	-	210,750

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 requires, for financial instruments that are measured in the balance sheet at fair value, the disclosure of fair value measurements by level of fair value measurement hierarchy. For financial instruments not measured at fair value, the disclosure of their fair value and the fair value measurement level is necessary.

The fair value measurements have to be categorised by the following level of fair value measurement hierarchy:

Level 1: The fair value of a financial instrument that is traded in an active market is measured based on quoted (unadjusted) prices for identical assets or liabilities. A market is considered as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency. Those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, either directly (i.e., as prices) or indirectly (i.e., derived from prices), the instrument is included in Level 2.

Level 3: If one or more of the significant inputs used in applying the valuation technique is not based on observable market data, the financial instrument is included in Level 3.

No transfers between the different fair value hierarchy levels took place in 2018 and 2017.

35. 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 2018 these costs amounted to kEUR 1,623.

YEAR	EXTERNAL AND INTERNAL COSTS OF RESEARCH AND DEVELOPMENT
2018	1,623
2017	1,568
2016	1,320
2015	1,384
2014	1,434

36. Subsequent events

No significant events have occurred since 31 December 2018 which have a material impact on the 2018 financial statements.

37. Management responsibility statement

We hereby certify that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRS (International Financial Reporting Standards), give us a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the subsidiaries 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 2018 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, 10 April 2019

On behalf of the Board of Directors

Jan Boone, CEO

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

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

IN THOUSANDS OF EUR

Audit fee for the Group audit 2018

Lotus Bakeries NV	80
Lotus Bakeries Group	322

Total	402
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Fees for the mandates of PwC Bedrijfsrevisoren	277
Fees for the mandates of persons related to PwC bedrijfsrevisoren	125

Group's Auditor fees for additional services rendered

Other audit-related fees	2
Tax fees	-
Other non-audit fees	24

Fees for additional services rendered by persons related to PwC Bedrijfsrevisoren

Other audit-related fees	-
Tax fees	472
Other non-audit fees	105

REPORT TO THE GENERAL SHAREHOLDERS

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated financial statements of Lotus Bakeries NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated financial statements, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 13 May 2016, following the proposal formulated by the board of directors and following the recommendation by the audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual financial statements for the year ended 31 December 2018. We have performed the statutory audit of the consolidated financial statements of Lotus Bakeries NV for 12 consecutive years.

Report on the consolidated financial statements

Unqualified opinion

We have performed the statutory audit of the Group's consolidated financial statements, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated balance sheet total of EUR'000 711,572 and a profit for the year, Group share, of EUR'000 66,908.

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 2018, 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.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the years ending as from 31 December 2018, which are not yet approved at the national level.

Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company 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.

Key audit matters

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

Impairment testing of goodwill and other intangible assets - Notes 6 and 7

Description of the key audit matter

The carrying value of the Group's goodwill and other intangible assets with an indefinite life amounts to EUR'000 177,639 and EUR'000 137,489 respectively at 31 December 2018.

These assets are subject to impairment testing on an annual basis or more frequently if there are indicators of impairment.

We consider this as most significant to our audit because the determination of whether or not an impairment charge is necessary involves significant judgement in estimating the future results of the business.

How our audit addressed the key audit matter

We evaluated the appropriateness of the Group's accounting policies and assessed compliance with the policies in accordance with IFRS.

We evaluated management's annual impairment testing and assessment of the indicators of impairment and challenged impairment calculations by assessing the future cash flow forecasts used in the models, and the process by which they were drawn up, including comparing them to the latest budgets approved by the board of directors.

We understood and challenged:

- Assumptions used in the Group's budget and internal forecasts and the long term growth rates by comparing them to economic and industry forecasts;
- The discount rate by assessing the cost of capital and other inputs including benchmarking with comparable organizations;
- The historical accuracy of budgets to actual results to determine whether cash flow forecasts are reliable based on past experience;
- The mechanics of the underlying calculations.

In performing the above work, we utilized our internal valuation experts to provide challenge and external market data to assess the reasonableness of the assumptions used by management.

We evaluated the sensitivity analysis around the key drivers within the cash flow forecasts to ascertain the extent of change in those assumptions and also considered the likelihood of such a movement in those key assumptions arising.

Whilst recognizing that cash flow forecasting, impairment modeling and valuations are all inherently judgmental, we concluded that the assumptions used by management were within an acceptable range of reasonable estimates.

Revenue recognition relating to commercial arrangements – Note 2

Description of the key audit matter

As described in Note 2 on the applied accounting policies, the Group enters into commercial agreements with its customers whereby volume-related allowances, promotional & marketing allowances and various other fees and discounts are contractually agreed. The Group measures revenue, cost of sales and cost of services & other goods taken into consideration the estimated amount based on those contractual agreements and the specific classification criteria in accordance with IFRS.

Due to the nature of some arrangements there is a risk that these arrangements are not appropriately accounted for and as a result revenue would be misstated.

We consider this as most significant to our audit because the assessment of customer allowances requires significant judgement from management concerning:

- The nature and level of fulfilment of the company's obligations under the contractual agreements;
- Estimates with respect to sales volumes to support the required provision to fulfil the current obligation towards the customers.

How our audit addressed the key audit matter

We evaluated the appropriateness of the Group's revenue recognition accounting policies, in particular those relating to volume rebates and promotional & marketing allowances and assessed compliance with the policies in accordance with IFRS.

We tested the effectiveness of the Group's controls over accounting for commercial arrangements and the accuracy of the contractual agreements registered in the accounting system.

In addition, we challenged management's assumptions used in determining the commercial accruals through discussions with management and performing specific substantive procedures including:

- A sample basis on which we agreed the recorded amounts to contractual evidence;
- Inspecting supporting documentation for a sample of manual journals posted to revenue accounts;
- Testing credit notes issued after period end to assess the completeness of the commercial accruals recorded;
- A run down on prior years' commercial accruals to evaluate the reliability of management's estimates.

Our procedures confirmed that management's assumptions and estimates in respect of accounting for commercial arrangements are appropriate in all material aspects.

Accounting for deferred taxes and uncertain tax positions – Note 8 and 29

Description of the key audit matter

The company's disclosures concerning deferred and current income taxes are included in Notes 8 and 29 of the consolidated financial statements. As per 31 December 2018, the total balance of deferred taxes for the entire Group amounts to EUR'000 3,936 of deferred tax assets and EUR'000 52,725 of deferred tax liabilities.

The Group operates in various countries and is present in many different tax jurisdictions where transfer pricing assessments can be challenged by the tax authorities. Furthermore, developments in local fiscal regulations are impacting the valuation of deferred tax positions.

In the normal course of business, group management makes judgments and estimates in relation to tax issues and exposures resulting in the recognition of other tax liabilities.

This area required our focus due to its inherent complexity and the estimation and judgement involved in calculating such liabilities.

How our audit addressed the key audit matter

We evaluated the appropriateness of the Group's accounting policies and assessed compliance with the policies in accordance with IFRS.

We tested the completeness and accuracy of the amounts reported for deferred tax, including the assessment of disputes with tax authorities, based on the developments in 2018. In this area our audit procedures included:

- Assessment of the group's transfer pricing judgements, considering the way in which the group's businesses operate and the impact of tax audits on this;
- Testing the effectiveness of the Group's internal controls around the recording and continuous re-assessment of the other tax liabilities including identification of uncertain tax positions.

We also assessed the applicable local fiscal regulations and developments as these are key assumptions underlying the recognition and valuation of the current and deferred tax positions. In addition, we also focused on the adequacy of the company's disclosures on income tax positions and uncertain tax positions.

We found the estimates to be reasonable in all material aspects in the context of the applicable fiscal regulations.

Responsibilities of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of consolidated financial statements that give a true and fair view 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 determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Statutory auditor's responsibilities for the audit of the consolidated financial statements

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

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated financial statements in Belgium.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction,

supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the separate report on non-financial information and the other information included in the annual report.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised in 2018) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated financial statements, the separate report on non-financial information and the other information included in the annual report and to report on these matters.

Aspects related to the directors' report on the consolidated financial statements and to the other information included in the annual report

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated financial statements and to the other information included in the annual report, this report is consistent with the consolidated financial statements for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 119, §2 of the Companies' Code is included in the directors' report on the consolidated financial statements. The Company has prepared the non-financial information, based on the Sustainable Development Goals (SDG) framework. However, in accordance with article 148, §1, 5° of the Companies' Code, we do not express an opinion, in this report, as to whether the non-financial information has been prepared in accordance with the Sustainable Development Goals (SDG) framework as disclosed in the consolidated financial statements.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated financial statements, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated financial statements referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated financial statements.

Other statements

This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Ghent, 8 April 2019

The statutory auditor
PwC Bedrijfsrevisoren cvba
Represented by

Peter Opsomer
Bedrijfsrevisor

ABRIDGED FIVE-YEAR FINANCIAL SUMMARY

GROUP LOTUS BAKERIES

Consolidated balance sheet

IN THOUSANDS OF EUR	31-12-2018	31-12-2017	31-12-2016	31-12-2015	31-12-2014
NON CURRENT ASSETS	545,647	447,693	437,310	442,884	263,881
Property, plant and equipment	219,897	174,426	161,590	139,377	137,569
Goodwill	177,639	141,001	144,368	93,229	46,135
Intangible assets	138,887	123,924	126,006	107,901	74,674
Participating interests	2,448	-	-	-	-
Investment in other companies	12	12	37	96,244	22
Deferred tax assets	3,936	4,310	4,854	5,889	5,275
Other non-current assets	2,828	4,020	455	244	206
CURRENT ASSETS	165,925	149,801	110,692	128,337	73,108
Inventories	39,066	33,653	32,175	35,659	17,898
Trade receivables	71,097	60,104	50,922	56,143	38,804
Cash and cash equivalents	45,597	48,129	19,932	18,547	11,855
TOTAL ASSETS	711,572	597,494	548,002	571,221	336,989
EQUITY	346,927	293,213	248,464	217,525	200,629
Non-current liabilities	198,042	193,923	197,245	169,242	39,506
Interest-bearing liabilities	116,500	117,500	118,500	97,000	325
Deferred tax liabilities	52,725	49,206	50,666	44,607	34,905
Other non-current liabilities	22,602	20,987	19,560	22,815	57
Current liabilities	166,603	110,358	102,293	184,454	96,854
Interest-bearing liabilities	36,655	1,750	7,533	99,086	41,144
Trade payables	86,794	68,542	54,742	42,498	33,309
Employee benefit expenses and social security	21,350	18,383	18,418	18,336	12,357
TOTAL EQUITY AND LIABILITIES	711,572	597,494	548,002	571,221	336,989

Consolidated income statement

IN THOUSANDS OF EUR	2018	2017	2016	2015	2014
TURNOVER	556,435	524,055	507,208	411,576	347,890
RECURRENT OPERATING RESULT (REBIT)	95,030	89,349	83,945	64,764	49,433
Non-recurrent operating result	(3,005)	(91)	4,507	(1,748)	(261)
OPERATING RESULT (EBIT)	92,025	89,258	88,452	63,016	49,172
Financial result	(3,324)	(2,228)	(2,675)	(778)	16
PROFIT FOR THE YEAR BEFORE TAXES	88,701	87,030	85,777	62,238	49,188
Taxes	(20,829)	(22,397)	(23,322)	(16,623)	(12,415)
RESULT AFTER TAXES	67,872	64,633	62,455	45,615	36,773
NET RESULT - attributable to:	67,872	64,633	62,455	45,615	36,773
Non-controlling interests	964	1,094	1,210	202	(2)
Equity holders of Lotus Bakeries	66,908	63,539	61,245	45,413	36,775

ABRIDGED STATUTORY FINANCIAL STATEMENTS OF LOTUS BAKERIES NV

Balance sheet after appropriation of profit

ASSETS IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Fixed Assets	400,761	373,592
II. Intangible assets	5,987	7,484
IV. Financial assets	394,774	366,108
A. Affiliated enterprises	394,774	366,108
1. Participating interests	394,774	366,108
Current Assets	25,713	42,625
VII. Amounts receivable within one year	13,103	28,622
A. Trade debtors	12,473	11,670
B. Other amounts receivable	630	16,952
VIII. Current investments	11,406	13,919
A. Own shares	11,406	13,919
IX. Cash at bank and in hand	1,184	64
X. Deferred charges and accrued income	20	20
TOTAL ASSETS	426,474	416,217

LIABILITIES IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Equity	55,894	68,026
I. Capital	3,590	3,584
A. Issued capital	3,590	3,584
II. Share premium account	12,729	12,415
IV. Reserves	39,567	52,027
A. Legal reserve	359	358
B. Reserves not available for distribution	11,478	13,991
1. Own shares	11,406	13,919
2. Other	72	72
C. Untaxed reserves	545	545
D. Reserves available for distribution	27,185	37,133
Amounts payable	370,588	348,191
VIII. Amounts payable after one year	107,573	107,436
A. Financial debts	98,140	98,140
5. Other loans	98,140	98,140
D. Other debts	9,433	9,296
IX. Amounts payable within one year	263,009	240,750
A. Current portion of amounts payable after one year	-	-
B. Financial debts	233,101	217,756
2. Other loans	233,101	217,756
C. Trade debts	5,590	5,785
1. Suppliers	5,590	5,785
E. Taxes, remuneration and social security	384	1,053
1. Taxes	384	1,053
F. Other amounts payable	23,934	16,156
X. Accrued charges and deferred income	6	5
TOTAL LIABILITIES	426,474	416,217

Non-consolidated income statement

IN THOUSANDS OF EUR	2018	2017
I. Operating income	12,470	11,670
D. Other operating income	12,470	11,670
II. Operating charges	(6,399)	(5,148)
B. Services and other goods	3,606	3,130
D. Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	1,497	1,497
G. Other operating charges	257	41
H. Non-recurring operating charges	1,039	480
III. Operating profit	6,071	6,522
IV. Financial income	9,608	7,104
A. Income from financial fixed assets	7,962	6,288
C. Other financial income	1,646	816
V. Financial charges	(3,501)	(3,492)
A. Interest and other debt charges	3,345	3,196
C. Other financial charges	156	296
IX. Profit for the year before taxes	12,178	10,134
X. Income taxes	(724)	(1,088)
A. Income taxes	724	1,088
B. Adjustment of income taxes and write-back of tax provisions	-	-
XI. Profit for the year	11,454	9,046
XIII. Profit for the year available for appropriation	11,454	9,046

Appropriation of the result

IN THOUSANDS OF EUR	2018	2017
A. Profit to be appropriated	11,454	9,046
1. Profit for the year available for appropriation	11,454	9,046
B. Withdrawals from capital and reserves	12,461	7,092
2. From reserves	12,461	7,092
C. Transfer to capital and reserves	(1)	(1)
2. To legal reserve	1	1
3. To other reserves	-	-
F. Distribution of profit	(23,914)	(16,137)
1. Dividends	23,664	15,887
2. Directors' entitlements	250	250

Extract from the notes

VIII. Statement of capital	2018	2017	2018
	IN THOUSANDS OF EUR	IN THOUSANDS OF EUR	NUMBER OF SHARES
A. Capital			
1. Issued capital			
At the end of the preceding year	3,584	3,576	
At the end of the year	3,590	3,584	
2. Structure of the capital			
2.1. Different categories of shares			
Ordinary shares	3,590	3,584	815,733
2.2. Registered shares and dematerialised shares			
Registered			468,994
Dematerialised			346,739
C. Treasury shares held by:			
The company itself	11,406	13,919	9,740
its subsidiaries	-	-	-
E. Amounts of authorised capital, not issued	943	949	

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 amortisation 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
- B.W.I. BVBA
- Biscuiterie Willems BVBA

Consequently, the company is jointly and severally liable for the tax debts of all the above companies.

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