BEING GREAT IN LITTLE THINGS

Annual review 2016 - Financial supplement

The consolidated financial statements for 2016 shown below have been prepared in accordance with IFRS as adopted for application within the European Union with comparative IFRS figures for 2015.

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

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

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

The full statutory annual statements, together with the statutory annual report of the Board of Directors and the statutory audit report of the Auditor, will be submitted to the National Bank of Belgium within the legally prescribed term. These documents are available on the corporate website of Lotus Bakeries, www.lotusbakeries.com (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 2016 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	31-12-2016	31-12-2015
ASSETS			
NON CURRENT ASSETS		**437,310**	**442,884**
Property, plant and equipment	5	161,590	139,377
Goodwill	6	144,368	93,229
Intangible assets	7	126,006	107,901
Investment in other companies	4	37	96,244
Deferred tax assets	8	4,854	5,889
Other non current assets	9	455	244
CURRENT ASSETS		**110,692**	**128,337**
Inventories	10	32,175	35,659
Trade receivables	11	50,922	56,143
VAT receivables	11	4,235	4,868
Income tax receivables	11	1,061	938
Other amounts receivable	11	485	10,504
Cash and cash equivalents	12,13	19,932	18,547
Deferred charges and accrued income		1,882	1,678
TOTAL ASSETS		**548,002**	**571,221**

IN THOUSANDS OF EUR	NOTES	31-12-2016	31-12-2015
EQUITY AND LIABILITIES			
EQUITY		**248,464**	**217,525**
Share Capital	14	15,527	15,367
Retained earnings		267,947	219,109
Treasury shares	13, 16, 24	(12,038)	(13,677)
Other reserves	18	(23,038)	(3,249)
Non-controlling interests		66	(25)
NON-CURRENT LIABILITIES		**197,245**	**169,242**
Interest-bearing loans and borrowings	13, 17	118,500	97,000
Deferred tax liabilities	8	50,666	44,607
Net employee defined benefit liabilities	18	3,114	3,225
Provisions	19	1,986	726
Derivative financial instruments	20	3,419	869
Other non-current liabilities	21	19,560	22,815
CURRENT LIABILITIES		**102,293**	**184,454**
Interest-bearing loans and borrowings	13, 17	7,533	99,086
Net employee defined benefit liabilities	18	89	32
Provisions	19	21	521
Trade payables	22	54,742	42,498
Employee benefit expenses and social security	22	18,418	18,336
VAT payables	22	225	1,017
Tax payables	22	15,097	10,861
Derivative financial instruments	20, 22	4	7
Other current liabilities	22	2,133	9,070
Accrued charges and deferred income	22	4,031	3,026
TOTAL EQUITY AND LIABILITIES		**548,002**	**571,221**

Consolidated income statement

IN THOUSANDS OF EUR	NOTES	2016	2015
TURNOVER		**507,208**	**411,576**
Raw materials, consumables and goods for resale		(168,310)	(121,803)
Services and other goods		(133,095)	(117,959)
Employee benefit expense	23	(101,639)	(88,527)
Depreciation and amortization on intangible and tangible assets	25	(14,796)	(14,919)
Impairment on inventories, contracts in progress and trade debtors	10, 11	(1,905)	(2,086)
Other operating charges	26	(6,411)	(3,566)
Other operating income	26	2,893	2,048
RECURRENT OPERATING RESULT (REBIT) (1)		**83,945**	**64,764**
Non-recurrent operating result	27	4,507	(1,748)
OPERATING RESULT (EBIT) (2)		**88,452**	**63,016**
Interest income (expense)	28	(2,209)	(806)
Foreign exchange gains (losses)	28	(189)	336
Other financial income (expense)	28	(277)	(308)
PROFIT FOR THE YEAR BEFORE TAXES		**85,777**	**62,238**
Taxes	8, 29	(23,322)	(16,623)
RESULT AFTER TAXES		**62,455**	**45,615**
NET RESULT - attributable to:		**62,455**	**45,615**
Non-controlling interests		1,210	202
Equity holders of Lotus Bakeries		61,245	45,413

IN THOUSANDS OF EUR	NOTES	2016	2015
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to profit and loss		**(22,747)**	**(5,125)**
Currency translation differences		(21,064)	(4,551)
Gain/(Loss) on cash flow hedges, net of tax		(1,683)	(574)
Items that will not be reclassified to profit and loss		**(36)**	**494**
Remeasurement gains/(losses) on defined benefit plans	18	(36)	494
Other comprehensive income		**(22,783)**	**(4,631)**
Total comprehensive income - attributable to:		**39,672**	**40,984**
Non-controlling interests		(1,784)	(524)
Equity holders of Lotus Bakeries		41,456	41,508
EARNINGS PER SHARE	30		
Weighted average number of shares		793,147	788,341
Basic earnings per share (EUR) - attributable to:			
Non-controlling interests		**1.53**	**0.26**
Equity holders of Lotus Bakeries		**77.22**	**57.61**
Weighted average number of shares after effect of dilution		806,206	803,247
Diluted earnings per share (EUR) - attributable to:			
Non-controlling interests		**1.50**	**0.25**
Equity holders of Lotus Bakeries		**75.97**	**56.54**
Total number of shares (3)		812,513	811,863
Earnings per share (EUR) - attributable to:			
Non-controlling interests		**1.49**	**0.25**
Equity holders of Lotus Bakeries		**75.38**	**55.94**

(1) REBIT is defined as the recurrent trading result, consisting of all the proceeds and costs relating to normal business.
(2) EBIT is defined as recurrent operating result + non-recurrent operating result.
(3) Total number of shares including treasury shares 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 2015	**3,534**	**9,656**	**13,190**	**196,147**
Net result of the financial year	-	-	-	45,413
Currency translation differences	-	-	-	-
Remeasurement gains/(losses) on defined benefit plans	-	-	-	-
Cash flow hedge reserves	-	-	-	-
Taxes on items taken directly to or transferred from equity	-	-	-	-
Net income/(expense) for the period recognised directly in equity	-	-	-	-
Total comprehensive income/(expense) for the period	-	-	-	**45,413**
Dividend to shareholders	-	-	-	(10,293)
Increase in capital	39	2,138	2,177	-
Acquisition/sale own shares	-	-	-	-
Employee share-based compensation expense	-	-	-	479
Non-controlling interests resulting from business combinations	-	-	-	-
Impact written put options on non-controlling interests	-	-	-	(12,892)
Other	-	-	-	255
EQUITY as on 31 December 2015	**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**

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
(9,419)	**811**	**(155)**	**-**	**656**	**200,574**	**55**	**200,629**
-	-	-	-	-	45,413	202	45,615
-	(3,825)	-	-	(3,825)	(3,825)	(726)	(4,551)
-	-	515	-	515	515	-	515
-	-	-	(869)	(869)	(869)	-	(869)
-	-	(21)	295	274	274	-	274
-	(3,825)	494	(574)	(3,905)	(3,905)	(726)	(4,631)
-	**(3,825)**	**494**	**(574)**	**(3,905)**	**41,508**	**(524)**	**40,984**
-	-	-	-	-	(10,293)	-	(10,293)
-	-	-	-	-	2,177	-	2,177
(4,258)	-	-	-	-	(4,258)	-	(4,258)
-	-	-	-	-	479	-	479
-	-	-	-	-	-	10,362	10,362
-	-	-	-	-	(12,892)	(9,919)	(22,811)
-	-	-	-	-	255	1	256
(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**

Consolidated cash flow statement

IN THOUSANDS OF EUR	2016	2015
Operating activities		
Net result (Group)	61,245	45,413
Depreciation and amortization of (in)tangible assets	15,088	15,382
Net valuation allowances current assets	1,852	2,029
Provisions	1,690	881
Fair value adjustment of goodwill and contingent considerations	48	-
Capital loss on disposal of fixed assets	261	162
Financial result	2,675	778
Taxes	23,322	16,623
Employee share-based compensation expense	515	479
Non-controlling interests	1,210	202
Gross cash provided by operating activities	**107,906**	**81,949**
Decrease/(Increase) in inventories	3,938	(4,793)
Decrease/(Increase) in trade accounts receivable	6,222	(6,635)
Decrease/(Increase) in other assets	11,031	(8,439)
Increase/(Decrease) in trade accounts payable	11,383	(3,823)
Increase/(Decrease) in other liabilities	(4,023)	3,607
Change in operating working capital	**28,551**	**(20,083)**
Income tax paid	(15,289)	(12,680)
Interest paid	(2,270)	(643)
Other financial income and charges received/(paid)	(685)	(734)
Net cash provided by operating activities	**118,213**	**47,809**

IN THOUSANDS OF EUR	2016	2015
Investing activities		
(In)tangible assets - acquisitions	(38,281)	(14,357)
(In)tangible assets - other changes	(3)	1,063
Acquisition of subsidiaries	3,703	(65,313)
Financial assets - other changes	(20)	(97,269)
Net cash used in investing activities	**(34,601)**	**(175,876)**
Net cash flow before financing activities	**83,612**	**(128,067)**
Financing activities		
Dividends paid	(11,606)	(9,876)
Treasury shares	2,169	(4,251)
Proceeds of capital increase	160	2,177
Proceeds / (Reimbursement) of long-term borrowings	21,500	89,052
Proceeds / (Reimbursement) of short-term borrowings	(93,289)	56,481
Proceeds / (Reimbursement) of long-term receivables	(223)	876
Cash flow from financing activities	**(81,289)**	**134,459**
Net change in cash and cash equivalents	**2,323**	**6,392**
Cash and cash equivalents on January 1	18,547	11,855
Effect of exchange rate fluctuations	(938)	300
Cash and cash equivalents on December 31	19,932	18,547
Net change in cash and cash equivalents	**2,323**	**6,392**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated companies

1.1 List of consolidated companies

	ADDRESS	VAT OR NATIONAL NUMBER	31-12-2016	31-12-2015
A. Fully consolidated subsidiaries			%	%
Cremers-Ribert NV	Gentstraat 52. B-9971 Lembeke	VAT BE 0427.808.008	100.0	100.0
Interwaffles SA	Rue de Liège 39. B-6180 Courcelles	VAT BE 0439.312.406	100.0	100.0
Lotus Bakeries NV	Gentstraat 1. B-9971 Lembeke	VAT BE 0401.030.860	100.0	100.0
Lotus Bakeries Corporate NV	Gentstraat 1. B-9971 Lembeke	VAT BE 0881.664.870	100.0	100.0
Lotus Bakeries België NV	Gentstraat 52. B-9971 Lembeke	VAT BE 0421.694.038	100.0	100.0
Biscuiterie Willems BVBA	Nieuwendorpe 33 Bus C. B-9900 Eeklo	VAT BE 0401.006.413	100.0	100.0
B.W.I. BVBA	Ambachtenstraat 5. B-9900 Eeklo	VAT BE 0898.518.522	100.0	100.0
Lotus Bakeries Schweiz AG	Nordstrasse 3. 6300 Zug	VAT CHE 105.424.218	100.0	100.0
Lotus Bakeries CZ s.r.o.	Praag 3. Slezská 844/96. CZ-130 00 Praag	VAT CZ 271 447 55	100.0	100.0
Lotus Bakeries GmbH	Schumanstrasse 33. D-52146 Würselen	VAT DE 811 842 770	100.0	100.0
Biscuiterie Le Glazik SAS	Zone Industrielle 2. F-29510 Briec-de-l'Odet	VAT FR95 377 380 985	100.0	100.0
Biscuiterie Vander SAS	Place du Château BP 70091. F-59560 Comines	VAT FR28 472 500 941	100.0	100.0
Lotus Bakeries France SAS	Place du Château BP 50125. F-59560 Comines	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	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. L-2146 Luxembourg	R.C.S. Luxembourg B53262	100.0	100.0
Koninklijke Peijnenburg BV	Nieuwendijk 45. 5664 HB Geldrop	VAT NL003897187B01	100.0	100.0
Peijnenburg's Koekfabrieken BV	Nieuwendijk 45. 5664 HB Geldrop	VAT NL001351576B01	100.0	100.0
WK Koek Beheer BV	Streek 71. 8464 NE Sintjohannesga	VAT NL006634199B01	100.0	100.0
WK Koek Bakkerij BV	Streek 71. 8464 NE Sintjohannesga	VAT NL006634151B01	100.0	100.0
Enkhuizer Koekfabriek BV	Oosterdijk 3e. NL-1601 DA Enkhuizen	VAT NL823011112B01	100.0	100.0
Lotus Bakeries Nederland BV	Nieuwendijk 45. 5664 HB Geldrop	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 - Suite 220. San Francisco. CA. 94111	IRS 94-3124525	100.0	100.0
Natural Balance Foods USA Inc.	406 Bryant Circle. Unit G. Ojai. CA. 93023 USA	C3598146	67.2	67.2
Lotus Bakeries Ibérica S.L.	C/ Severo Ochoa. 3. 2a Planta Oficina 8A. 28232 Las Rozas (Madrid). Spain	VAT ESB80405137	95.0	95.0
Annas - Lotus Bakeries Holding AB	Radiovägen 23. SE 135 48 Tyresö. Sweden	Registration nr. 556757-7241	100.0	100.0
Annas Pepparkakor Holding AB	Radiovägen 23. SE 135 48 Tyresö. Sweden	Registration nr. 556675-9030	100.0	100.0

	ADDRESS	VAT OR NATIONAL NUMBER	31-12-2016	31-12-2015
A. Fully consolidated subsidiaries			%	%
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	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	Unit 516-517, Front Hall Of Shanghai Exhibition Centre, 1000 Yan An Middle Road, Shanghai 200040, P.R. China	Registration nr.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 nr. 128-81-19621	100.0	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 2016.

1.2 Changes in the group structure

The following change to the group structure took place in 2016:

Urban Fresh Foods Ltd.

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

1.3 Legal Structure of the Lotus Bakeries Group at 31 December 2016

LOTUS BAKERIES NV (*)

- Biscuit. Willems BVBA (BE) 99.9%
- BWI BVBA (BE) 99.9%
- LB België NV (BE) 99.9%
- Cremers-Ribert NV (BE) 99.9%
- Interwaffles NV (BE) 99.9%
- LB Corporate NV (BE) 99.9%
- LB Réassurances SA (LU) 99.9%
- LB NL BV (NL) 100%
  - KP BV (NL) 100%
    - WK Koek Beheer BV (NL) 100%
      - WK Koek Bakkerij BV (NL) 100%
    - Peijnenburg's Koekfabrieken BV (NL) 100%
    - Enkhuizer Koekfabriek BV (NL) 100%
- LB France SAS (FR) 100%
  - Biscuiterie Le Glazik SAS (FR) 100%
  - Biscuiterie Vander SAS (FR) 100%
- LB Schweiz AG (CH) 100%
- LB UK Ltd. (UK) 99.9%
  - Natural Balance Foods Ltd (UK) 67.2%
    - Natural Balance Foods USA Inc. (USA) 100%
  - Urban Fresh Foods Ltd (UK) 100%
- LB Ibérica S.L. (ES) 95%
- LB GmbH (DE) 100%
- LB CZ s.r.o. (CZ) 100%
- Annas-LB-Holding AB (SE) 100%
  - Annas Pepparkakor Holding AB (SE) 100%
    - AB Annas Pepparkakor (SE) 100%
    - Pepparkakshuset i Tyresö AB (SE) 100%
- LB North America Inc. (USA) 100%
- LB North America Calgary Ltd. (CA) 100%
- LB Chile SpA (CL) 100%
- LB Asia Pacific Ltd. (HK) 100%
  - Lotus Bakeries China Ltd. (CN) 100%
  - Lotus Bakeries Korea Co, Ltd (KR) 100%

(*) 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 organization chart.

2. Accounting principles

2.1 Statement of compliance

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

2.2 Basis of presentation

The consolidated financial statements are presented in thousands of euros and present the financial situation as of 31 December 2016.

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 9 February 2017 for publication.

Recent IFRS pronouncements
Endorsement status of the new standards as at 31 December 2016

The following interpretation and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2016:

- Amendments to IAS 1 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2016. The amendments to IAS 1 are part of the initiative of the IASB to improve presentation and disclosure in financial reports and are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.
- Amendments to IAS 19 'Employee benefits', on defined benefit plans (effective 1 July 2014 and endorsed for 1 February 2015). The amendment seeks clarification for the accounting of employee contributions set out in the formal terms of a defined benefit plan.
- Annual improvements 2012-2014 (effective and endorsed for 1 January 2016). This set of amendments impacts 4 standards: IFRS 5 'Non-current assets held for sale and discontinued operations' regarding methods of disposal; IFRS 7 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts; IAS 19 'Employee benefits' regarding discount rates; IAS 34 'Interim financial reporting' regarding disclosure of information.
- Annual improvements 2010-2012 (effective 1 July 2014 and endorsed for 1 February 2015). These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards: IFRS 2 'Share-based payment', IFRS 3 'Business Combinations', IFRS 8 'Operating segments', IFRS 13 'Fair value measurement', IAS 16 'Property, plant and equipment', and IAS 38 'Intangible assets', Consequential amendments to IFRS 9 'Financial instruments', IAS 37 'Provisions, contingent liabilities and contingent assets', and IAS 39 'Financial instruments – Recognition and measurement'.

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 2016 and have been endorsed by the European Union:

- IFRS 9 'Financial instruments', effective for annual periods beginning on or after 1 January 2018. The standard addresses the classification, measurement, derecognition of financial assets and financial liabilities and general hedge accounting.
- IFRS 15 'Revenue from contracts with customers'. The IASB and FASB have jointly issued a converged standard on the recognition of revenue from contracts with customers. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Companies using IFRS will be

required to apply the revenue standard for annual periods beginning on or after 1 January 2018.

The following new standard, amendments and interpretation to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2016 and have not 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 recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Amendments to 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.
- Amendments to IFRS 15 'Revenue from contracts with customers' - Clarifications (effective 1 January 2018). These amendments compromise 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 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.
- 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. This set of amendments impacts 3 standards: 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; 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) and IAS 28 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value.
- 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 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.

Lotus Bakeries expects that the application of the above new standards and amendments to the standards will not have a material impact on the consolidated financial statements. For IFRS 15 'Revenue from contracts with customers', we have made an initial estimate which will be further elaborated in 2017.

Initial assessment impact IFRS 15 'Revenue from contracts with customers'

IFRS 15 introduces a five-step model for recognizing revenue from contracts with customers. Under IFRS 15, revenue from the transfer of goods or services is recognized at the amount of consideration to which the company expects to be entitled.

The new standard replaces all existing IFRS requirements for the recognition of revenue. Either full retrospective application or modified retrospective application is required for financial years beginning on or after 1 January 2018. Early application is permitted.

During 2016, the Group began an impact analysis in view of the application of IFRS 15 as from 1 January 2018. An inventory was completed of the various contracts within the Group. Current accounting practice was compared with the principles under IFRS 15. Since the Group is mainly engaged in the sale of goods, the Group considers that it has few performance obligations in a single contract. The Group expects to recognize the revenue at the time at which physical possession of the asset is transferred to the customer, generally upon delivery of the goods. As far as the transaction price is concerned, the Group may be impacted with respect to the presentation between turnover and costs. In 2017, the Group will supply quantitative information on this and then refine the impact analysis based on the underlying contracts.

IFRS 15 contains more detailed presentation and disclosure requirements than those applying under the current IFRS. The presentation requirements involve a significant change compared with current practice and mean that the number of disclosures required in the Group's financial statements is significantly increased. Many of the disclosure requirements in IFRS 15 are completely new. In 2017, the Group will develop the appropriate systems, internal controls, policy and procedures necessary in order to collect and disclose the required information.

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 recognized in an amount corresponding to the present value of the estimated exercise price. This financial liability is included in the other non-current liabilities. The counterpart of this liability is a write down of the value of the non-controlling interest underlying the option. The difference between the value of the non-controlling interest and the fair value of the liability is allocated to the retained earnings (Group share).

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

2.4 Use of estimates

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

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

The assumptions made for measuring goodwill, intangible 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	
	2016	2015	**2016**	2015
EUR/CAD	1.4188	1.5116	1.4589	1.4251
EUR/CHF	1.0739	1.0835	1.0909	1.0646
EUR/CLP	698.8190	773.9070	738.6247	726.6616
EUR/CNY	7.3202	7.0608	7.3415	6.9471
EUR/CZK	27.0210	27.0230	27.0423	27.2695
EUR/GBP	0.8561	0.7339	0.8227	0.7242
EUR/KRW	1,269.3600	1,280.7800	1,279.9175	1,252.6100
EUR/PLN	4.4103	4.2639	4.3744	4.1841
EUR/SEK	9.5525	9.1895	9.4713	9.3371
EUR/USD	1.0541	1.0887	1.1032	1.1046

2.6 Intangible assets

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

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

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

Amortization

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

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

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

Goodwill

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

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

2.7 Property, Plant and Equipment

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

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

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

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

Subsequent expenditure

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

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

Depreciation

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

Useful life is assigned as follows:

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

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

2.8 Leasing

Financial leases

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

Operating lease

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

2.9 Government grants

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

2.10 Impairment of non-current assets

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

2.19 Provisions

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

No provisions are recognised for future operating costs. If the effect of the time value of money is material, the provisions are discounted.

Restructuring

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

2.20 Financial derivatives

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

Financial derivatives are initially recognised at cost. After initial recognition, these instruments are recognised at their fair value.

Changes in fair value of the Group's derivatives that do not meet the criteria of IAS 39 for hedge accounting, are recognized in the income statement.

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

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

2.21 Trade payables and other debts

Trade payables and other debts are recognised at their nominal value. A financial obligation is derecognised once the obligation is fulfilled, settled or lapsed.

2.22 Dividends

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

2.23 Revenues

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

Sale of goods and delivery of services

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

Financial income

Financial income (interests, dividends, royalties, etc.) are considered to be realized once it is probable that the Group will receive the economic benefits from the transaction and the revenues can be measured reliably.

2.24 Employee benefits

Pension plans

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

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

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

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

Defined benefit costs are divided into 2 categories:

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

The current and past service cost, the net interest expense, the remeasurement of other long term personnel expenses, administrative expenses and taxes for the reporting period are included in the personnel expenses in the statement of profit or loss. The remeasurement on the net defined benefit liability as a consequence of actuarial gains or losses is included in the statement of comprehensive income as part of other comprehensive income.

Share-based payment

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

Bonuses

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

2.25 Income tax

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

Current taxes include the amount of tax payable on the taxable earnings for the period calculated at the tax rate applicable on the reporting date. They also include adjustments of fiscal liabilities for previous years.
In line with IAS 12§46 'Income Taxes', management assesses on a periodic basis the positions taken in tax declarations in respect of items subject to interpretation in the tax legislation, and records – if necessary – additional income tax liabilities based on the expected amounts payable to the tax authorities. The evaluation is made for all fiscal periods still subject to controls by the authorities.

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

Deferred tax assets from deductible temporary differences and unused tax loss carry forwards are recognised to the extent that it is probable that taxable profit wil 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 organized according to geographical regions for sales, production and internal reporting. As a result, segment reporting presents the geographical markets.

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

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

3. Segment reporting by geographical region

Segment reporting by geographical region (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 arms length.

YEAR ENDED 31 DECEMBER 2016	CONTINUING OPERATIONS						
IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	U.K.	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	U.K.	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 assets	-	-	20	-	-	516	536
Depreciation	8,360	1,133	2,953	122	744	1,484	14,796
Increase/(decrease) 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

Segment reporting by geographical region (2015)

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

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

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

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

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

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

4. Acquisitions and disposal of subsidiaries

No subsidiaries were acquired, established or disposed of in 2016.

In 2015, Lotus Bakeries invested in the acquisition of Lotus Korea (included in the consolidation as from 1 April 2015), Natural Balance Foods (included in the consolidation as from 1 September 2015) and Urban Fresh Foods (included in the consolidation as from 1 January 2016).

Urban Fresh Foods and Natural Balance Foods
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.

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

At 31 December 2015, the fair value of the acquired assets and liabilities was determined provisionally in order to calculate the goodwill arising from this acquisition. Further analyses in 2016 confirmed that no further adjustment was required to the fair value. Thus, the final value of the acquired assets and liabilities was calculated during a period of twelve months following the acquisition date.

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**

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

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

The total goodwill of EUR 105.2 million arising from the acquisition of Urban Fresh Foods and Natural Balance Foods relates to various components. In the past, Lotus Bakeries' main focus was on the traditional biscuits segment, in which we continue to grow strongly and where there remains a great deal of potential for our products and brands internationally. However, there is growing global demand for healthy and tasty alternatives. As a Group, Lotus Bakeries wants to be able to offer high-quality, tasty products to all consumers, in the form of more traditional biscuits and bakery products as well as healthy snacks. These acquisitions make Lotus Bakeries 'Category Captain' in the healthy snacking category in the United Kingdom and we are able to offer healthy and tasty alternatives to all consumers, with the right product for each age group. Moreover, both Urban Fresh Foods and Natural Balance Foods are profitable businesses, with sufficient scale - together with a qualified research and sales team - to allow Lotus Bakeries to continue to grow in this promising market.

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

The results of Urban Fresh Foods Ltd and Natural Balance Foods Ltd are included in the consolidation as from 1 January 2016 and 1 September 2015 respectively. The investment in Urban Fresh Foods Ltd was included in the consolidated balance sheet as at 31 December 2015 under Investments in other companies.

Lotus Korea

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

At 30 June 2015, the fair value of the acquired assets and liabilities was determined in order to calculate provisionally the goodwill arising from this acquisition. This analysis has been finetuned in the second half of 2015, leading to adjusted fair values of the acquired assets and liabilities. Additional analyses in 2016 confirmed that no additional adjustment was required to the fair value. Thus, the final value of the acquired assets and liabilities was calculated during a period of twelve months following the acquisition date.

The purchase price of Lotus Korea is composed as follows:

IN THOUSANDS OF EUR	FAIR VALUE
Purchase Price	**18,522**
Tangible assets	4,210
Intangible assets	1
Deferred tax assets	772
Stocks	7,594
Trade and other receivables	6,654
Cash and cash equivalents	406
Interest-bearing loans and borrowings	(8,734)
Trade and other payables	(2,757)
Other liabilities	(6,290)
TOTAL NET ASSETS	**1,856**
GOODWILL	**16,666**

The goodwill arising from the acquisition amounts to 16.7 million and is explained by several components. Lotus Korea is a leading distributor in biscuits and chocolate, with a qualified sales team covering the South Korean region, and distributes products for a select number of brand manufacturers from Europe and the US. Lotus Korea is a profitable business, has sufficient scale of operations and is acquainted with the Lotus Bakeries' strategy. The acquisition offers Lotus Bakeries the adequate platform to be present at local level and to continue to grow in an interesting market.

The strategical choice of Lotus Bakeries to focus on Lotus Biscoff and a limited number of other brands, together with other circumstances, has led to the discontinuation of the agreements that are linked to the conditional purchase price. Consequently, the related contingent liability is no longer due. Following this change, the goodwill has been reduced. The impact of the reversal of the contingent liability and the fair value adjustment of the goodwill cancel each other substantially and are included in the non-recurrent operating result.

The results of Lotus Korea were consolidated as from 1 April 2015.

In 2015, the costs associated with these acquisitions are included in the non-recurrent operating result. Since the acquisition date, these acquisitions have contributed EUR 17.3 million to turnover in 2015 with a relatively low contribution to the recurrent operating result. Had the business combination taken place at the beginning of the year 2015, the turnover of Lotus Bakeries would have been around EUR 55.3 million higher. This pro forma information is given for information purposes and is not necessarily an indication of the income which would have been recorded had the acquisitions been completed at that time, nor is it a projection of future income. As a result of significant differences in accounting policies between the acquired entities and Lotus Bakeries, it is impossible to reflect the pro forma impact on the Group's consolidated recurrent operating result in 2015.

5. Tangible assets

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

The main investments relate to expansions of capacity. An extra production line was installed in July 2016 capable of producing portion packs of Lotus Biscoff. The construction of the third production hall is well underway, with an extra production line already being installed, which is operational since March 2017. We invested in two new production lines at our factory in Courcelles so that the entire waffle and galette production in Belgium was housed in a single factory. These new lines have been operational since the end of 2016.

Besides investing in the expansion of capacity, we continue to invest in initiatives to increase the operational efficiency of the factories. For example, a new oven and a new line for Lotus Zebra have been installed in the cake factory at Oostakker. Further automation has also taken place in the gingerbread factory at Sintjohannesga (Netherlands).

Creating an optimal working environment for our employees is crucial. New offices have been opened for the Lotus teams in France and South Korea, as well as for the new Natural Foods colleagues in London, Oxford and Geldrop.

IN THOUSANDS OF EUR	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	FURNITURE 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**

IN THOUSANDS OF EUR	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	FURNITURE AND VEHICLES	ASSETS UNDER CON-STRUCTION	TOTAL
On 31 December 2015					
Acquisition cost					
At the end of the preceding year	90,011	235,468	13,705	4,848	344,032
Acquisition during the year	6,276	6,904	743	1,579	15,502
Sales and disposals	(3,244)	(10,385)	(703)	(29)	(14,361)
Transfers from one heading to another	(1,838)	1,352	521	(35)	-
Translation differences	(3)	316	243	7	563
Acquisition through business combinations	4,009	86	684	-	4,779
Total acquisition cost	**95,211**	**233,741**	**15,193**	**6,370**	**350,515**
Depreciation and amounts written down					
At the end of the preceding year	(36,435)	(157,663)	(12,187)	(178)	(206,463)
Depreciation during the year	(2,609)	(10,824)	(827)	-	(14,260)
Sales and disposals	1,432	8,173	390	-	9,995
Transfers from one heading to another	50	(50)	-	-	-
Translation differences	(23)	(251)	(131)	(5)	(410)
Total depreciation and amounts written down	**(37,585)**	**(160,615)**	**(12,755)**	**(183)**	**(211,138)**
NET BOOK VALUE	**57,626**	**73,126**	**2,438**	**6,187**	**139,377**

During 2016 kEUR 73 of capital grants were taken into the income statement, giving at year end a remaining balance of kEUR 548, which is deducted from the net book value as reported in the above tables of movements.

INVESTMENT GRANTS

	2016	2015
At the end of the preceding year	(621)	(718)
Taken into the income statement	73	97
At the end of the year	**(548)**	**(621)**

6. Goodwill

The carrying value of goodwill at the end of 2016 was kEUR 144,368.

For sales, production and internal reporting, the Group is organized into geographic regions (see also geographic segment information). The segments consist of underlying business units. These business units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. These business units are the cash generating units to which goodwill is allocated.

The net carrying value of goodwill has been allocated to the various independent cash generating units as follows:

Cash generating unit	Amount kEUR
Netherlands (Koninklijke Peijnenburg)	17,151
Spain (Lotus Bakeries Iberica)	1,704
Sweden (Annas Pepparkakor Holding AB)	6,408
Customer Brand Business (Biscuiterie Willems BVBA en B.W.I. BVBA)	20,773
Lotus Korea	9,772
Natural Foods	88,560
Total	**144,368**

The change for the year is mainly due to the integration of Urban Fresh Foods into the consolidation as from 1 January 2016 and the partial impairment of goodwill for Lotus Korea:

IN THOUSANDS OF EUR	2016	2015
Acquisition cost		
Balance at end of previous year	93,229	46,135
Acquisitions of subsidiaries	72,564	49,271
Impairment losses	(5,774)	-
Effect of movements in foreign exchange	(15,651)	(2,177)
Balance at end of year	**144,368**	**93,229**

In March 2015, Lotus Bakeries acquired 100% of the shares of Lotus Korea, a leading distributor of biscuits and chocolate in South Korea. The total purchase price was partly conditional on the continuation of certain distribution agreements. The strategical choice of Lotus Bakeries to focus on Lotus Biscoff and a limited number of other brands, together with other circumstances, has led to the discontinuation of these agreements. Consequently, the related contingent liability is no longer due. Following this change, the goodwill has been reduced on 30 June 2016. The impact of the reversal of the contingent liability and the fair value adjustment of the goodwill cancel each other substantially and are included in the non-recurrent operating result.

Goodwill, representing approximately 26.3% of the total assets of Lotus Bakeries at 31 December 2016, 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, 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 of 2% to free cash flows.
- Projections are discounted at the weighted average pre-tax cost of capital, which lies between 7 and 10%. The pre-tax discount rate is calculated by dividing the discount rate after tax by one minus the applicable tax rate. This result is not materially different from an iterative calculation method as described in IAS36.

End 2016, 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, free cash flow and long term growth percentage. Here, a fall in the long-term growth percentage by 100 basis points, an increase in the weighted average capital costs before tax by 100 basis points and a free cash flow of between 95% and 100% of the long-term plan were applied in order to take into account possible fluctuations in volumes and margins.

A change in the 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 brands Peijnenburg and Wieger Ketellapper
- 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 amortized. In accordance with the valuation rules, its fair value is tested annually, using the DCF method. The Wieger Ketellapper brand, which serves as a second brand in the Netherlands, is being amortized over a 10-year period. The fair value of this brand is also tested annually. The 'Netherlands' segment is defined here as a cash generating unit.

The Annas brand is used as the base brand for the Nordic region and as the base brand for its pepparkakor products outside the Nordic region. This brand is not being amortized. Here too, the fair value is tested annually using the DCF method. The activity in the Nordic region plus the pepparkakor activity outside this region are defined 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 amortized.

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

At 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 amortized. 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 2016, the Group tested the value of these brands for possible impairment. Taking into account the assumptions used, the value in use of the unit exceeds its carrying amount and no impairment loss was recognized.

The main judgements, assumptions and estimates are:

- Revenue and gross profit margin: revenue and gross profit margin reflect management's expectations based on past experience and taking into account the risks specific to the 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 of 2% to free cash flows.

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
Acquisition 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**

- Projections are discounted at the weighted average pre-tax cost of capital, which lies between 7 and 10%. The pre-tax discount rate is calculated by dividing the discount rate after tax by one minus the applicable tax rate. This result is not materially different from an iterative calculation method as described in IAS36.

As a part of the valuation test, Lotus Bakeries carried out a sensitivity analysis for important assumptions used, including the weighted average capital costs, free cash flow and long term growth percentage. Here, a fall in the long-term growth percentage by 100 basis points, an increase in weighted average capital costs before tax of 100 basis points and free cash flow between 95% and 100% of the long term plan were applied in order to take into account possible fluctuations in volumes and margins. A change in the used estimates, as included above, does not lead to a 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 capitalized external and internal costs connected with the further basic implementation of the ERP information system SAP.

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

IN THOUSANDS OF EUR	INDEFINITE LIFE BRANDS	DEFINITE LIFE BRANDS	SOFTWARE	CUSTOMER PORTFOLIO	TOTAL
On 31 December 2015					
Acquisition cost					
At the end of the preceding year	72,075	4,627	8,149	1,030	85,881
Acquisition during the year	-	-	564	-	564
Sales and disposals	-	-	(3)	-	(3)
Translation differences	(1,018)	-	236	-	(782)
Acquisition through business combinations	34,781	-	1	-	34,782
Total acquisition cost	**105,838**	**4,627**	**8,947**	**1,030**	**120,442**
Depreciation and amounts written down					
At the end of the preceding year	-	(3,933)	(6,939)	(335)	(11,207)
Depreciation during the year	-	(463)	(556)	(103)	(1,122)
Sales and disposals	-	-	3	-	3
Translation differences	-	-	(215)	-	(215)
Total depreciation and amounts written down	**-**	**(4,396)**	**(7,707)**	**(438)**	**(12,541)**
NET BOOK VALUE	**105,838**	**231**	**1,240**	**592**	**107,901**

8. Deferred taxes

No deferred tax assets are recorded for the tax losses carried forward of Interwaffles SA given the remaining uncertainty as to whether sufficient taxable revenues will be generated in the future. At the end of 2016 these tax losses carried forward amounted to kEUR 5,295 compared with kEUR 6,744 at the end of 2015.

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

At the balance sheet date the aggregate amount of deferred taxes associated with the investments in subsidiaries amounts to EUR 2.6 million. No deferred tax liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It should also be noted that the reversal of these differences, for example by way of distribution of dividends by the subsidiaries to the Parent, would generate no (or a marginal) current tax effect.

IN THOUSANDS OF EUR	ON 31 DECEMBER 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
Employee benefits	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)**

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

9. Other long-term receivables

IN THOUSANDS OF EUR	31-12-2016	31-12-2015
Cash guarantees	449	190
Other long-term receivables	6	54
Total	**455**	**244**

10. Inventories

IN THOUSANDS OF EUR	31-12-2016	31-12-2015
Raw materials and consumables	8,824	8,506
Work in progress	315	441
Finished goods	12,384	10,671
Goods purchased	10,652	16,041
Total	**32,175**	**35,659**

Valuation allowances of kEUR 1,731 relate mainly to packaging material (kEUR 261), finished products (kEUR 1,090) and goods for resale (kEUR 139).

In 2015, valuation allowances amounted to kEUR 1,989.

11. Trade receivables and other amounts receivable

The amount of valuation allowances in 2016 is kEUR 174. In 2015, kEUR 97 of valuation allowances were charged.

The trade receivables represent an average of 37 days of customer credit (2015: 45 days).

IN THOUSANDS OF EUR	31-12-2016	31-12-2015
Trade receivables	**50,922**	**56,143**
Tax receivables		
VAT receivables	4,235	4,868
Income tax receivables	1,061	938
Total	**5,296**	**5,806**
Other amounts receivable	**485**	**10,504**

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

Movements in valuation allowances on trade receivables:

IN THOUSANDS OF EUR	2016	2015
Amounts written off on 1 January	**1,043**	**1,000**
Increase of amounts written off	174	97
Amounts written off used during the year	(69)	(54)
Amounts written off on 31 December	**1,148**	**1,043**

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 2016 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	31-12-2016	31-12-2015
Cash	19,932	18,547

13. Net financial debt

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

Net financial debt has fallen by kEUR 69,799 compared with the end of the previous financial year. The decrease is due to a very strong operating cash flow, set against investments amounting to kEUR 37,498.

IN THOUSANDS OF EUR	31-12-2016	31-12-2015
Non current interest-bearing liabilities	(118,500)	(97,000)
Current interest-bearing liabilities	(7,533)	(99,086)
Cash and cash equivalents	19,932	18,547
Treasury shares	12,038	13,677
Total	**(94,063)**	**(163,862)**

14. Issued capital

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

Ordinary shares, issued and fully paid

IN THOUSANDS OF EUR	2016	2015
On 1 January	3,573	3,534
Increase	3	39
On 31 December	3,576	3,573
Number of ordinary shares		
On 1 January	811,863	803,013
Increase	650	8,850
On 31 December	812,513	811,863
Less: treasury shares held at 31 December	(17,630)	(22,005)
Shares outstanding at 31 December	794,883	789,858
Amounts of authorized capital, not issued		
IN THOUSANDS OF EUR	957	960

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

Structure of shareholdings

Further details of the shareholding structure of Lotus Bakeries NV as of 31 December 2016 are contained in the Corporate Governance Statement in part 1 of the 2016 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	2016	2015
Dividend payments in		
Gross dividend per ordinary share (EUR)	14.20	12.40
Gross dividend on ordinary shares	11,535	10,293
Proposed dividend per ordinary share (EUR)	**16.20**	**14.20**
Gross dividend on ordinary shares	13,191	11,535

The Board of Directors will propose to the Ordinary General Meeting of Shareholders of 12 May 2017 to pay a gross dividend of EUR 16.20 per share for 2016 compared with EUR 14.20 per share in 2015.

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 12 May 2017.

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	2016	2015
On 1 January	13,677	9,419
Purchased during the year	-	5,380
Sold during the year	(1,639)	(1,122)
On 31 December	12,038	13,677
Number of treasury shares		
On 1 January	22,005	21,416
Purchased during the year	-	4,089
Sold during the year	(4,375)	(3,500)
On 31 December	17,630	22,005

17. Interest-bearing liabilities

Non-current interest-bearing liabilities with an initial maturity of more than 1 year increased by kEUR 21,500. The current interest bearing-liabilities decreased by kEUR 91,553 on the other hand. The currency of all non-current interest-bearing liabilities is the euro. Current interest-bearing liabilities are mainly expressed in euros, but partially also in pounds sterling (kEUR 1,389).

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

IN THOUSANDS OF EUR	DUE WITHIN 1 YEAR	DUE BETWEEN 1 TO 5 YEARS	DUE AFTER 5 YEARS	TOTAL
Non current interest-bearing liabilities	-	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	643	2,319	590	3,552

	DUE WITHIN 1 YEAR	DUE BETWEEN 1 TO 5 YEARS	DUE AFTER 5 YEARS	TOTAL
Non current interest-bearing liabilities	-	40,000	57,000	97,000
Current interest-bearing liabilities	99,086	-	-	99,086
Total on 31 December 2015	**99,086**	**40,000**	**57,000**	**196,086**
Interests due on interest-bearing liabilities	618	1,995	812	3,425

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

The unused committed credit lines came to kEUR 99,399 on 31 December 2016.

18. Net employee defined benefit liabilities

Defined contribution plan

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

Because of the Belgian legislation applicable to 2nd pillar pension plans (so-called 'Law Vandenbroucke'), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. This 'Law Vandenbroucke', which came into force in 2004, states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. As from 1 January 2016, these percentages 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 2016 and these are assessed as not significant. The employer's contribution related to the plans amounted to a total of kEUR 1,088 in 2016.

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

The Group expects to pay around kEUR 2,754 of contributions to these defined contribution plans in respect of 2017.

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 of these is based on the following assumptions:

	2016	2015
Discount rate:	1.03%	1.40%
Inflation rate:	1.8% p.a.	2% p.a.

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

The Group expects to pay out around kEUR 23 in 2017 under defined benefit pension schemes for Germany and France.

IN THOUSANDS OF EUR	2016	2015
Net periodic cost		
Service cost	101	78
Interest charges	49	52
(Gains) / losses	87	153
NET PERIODIC COST	**237**	**283**
Remeasurements (recognised in OCI)		
Remeasurements on the defined benefit obligation	(123)	(515)
REMEASUREMENTS	**(123)**	**(515)**
Movement in the net liability		
Net debts as at 1 January	3,257	3,614
Service cost	101	78
Interest charges	49	52
Remeasurements	(123)	(515)
Employers contribution	(167)	(145)
(Gains) / losses	87	153
Other	(1)	20
NET DEBTS AS AT 31 DECEMBER	**3,203**	**3,257**

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.

Lotus Bakeries 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 increase of the provision for integration and restructuring in 2016 relates to the costs associated with production optimization in our production plants. 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 2016	**500**	**746**	**1,246**
Increase of provisions	1,400	414	1,814
Reversal of unutilized 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

	INTEGRATION AND RESTRUCTURING	OTHER	TOTAL
Provisions on 1 January 2015	**-**	**717**	**717**
Increase of provisions	500	150	650
Acquisition through business combinations	-	1,606	1,606
Reversal of unutilized provisions	-	(52)	(52)
Provisions used during the year	-	(1,674)	(1,674)
Provisions on 31 December 2015	500	747	1,247
Long term	-	726	726
Short term	500	21	521

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 agreements were entered into at the same time (variable for fixed) to hedge against fluctuations in cash flow caused by changes in interest rates. The maturity dates and nominal value of the interest rate swaps ('hedging instrument') correspond to those of the underlying debt ('hedged position'), and the transaction 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 agreements were entered into at the same time (variable for fixed) to hedge against fluctuations in cash flow due to changes in interest rates. The maturity dates and nominal value of the interest rate swaps ('hedging instrument') correspond to those of the underlying debt ('hedged position'), and, since 2015, these transactions have been identified and documented as a 'cashflow hedge' and processed in the accounts as such from the issue date.

As of 31 December 2016, the market value of these interest rate swaps was kEUR -3,419, and the change in market value is included in equity under other comprehensive income (loss on cash flow hedge).

Exchange rate hedges

Purchasing and selling takes place predominantly in euro. The main foreign currency transactions related to buying and selling take place in USD, GBP, CHF, SEK, CNY and KRW. The net foreign exchange risk of these currencies is hedged by forward and/or option contracts whenever there exists a material uncovered net risk for the Group.

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

Fair value evolution

IN THOUSANDS OF EUR	2016	2015
Interest rate derivatives		
Fair value	(3,423)	(876)
Cost/(revenue) in results	(3)	(3)
Decrease/(increase) in equity	2,550	869

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 19.6 million, does not give rise to interest expenses and has decreased compared with the end of 2015 due to changes in the GBP exchange rate. The options are exercisable for the first time in 2017 and expire in 2024.

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

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

22. Trade payables and other liabilities

IN THOUSANDS OF EUR	31-12-2016	31-12-2015
Trade payables	54,742	42,498
Remuneration and social security	18,418	18,336
Tax payables		
VAT payables	225	1,017
Tax payables	15,097	10,861
Total	**15,322**	**11,878**
Derivative financial instruments	4	7
Other current liabilities	2,133	9,070
Accrued charges and deferred income	4,031	3,026
TOTAL	**94,650**	**84,815**

In 2016, the increase is mainly due to the increase in trade payables and tax liabilities as a result of the further organic growth of Lotus Bakeries, combined with the inclusion of Urban Fresh Foods Ltd in the consolidation as from 2016 (see note 4).

Other liabilities have decreased, mainly due to the cancellation of the contingent payment liability for the acquisition of Lotus Korea. Further details are given in note 6.

23. Personnel costs

IN THOUSANDS OF EUR	2016	2015
Salaries and wages	65,442	57,060
Social security contributions	12,862	12,955
Contributions for company pension plans with fixed contribution	2,934	2,836
Other personnel costs	20,401	15,676
Total personnel costs	**101,639**	**88,527**
Average number of members of personnel	1,401	1,285
Number of members of personnel as at the end of the year	1,464	1,339

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

Personnel costs increased in 2016 compared with 2015 due to the inclusion of Urban Fresh Foods Ltd in the consolidation as from 2016 (see note 4) and the higher production volumes, which were partially offset by further operational efficiencies resulting from the investment programs of past years.

24. Share-based payments

Stock option plans

The stock option 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 in their entirety in the event of pension retirement, early pension retirement, invalidity or death. Options are exercised via equity.

In 2016, 2,751 share options were granted to and also accepted by Lotus Bakeries employees. In 2015, 3,562 share options were granted to and accepted by Lotus Bakeries employees.

Warrant plan

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

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

No new warrants were allocated in 2016 and 2015. The warrants run for seven years, with the exercise period of the warrants granted in 2007 extended for five years by the Economic Recovery Act.

The share options and warrants outstanding at the end of 2016 have a weighted average term of two years and seven months (2015: two years and eleven 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 515 was recorded in the income statement in 2016 (kEUR 479 in 2015). For share options exercised during 2016, the weighted average share price at exercise date was EUR 1,841.22 (2015: EUR 1,272.24). For the exercised warrants, the weighted average share price at the exercise date was EUR 1,911.70 (2015: EUR 1,267.87).

Number of options and warrants	2016	2015
Outstanding at January, 1	**23,425**	**32,722**
Options granted during the year	2,751	3,562
Options exercised during the year	(4,375)	(3,500)
Options expired during the year	(464)	(509)
Warrants exercised during the year	(650)	(8,850)
Outstanding at 31 December	**20,687**	**23,425**
Exercisable at 31 December	4,884	4,800
Charge recorded in the income statement (kEUR)	**515**	**479**

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

IN EUR	2016	2015
Outstanding at January, 1	**658,70**	**451,14**
Options granted during the year	1,700,06	1,239,03
Options exercised during the year	495,72	322,62
Options expired during the year	797,73	862,56
Warrants exercised during the year	246,02	246,02
Outstanding at 31 December	**841,50**	**658,70**
Exercisable at 31 December	284,65	246,03

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

	2016	2015
Number of years	2	2
Number of months	7	11

ALLOTED IN		NUMBER ALLOTED[1]	NUMBER EXERCISED[2]	AVAILABLE BALANCE	EXERCISE PRICE	EXERCISE PERIOD		
2007	Options	11,950	11,350	600	232.82	01/01/2011	-	10/05/2017
						15/03/2016	-	31/03/2016
						15/09/2016	-	30/09/2016
						15/03/2017	-	31/03/2017
						15/09/2017	-	30/09/2017
2007	Warrants	43,450	39,950	3,500	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	5,109	4,325	784	496.77	01/01/2016	-	10/05/2017
2013	Options	4,058	-	4,058	650.31	01/01/2017	-	13/05/2018
2014	Options	5,561	-	5,561	802.55	01/01/2018	-	08/05/2019
2015	Options	50	-	50	919.92	25/08/2018	-	01/01/2020
2015	Options	3,423	-	3,423	1,243.57	01/01/2019	-	07/05/2020
2016	Options	20	-	20	1,591.00	10/08/2019	-	12/12/2020
2016	Options	2,691	-	2,691	1,702.49	01/01/2020	-	12/05/2021
	Total	**80,012**	**59,325**	**20,687**				

(1) Cumulative number allocated minus cumulative number lapsed.
(2) Cumulative number exercised.

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

	2016	2015
Fair value of options granted	231.88	130.04
Share price	1,733.95	1,236.55
Exercise price	1,700.06	1,239.03
Expected volatility	21.45%	18.34%
Expected dividends	1.31%	1.58%
Risk-free interest rate	-0.20%	0.18%

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	2016	2015
Depreciation of intangible assets	696	659
Depreciation of property, plant & equipment	14,100	14,260
Total	**14,796**	**14,919**

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	2016	2015
Other costs		
Other taxes	2,874	2,166
Other operating charges	3,537	1,400
Total	**6,411**	**3,566**
Other revenues		
Transport charges	(2)	(8)
Fixed assets - own construction	(858)	(317)
Other operating income	(2,033)	(1,723)
Total	**(2,893)**	**(2,048)**
Other operating charges (income)	**3,518**	**1,518**

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

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

27. Non-recurrent operating result

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

The non-recurrent operating result at the end of 2016 amounts to kEUR 4,507 and is 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 amortization of the Wieger Ketellapper brand.

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

28. Financial results

IN THOUSANDS OF EUR	2016	2015
Interest expense (income)	**2,209**	**806**
Interest charges	2,292	846
Valuation to the fair value of the financial instruments	(3)	(3)
Interest income	(80)	(37)
Foreign exchange losses (gains)	**189**	**(336)**
Exchange rate losses	6,627	7,697
Exchange rate gains	(6,438)	(8,033)
Other financial expenses (income)	**277**	**308**
Financial results	**2,675**	**778**

On an annual basis, the Group reports a financial charge of kEUR 2,675 versus kEUR 778 in 2015. The net financial result for 2016 consists almost entirely of interest expenses. The higher 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 (see note 4).

29. Taxes

Nominal tax rose by 40.3%. This is explained by a higher nominal profit before taxation.

IN THOUSANDS OF EUR	2016	2015
Taxes on the results		
Income taxes on the results of the current year	18,016	12,599
Tax adjustments for previous years	1,003	(262)
Deferred taxation of the current year	4,303	4,286
Total tax charge reported in the income statement	**23,322**	**16,623**
Profit before tax	**85,777**	**62,238**
Effective tax rate of the year	27.2%	26.7%
Reconciliation between theoretical and effective tax rate		
Results before taxation	85,777	62,238
Theoretical tax rate	33.99%	33.99%
Theoretical tax expense	29,156	21,155
Effect of different taxation rates in other countries	(3,896)	(2,444)
Decrease in taxable income (Deduction Notional Interest + various tax credits)	(1,610)	(2,409)
Tax adjustments for previous years	1,003	(262)
Taxes on dividend income	403	200
Disallowed expenses	712	646
Tax free income	(62)	(185)
Tax losses with no deferred tax asset: (use)/non-recognition	(616)	(248)
Change tax rate: effect on prior years	(1,864)	9
Other	96	161
Actual tax expense	23,322	16,623
Effective tax rate	27.2%	26.7%

The average effective tax rate in 2016 was 27.2%. This is in line with the tax burden in 2015. The effect of the change in the tax rate on previous years is mainly due to the future fall in the tax rate in the UK, which has a positive effect on deferred tax liabilities.

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	2016	2015
Net result - attributable to:	**62,455**	**45,615**
Non-controlling interests	1,210	202
Equity holders of Lotus Bakeries	61,245	45,413
Weighted average number of shares	793,147	788,341
Basic earnings per share (EUR) - attributable to:		
Non-controlling interests	1.53	0.26
Equity holders of Lotus Bakeries	77.22	57.61
Dilutive effect	**13,059**	**14,906**
Weighted average number of shares under option	21,275	25,214
Weighted average number of shares which should be issued at average market rate	(8,216)	(10,308)
Weighted average number of shares after effect of dilution	806,206	803,247
Diluted earnings per share (EUR) - attributable to:		
Non-controlling interests	1.50	0.25
Equity holders of Lotus Bakeries	75.97	56.54
Total number of shares	812,513	811,863
Earnings per share (EUR) - attributable to:		
Non-controlling interests	1.49	0.25
Equity holders of Lotus Bakeries	75.38	55.94
Total number of shares less treasury shares	794,883	789,858
Earnings per share (EUR) - attributable to:		
Non-controlling interests	1.52	0.26
Equity holders of Lotus Bakeries	77.05	57.50

31. Related parties

A list of all Group companies is provided in note 1. Further details of the shareholding structure of Lotus Bakeries NV as of 31 December 2016 are contained in the Corporate Governance Statement in part 1 of the 2016 annual review of Lotus Bakeries.

For information on the remuneration of the CEO and the remuneration of the executive managers (excluding the CEO) in 2016, we refer to the remuneration report included in Part 1 of the 2016 annual review.

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

32. Rights and commitments not reflected in the balance sheet

1. Rent

The Group's commitments relate to the leasing of cars in Belgium, France, Germany, the Netherlands, the UK, the United States, the Czech Republic, Sweden, China, Hong Kong, Spain and Switzerland, of office space for Sales Offices other than in Belgium, the Netherlands and France and the leasing of warehouse space. The lease rental payments are charged to the income statement.

Future rental charges as of 31 December:

IN THOUSANDS OF EUR	2016	2015
Less than one year	4,419	2,143
Greater than one year and less than five years	7,563	2,984
More than 5 years	3,111	8

The annual rent costs of these commitments totalled kEUR 4,167 in 2016 (kEUR 2,375 in 2015).
Lease agreements in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating lease agreements. Payments made under operating lease agreements are charged to the income statement on a straight-line basis over the life of the lease agreement.

2. Commitments to acquire tangible fixed assets
As of 31 December 2016, the Group had kEUR 18,553 of commitments (2015: kEUR 14,425) for the purchase of fixed assets.

The main commitments relate to the expansion of capacity at the Lembeke and Courcelles plants and a new line for Lotus Zebra in the factory at Oostakker.

3. Contracts for raw materials and finished products
Purchased but not yet delivered raw materials and finished products in 2017 and 2018 amount to kEUR 74,339, as detailed below.

IN THOUSANDS OF EUR	2016	2015
Less than one year	70,173	57,435
Greater than one year and less than five years	4,166	13,610

4. Other rights and commitments
Bank guarantees as of 31 December 2016: kEUR 601 (as of 31 December 2015: kEUR 566).

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 2016 annual review of Lotus Bakeries.

34. Categories and fair value of financial instruments

Financial Assets by Class and Measurement Category:
All financial assets (trade receivables, cash and cash equivalents) are measured at amortized cost. The fair value of these assets does not deviate significantly from their nominal value. On 31 December 2016 and 2015, there are no financial assets measured at fair value.

Financial Liabilities by Class and Measurement Category:

31 DECEMBER 2016

IN THOUSANDS OF EUR	NOTE	FINANCIAL LIABILITIES AT AMORTIZED COST	FINANCIAL LIABILITIES AT FAIR VALUE: DERIVATIVES - THROUGH PROFIT OR LOSS	FINANCIAL LIABILITIES AT FAIR VALUE: DERIVATIVES - THROUGH EQUITY	FINANCIAL LIABILITIES AT FAIR VALUE: FAIR VALUE HIERARCHY	TOTAL
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**

31 DECEMBER 2015

IN THOUSANDS OF EUR	NOTE	FINANCIAL LIABILITIES AT AMORTIZED COST	DERIVATIVES - THROUGH PROFIT OR LOSS	DERIVATIVES - THROUGH EQUITY	FAIR VALUE HIERARCHY	TOTAL
Interest-bearing liabilities	13.17	97,000	-	-		97,000
Derivative financial instruments	20	-	-	869	Level 2	869
Other non-current liabilities	21	4	-	22,811	Level 3	22,815
Non-current liabilities		**97,004**	-	**23,680**		**120,684**
Interest-bearing liabilities	13.17	99,086	-	-		99,086
Trade payables	22	42,498	-	-		42,498
Derivative financial instruments	20.22	-	7	-	Level 2	7
Current liabilities		**141,584**	**7**	-		**141,591**
Total financial liabilities		**238,588**	**7**	**23,680**		**262,275**

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 categorized 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 2016 and 2015.

The fair value of the financial liabilities at amortized cost does not deviate significantly from their nominal value.

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 2016 these costs amounted to kEUR 1,320.

YEAR	EXTERNAL AND INTERNAL COSTS OF RESEARCH AND DEVELOPMENT
2016	1,320
2015	1,384
2014	1,434
2013	1,128
2012	974

36. Subsequent events

No significant events have occurred since 31 December 2016 which have a material impact on the financial statements.

37. Management responsibility statement

We hereby certify that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2016, 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 2016 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, 12 April 2017
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 2016	
Lotus Bakeries NV	75
Lotus Bakeries Group	339
Total	**414**
Fees for the mandates of PwC Bedrijfsrevisoren	256
Fees for the mandates of persons related to PwC Bedrijfsrevisoren	158
Group's Auditor fees for additional services rendered	
Other audit-related fees	2
Tax fees	-
Other non-audit fees	-
Fees for additional services rendered by persons related to PwC Bedrijfsrevisoren	
Other audit-related fees	14
Tax fees	393
Other non-audit fees	10

The exceedance of the one to one rule has been approved by the Audit Committee of Lotus Bakeries NV.

REPORT TO THE GENERAL SHAREHOLDERS

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated financial statements - Unqualified opinion

We have audited the consolidated financial statements of Lotus Bakeries NV ("the Company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The consolidated accounts of the Group are set forth in the financial supplement to the Annual Review and Annual Review as such. The total of the consolidated balance sheet amounts to EUR'000 548,002 and the consolidated statement of income shows a profit for the year, Group share, of EUR'000 61,245.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determine, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) as endorsed in Belgium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Ghent, 12 April 2017

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	31-12-2016	31-12-2015	31-12-2014	31-12-2013	31-12-2012
NON CURRENT ASSETS	**437,310**	**442,884**	**263,881**	**262,729**	**214,154**
Property, plant and equipment	161,590	139,377	137,569	136,489	109,064
Goodwill	144,368	93,229	46,135	46,517	25,960
Intangible assets	126,006	107,901	74,674	75,744	76,248
Investment in other companies	37	96,244	22	27	32
Deferred tax assets	4,854	5,889	5,275	3,859	2,691
Other non current assets	455	244	206	93	159
CURRENT ASSETS	**110,692**	**128,337**	**73,108**	**71,375**	**56,461**
Inventories	32,175	35,659	17,898	16,665	14,917
Trade receivables	50,922	56,143	38,804	36,036	29,751
Cash and cash equivalents	19,932	18,547	11,855	11,933	6,452
TOTAL ASSETS	**548,002**	**571,221**	**336,989**	**334,104**	**270,615**
EQUITY	**248,464**	**217,525**	**200,629**	**171,375**	**145,206**
Non-current liabilities	**197,245**	**169,242**	**39,506**	**43,984**	**34,041**
Interest-bearing loans and borrowings	118,500	97,000	325	7,925	-
Deferred tax liabilities	50,666	44,607	34,905	32,687	30,323
Other non-current liabilities	19,560	22,815	57	5	5
Current liabilities	**102,293**	**184,454**	**96,854**	**118,745**	**91,368**
Interest-bearing loans and borrowings	7,533	99,086	41,144	62,337	41,675
Trade payables	54,742	42,498	33,309	34,249	30,886
Employee benefit expenses and social security	18,418	18,336	12,357	12,525	10,792
TOTAL EQUITY AND LIABILITIES	**548,002**	**571,221**	**336,989**	**334,104**	**270,615**

Consolidated income statement

IN THOUSANDS OF EUR	2016	2015	2014	2013	2012
TURNOVER	**507,208**	**411,576**	**347,890**	**332,319**	**288,455**
RECURRENT OPERATING RESULT (REBIT)	**83,945**	**64,764**	**49,433**	**41,371**	**36,680**
Non-recurrent operating result	4,507	(1,748)	(261)	(3,655)	(1,953)
OPERATING RESULT (EBIT)	**88,452**	**63,016**	**49,172**	**37,716**	**34,727**
Financial result	(2,675)	(778)	16	(1,740)	(1,569)
PROFIT FOR THE YEAR BEFORE TAXES	**85,777**	**62,238**	**49,188**	**35,976**	**33,158**
Taxes	(23,322)	(16,623)	(12,415)	(8,057)	(7,408)
RESULT AFTER TAXES	**62,455**	**45,615**	**36,773**	**27,919**	**25,750**
NET RESULT - attributable to:	**62,455**	**45,615**	**36,773**	**27,919**	**25,750**
Non-controlling interests	1,210	202	(2)	(1)	13
Equity holders of Lotus Bakeries	61,245	45,413	36,775	27,920	25,737

ABRIDGED STATUTORY FINANCIAL STATEMENTS OF LOTUS BAKERIES NV

Balance sheet after appropriation of profit

ASSETS IN THOUSANDS OF EUR	31-12-2016	31-12-2015
Fixed Assets	**375,054**	**376,225**
II. Intangible assets	**8,981**	**10,478**
IV. Financial assets	**366,073**	**365,747**
A. Affiliated enterprises	366,073	365,747
1. Participating interests	366,073	365,747
Current Assets	**24,836**	**24,537**
VII. Amounts receivable within one year	**11,792**	**10,515**
A. Trade debtors	11,655	10,117
B. Other amounts receivable	137	398
VIII. Current investments	**12,038**	**13,677**
A. Own shares	12,038	13,677
IX. Cash at bank and in hand	**996**	**334**
X. Deferred charges and accrued income	**10**	**11**
TOTAL ASSETS	**399,890**	**400,762**

LIABILITIES IN THOUSANDS OF EUR	31-12-2016	31-12-2015
Capital and reserves	**74,646**	**69,237**
I. Capital	**3,576**	**3,573**
A. Issued capital	3,576	3,573
II. Share premium account	**11,951**	**11,794**
IV. Reserves	**59,119**	**53,870**
A. Legal reserve	357	357
B. Reserves not available for distribution	12,110	13,749
1. Own shares	12,038	13,677
2. Other	72	72
C. Untaxed reserves	545	545
D. Reserves available for distribution	46,107	39,219
Amounts payable	**325,244**	**331,525**
VIII. Amounts payable after more than one year	**107,301**	**107,168**
A. Financial debts	98,140	98,140
5.Other loans	98,140	98,140
D. Other debts	9,161	9,028
IX. Amounts payable within one year	**217,939**	**223,846**
A. Current portion of amounts payable after more than one year	-	1,268
B. Financial debts	197,787	204,492
2. Other loans	197,787	204,492
C. Trade debts	6,085	6,371
1. Suppliers	6,085	6,371
E. Taxes, remuneration and social security	782	13
1. Taxes	782	13
F. Other amounts payable	13,285	11,702
X. Accrued charges and deferred income	**4**	**511**
TOTAL LIABILITIES	**399,890**	**400,762**

Not-consolidated income statement

IN THOUSANDS OF EUR	2016	2015
I. Operating income	**11,523**	**10,078**
D. Other operating income	11,523	10,078
II. Operating charges	**(4,671)**	**(7,068)**
B. Services and other goods	3,145	4,407
D. Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	1,497	1,497
G. Other operating charges	29	42
H. Non-recurring operating charges	-	1,122
III. Operating profit	**6,852**	**3,010**
IV. Financial income	**16,426**	**11,917**
A. Income from financial fixed assets	15,896	11,749
C. Other financial income	530	168
V. Financial charges	**(3,581)**	**(3,258)**
A. Interest and other debt charges	3,307	3,062
C. Other financial charges	274	196
IX. Profit for the year before taxes	**19,697**	**11,669**
X. Income taxes	**(1,007)**	**39**
A. Income taxes	1,007	14
B. Adjustment of income taxes and write-back of tax provisions	-	(53)
XI. Profit for the year	**18,690**	**11,708**
XIII. Profit for the year available for appropriation	**18,690**	**11,708**

Appropriation account

IN THOUSANDS OF EUR	2016	2015
A. Profit to be appropriated	18,690	11,708
1. Profit for the year available for appropriation	18,690	11,708
B. Withdrawals from capital and reserves	-	81
2. From reserves	-	81
C. Transfer to capital and reserves	(5,249)	(4)
2. To legal reserve	-	4
3. To other reserves	5,249	-
F. Distribution of profit	(13,441)	(11,785)
1. Dividends	13,191	11,535
2. Directors' entitlements	250	250

Extract from the notes

VIII. Statement of capital	2016	2015	2016
	IN THOUSANDS OF EUR	IN THOUSANDS OF EUR	NUMBER OF SHARES
A. Capital			
1. Issued capital			
At the end of the preceding year	3,573	3,534	
At the end of the year	3,576	3,573	
2. Structure of the capital			
2.1. Different categories of shares			
Ordinary shares	3,576	3,573	812,513
2.2. Registered shares and bearer shares			
Registered			1,104
Bearer			-
Dematerialized			811,409
C. Treasury shares held by:			
- Its subsidiaries	-	-	-
E. Amounts of authorized capital, not issued	**957**	**960**	

Accounting principles

1. Assets

1.1. Formation expenses
Formation expenses are recorded at cost and depreciated at 100%.

1.2. Intangible fixed assets
Intangible fixed assets are recorded at purchase or transfer price. The amortization percentages applied are:
- brand: 10%
- software: 33%

1.3. Financial fixed assets
Financial fixed assets are valued at acquisition price or contribution value without supplementary costs.

Reductions in value are applied where the estimated value of the financial fixed assets is less than the accounting value and where the loss of value so determined is of a lasting nature in the opinion of the Board of Directors.

The estimated value of the financial fixed assets is determined at the end of the accounting period based on the most recent available balance sheet and on one or more criteria.

Reductions in value are reversed, up to the amount of the previously recorded reductions in value, where the valuation at the closing date of the accounting period concerned significantly exceeds the previous valuation.

1.4. Receivables
The necessary reductions in value are applied to receivables, the collection of which is in doubt.

Receivables are recorded at their nominal value, less any credit notes remaining to be drawn up.

Receivables in foreign currencies are converted at the exchange rate applying on the balance sheet date.

Negative exchange rate differences in non-euro currencies are included in the income statement as in the past.

1.5. Investments and cash at bank and in hand
Treasury shares are valued at purchase price.

Cash at bank and in hand in foreign currency is converted at the exchange rate applying on the balance sheet date.

Both the negative and the positive conversion differences are included in the profit and loss account.

2. Liabilities

2.1. Provisions for liabilities and charges
Provisions are made for all normally foreseeable liabilities and charges.

2.2. Amounts payable within one year
Suppliers

Debts to suppliers are booked at their nominal value. Debts in foreign currencies are valued at the rate of exchange on the balance date.

Exchange rate differences are processed in the same way as for foreign currency receivables.

3. Additional information

The company is part of a VAT unit which was formed within the Group and to which the following companies belong:

- Lotus Bakeries NV
- Lotus Bakeries België NV
- Cremers-Ribert NV
- Interwaffles SA
- Lotus Bakeries Corporate NV
- Biscuiterie Willems BVBA
- B.W.I. BVBA

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

REGISTERED OFFICE

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Register of legal persons of Ghent,
Enterprise number 0401.030.860

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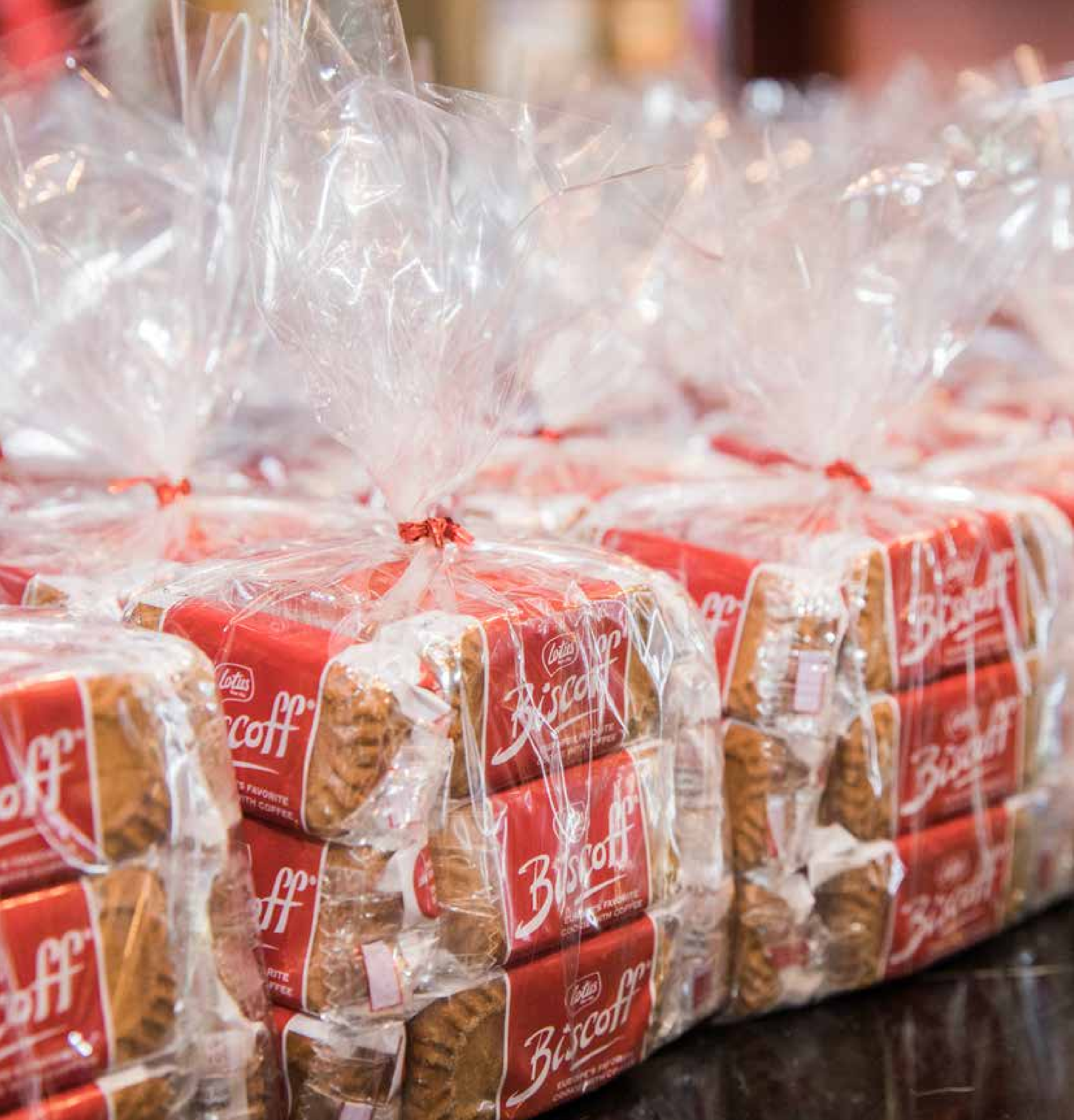
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