

2017



**BEING GREAT
IN LITTLE THINGS**

Annual review



 **6,140,000,000**

In 2017 Lotus Bakeries sold 6,140,000,000 Lotus Biscoff biscuits worldwide.



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

Following the historic year of 2016, during which Lotus Bakeries Group's turnover passed the half-a-billion mark, we have surpassed this once more in 2017. Looking back, it was a year of great performance and unfortunately also a few setbacks for Lotus Bakeries.

Great performance

2017 featured many great events, including: the brand-new third production hall at Lembeke, cutting the first sod for our Lotus Biscoff factory in Mebane (United States), Lotus Biscoff for the first time on TV in the United Kingdom and the United States, the introduction of our natural snacks in Belgium and the launch of BEAR in the United States, and the establishment of new sales offices in Austria and Charlotte, US.

It is now eighteen years since we entered a new millennium. How different the world looks and how Lotus Bakeries has evolved! In 2000 our turnover was one fifth of our current turnover with 80% achieved in Belgium and 20% in the rest of the world. Today, these proportions are exactly reversed.

It is now eighteen years since we entered a new millennium. How different the world looks and how Lotus Bakeries has evolved! In 2000 our turnover was one fifth of our current turnover with 80% achieved in Belgium and 20% in the rest of the world. Today, these proportions are exactly reversed. The majority of our sales now take place outside Belgium. Obviously, Belgium is still one of our home markets, where we can demonstrate Lotus' potential to grow and above all keep growing through passion and initiatives.

Last year, we welcomed commercial partners from some 27 different countries from all corners of the world to our splendid factory in Lembeke. We explained our ambitions to them and enabled them to experience what we are about at Lotus. It is amazing to see how we can inspire them with our work and how - with a boost of positive energy - they set to work for Lotus Biscoff in their home countries.

A few setbacks

2017 was also a challenging year. For the first time, we were faced with an international recall of our crunchy Lotus Biscoff spread, where the source of the problem lay with our supplier. We pulled out all the stops to minimize the damage, and succeeded thanks to our professional attitude, effective teamwork and rapid decision-making.

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Jan Vander Stichele
Chairman
Jan Boone
CEO

Unfortunately, 2017 was also the year of the fipronil crisis. Once again, the cause of this egg crisis was external and lay with poultry farmers who fell victim to fraudulent practices by suppliers of disinfectants for poultry houses. As a company, we took responsibility and decided to remove all non-compliant products from the shelves. We received many positive responses to this. It was the only right decision to be made.

Strong result

Despite these setbacks, we are extremely proud to report that we managed to achieve a strong year. Perhaps precisely because of this, we recorded our greatest performance, since in 2017 we achieved even more turnover than in the record year of 2016. We have therefore grown once again - thanks to our employees' drive and commitment.

Growth through investment

Lotus Bakeries believes in continuously investing in order to achieve sustainable growth. For this, we need people who support us. People who believe in Lotus' future and want to make sure the brand and the company continue to grow. We are therefore delighted that more and more employees want to develop Lotus Biscoff internationally.

To ensure the sustainable growth of Lotus Bakeries, we continue to follow a clear strategy consisting of three pillars.

Boundless ambition in our home markets

Above all, we are ambitious in our home markets of Belgium, the Netherlands, France and the United Kingdom with a wide range of waffles, cakes, gingerbread, Lotus Biscoff, Lotus Biscoff spread and natural snacks. We want to develop our strong market positions by winning extra market share and increasing our lead over our competitors.

Globalization of Lotus Biscoff

The second pillar of our strategy is the globalization of Lotus Biscoff and Lotus Biscoff spread. It is our dream for Lotus Biscoff to be on sale in every shop in every country in the world. So, we still have a huge amount of work to do. We are fundamentally convinced that we have the perfect product to achieve this ultimate goal.

There are already many success stories about Lotus Biscoff from all over the world and it is fantastic that we can achieve so much extra sales in various countries. However, finding the right distributors and making sure that we actually sell well in stores is a process in which we need to invest heavily in the long term in order to be able to talk about success in the country concerned. But it all starts with a top product and we have never compromised on this at all. Our Lotus Biscoff is simply TOP.

It is our dream for Lotus Biscoff to be on sale in every shop in every country in the world.

We are firmly convinced that besides indulgent products, we also need to invest in a strong healthy snacking activity. This requires patience and a long-term vision.

Healthy eating will be a major topic of public discussion in the coming decades. We are responding to this by offering our consumers different portion sizes, making our Lotus specialities healthier but just as tasty and communicating transparently about the content of our products.

Natural Foods

But we want to go a step further, which brings us to the third and final pillar of our strategy: the development of Natural Foods. We acquired several ground-breaking major natural snacking brands in BEAR, Nākd and TREK. We are firmly convinced that besides indulgent products, we also need to invest in a strong healthy snacking activity. This requires patience and a long-term vision.

We are proud that, following the acquisitions, we have enabled BEAR, Nākd and TREK to grow in their home market, the United Kingdom, and now gradually further afield. In the next few years, we will invest strongly in the further integration and commercialisation of our natural foods brands. We want to realize our ambitions in Europe and the United States as well. The greatest challenge here is that we have to start from zero in each country, but that will not hold us back at all.

Realizing our sustainable strategy

Our strategy is clear. But at the same time it has not yet been realized and that is our greatest challenge. To realize this, we need to be able to rely on passionate and driven employees who are fully committed to Lotus Bakeries and proud ambassadors for our products. People with Lotus DNA, love for the sector and passion for the brand. So, we are also grateful that our employees believe in and help build a brilliant, sustainable future for Lotus Bakeries.



Jan Boone
CEO



Jan Vander Stichele
Chairman

2017

AT A GLANCE

January

First steps for NÄKD, TREK and BEAR in Belgium

Natural snacks from NÄKD, TREK and BEAR make their entrance into the Belgian market.



March

Third production hall in Lembeke operational

At the beginning of March, the first Lotus Biscoff biscuits roll off the production line in the brand-new third production hall in Lembeke.



March



New look for Lotus Dinosaurus

Lotus Dinosaurus gets a new look with packaging to match. The cool new look encourages both children and young people alike to discover the world. Do. Try. Discover.

March

Cutting the first sod at Mebane, US

Attracting local interest, the first sod is cut for the construction of the Lotus Biscoff manufacturing facility in the US.

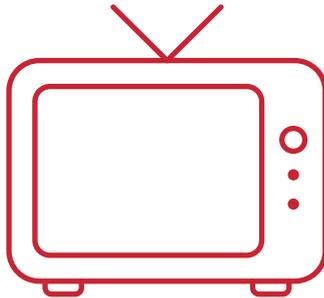




May

Appointment of new director

Peter Bossaert is appointed to Lotus Bakeries' Board of Directors as independent director to succeed Herman Van de Velde.



April

Lotus Biscoff on TV for the first time in the UK and the US

The first regional TV campaign for Lotus Biscoff in the UK (Lancashire, Yorkshire, Tyne Tees, Midlands) and the US (Atlanta) becomes a reality.

April

A new look for Lotus Zebra

The complete Lotus Zebra range is given a new look with individual packaging, improved recipe and a new variety, Zebra Double Chocolate.





June

Launch of BEAR in the US

BEAR sets foot in the US, ready to win American hearts with BEAR Yoyos.



September

Enhancement of Executive Committee

With the appointment of Isabelle Maes as CEO Natural Foods and Mike Cuvelier as new CFO, Lotus Bakeries has a new, enhanced Executive Committee.

July

Establishment of Lotus Bakeries Sales Office in Austria

To maximize sales activities in Austria, a new sales office is established in Vienna.



September

Lotus Biscoff coffee biscuit brand of the year in South Korea

Lotus Biscoff is voted coffee biscuit brand of 2017 by the South Korean Customers Council.



October

International partner meetings in Belgium and the UK

During partner meetings in Belgium and the UK, Lotus Bakeries shares best practices and experiences with its commercial partners.

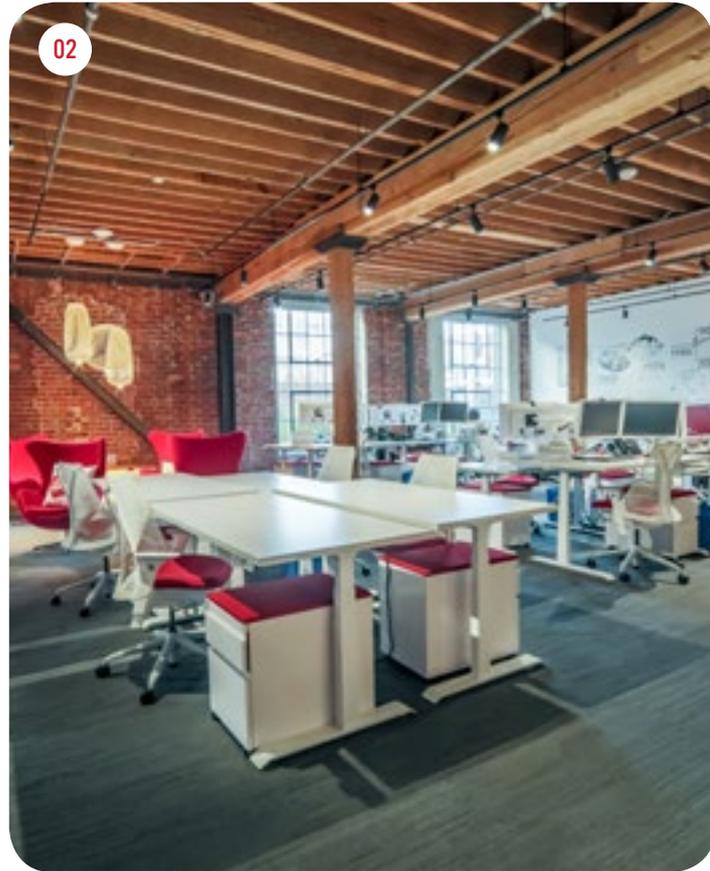
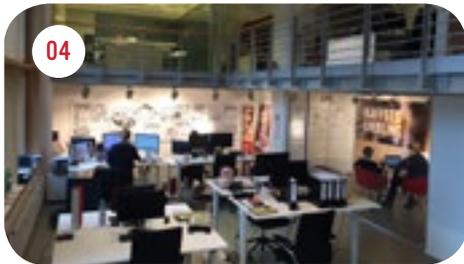


December

Establishment of Natural Foods Sales Office in Charlotte (US)

From a new office in Charlotte (North Carolina), the Natural Foods team works on selling Natural Foods products in the US.





SUBSTANTIAL INVESTMENT IN NEW PREMISES FOR EXISTING SALES OFFICES

Lotus Bakeries Switzerland (01)

The Swiss team relocates to bigger offices in Zug.

Lotus Bakeries North America (02)

The team in the United States moves into a renovated industrial property in San Francisco's financial district.

Lotus Bakeries China (03)

Lotus Bakeries China relocates to offices in the Jing'an district of Shanghai, one of Shanghai's top commercial districts.

Lotus Bakeries Germany (04)

The team in Germany relocates and operates from offices in Düsseldorf since August.



INVESTMENT IN NEW TV COMMERCIALS

Lotus Suzy (01)

The latest TV commercial highlights how Lotus Suzy waffles add that little bit extra to heartwarming moments with family and friends.

Lotus Biscoff (02)

A brand-new TV commercial for Lotus Biscoff spread shows young and old the endless ways to enjoy the delicious spread.

Lotus Dinosaurus (03)

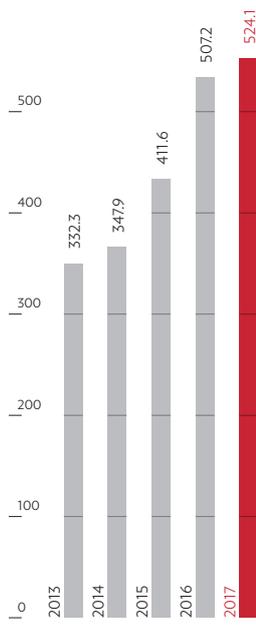
As part of the rebranding of Lotus Dinosaurus, a TV commercial is launched in which young people go on an adventure with Lotus Dinosaurus by their side.

BEAR (04)

In the UK, a brand-new TV commercial comes to the screen for BEAR Yoyos aiming to make both children and their parents enthusiastic about the pure fruit rolls. *End the nonsense.*

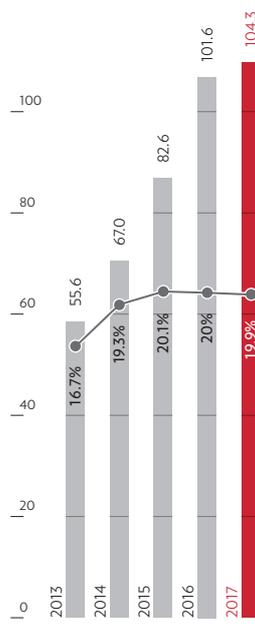
TURNOVER

(in millions of EUR)



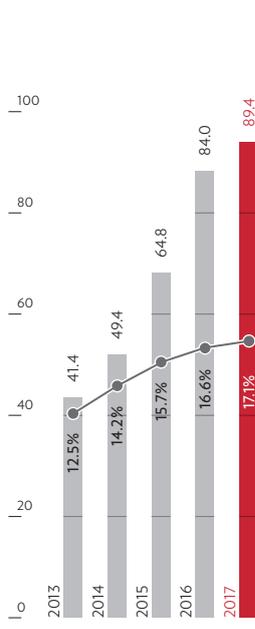
REBITDA

(in millions of EUR)



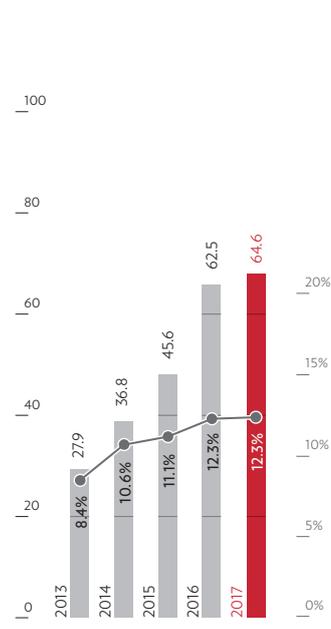
REBIT

(in millions of EUR)



NET RESULT

(in millions of EUR)



(in % t.o.v. de omzet) ●

GROSS DIVIDEND 2017

19.5 EUR
PER SHARE

NUMBER OF EMPLOYEES 2017

1,495

NET FINANCIAL DEBTS 2017

57.2
(in millions of EUR)

CONSOLIDATED KEY FIGURES OF THE LOTUS BAKERIES GROUP

- (1) Depreciation and amounts written off consist of depreciation and amortization of tangible and intangible fixed assets, and amounts written off on inventories, orders in progress and trade receivables.
- (2) Recurrent operating cash flow is defined as recurrent operating result + depreciation + provisions and amounts written off + non-cash costs valuation option- and warrantplan.
- (3) EBIT is defined as recurrent operating result + non-recurrent operating result.
- (4) Investments in tangible and intangible fixed assets.
- (5) Net financial debts are defined as interest bearing financial debts - investments - cash equivalents - treasury shares.
- (6) Compared to the weighted average number of shares.
- (7) For 2017; dividend will be proposed to the Ordinary General Shareholders' Meeting of 15 May 2018.

IN MILLIONS OF EUR	2017	2016	2015	2014	2013
INCOME STATEMENT					
Turnover	524.06	507.21	411.58	347.89	332.32
Raw materials, consumables and goods for resale	(171.49)	(168.31)	(121.80)	(104.43)	(111.43)
Services and other goods	(145.57)	(133.10)	(117.96)	(96.48)	(87.26)
Employee benefit expense	(105.58)	(101.64)	(88.53)	(78.89)	(78.90)
Depreciation and amounts written off	(14.30)	(16.70)	(17.01)	(16.66)	(14.16)
Other operating income and charges (net)	2.24	(3.51)	(1.52)	(1.99)	0.80
Recurrent operating result (REBIT)	89.35	83.95	64.76	49.43	41.37
Recurrent operating cash flow (REBITDA)	104.33	101.60	82.58	67.02	55.62
Non-recurrent operating result	(0.09)	4.51	(1.75)	(0.26)	(3.65)
Operating result (EBIT)	89.26	88.46	63.01	49.17	37.72
Financial result	(2.23)	(2.68)	(0.78)	0.02	(1.74)
Profit for the year before taxes	87.03	85.78	62.23	49.19	35.98
Taxes	(22.40)	(23.32)	(16.62)	(12.42)	(8.06)
NET RESULT	64.63	62.46	45.61	36.77	27.92
Net result: non-controlling interests	1.09	1.21	0.20	-	-
Net result: Group share	63.54	61.25	45.41	36.77	27.92
BALANCE SHEET					
Balance sheet total	597.49	548.00	571.22	336.99	334.10
Equity	293.21	248.46	217.53	200.63	171.38
Investments	28.24	37.50	16.07	16.55	33.16
Net financial debts	57.20	94.06	163.86	20.20	48.89
NUMBER OF PERSONS EMPLOYED	1,495	1,464	1,339	1,221	1,244
CONSOLIDATED KEY FIGURES PER SHARE in EUR					
Recurrent operating result (REBIT)	111.77	105.84	82.15	63.46	54.09
Recurrent operating cash flow (REBITDA)	130.51	128.09	104.76	86.03	72.72
Net result: share of the Group	79.48	77.22	57.61	47.21	36.50
Gross dividend	19.50	16.20	14.20	12.40	10.80
Net dividend	13.65	11.34	10.37	9.30	8.10
Weighted average number of shares	799,423	793,147	788,341	778,944	764,828
Total number of shares per 31 December	814,433	812,513	811,863	803,013	795,113



85

As of 2017, Näkd is on the shelves of 85% of all stores in the Netherlands.





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PROFILE LOTUS BAKERIES



11

Last year, 11 product innovations were developed and introduced into the market including Zebra Double Chocolate, a variant of the well-known Zebra cake.





NEW

Voorverpakt - Préemballé

Double Chocolate



NEW

Voorverpakt - Préemballé

Double Chocolate



NEW

2,69



ZEBRA

1. MISSION STATEMENT AND STRATEGY LOTUS BAKERIES

Lotus Bakeries is active worldwide in the snacking segment with the Lotus, Biscoff, Dinosaurus, Suzy, Peijnenburg, Snelle Jelle, Annas, Nākd, TREK, BEAR and Urban Fruit brands. By maintaining a healthy balance between tradition and innovation, Lotus Bakeries indulges consumers with a unique range of high-quality, tasty products. *“Being Great in Little Things”*. That is the core of Lotus’ mission. 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 realize 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.



Local Heroes

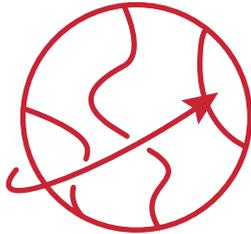
Development of strong market position in our home markets by continuous investments in our broad range



Delicious, high-quality products

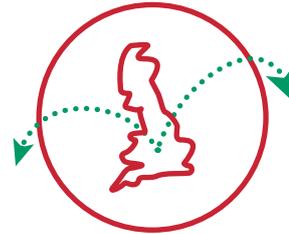


Strong focus on the best performing products



Lotus Biscoff

Internationalisation of Lotus Biscoff, both the biscuit and the spread



Natural Foods

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



7 ELEMENTS



Communication with consumers



Continuous investment in employees, marketing, R&D and production



Targeted product innovations



Continuous improvement of manufacturing efficiency



Continuous commitment to Corporate Social Responsibility



Pillar 1: Local Heroes

We start with our core brands, the 'hero' products. We are present in our home markets of 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 our local 'hero' brands in their home market, we can elevate these products from 'hero' to 'superhero'.

Pillar 2: Lotus Biscoff

The second pillar focuses on the globalization of Lotus Biscoff and Lotus Biscoff spread. Lotus Biscoff has a highly unique but accessible flavour, with a subtle caramelized touch and a definite link to hot drinks, mainly coffee. Lotus Bakeries believes in the universal character of its original caramelized biscuit, and consequently its original caramelized 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 globalization.

To support the further internationalization 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 forty countries. 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 we have achieved a substantial level of penetration and thus a substantial percentage of households within a particular region consume our products, we can start airing TV commercials to continue to grow steadily.





Pillar 3: Natural Foods

With the third 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, Lotus Bakeries initially focussed on their home market, the United Kingdom. However, these brands are in line for internationalization. The first steps have already been made in Europe and the United States. For this, full use is made of our existing sales organizations, where we have created separate teams which focus on this natural snacking segment.

Since every strong brand has a unique personality, specific DNA and its own consumers, brand ownership is kept separate for each brand. Parallel to this, we focus strongly on our unique capacity to stimulate growth through our extensive international network of sales offices and commercial partners, across all brands.

Lotus Bakeries' strategy is supported by the following elements:

1. An offer of delicious, high-quality products to all consumers. For this reason, the range has been expanded to include natural, unprocessed fruit and nut-based products for adults and children. All products in each of our categories must stand out by offering a superior taste experience.
2. A strong focus on the best performing products.
3. Clear and consistent communication with the consumer is key, and sufficient resources are allocated to this.
4. Continuous investment in employees, marketing, R&D and production.
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 organization as 'Care for Today – Respect for Tomorrow'.

MISSION STATEMENT LOTUS BAKERIES

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



2. BRANDS AND PRODUCTS

The global brand portfolio is of invaluable importance to the Lotus Bakeries Group. In both the category of biscuits and pastries 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 certain brands such as Lotus Biscoff, Lotus Dinosaurus, Nâkd, TREK and BEAR. Every Lotus Bakeries brand has its own DNA and target group, and its own story.



Lotus

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

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

Lotus Biscoff ice cream is a soft-scoop ice cream containing crunchy pieces of Lotus Biscoff biscuits and Lotus Biscoff spread. Along with the Lotus Biscoff ice cream on a stick, since 2017, Lotus Bakeries' ice cream range now has a new addition: the Lotus Biscoff ice cream cone. The cone is filled with Lotus Biscoff ice cream, with a topping of Lotus Biscoff crumble and Lotus Biscoff spread.

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

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



Lotus Biscoff

Over the next years, Lotus Bakeries continues to focus fully on the sustainable internationalization of caramelized biscuits and spread. Outside the home markets of Belgium, the Netherlands and France, Lotus original caramelized biscuits are marketed under the brand name 'Lotus Biscoff', a contraction of 'Biscuit with coffee' and a reference to the complementarity of the two tastes. Research shows that whenever coffee and 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.

In 2017, a new product variant was launched in the US, Lotus Biscoff Dip & Go. Lotus Biscoff Dip & Go combines delicious Lotus Biscoff spread with small breadsticks in a handy format to eat on the go.



Lotus 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. A new TV commercial for Lotus Dinosaurus highlights this message.

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, full of the familiar basic variety – with milk chocolate or in a cereal version – in mini-format.



Lotus Suzy

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

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



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. The huge popularity of this variety in the Netherlands was demonstrated when Peijnenburg Zero won the award for product of the year in the snack category in 2016.

In 2017, two new flavours were added to the luxury Peijnenburg gingerbread segment – the original Peijnenburg gingerbread with a rich filling: salted caramel and double chocolate. The range is now available in a variety of packaging formats. There is something for everyone.



Snelle Jelle

In 2002, Dutch brand Snelle Jelle was born. This tasty wholemeal gingerbread snack is packed with carbohydrates and handy to eat on the go. Snelle Jelle focuses on a target group of sporty men and women looking for natural energy for their activities. The packaging design for the Snelle Jelle range was totally redesigned in 2017.

Snelle Jelle is a hit and is currently available in eight different flavours. There are also handy takeaway formats, including 'Snelle Jelle Tussendoor': small gingerbread bars with the same familiar taste. 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 at Christmas. Special Annas pepparkakor houses are also sold at that time of the year.

For the 2017 pepparkakor season, Lotus Bakeries launched two limited editions of Annas in Sweden and Finland - Annas Lakrits (liquorice flavour) and Annas Polka (mint), both of which proved to be hits.



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 sport.

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



BEAR

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

The innovative range of healthy snacks 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 stabilizers.

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



Urban Fruit

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

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



Hergestellt mit 

Lotus
SINCE 1932

Biscoff
JETZT
AUF'S BROT!





Biscoff

EUROPE'S
FAVORITE COOKIE
WITH COFFEE

Biscoff cookies come
from Belgium, where
they are known as speculoos.

It is here they first gained
their name, and they are now found
all around the world. Biscoff's



 **59**

Thanks to a clear focus on globalization, Lotus Biscoff is now available in 59 countries.

3. LOTUS BAKERIES 2017

Following the historic year of 2016, during which Lotus Bakeries Group's turnover passed the half-a-billion mark, we have surpassed this once more in 2017. Some of our employees elaborate on a few of the great achievements of 2017.

01. LOTUS BISCOFF PRODUCED OUTSIDE BELGIUM FOR THE FIRST TIME

Lotus is opening a new factory in the United States in 2019

In the second half of 2019, the very first Lotus Biscoff biscuits to be produced outside Belgium will roll off the conveyor belt. In Mebane, North-Carolina, where an enthusiastic team of Lotus colleagues are hard at work getting the brand-new site ready for production.

From the Middle East to Korea, from Lembeke to Australia: we now know virtually everyone loves Lotus Biscoff. Thanks to its universal flavour, the biscuit has already managed to make its way to the farthest corners of the world. Until now, all those biscuits have been produced in Lembeke. The first production site outside Belgium will change this in the second half of 2019. "In recent years, Lotus has grown strongly internationally. To such an extent that it was the right decision economically, ecologically and strategically to open a factory in the United States", says Els Van Parys, Project Manager. "It's a unique opportunity for us to open up a different continent, and so diversify outside Europe. Also, we currently export almost 9,000 tonnes to the US. A local production site makes us more flexible. Our product will be fresher on delivery, and we'll be able to respond faster to questions from retailers."

We cannot predict the future, but one thing is for sure: in the second half of 2019, the very first Lotus Biscoff biscuit produced outside Belgium will roll off the conveyor belt.

Lotus Biscoff takes off

The success of Lotus Biscoff in the US – since 2016, more of our original caramelized biscuits have been sold there than in Belgium – did not just happen overnight. Lotus Bakeries started offering the biscuit on flights of US airlines in the 1980's. "When we started hearing more and more that people wanted to taste and buy our biscuits, we launched a catalogue business via a local partner", says Isabelle Maes, CEO Natural Foods and member of the steering group for the new factory. "After a while, we took over this partner, and then we started to take steps into retail. Now we achieve a penetration of 3.3%, which means that 3.3% of households in the United States buy a packet of Lotus Biscoff at least once a year. Since the US is such an enormous market, we still have amazingly great opportunities."

Flavour guaranteed

Work has now begun on the construction site. At the end of 2018, the building should be ready for the equipment to be installed. The first shipment of Lotus Biscoff will leave the site in the second half of 2019. But how do you make sure the typical flavour of Lotus will be the same in United States? "That was our most important condition for foreign production", says Els. "So we spent a long time in discussions with local suppliers. Based on tests of ingredients from the US, we're confident that we can guarantee the same lightness, authentic taste and typical crunch of our original caramelized biscuits."

The project also brings with it several other challenges. "In almost every area you can think of, producing and starting up production in the US is different than in Belgium", says Isabelle. "In the start-up phase, it all has to come together: the machines have to work, the raw materials have to be ready, and our people have to be trained. So we're working out a go-live strategy, and putting

together a strong team. This is made up of a mix of people from Lembeke who are moving to the US, and colleagues who will support the opening from Belgium. Of course we'll also recruit people locally. So there are lots of things to take into account. But that's what makes it so exciting and fulfilling to support this project. The close cooperation of the project team is therefore the basis of this project's success."

Retail enthusiast

The presence of a factory in the United States will be a further asset for the local sales organization. "Partly because it makes it possible to show people around the factory. That always generates enthusiasm. Many retailers are therefore responding extremely positively to the news", Isabelle concludes.



Isabelle Maes, CEO Natural Foods and
Els Van Parys, Project Manager

02.

“AT LEAST ONE LOTUS PRODUCT IN EVERY BELGIAN HOUSEHOLD. WE’RE AIMING FOR NO LESS.”

John Van de Par, General Manager Belgium

“Last year we recorded another top performance in our home market, Belgium. We achieved the **highest market share ever** with Lotus Biscoff, and in the sandwich spread category, our Biscoff spread is number one after the chocolate spreads. Our special Sinterklaas biscuits grew Lotus Biscoff sales by more than 20% around St Nicholas’ Day.

Fantastic results, for which we can thank our focus on household penetration. Our aim is for every household in Belgium to have one of our products at home. Presently, we know that **two thirds of Belgian households buy at least one Lotus product per year**. That’s a lot and we’re extremely proud of it, but we want to grow further. Above all by reaching as many new consumers as possible through our efforts.

In this, we rely on two major pillars: firstly, we focus all of our attention in Belgium on the best performing Lotus products. **We want to make these products, every one of which is fantastic, even greater**. Partly by aiming for 100% distribution in every store chain in which we want to be present. Our account managers and representatives play a major role in this. Our category managers also work with retailers day in, day out to make sure that our products end up in the best possible position on the shelves.

A second major pillar is innovation. Because we’re the market leader in our category, we also like to take the lead by coming up with new developments. In 2017 this resulted in **no less than 11 innovations**. For Zebra there was an improved recipe, a new design, an extra Double Chocolate variety and individual packaging. We also brought out a mini-version of the limited-edition frangipane with forest fruits, launched a delicious Lotus Biscoff ice cream cone and relaunched Dinosaur biscuits. The range now also includes filled biscuits and mini-dinosauruses. Finally, the packaging of Dinosaur was also redesigned. Innovations regularly find their way from the home market of Belgium to other countries where we are present as Lotus.

The **out-of-home channel is also extremely important** for us, especially where Biscoff is concerned. We secretly dream of people everywhere in Belgium having a Lotus Biscoff with their coffee. And we want to offer our product in all vending machines, railway and petrol stations too. So consumers can get to know our product and then decide to buy it themselves at the supermarket. Our out-of-home team is therefore dedicated to achieving optimum distribution in that channel.



John Van de Par, General Manager Belgium

We're also proud of our **good relationship with customers**. All top retailers choose us to help define the shelf for the whole category. They value our input, and that was confirmed once again in 2017 when we were presented with the StoreCheck Salesteam Award. The out-of-home channel rewarded us with the Suppliers Award at the Java trade fair.

Finally, we've invested heavily in our factories. This is because we want to **continue to work on our production facilities**, each of which has and retains its own unique speciality. Thanks to a clear focus on each production site's speciality, we can guarantee optimum quality produced at the most competitive cost. We're very proud of our colleagues in production, who make great Lotus products day after day.

In this home market, constantly striving for improvement is a priority for us. We raise the bar on a daily basis. Records are there to be broken. Our colleagues are people who come to work with that attitude every day, full of enthusiasm and joy. That's what makes us Lotus."

Keep growing, keep improving.
We can always raise the bar.

03.

LOTUS BISCOFF NOW ALSO IN INDIA, COLOMBIA, PANAMA, PAKISTAN AND PERU

Lotus Bakeries' ambition is to make sure that every household buys a Lotus product at least once a year. All over the world. To make this a reality, we rely on the work of our distributors in – currently – more than 40 countries. Together with his team, Bart Bauwens, General Manager International Distributors, works to continue to conquer the world. The following countries were added during 2017: India, Colombia, Panama, Pakistan and Peru.

A local distributor is our eyes and ears on the spot. A commercial partner who closely supports us, understands our strategy and can translate this into a plan for their own market. Naturally, we don't rush when opening up a new market. Bart Bauwens explains: "We aim to open up three to five new countries every year. This year we launched successful partnerships with distributors in India, Colombia, Panama, Pakistan and Peru."

Out-of-home and retail

We always prefer a partner who can serve a whole country, and who is active in both the out-of-home segment and in retail. In new markets, Lotus Bakeries mainly introduces consumers to the product via out-of-home, following which they can make a larger purchase in retail. "Besides logistical capacities and financial soundness, it's also important that a distributor has sufficient marketing and sales expertise in house, as well as insight into category development", continues Bart. "The distributors in the over 40 countries where we now have partnerships put our products on the market, organize promotional campaigns, work towards a better shelf impact and make sure that consumers become familiar with Lotus. In some countries, we end up opening our own office, such as for example in South Korea and Spain. Whether that happens depends on the situation in the country and the momentum."

It doesn't stop when a product is launched in the country. We continue to invest afterwards. After all, that's the only way we can carry on growing.

A relationship with a distributor is a very close partnership. We expect a partner to understand our business model, and be able to translate it into a plan for their own market.

First container in India

In 2017, Bart's team entered into a successful new partnership with a distributor in India. "Because India is an extremely large country, first of all we spent six months identifying all the players, local brands, the distribution of the population, purchasing power and price level. Then we looked for a distributor. In 2017, we registered our products, fulfilled some other formalities, and in October the first container of our products was unloaded. An exciting moment, because we expect a lot of that country."

Support and advice

But the work does not stop once a distributor has been found. "On the one hand, we feel a constant drive to add new countries, and on the other hand, in countries where we are already present, we take further steps towards wider distribution, add new products or packaging and so on. Our local partners can also rely on our help. We help, support, guide, share best practices and continuously invest, together with the distributor, so that our international markets continue to grow", says Bart. "Networking between distributors is also encouraged, partly via a commercial platform on which they can share experiences. What this department stands for is therefore pure entrepreneurship." Bart's ambitious team was strengthened in 2017 by several new colleagues, who, following intensive training, are ready to step onto the field.



Bart Bauwens, General Manager International Distributors

04.

"WITH OUR UPDATED PRODUCT RANGE, WE'RE RESPONDING TO WHAT DUTCH CONSUMERS WANT TODAY."

Rene Groen, General Manager Netherlands

"Lotus Bakeries can look back on a successful 2017 in the Dutch market. Despite the challenging market situation, we managed to achieve excellent sales growth, including a growth in branded sales. Our secret? We used the trends emerging in the market as an opportunity to grow and innovate. The result is an updated range - including smaller packs, on-the-go products and alternatives with no added sugar - which perfectly matches what Dutch consumers are looking for today. And a stronger market position for Lotus Bakeries in the Netherlands.

For example, in the Netherlands, firstly a great deal of attention is paid to health. Today's consumers deliberately choose products containing less added sugar, that are natural and less processed. We have already responded to this trend for several years, by developing products with no added sugar. The patented Peijnenburg Zero is an example of this. Now

- two years after the launch - it's our bestselling product. The figures tell us that nearly one million Dutch households, or 12.5%, bought Peijnenburg Zero at least once last year. So there's still potential for growth, and consequently we continue to work hard on this brand.

Our natural foods brands Nâkd, TREK, BEAR and Urban Fruit - a group of healthy, natural and responsible snacks that we launched in 2016 - are riding the trend for healthy snacking. Nâkd is now in 85% of all stores in the Netherlands, and is the third largest brand in the snacking category for a major retailer.

Besides the increased attention to health, we're all also increasingly deliberately opting for moments of pure enjoyment. Then - in moderation - treat ourselves to something really special. In view of this, we've added new flavours to our range of luxury cakes - or gingerbread with a little bit extra - which mainly appeal to a young audience. For example, there's gingerbread with salted caramel, or double dark with extra chocolate. By also introducing smaller packs to the market within this range, such as minis, individually packaged slices and pre-cut slabs, we continue to respond to the changing demographic. In large cities such as Amsterdam and Utrecht, more than 50% of all households are currently one-person households. The changes to the range of luxury cakes have ensured that sales of this product group continued to rise.

With our product range we offer consumers a moment of pure enjoyment.

Finally, as part of the 'clean and clear label' project, we've cast a critical eye over all of our packaging. Transparency is another hot topic: consumers want real, honest and transparent products. Long lists of ingredients are a thing of the past. Therefore our gingerbread now contains just five ingredients. And we're making responsible choices here too: we only use spices for the pure taste of our gingerbread.

Finally, we focus closely on visibility on the shelf. Our category managers sit around the table with retailers to organize the shelves. Based on the data in our possession, we carry out analyses, evaluate the category and advise the retailer. Here we always aim for a clear layout and a neat

arrangement on the shelf. Because we know for a fact that this works: a well laid out shelf can boost sales. With this in mind, we also refreshed the packaging of Snelle Jelle – a gingerbread that is individually packaged and consumed 70% on the go – in 2017. The result is a neat design that increases our visibility on the shelf. We also launched a value pack and minis for the biggest products in this range."



Rene Groen, General Manager Netherlands

05. NATURAL FOODS SUCCESSFULLY LAUNCHED IN BELGIUM

Nākd, TREK, BEAR and Urban Fruit: four brands, four healthy snacks. In 2017, they were also successfully launched in Belgium. With these products from the 'Natural Foods' business unit, Lotus Bakeries wants to make natural, healthy snacks accessible to a wide audience. For this we rely on a clever combination of presence in the out-of-home channel on the one hand and broad distribution via retail channels on the other. Let us hear from the people who make the launch a success.

In the last few years, the trend for healthier snacks has reached Belgium too. However, there was not really a healthy snacking category until Lotus Bakeries decided to launch its natural foods in Belgium at the end of 2016. Wouter Van Dyck, Business Development Manager Natural Foods, explains: "At that time, the traditional cereal biscuit was no longer seen as healthy by consumers. Yet there was no alternative. There were a few – rather more expensive – niche brands on the market, but these were mainly available in specialist stores. We have a different ambition: we want our natural foods to be accessible to everyone, by distributing them widely to the retail and out-of-home channels. And at the right price."

Educational role

The launch brought with it an educational role for Lotus Bakeries. Sales Director Els De Smet explains: "We want to explain exactly what makes a healthy product, and why our products can be called healthy. So we don't distribute them on a mass scale at first, but offer them selectively via the out-of-home segment. There we focus on the sales channels to which our target audience comes, or which support our educational role. For example, the healthy image of a juice bar can help build our brand. And via petrol stations and vending machines in urban areas, we reach travelling consumers, to whom such new trends



Pascal Deckers, Director Category Development

We have the mentality of a start-up, and the strength of a major company. And that combination makes us a success.

seem to appeal above all. Then, for BEAR 100% natural fruit treats, we chose places where young children come with their parents. Together, these channels represent a step towards broader sales in retail, where we will then reach the large mass of consumers.”

Not a diet food

Definite progress was made in retail in 2017. Several major players have already taken up the range. Displays, presence at tills and tastings turned out to be real success factors here. “People often think that a healthy snack can’t taste good. By letting them try our products, we proved that they can”, says Pascal Deckers, Director Category Development. “So, our natural foods don’t belong on the diet shelf, where people are looking for a solution to a problem. Instead we belong in high traffic locations, including at the till. Tests prove that this works: anyone who presents healthy snacks in a cabinet with the title ‘healthy snacking’ sees rotation double or even treble.”

One company, complete offer

Finally, Pascal says that the Natural Foods business unit has also been successfully integrated into the company. “We’ve convinced our colleagues of the fact that this is a question of ‘and and’. One moment people want a delicious frangipane and another a sensible snack. Lotus Bakeries offers a solution for a variety of requirements from one company. Our Lotus products are tasty and as healthy as possible, and our natural foods are healthy and as tasty as possible. This business unit has the mentality of a start-up. We have to be flexible, fast, and able to change gear at short notice. But at the same time we also have the strength of a major international company. And that combination makes us a success.”



Wouter Van Dyck, Business Development Manager Natural Foods BELUX and Els De Smet, Sales Director Belgium

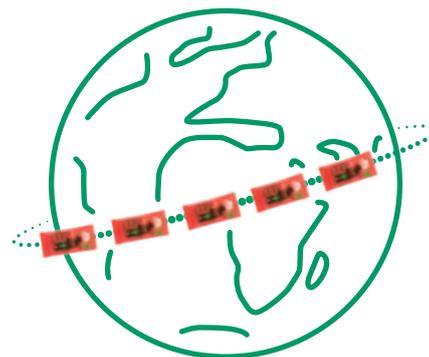
FACTS & FIGURES 2017



Lotus Bakeries
sales offices
worldwide



1,495
employees



An amount equivalent to

41,000 KM

of BEAR Yoyos was sold worldwide
last year. This is enough to go
round the world once.



5 new distribution countries
for Lotus Biscoff
(Colombia, India, Panama, Pakistan, Peru)

53,000

pallets of delicious Lotus
products were delivered to
our customers in France





3,327,685

packs of Lotus Biscoff 'Sinterklaas' were sold in Belgium for St Nicholas' day



Lotus Bakeries Netherlands is voted one of the three most vital companies in the Netherlands

600,000

Annas pepparkakor houses sold during the Christmas period in Sweden and Finland



More than

100,000,000

Näkd and TREK bars were sold worldwide



6

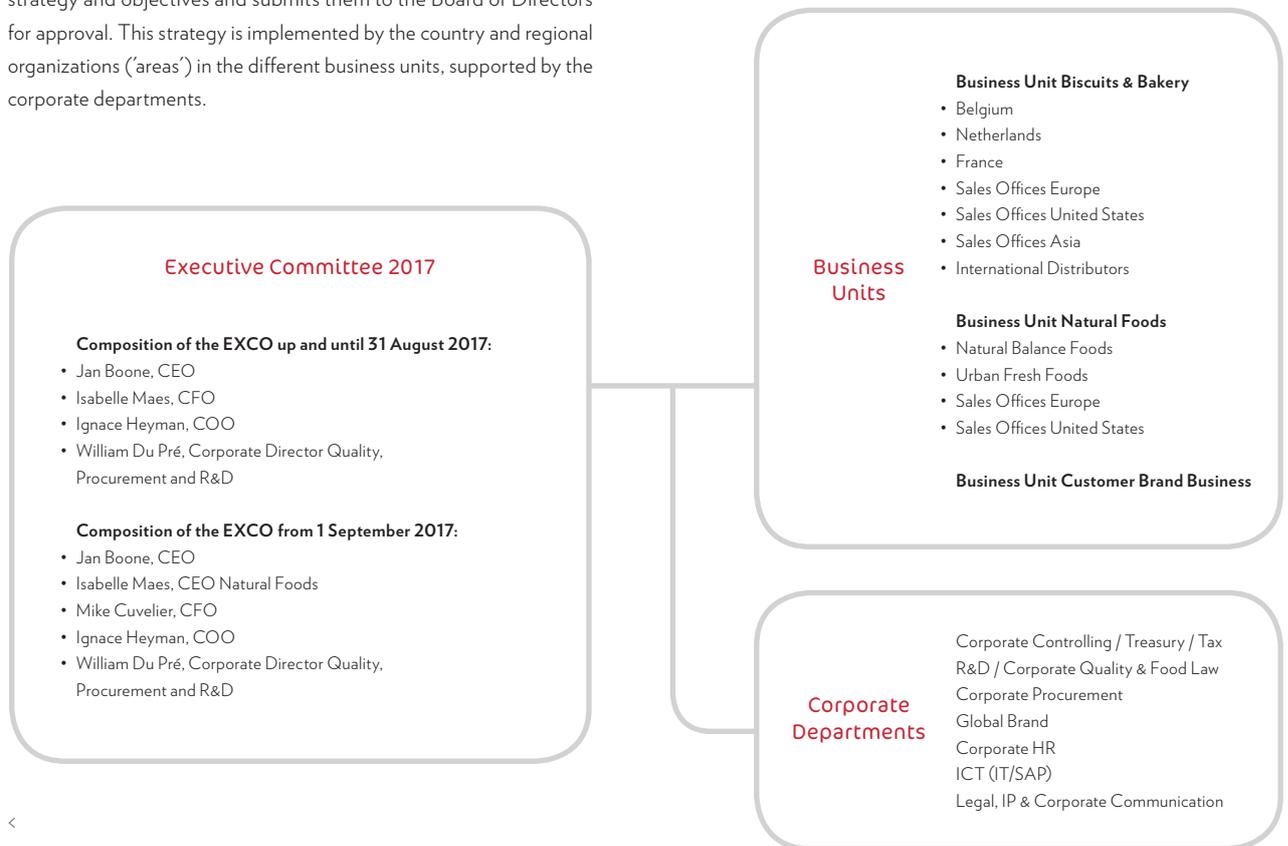
different characters for Lotus Dinosaurus



4. ORGANIZATION

1. Group structure and day-to-day management

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



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Mike Cuvelier - CFO,

Isabelle Maes - CEO Natural Foods

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

Jan Boone - CEO

Ignace Heyman - COO



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 internationalization 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.

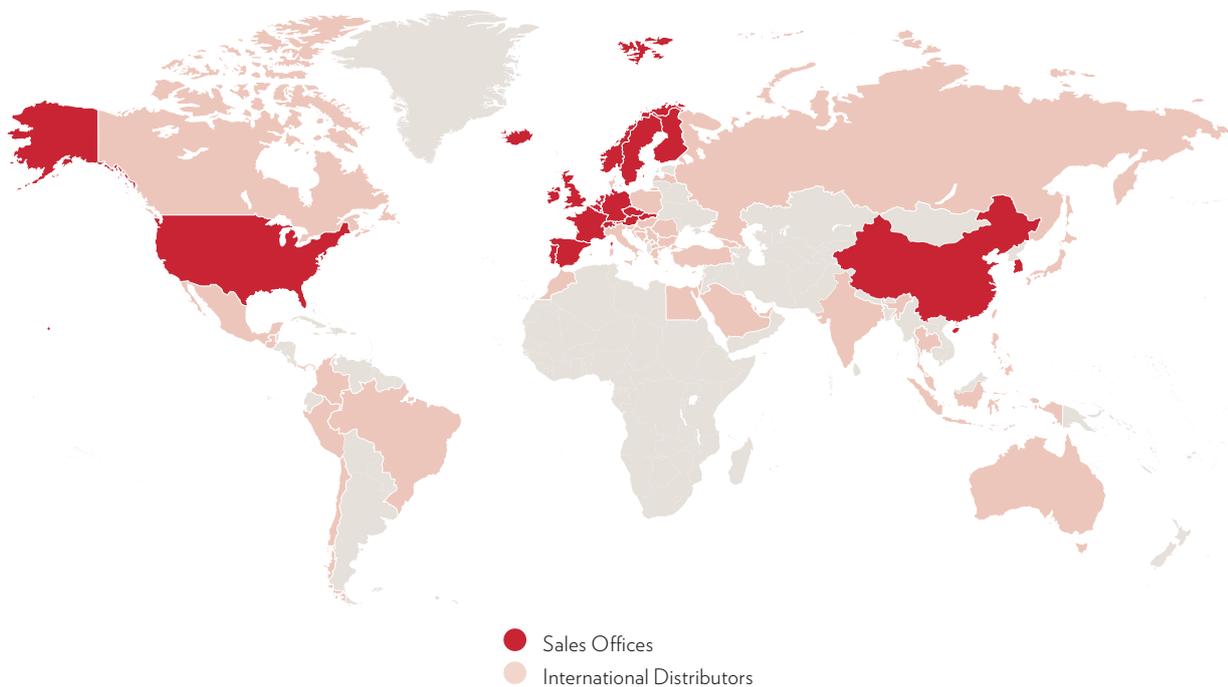
Together with the general managers from the various areas within the business units, the EXCO members form the Group Management Team ('GMT'). Each area implements the Lotus Bakeries strategy according to a clearly defined business model. The corporate departments advise and support the Lotus Bakeries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

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The former presbytery in Lembeke has been fully renovated and incorporated into a modern office complex accommodating Lotus Bakeries headquarters.

2. Sales Structure

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



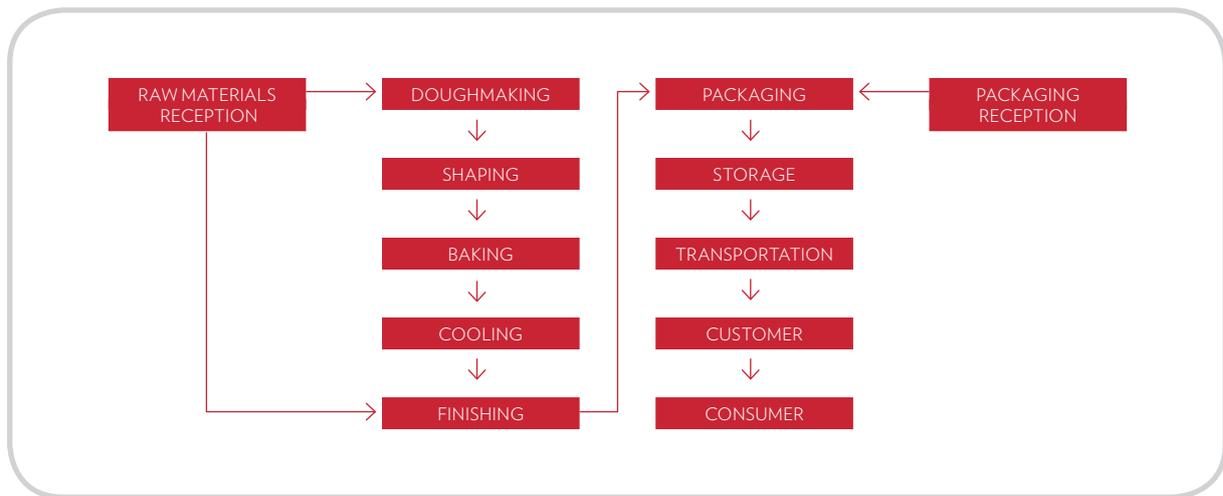
In about 40 other countries, we work closely with commercial partners. These partnerships are combined in a separate area: International Distributors. The main countries in this area are Japan, Israel, Saudi Arabia, Italy, Kuwait, Australia, United Arab Emirates, Qatar and Lebanon.

The business unit 'Natural Foods' combines all of Lotus Bakeries' activities in the natural snacking segment. This business unit covers the Natural Balance Foods and Urban Fresh Foods 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 centralize production processes in specialized 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). Since September 2015, Lotus Bakeries has borne the CO₂-Neutral Label.



Belgium

Lembeke	Lotus Biscoff, Lotus Biscoff spread and Lotus Dinosaurus
Courcelles	Lotus Suzy waffles, vanilla waffles, soft waffles and galettes
Oostakker	Lotus cake specialties
Eeklo	Caramelized biscuits, caramelized biscuits spread
Lokeren	Distribution centre

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

Zweden

Tyresö	Annas pepparkakor biscuits
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Following the construction of a third production hall at our factory in Lembeke (Belgium), completed in 2016, the first production line became operational in March 2017. An extra warehouse for storing packaging and equipment was also completed in 2017, together with new staff facilities. At the end of 2017, it was decided to invest in an extra line in the third production hall, which should be operational by the summer of 2018.

The cake factory in Enkhuizen is being fully upgraded. The first phase, in which two new warehouses were erected, began in 2017. This phase was completed in February 2018. During the second phase, which began in February 2018, the offices are being refurbished.

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 2017, the piece of land was purchased and the design of the factory and production lines finalized. According to the project schedule, the first Lotus Biscoff cookies should roll off the conveyor belt in 2019.

4. Personnel

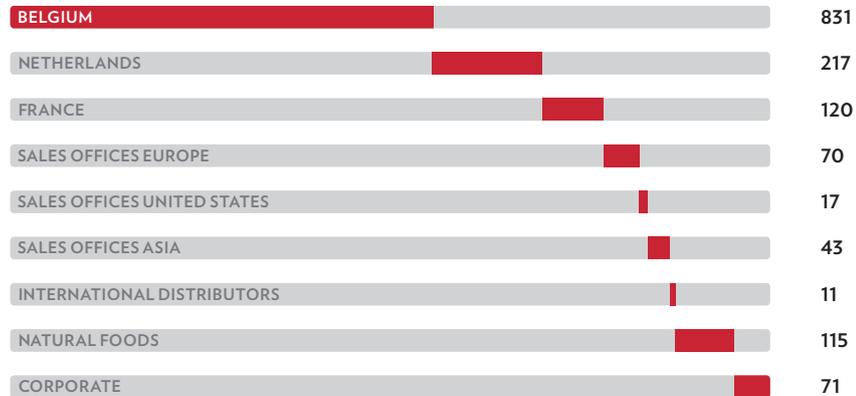
Evolution



The proportion of men and women



Number of employees per area



REPORT OF THE BOARD OF DIRECTORS



1,000,000

In 2017 almost 1 million households in the Netherlands bought Peijnenburg Zero.





PEIJNENBURG
100% DRINK
ZERO% SUGAR
72 HOURS
WITH THE WEIRDEST AND FUNNIEST

1. ACTIVITIES IN 2017

1.1 Market situation and sales results in 2017

General evolution of turnover

The historic year of 2016, during which Lotus Bakeries Group's turnover passed the half-a-billion mark, was followed in 2017 by a further increase in turnover of more than 3% to EUR 524 million. After a slower start in the first few months of 2017, the Group saw its turnover increase month by month, culminating in growth of more than 3% for the year as a whole and twice as much, i.e. 6%, for the second half of the year.

The 6% growth in the second half of the year is impressive given the strong euro, which continued to affect turnover in the US (USD) and the UK (GBP), two major markets for Lotus Bakeries. When the exchange rate effects are neutralized over the whole year, turnover increased by 5% in 2017.

In 2017, Lotus Bakeries Group achieved its biggest growth in natural snacking Năkd, TREK and BEAR. The continued internationalization of Lotus original caramelized biscuits, under the Biscoff brand name, and sales of Lotus waffles also had a very positive impact on turnover.

Under the brand names Năkd, TREK and BEAR, the natural snacking category experienced double-digit growth. This is due to strong growth in the UK combined with the successful launch of the brands in other countries. The launch of Năkd and TREK in the Netherlands was highly successful, especially in a country where the 'healthy snacking' category already occupies a significant place on supermarket shelves. Further launches in Belgium and France in 2018 will intensify this trend.

BEAR's healthy fruit snacks grew significantly in 2017. This growth can be attributed to higher visibility at the point of sale in the UK and the successful launch of the new flavour range BEAR Yoyos Sours. From the beginning of 2018, the first national BEAR TV commercial is also being shown in the UK. Excellent progress was made in the US as well. Several months ago, an agreement was signed with a major chain, so that BEAR will be available in more than 4,000 coffee shops in the US.

The internationalization of Lotus Biscoff remains another major growth driver. Since 2016, the US has been the biggest country for Lotus Bakeries' original caramelized biscuits and in 2017 Lotus Biscoff continued to conquer the continent. Biscoff is becoming a firm favourite for more and more American families and distribution via supermarket chains is expanding accordingly. This trend confirms the decision to build a new factory in the US. Lotus Biscoff also grew very strongly in Europe, especially in the UK, the Netherlands, Scandinavia, the Czech Republic, Switzerland and Austria.

Sales of Lotus waffles continue to grow in France and Belgium. In both countries, the category was supported by national TV campaigns, combined with point-of-sale promotions.

In the gingerbread category, the success of Peijnenburg Zero, a tasty no-added-sugar version, continued. In just two years, Peijnenburg Zero gingerbread has become the trendsetting, go-to brand in this category.

It is impossible to calculate the precise impact of the fipronil crisis on turnover. In any case, Lotus Bakeries reacted swiftly and resolutely, immediately withdrawing all affected bakery products from sale in Belgium and France.

Evolution of turnover

(in millions of EUR)

2017	524.1
2016	507.2
2015	411.6
2014	347.9
2013	332.3

1.2 Main projects and investments

In 2017, Lotus Bakeries once more mainly invested in the expansion of capacity. Investments totalled EUR 28.2 million. Investments in the new factory in the US have been modest so far, but will be the largest investment in 2018.

Here is an overview of the main projects:

1.2.1 New Lotus Biscoff manufacturing facility in the United States

The excellent growth of Lotus Biscoff in the United States in 2017 represents further confirmation that building an original caramelized biscuits factory in the US was the right decision for Lotus Bakeries – ecologically, economically and strategically. An experienced project team combining expertise from within the Group with local know-how leads this ‘milestone’ investment, which will result in Lotus Biscoff being made on a different continent for the first time.

In 2017, a piece of land was purchased in Mebane, North Carolina. The design of the factory and the production lines has been finalized. Meanwhile, the levelling of the site has already begun, to be followed by the commencement of the building works. The factory is scheduled to go into operation in 2019. Meanwhile, local procurement of ingredients and packaging is also being put in place.

1.2.2 Further expansion of Lotus Biscoff manufacturing facility in Lembeke

Following the commissioning of a third production hall at the end of 2016, further large investments were made in Lembeke in 2017. An additional production line for Lotus Biscoff has been operational since March. An extra warehouse for storing packaging and equipment has also been completed, together with new facilities for staff.

It was recently decided to invest in an extra line in the third production hall. This investment is intended to be operational by the summer of 2018 and is necessary so as to continue to be able to satisfy the rising demand for original caramelized biscuits efficiently in future.

1.2.3 Waffle production at Courcelles

Since the end of 2016, all waffle production has been centralized at the factory in Courcelles. As a result, the volume produced by this factory has more than doubled. In order to be able to produce these extra volumes and to increase capacity, two extra production lines have been added. These investments are fully completed and the focus now lies on making further improvements in productivity.

1.2.4 Upgrade of cake factory in Enkhuizen (the Netherlands)

The cake factory in Enkhuizen has been fully upgraded. The first phase, in which two new warehouses were erected, began in 2017. This phase was completed in February 2018. During the second phase, which began in February 2018, the offices are being refurbished.

1.2.5 Offices at Lembeke

Creating an optimal and pleasant working environment for our employees is important and, in view of this, several new offices have been opened in the last few years. It was recently decided to also upgrade the offices in Lembeke into a modern, state-of-the-art office for sales, marketing, IT, Procurement, Quality and R&D. The offices will officially come into use at the end of 2019.

Investments

(in millions of EUR)

2017	28.2
2016	37.5
2015	16.1
2014	16.5
2013	33.2

2. FINANCIAL INFORMATION

2.1 Profitability and evolution of costs

The recurrent operating result (EUR 89.3 million) and recurrent operating cash flow (EUR 104.3 million) increased by EUR 5.4 million and EUR 2.7 million respectively year on year.

Growth in turnover and more efficient use of the available production capacity form the basis of the improved operating result.

Additional investments were also made in international growth for Lotus Biscoff by strengthening the sales teams and substantial investments were made in the natural snacking category as well.

Lotus Bakeries has continued to invest consistently in promotional activities at the point of sale and marketing campaigns. In both the US and the UK, Lotus Biscoff had a TV presence for the first time - in regions with a high market penetration. The results of these targeted Lotus Biscoff campaigns, combined with a strong presence at points of sale, were highly positive.

The non-recurrent operating result is low at EUR - 0.1 million. Last year, the non-recurrent operating result was positive (EUR 4.5 million), due to the compensation received for the Meise waffle factory, which was destroyed by a fire.

The financial result of EUR - 2.2 million is largely made up of interest expenses.

The tax expense is EUR 22.4 million or 25.7% of the result before taxes. The tax expense fell by 1.5% due to the positive impact on deferred taxes (non-cash) of future rate reductions in a couple of countries, in particular in Belgium and the United States.

The net result increased by EUR 2.2 million (+3.5%) compared with 2016 to stand at EUR 64.6 million. The net result rose in line with turnover thanks to the disproportionate increase in the recurrent operating result.

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 kEUR 2,507. 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 2,771.

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	(971)	1,074
GBP	(1,028)	1,136
CNY	(195)	215
Other	(313)	346
Total	(2,507)	2,771

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 2017, 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 2017 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 2017 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	2017	2016	2015	2014	2013
Days customer credit	42	37	45	41	40
Solvency ratio (%)	49.1	45.3	38.1	59.5	51.3
Net financial debts / Rebitda*	0.55	0.93	1.83	0.30	0.88
Net profitability of equity (%)	22.0	25.1	21.0	18.3	16.3

(*) REBITDA normalized 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. At the end of 2014, Lotus Bakeries began testing this programme with all its stakeholders in accordance with the Global Reporting Initiative (GRI), version GRI-G4. As from 2017, 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 facts after 31 December 2017

In March 2018, Lotus Bakeries reached an agreement with Grassroots for the acquisition of the BEAR production activities. Grassroots currently manufactures the entire BEAR range for Lotus Bakeries on an exclusive basis. The production facility is in South Africa, near the fertile Ceres valley, where all of the fruit for the fruit snacks is freshly picked. Under the agreement, via a newly incorporated company, Bearnibbles, Grassroots will deliver a brand-new production facility, fully equipped and staffed for the manufacture of BEAR products. This turnkey production facility should be operational by 2019. The final handover will take place only once all of the specified conditions are met and following approval by the regulatory authorities.

3. PROSPECTS FOR 2018

After the historic year of 2016, Lotus Bakeries succeeded in raising the bar once again in 2017, in terms of both turnover and profitability. The turnover of EUR 524 million in 2017 is almost 3% higher than in 2016, despite the strong euro, and the recurrent operating result rose by more than 6%. The increase in turnover was particularly impressive in the second half of the year, due to natural snacking, the continued internationalization of Lotus Biscoff and the growth of Lotus waffles.

In 2017, natural snacking under the Nākd, TREK and BEAR brands achieved double-digit growth, driven by the UK and the Netherlands. The first successful steps were also taken for these brands in several other European countries and in the US. In the US and Europe, excellent growth was once again achieved with Lotus Biscoff.

In 2017, further investment was made in the expansion of production capacity, in both Belgium and the US.

In 2018, Lotus Bakeries plans to continue the momentum of 2017. The packaging for Lotus Biscoff will be totally redesigned and a new range of cakes will shortly be launched. Nevertheless, the evolution of the euro will remain a key factor affecting turnover and profits, with the continued weakening of the USD having a significant impact. The level of investment will remain high this year, in terms of both investment in additional capacity and efficiency and ongoing support for brands through media campaigns.

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

4. RESULTS AND PROPOSAL FOR APPROPRIATION OF RESULTS

Consolidated

The consolidated net profit for 2017 amounted to EUR 64.6 million as compared to EUR 62.5 million in 2016.

Statutory

The results for 2017 for the parent company Lotus Bakeries NV are as follows:

IN EUR	
Profit for the financial year	9,046,105.91
Transfer from untaxed reserves	-
Transfer to untaxed reserves	-
Profit for the year available for appropriation	9,046,105.91

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

IN EUR	
Allocation to legal reserves	844.80
Allocation / (Transfer) to other reserves	(7,092,032.39)
Distribution of a gross dividend ⁽¹⁾	15,887,293.50
Distribution of emoluments to directors	250,000.00
TOTAL	9,046,105.91

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

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

If the Ordinary General Meeting of Shareholders of 15 May 2018 accepts the Board of Directors' proposal to distribute a gross dividend of EUR 19.50 per share, this gross dividend per share - after deducting a withholding tax of 30% - will be payable as from 25 May 2018 on surrender of coupon no. 30 at Degroof - Petercam, BNP Paribas Fortis, Belfius, ING Bank and KBC Bank.

Gross dividend

(in EUR)

2017	19.5
2016	16.2
2015	14.2
2014	12.4
2013	10.8

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 2017 by EUR 7,780.00 from EUR 3,575,783.65 to EUR 3,583,571.65. This was followed by another increase on 4 October 2017 by EUR 660.00. This brought the share capital to EUR 3,584,231.65.

5.1.2 Shares

Through the exercise of warrants and subsequent capital increases, new shares of Lotus Bakeries NV were issued: 1,770 on 4 April 2017 and 150 on 4 October 2017. As a result, the total number of shares of Lotus Bakeries increased from 812,513 to 814,283 and subsequently to 814,433.

As of 31 December 2017, there were 814,433 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, 2,260 share options were issued in 2017. As at 31 December 2017 the total number of unexercised share options was 14,391.

YEAR OF ISSUE OF THE OPTIONS	NUMBER OF ALLOCATED OPTIONS ⁽¹⁾	NUMBER OF OPTIONS EXERCISED ⁽²⁾	TOTAL OF AVAILABLE OPTIONS
2007	11,950	11,950	-
2010	2,400	2,400	-
2011	1,300	1,300	-
2012	5,069	5,069	-
2013	3,998	2,726	1,272
2014	5,358	-	5,358
2015	3,383	-	3,383
2016	2,532	-	2,532
2017	1,846	-	1,846

(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 appendix.

5.1.5 Purchase of treasury shares

The Extraordinary General Meeting of 9 May 2014 authorized the Board of Directors of Lotus Bakeries NV for 5 years (i) to acquire the shares or profit certificates of the company in an amount of up to 20 percent of the issued capital under the conditions stipulated by the Companies Code, with as compensation the average closing share price of the company over the last 30 calendar days prior to the date of purchase, reduced by 20 per cent as a minimum price and increased by 10 percent as a maximum price; this authorization also 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 2017, 1,611 treasury shares were purchased. The total number of purchased treasury shares in the portfolio at the end of the financial year is 15,171. They represent an accounting par value of EUR 66,752.4 or 1.86% 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 2017:

	NO. OF VOTING RIGHTS	% OF VOTING RIGHTS
Stichting Administratiekantoor van Aandelen Lotus Bakeries ⁽¹⁾	455,323	55.91%
Lotus Bakeries NV ⁽²⁾	15,171	1.86%
Total held by Stichting Administratiekantoor van Aandelen Lotus Bakeries and Lotus Bakeries NV	470,494	57.77%
Holding Biloba BVBA ⁽³⁾	27,000	3.32%
Christavest Comm.VA ⁽⁴⁾	20,298	2.49%
Publicly held	296,641	36.42%
Total	814,433	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*, in the notification to Lotus Bakeries NV of the certification of Lotus Bakeries shares in July 2014 and in the request to Lotus Bakeries NV of 20 November 2017 from Stichting Administratiekantoor van Aandelen Lotus Bakeries for the conversion of the dematerialised Lotus Bakeries shares into registered Lotus Bakeries shares, whereupon, since 21 November 2017, the shares of Stichting Administratiekantoor van Aandelen Lotus Bakeries are registered in the shareholders' register of Lotus Bakeries NV.

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

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

(4) Christavest Comm.VA is 82.82% controlled by Holding Biloba BVBA, which in turn has no controlling shareholder. Mr. Stanislas Boone and Mrs. Christiane De Nie are the statutory business managers of Christavest Comm.VA. The interest of Christavest Comm.VA in Lotus Bakeries NV appears in the transparency notification that Lotus Bakeries NV received on 3 July 2014*.

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

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

Lotus Bakeries NV is not aware of any updates to any communication according to article 74 of the Law of 1 April 2007.

5.3 Board of Directors and Committees of the Board of Directors

5.3.1 Board of Directors

5.3.1.1 Composition

The composition of the Board of Directors as of 12 May 2017:

Chairman:

Vasticom BVBA, represented by its permanent representative Jan Vander Stichele

Managing director:

Mercur Consult BVBA, represented by its permanent representative Jan Boone

Non-executive directors:

- PMF NV, represented by its permanent representative Johan Boone
 - Anton Stevens
 - Beneconsult BVBA, represented by its permanent representative Benedikte Boone
 - Concellent NV, represented by its permanent representative Sofie Boone
-

Independent directors:

- Peter Bossaert
 - Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich
 - Dominique Leroy
 - Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert
-

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 and between May 2011 and May 2016, managing director
 - Chairman of the Board of Directors at Team Industries and Fevia Vlaanderen/Flanders' Food
 - Member of the Board of Directors at TVH Parts
 - Member of the Committee of Directors at Voka and KULAK
-

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
-

Anton Stevens Non-executive director

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

Benedikte Boone Non-executive director

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

Sofie Boone Non-executive director

- Master's degree in Pharmaceutical Sciences (KU Leuven), post-graduate degree in Business Economics (Vlekho) and Business Management for pharmacists (Vlerick)
 - 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
 - Since 1997, employed by Medialaan. In 2000, he was appointed managing director of radio activities
 - Since 2012 CEO at Medialaan
 - On 1 February 2018, it was announced that Medialaan and De Persgroep Publishing were merging to form a single media company and that he was appointed as CEO of the merged group
 - Member of the Board of Directors at Lotus Bakeries since 2017
-

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 Ernst & Young. Currently he is a managing partner at Bencis Capital Partners
- Different mandates at a.o. Van de Velde
- Member of the Board of Directors at Lotus Bakeries since 2009

Dominique Leroy Independent director

- Master's degree in Commercial Engineering (Solvay Business School)
 - She has a 24-year career with Unilever, beginning in finance and followed by various sales and marketing functions. In 2007 she became Managing Director of Unilever BeLux and was also member of the Unilever Benelux Board
 - Since 2011, working at Proximus (former Belgacom), initially as Vice President Sales for the consumer division. As of 2012 Executive Vice President of the Consumer Business Unit and since January 2014, managing director of Proximus Group and president of the Executive Committee
 - President of the Board of Directors of BICS, Be-Mobile and the International Advisory Board of Solvay Brussels School of Economics & Management
 - Member of the Supervisory Board of Directors of Koninklijke Ahold Delhaize NV
 - Member of the Board of Directors of Compagnie de Saint-Gobain
 - Member of the Board of Directors at Lotus Bakeries since 2009
-

Sabine Sagaert Independent director

- Master's degree in Commercial Engineering (KU Leuven), Master in Economic Legislation (UCL) and MBA (KU Leuven), graduate degree in Taxation (Fiscale Hogeschool Brussel)
- Held various logistics and commercial positions in the Benelux at CBR cement companies. Thereafter she held various positions at AB InBev, most recently as Business Unit President Belux. Subsequently, she led the Dental Division at Arseus
- Since 2011, employed by Cargill as General Manager Malt business Europe. As of 2015, Global Managing Director Malt Business and since October 2017, Managing Director Global Edible Oils Solutions EMEA & Russia
- Director at Miko and vzw Spullenhulp
- Member of the Board of Directors at Lotus Bakeries since 2011

Since May of the 2017 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 2017, please refer to the annual review of the 2016 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 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 2017. All directors were present at all meetings, except for Dominique Leroy and Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert, both of whom were not present at one meeting of the Board of Directors.

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
- expansion of Lembeke factory
- status update on new factory in the United States
- review of prices of raw materials and packaging
- product developments and innovations
- reports and recommendations from Committees
- agenda for Annual General Shareholders meeting
- recall of Lotus Biscoff spread
- fipronil crisis and impact on egg prices
- growth ambition and M&A vision
- privacy legislation

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

In the course of 2017, there were no incidences within the Board of Directors which led to the application of the conflict of interest procedure as set out in Article 523 of the Companies Code.

All transactions involving shares of Lotus Bakeries NV carried out in 2017 by persons considered as insiders and by persons with executive responsibility were undertaken in accordance with the internal rules of Lotus Bakeries for the prevention of market abuse.

5.3.2 Audit Committee

The Audit Committee consists of two independent directors and one non-executive director. The two independent directors are Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich (Chairman) and Dominique Leroy. The non-executive director is Vasticom BVBA, represented by its permanent representative Jan Vander Stichele. All members have accounting and audit experience. The Audit Committee met three times in 2017 and all members were present at all meetings, except Dominique Leroy, who did not attend one meeting. 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 2017, with all members present.

The subjects examined were:

- remuneration Executive Committee
- remuneration policy and its application
- changes in the composition and appointment of a new member of the Executive Committee
- change in the composition and proposal 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 optimize the management of Lotus Bakeries. Where appropriate, based on this review, and eventually in consultation with external experts, the Remuneration and Nomination Committee presents a report on the strengths and weaknesses of the Board of Directors and, where necessary, a proposal for the appointment of a new director or the non-prolongation of a directorship. The non-executive directors evaluate annually the interaction of the Board of Directors and the Executive Committee and when appropriate, submit proposals for improving cooperation. The CEO and the Remuneration and 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 up to 31 August 2017:

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

As of September 2017, the Executive Committee consists of the following members:

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

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 specializing 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-three times in 2017. All members were present at all meetings.

5.5 Remuneration report

5.5.1 Introduction

The purpose of the 2017 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 15 May 2018 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 realize 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 remunera-

tion 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 current in the relevant market.

5.5.3 Statement on remuneration policy applied in 2017

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 realize 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 2017 to each member of the Board of Directors.

NAME	BOARD OF DIRECTORS	AUDIT COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE	TOTAL REMUNERATION 2017
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 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	Chairman	Member	30,000 EUR
Dominique Leroy	Independent director	Member	-	25,000 EUR
Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert	Independent director	-	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 2017 are the main performance indicators based on the objectives for 2017. The evaluation period for this is one year.

Already since the financial year 2011, a long-term incentive plan is in place for executive managers with objectives set over 2 and 3-year periods. The criteria used are the objectives of the strategic plan of the Lotus Bakeries Group.

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

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

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

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

Recovery provisions

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

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

The objectives for 2017 were presented to the Remuneration and Nomination Committee. The evaluation criteria used to determine the variable compensation in 2017 are the main performance indicators based on the objectives for 2017. The evaluation period is one year. The bonus plan for executive management provides that the bonus is earned only after approval of the consolidated figures by the Auditor and then by the Remuneration and Nomination Committee.

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. In 2017, bonuses were paid as part of the long-term remuneration policy.

5.5.5 CEO's remuneration in 2017

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 2017 amounts to EUR 739,994. The variable portion based on the 2017 targets amounts to EUR 377,953 and will be paid in 2018. The contributions to the pension scheme amount to EUR 114,547. Other components of the remuneration amount to EUR 32,268. There is no recovery provision. Evaluation of the performance is based on the audited results.

5.5.6 Remuneration of executive managers in 2017 (excluding CEO)

In 2017, 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 2017.

The fixed annual salary in 2017 amounts to EUR 1,070,713. The variable portion based on the 2017 targets amounts to EUR 427,487 and will be paid in 2018. The contributions to the pension scheme amount to EUR 164,208. Other components of the remuneration amount to EUR 51,821. 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 2017

In 2017, share options relating to the financial year 2016 were granted to members of the former Executive Committee.

NAME	YEAR OF ALLOCATION	AOF OPTIONS	EXERCISE PRICE
Jan Boone	2017	255	2,331.77 EUR
William Du Pré	2017	128	2,331.77 EUR
Ignace Heyman	2017	128	2,331.77 EUR
Isabelle Maes	2017	128	2,331.77 EUR

5.5.8.2 Exercise of stock options and/or warrants in 2017

The members of the Executive Committee have exercised the following share options or warrants in 2017:

DATE	NAME	TRANSACTION	AMOUNT	PRICE	TOT. VALUE
5/04/2017	Ignace Heyman	Exerc. options	250	496.77 EUR	124,192.50 EUR
5/04/2017	Ignace Heyman	Exerc. options	250	650.31 EUR	162,577.50 EUR

In 2017 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 2017 no severance pay was paid to members of the Executive Committee.

5.6 Internal control and risk management

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

5.6.1 Control environment

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

First, the responsibilities of the various financial departments in the Lotus Bakeries Group are set out in general corporate guidelines ('General Directives') at Group level so that each employee clearly knows his or her role and responsibility. These are set out for all operational finance-related fields such as accounting and consolidation, management reporting, costing, planning, budgeting and forecasting processes, the central master data management, the treasury function, approval of investments, insurance and the internal control environment.

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

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

5.6.2 Risk management process

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

The Executive Committee has 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.

5.6.3 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 organized by the corporate departments in their areas of expertise: Corporate Finance for proper compliance with accounting principles and standards or the investment procedure, Corporate Treasury for the authorisation of payments, the Corporate Quality department for quality standards in the production plants.

5.6.4 Information and communication

Lotus Bakeries has chosen to manage all key business processes through a single ERP package (SAP). This not only offers extensive functionality with regard to internal reporting and communication, but also the ability to manage and audit access rights and authorization management on a centralized basis.

As mentioned above, the results of each area 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.

5.6.5 Control

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

5.7 Announcements according to article 34 of the Royal Decree of 14 November 2007 - protective constructions

1. The Board of Directors of Lotus Bakeries NV is authorized by the Extraordinary General Meeting of Shareholders of 8 May 2015, in the event of a public takeover bid on the shares of the company, and by application of the authorized capital, to increase the capital of the company under the conditions of Article 607 of the Companies Code. This authorisation was granted for a period of three years from 8 May 2015.

2. By resolution of the Extraordinary General Meeting of Shareholders of 8 May 2015 the Board of Directors is authorized, in accordance with the provisions of Article 620 of the Companies Code, to acquire shares in the company for the account of the same, whenever such acquisition is necessary to prevent the company from suffering serious and imminent disadvantage. This authorization is granted for a period of three years from 27 May 2015 and is renewable.

5.8 External audit

PwC Bedrijfsrevisoren BCVBA, represented by Mr. Peter Opsomer, 'bedrijfsrevisor', was 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 2017 for auditing and non-auditing services by PwC Bedrijfsrevisoren BCVBA and by people connected to PwC Bedrijfsrevisoren BCVBA, is described in note 38 of the financial supplement.

AUDIT FEE FOR THE GROUP AUDIT 2017	IN THOUSANDS OF EUR
Lotus Bakeries NV	77
Groep Lotus Bakeries	346
Total	423

STOCK MARKET AND SHAREHOLDERS' INFORMATION



100,000,000

British consumers ate over 100,000,000
BEAR fruit portions in 2017.

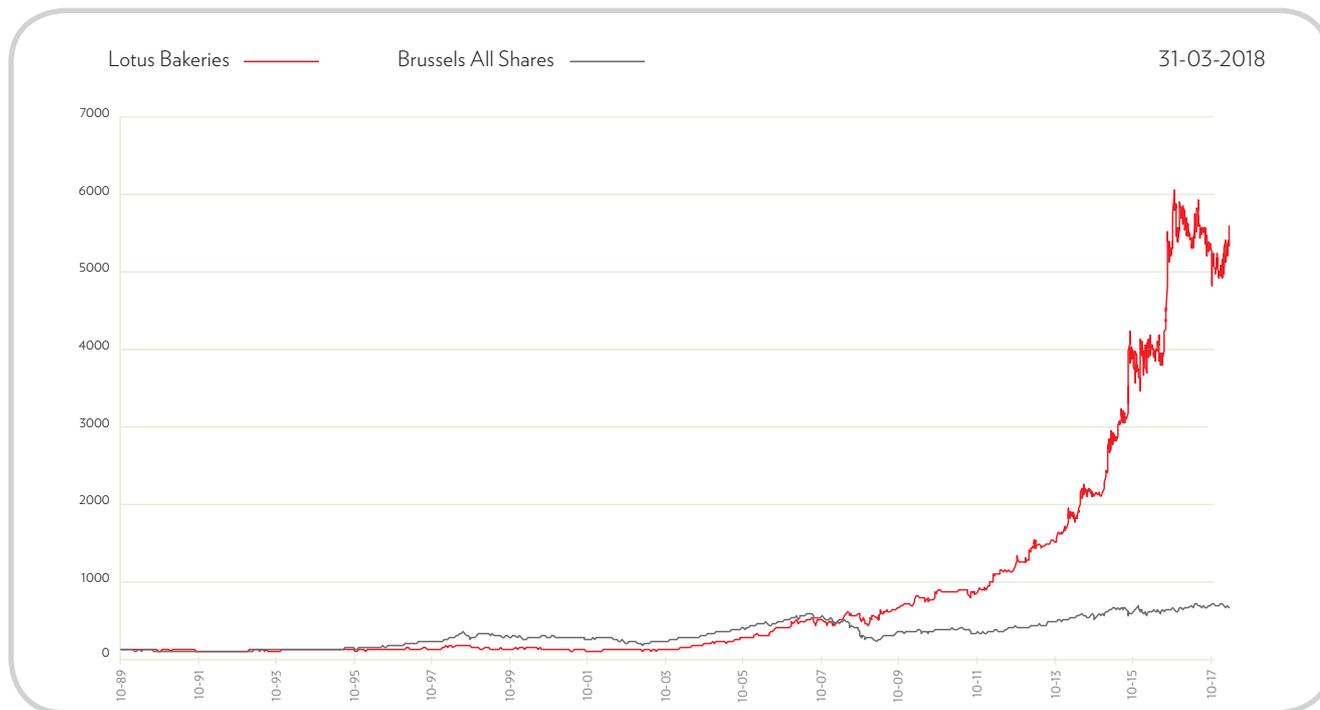




BEAR

no added
sugar or
concentrates

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

	31-03-2018	2017	2016	2015	2014	2013
Highest price till 31/12 (till 31/03 in 2018)	2,420.00	2,529.00	2,617.95	1,845.00	989.95	725.00
Lowest price till 31/12 (till 31/03 in 2018)	2,050.00	2,025.00	1,550.00	926.10	711.00	555.00
Price per 31/12 (per 31/03 in 2018)	2,380.00	2,116.95	2,500.00	1,750.00	933.00	713.63
Market capitalization per 31/12 in millions of EUR (per 31/03 in 2018 in millions of EUR)	1,938.35	1,724.11	2,031.28	1,420.76	749.21	567.42
Number of shares per 31/12 (per 31/03 in 2018)	814,433	814,433	812,513	811,863	803,013	795,113
Ratio price/earning (PER) (1) till 31/12 (till 31/03 in 2018)	30.51	27.13	33.17	31.29	20.37	20.32

(1) PER: Price Earnings Ratio: the price at the end of the year (per 31 March in 2018 respectively) divided by net result, per share at the end of the year.

1. Stock market listing

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

2. Financial service

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

3. Liquidity and visibility of the share

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

4. Market capitalization

On 31 December 2017, market capitalization of Lotus Bakeries amounted to EUR 1,724.11 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 15 and 84 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

Friday 13 April 2018

Annual review 2017 available on www.lotusbakeries.com

Tuesday 15 May 2018

Ordinary and Extraordinary General Meeting of Shareholders at 4.30 PM

Friday 25 May 2018

Payment of dividend for the 2017 financial year

Friday 17 August 2018

Announcement of the half-year results for 2018

Monday 11 February 2019

Announcement of the year results for 2018

Friday 10 May 2019

Ordinary General Meeting of Shareholders

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.

FINANCIAL STATEMENTS



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The more than 6 billion biscuits that Lotus Bakeries sells worldwide are still made on one production site, in Lembeke, Belgium. In the second half of 2019, a second production site will be added, in Mebane, USA.





In this section of the 2017 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 2017 shown, are based on the 2017 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 2016.

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	31-12-2017	31-12-2016
ASSETS		
NON CURRENT ASSETS	447,693	437,310
Property, plant and equipment	174,426	161,590
Goodwill	141,001	144,368
Intangible assets	123,924	126,006
Investment in other companies	12	37
Deferred tax assets	4,310	4,854
Other non current assets	4,020	455
CURRENT ASSETS	149,801	110,692
Inventories	33,653	32,175
Trade receivables	60,104	50,922
VAT receivables	4,789	4,235
Income tax receivables	484	1,061
Other amounts receivable	1,487	485
Cash and cash equivalents	48,129	19,932
Deferred charges and accrued income	1,155	1,882
TOTAL ASSETS	597,494	548,002

IN THOUSANDS OF EUR	31-12-2017	31-12-2016
EQUITY		
EQUITY AND LIABILITIES	293,213	248,464
Share Capital	15,999	15,527
Retained earnings	316,954	267,947
Treasury shares	(13,919)	(12,038)
Other reserves	(25,877)	(23,038)
Non-controlling interests	56	66
NON-CURRENT LIABILITIES	193,923	197,245
Interest-bearing loans and borrowings	117,500	118,500
Deferred tax liabilities	49,206	50,666
Pension liabilities	3,846	3,114
Provisions	414	1,986
Derivative financial instruments	1,970	3,419
Other non-current liabilities	20,987	19,560
CURRENT LIABILITIES	110,358	102,293
Interest-bearing loans and borrowings	1,750	7,533
Pension liabilities	152	89
Provisions	21	21
Trade payables	68,542	54,742
Employee benefit expenses and social security	18,383	18,418
VAT payables	119	225
Tax payables	16,464	15,097
Derivative financial instruments	1	4
Other current liabilities	1,662	2,133
Accrued charges and deferred income	3,264	4,031
TOTAL EQUITY AND LIABILITIES	597,494	548,002

CONSOLIDATED INCOME STATEMENT

IN THOUSANDS OF EUR	2017	2016
TURNOVER	524,055	507,208
Raw materials, consumables and goods for resale	(171,494)	(168,310)
Services and other goods	(145,568)	(133,095)
Employee benefit expense	(105,580)	(101,639)
Depreciation and amortization on intangible and tangible assets	(12,105)	(14,796)
Impairment on inventories, contracts in progress and trade debtors	(2,198)	(1,905)
Other operating charges	(3,168)	(6,411)
Other operating income	5,407	2,893
RECURRENT OPERATING RESULT (REBIT)⁽¹⁾	89,349	83,945
Non-recurrent operating result	(91)	4,507
OPERATING RESULT (EBIT)⁽²⁾	89,258	88,452
Financial result	(2,228)	(2,675)
Interest income (cost)	(2,096)	(2,209)
Currency gains (loss)	175	(189)
Other financial income (cost)	(307)	(277)
PROFIT FOR THE YEAR BEFORE TAXES	87,030	85,777
Taxes	(22,397)	(23,322)
RESULT AFTER TAXES	64,633	62,455
NET RESULT	64,633	62,455
Attributable to:		
Non-controlling interests	1,094	1,210
Equity holders of Lotus Bakeries	63,539	61,245

(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	2017	2016
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit and loss	(2.727)	(22.747)
Currency translation differences	(5,989)	(21,064)
Gain / (Loss) on cash flow hedges, net of tax	3,262	(1,683)
Items that will not be reclassified to profit and loss	(757)	(36)
Remeasurement gains / (losses) on defined benefit plans	(757)	(36)
Other comprehensive income	(3,484)	(22,783)
Total comprehensive income	61,149	39,672
Attributable to:		
Non-controlling interests	449	(1,784)
Equity holders of Lotus Bakeries	60,700	41,456
EARNINGS PER SHARE (EUR)		
Weighted average number of shares	799,423	793,147
Basic earnings per share (EUR) - attributable to:		
Non-controlling interests	1.37	1.53
Equity holders of Lotus Bakeries	79.48	77.22
Weighted average number of shares after effect of dilution	808,735	806,206
Diluted earnings per share (EUR) - attributable to:		
Non-controlling interests	1.35	1.50
Equity holders of Lotus Bakeries	78.57	75.97
Total number of shares ⁽¹⁾	814,433	812,513
Earnings per share (EUR) - attributable to:		
Non-controlling interests	1.34	1.49
Equity holders of Lotus Bakeries	78.02	75.38

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

FIVE YEAR FINANCIAL SUMMARY

Consolidated balance sheet

IN THOUSANDS OF EUR	31-12-2017	31-12-2016	31-12-2015	31-12-2014	31-12-2013
NON CURRENT ASSETS	447,693	437,310	442,884	263,881	262,729
Property, plant and equipment	174,426	161,590	139,377	137,569	136,489
Goodwill	141,001	144,368	93,229	46,135	46,517
Intangible assets	123,924	126,006	107,901	74,674	75,744
Investment in other companies	12	37	96,244	22	27
Deferred tax assets	4,310	4,854	5,889	5,275	3,859
Other non current assets	4,020	455	244	206	93
CURRENT ASSETS	149,801	110,692	128,337	73,108	71,375
Inventories	33,653	32,175	35,659	17,898	16,665
Trade receivables	60,104	50,922	56,143	38,804	36,036
Cash and cash equivalents	48,129	19,932	18,547	11,855	11,933
TOTAL ASSETS	597,494	548,002	571,221	336,989	334,104
EQUITY	293,213	248,464	217,525	200,629	171,375
Non-current liabilities	193,923	197,245	169,242	39,506	43,984
Interest-bearing loans and borrowings	117,500	118,500	97,000	325	7,925
Deferred tax liabilities	49,206	50,666	44,607	34,905	32,687
Other non-current liabilities	20,987	19,560	22,815	57	5
Current liabilities	110,358	102,293	184,454	96,854	118,745
Interest-bearing loans and borrowings	1,750	7,533	99,086	41,144	62,337
Trade payables	68,542	54,742	42,498	33,309	34,249
Employee benefit expenses and social security	18,383	18,418	18,336	12,357	12,525
TOTAL EQUITY AND LIABILITIES	597,494	548,002	571,221	336,989	334,104

Consolidated income statement

IN THOUSANDS OF EUR	2017	2016	2015	2014	2013
TURNOVER	524,055	507,208	411,576	347,890	332,319
RECURRENT OPERATING RESULT (REBIT)	89,349	83,945	64,764	49,433	41,371
Non-recurrent operating result	(91)	4,507	(1,748)	(261)	(3,655)
OPERATING RESULT (EBIT)	89,258	88,452	63,016	49,172	37,716
Financial result	(2,228)	(2,675)	(778)	16	(1,740)
PROFIT FOR THE YEAR BEFORE TAXES	87,030	85,777	62,238	49,188	35,976
Taxes	(22,397)	(23,322)	(16,623)	(12,415)	(8,057)
RESULT AFTER TAXES	64,633	62,455	45,615	36,773	27,919
NET RESULT - attributable to:	64,633	62,455	45,615	36,773	27,919
Non-controlling interests	1,094	1,210	202	(2)	(1)
Equity holders of Lotus Bakeries	63,539	61,245	45,413	36,775	27,920

CORPORATE SOCIAL RESPONSIBILITY



14

The buildable area in Mebane (US), on which the first Lotus Biscoff factory outside Belgium is being built, covers an area of 14 soccer pitches (7 hectares). This is intended to help us respond to the growth potential of Lotus Biscoff.





A young girl with light brown hair and a red and white polka-dot hair clip is looking through a glass jar filled with cookies. She is holding a cookie in her right hand. The background is bright and out of focus, suggesting a window or a bright room.

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

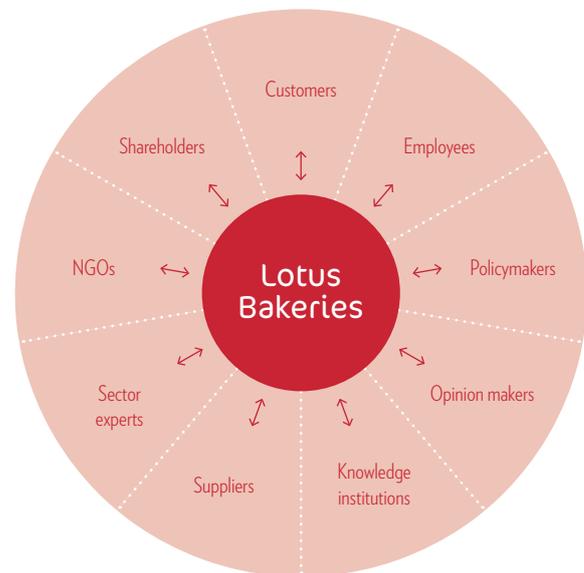
Lotus Bakeries' approach to Corporate Social Responsibility (CSR) is reflected in 'Care for Today - Respect for Tomorrow'. In 2015, we began reporting on the rollout of the sustainability programme, at the time in accordance with the Global Reporting Initiative (GRI G4 standard). As from 2017, Lotus Bakeries has decided to report on its sustainability programme according to the sustainable development goals (SDG reporting) proposed by the United Nations. These goals are the best fit for Lotus Bakeries' CSR policy: accessible, transparent and focussed on progress towards a sustainable world and society.

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

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'. As there have been no fundamental changes to the environment, concerns and interests of stakeholders since this survey, we were also able to use it as a basis for 2017.





The box at the top right of the materiality matrix contains the aspects viewed by both Lotus Bakeries and its stakeholders as most important. We have grouped them into four pillars of sustainability which form the basis for the 'Care for Today - Respect for Tomorrow' programme: employees, people, environment and society. These four pillars of sustainability closely match the sustainable development goals proposed by the United Nations.



Our 4 pillars of sustainability



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.



Society

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

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
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 51.1% female and 48.9% 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"> • The Arbovignet (Netherlands) • 'Safety First' strategy • TOP values
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, 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

Lotus Bakeries' pillars of sustainability	SDGs	Lotus Bakeries' reporting
ENVIRONMENT	 <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 plant outside Belgium (in North Carolina, US)
	 <p>15 LIFE ON LAND</p> <p>Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss</p>	<ul style="list-style-type: none"> • Traceability audit • RSPO certified
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' • Child sponsorship with Cunina
	 <p>4 QUALITY EDUCATION</p> <p>Ensure inclusive and quality education for all and promote lifelong learning</p>	<ul style="list-style-type: none"> • Child sponsorship with Cunina
	 <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"> • Partner of 'Entrepreneurs for Entrepreneurs' • Training of farmers in Tanzania
	 <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

OUR SUSTAINABILITY PROGRAMME IN PRACTICE



01. THANKS TO OUR EMPLOYEES, WE MAKE A DIFFERENCE

Offering pleasant work in a challenging environment is our motto. Our employees' well-being and an inspiring corporate culture form the key objectives of our first pillar of sustainability. Lotus Bakeries focuses on sustainable growth by means of which it wants to offer long-term employment opportunities.



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.

The first 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. Once they are on board, it is a question of retaining these engaged and motivated TOP talents in the company so that the knowhow 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.

A second challenge to the production environment of Lotus Bakeries is the safety and well-being of employees. 'Safety first' is always top of the agenda.

Corporate values and competencies a priority in recruitment

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 described above, subject to internal and external assessments of competencies, skills and corporate culture, regardless of origin,



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.

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 51.1% female and 48.9% male employees.

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. For example, in Belgium, three induction days with a total of 91 participants were organized in 2017.

Clear about our objectives

Only when we are all working towards the same goal, can we realize 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 organized so that employees can get to know one another outside their everyday context. Finally, Lotus Bak-

eries has appointed several well-trained confidential counsellors whom employees can approach.

Plenty of growth within the organization

We are convinced that internal mobility is one of the keys to greater commitment and improved employability for our employees. Accordingly, Lotus Bakeries constantly offers its employees new opportunities and we can foster a long career in the company. 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 organization. In 2017, we were able once again to give several Lotus employees the opportunity to gain experience abroad as expats. Regular training opportunities are also offered. This contributes to the continuous development of skills and high-grade competencies among the Lotus team.



Lotus Bakeries Netherlands: the most vital company in Noord-Brabant 2017 and top 3 most vital company in the Netherlands!

In 2017, Lotus Bakeries Netherlands was rewarded for its continuous investment in sustainably deployable employees, for whom it has developed a true vitality policy with actions to promote a safe, healthy and pleasant working environment and activities to boost the physical and mental vitality of employees: standing desks, table football, personal coaches, boot camp in the car park, stop smoking workshops, free fruit and reusable drinking bottles. All to be healthy and fit and make a good impression.

‘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.

Unfortunately, in 2017, these efforts did not lead to a fall in the number of occupational accidents compared with 2016. In 2017, there were a total of 35 occupational accidents resulting in absence from work across all Lotus Bakeries Group sites and - although none of them could be classed as a serious occupational accident - that is 35 too many. 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.

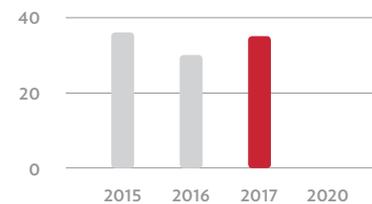
Healthy and fit for the day

Lotus Bakeries believes that paying attention to health and fitness benefits both the employee and Lotus Bakeries. 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.

KPIs



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





02. 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 second 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 cakes and the natural snacking category. Within the range of biscuits and cakes, 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, funds need to be available to support research and product improvement. We need to be able to 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 analyze 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 organized 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.





Less sugar and smaller portions

Offering both large and small packs means that consumers can deliberately opt to consume fewer calories. In this way we are responding to growing awareness of healthy eating. But we are also working on reducing sugar and salt content and the amount of saturated fat in our products and identifying natural flavourings. This is paying off, as shown by the success of our 'Zero' concept, in which sugar is replaced by a natural substitute. From the launch of Peijnenburg Zero in 2015 to the end of 2017, 300 million cubes of sugar have already been saved. Following Peijnenburg Zero, a version with no added sugar was also added to the Snelle Jelle range in 2016. We also launched the www.rogge.nl website on which we reveal the composition of our various varieties of gingerbread, including the number of calories per portion.

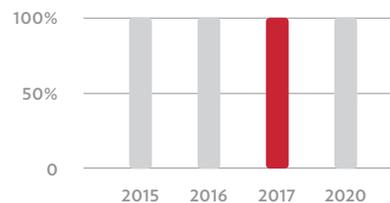
The right snack for all times in the day

Breakfast, coffee break, on the go ... Every consumption moment needs the right snack. To fulfil consumer requirements, we are constantly looking for new opportunities. We found these in 2015 in the natural snacks of Natural Balance Foods (Näkd and TREK) and Urban Fresh Foods (BEAR and Urban Fruit). Our Natural Foods business unit is not just experiencing significant growth in its home market, the UK. The launch of these products in the Netherlands was highly successful and the 'healthy snacking' category now occupies a significant place on supermarket shelves. In 2017, we also took the first steps in the US where our BEAR products are available in more than 4,000 coffee shops nationwide. We are well on the way to continued expansion in Europe, especially in Belgium and France.

KPIs



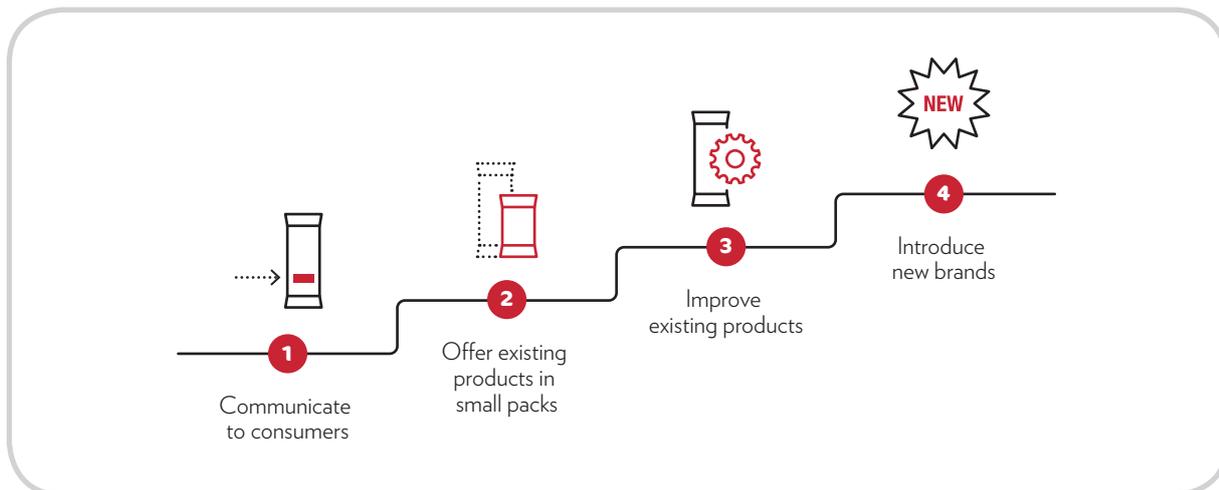
% of Lotus Bakeries production sites with external quality certification (BRC, IFS, ACC)



Lotus has always paid attention to accurate and clear communication to consumers. Our strategy is to offer every consumer a versatile range of responsible snacks for every consumption moment in different packaging formats. We're investing heavily in R&D to make our existing range healthier and healthier. Without impacting on taste or quality, because it still needs to be a treat. In 2015, we also began exploring the whole new natural snacking segment based on dried fruit and nuts. With Nākd, TREK and Urban Fruit, we target active twenty- and thirty-year-olds, while BEAR is aimed at kids with its colourfully packaged fruit rolls.



Isabelle Maes,
CEO Natural Foods





03.

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 third 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 around sixty countries and produces them in four – soon to be five – 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 optimizing the production process, we keep our production waste as low as possible. Anything left over from production is processed into animal feed, but we also intend to minimize 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 few extra grams of plastic to package portions separately.



Deliberate choice of plastic

Through our packaging, we are responding to two major trends: less damage to the environment and longer shelf life. Since our plastic packaging keeps the product fresh for longer, we prefer that material. And despite its not so good reputation, the lion's share of our consumer packaging is made of plastic. If we take into account the overall impact on the environment, plastic packaging scores overall well. This is because the material is much lighter than say cardboard, so we need much less of it. We also consider it our duty to follow trends and developments in the area of recycling and implement them where possible.

Reducing energy consumption and emissions

Our aim is to consume less energy and gas per kilogramme produced every year. In 2017, investments were made in new production lines on several sites so as to be able to keep pace with the growth of the company. However, starting up new production lines requires considerable adjustment of machinery and training of staff before the desired yields are achieved. This is also the main reason why we have not managed to reduce our energy consumption per tonne of end-product produced compared with 2016. We expect that the efforts, investments, training and targeted campaigns which took place in 2017 will enable a saving of CO₂ emissions per tonne produced to be achieved once more in 2018.

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 digitized 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 research has begun into a bicycle leasing scheme for our employees in Belgium.

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 minimize 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, US. As for our European factories, in the US we will purchase our raw materials and packaging materials locally as much as possible. Moreover, the production lines will be equipped with modern energy recovery technology. The aim is to organize 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.

Traceable right back to the origin

We aim to make the industry as a whole and our supply chain in particular more sustainable. When we negotiate with a supplier, this topic is on the table.

Traceability is a key aspect of our supply chain policy. After all, once we know the origin of a product or ingredient, we can begin managing it. As far as possible, we use local ingredients and/or growing and harvesting conditions. Apart from less transport, this offers many other advantages as far as sustainability is concerned, including greater control over cultivation, land use and working conditions.

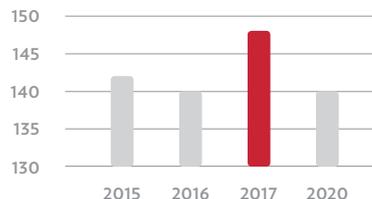
We are also a member of RSPO and a founder member of BASP, and all our current production facilities are RSPO-certified.

RSPO

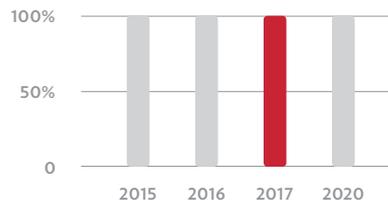
Roundtable on Sustainable Palm Oil



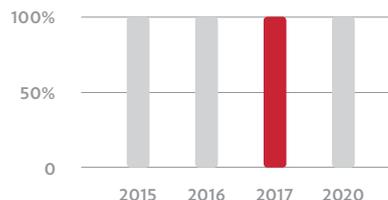
Emission of CO₂ equivalent emissions per tonne produced (in kgCO₂e/tonne) * in our current production sites



% 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.





04. 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 fourth CSR pillar, we enthusiastically take on this role.

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

Respect for human rights is in our company's DNA. Locally and internationally, in the Lotus Bakeries family, among its suppliers and 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 deserve 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 actors from purchase to sale. The risk of corrupt practices is relatively low for our company since we do not have any production facilities or our own sales offices in countries with a Corruption Perception Index of below 57, except for South Korea (CPI score 54) and China (CPI score 41). This is compared to a global average

CPI score of 43 and an increased risk for a CPI score below 50 (source: "Transparency International 2017").

Internal control environment

Lotus Bakeries strongly believes in internal control systems which support the sustainable business operations within Lotus Bakeries. Within the company, we rely on the ICT systems in place and the general internal control system. Accordingly, in 2017, we can speak of integrated and automated business operations thanks to the connection of virtually all Lotus Bakeries entities to our ERP system.

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 organization. We also focus on the activities of our suppliers of raw materials and packaging materials and co-manufacturers.

Since 2012, Lotus Bakeries has summarized 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 2017. Hence there is no need for key performance indicators in this area at present.

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 organization, which promotes a healthy weight among young people. Nationally speaking, we have also signed up to 'healthy school canteens' and, in partnership with JOGG, we offer healthy alternatives for breaktime by introducing Năkd and Peijnenburg Zero.

WWF Gold

As already stated, our gas consumption is offset via a WWF Gold Standard programme. We have chosen the 'Saving trees' project. The project facilitates the dissemination of different cooking technology by using new cookstoves. This is having a significant impact, including: reducing deforestation, reducing CO₂-emissions and saving time and money for users.



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 organization.

Tanzanian young people on the road to entrepreneurship

As part of Entrepreneurs for Entrepreneurs, together with ngo Trias, we help young people in Tanzania who want to start their own business. Agriculture is the largest employer in the East African country, but due to limited access to land and means of production, this sector has less and less to offer young farmers.

So, in conjunction with two nationally recognized membership organizations, Trias provides training, support and finance for over 2,000 young farmers. The focus is on improving crops and increasing production, along with the commercial side of the business. We want to train them up to become enthusiastic entrepreneurs so they can take their future in their own hands.

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 helped to produce fonio.



Cunina is a well-known ngo, but we retain our small-scale, pragmatic, authentic and family character. We don't want to be the biggest organization, but above all try to set an example, prioritizing transparency, credibility, authenticity, efficiency, innovation and sustainability.

Mrs Vangheel, Founder of Cunina

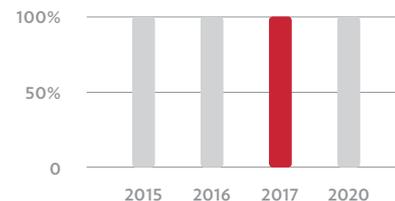


Child sponsorship with Cunina

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 sponsors. All sponsored children will be offered education from the first year of primary education to the final year of secondary education. The Lotus employees involved will communicate with the children they sponsor several times a year, receive their photo and school report and be able to follow their development. We chose a school in South Africa, due to the link with the manufacture of our BEAR products there.

KPIs 

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





INDEPENDENT LIMITED ASSURANCE REPORT ON CARE FOR TODAY – RESPECT FOR TOMORROW SECTION OF THE ANNUAL REPORT 2017 OF LOTUS BAKERIES AND ITS SUBSIDIARIES

This report has been prepared in accordance with the terms of our engagement contract dated 5 December 2017, whereby we have been engaged to issue an independent limited assurance report in connection with selected indicators in the Care for Today – Respect for Tomorrow section as of and for the year ended 31 December 2017 in the accompanying Annual Report 2017 of Lotus Bakeries and its subsidiaries (the “Report”).

Responsibility of Board of Directors

The Board of Directors of Lotus Bakeries (“the Company”) is responsible for the preparation of the selected indicators, for the year ended 31 December 2017, presented in the tables on pages 105, 107, 112 and 117 in the Care for Today – Respect for Tomorrow section of the Report (the “Subject Matter Information”), in accordance with the criteria disclosed in the Care for Today – Respect for Tomorrow section.

This responsibility includes the selection and application of appropriate methods for the preparation of the Subject Matter Information, for ensuring the reliability of the underlying information and for the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility of the Board of Directors includes the design, implementation and maintenance of systems and processes relevant for the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

The objective of a limited-assurance engagement is to perform the procedures we consider necessary to provide us with sufficient appropriate evidence to support the expression of a conclusion in the negative form on the Subject Matter Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



The selection of such procedures depends on our professional judgment, including the assessment of the risks of management's assertion being materially misstated. The scope of our work comprised the following procedures:

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

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

Our Independence and Quality Control

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

Conclusion

Based on the procedures performed, as described in this Independent Limited Assurance Report, and the evidence obtained, nothing has come to our attention that causes us to believe that the selected indicators, for the year ended 31 December 2017, presented the tables on pages 105, 107, 112 and 117 in the Care for Today – Respect for Tomorrow section of the Report, is not fairly stated, in all material respects, in accordance with the Criteria.

Restriction on Use and Distribution of our Report

Our assurance report has been made in accordance with the terms of our engagement contract. Our report is intended solely for the use of the Company, in connection with the Care for Today – Respect for Tomorrow section as of and for the year ended 31 December 2017 and should not be used for any other purpose. We do not accept, or assume responsibility to anyone else, except to the Company for our work, for this report, or for the conclusions that we have reached.

Sint-Stevens-Woluwe, 5 April 2018

PwC Bedrijfsrevisoren bvba,
Represented by

Marc Debruyne
Bedrijfsrevisor

Peter Ogenne
Bedrijfsrevisor

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Concept and realisation

Focus Advertising and Lotus Bakeries

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BEING GREAT IN LITTLE THINGS

Annual review / Financial supplement

The consolidated financial statements for 2017 shown below have been prepared in accordance with IFRS as adopted for application within the European Union with comparative IFRS figures for 2016.

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

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

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

The full statutory annual statements, together with the statutory annual report of the Board of Directors and the statutory audit report of the Auditor, will be submitted to the National Bank of Belgium within the legally prescribed term. These documents are available on the corporate website of Lotus Bakeries, www.lotusbakeries.com (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 2017 annual review of Lotus Bakeries NV. This annual review is in two parts which are available on the Lotus Bakeries corporate website and also on simple request, separately and free of charge, from the Lotus Bakeries Corporate Secretary.

The Auditor has issued an unqualified audit opinion 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	31-12-2017	31-12-2016
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	174,426	161,590
Goodwill	6	141,001	144,368
Intangible assets	7	123,924	126,006
Investment in other companies	4	12	37
Deferred tax assets	8	4,310	4,854
Other non current assets	9, 20	4,020	455
CURRENT ASSETS			
Inventories	10	33,653	32,175
Trade receivables	11	60,104	50,922
VAT receivables	11	4,789	4,235
Income tax receivables	11	484	1,061
Other amounts receivable	11	1,487	485
Cash and cash equivalents	12, 13	48,129	19,932
Deferred charges and accrued income		1,155	1,882
TOTAL ASSETS		597,494	548,002

IN THOUSANDS OF EUR	NOTES	31-12-2017	31-12-2016
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	14	15,999	15,527
Retained earnings		316,954	267,947
Treasury shares	13, 16, 24	(13,919)	(12,038)
Other reserves	18	(25,877)	(23,038)
Non-controlling interests		56	66
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	13, 17	117,500	118,500
Deferred tax liabilities	8	49,206	50,666
Pension liabilities	18	3,846	3,114
Provisions	19	414	1,986
Derivative financial instruments	20	1,970	3,419
Other non-current liabilities	21	20,987	19,560
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	13, 17	1,750	7,533
Pension liabilities	18	152	89
Provisions	19	21	21
Trade payables	22	68,542	54,742
Employee benefit expenses and social security	22	18,383	18,418
VAT payables	22	119	225
Tax payables	22	16,464	15,097
Derivative financial instruments	20, 22	1	4
Other current liabilities	22	1,662	2,133
Accrued charges and deferred income	22	3,264	4,031
TOTAL EQUITY AND LIABILITIES		597,494	548,002

Consolidated income statement

IN THOUSANDS OF EUR	NOTES	2017	2016
TURNOVER		524,055	507,208
Raw materials, consumables and goods for resale		(171,494)	(168,310)
Services and other goods		(145,568)	(133,095)
Employee benefit expense	23	(105,580)	(101,639)
Depreciation and amortisation on intangible and tangible assets	25	(12,105)	(14,796)
Impairment on inventories, contracts in progress and trade debtors	10, 11	(2,198)	(1,905)
Other operating charges	26	(3,168)	(6,411)
Other operating income	26	5,407	2,893
RECURRENT OPERATING RESULT (REBIT) ⁽¹⁾		89,349	83,945
Non-recurrent operating result	27	(91)	4,507
OPERATING RESULT (EBIT) ⁽²⁾		89,258	88,452
Financial result	28	(2,228)	(2,675)
Interest income (expense)		(2,096)	(2,209)
Foreign exchange gains (losses)		175	(189)
Other financial income (expense)		(307)	(277)
PROFIT FOR THE YEAR BEFORE TAXES		87,030	85,777
Taxes	8, 29	(22,397)	(23,322)
RESULT AFTER TAXES		64,633	62,455
NET RESULT - attributable to:		64,633	62,455
Non-controlling interests		1,094	1,210
Equity holders of Lotus Bakeries		63,539	61,245

IN THOUSANDS OF EUR	NOTES	2017	2016
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to profit and loss		(2,727)	(22,747)
Currency translation differences		(5,989)	(21,064)
Gain/(Loss) on cash flow hedges, net of tax		3,262	(1,683)
Items that will not be reclassified to profit and loss		(757)	(36)
Remeasurement gains/(losses) on defined benefit plans	18	(757)	(36)
Other comprehensive income		(3,484)	(22,783)
Total comprehensive income - attributable to:		61,149	39,672
Non-controlling interests		449	(1,784)
Equity holders of Lotus Bakeries		60,700	41,456
EARNINGS PER SHARE	30		
Weighted average number of shares		799,423	793,147
Ordinary earnings per share (EUR) - attributable to:			
Non-controlling interests		1,37	1,53
Equity holders of Lotus Bakeries		79,48	77,22
Weighted average number of shares after effect of dilution		808,735	806,206
Diluted earnings per share (EUR) - attributable to:			
Non-controlling interests		1,35	1,50
Equity holders of Lotus Bakeries		78,57	75,97
Total number of shares ⁽³⁾		814,433	812,513
Earnings per share (EUR) - attributable to:			
Non-controlling interests		1,34	1,49
Equity holders of Lotus Bakeries		78,02	75,38

(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 2016	3,573	11,794	15,367	219,109
Net result of the Financial Year	-	-	-	61,245
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	-	-	-	61,245
Dividend to shareholders	-	-	-	(11,535)
Increase in capital	3	157	160	-
Acquisition / sale own shares	-	-	-	-
Employee share-based compensation expense	-	-	-	515
Impact written put options on non-controlling interests	-	-	-	(2,175)
Other	-	-	-	788
EQUITY as on 31 December 2016	3,576	11,951	15,527	267,947
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
(13,677)	(3,014)	339	(574)	(3,249)	217,550	(25)	217,525
-	-	-	-	-	61,245	1,210	62,455
-	(18,070)	-	-	(18,070)	(18,070)	(2,994)	(21,064)
-	-	123	-	123	123	-	123
-	-	-	(2,550)	(2,550)	(2,550)	-	(2,550)
-	-	(159)	867	708	708	-	708
-	(18,070)	(36)	(1,683)	(19,789)	(19,789)	(2,994)	(22,783)
-	(18,070)	(36)	(1,683)	(19,789)	41,456	(1,784)	39,672
-	-	-	-	-	(11,535)	(300)	(11,835)
-	-	-	-	-	160	-	160
1,639	-	-	-	-	1,639	-	1,639
-	-	-	-	-	515	-	515
-	-	-	-	-	(2,175)	2,175	-
-	-	-	-	-	788	-	788
(12,038)	(21,084)	303	(2,257)	(23,038)	248,398	66	248,464
(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	2017	2016
Operating activities		
Net result (Group)	63,539	61,245
Depreciation and amortisation of (in) tangible assets	12,105	15,088
Net valuation allowances current assets	2,198	1,852
Provisions	(1,316)	1,690
Fair value adjustment of goodwill and contingent considerations	-	48
Disposal of fixed assets	1,776	261
Financial result	2,228	2,675
Taxes	22,397	23,322
Employee share-based compensation expense	620	515
Non-controlling interests	1,094	1,210
Gross cash provided by operating activities	104,641	107,906
Decrease / (Increase) in inventories	(4,345)	3,938
Decrease / (Increase) in trade accounts receivable	(9,825)	6,222
Decrease / (Increase) in other assets	(955)	11,031
Increase / (Decrease) in trade accounts payable	12,819	11,383
Increase / (Decrease) in other liabilities	(2,982)	(4,023)
Change in operating working capital	(5,288)	28,551
Income tax paid	(22,240)	(15,289)
Interest paid	(2,102)	(2,270)
Other financial income and charges received/(paid)	(263)	(685)
Net cash provided by operating activities	74,748	118,213

IN THOUSANDS OF EUR	2017	2016
Investing activities		
(In)tangible assets - acquisitions	(26,172)	(38,281)
(In)tangible assets - other changes	-	(3)
Acquisition of subsidiaries	-	3,703
Financial assets - other changes	24	(20)
Net cash used in investing activities	(26,148)	(34,601)
Net cash flow before financing activities	48,600	83,612
Financing activities		
Dividends paid	(13,218)	(11,606)
Treasury shares	(1,155)	2,169
Proceeds of capital increase	472	160
Proceeds / (Reimbursement) of long-term borrowings	(1,000)	21,500
Proceeds / (Reimbursement) of short-term borrowings	(5,734)	(93,289)
Proceeds / (Reimbursement) of long-term receivables	(50)	(223)
Cash flow from financing activities	(20,685)	(81,289)
Net change in cash and cash equivalents	27,915	2,323
Cash and cash equivalents on January 1	19,932	18,547
Effect of exchange rate fluctuations	282	(938)
Cash and cash equivalents on December 31	48,129	19,932
Net change in cash and cash equivalents	27,915	2,323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated companies

1.1 List of consolidated companies

	ADDRESS	VAT OR NATIONAL NUMBER	31-12-2017	31-12-2016
A. 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.	Praag 3, Slezská 844/96, 130 00 Praag, CZ	VAT CZ 271 447 55	100.0	100.0
Lotus Bakeries GmbH	Rather Strasse 110a, 44076 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 NL82301112B01	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	-
Lotus Bakeries US Manufacturing, LLC	1000 Sansome Street Suite 220, San Francisco, CA 94111-1323, USA	IRS 82-2542596	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	31-12-2017	31-12-2016
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
Annas Pepparkakor Holding AB	Radiovägen 23, SE 135 48 Tyresö, Sweden	Registration no. 556675-9030	-	100.0
AB Annas Pepparkakor	Radiovägen 23, SE 135 48 Tyresö, Sweden	VAT SE556149914501	100.0	100.0
Pepparkakshuset i Tyresö AB	Radiovägen 23, SE 135 48 Tyresö, Sweden	VAT SE556736094501	-	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	-

On the basis of Section 479A of UK company law, Lotus Bakeries UK Ltd. and Urban Fresh Foods Ltd. are exempt from the requirement for a local statutory audit. The holding entity guarantees the debts of these two companies as at 31 December 2017.

1.2 Changes in the group structure

The following changes to the group structure took place in 2017:

Lotus Bakeries Austria GmbH

Lotus Bakeries Austria GmbH was incorporated in July 2017.

Merger of Swedish companies

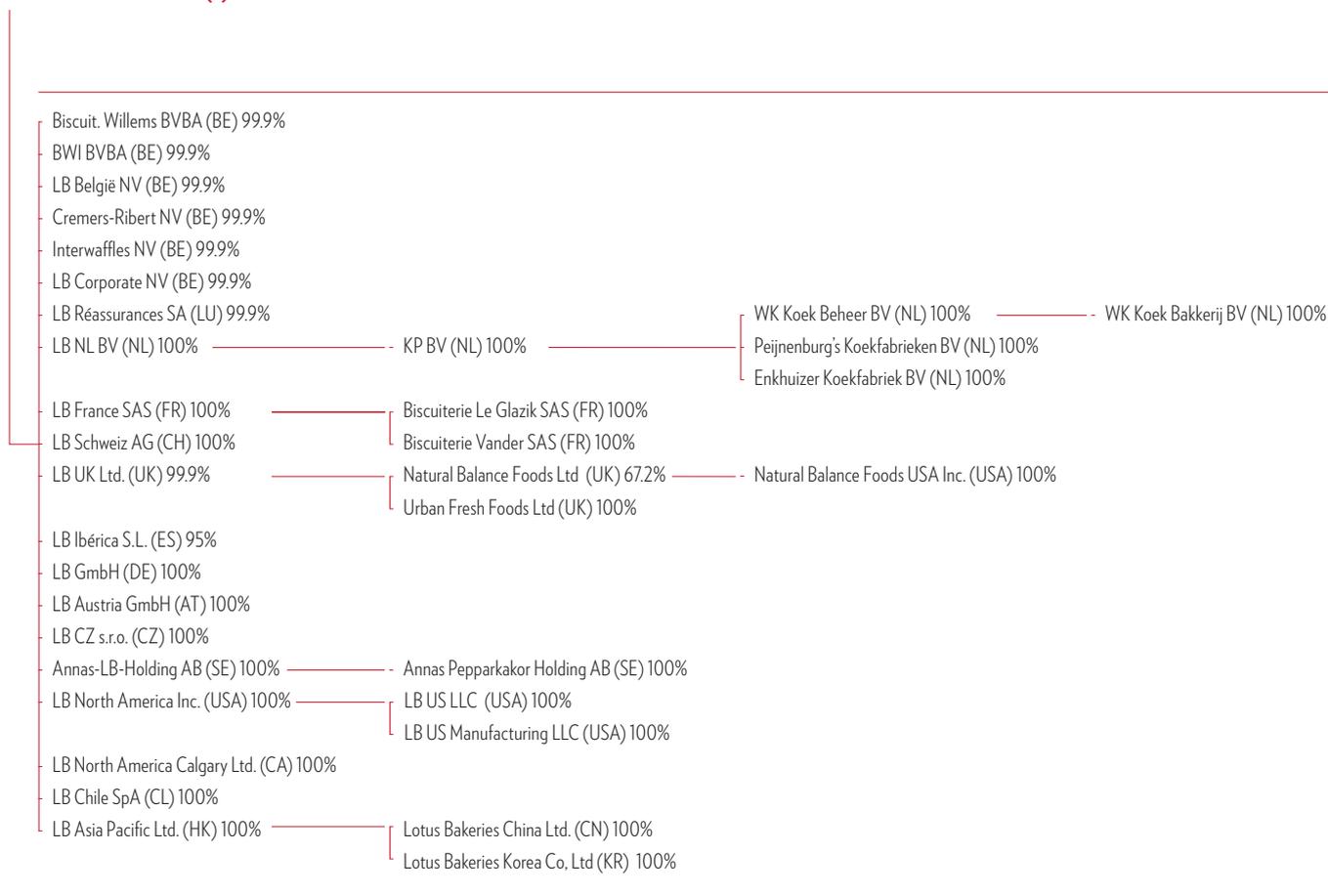
The activities of Annas Pepparkakor Holding AB and Pepparkakshuset i Tyresö AB were merged with those of Annas-Lotus Bakeries Holding AB (the merger was registered on 17 October 2017).

Lotus Bakeries US, LLC and Lotus Bakeries US Manufacturing, LLC

In the US, Lotus Bakeries US, LLC and Lotus Bakeries US Manufacturing, LLC were incorporated in February and June 2017 respectively.

1.3 Legal Structure of the Lotus Bakeries Group at 31 December 2017

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.

2. Accounting principles

2.1 Statement of compliance

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

2.2 Basis of presentation

The consolidated financial statements are presented in thousands of euros and present the financial situation as of 31 December 2017.

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 2018 for publication.

Recent IFRS pronouncements

Endorsement status of the new standards as at 31 December 2017

The following **amendments and annual improvements** to standards are mandatory for the first time for the financial year beginning 1 January 2017 and have been endorsed by the European Union:

- **Amendments to IAS 12**, 'Income taxes' (effective 1 January 2017) on Recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- **Amendments to IAS 7**, Statement of cash flows (effective 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

The following **amendments and annual improvements** to standards are mandatory for the first time for the financial year beginning 1 January 2017 (and have not been endorsed yet by the EU):

- **Annual improvements 2014-2016** applicable to three standards of which changes on IFRS 1 and IAS 28 are applicable as of 1 January 2018 and changes on IFRS 12 are applicable as of 1 January 2017. The improvements that will be applicable as of 1 January 2017 concern IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard (these amendments

should be applied retrospectively for annual periods beginning on or after 1 January 2017).

The following **standards and amendments** to standards are mandatory since the financial year beginning 1 January 2016 (however not yet subjected to EU endorsement):

- **IFRS 14** 'Regulatory deferral accounts' (effective 1 January 2016). It concerns an interim standard on the accounting for certain balances that arise from rate-regulated activities. IFRS 14 is only applicable to entities that apply IFRS 1 as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The interim standard also provides guidance on selecting and changing accounting policies (on first-time adoption or subsequently) and on presentation and disclosure. The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
- **Amendments to IFRS 10** 'Investments in associates and joint ventures' (effective 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are

housed in a subsidiary. This amendment has been deferred indefinitely.

The following **new standards and amendments** to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2017 and have been endorsed by the European Union:

- **IFRS 16, 'Leases'** (effective 1 January 2019). This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction 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.
- **IFRS 9, 'Financial instruments'** (effective 1 January 2018). This standard, which covers financial instruments on both the asset as well as the liability side, describes the criteria for recognition, classification and derecognition of such instruments, in addition to the allowed measurement methods.
- **IFRS 15, 'Revenue from contracts with customers'** (effective 1 January 2018). The IASB and FASB have jointly published a standard regarding revenue

from contracts with customers. The standard will result in better financial reporting and will improve the comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2018.

- **Amendments to IFRS 15, 'Revenue from contracts with customers'** - Clarifications (effective 1 January 2018). These amendments comprise clarification guidance on identifying performance obligations, accounting for licences of intellectual property and the principle versus agent assessment. The amendment also includes more illustrative examples.
- **Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts** (effective 1 January 2018): These amendments introduce two possible approaches usable by entities that issue insurance contracts in the scope of IFRS 4: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied early; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard- IAS 39.

The following **new standards, amendments and interpretation** to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2017 and have not been endorsed by the European Union:

- **Amendments to IFRS 2, Share-based payments** (effective 1 January 2018): The amendment clarifies the measurement basis for cash-settled payments and the accounting for modifications that change an award from cash settled to equity settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay the amount to the tax authorities.
- **IFRIC 22, 'Foreign currency transactions and advance consideration'** (effective 1 January 2018): This IFRIC addresses foreign currency transactions or parts of transactions where there is an advance consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- **IFRIC 23, 'Uncertainty over income tax treatments'** (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.
- **Amendments to IFRS 9, 'Prepayment features**

- with negative compensation' (effective 1 January 2019). An amendment to allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met. Instead of at fair value through profit or loss, because they would otherwise fail the SPPI-test. In addition, this amendment clarifies an aspect of the accounting for financial liabilities following a modification.
- **Amendments to IAS 28, 'Long-term interests in associates and joint ventures'** (effective 1 January 2019). Clarification regarding the accounting for long-term interests in an associate or joint venture, to which the equity method is not applied, under IFRS 9. Specifically, whether the measurement and impairment of such interests should be done using IFRS 9, IAS 28 or a combination of both.
 - **Annual improvements 2014-2016** applicable to three standards of which changes on IFRS 1 and IAS 28 are applicable as of 1 January 2018 and changes on IFRS 12 are applicable as of 1 January 2017. The improvements that will be applicable as of 1 January 2018 concern:
 - IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10;
 - IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value.
 - **Annual improvements to IFRS Standards 2015-2017 cycle**, applicable as of 1 January 2019 and containing the following amendments to IFRSs:
 - IFRS 3 'Business Combinations' 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, it remeasures previously held interests in that business. 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) should be recognised in profit or loss, regardless of how the 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 the quantitative analysis has not yet been finalised, the application of the above new standards and amendments will not have a material impact on the consolidated financial statements.

IFRS 15 'Revenue from contracts with customers'

The impact analysis which the Group began in 2016 was completed during 2017. Current accounting practice was compared with the principles under IFRS 15. The Group is mainly engaged in the sale of goods and recognises the revenue at the time at which the property right of the asset is transferred to the customer, generally upon delivery of the goods. As far as the transaction price is concerned, the impact analysis has been refined and completed, based on the underlying contracts, in 2017.

The Group concludes that no shift in presentation is required between turnover and costs.

IFRS 16 'Leases'

During 2017, the Group began an impact analysis in view of the application of IFRS 16 as from 1 January 2019. First of all, an inventory was initiated of current leases. The leases mainly relate to the leasing of office buildings, storage space and cars. In 2018, the Group will provide quantitative information on this and complete the impact analysis.

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.

The Group does not expect the impact to be significant.

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

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

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 given the holders the right to sell part or all of their investment in the subsidiary. These financial liabilities do not bear interest. In accordance with IAS 32, when non-controlling interests hold put options

enabling them to sell their investment in the Group, a financial liability is 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).

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

2.4 Use of estimates

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

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

The assumptions made for measuring goodwill, intangible 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	
	2017	2016	2017	2016
EUR/CAD	1.5039	1.4188	1.4718	1.4589
EUR/CHF	1.1702	1.0739	1.1161	1.0909
EUR/CLP	733.9410	698.8190	732.0983	738.6247
EUR/CNY	7.8044	7.3202	7.6556	7.3415
EUR/CZK	25.5350	27.0210	26.2863	27.0423
EUR/GBP	0.8872	0.8561	0.8758	0.8227
EUR/KRW	1279.6100	1269.3600	1275.7250	1279.9175
EUR/PLN	4.1770	4.4103	4.2427	4.3744
EUR/SEK	9.8438	9.5525	9.6437	9.4713
EUR/USD	1.1993	1.0541	1.1368	1.1032
EUR/ZAR	14.8054	14.4412	15.0552	16.0754

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 amortisation 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 lease

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

2.9 Government grants

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

2.10 Impairment of non-current assets

For the Group's non-current assets, other than deferred tax assets, the Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and the value in use. In assessing value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash 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 probably that the Group will not be able to collect all outstanding amounts.

At each reporting date, the Group estimates the impairment by evaluating all outstanding amounts individually. An impairment is recognised in the results of the period in which it was identified as such.

2.15 Cash and cash equivalents

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

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

2.16 Non-current assets (or disposal groups) held for sale and discontinued operations

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

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

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

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

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

2.17 Share capital and treasury shares

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

2.18 Interest-bearing financial debts

All interest-bearing financial debts are initially recognised at fair value less direct attributable transaction costs. After initial recognition, the interest-bearing financial debts will be recognised at the 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 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 realized once it is probable that the Group will receive the economic benefits from the transaction and the revenues can be measured reliably.

2.24 Employee benefits

Pension plans

The Group holds a number of defined contribution plans. These pension plans are funded by members of personnel and the employer and are recognised in the income statement of the reporting period to which they refer.

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

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

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 concern elements directly recognised 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 snack 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.

3. Segment reporting by geographical region

Segment reporting by geographical region (2017)

For the purpose of sales, production and internal reporting, the Group is classified according to geographical regions. The regions presented in the segment reporting, which are based on the internal reporting system, are composed as follows:

- Belgium: sales by Sales Office Belgium and intra-group sales by factories in Belgium
- France: sales by Sales Office France and intra-group sales by factories in France
- The Netherlands: sales by Sales Office Netherlands and intra-group sales by factories in the Netherlands

- UK: sales by Sales Office UK, Natural Balance Foods and Urban Fresh Foods
- Other: sales from Belgium to countries without own Sales Office and by own Sales Offices in Germany, Austria, Switzerland, the Czech Republic/Slovakia, North America, Spain, China, South Korea, Sweden and Finland plus production in Sweden.

Sales between the various segments are carried out at arm's length.

YEAR ENDED 31 DECEMBER 2017	CONTINUING OPERATIONS						
IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER ⁽⁹⁾	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
TURNOVER							
Sales to external customers	143,362	65,707	90,436	101,321	123,229	-	524,055
Inter-segment sales	94,618	11,441	1,502	4,129	688	(112,378)	-
Total turnover	237,980	77,148	91,938	105,450	123,917	(112,378)	524,055
RESULTS							
Segment result REBIT	31,913	276	17,629	9,824	19,006	10,701	89,349
Non-recurrent operating result	2,082	(9)	(1,070)	-	(1,093)	(1)	(91)
Segment result EBIT	33,995	267	16,559	9,824	17,913	10,700	89,258
Financial result							(2,228)
Profit for the year before taxes							87,030
Taxes							(22,397)
Result after taxes							64,633
ASSETS AND LIABILITIES							
Non-current assets	133,581	7,901	105,379	136,726	38,443	21,353	447,693
Segment assets	133,581	7,901	105,379	136,726	38,443	21,353	443,383
Unallocated assets:							4,310
Deferred tax assets							4,310
Financial receivables							-

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	6,250
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
Increase/(decrease) 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.

Segment reporting by geographical region (2016)

For the purpose of sales, production and internal reporting, the Group is classified according to geographical regions. The regions presented in the segment reporting, which are based on the internal reporting system are composed as follows:

- Belgium: sales by Sales Office Belgium and intra-group sales by factories in Belgium
- France: sales by Sales Office France and intra-group sales by factories in France
- The Netherlands: sales by Sales Office Netherlands and intra-group sales by factories in the Netherlands
- UK: sales by Sales Office UK, Natural Balance Foods and Urban Fresh Foods
- Other: sales from Belgium to countries without own Sales Office and by own Sales Offices in Germany/Austria, Switzerland, the Czech Republic/Slovakia, North America, Spain, China, South Korea, Sweden and Finland plus production in Sweden.

Sales between the various segments are carried out at arm's length.

YEAR ENDED 31 DECEMBER 2016	CONTINUING OPERATIONS							
IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER ⁽¹⁾	ELIMINATIONS + CORPORATE COMPANIES	TOTAL	
TURNOVER								
Sales to external customers	138,471	65,520	88,171	93,780	121,266	-	507,208	
Inter-segment sales	94,425	10,889	1,490	2,921	539	(110,264)	-	
Total turnover	232,896	76,409	89,661	96,701	121,805	(110,264)	507,208	
RESULTS								
Segment result REBIT	32,315	350	15,877	10,108	14,912	10,383	83,945	
Non-recurrent operating result	6,572	165	(1,631)	(44)	(555)	-	4,507	
Segment result EBIT	38,887	515	14,246	10,064	14,357	10,383	88,452	
Financial result							(2,675)	
Profit for the year before taxes							85,777	
Taxes							(23,322)	
Result after taxes							62,455	
ASSETS AND LIABILITIES								
Non-current assets	124,741	7,233	103,509	141,641	37,214	18,092	437,310	
Segment assets	124,741	7,233	103,509	141,641	37,214	18,092	432,430	
Unallocated assets:							4,880	
Deferred tax assets							4,854	
Financial receivables							26	

YEAR ENDED 31 DECEMBER 2016

CONTINUING OPERATIONS

IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER ⁽¹⁾	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
Current assets	20,286	12,061	13,308	22,744	14,959	2,106	110,692
Segment assets	20,286	12,061	13,308	22,744	14,959	2,106	85,464
Unallocated assets:							25,228
VAT receivables							4,235
Income tax receivables							1,061
Cash and cash equivalents							19,932
Total assets							548,002
Non-current liabilities	1,609	700	1,766	-	644	3,800	197,245
Segment liabilities	1,609	700	1,766	-	644	3,800	8,519
Unallocated liabilities:							188,726
Deferred tax liabilities							50,666
Interest-bearing loans and borrowings							118,500
Other non-current liabilities							19,560
Current liabilities	26,651	7,672	5,394	13,925	15,876	9,920	102,293
Segment liabilities	26,651	7,672	5,394	13,925	15,876	9,920	79,438
Unallocated liabilities:							22,855
VAT payables							225
Tax payables							15,097
Interest-bearing loans and borrowings							7,533
Total liabilities							299,538
OTHER SEGMENT INFORMATION							
Capital expenditure:							
Tangible fixed assets	32,131	1,677	1,361	507	894	392	36,962
Intangible fixed assets	-	-	20	-	-	516	536
Depreciation	8,360	1,133	2,953	122	744	1,484	14,796
Decrease/(increase) in amounts written off stocks, contracts in progress and trade debtors	955	242	286	66	354	2	1,905
Fair value adjustment of goodwill and contingent considerations	-	-	-	-	48	-	48

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

4. Acquisitions and disposal of subsidiaries

No subsidiaries were acquired in 2016 or 2017.

In December 2015, Lotus Bakeries acquired 100% of the shares of Urban Fresh Foods Ltd., famous for the BEAR and Urban Fruit brands. The BEAR brand is the market leader in the UK for pure fruit snacks for children. Under the Urban Fruit brand, the company offers a range of 100% fruit snacks aimed at young adults. The total purchase price was EUR 97.5 million.

The results of Urban Fresh Foods Ltd are included in the consolidation as from 1 January 2016. At 30 June 2016, the fair value of the acquired assets and liabilities was determined in order to calculate provisionally the goodwill arising from this acquisition. This analysis has been finetuned in the second half of 2016. Thus, the final value of the acquired assets and liabilities was calculated during a period of twelve months following the acquisition date.

The combined activities of Urban Fresh Foods and Natural Balance Foods represent the lowest level (cash generating unit) within the Group at which the goodwill of Natural Foods is monitored for internal management purposes.

The purchase price of Urban Fresh Foods Ltd. is composed as follows:

IN THOUSANDS OF EUR	PROVISIONAL FAIR VALUE AT 30 JUNE 2016	FINAL FAIR VALUE AT 31 DECEMBER 2016
Purchase price	97,274	97,465
Intangible assets	27,814	27,814
Stocks	3,531	3,531
Trade and other receivables	3,412	3,412
Cash and cash equivalents	3,894	3,894
Deferred tax liabilities	(5,104)	(5,104)
Interest-bearing loans and borrowings	(2,520)	(2,520)
Trade and other payables	(2,923)	(2,923)
Other liabilities	(3,203)	(3,203)
TOTAL NET ASSETS	24,901	24,901
GOODWILL	72,373	72,564

5. Tangible assets

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

Once again in 2017, the main investments relate to expansions of capacity. Investments totalled EUR 28.2 million. Although small so far, the investments in the new factory in the United States will be the most substantial in 2018.

In 2017, a piece of land was purchased in Mebane, North Carolina. The design of the factory and the production lines is finalised. The levelling of the site has begun. According to the project schedule, the factory should become operational in 2019.

An additional production line for Lotus Biscoff has been operational in Lembeke since March 2017. An extra warehouse for storing packaging and equipment has also been completed, together with new facilities for staff.

We recently decided to invest in an extra line in the third production hall. This investment should be operational by the summer of 2018. The line is needed in order to be able to continue to meet rising demand for Lotus Biscoff efficiently.

In 2016, we invested in two new production lines at our factory in Courcelles. The investments are completed and the focus now lies on continued optimisation of production efficiencies.

The cake factory at Enkhuizen has been fully upgraded. The first phase, during which two new warehouses were erected, was completed in February 2018. In a second phase, which began in February 2018, the offices are being refurbished.

Creating an optimal working environment for our employees is crucial. It was recently decided to also upgrade the offices in Lembeke to a modern, state-of-the-art office for sales, marketing, IT, Procurement, Quality and R&D. The offices will officially go into service at the end of 2019.

In accordance with the valuation rules, the economic life of the installation, machinery and equipment was assessed in 2017.

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)	(233,788)
NET BOOK VALUE	66,399	97,713	2,646	7,668	174,426

IN THOUSANDS OF EUR	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	FURNITURE, OFFICE EQUIPMENT AND VEHICLES	ASSETS UNDER CONSTRUCTION	TOTAL
On 31 December 2016					
Acquisition cost					
At the end of the preceding year	95,211	233,741	15,193	6,370	350,515
Acquisition during the year	2,510	23,195	903	10,354	36,962
Sales and disposals	(2)	(540)	(923)	-	(1,465)
Transfers from one heading to another	12	4,952	-	(4,964)	-
Translation differences	(248)	(310)	(106)	(9)	(673)
Total acquisition cost	97,483	261,038	15,067	11,751	385,339
Depreciation and amounts written down					
At the end of the preceding year	(37,585)	(160,615)	(12,755)	(183)	(211,138)
Depreciation during the year	(2,532)	(10,855)	(774)	-	(14,161)
Sales and disposals	2	448	727	-	1,177
Translation differences	41	341	(16)	7	373
Total depreciation and amounts written down	(40,074)	(170,681)	(12,818)	(176)	(223,749)
NET BOOK VALUE	57,409	90,357	2,249	11,575	161,590

During 2017 kEUR 63 of capital grants were taken into the income statement, giving at year end a remaining balance of kEUR 485, which is deducted from the net book value as reported in the above tables of movements.

INVESTMENT GRANTS

On 31 December	2017	2016
At the end of the preceding year	(548)	(621)
Taken into the income statement	63	73
At the end of the year	(485)	(548)

6. Goodwill

The carrying value of goodwill at the end of 2017 was EUR 141 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 (Annas Pepparkakor Holding AB)	6,224
Customer Brand Business (Biscuiterie Willems BVBA en B.W.I. BVBA)	20,773
Lotus Korea	9,694
Natural Foods	85,455
Total	141,001

The change for the year is due to translation differences.

IN THOUSANDS OF EUR	2017	2016
Acquisition cost		
Balance at end of previous year	144,368	93,229
Acquisitions of subsidiaries	-	72,564
Impairment losses	-	(5,774)
Effect of movements in foreign exchange rates	(3,367)	(15,651)
Balance at end of year	141,001	144,368

Goodwill, representing approximately 23.6% of the total assets of Lotus Bakeries at 31 December 2017, 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 1.5% and 3%.
- Projections are discounted at the weighted average pre-tax cost of capital, which lies between 5.5 and 7.5%. 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 2017, 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 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.

At year-end 2017, 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 1.5% and 4%.
- Projections are discounted at the weighted average pre-tax cost of capital, which lies between 5.5% and 7.5%. 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.

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 weighted average capital costs before tax of 100 basis points were applied.

A change in the used estimates, 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 main 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 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

IN THOUSANDS OF EUR	INDEFINITE LIFE BRANDS	DEFINITE LIFE BRANDS	SOFTWARE	CUSTOMER PORTFOLIO	TOTAL
On 31 December 2016					
Acquisition cost					
At the end of the preceding year	105,838	4,627	8,947	1,030	120,442
Acquisitions during the year	-	-	536	-	536
Translation differences	(9,316)	-	(3)	-	(9,319)
Acquisition through business combinations	27,814	-	-	-	27,814
Total acquisition cost	124,336	4,627	9,480	1,030	139,473
Depreciation and amounts written down					
At the end of the preceding year	-	(4,396)	(7,707)	(438)	(12,541)
Depreciation during the year	-	(231)	(593)	(103)	(927)
Translation differences	-	-	1	-	1
Total depreciation and amounts written down	-	(4,627)	(8,299)	(541)	(13,467)
NET BOOK VALUE	124,336	-	1,181	489	126,006

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 4,792 in 2017 versus kEUR 5,295 in 2016). The recognition of these deferred tax assets is supported by profit expectations in the foreseeable future.

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	-	-	(13)	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)

IN THOUSANDS OF EUR	ON 31 DECEMBER 2015	CHARGED/ CREDITED TO THE INCOME STATEMENT	CHARGED/ CREDITED TO EQUITY	CHARGED/ CREDITED ACQUISITION	EXCHANGE DIFFERENCES	ON 31 DECEMBER 2016
Property, plant and equipment and intangible assets	(40,646)	(4,518)	-	(5,561)	1,828	(48,897)
Inventories	(46)	66	-	22	(18)	24
Pension liabilities	707	196	(159)	-	-	744
Tax effect of tax loss carry-forwards	4,436	(1,106)	-	-	(61)	3,269
Provisions	(2,726)	558	-	-	10	(2,158)
Derivative financial instruments	298	(1)	867	-	-	1,164
Other	(741)	458	-	435	(110)	42
Total deferred tax	(38,718)	(4,347)	708	(5,104)	1,649	(45,812)

9. Other long-term receivables

IN THOUSANDS OF EUR	31-12-2017	31-12-2016
Derivative financial instruments	3,525	-
Cash guarantees	485	449
Other long-term receivables	10	6
Total	4,020	455

We refer to note 20.

10. Inventories

IN THOUSANDS OF EUR	31-12-2017	31-12-2016
Raw materials and consumables	10,252	8,824
Work in progress	376	315
Finished goods	12,531	12,384
Goods for resale	10,494	10,652
Total	33,655	32,175

Valuation allowances of kEUR 2,075 relate mainly to packaging material (kEUR 652), finished products (kEUR 670) and goods for resale (kEUR 540).

In 2016, valuation allowances amounted to kEUR 1,731.

11. Trade receivables and other amounts receivable

The amount of valuation allowances in 2017 is kEUR 123. In 2016, kEUR 174 of valuation allowances were charged.

The trade receivables represent an average of 42 days of customer credit (2016: 37 days).

IN THOUSANDS OF EUR	31-12-2017	31-12-2016
Trade receivables	60,104	50,922
Tax receivables		
VAT receivables	4,789	4,235
Income tax receivables	484	1,061
Total	5,273	5,296
Other amounts receivable	1,487	485

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

Movements in valuation allowances on trade receivables:

IN THOUSANDS OF EUR	2017	2016
Amounts written off on 1 January	1,148	1,043
Increase of amounts written off	123	174
Amounts written off used during the year	(837)	(69)
Amounts written off on 31 December	434	1,148

With regard to trade receivables there are no indications that debtors will not meet their payment obligations. Nor are there any customers representing more than 10% of the consolidated turnover. More information regarding the credit risk is included in the chapter 'Report of the Board of Directors' in the first part of the Lotus Bakeries 2017 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	31-12-2017	31-12-2016
Cash and cash equivalents	48,129	19,932
Total	48,129	19,932

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 decreases with kEUR 36,861 compared to last year. The decrease is due to a very strong operating cash flow, set against investments amounting to kEUR 28,239.

IN THOUSANDS OF EUR	31-12-2017	31-12-2016
Non current interest-bearing liabilities	(117,500)	(118,500)
Short-term interest-bearing liabilities	(1,750)	(7,533)
Cash and cash equivalents	48,129	19,932
Treasury shares	13,919	12,038
Total	(57,202)	(94,063)

14. Issued capital

All shares are ordinary shares, registered or dematerialised. The treasury shares have been bought in within the context of the share option plans mentioned in note 24.

Ordinary shares, issued and fully paid

IN THOUSANDS OF EUR	2017	2016
On 1 January	3,576	3,573
Increase	8	3
On 31 December	3,584	3,576

Number of ordinary shares

On 1 January	812,513	811,863
Increase	1,920	650
On 31 December	814,433	812,513
Less: treasury shares held at 31 December	(15,171)	(17,630)
Shares outstanding at 31 December	799,262	794,883

Amounts of authorised capital, not issued

IN THOUSANDS OF EUR	949	957
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Structure of shareholdings

Further details of the shareholding structure of Lotus Bakeries NV as of 31 December 2017 are contained in the Corporate Governance Statement in part 1 of the 2017 annual review of Lotus Bakeries.

Capital risk management

The goal of Lotus Bakeries as far as capital management is concerned is to ensure that it 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 and 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	2017	2016
Dividend payments in		
Gross dividend per ordinary share (EUR)	16,20	14,20
Gross dividend on ordinary shares	13,191	11,535
Proposed dividend per ordinary share (EUR)	19,50	16,20
Gross dividend on ordinary shares	15,887	13,191

The Board of Directors will propose to the Ordinary General Meeting of Shareholders of 15 May 2018 to pay a gross dividend of EUR 19.50 per share for 2017 compared with EUR 16.20 per share in 2016.

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 15 May 2018.

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	2017	2016
On 1 January	12,038	13,677
Purchased during the year	3,437	-
Sold during the year	(1,556)	(1,639)
On 31 December	13,919	12,038
Number of treasury shares		
On 1 January	17,630	22,005
Purchased during the year	1,611	-
Sold during the year	(4,070)	(4,375)
On 31 December	15,171	17,630

17. Interest-bearing liabilities

Non-current interest-bearing liabilities with an initial maturity of more than 1 year decreased by kEUR 1,000. The current interest bearing-liabilities also decreased by kEUR 5,783. The currency of all non-current interest-bearing liabilities is the euro. Current interest-bearing liabilities are mainly expressed in euros.

All interest-bearing liabilities were contracted at market conditions and therefore the carrying amount equals 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	-	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 interest-bearing liabilities	1,816	5,872	315	8,003

IN THOUSANDS OF EUR	DUE WITHIN 1 YEAR	DUE BETWEEN 1 TO 5 YEARS	DUE AFTER 5 YEARS	TOTAL
Non current interest-bearing liabilities	-	43,500	75,000	118,500
Current interest-bearing liabilities	7,533	-	-	7,533
Total on 31 december 2016	7,533	43,500	75,000	126,033
Interests due on interest-bearing liabilities	1,830	6,425	1,578	9,833

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 104,499 on 31 December 2017.

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 charged to 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 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%, reducing the risk for the employer.

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

In the past the company did not apply the defined benefit accounting for these plans because 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 2017 and these are assessed as not significant. The employer's contribution related to the plans amounted to a total of kEUR 1,214 in 2017.

In the Netherlands a defined contribution 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 3,401 of contributions to these defined contribution plans in respect of 2018.

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:

	2017	2016
Discount rate:	0.76%	1.03%
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 2018 under defined benefit pension schemes for Germany and France.

IN THOUSANDS OF EUR	2017	2016
Net periodic cost		
Service cost	118	101
Interest charges	33	49
(Gains) / losses	(44)	87
NET PERIODIC COST	107	237
Remeasurements (recognised in OCI)		
Remeasurements on the defined benefit obligation	833	(123)
REMEASUREMENTS	833	(123)
Movement in the net liability		
Net debts as at 1 January	3,203	3,257
Service cost	118	101
Interest charges	33	49
Remeasurements	833	(123)
Employers contribution	(145)	(167)
(Gains) / losses	(44)	87
Other	-	(1)
NET DEBTS AS AT 31 DECEMBER	3,998	3,203

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

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

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 decrease of the provision for integration and restructuring in 2017 relates to the costs associated with production optimisation in our production plants, which have since been realized so far. The other provisions mainly relate to contractual or legal obligations towards personnel.

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

IN THOUSANDS OF EUR	INTEGRATION AND RESTRUCTURING	OTHER	TOTAL
Provisions on 1 January 2016	500	746	1,246
Increase of provisions	1,400	414	1,814
Reversal of unutilised provisions	(179)	(182)	(361)
Provisions used during the year	(321)	(371)	(692)
Provisions on 31 December 2016	1,400	607	2,007
Long-term	1,400	586	1,986
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, for which seven-year interest rate swaps were entered into at the same time (variable for fixed) to hedge the fluctuations in cash flow caused by changes in interest rates.

The maturity dates and nominal value of the interest rate swaps ('hedging instrument') correspond to those of the underlying debt ('hedged position'), and the transaction fulfils the conditions for hedge accounting (see IAS 39). The Group has identified and documented the transaction as a 'cashflow hedge' and has processed it in the accounts as such as from the issue date.

In 2015, Lotus Bakeries acquired finance in the form of bank loans worth EUR 40 million (period of 5 years) and EUR 57 million (period of 7 years), for which interest rate swaps were entered into at the same time (variable for fixed) to hedge the fluctuations in cash flow due to changes in interest rates.

The maturity dates and nominal value of these interest rate swaps ('hedging instruments') correspond to those of the underlying debt ('hedged position'), and the transaction fulfils the conditions for hedge accounting (following IAS 39). The Group has identified and documented these transactions as a cash flow hedge and has processed them as such in the accounts from the issue date.

As of 31 December 2017, the market value of these interest rate swaps was kEUR -1,970, 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. The net foreign exchange risk of these currencies is hedged by forward and/or option contracts whenever there exists a material uncovered net risk for the Group.

The fair value of the foreign currency derivatives is calculated using a valuation model based on the available market data on exchange rates and interest rates (level 2 valuation).

Fair value evolution

IN THOUSANDS OF EUR	2017	2016
Financial derivatives		
Fair value	1,554	(3,423)
Cost/(revenue) in results before tax	(3)	(3)
Decrease/(increase) in equity before tax	(4,974)	2,550

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 21 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 of the option and the non-controlling interests. If the option expires without being exercised, the liability is cancelled against the non-controlling interests and consolidated reserves.

22. Trade payables and other liabilities

IN THOUSANDS OF EUR	31-12-2017	31-12-2016
Trade payables	68,542	54,742
Remuneration and social security	18,383	18,418
Tax payables		
VAT payables	119	225
Tax payables	16,464	15,097
Total	16,583	15,322
Derivative financial instruments	1	4
Other current liabilities	1,662	2,133
Accrued charges and deferred income	3,264	4,031
TOTAL	108,435	94,650

In 2017, the increase is mainly due to the increase in trade payables as a result of the further organic growth of Lotus Bakeries.

23. Personnel costs

IN THOUSANDS OF EUR	2017	2016
Salaries and wages	69,801	65,442
Social security contributions	13,489	12,862
Contributions for company pension plans with fixed contribution	2,659	2,934
Other personnel costs	19,631	20,401
Total personnel costs	105,580	101,639
Average number of members of personnel	1,500	1,401
Number of members of personnel as at the end of the year	1,495	1,464

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

Personnel costs increased in 2017 compared with 2016 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 book year to executives and senior management, based on category, results and evaluation.

One option gives the holder the right to purchase one normal Lotus Bakeries share at the fixed exercise price. The exercise price is equal to the average closing stock market price of the underlying share during the thirty 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 valid in their entirety in the event of pension retirement, early pension retirement, invalidity or death. Options are exercised via equity.

In 2017, 2,260 share options were granted to and also accepted by Lotus Bakeries employees. In 2016, 2,751 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 invalid. 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 2017 and 2016. The warrants run for seven years, with the exercise period of the warrants granted in 2007 extended for five years under the terms of the Economic Recovery Act.

The share options and warrants outstanding at the end of 2017 have a weighted average term of two years and three months (2016: two years and seven 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 620 was recorded in the income statement in 2017 (kEUR 515 in 2016). For share options exercised during 2017, the weighted average share price at exercise date was EUR 2,370.98 (2016: EUR 1,841.22). For the exercised warrants, the weighted average share price at the exercise date was EUR 2,316.09 (2016: EUR 1,911.70).

Number of options and warrants	2017	2016
Outstanding at January, 1	20,687	23,425
Options granted during the year	2,260	2,751
Options exercised during the year	(4,070)	(4,375)
Options expired during the year	(986)	(464)
Warrants exercised during the year	(1,920)	(650)
Outstanding at 31 December	15,971	20,687
Exercisable at 31 December	2,852	4,884
Charge recorded in the income statement (kEUR)	620	515

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

IN EUR	2017	2016
Outstanding at January, 1	841,50	658,70
Options granted during the year	2,347,52	1,700,06
Options exercised during the year	560,70	495,72
Options expired during the year	1,646,83	797,73
Warrants exercised during the year	246,02	246,02
Outstanding at 31 December	1,148,04	841,50
Exercisable at 31 December	426,33	284,65

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

	2017	2016
Number of years	2	2
Number of months	3	7

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
						15/03/2017 -	31/03/2017
						15/09/2017 -	30/09/2017
2007	Warrants	43,450	41,870	1,580	246.02	15/03/2018 -	31/03/2018
						15/09/2018 -	30/09/2018
						15/03/2019 -	31/03/2019
						16/06/2019 -	30/06/2019
2010	Options	2,400	2,400	-	367.72	01/01/2014 -	17/05/2015
2011	Options	800	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 -	10/05/2017
2013	Options	3,998	2,726	1,272	650.31	01/01/2017 -	13/05/2018
2014	Options	5,358	-	5,358	802.55	01/01/2018 -	08/05/2019
2015	Options	30	-	30	919.92	25/08/2018 -	01/01/2020
2015	Options	3,333	-	3,333	1,243.57	01/01/2019 -	07/05/2020
2016	Options	20	-	20	1,591.00	10/08/2019 -	12/12/2020
2016	Options	2,532	-	2,532	1,702.49	01/01/2020 -	12/05/2021
2017	Options	-	-	-	2,417.75	01/01/2021 -	31/12/2021
2017	Options	1,846	-	1,846	2,331.77	01/01/2021 -	11/05/2022
	Total	81,286	65,315	15,971			

(1) 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:

	2017	2016
Fair value of options granted	378.27	231.88
Share price	2,459.00	1,733.95
Exercise price	2,331.77	1,700.06
Expected volatility	22.02%	21.45%
Expected dividends	1.07%	1.31%
Risk-free interest rate	-0.12%	-0.20%

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

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

IN THOUSANDS OF EUR	2017	2016
Depreciation of intangible assets	714	696
Depreciation of property, plant & equipment	11,391	14,100
Total	12,105	14,796

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	2017	2016
Other costs		
Other taxes	2,931	2,874
Other operating charges	237	3,537
Total	3,168	6,411
Other revenues		
Transport charges	(7)	(2)
Fixed assets - own construction	(1,006)	(858)
Other operating income	(4,394)	(2,033)
Total	(5,407)	(2,893)
Other operating charges (income)	(2,239)	3,518

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

The other income consists primarily of various costs recovered at the time of sale, contributions to the cost of training, and damage compensation received.

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, provisions and costs for restructuring and takeovers.

The non-recurrent operating result at the end of 2017 amounts to kEUR 91. It comprises the proceeds of the sale of land in Meise, restructuring costs, start-up costs for the factory in America and costs relating to the recall of Lotus Biscoff spread and the fipronil crisis.

In 2016 the non-recurrent operating result amounted to kEUR 4,507, mainly due to the compensation received for the Meise waffle factory, which was destroyed by a major fire in June 2015. Most of the costs for this occurred in 2015. The non-recurrent result also encompasses restructuring costs and the amortisation of the Wieger Ketellapper brand.

28. Financial results

IN THOUSANDS OF EUR	2017	2016
Interest expense (income)	2,096	2,209
Interest charges	2,131	2,292
Fair value valuation of the financial instruments	(3)	(3)
Interest income	(32)	(80)
Foreign exchange losses (gains)	(175)	189
Exchange rate losses	5,128	6,627
Exchange rate gains	(5,303)	(6,438)
Other financial expenses (income)	307	277
Financial results	2,228	2,675

On an annual basis, the Group reports a financial charge of kEUR 2,228 versus kEUR 2,675 in 2016. The net financial result for 2017 consists almost entirely of interest expenses. The lower charge compared with the previous year is mainly due to the higher net financial debt on average in 2016 as a result of the acquisitions of Lotus Korea, Natural Balance Foods and Urban Fresh Foods in 2015.

29. Taxes

Income taxes amount to EUR 22.4 million and decreased with 4% compared to 2016. The average effective tax rate was 25.7% in 2017 compared to 27.2% in 2016.

IN THOUSANDS OF EUR	2017	2016
Income taxes on the results		
Income taxes on the results of the current year	21,054	18,016
Tax adjustments for prior years	3,619	1,003
Deferred taxes of the current year	(2,276)	4,303
Total tax charge reported in the income statement	22,397	23,322
Accounting profit before tax	87,030	85,777
Effective tax rate of the year	25.7%	27.2%
Reconciliation between theoretical and effective tax rate		
Results before taxation	87,030	85,777
Legal tax rate	33.99%	33.99%
Legal income tax expense	29,581	29,156
Effect of different tax rates in other countries	(4,203)	(3,896)
Deductions of taxable income (Deduction Notional Interest + various tax credits)	(1,335)	(1,610)
Tax adjustments for prior years	3,619	1,003
Taxes on dividend income	174	403
Disallowed expenses	1,950	712
Tax free income	(287)	(62)
Tax losses used for which no deferred tax asset has been recorded	(170)	(616)
Changes in tax rate or new taxes	(6,767)	(1,864)
Other	(165)	96
Effective tax	22,397	23,322
Effective tax rate	25.7%	27.2%

The reduction in the tax burden is due to the positive impact on deferred tax liabilities of rate reductions in several countries, particularly Belgium and the United States. The increase in tax adjustments for prior periods is mainly due to assessment notices received.

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	2017	2016
Net result - attributable to:	64,633	62,455
Non-controlling interests	1,094	1,210
Equity holders of Lotus Bakeries	63,539	61,245
Weighted average number of shares	799,423	793,147
Ordinary earnings per share (EUR) - attributable to:		
Non-controlling interests	1,37	1,53
Equity holders of Lotus Bakeries	79,48	77,22
Dilutive effect	9,312	13,059
Weighted average number of shares under option	15,716	21,275
Weighted average number of shares which should be issued at average market rate	(6,404)	(8,216)
Weighted average number of shares after effect of dilution	808,735	806,206
Diluted earnings per share (EUR) - attributable to:		
Non-controlling interests	1,35	1,50
Equity holders of Lotus Bakeries	78,57	75,97
Total number of shares	814,433	812,513
Earnings per share (EUR) - attributable to:		
Non-controlling interests	1,34	1,49
Equity holders of Lotus Bakeries	78,02	75,38
Total number of shares less treasury shares	799,262	794,883
Earnings per share (EUR) - attributable to:		
Non-controlling interests	1,37	1,52
Equity holders of Lotus Bakeries	79,50	77,05

31. Related parties

A list of all Group companies is provided in note 1. Further details of the shareholding structure of Lotus Bakeries NV as per 31 December 2017 are contained in the Corporate Governance Statement in part 1 of the 2017 annual review of Lotus Bakeries.

For information on the remuneration of the CEO and the remuneration of the executive managers (excluding the CEO) in 2017, we refer to the remuneration report included in Part 1 of the 2017 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	2017	2016
Less than one year	4,880	4,419
More than one year and less than five years	6,652	7,563
More than 5 years	1,621	3,111

The annual rent costs of these commitments totalled kEUR 4,892 in 2017 (kEUR 4,167 in 2016).

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 2017, the Group had kEUR 5,651 of commitments (2016: kEUR 18,553) 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 2018 and 2019 amount to kEUR 96,123, as detailed below.

IN THOUSANDS OF EUR	2017	2016
Less than one year	85,295	70,173
More than one year and less than five years	10,828	4,166

4. Other rights and commitments

Bank guarantees as per 31 December 2017: kEUR 601 (as per 31/12/2016: 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 2017 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 2017					TOTAL
		FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE				
IN THOUSANDS OF EUR	NOTE	LOANS AND RECEIVABLES	DERIVATIVES - THROUGH PROFIT OR LOSS	DERIVATIVES - THROUGH EQUITY	AVAILABLE FOR SALE - 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	

31 DECEMBER 2016

		31 DECEMBER 2016					TOTAL
		FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE				
IN THOUSANDS OF EUR	TOELICHTING	LENINGEN EN VORDERINGEN	DERIVATIVES - THROUGH PROFIT OR LOSS	DERIVATIVES - THROUGH EQUITY	AVAILABLE FOR SALE - THROUGH EQUITY		
Trade receivables	11	50,922	-	-	-	50,922	
Cash and cash equivalents	12, 13	19,932	-	-	-	19,932	
Total financial assets		70,854	-	-	-	70,854	

Financial Liabilities by Class and Measurement Category		31 DECEMBER 2017				
		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

31 DECEMBER 2016

		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	118,500	-	-	-	118,500
Derivative financial instruments	20	-	-	3,419	Level 2	3,419
Other non-current liabilities	21	5	-	19,555	Level 3	19,560
Non-current liabilities		118,505	-	22,974	-	141,479
Interest-bearing liabilities	13, 17	7,533	-	-	-	7,533
Trade payables	22	54,742	-	-	-	54,742
Derivative financial instruments	20, 22	-	4	-	Level 2	4
Current liabilities		62,275	4	-	-	62,279
Total financial liabilities		180,780	4	22,974	-	203,758

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 maximize 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 fair value 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 2017 and 2016.

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 2017 these costs amounted to kEUR 1,568.

YEAR	EXTERNAL AND INTERNAL COSTS OF RESEARCH AND DEVELOPMENT
2017	1,568
2016	1,320
2015	1,384
2014	1,434
2013	1,128

36. Subsequent events

In March 2018, Lotus Bakeries reached an agreement with Grassroots for the acquisition of the BEAR production activities. Grassroots currently manufactures the entire BEAR range for Lotus Bakeries on an exclusive basis. The production facility is in South Africa, near the fertile Ceres valley, where all of the fruit for the fruit snacks is freshly picked. Under the agreement, via a newly incorporated company, Bearnibbles, Grassroots will deliver a brand-new production facility, fully equipped and staffed for the manufacture of BEAR products. This turnkey production facility should be operational by 2019. The final handover will take place only once all of the specified conditions are met and following approval by the regulatory authorities.

37. Management responsibility statement

We hereby certify that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2017, 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 2017 and of the major transactions with the related parties, and their impact on the consolidated financial statements, together with a description of the principal risks and uncertainties with which the company is confronted.

Lembeke, 13 April 2018

On behalf of the Board of Directors

Jan Boone, CEO

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

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

IN THOUSANDS OF EUR

Audit fee for the Group audit 2017

Lotus Bakeries NV	77
Lotus Bakeries Group	346

Total	423
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Fees for the mandates of PwC Bedrijfsrevisoren	262
Fees for the mandates of persons related to PwC bedrijfsrevisoren	161

Group's Auditor fees for additional services rendered

Other audit-related fees	2
Tax fees	-
Other non-audit fees	22

Fees for additional services rendered by persons related to PwC Bedrijfsrevisoren

Other audit-related fees	-
Tax fees	376
Other non-audit fees	492

REPORT TO THE GENERAL SHAREHOLDERS

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF LOTUS BAKERIES NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 audit of the consolidated financial statements, as well as the report on other legal and regulatory requirements. These reports form part of an integrated whole and are 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 consolidated 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 eleven consecutive years.

Report on the audit of 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 2017, 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'000 597,494 and a profit for the year, Group share, of EUR'000 63,539.

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 2017, 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). 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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of goodwill 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'000 141,001 and EUR'000 122,280 respectively at 31 December 2017.

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 2017, the total balance of deferred taxes for the entire Group amounts to EUR'000 4,310 of deferred tax assets and EUR'000 49,206 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. On 22 December 2017, the Belgian government approved a significant tax reform. The features most relevant for the accounting of deferred taxes relates to the staged decrease of the general corporate tax rate from 33,99% now to 29,58% for years ending 31 December 2018 and 2019 and 25% for years ending 31 December 2020 and further. This requires to allocate the reversal of deferred taxes to the relevant time buckets and apply the correct rates. The aforementioned allocation requires significant judgement.

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 2017.

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, in particular those related to changes in the statutory income tax rate and the statutes of limitation, 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 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.

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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on 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 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) 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 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 on the consolidated financial statements and the other information included in the annual report on the consolidated financial statements, included in the section "report to the board of directors", 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. We do not express any form of assurance conclusion on this annual report.

The non-financial information 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, we do not express an opinion as to whether the non-financial information has been prepared, in all material aspects, in accordance with the SDG-framework as disclosed in the consolidated financial statements. Furthermore, we do not express assurance on individual elements included in this non-financial information.

Statement related to independence

- We did not provide services which are incompatible with the statutory audit of the consolidated financial statements and we remained independent of the Company 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, 12 April 2018

The statutory auditor
PwC Bedrijfsrevisoren BCVBA
Represented by

Peter Opsomer
Bedrijfsrevisor

ABRIDGED FIVE-YEAR FINANCIAL SUMMARY

GROUP LOTUS BAKERIES

Consolidated balance sheet

IN THOUSANDS OF EUR	31-12-2017	31-12-2016	31-12-2015	31-12-2014	31-12-2013
NON CURRENT ASSETS	447,693	437,310	442,884	263,881	262,729
Property, plant and equipment	174,426	161,590	139,377	137,569	136,489
Goodwill	141,001	144,368	93,229	46,135	46,517
Intangible assets	123,924	126,006	107,901	74,674	75,744
Investment in other companies	12	37	96,244	22	27
Deferred tax assets	4,310	4,854	5,889	5,275	3,859
Other non-current assets	4,020	455	244	206	93
CURRENT ASSETS	149,801	110,692	128,337	73,108	71,375
Inventories	33,653	32,175	35,659	17,898	16,665
Trade receivables	60,104	50,922	56,143	38,804	36,036
Cash and cash equivalents	48,129	19,932	18,547	11,855	11,933
TOTAL ASSETS	597,494	548,002	571,221	336,989	334,104
EQUITY	293,213	248,464	217,525	200,629	171,375
Non-current liabilities	193,923	197,245	169,242	39,506	43,984
Interest-bearing liabilities	117,500	118,500	97,000	325	7,925
Deferred tax liabilities	49,206	50,666	44,607	34,905	32,687
Other non-current liabilities	20,987	19,560	22,815	57	5
Current liabilities	110,358	102,293	184,454	96,854	118,745
Interest-bearing liabilities	1,750	7,533	99,086	41,144	62,337
Trade payables	68,542	54,742	42,498	33,309	34,249
Employee benefit expenses and social security	18,383	18,418	18,336	12,357	12,525
TOTAL EQUITY AND LIABILITIES	597,494	548,002	571,221	336,989	334,104

Consolidated income statement

IN THOUSANDS OF EUR	2017	2016	2015	2014	2013
TURNOVER	524,055	507,208	411,576	347,890	332,319
RECURRENT OPERATING RESULT (REBIT)	89,349	83,945	64,764	49,433	41,371
Non-recurrent operating result	(91)	4,507	(1,748)	(261)	(3,655)
OPERATING RESULT (EBIT)	89,258	88,452	63,016	49,172	37,716
Financial result	(2,228)	(2,675)	(778)	16	(1,740)
PROFIT FOR THE YEAR BEFORE TAXES	87,030	85,777	62,238	49,188	35,976
Taxes	(22,397)	(23,322)	(16,623)	(12,415)	(8,057)
RESULT AFTER TAXES	64,633	62,455	45,615	36,773	27,919
NET RESULT - attributable to:	64,633	62,455	45,615	36,773	27,919
Non-controlling interests	1,094	1,210	202	(2)	(1)
Equity holders of Lotus Bakeries	63,539	61,245	45,413	36,775	27,920

ABRIDGED STATUTORY FINANCIAL STATEMENTS OF LOTUS BAKERIES NV

Balance sheet after appropriation of profit

ASSETS IN THOUSANDS OF EUR	31-12-2017	31-12-2016
Fixed Assets	373,592	375,054
II. Intangible assets	7,484	8,981
IV. Financial assets	366,108	366,073
A. Affiliated enterprises	366,108	366,073
1. Participating interests	366,108	366,073
Current Assets	42,625	24,836
VII. Amounts receivable within one year	28,622	11,792
A. Trade debtors	11,670	11,655
B. Other amounts receivable	16,952	137
VIII. Current investments	13,919	12,038
A. Own shares	13,919	12,038
IX. Cash at bank and in hand	64	996
X. Deferred charges and accrued income	20	10
TOTAL ASSETS	416,217	399,890

LIABILITIES IN THOUSANDS OF EUR	31-12-2017	31-12-2016
Equity	68,026	74,646
I. Capital	3,584	3,576
A. Issued capital	3,584	3,576
II. Share premium account	12,415	11,951
IV. Reserves	52,027	59,119
A. Legal reserve	358	357
B. Reserves not available for distribution	13,991	12,110
1. Own shares	13,919	12,038
2. Other	72	72
C. Untaxed reserves	545	545
D. Reserves available for distribution	37,133	46,107
Amounts payable	348,191	325,244
VIII. Amounts payable after one year	107,436	107,301
A. Financial debts	98,140	98,140
5. Other loans	98,140	98,140
D. Other debts	9,296	9,161
IX. Amounts payable within one year	240,750	217,939
A. Current portion of amounts payable after one year	-	-
B. Financial debts	217,756	197,787
2. Other loans	217,756	197,787
C. Trade debts	5,785	6,085
1. Suppliers	5,785	6,085
E. Taxes, remuneration and social security	1,053	782
1. Taxes	1,053	782
F. Other amounts payable	16,156	13,285
X. Accrued charges and deferred income	5	4
TOTAL LIABILITIES	416,217	399,890

Non-consolidated income statement

IN THOUSANDS OF EUR	2017	2016
I. Operating income	11,670	11,523
D. Other operating income	11,670	11,523
II. Operating charges	(5,148)	(4,671)
B. Services and other goods	3,130	3,145
D. Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	1,497	1,497
G. Other operating charges	41	29
H. Non-recurring operating charges	480	-
III. Operating profit	6,522	6,852
IV. Financial income	7,104	16,426
A. Income from financial fixed assets	6,288	15,896
C. Other financial income	816	530
V. Financial charges	(3,492)	(3,581)
A. Interest and other debt charges	3,196	3,307
C. Other financial charges	296	274
IX. Profit for the year before taxes	10,134	19,697
X. Income taxes	(1,088)	(1,007)
A. Income taxes	1,088	1,007
B. Adjustment of income taxes and write-back of tax provisions	-	-
XI. Profit for the year	9,046	18,690
XIII. Profit for the year available for appropriation	9,046	18,690

Appropriation of the result

IN THOUSANDS OF EUR	2017	2016
A. Profit to be appropriated	9,046	18,690
1. Profit for the year available for appropriation	9,046	18,690
B. Withdrawals from capital and reserves	7,092	-
2. From reserves	7,092	-
C. Transfer to capital and reserves	(1)	(5,249)
2. To legal reserve	1	-
3. To other reserves	-	5,249
F. Distribution of profit	(16,137)	(13,441)
1. Dividends	15,887	13,191
2. Directors' entitlements	250	250

Extract from the notes

VIII. Statement of capital	2017	2016	2017
	AMOUNTS IN THOUSANDS OF EUR	AMOUNTS IN THOUSANDS OF EUR	NUMBER OF SHARES
A. Capital			
1. Issued capital			
At the end of the preceding year	3,576	3,573	
At the end of the year	3,584	3,576	
2. Structure of the capital			
2.1. Different categories of shares			
Ordinary shares	3,584	3,576	814,433
2.2. Registered shares and dematerialised shares			
Registered			458,279
Dematerialised			356,154
C. Treasury shares held by:			
The company itself	13,919	12,038	15,171
its subsidiaries	-	-	-
E. Amounts of authorised capital, not issued	949	957	

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 on the balance sheet date.

Negative exchange rate differences on 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 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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Register of legal persons of Ghent,
Enterprise number 0401.030.860

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