

LOTUS BAKERIES: HALF-YEAR RESULTS 2022

- Lotus Bakeries has achieved 14.1% revenue growth, of which more than 6% is volume.
- Lotus® Biscoff® and Lotus™ Natural Foods are both drivers of this strong organic growth with 17% and 30% revenue growth respectively.
- Recurring EBITDA rose by almost 7% to EUR 82.5 million, or 19.8% of revenue.
- Net financial debt remains low at less than 0.9 times recurring EBITDA despite a historically high investment amount of over EUR 100 million in the last 12 months.
- Lotus Bakeries recently revealed plans in Asia for a third Biscoff® plant.

1. HALF-YEAR RESULTS 2022

Income statement ⁽¹⁾ (in thousands of EUR)	30/06/2022	30/06/2021	Change %
Revenue	416,771	365,248	14.1%
Recurring operating result (REBIT) ⁽²⁾	68,619	64,460	6.5%
Recurring operating cash flow (REBITDA) ⁽³⁾	82,510	77,344	6.7%
Non-recurring operating result	(2,106)	(1,294)	
Operating result (EBIT) ⁽⁴⁾	66,514	63,166	5.3%
Financial result	(406)	(1,506)	
Result before income taxes	66,107	61,660	7.2%
Income taxes	(15,009)	(13,890)	8.1%
Net result	51,098	47,770	7.0%
Recurring net result	52,726	48,774	8.1%
Total number of shares as per 30 June ⁽⁵⁾	810,763	811,837	
Key figures per share (in EUR)			
Recurring operating result (REBIT)	84.64	79.40	6.6%
Recurring operating cash flow (REBITDA) ⁽³⁾	101.77	95.27	6.8%
Balance sheet (in thousands of EUR)			
Total balance sheet	1,041,357	911,519	14.2%
Equity	535,432	471,226	13.6%
Investments ⁽⁶⁾	58,930	17,630	234.3%
Net financial debt ⁽⁷⁾	133,094	129,640	2.7%

(1) For more details on the income statement and the balance sheet, we refer to the interim financial report on our website www.lotusbakeries.com

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

(3) Recurring operating cash flow is defined as recurring operating result + depreciations + provisions and amounts written off + non-cash costs valuation option and warrant plan.

(4) EBIT is defined as recurring operating result + non-recurring operating result.

(5) Total number of shares as per 30 June, excluding treasury shares.

(6) Investments in tangible assets, intangible assets and participating interests.

(7) Net financial debt is defined as interest-bearing financial debts - investments - cash and cash equivalents - treasury shares, and are reported excluding the "lease liability" that results from the implementation of IFRS 16 Leases. Including this "lease liability", the net financial debt amounts to EUR 150 million.

The statutory auditor, PwC bedrijfsrevisoren bv, represented by Lien Winne, has confirmed that the review has not to date revealed any material misstatement in the consolidated half year financial information, and that the accounting data reported in the press release is consistent, in all material respects, with the consolidated half year financial information from which it has been derived.



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2. MANAGEMENT COMMENTS

2.1 Lotus Bakeries Group revenue up by more than EUR 51 million to EUR 416.8 million

In the first half of 2022, Lotus Bakeries built on last year's momentum with consolidated revenue growth of 14.1% or EUR 51.5 million to EUR 416.8 million. Despite the global challenges of high inflation and slowing economic growth, Lotus Bakeries has succeeded in growing volumes by 6.1%. Price increases, including positive exchange rate effects, represent 8% of total growth.

The two strategic pillars, Lotus® Biscoff® and Lotus™ Natural Foods, are again the drivers of this strong organic growth with sales increases of 17% and 30% respectively.

International growth of Lotus® Biscoff® continues

Lotus® Biscoff®, the Group's first and largest strategic pillar, grew by 17% in the first half. The planned price increases have been implemented globally and the international growth of Lotus® Biscoff® continues unabated. Consumers remain loyal to the unique Biscoff® taste. Double-digit growth has been achieved in many countries and on all continents. This is the case in North America, both in the United States and Canada. In Europe, there is double-digit growth in Germany, Spain, Italy, the Czech Republic and Switzerland. And also in several countries in the Middle East and Asia-Pacific including the Emirates, Saudi Arabia, South Korea, Malaysia, Singapore, Australia and New Zealand.

Good productivity and availability of personnel in the factories on the one hand, and a reliable and solid supply chain of raw materials on the other, have been crucial to realise this growth.

Lotus™ Natural Foods demonstrates very strong double-digit volume growth

In 2021, Lotus™ Natural Foods, the second strategic pillar of Lotus Bakeries, made a strong recovery from the COVID-19 pandemic with 25% growth in the second half of the year. In 2022 as well, the Lotus™ Natural Foods brands all continue to grow strongly, resulting in a 30% increase in revenue for the pillar. Showing resilience against the necessary price increases, the Natural Foods brands each demonstrate strong double-digit volume growth. Lotus™ Natural Foods builds further on its strategic growth poles with a focus on accelerated international growth on one hand and maintaining market leadership combined with strong innovation in the UK on the other.

International Lotus™ Natural Foods activities outside the UK grew by more than 50% in the first six months of this year and already represent almost 30% of total Lotus™ Natural Foods sales. The strong growth of BEAR in the United States, among others, continues. In the UK there has also been double-digit growth for Lotus™ Natural Foods in the first six months. Kiddylicious, for instance, has now become the clear market leader in the baby snacking category.

The third pillar of the Lotus Bakeries strategy is to focus on the “local heroes” in the home markets: Belgium, the Netherlands, France and Sweden. The necessary price increases were also implemented for all “local heroes”. Sales in Belgium, France and Sweden continued to evolve positively. In the Netherlands, revenue of the Peijnenburg and Snelle Jelle gingerbread brands developed less favourably. The implemented price increases prevented both brands from growing. Peijnenburg experienced a drop in sales whereas Snelle Jelle remained stable.

2.2 REBITDA increases almost 7% compared to a historically high first half of 2021

The recurring operating result REBIT (EUR 68.6 million or 16.5% of revenue) and the recurring operating cash flow REBITDA (EUR 82.5 million or 19.8% on revenue) increased respectively by EUR 4.2 and 5.2 million compared with last year.

The rise of the recurring operating result REBIT and recurring operating cash flow REBITDA of 6.5% and 6.7% respectively, in the context of accelerated cost inflation in the first half of the year, confirms the resilience of the Group and robustness of the business. A 14.1% increase in revenue is the result of solid volume increases of



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more than 6% on the one hand and price increases, including positive currency effects, of 8% on the other. The level of media support continues to be maintained in a disciplined and selective manner and is in line with the first half of 2021. The increase of REBIT and REBITDA is moreover achieved against a comparison of record profitability both in terms of percentage and in absolute value in the first half of 2021. REBIT and REBITDA margins of 16.5% and 19.8% respectively are also above those of the second half of 2021 and are in line with profitability for the full year 2021.

The non-recurring operating result of EUR -2.1 million relates mainly to organisational restructurings and costs to support capacity extensions for Lotus® Biscoff®.

The financial result of EUR -0.4 million consists mainly of interest expenses, which are significantly offset by positive realised and unrealised exchange rate results on balance sheet positions in foreign currencies.

The tax expense amounts to EUR 15.0 million or 22.7% of the profit before tax. The tax charge is therefore in line with the Group's provided effective tax rate.

Net profit increases by EUR 3.3 million compared to the first half of 2021 and amounts to EUR 51.1 million or 12.3% of revenue. Earnings Per Share (EPS) increased by 7% to EUR 63.01 per share. Recurring net result increases by over 8% to EUR 52.7 million or 12.7% of revenue. The recurring net result is the reported net result for the period excluding non-recurring income and expenses.

2.3 Net financial debt remains stable despite record investment amount

The reported net financial debt of Lotus Bakeries amounts to EUR 150.4 million and includes EUR 17.3 million of debt to be expressed by applying IFRS 16 Leases.

Over the past 12 months Lotus Bakeries has generated a new record operating cash flow (REBITDA) of EUR 156.1 million. Net financial debt at the end of June 2022 amounts to EUR 133.1 million. This is in line with the debt position on 30 June 2021 despite a record investment amount in the past 12 months of more than EUR 100 million. The ratio of net financial debt/REBITDA is even slightly lower than a year ago, at less than 0.9.

3. LOTUS BAKERIES SECURES STABLE LONG-TERM FINANCING IN A TIMELY MANNER

In the first half of 2022, Lotus Bakeries anticipated the refinancing of bank loans due for repayment in the first half of 2023. Before the recent interest rate hikes, new bilateral financing agreements were concluded with the three house banks Belfius, BNP Paribas Fortis and KBC for a total amount of EUR 100 million. The bullet loans have fixed interest rates and a maturity of 7 years until 2030. The funds will be taken up in the next 12 months. Next to the refinancing of debt, the EUR 100 million also supports the ongoing capacity investment programme.



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4. LOTUS BAKERIES PLANS IN ASIA FOR A THIRD BISCOFF® PLANT

As announced last week, 3 August, Lotus Bakeries has plans to start up a production facility for Biscoff® in Asia to further support its growth ambitions for Lotus® Biscoff®.

The Asia-Pacific region has become increasingly important for Lotus® Biscoff® over the past few years. For many years already, Lotus Bakeries has sales offices and its own teams in China and South Korea, while the Lotus Bakeries team in Hong Kong manages the other countries in the region in partnership with its distributors. Sales have increased significantly with a double digit CAGR in the past 5 years. On the other hand, awareness of Lotus® Biscoff® and its availability to the hundreds of millions of consumers in this region are still limited and evolving. The growth potential for Lotus® Biscoff® in these large, growing consumer markets thus remains immense.

The rationale for a third Biscoff® plant is straightforward. The new plant will provide the necessary additional capacity for the Group, bring fresher cookies to the consumer, will be able to respond faster and better to local opportunities, and will save transport costs and further reduce the ecological footprint of the company. Recent experience with the construction and start-up of the second Biscoff® plant in the US provides the Group with a project framework and strongly reduces the project risk.

In recent months, the project team has been working in an initial phase to select the country within this large region. At the end of this exercise, Thailand was selected as the new home country for this investment.

In a second phase, the site for the construction of the new factory was also chosen. Lotus Bakeries reached an agreement in principle with an internationally renowned developer for the purchase of a piece of industrial land in Chonburi province. This province is part of the so-called Eastern Economic Corridor that is being developed by the Thai government as a key economic zone for the region.

The actual project will start in the next few months after the formal closing of the purchase of the land. According to the current timescale, the first line will be operational in 2026.

CEO Jan Boone shares his enthusiasm and proudness on the new plans:

"I'm very proud of the announcement last week of a new milestone in the company's history. Less than three years after inaugurating our Biscoff® plant in the US, we announced plans to start production of Lotus® Biscoff® in Asia. This underlines once more our belief in the future of Lotus® Biscoff® and the immense growth potential in the Asia-Pacific region. Now that we have acquired the land, the real work starts, but I have full confidence in the project team and we have broad experience in-house to successfully execute this milestone project."

5. THE ADDITIONAL BISCOFF® CAPACITY IN BELGIUM AND THE US OPERATIONAL BY END OF 2022

Lotus® Biscoff®'s faster than anticipated growth in recent years, combined with the ambitions for the future necessitate a further urgent capacity expansion for Lotus® Biscoff®.

At this stage, the net impact of shortages of building materials, machine parts and technical components on the delivery of the planned investments is fairly limited. The following investments are still aimed to come onstream by the end of 2022 and within the predefined investment budgets:

In the Biscoff® plant in Belgium:

- A second dough preparation room will be operational by end of September of this year and is crucial to supporting the further growth of Lotus® Biscoff® Cookies and Lotus® Biscoff® Spread.
- A new Lotus® Biscoff® Sandwich Cookie production line will start up by the end of this year.

In the Biscoff® plant in the US:

- A second production hall with two new Lotus® Biscoff® production lines will be operational by the end of this year. With that, capacity will be doubled from two to four lines at the start of 2023.



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6. FURTHER INVESTMENTS IN CAPACITY FOR LOTUS® BISCOFF® IN THE US IN 2023

Already this year but primarily in 2023, Lotus Bakeries will furthermore invest in more Lotus® Biscoff® capacity in the US. Next to the two lines that will come onstream by the end of 2022, two additional production lines, of which one is for the production of Lotus® Biscoff® Sandwich Cookies, have been ordered and will be installed in the same second production hall. The second hall will be fully utilized at that time.

In addition, plans are being worked out to erect a third production hall. The latter will again make room for a minimum of four additional production lines.

7. LOTUS BAKERIES ACQUIRES KUNG OSCAR, A BRAND WITH A RICH PEPPARKAKOR TRADITION

In recent years, Annas Pepparkakor has grown to be the undisputed market leader in the pepparkakor category in Sweden. To invigorate its market leadership and further develop the category, Lotus Bakeries took the opportunity in the first half of the year to acquire the brand “Kung Oscar” from the Orkla Group.

The production of the cookie is already integrated in the plant in Tyresö and the existing sales team guarantees the commercialization of the brand. The acquisition does not involve personnel. The yearly sales of Kung Oscar amount to approximately EUR 0.7 million. As part of Lotus Bakeries and the Annas Pepparkakor team in Sweden, the brand will be further developed as a cookie with a rich tradition that nicely complements Annas Pepparkakor in terms of recipe and positioning.



8. PETER'S YARD IS THE NEWEST ADDITION TO THE LOTUS™ NATURAL FOODS FAMILY

As announced on 27 June, Lotus Bakeries acquired 100% of the shares of Peter's Yard. In July 2019, Lotus Bakeries first acquired a 20% stake in Peter's Yard via its venture capital vehicle, Fast Forward 2032 (“FF2032”). Peter's Yard is a British artisanal sourdough company that produces healthy and delicious sourdough crackers and sourdough crisps made from only natural ingredients. As a brand, it has grown significantly over the last three years, doubling sales in the UK to around GBP 6 million in 2021. The price paid represents a multiple of c2x Net Sales.

Peter's Yard was founded in 2008 by Ian Tencor & Wendy Wilson-Bett. Inspired by the traditional sourdough techniques used in Sweden, Wendy and Ian decided to start building their own sourdough cracker brand in the UK. Today, Peter's Yard's products are all manufactured in a bakery in the UK, still following the original Swedish recipe and using a 45-year-old sourdough starter.

The business offers a broad range of healthy crackers, crispbreads and flatbreads that can be enjoyed as toast, an alternative to bread or simply as a healthy snack. The recent launch of sourdough bites into the crisps category has further extended the company's footprint to the broader snacking category.



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Peter's Yard has become part of the Lotus™ Natural Foods business under the leadership of Isabelle Maes, CEO Natural Foods. The initial focus for Peter's Yard will be to further accelerate growth in the UK. The brand complements the existing Lotus™ Natural Foods portfolio that contains the strong brands of nākd, BEAR, TREK and Kiddylicious.



9. CONCLUSION AND OUTLOOK

The first half of 2022 was set to be challenging. There were unprecedented increases in costs and accompanying necessary price increases, large and urgent capacity investments that need to come onstream and increased risk of disruptions and delays in the supply chain. On top of that, the war in Ukraine led to increased uncertainties in energy and raw material markets and further rising input costs for raw materials, packaging materials, utilities, transport and labour as a consequence.

Notwithstanding the challenges, Lotus Bakeries showed strong resilience in the first half year of 2022. The capacity extensions previously announced are on schedule to be operational by the end of the year and the company realises double-digit organic growth. Lotus Bakeries' strong brands exhibited strength and resilience through the carrying out of the price increases. In this challenging environment, Lotus® Biscoff® and Lotus™ Natural Foods continue to attract more consumers resulting in strong volume growth for both pillars.

A strong belief in the future growth warrants the expansion and acceleration of the investment programme. The total of expansion and maintenance investments forecast for this year, including purchase of land in Asia announced on 3 August 2022 and prepayments for future expansion in the US, is estimated at EUR 140 million. For 2023, total investments are estimated to be higher than EUR 100 million, however below the 2022 level.

In the near and medium term future, the macro-economic and inflation outlook is unclear and volatile. Realising its growth potential and ambitions remains the strategic priority for Lotus Bakeries. To sustain the continued increase of household penetration, it is crucial that the brands and products remain affordable for consumers. Price increases towards customers are implemented in a fair and transparent way. However, Lotus Bakeries is also absorbing part of the current inflationary shock. Therefore the company will continue to support margins and profitability through savings, improved operational and logistical efficiencies, product mix and pricing. For the remainder of 2022, raw materials, packaging materials and energy are to a large extent contractually fixed. It is obvious that since the end of 2021 any renewal of purchase contracts is at higher price levels, increasing gradually cost levels for 2022 and beyond.



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CEO Jan Boone at end of the first half year:

"The strategic foundations of our company remain intact despite the global challenges in the short term, and allow us to realise the exceptional growth potential for both Lotus® Biscoff® and Lotus™ Natural Foods in the years to come. This first half year once again proves that to be true. We've grown by more than 50 million euros in just six months. And the level of operational cashflow that was generated, allowed us to invest more than 100 million euros in the last twelve months while maintaining a low level of net financial debt representing less than 0.9 times REBITDA.

It took a lot of effort and follow-up of everybody but it's crucial that the urgently needed capacity extensions for Biscoff® in Belgium and the US will be operational by the end of 2022 in spite of global supply chain disruptions and cost inflation. This guarantees the continued growth in 2023."

10. FINANCIAL CALENDAR

Financial analyst's meeting:	12 August 2022
Announcement of the 2022 annual results:	7 February 2023
General Meeting of Shareholders:	12 May 2023
Announcement of the 2023 half-year results:	11 August 2023

Lotus Bakeries in a nutshell

Lotus Bakeries began in the village of Lembeke in 1932 and is now active worldwide in the indulgent and natural snacking segment with the Lotus, Lotus® Biscoff®, nākd, TREK, BEAR, Kiddylicious, Dinosaurus, Peijnenburg and Annas brands, among others. Lotus Bakeries, with headquarters in Belgium, is a dynamic, internationally oriented company with production facilities in Belgium, the Netherlands, France, Sweden, South Africa and the US, and twenty-one own sales organisations in Europe, America and Asia. Lotus Bakeries also works with commercial partners in approximately fifty countries worldwide. Lotus Bakeries has around 2,400 employees. By maintaining a healthy balance between tradition and innovation, the Lotus brand indulges consumers with a unique range of high-quality, tasty products. The secret of Lotus® Biscoff® lies in the cookie's unique flavour, distinctive design and delightful crispiness. The unique caramelised cookie flavour has meanwhile also been incorporated into a spread, ice cream and chocolate. A wide range of cake specialties and waffles are furthermore offered under the Lotus brand name. Koninklijke Peijnenburg is the market leader for gingerbread in the Netherlands and Annas is a typical Swedish speciality of pepparkakor biscuits: thin, crunchy biscuits flavoured with ginger and cinnamon. Under the nākd, TREK and BEAR brands, Lotus Bakeries offers tasty snacks, manufactured from all-natural, unprocessed ingredients, with no added sugar. Kiddylicious focusses on healthy snacking for babies, toddlers and pre-schoolers. In 2021 the Group achieved a revenue of EUR 750 million. The shares of Lotus Bakeries are listed on Euronext Brussels. The majority of the shares are owned by the Boone and Stevens family.

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Further information about Lotus Bakeries can be found on www.lotusbakeries.com