



# ANNUAL REVIEW 2013





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A photograph of two children, a boy and a girl, sitting on a yellow rope climbing structure at a beach. The boy, on the left, has brown hair and is wearing a red and white striped long-sleeved shirt over a white shirt and blue jeans. He is holding a red and white sippy cup. The girl, on the right, has blonde hair in a ponytail and is wearing a red cardigan over a white shirt, white leggings, a denim skirt, and white sneakers with red socks. She is holding a waffle. They are both smiling and looking at each other. The background is a sandy beach with some driftwood.

CONSOLIDATED  
KEY FIGURES

## CONSOLIDATED KEY FIGURES OF THE LOTUS BAKERIES GROUP

in millions of EUR	2013	2012	2011	2010	2009
<b>INCOME STATEMENT</b>					
Turnover	332.32	288.46	275.60	264.82	261.07
Raw materials, consumables and goods for resale	(111.43)	(91.15)	(85.74)	(81.06)	(86.93)
Services and other goods	(87.26)	(78.39)	(73.25)	(69.63)	(63.80)
Personnel costs	(78.90)	(69.97)	(68.72)	(65.53)	(65.00)
Depreciation and amounts written off <sup>(1)</sup>	(14.16)	(12.84)	(12.07)	(12.50)	(12.08)
Other operating income and charges (net)	0.80	0.57	0.55	(1.15)	1.32
Recurrent operating result (REBIT)	41.37	36.68	36.37	34.96	34.59
Recurrent operating cash flow (REBITDA) <sup>(2)</sup>	55.62	49.85	49.36	48.71	48.20
Non-recurrent operating result	(3.65)	(1.95)	(2.70)	(0.87)	(0.29)
Operating result (EBIT) <sup>(3)</sup>	37.72	34.73	33.67	34.09	34.30
Financial result	(1.74)	(1.57)	(0.69)	(2.96)	(2.83)
Result before taxation	35.98	33.16	32.98	31.13	31.47
Income taxes	(8.06)	(7.41)	(9.17)	(8.06)	(8.20)
Result after taxation	27.92	25.75	23.81	23.07	23.27
Result from discontinued operations	-	-	-	-	1.89
NET RESULT	27.92	25.75	23.81	23.07	25.16
Net result: minority interest	-	0.01	0.01	0.01	0.10
Net result: Group share	27.92	25.74	23.80	23.06	25.06
<b>SELF-FINANCING AND INVESTMENTS</b>					
Net cash flow <sup>(4)</sup>	45.41	42.99	36.41	38.15	40.47
Investments <sup>(5)</sup>	33.16	40.54	16.98	17.09	9.18
<b>BALANCE SHEET</b>					
Balance sheet total	334.10	270.62	237.89	224.73	226.11
Equity	171.38	145.21	126.76	109.80	101.20
Net financial debts <sup>(6)</sup>	48.89	24.16	10.88	23.76	26.99
<b>NUMBER OF PERSONS EMPLOYED</b>					
	<b>1,244</b>	<b>1,218</b>	<b>1,198</b>	<b>1,198</b>	<b>1,224</b>
<b>CONSOLIDATED KEY FIGURES PER SHARE in EUR <sup>(7)</sup></b>					
	2013	2012	2011	2010	2009
Recurrent operating result (REBIT)	54.09	49.17	48.54	46.52	45.08
Recurrent operating cash flow (REBITDA) <sup>(2)</sup>	72.72	66.82	65.90	64.83	62.81
Net result: share of the Group	36.50	34.50	31.77	30.68	32.67
Gross dividend <sup>(8)</sup>	10.80	9.80	9.40	8.80	7.80
Net dividend	8.10	7.35	7.05	6.60	5.85
Weighted average number of shares	764,828	746,052	749,088	751,377	767,320
<b>Total number of shares per 31 December</b>	<b>795,113</b>	<b>779,643</b>	<b>772,563</b>	<b>772,563</b>	<b>803,037</b>

CONSOLIDATED KEY FIGURES

(1) Depreciation and amounts written off consist of depreciation and amortization of tangible and intangible fixed assets, and amounts written off on inventories, orders in progress and trade receivables.

(2) Recurrent operating cash flow is defined as recurrent operating result + depreciation + provisions and amounts written off + non-cash costs valuation option- and warrantplan.

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

(4) Net cash flow is defined as net result + all non-cash costs - all non-cash income items.

(5) Includes investments in tangible and intangible non-current assets.

(6) Net financial debts are defined as financial debts - investments - cash at bank and in hand - treasury shares.

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

(8) For 2013: proposed dividend to the General Meeting of 9 May 2014.

## REMARKABLE FACTS



Move of frangipane to Oostakker

JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

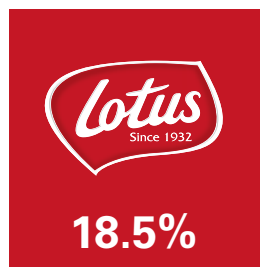
Acquisition of  
Biscuiterie  
Willems



Expansion of  
Sintjohannesga



LOTUS, for the first time key brand in 'Bakery and sweet biscuits' in Belgium in 2013



Publication of the Lotus Cookbook

Go live of Lotus Link

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER



Launch of Dinosaurus biscuits in Belgium and France




New LOTUS logo and restyling of packaging



Lotus Bakeries 25 years on the stock market

REMARKABLE FACTS



Jan Vander Stichele  
Executive Director

Matthieu Boone  
Chairman

Jan Boone  
CEO

# 1 MESSAGE OF THE PRESIDENT AND THE CEO

What should we remember from the past year and take with us to 2014?

We think the key message is: 'Lotus Bakeries invests!'.

We are a healthy company. A healthy and ambitious company. And we can be ambitious, because we have a strong strategy and the people to make this strategy into a reality. That is why Lotus Bakeries dares to invest in the future. It demonstrates our firm conviction that we have a durable and healthy future ahead of us.

I would like to put a number of last year's projects in the spotlight.

First, we have completed our renovation works in the Netherlands at our gingerbread factories in Geldrop and Sintjohannesga. By optimising the production plant in Geldrop and expanding the capacity of Sintjohannesga, we are now in a position to respond better and with more flexibility to the increasing and evolving demand for gingerbread in the Netherlands.

We also moved the frangipane line from Lembeke to Oostakker, for which we needed to expand the capacity of the buildings in Oostakker. The entire moving project was a spectacular feat. Our plant in Oostakker now takes care of the entire pastry production in Belgium.

At the beginning of last year we acquired Biscuiterie Willems in Eeklo. Before the takeover we produced caramelized biscuits at just one site. The acquisition of Biscuiterie Willems responds to the required business continuity for the production of caramelized biscuits. It is a brilliant opportunity for the Group to possess a second caramelized biscuits factory besides Lembeke. Although we would like to make it clear that we will only produce the unique Lotus caramelized biscuits in Lembeke.

We have also decided to centralise all commercial activities for the Customer Brands (house brands). This way, we will create two strong teams in Belgium, each with its own focus. In Eeklo a Customer Brand Business team and in Lembeke a commercial team to support the Lotus brand.

With regard to ICT we have taken some important steps in 2013, including the 'go live' of the employee portal 'Lotus Link'. This tool will substantially improve database management. Lotus Link will furthermore provide an up-to-date and clear communication channel within the Lotus Group. This applies to all our employees, anywhere in the world. Another important ICT project is the SAP implementation at the Eeklo plant. Less than one year after the takeover, Biscuiterie Willems is now fully integrated in the SAP environment of the Lotus Bakeries Group.

Another notable project is the purchase and installation of the Dinosaur production line in Lembeke. We have chosen a highly automated line with a high output. This way we will be able to produce the Dinosaur biscuits at a competitive cost price. This will give the Dinosaur concept all the necessary trumps to strongly contribute to the future growth of Lotus Bakeries.

As a company, we are also continuously investing in focused marketing activities in various countries. In our Belgian domestic market, we have again been able to realise significant marketing and sales activities, which have led to further commercial success. As the cherry on the cake, we have achieved the greatest market share ever for the Lotus brand in 'Bakery and sweet biscuits' in Belgium.

As you can read, our company has some important and inspiring investment projects going. We would like to continue these

dynamics. We want to continue to grow in our domestic markets, we want to support the countries in which we have been able to build strong positions and we want to invest in new markets such as China and South America. Growing step by step. But to be able to invest well, we need a clear strategy. This is why we have further accentuated our basic strategy in the past year by dedicating a separate chapter to the internationalisation of Lotus caramelized biscuits. We strongly believe in the unique flavour of our biscuit. Better than anyone else we know that once you taste Lotus caramelized biscuits, you are immediately hooked.

This is why we want everyone to taste our biscuit. The best time to generate such a 'trial' is when people are away from home. We want people to be offered our biscuit with their cup of coffee in restaurants, bars, hotels, planes, schools, at the hairdresser, etc. etc. This way, people will easily encounter the unique flavour of our biscuit, after which they will also start to buy Lotus caramelized biscuits for their home.

'Household penetration' is one of the key indicators used by us to measure the advance of Lotus caramelized biscuits in the various countries. Household penetration refers to the percentage of families who buy our Lotus caramelized biscuits at least once a year. This indicator is a direct guideline for the company. Each country will have its own target suited to the phase which this country currently is in. We hope to increase our household penetration in all countries where Lotus caramelized biscuits is sold this year. This means that all employees, from Belgium to China and from Sweden to Chile, are working to achieve the same goal.

To invest, start new projects and achieve good results is important. However, as a company we

should also consider our public and social responsibility. For this reason we have created a framework, called 'Care for today - Respect for tomorrow'. From the start in 2003 until today, our company has supported the project 'The boat to Kinshasa' in Congo through 'Ondernemers voor Ondernemers'. Investment into basic infrastructure, such as boats, roads and bridges, has meant that families around the Mai-Ndombe lake are able to bring their products to Kinshasa to sell them. We are proud to have contributed to this project. In the future our company will support a number of specific projects in order to provide a contribution to our society.

We would like to finish with a quote from Debbi Fields, founder of the Mrs. Fields biscuit shops in the United States:

"I've never felt like I was in the cookie business. I've always been in a feel-good business. My job is to sell joy. My job is to sell happiness. My job is to sell an experience."

Let's keep this in mind in 2014. Each Lotus product must be an experience for our customers, a unique experience!



**Jan Boone**  
CEO



**Matthieu Boone**  
Chairman



## 2 LOTUS BAKERIES' STRATEGY

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## MISSION STATEMENT

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

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## LOTUS BAKERIES' STRATEGY

Lotus Bakeries operates in the field of authentic specialties in the biscuits, gingerbread, waffles and cake specialties markets. Lotus Bakeries wants to continuously strengthen its leadership in each of its specialty areas and is working to stimulate both its more traditional markets as well as to internationalize these products. The strong positions of the different brands of the Lotus Bakeries Group confirm this leadership.

The strength of our brands is determined by the value they provide to our consumers. The brands are supported by quality, price and innovative power. We endeavour to make our products increasingly attractive and are committed to make our brands increasingly competitive through a long term vision with suitable investments in marketing, production, research and product development.

- Lotus is the brand for caramelized biscuits (speculoos), caramelized biscuit spread and ice cream, cake specialties, waffles & galettes and gingerbread in the various worldwide markets.
  - Internationally we use the name Biscoff as a product name for caramelized biscuits.
  - With the brand Dinosaurius, acquired by Lotus Bakeries in 2013, we aim to develop a strong position in the biscuit segment.
- Peijnenburg and Snelle Jelle are the brands in the Netherlands for gingerbread and other specialties.
- Annas is the brand for pepparkakor specialties. A strong brand, particularly in Scandinavia with a strong distribution in North America.

This leadership is continuously reinforced by applying a number of consistently implemented strategic choices:

1. A strong focus on the best performing products. This way the specialties of Lotus Bakeries are able to continue to grow in their home markets and in growth markets.
2. Giving priority to clear and consistent communication with the consumer and allocate sufficient resources to this.
3. Focused product innovations, aimed partly at format innovation, and partly at introducing products for new consumption moments.
4. A clear focus on continuously improving our manufacturing efficiency. This is in order to continue to produce the best quality products at the most competitive cost.
5. Sustainability is crucial for Lotus Bakeries. The theme Corporate Social Responsibility is implemented in the organization as 'Care for today - Respect for tomorrow'. The implementation and continuous improvement of this is directed primarily at four general areas: people, environment, society and employees.



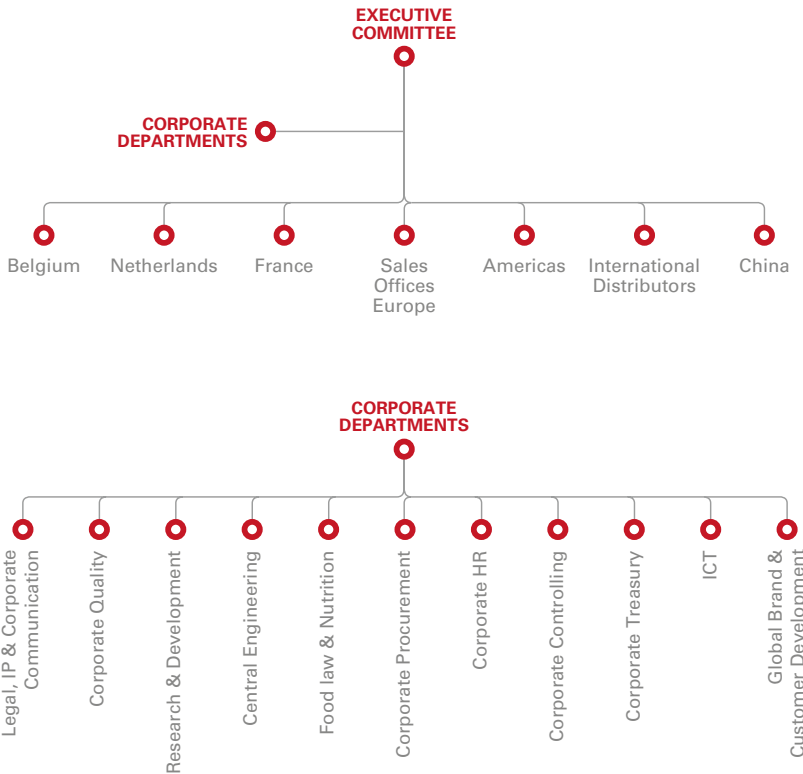
**3** LOTUS  
BAKERIES  
GROUP'S  
PROFILE

## 1 | GROUP FUNCTIONS AND COUNTRY ORGANIZATION

To implement the Lotus Bakeries Group strategy and meet the challenging objectives deriving from it, the Group has opted for a group policy that is carried out under the direction of the Executive Committee (EXCO) and is passed on to the various corporate departments, country and regional organizations ('areas'). Up to the end of 2013, our area structure was as follows: Belgium, Netherlands, France, Northern & Eastern Europe, Southern & Western Europe/Middle East/Africa (SWEMEA), Americas, Asia Pacific and China. The organogram on this page shows the current area structure which is operational as from 1 January 2014. We changed the area structure of the three multi-country areas, being Northern and Eastern Europe, SWEMEA and Asia Pacific. All countries in which we are active with our own

Sales Office are grouped into one area: Sales Offices Europe. Countries in which we cooperate with distributors are also grouped together in one area: International Distributors.

The EXCO members and the General managers of each area together form the Group Management Team. The country and regional organizations play a very important role in responding to the commercial specificities of each market and the culture of each country. It is crucially important that the commercial policy of each country and/or region reflects its own particular market and that production facilities also think in a marketdirected way. This is part of the Lotus Bakeries group policy, and is integrated into the policy lines that are set at group level.



In 2013, the Executive Committee consisted of the following members:

Name	Function
Jan Boone	CEO
Jan Vander Stichele	Executive Director
Jos Destrooper	Corporate director finance & human resources
John Van de Par	Corporate director EMEA & ICT

As from May 2014, the Executive Committee will have the following members:

Name	Function
Jan Boone	CEO
Jan Vander Stichele	Executive Director
Isabelle Maes	CFO
John Van de Par	COO



## 2 | PRODUCTS

Lotus Bakeries has opted for a brand policy based on authentic specialties in the biscuit and cake world: caramelized biscuits, gingerbread, waffles and galettes, cake specialties, pepparkakor biscuits and Dinosaurus biscuits. This policy is implemented by strengthening Lotus Bakeries' leadership in these products in their regions of origin, and stimulating their internationalization.

### CARAMELIZED BISCUITS

Caramelized biscuits are an original Belgian specialty. They owe their typical taste to the caramelization of the sugar during the baking process. In Belgium, Lotus caramelized biscuits are a top product across the biscuit market. Lotus caramelized biscuits are proving increasingly popular internationally, so that today more than 75% of sales are realized outside Belgium. Consumers also want to experience the unique Lotus caramelized biscuit taste in other products that are strongly anchored in their consumption patterns. For this reason Lotus caramelized biscuit spread and Lotus caramelized biscuit ice cream have been developed on the basis of Lotus caramelized biscuits, enabling consumers to find again the familiar and unique Lotus caramelized biscuit taste in these products.



### GINGERBREAD

This authentic product from the Low Countries (modern-day Belgium and the Netherlands) has developed very strongly in the Netherlands, where gingerbread is very popular. Strong brands like Peijnenburg and Snelle Jelle have been turned into modern, contemporary concepts that match the consumption patterns of today's conscious consumers. Koninklijke Peijnenburg has almost 60% of the Dutch gingerbread market.



### CAKE SPECIALTIES

This group of authentic products is difficult to bring under a common denominator. In almost every case these are specialties that are very popular in their region and country of origin. These specialties have an outstanding quality and strong branding. These products, like frangipane, madeleine, carré confiture and Zebra in Belgium,

Glacés and Enkhuizer cookies in the Netherlands and Breton butter specialties are mainstays for the popularity of the Lotus brand.



### WAFFLES AND GAULETTES

Belgium has long been famed for its waffles. Lotus Bakeries has a very wide range here consisting primarily of Liège waffles, soft waffles, filled waffles, galettes (thin, crispy waffles) and vanilla waffles.



### PEPPARKAKOR BISCUITS

Pepparkakor biscuits are traditional Swedish biscuits. It is a thin and crispy biscuit enriched with cinnamon and ginger spices. Annas Pepparkakor introduced the pepparkakor biscuits as a specialty in Sweden, Finland, the United States, Canada and many other countries.



### DINOSAURUS BISCUITS

At the end of 2012, Lotus succeeded in acquiring the Dinosaurus brand from Galletas Artiach. With this Dinosaurus brand Lotus will be able to build its position in the children's biscuit segment. Dinosaurus biscuits have for years been the favourite children's biscuit in Belgium and France. Our focus will be on further internationalisation of our brand.



## 3 | PRODUCTION FACILITIES

Lotus Bakeries' product range involves it is active in a wide range of different production technologies. Understanding, mastering and further developing these technologies is a constant challenge. This makes it important to concentrate the products and production processes in specialized plants.

Our production sites and logistics centre are:

#### Belgium

Courcelles	waffles and galettes
Eeklo	caramelized biscuits
Lembeke	caramelized biscuits and Dinosaurus biscuits*
Lokeren	logistics centre
Meise	waffles
Oostakker	cake specialties

#### Netherlands

Enkhuizen	Enkhuizer cookies and cake specialties
Geldrop	gingerbread
Sintjohannesga	gingerbread

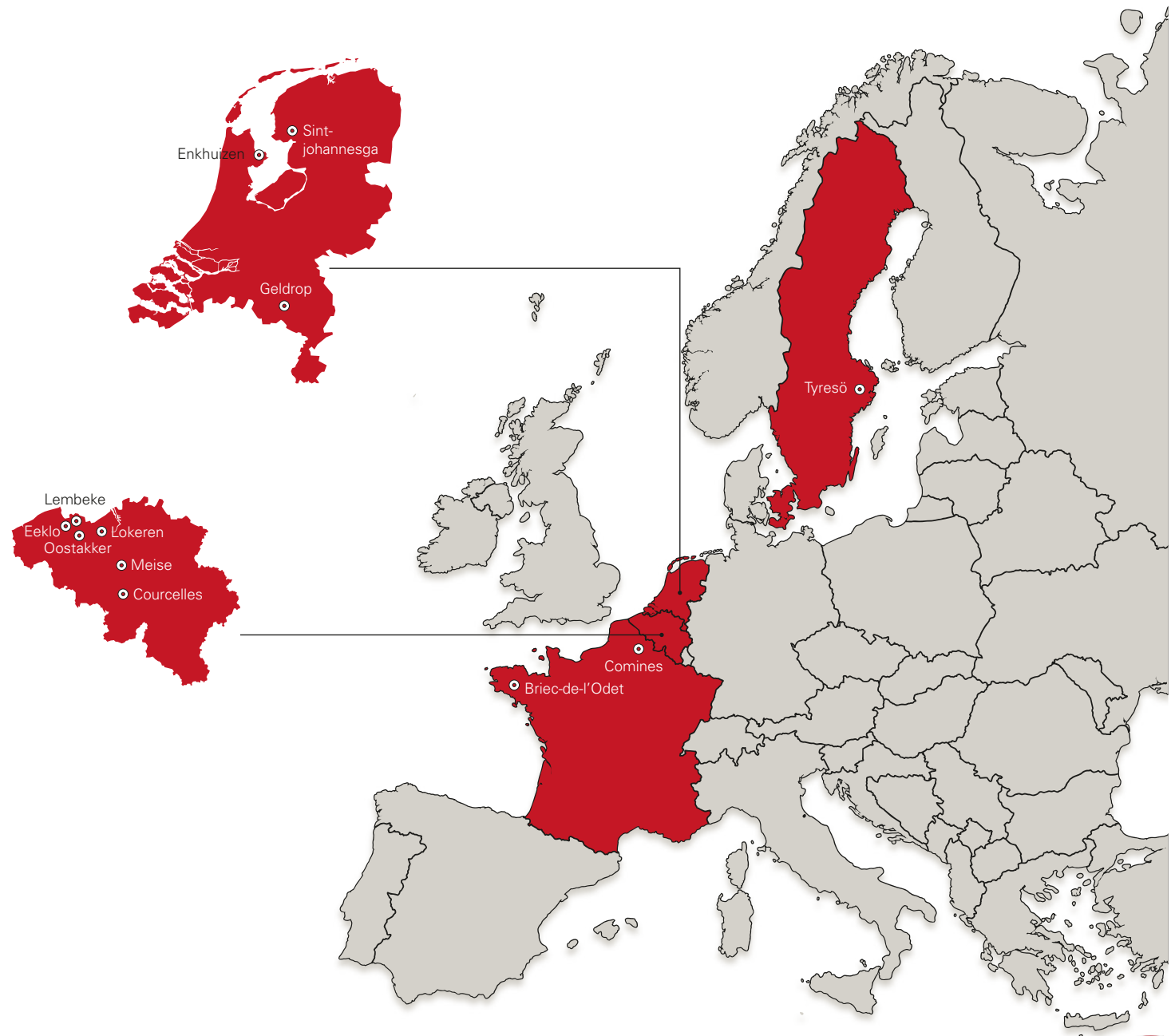
#### France

Briec-de-l'Odé	Breton butter products
Comines	cake specialties and filled waffles

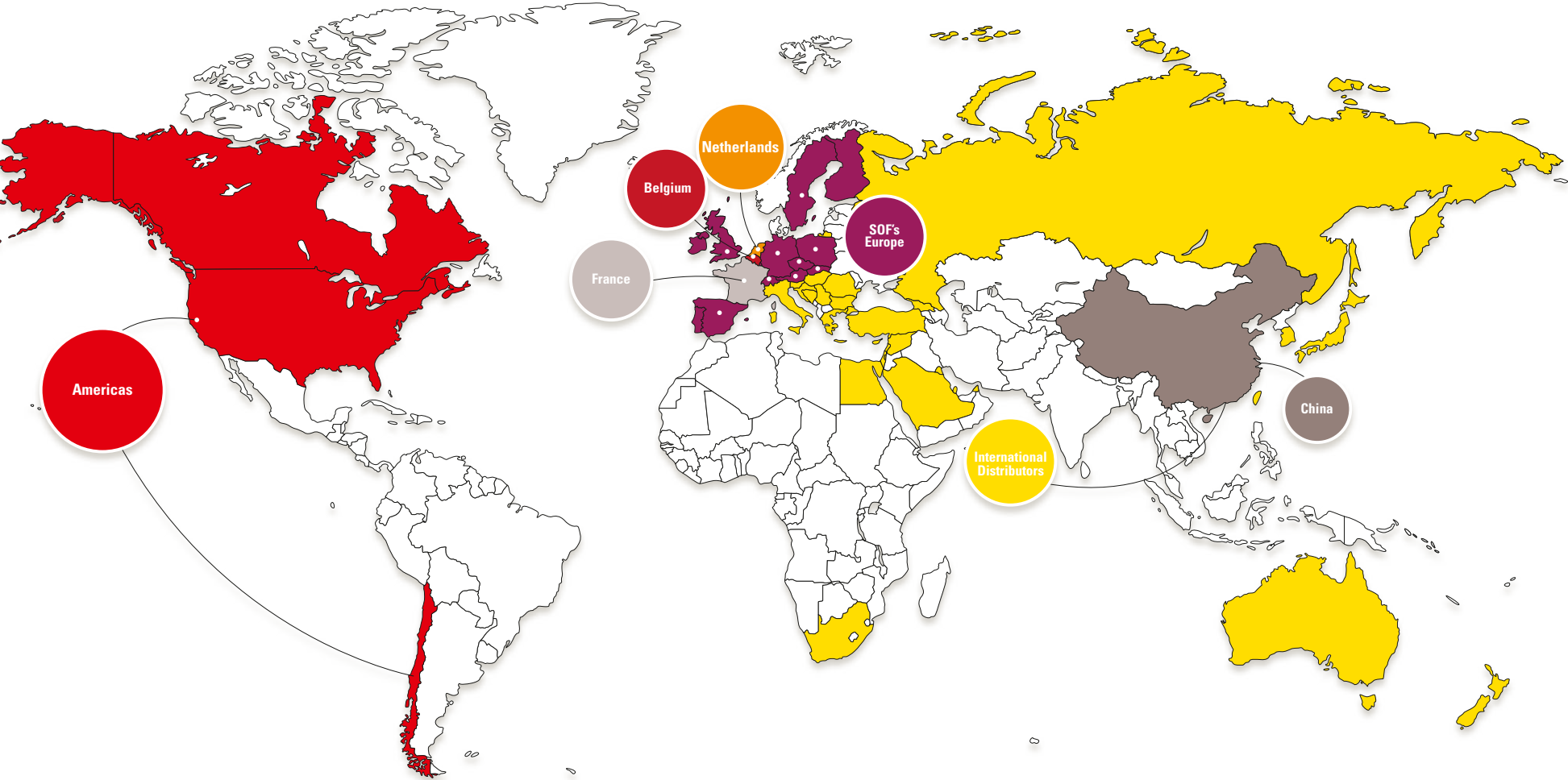
#### Sweden

Tyresö	pepparkakor biscuits
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(\*) As from the second half of 2014



4 | COUNTRY AND REGIONAL ORGANIZATIONS WITH OWN SALES ORGANIZATION (SOF) & DISTRIBUTORS



■ Sales Offices Europe: Central Europe (Germany/Austria, Czech Republic/Slovakia, Poland), Iberica (Spain/Portugal), Nordics (Sweden/Finland), Switzerland, United Kingdom and Ireland



^ TV spot Dinosaur



^ TV spot Lotus Original Caramelized Biscuits Rolls

### 3 LOTUS BAKERIES GROUP'S PROFILE



4 REPORT  
OF THE  
BOARD OF  
DIRECTORS

## 1 | ACTIVITIES IN 2013

### 1.1 MARKET SITUATION AND SALES RESULTS

#### GENERAL EVOLUTION OF TURNOVER

In 2013, the consolidated turnover of the Lotus Bakeries Group grew by 15.2% to EUR 332.3 million. The total revenue growth without Biscuiterie Willems amounts to more than 7% and can be entirely attributed to branded growth. This branded growth is primarily connected to the international growth of caramelized biscuits and waffles and the introduction of Dinosaurus.

Consistent implementation of strategic choices enabled the Lotus brand to greatly reinforce its market share in Belgium. This growth was realised through a persistent focus on product quality, consumer driven product innovations directed at new consumption opportunities and considerable marketing support for the best-selling products. This support was present in both traditional and new media. The introduction of Lotus Dinosaurus has also played an important role in Lotus Bakeries' successful year in Belgium. The distribution of Lotus Dinosaurus is strongly established in Belgium and the product has also seen good rotation.

The market in the Netherlands was under pressure in 2013 due to low levels of consumer trust and the recession. Nevertheless Lotus Bakeries managed to hold on to Koninklijke Peijnenburg's strong market share in the gingerbread segment. The brand campaigns for

Peijnenburg and Snelle Jelle made a clear contribution to this. Snelle Jelle and the introduction of Peijnenburg Overheerlijk made a positive contribution to the sales figures. The brand Lotus experienced good growth in the Netherlands with caramelized biscuits and caramelized biscuit spread.

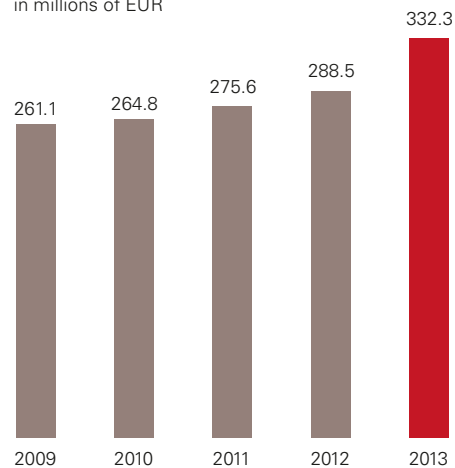
In France, a major TV campaign was run in 2013 for Lotus caramelized biscuits. Its central message was 'Every coffee needs a Lotus'. The campaign resulted in a strong rise in sales rotations in the sales point and increased brand awareness. There was a big increase in the market share within the caramelized biscuit category. Lotus Bakeries achieved good results within the waffles segment as well, here again our market share has increased. Good distribution and rotation figures bear out the successful introduction of Lotus Dinosaurus in France.

In the United States, Lotus caramelized biscuits experienced further double digit growth through active in-store confrontation with the aid of displays and additional distribution growth in retail and out-of-home. We also achieved further growth with the Lotus caramelized biscuit spread.

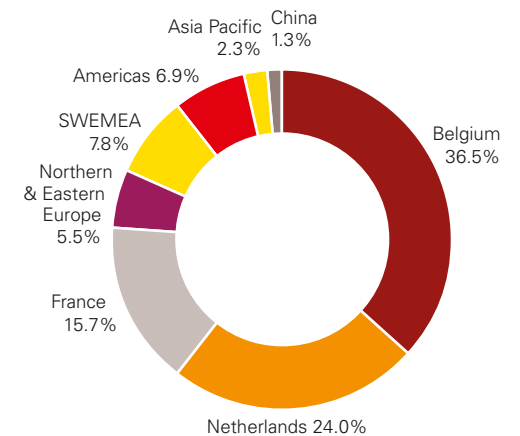
Asia Pacific again realised strong growth, notably spurred on by growing sales in China. The ambition is to get a devoted team working in China to place more focus on the expansion of the Lotus brand and the continued growth of Lotus caramelized biscuits in both out-of-home and retail.

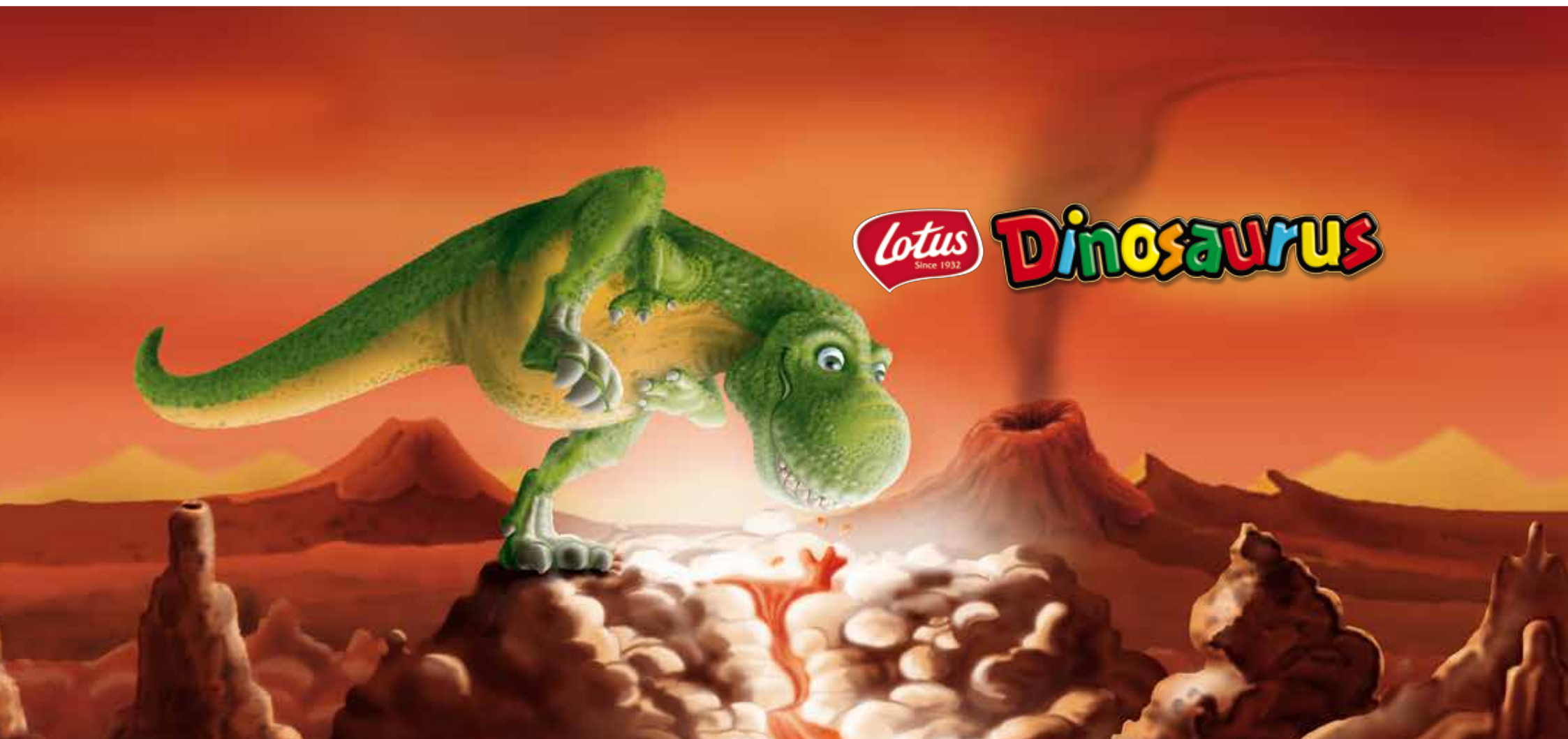
An accentuated focus on Lotus caramelized biscuits ensures further revenue growth and reinforcement of our market position in Europe, in particular in the United Kingdom, and in the Middle East. Sales of the Annas brand in Sweden and Finland have been very good this season, resulting in a strengthening of the market share.

*EVOLUTION OF TURNOVER*  
in millions of EUR



*GEOGRAPHIC ALLOCATION OF TURNOVER*





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## SOME NOTABLE ACHIEVEMENTS IN THE DIFFERENT AREAS

### Belgium

The entire sweet biscuit category is an important category in Belgium. It has a penetration of 99%, which means that practically every household is a potential purchaser. Over the past five years, this category experienced an average growth of more than 2% per year.

The brand Lotus continues to evolve in a positive manner thanks to refocused strategy. Lotus Bakeries continues to focus on superior product quality, strong communication support for top products and consumer driven innovations.

Lotus caramelized biscuits is anchored into Belgian culture. Recently, Lotus Bakeries has added much dynamism and value to the biscuit sector with the launch of the Lotus Original Caramelized Biscuit Minis (mini-sized Lotus caramelized biscuit) and Lotus Original Caramelized Biscuit Rolls (crispy caramelized biscuit balls covered in Belgian chocolate). These innovations were launched in a modern packaging inviting the consumer to also consume caramelized biscuits as a snack in between meals, tapping into a new consumption moment for the caramelized biscuit category.

Besides these innovations, Lotus wants to continue to insert dynamism by stimulating the use of caramelized biscuits by consumers in a creative way. For example, this autumn saw the publication of a unique 'Lotus Cookbook'. This is a recipe collection by and for our consumers, so that anyone can discover that Lotus caramelized biscuits, is not only delicious in desserts but also in savoury starters and main courses.

In the past year, Lotus was very active in the biscuit sector with the launch of the Lotus Dinosaurus. To emphasise this launch we designed a sympathetic Dinosaurus character which will become the face of attractive point-of-sales material with a great impact.

Lotus Dinosaurus is furthermore supported by a TV campaign. This combination of media presence and strong in-store confrontation will be the key to the further expansion of the Dinosaurus concept. At the same time we regularly activate our online community 'Lotus Friends'. This way, we are able to generate traffic to the supermarket and the biscuit category through the online channel.

Lotus will, of course, continue to focus on its top products Lotus Frangipane, Lotus Madeleine and Lotus Liege Waffle. Extensive attention to product quality, combined with strong media and in-store support remain the key drivers for further growth.

### Netherlands

As a result of low consumer confidence and a third recession within 5 years, volumes were under pressure. In 2013, this also applied to the gingerbread, cake and biscuit market.

In 2013, Peijnenburg continued to invest in the product range 'Overheerlijk' introduced in 2012. The volumes of this concept have grown substantially. At the beginning of the year, a very successful cooperation with De Telegraaf and Albert Heijn even led to temporarily empty shelves. The market share in value of Koninklijke Peijnenburg has remained stable.

For Snelle Jelle we continued to invest in the very effective advertising campaign in 2013 and the commercial with the swimmer has been joined by a new film with a rower. The volumes increased well in 2013 and the market share for individually packaged biscuits has risen to more than 50%.

Lotus Koffieleutjes has continued its spectacular growth in 2013 due to a mix of TV support, store activities and a growing presence in the out-of-home sector. This means that Lotus Koffieleutjes is on its way to fulfil the ambition of becoming the largest brand biscuit in the Netherlands in the future. The market share of Lotus in the Netherlands has increased in 2013 in the cake and biscuit market as well as in the sandwich spread market.

### France

In France, strong growth occurred driven by distribution growth and increased brand support.

Media support for Lotus caramelized biscuits continued in 2013 with two national TV campaigns, with as their central message 'Every coffee needs a Lotus'. In the stores, we ensured a strong promotional approach, additional displays and an expansion of the average number of product references in each store. In this framework the range was expanded with the launch of the Minis. This global approach led to a growth of 25% in the number of households purchasing the product and a further increase in the market share. Our Lotus caramelized biscuits furthermore remained prominently present in the out-of-home sector.

The Lotus waffles also showed good progress, the flag ship being the Liege waffle, which the French consumer considers to be of a superior flavour. But the other waffles were also further activated and the end of 2013 saw the product launch of the Lotus 'Tendre Gaufre', a soft classic waffle.

Lotus Dinosaurus has also started well in France. The inflow into stores occurred smoothly and good rotation confirms the confidence of consumers in the Lotus Dinosaurus product.

The brand Le Glazik, which is mainly sold in Brittany with a large assortment of butter cakes and butter biscuits, was given a complete packaging redesign in 2013. This made the brand gain power in the stores, on the shelves as well as in the displays.

### Southern and Western Europe/Middle East/Africa (SWEMEA)

Penetration of caramelized biscuits in the UK made good progress and increased to more than 5%. This was mainly achieved through expansion of the assortment in the key supermarket chains, meaning that it has become easier for consumers to find our products. We also achieved good results in the distribution expansion of Lotus Spread.

The results in Spain and Portugal have stagnated a little, mainly because of the lagging development of the Spanish economy and relatively high unemployment rate.

In the Middle East, good results were achieved with Lotus caramelized biscuits but also with the Lotus caramelized biscuit spread. Because of the good cooperation with our distributors focused marketing activities are used in TV campaigns, displays and samplings. The Lotus Coffee Corner in Kuwait has created a positive spin-off in the social media/PR, which has improved the Lotus brand awareness and therefore the sales figures. Our distributor in Kuwait started up the Lotus Coffee Corner in 2013. This way, the consumer is brought into contact with Lotus caramelized biscuits, which increases brand familiarity.

As from 1 January 2014, all Sales Offices in Europe have been united in a new area. This provides the opportunity to exchange knowledge and experience in a better way, and to give greater focus to market strategy, fully aimed at the continued internationalisation of Lotus caramelized biscuits.

### Northern and Eastern Europe

At the beginning of 2013, we launched the Lotus caramelized biscuit spread in Germany and Austria as an addition to the existing Lotus assortment. As a result of great shop floor support and online activity the first steps have been taken to approach consumers, which has resulted in extra turnover in these countries.

In the Czech Republic too, we successfully launched the Lotus caramelized biscuit spread. In Poland, we managed to strongly improve the quality of our distribution points.

In Sweden, Annas has again increased its market share and further strengthened its position as a market leader among the pepparkakor biscuits. Annas also had a great year in Finland where it hit a new record high.

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### Americas

In North America, household penetration and availability of Lotus Biscoff caramelized biscuits increased strongly in 2013. Active in-store activity with the aid of displays, combined with further distribution growth at various national retailers were the key factors for double digit growth. We also achieved an important success in the out-of-home sector.

Lotus Biscoff spread also saw a strong growth in turnover and awareness.

Furthermore in the last quarter we launched the new packaging design of Annas pepparkakor biscuits.

In South America, Lotus Bakeries will be looking for professional distributors in a number of specific countries, including Chile and Mexico. In Chile we started our business by increasing awareness under the local population step by step, through the out-of-home sector and a number of retail stores.

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### Asia Pacific

A general decrease of consumer confidence in Asia combined with new internal retail rules in Korea and a weak Japanese Yen meant that volumes in these countries, which are important to Lotus in Asia, came under pressure.

At the end of the year Lotus Bakeries concluded an agreement for the distribution of caramelized biscuits and Annas pepparkakor biscuits in Japan with the Itochu Corporation. As a result, cooperation with the existing distributor was terminated.

Important steps in the increase of penetration of caramelized biscuits in Australian retail were taken with the introduction of Original Caramelized Biscuits in the stores of Coles, one of the two key retailers in Australia.

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### China

We aim to increase Lotus brand awareness and growth of Lotus caramelized biscuits in China further with a dedicated team in the out-of-home and retail sectors.

## 1.2 INVESTMENTS AND INDUSTRIAL OPERATIONS

In 2013 a total amount of EUR 66.1 million was invested in material and immaterial fixed assets and the takeover of Biscuiterie Willems. Investments in material and immaterial fixed assets amount to EUR 33.1 million.

In 2012, the production building of the factory in Oostakker was expanded in preparation for the transfer of the frangipane production from Lembeke to Oostakker. This transfer was completed on schedule and within budget in the first half of 2013. This means that all cake production in Belgium is now united in the specialised factory in Oostakker.

In Lembeke, a large portion of the investment in the new production line for Dinosaurus has already been realised. This highly automated production line will become operational mid-2014.

To further optimise the cost efficiency of the production branches, automated palletisers were introduced at the production lines of Oostakker and Courcelles.

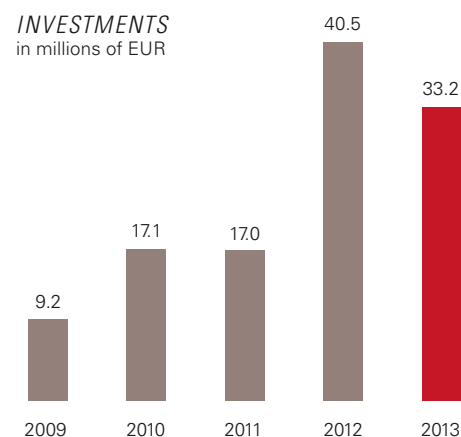
The operational excellence programme remains the focal point for optimising the production branches with regard to safety, quality, continuity of deliveries and cost. An extensive strategy to increase safety awareness of all employees has led to a drastic reduction of the number of occupational accidents with more than 50%. Through teamwork, visual management, internal training and the 5 S's all production employees are closely involved in the daily control of the production lines. An internal questionnaire has also shown that the engagement and satisfaction

of production employees has further increased as a result of this strategy.

The training policy was further streamlined with introductory days for new employees, training checklists, visual work instructions and educating employees to provide training ('train-the-trainer').

In the Netherlands, the expansion and modernisation of the factories in Sintjohannesga and Geldrop were successfully completed in 2013. In Geldrop, one of the two factories was closed and production was transferred to Sintjohannesga and the new factory in Geldrop. The project was delivered on time and within budget. These optimisations enable us to respond to the increasing and evolving demand for gingerbread in the Netherlands in a better, more flexible and cost efficient manner. The connected reorganisations have been successfully completed and the workforce in Geldrop has substantially decreased.

**INVESTMENTS**  
in millions of EUR



### 1.3 PERSONNEL AND ORGANISATION

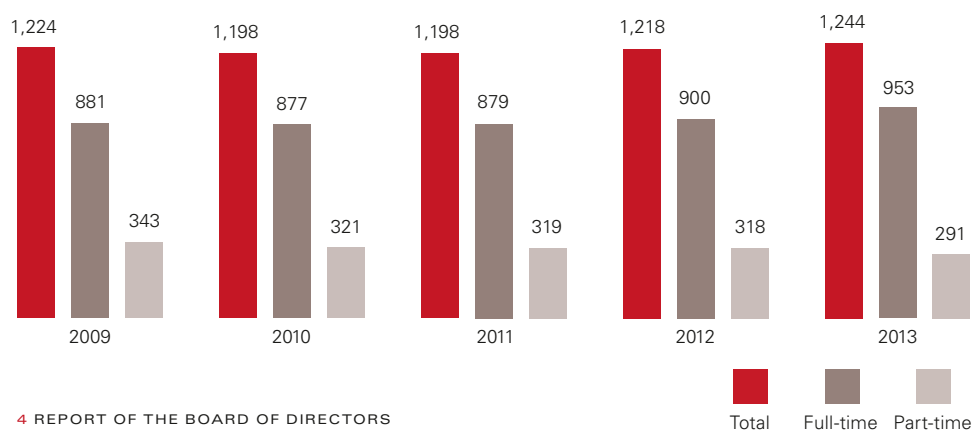
#### Evolution of personnel

The number of employees on 31 December 2013 has risen to 1,244 in comparison to 1,218 at the end of last year.

The table below shows the number of employees per area and the evolution in comparison to last year.

Area /Organisation	Number of employees	Evolution
Belgium	701	+58
Netherlands	270	-35
France	118	-1
Northern and Eastern Europe	46	-3
Americas	24	-1
Asia Pacific	4	0
SWEMEA	19	+1
China	3	+3
Corporate	59	+4
<b>Total</b>	<b>1,244</b>	<b>+26</b>

#### PERSONNEL



The increase of the headcount in Belgium is mainly due to the integration of Biscuiterie Willems, whilst the decline in the Netherlands is the result of the optimisation of the production in Geldrop.

The proportion of men and women of the total is 50.32% and 49.68% respectively.

#### Lotus Link

In 2013, our own Lotus Bakeries Employee Portal was implemented which can be consulted by all employees of the various areas of the Lotus Bakeries Group.

The purpose of the intranet is, on the one hand, to make the up-to-date policies, tools and information available online to the employees and management of Lotus Bakeries by way of a high tech platform.

Lotus Bakeries aims to increase internal communication and cooperation between the employees of the various countries in the coming year by way of this Lotus Link.

## 2 | FINANCIAL INFORMATION

### 2.1 EVOLUTION OF COSTS

The increase in costs in 2013 is explained by the evolution of raw materials prices and by the increased sales efforts in all areas. This is consistent with the brand policy that Lotus Bakeries pursues and will continue to pursue in the future.

The Lotus Bakeries policy of passing on changes in raw materials and packaging prices and other cost elements, in combination with production efficiencies, will be consistently continued.

### 2.2 PROFITABILITY

The recurrent trading result (REBIT) increased by EUR 4.7 million (from EUR 36.7 million to EUR 41.4 million) in absolute value. The recurrent operating cash flow (REBITDA) for the year 2013 amounted to EUR 55.6 million as compared to EUR 49.9 million in 2012.

The high revenue growth makes a positive contribution to the result. Lotus Bakeries has decided to further increase its commercial efforts in marketing and in the sales points in the different countries and for the different brands.

The non-recurrent trading result amounted to EUR -3.7 million. These costs can notably be attributed to (1) the restructuring costs in the gingerbread factories in Geldrop and Sintjohannesga, (2) costs for the takeover of Biscuiterie Willems and the brand Dinosaurus and (3) the depreciation on the brand Wieger Ketellapper relating to the takeover of Koninklijke Peijnenburg.

On an annual basis, the financial result amounts to a cost of EUR 1.7 million and primarily consist of interest fees. The financial result is influenced by the positive evolution of the market value of the hedging instruments for interest and exchange rate risks in 2013, but offset by negative unrealised differences in exchange rate on outstanding loans within the Lotus Bakeries Group.

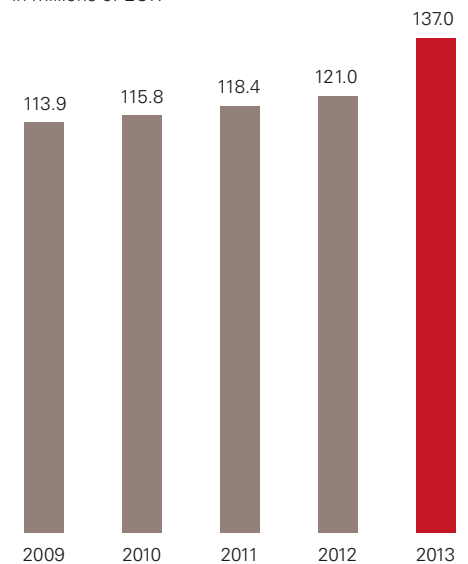
The tax burden for 2013 amounts to EUR 8.1 million which represents a tax rate of 22.4%.

The net profit amounts to EUR 27.9 million and is 8.4% higher than last year.

In 2013 a total amount of EUR 66.1 million was invested in material and immaterial fixed assets and the takeover of Biscuiterie Willems. Investments in material and immaterial fixed assets amount to EUR 33.1 million.

The strong operational cash flow in 2013 meant that the net financial debts only increased by EUR 24.7 million in relation to the previous year. The net financial debt on December 31st, 2013 amounted to EUR 48.9 million which is lower than the annual REBITDA.

*EVOLUTION  
OF ADDED VALUE <sup>(1)</sup>*  
in millions of EUR



(1) Added value is defined as operating income (class 70/74) minus commercial goods, raw materials (class 60), services and miscellaneous goods (class 61).

## 2.3 PRINCIPAL RISKS AND UNCERTAINTIES

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

### 1. Raw material and packaging costs

The risk of negative consequences of fluctuations in raw material prices on the results is limited by the signing of forward contracts with a fixed price for the most important volatile raw materials. For other raw materials and for packaging, yearly agreements are made when possible.

### 2. Exchange rate risk

The large majority of purchases are made in euro. In addition, on the sales side, a very large portion of turnover is paid in euro. The main foreign currency transactions related to buying and selling take place in USD, GBP, CHF, CZK and SEK. The net foreign exchange risk on these currencies is almost fully hedged by forward contracts and/or option contracts.

### 3. Interest rate risk

Part of our financial obligations (13 million EUR) with a variable interest rate is hedged based on the Euribor for a maximum of one year.

## 4. Credit risk

The Lotus Bakeries Group opts to conclude contracts as far as possible or to work with creditworthy parties or to limit the credit risk by means of securities.

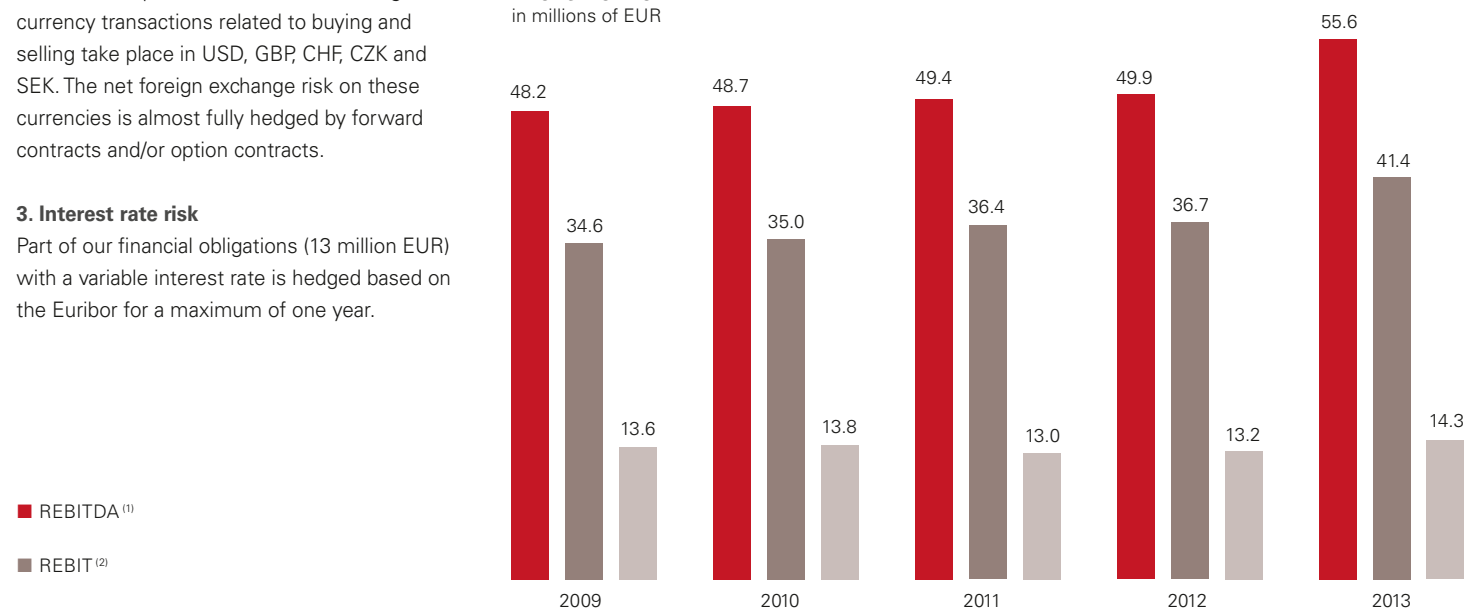
The Lotus Bakeries Group has a diversified international customer portfolio, consisting mainly of large retail, cash-and-carry and food service customers. For export outside Western and Northern Europe, the United States and Canada the Lotus Bakeries Group works on a documentary credit basis or uses credit insurance. The average number of days' customer credit is relatively limited. Within the Lotus Bakeries

Group, there are strict procedures to accurately follow up on customers and to handle possible risks as quickly and as efficiently as possible. For financial operations, credit and hedging, the Lotus Bakeries Group works only with established financial institutions.

## 5. Liquidity risk

Given the significant size of operating and net cash flow in relation to the net financial debt position, the Lotus Bakeries Group's liquidity risk is limited.

EVOLUTION OF REBITDA <sup>(1)</sup> AND REBIT <sup>(2)</sup>  
in millions of EUR



(1) REBITDA is defined as recurrent operating result + depreciations + provisions and amounts written off + non-cash costs valuations option- and warrantplan.

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

## 6. Balance sheet structure

Lotus Bakeries aims for a capital structure (the balance between debt and capital) which will give it the required financial flexibility to implement its growth strategy.

We strive to keep the proportion of net financial debt, defined as financial debt - monetary investments - liquid assets - own shares and the recurrent company cash flow (REBITDA), at what is considered to be a normal healthy level in the financial market.

In 2013, we amply fulfilled our financial covenants agreed within the framework of external financing.

## 7. Product liability risks

The production, packing and sale of food products give rise to product liability risks.

Lotus Bakeries applies the highest product safety standards to the entire production and distribution process, from the purchase of raw materials through to the distribution of the final product, supported and guaranteed by structured procedures and systematic internal quality audits. External audits take place at regular intervals. The necessary product liability insurance has been subscribed within reasonable limits.

## 8. Pension scheme risks

The form of and benefits under pension schemes existing within the Lotus Bakeries Group depend on the conditions and customs in the countries involved.

A major portion of these pension schemes are defined contribution schemes, including in Belgium, France, Sweden, Canada and the United States. These are funded by employer and employee contributions and charged to the income statement of the year in question.

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.

In the Netherlands a defined benefit pension plan has been concluded with BPF. Because employers pay a fixed contribution, the scheme falls under the defined contribution scheme.

Defined benefit pension schemes exist in the Dutch and German subsidiaries.

In certain companies provisions also exist for early retirement ('bridge') pensions (Belgium) and pension obligations resulting from legal requirements (France). These are also treated as defined benefit schemes. For these defined benefit schemes the necessary provisions are set up based on the actuarial current value of the future obligations to the employees concerned.

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

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

## 2.4 FINANCIAL INSTRUMENTS

The Lotus Bakeries Group uses financial instruments to hedge the risk of adverse exchange and interest rate fluctuations. No derivatives are used for trading purposes. Derivatives are initially measured at cost and thereafter at fair value.

The current contracts do not fulfil the conditions of hedge accounting in accordance with IAS 39. The changes in the real value of the current contracts will be included in the profit and loss account.

## FINANCIAL RATIOS

	2013	2012	2011	2010	2009
Days customer credit	40	38	35	32	30
Solvency ratio (%)	51.3	53.7	53.3	48.9	44.8
Liquidity ratio (Current ratio)	0.6	0.6	0.8	0.7	1.0
Gross sales margin (%)	16.1	17.1	17.6	17.9	17.9
Net cash flow/Net financial debts (%)	92.9	177.9	334.6	160.6	150.0
Net cost-effectiveness of equity (%)	16.3	17.7	18.8	21.0	24.9

A contract for interest hedging with merged company Bisinvest did however fulfil the conditions of hedge accounting in accordance with IAS 39. For this contract, the change in fair value was included in equity. This contract terminated mid-2013.

## 2.5 RESEARCH AND DEVELOPMENT, INNOVATION AND SUSTAINABILITY

### Innovation and production development

The quality of all Lotus Bakeries products is an absolute priority and all employees are intensely involved in the continuous drive for high quality products and processes, which are audited internally as well as externally.

The R&D department hopes to contribute to better products with new insights into processes and the interactions between various ingredients. In this, we do not only employ our own expertise

but also call on the expertise of well-known university knowledge centres. According to the calculation method of the IWT, Lotus Bakeries invests more than twice the average of the food sector into R&D.

Consumers also ask for an assortment aimed at certain consumption moments. These questions are plotted into the innovation funnel, and lead to interesting new developments.

### Sustainability

The 'Care for today - Respect for tomorrow' programme represents in a clear way how Lotus Bakeries is handling sustainability; this programme has been widely communicated to all employees and the Board of Directors. We are now preparing the next step: asking the opinion of all our stakeholders about this programme in accordance with the 'Global Reporting Initiative' (GRI), version GRI-G4.

## 2.6 SIGNIFICANT FACTS AFTER 31 DECEMBER 2013

No significant events have occurred after 31 December 2013.

## 3 | PROSPECTS FOR 2014

In 2013, Lotus Bakeries achieved a nice branded growth of over 7%. An intensive focus on major commercial and marketing efforts in the different countries was responsible for this growth. Good collaboration with our clients in all categories and clear and consistent communication with the consumer are central to this. Lotus Bakeries' growth has been consolidated by the successful integration of Biscuiterie Willems.

In 2013, impressive profitability ratios of 12.4% recurrent trading result and 16.7% recurrent operating cash flow were realised. The cash flow was partly used for the above-mentioned investment programmes and for the takeover of Biscuiterie Willems.

Lotus Bakeries will emphatically continue to invest in marketing and sales in order to support and further expand its brands and related specialities. The strategy of placing an intensive focus on the major specialities will be continued.

The investments needed to manufacture the Lotus Dinosaurus biscuits in Lembeke will be continued in 2014.

Lotus Bakeries' policy of balancing price evolutions on raw materials, packaging materials and other cost price elements in combination with production-efficiencies in the tariff rates will be consistently implemented.

The Management and Board of Directors of Lotus Bakeries are convinced that we now have the right strategy and a good basis for continued long-term growth in a profitable manner.

## FINANCIAL RATIOS

	2013	2012	2011	2010	2009
<b>In % of operating income</b>					
Added value	41.2	42.0	43.0	43.7	43.6
REBITDA	16.7	17.3	17.9	18.4	18.5
Net cash flow	13.7	14.9	13.2	14.4	15.5
REBIT	12.5	12.7	13.2	13.2	13.3
Net profit	8.4	8.9	8.6	8.7	9.6
<b>In % of added value</b>					
Personnel expenses	57.6	57.8	58.1	56.6	57.1
Depreciations <sup>(1)</sup>	9.7	9.7	9.4	9.8	9.7
Taxes	5.9	6.1	7.7	7.0	7.2
Net financial charges <sup>(2)</sup>	1.3	1.3	0.6	2.6	2.5
Net profit	20.4	21.3	20.1	19.9	22.1

(1) Not included depreciations on consolidation differences.

(2) Net financial charges is defined as financial result excluding depreciations on consolidation differences.



## 4 | RESULTS AND PROPOSAL FOR APPROPRIATION OF RESULTS

### CONSOLIDATED

The consolidated net profit of the year 2013 amounted to EUR 27.9 million as compared to EUR 25.7 million last year.

### STATUTORY

The results of the year 2013 of the parent company Lotus Bakeries NV are as follows:

	in EUR
- Profit of the financial year	8,801,464.37
- Transfer from untaxed reserves	-
- Transfer to untaxed reserves	-
<b>Profit for the year available for appropriation</b>	<b>8,801,464.37</b>

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

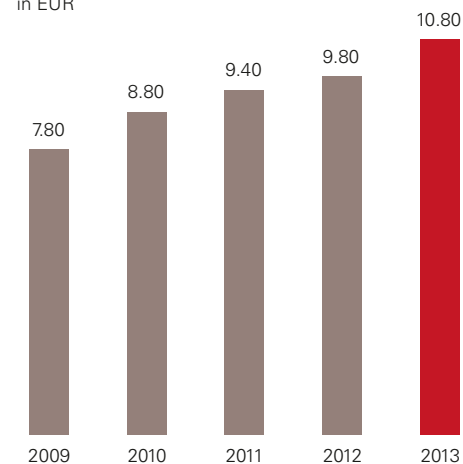
- Allocation to legal reserves	6,806.79
- Withdrawal from the reserves	- 42,562.82
- Distribution of a gross dividend of EUR 10.80 per share to 795,113 shares <sup>(1)</sup>	8,587,220.40
- Distribution of emoluments to directors	250,000.00
<b>TOTAL</b>	<b>8,801,464.37</b>

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

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

If the Ordinary General Meeting of shareholders of 9 May 2014 accepts the Board of Directors' proposal, the net dividend per share will amount to EUR 8.10, after deducting a withholding tax of 25%. This net dividend will be payable as from 15 May 2014 on surrender of coupon no. 26 at Bank Degroof, BNP Paribas Fortis, Belfius, ING Bank, KBC Bank and Petercam.

*EVOLUTION OF GROSS DIVIDEND PER SHARE*  
in EUR





## 5 | CORPORATE GOVERNANCE DECLARATION

Lotus Bakeries has adopted a Corporate Governance Charter which can be consulted on the website ([www.lotusbakeries.com](http://www.lotusbakeries.com)). This charter is adapted whenever this is deemed suitable or necessary in relation to the development of the policy regarding corporate governance and the changes in applicable regulations.

By way of this charter Lotus Bakeries commits to apply the principles of the Corporate Governance Code of 12 March 2009, the Corporate Governance legislation of 6 April 2010, the Act of 20 December 2010 on the exercise of certain rights of shareholders of listed companies and the Act of 28 July 2011 amending the Company Code in order to guarantee that women have a seat in the Board of Directors of listed companies.

The charter describes the key aspects of the Lotus Bakeries Corporate Governance policy and the internal rules of the Board of Directors, of the Committees and of the Executive Committee.

This annual review includes a report on the actual data on the application of the Lotus Bakeries Corporate Governance policy. There are no deviations with regard to the provisions of the Corporate Governance Code.

### 5.1 CAPITAL AND SHARES

#### 5.1.1 Capital

As a result of the execution of warrants, the authorised capital of Lotus Bakeries NV was increased for the first time on 5 April 2013 by EUR 65,428.00 to bring it from EUR 3,431,155.65 to EUR 3,496,583.65.

Also as a result of the execution of warrants of Lotus Bakeries NV the capital was increased a second time on 7 October 2013. This increase was by an amount of EUR 2,640.00 due to which the capital increased from EUR 3,496,583.65 to EUR 3,499,223.65.

#### 5.1.2 Shares

As a result of the execution of warrants and subsequent capital increases, new shares in Lotus Bakeries NV were issued: 14,870 shares on 5 April 2013 and 600 shares on 7 October 2013. This means that the total number of shares in Lotus Bakeries rose from 779,643 to 794,513 the first time and the second time from 794,513 to 795,113.

On 31 December 2013 the number of shares in Lotus Bakeries NV amounts to 795,113.

The shares are registered or dematerialised.

#### 5.1.3 Share options

In the context of the Lotus Bakeries share option scheme, 5,133 share options were issued in 2013. Per 31 December 2013 the total number of unexercised share options was 18,769.

Year of issue of the options	Number of allocated options <sup>(1)</sup>	Number of options exercised <sup>(2)</sup>	Total of available options
2007	11,950	9,150	2,800
2008	-	-	-
2009	7,650	5,650	2,000
2010	2,400	-	2,400
2011	1,200	-	1,200
2012	5,498	-	5,498
2013	4,871	-	4,871

(1) Cumulative number allocated minus cumulative number lapsed.

(2) Cumulative number exercised.

#### 5.1.4 Warrants

The key conditions of the warrant plan set out in 2007, the exercise conditions and the key consequences of the abolition of the pre-emptive right for shareholders are set out in note no. 25 of the financial appendix.

#### 5.1.5 Purchase of own shares

The Extraordinary General Meeting of 8 May 2009 granted the Board of Directors of Lotus Bakeries NV and of its direct subsidiaries an additional authorization and of its direct subsidiaries, during a period of five years, to buy in up to 50,000 Lotus Bakeries shares at a price no lower than twenty percent below, and no higher than ten percent above, the average price of the Lotus Bakeries share during the thirty calendar days prior to the date of purchase.

The Extraordinary General Meeting of 8 May 2009 also authorized the Board of Directors of Lotus Bakeries NV, during a period of five years, to purchase and sell shares or profit certificates of Lotus Bakeries NV in an amount of up to twenty percent of the issued capital subject to the provisions of the Companies' Code, at a price equal to the average price of the Lotus Bakeries share during the thirty days prior to the date of purchase or sale, less no more than twenty percent in the case of both purchase and sale, and plus no more than ten percent in the case of purchase and twenty percent in the case of sale.

In 2013 no own shares were purchased. The total number of purchased own shares in the portfolio at the end of the financial year is 24,548, which represents an accounting par value of EUR 108,033.6 or 3.09% of the issued capital.

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

## 5.2 SHAREHOLDERS AND SHAREHOLDING STRUCTURE

The shareholding structure of Lotus Bakeries NV as of 31 December 2013 is as follows:

	No. of voting rights	% of voting rights
Stichting Administratiekantoor van Aandelen Lotus Bakeries <sup>(1)</sup>	446,378	56.14%
Lotus Bakeries NV <sup>(2)</sup>	24,548	3.09%
<b>Total held by Stichting Administratiekantoor van Aandelen Lotus Bakeries and Lotus Bakeries</b>	<b>470,926</b>	<b>59.23%</b>
Christavest Comm.VA <sup>(3)</sup>	63,046	7.93%
Publicly held	261,141	32.84%
<b>Total</b>	<b>759,113</b>	<b>100.00%</b>

(1) Stichting Administratiekantoor van Aandelen Lotus Bakeries is not controlled. The interest of Stichting Administratiekantoor van Aandelen Lotus Bakeries in Lotus Bakeries NV appears in the transparency notification that Lotus Bakeries NV received on 5 April 2013\*. Lotus Bakeries NV has no knowledge of any change in the above-mentioned interest.

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

(3) Christavest Comm.VA is 82.82% controlled by Holding Biloba BVBA, which in turn has no controlling shareholder. Mr. Stanislas Boone and Mrs. Christiane De Nie are the statutory business managers of Christavest Comm.VA. The interest of Christavest Comm.VA in Lotus Bakeries NV appears in the transparency notification that Lotus Bakeries NV received on 30 April 2010\*.

(\*) As applied by article 6 of the Law of 2 May 2007 on disclosure of mayor holdings.

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

On 31 August 2010 Lotus Bakeries NV has received a communication in the context of article 74§7 of the Law of 1 April 2007 on public takeover bids.

This communication shows that on 31 August 2010 Stichting Administratiekantoor van Aandelen Lotus Bakeries held 446,378 voting shares in Lotus Bakeries, corresponding to a participation of 56.14% on 31 December 2013.

Since then no updates of this communication have been received pursuant to article 74§7 of the Law of 1 April 2007.

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## 5.3 BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORS

### 5.3.1 Board of Directors

#### 5.3.1.1 COMPOSITION

The composition of the Board of Directors, from 1 January 2013 is as follows:

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#### **Beukenlaan NV, represented by its permanent representative Matthieu Boone**

**Chairman**

Matthieu Boone (67) holds a degree in Commercial Engineering (KUL). He has been an executive director of Lotus Bakeries since 1970. He became a managing director in 1989, succeeding Karel Boone as CEO in 2006 until May 2011. Since May 2011 he is a non-executive director of Lotus Bakeries. He is also a member of the Board of Directors of ACG Gent, Crop's NV, HUB-KAHO (Hogeschool-Universiteit Brussel and Sint-Lieven Hogeschool) and Chairman of VKW Oost-Vlaanderen.

The term of office of Beukenlaan NV, represented by its permanent representative Matthieu Boone, as a director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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#### **Mercuur Consult NV, represented by its permanent representative Jan Boone**

**CEO**

Jan Boone (42) holds a Master in Applied Economics (KUL), as well as a Master in Audit (UMH). He started his career in the Audit department of PwC. In 2000 he started at Omega Pharma. Until May 2005 he was Head of Corporate Controlling and a member of the Executive Committee and Board of Directors. Since May 2005, he has been active at Lotus Bakeries as managing director and, currently, as CEO. Since May 2005, he has also been a member of the Board of Directors of Lotus Bakeries and, since May 2011, a managing director. In addition he is a director of Omega Pharma (Chairman), Durabrik and Club Brugge.

The term of office of Mercuur Consult NV, represented by its permanent representative Jan Boone, as a managing director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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#### **CofigoMM BVBA, represented by its permanent representative Jan Vander Stichele**

**Managing director**

Jan Vander Stichele (50) holds a degree in Civil Engineering (KUL) and has a Candidate degree in Applied Economics (KUL). His previous most important function was as technical director of the Verlipack Group. Since the end of 1996 he has been active in the Lotus Bakeries Group, initially as General manager Lotus Bakeries France, thereafter as General manager Operations and currently as Executive director. He has been a member of the Board of Directors since May 2005 and a managing director since May 2010. In addition he holds a directorship of Team Industries (Chairman) and Fevia Vlaanderen (Chairman).

The term of office of CofigoMM BVBA, represented by its permanent representative Jan Vander Stichele, as a managing director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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#### **PMF NV, represented by its permanent representative Johan Boone**

**Non-executive director**

Johan Boone (62) graduated in dentistry (KUL) and is a practising dentist. He has been a member of the Board of Directors of Lotus Bakeries since 1996.

The term of office of PMF NV, represented by its permanent representative Johan Boone, as a non-executive director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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#### **Anton Stevens**

**Non-executive director**

Anton Stevens (37) holds a Master's degree in Law (RUG) and in Notarial Law (RUG). He has been a director of Lotus Bakeries since 2002.

The term of office of Anton Stevens as a non-executive director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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**Bene Invest BVBA, represented by its permanent representative Benedikte Boone****Non-executive director**

Benedikte Boone (42) has a degree in Applied Economic Sciences (KUL). She has held positions at Creyf's Interim and Avasco Industries. She is a director in various family companies, including Bene Invest BVBA, Holve NV and Harpis NV.

The term of office of Bene Invest BVBA, represented by its permanent representative Benedikte Boone as a non-executive director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2016.

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**Herman Van de Velde NV, represented by its permanent representative Herman Van de Velde****Independent director**

Herman Van de Velde (59) has a Master's degree in Economics (KUL) and a post-graduate degree in Business Management (UFSIA). Since 1989 he has been managing director of the stock-exchange listed lingerie Group Van de Velde. He is also a director of Top Form International (Hong Kong). He has been a director of Lotus Bakeries since May 2005. He is also Chairman of Ondernemersplatform VKW.

The term of office of Herman Van de Velde NV, represented by its permanent representative Herman Van de Velde, as an independent director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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**Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich****Independent director**

Benoit Graulich (48) has Master's degrees in Law, Business and Finance from the Catholic University of Leuven (KUL). He began his professional career at PwC and then Artesia Bank. In 2000 he became a partner at Ernst & Young and is currently a managing partner at Bencis Capital Partners. He is also a director of a.o. Van de Velde, Omega Pharma and Xeikon. He has been a director of Lotus Bakeries since 2009.

The term of office of Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich, as an independent director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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**Dominique Leroy****Independent director**

Dominique Leroy (49) has a commercial engineering degree from Solvay Business School. She has a 24-year career with Unilever, beginning in finance and followed by various sales and marketing functions. She was nominated as Country manager of Unilever Belgium in 2007 and was also member of the Unilever Benelux Board. In October 2011 she began working at Belgacom as Vice President Sales for the consumer division. In June 2012, she was responsible as Executive Vice President for the Consumer Business Unit and was also a member of the Management Committee of Belgacom Group. In January 2014, she became delegated director of Belgacom NV and president of the Executive Committee. She has been a director of Lotus Bakeries since 2009.

The term of office of Dominique Leroy as an independent director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2017.

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**Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert****Independent director**

Sabine Sagaert (47) has a degree in Commercial Engineering from the KUL, a Master's in Economic Legislation (UCL) and an MBA (KUL).

She started her career at CBR cement companies, where she held various logistics and commercial positions in the Benelux. She has spent most of her business career at AB InBev, most recently as Business Unit President Belux, and CEO Dental Division at Arseus.

She is currently General manager Europe and Global commercial manager for Cargill's malting activities. She is also a director of Miko and Spullenhulp.

She has been a director of Lotus Bakeries since 2011.

The term of office of Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert, as an independent director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2015.

During the entire financial year 2013 the Board of Directors was composed of the aforementioned directors.

The aforementioned independent directors fulfil the independence criteria of Article 526-ter of the Company Code.

The secretary of the Board of Directors is Sofie Dumarey, Corporate Secretary.

This means we have a balanced Board of Directors in which the majority shareholder, the independent directors and the executive board are sufficiently represented.

#### 5.3.1.2 ACTIVITIES OF THE BOARD OF DIRECTORS

The Board of Directors met seven times in 2013. All directors were present at all meetings, except Dominique Leroy and Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich, each of whom was absent one time.

The subjects dealt with at the meetings were:

- recent turnover and financial results
- results on 30/06 and 31/12 and draft press release
- investment budget and global budget
- reports and recommendations of the Committees
- price evolutions
- strategy, long term objectives and important action plans
- M&A projects
- organisational structure and structure of the companies

- product developments and new product introductions
- Lotus packaging design
- proposition subjects annual review
- motion to reappoint directors
- agendas of General Meetings.

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

In 2013, there were no incidences within the Board of Directors which would require to the application of the conflict of interest procedure as set out in Article 523 of the Company Code.

All transactions involving shares of Lotus Bakeries NV carried out in the course of 2013 by persons considered as insiders and by persons with executive responsibility were undertaken in accordance with the rules of Lotus Bakeries for the prevention of market abuse.

#### 5.3.2 Audit Committee

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

The Audit Committee met four times in 2013 and all members were present at all meetings.

The Auditor participated in all three meetings, at which he presented his findings to the Audit Committee.

The subjects examined were:

- systematic handling of some risk areas
- risk management
- Auditor's findings and recommendations
- IFRS accounting principles
- discussion of the external Auditor's reports in various fields.

#### 5.3.3 Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of two independent directors, Herman Van de Velde NV, represented by its permanent representative Herman Van de Velde (Chairman) and Benoit Graulich BVBA represented by its permanent representative Benoit Graulich, and one non-executive director, Beukenlaan NV, represented by its permanent representative Matthieu Boone. All three members have both HR management and remuneration policy experience.

The Committee met twice in 2013, with all members present.

The subjects examined were:

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

## 5.4 EXECUTIVE COMMITTEE

Since 1 January 2013, the Executive Committee consists of:

- Mercuur Consult NV, represented by its permanent representative Jan Boone, CEO
- CofigoMM BVBA, represented by its permanent representative Jan Vander Stichele, Executive director
- Jos Destrooper, corporate director finance & human resources
- Ronald Drieduite, corporate director EMEA\*
- John Van de Par, corporate director ICT, tax, legal & risk.

(\*) As from 1 April 2013, Ronald Drieduite is no longer a member of the Executive Committee. As from the aforementioned date, Ronald Drieduite has become General manager of the area China and has therefore moved to Shanghai.

The Executive Committee met nineteen times in 2013. All members were present at all Meetings.

## 5.5 REMUNERATION REPORT

### 5.5.1 Introduction

The objective of the 2013 remuneration report is to provide specific data in a transparent manner concerning Lotus Bakeries' remuneration policy for its directors and executives. The remuneration report below will be submitted to the General Meeting of 9 May 2014 for approval. The works council has been informed in accordance with the provisions of the Act. The report has also been reviewed by the Auditor.

### 5.5.2 Procedure for defining remuneration policy and remuneration

#### 5.5.2.1 DIRECTORS

The Remuneration and Nomination Committee set up by the Board of Directors makes specific recommendations to the Board of Directors with regard to remuneration policy and its application to executive and non-executive directors.

The current remuneration policy for directors was set by the General Meeting of 9 May 2008, based on a proposal by the Board of Directors, on the advice of the Remuneration and Nomination Committee.

Directors' remuneration is benchmarked every two years against a relevant sample of listed companies to enable Lotus Bakeries to attract directors with relevant competences according to its ambitions.

#### 5.5.2.2 EXECUTIVE MANAGERS

For the purpose of determining who falls into the category of 'executive managers' according to the Act of 6 April 2010 to strengthen corporate governance, Lotus Bakeries considers the members of its Executive Committee as falling into this category. The Executive Committee is responsible for the management of the company. Remuneration policy for members of the Executive Committee is set every two years based on a proposal by the Remuneration and Nomination Committee. Individual remuneration is reviewed annually.

For this Lotus Bakeries uses the services of an international HR consultancy firm, that assesses the functions and presents the corresponding salary package as commonly awarded in the relevant market. For members of the Executive Committee, the consultant reports directly to the Remuneration and Nomination Committee and elucidates its report at its meeting.

#### 5.5.2.3 SENIOR MANAGERS

Remuneration policy for senior managers ('kaderleden') is set by the Executive Committee. This is then approved by the Remuneration and Nomination Committee.

### 5.5.3 Statement on remuneration policy applied in 2013

#### 5.5.3.1 NON-EXECUTIVE AND EXECUTIVE DIRECTORS

##### *Policy Criteria*

The non-executive director receives a fixed fee, with no performance-based remuneration such as bonuses, stock-related long-term incentive schemes, fringe benefits or pension plan-related benefits.

Neither the Company nor its subsidiaries provide any personal loans, guarantees or the like to other members of the Board of Directors.

Besides the fee, all reasonable expenses of members of the Board of Directors incurred with the consent of the Chairman of the Board of Directors are reimbursed.

The provisions concerning the remuneration of non-executive directors apply equally to executive directors in their capacity as directors.

This way Lotus Bakeries wishes to pay a competitive remuneration, based on a comparison of directors' remuneration in companies that are comparable in terms of size, complexity and international activity.

Directors' remuneration is benchmarked every two years against a relevant selection of listed companies, to enable Lotus Bakeries to attract directors with relevant competences according to its ambitions.

##### *Remuneration*

Members of the Board of Directors each receive EUR 20,000 a year. The Chairman receives double this amount, i.e. EUR 40,000 a year. Each member of the Audit and Remuneration and Nomination Committee receives a fee of EUR 5,000 a year.

No options, shares or variable compensation are granted to non-executive directors. No other compensation is provided, such as performance bonuses in cash, shares or options.

The following table shows the remuneration awarded for 2013 to each member of the Board of Directors.

Name	Board of Directors	Audit Committee	Remuneration and Nomination Committee	Total remuneration 2013
Beukenlaan NV, represented by its permanent representative Matthieu Boone	Non-executive director	Member	Member	EUR 50,000
Mercur Consult NV, represented by its permanent representative Jan Boone	Managing director	-	-	EUR 20,000
CofigoMM BVBA, represented by its permanent representative Jan Vander Stichele	Managing director	-	-	EUR 20,000
PMF NV, represented by its permanent representative Johan Boone	Non-executive director	-	-	EUR 20,000
Anton Stevens	Non-executive director	-	-	EUR 20,000
Bene Invest BVBA, represented by its permanent representative Benedikte Boone	Non-executive director	-	-	EUR 20,000
Herman Van de Velde NV, represented by its permanent representative Herman Van de Velde	Independent director	-	Chairman	EUR 25,000
Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich	Independent director	Chairman	Member	EUR 30,000
Dominique Leroy	Independent director	Member	-	EUR 25,000
Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert	Independent director	-	-	EUR 20,000

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

#### 5.5.3.2 EXECUTIVE MANAGERS

##### *Policy Criteria*

The Remuneration and Nomination Committee makes specific recommendations to the Board of Directors on the remuneration of the members of the Executive Committee.

The level and structure of the remuneration of the Executive Committee must be such as to attract, retain and continually motivate qualified and skilled managers, taking into account the nature and scope of their individual responsibilities. To this end, a survey is carried out every two years of remuneration in Belgium in order to facilitate an external comparison of key functions. In defining the concrete remuneration level for each function, account is taken of the actual job content and the way the function is filled at Lotus Bakeries, in order to ensure an internal logic between remuneration levels.

In addition to their fixed remuneration, executive managers receive a variable compensation based on well-defined criteria, depending on the results of Lotus Bakeries with a one year evaluation period but also evaluation periods of two and three years.

The evaluation criteria used to determine the variable compensation in 2013 are the main performance indicators based on the objectives for 2013. The evaluation period for this is one year.

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

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

There also exists a stock option plan with a fixed number of options per function category, which is submitted for approval at the annual General Meeting.

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

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

##### *Recovery Provisions*

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

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

The objectives for 2013 were presented to the Remuneration and Nomination Committee. The evaluation criteria used to determine the variable compensation in 2013 are the main performance indicators based on the objectives for 2013. The evaluation period is one year. The bonus plan for executive management provides that the bonus is earned only after approval of the consolidated figures by the Auditor and after its approval by the Remuneration and Nomination Committee.

In 2011, objectives for 2012 and 2013 were presented to the Remuneration and Nomination Committee for determining the long-term remuneration. The main performance indicators are taken from the Group Strategic Plan. The evaluation period is two and three years.

In 2013, bonuses were paid as part of the long-term remuneration policy.

#### **5.5.5 CEO's remuneration in 2013**

The remuneration of the CEO Jan Boone is paid through a management company and a number of directorships. The remunerations mentioned are expressed as cost for the company.

The fixed annual salary in 2013 amounts to EUR 561,723. The variable portion based on the 2013 targets amounts to EUR 142,879 and will be paid in 2014. The partially deferred variable fees based on the realisation of the long term plan for 2011-2013 amount to EUR 334,337 and will be paid in 2014. The contributions to the pension scheme amount to EUR 85,282. Other components of the remuneration amount to EUR 32,268. There is no recovery provision. Evaluation of the performance is based on the audited results.

#### **5.5.6 Remuneration of executive managers in 2013 (excluding CEO)**

The remuneration of the other members of the Executive Committee is, for one of the members, paid through a management company and several director mandates. The amounts mentioned herein are the total cost. The other three members are paid through employment contracts.

The fixed annual salary in 2013 amounts to EUR 970,705. The variable portion based on the 2013 targets amounts to EUR 217,746 and will be paid in 2014. The partially deferred variable fees based on the realisation of the long term plan for 2011-2013 amount to EUR 493,433 and will be paid in 2014. The contributions to the pension scheme amount to EUR 153,063. Other components of the remuneration amount to EUR 71,021. There is no recovery provision. Evaluation of the performance is based on the audited results.

#### 5.5.7 Arrangements for the Executive Committee as a whole

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

#### 5.5.8 Share-based compensation

##### 5.5.8.1 ALLOCATIONS IN 2013

In 2013, share options were granted to members of the Executive Committee.

Name	Year of allocation	Number of options	Exercise price
Jan Boone	2013	500	EUR 650.31
Jan Vander Stichele	2013	500	EUR 650.31
Jos Destrooper	2013	250	EUR 650.31
Ronald Drieduite	2013	250	EUR 650.31
John Van de Par	2013	250	EUR 650.31

##### 5.5.8.2 EXERCISE OF STOCK OPTIONS IN 2013

The members of the Executive Committee have exercised the following share options or warrants in 2013.

Date	Name	Transaction	Amount	Price	Tot. value
16/05/2013	John Van de Par	Sale of shares	1,000	EUR 653.00	EUR 653,000
16/05/2013	Jos Destrooper	Sale of shares	940	EUR 653.00	EUR 613,820
02/04/2013	Jos Destrooper	Exercise of warrants	2,500	EUR 246.02	EUR 615,050
02/04/2013	John Van de Par	Exercise of warrants	1,000	EUR 246.02	EUR 246,020
02/04/2013	Jan Vander Stichele	Exercise of warrants	1,500	EUR 246.02	EUR 369,030
05/03/2013	Jos Destrooper	Sale of shares	185	EUR 637.04	EUR 117,853
05/03/2013	Jos Destrooper	Exercise of options	500	EUR 232.82	EUR 116,410
18/02/2013	John Van de Par	Sale of shares	900	EUR 625.00	EUR 562,500
18/02/2013	John Van de Par	Exercise of options	900	EUR 284.39	EUR 255,951
15/02/2013	Ronald Drieduite	Sale of shares	1,500	EUR 618.70	EUR 928,042
15/02/2013	Ronald Drieduite	Exercise of options	1,500	EUR 284.39	EUR 426,585

In 2013 there are no lapsed unexercised options relating to members of the Executive Committee.

#### 5.5.9 Severance pay

No special severance arrangements have been agreed with members of the Executive Committee. Members of the Executive Committee acting through a management company are entitled to severance pay equal to 12 months' fixed and variable remuneration. The other members of the Executive Committee are bound by salaried employee contracts. In 2013, no severance pay was paid to members of the Executive Committee.

## 5.6 INTERNAL CONTROL AND RISK MANAGEMENT

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

### 5.6.1 Control environment

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

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

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

Thirdly, Lotus Bakeries has opted to implement the financial function 100% in the same ERP package (SAP), which offers comprehensive capabilities for internal control and management. This facilitates the internal audits carried out by the Corporate Finance department.

### 5.6.2 Risk Management Process

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

The Executive Committee has overall responsibility for the risk management process of Lotus Bakeries.

Operationally, it carries out this responsibility through the Group Risk Committee, with responsibility for coordinating the risk management process lying with the Executive director who is part of the Executive Committee.

All individual areas and corporate departments of Lotus Bakeries are responsible for having a risk management process in operation. Identification, assessment, management and monitoring of risks is an ongoing process, which is fully embedded into the regular management processes. Significant alterations of individual identified risks will be directly communicated, by means of written reports in prescribed formats, to the Executive director.

In addition there are two formal occasions a year when the entire risk management process is gone through by the members of the local area

managements and the corporate departments. In the first semester, this is intended mainly to provide a complete review of the risks identified at that time, and the progress of actions taken. This progress is reported to the Audit Committee. In the second semester the main objective is to identify any new risks emerging in the already formulated annual plans for the following year. The outcome of this process is also reported to the Audit Committee.

In 2013, important measures were again undertaken to ensure the optimal management of risks. In addition, further steps were taken to improve the Business Continuity Management and Disaster Recovery processes. In the coming years these will be implemented in all parts of the Lotus Bakeries organization.

The entire corpus of policies and procedures related to the risk management process is also set down in the 'General Directives' of Lotus Bakeries.

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### 5.6.3 Control activities

Each month the results of each area are discussed and explained by the area manager. The Executive Committee also discusses the results on a monthly basis at its meeting.

The Corporate Finance department directs this process.

For this Lotus Bakeries has developed various scorecards and critical performance indicators for its sales operations, for the financial reporting of each area and for the consolidated results, and other scorecards for personnel, for factory operations, and for purchasing and logistics. These scorecards and reporting exist for each area separately and are aggregated for the Group.

The Corporate Treasury department monitors the cash position closely on a daily basis.

Finally, various internal audits are organized by the corporate departments in their areas of expertise, such as Corporate Finance for proper compliance with accounting principles and standards or the investment procedure, Corporate Treasury for the authorisation of payments, and the Corporate Quality department for quality standards.

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### 5.6.4 Information and communication

Lotus Bakeries has chosen to manage all key business processes through a single ERP package (SAP) which offers extensive opportunities for internal reporting and communication. It also offers the ability to manage and audit access rights and authorisation management in general on a centralised basis.

Each month the results of each area are reported in writing and discussed and explained verbally by the area manager. The Executive Committee also discusses the results on a monthly basis at its meeting. The Corporate Finance department directs the information and communication process.

For both internal and external information reporting and communication there exists an annual financial calendar which is communicated to all parties involved and in which all reporting dates are set out.

For the provision of information Lotus Bakeries has developed various scorecards and critical performance indicators for its sales operations, for the financial reporting, as well as scorecards for personnel, factory operations, purchasing and logistics. This reporting is available on a detailed basis, but also aggregated at area or group level.

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### 5.6.5 Control

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

Employees from within the Lotus competencies are asked to constantly question existing procedures and practices and continually suggest improvements.

First and foremost both the Audit Committee and the Auditor play an important role in internal control and risk management. Any remarks by the Auditor are discussed in the Audit Committee and monitored for improvement.

Finally, the shareholders have a right to ask questions during the General Meeting, and the company falls under the supervision of the Financial Services and Markets Authority (FSMA).

## 5.7 ANNOUNCEMENTS ACCORDING TO ARTICLE 34 OF THE ROYAL DECREE OF 14 NOVEMBER 2007 - PROTECTIVE CONSTRUCTIONS

1. The Board of Directors of Lotus Bakeries NV is authorized by the General Meeting of Shareholders, in the event of a public takeover bid on the shares of the company, and by application of the authorized capital, to increase the capital of the company under the conditions of article 607 of the Companies Code. This authorisation was granted for a period of three years from 11 May 2012.
2. By resolution of the Extraordinary General Meeting of Shareholders of 11 May 2012 the Board of Directors is authorized, in accordance with the provisions of article 620 of the Companies Code, to acquire shares in the company for the account of the same, whenever such acquisition is necessary to prevent the company from suffering serious and imminent disadvantage. This authorization is granted for a period of three years from 5 June 2012 and is renewable.

## 5.8 EXTERNAL AUDIT

PwC Bedrijfsrevisoren BCVBA, represented by Mr. Peter Opsomer, 'bedrijfsrevisor', was appointed as Auditor of Lotus Bakeries NV on 14 May 2013 by the Ordinary General Meeting for a term of three years. Its mandate expires immediately after the Ordinary General Meeting of 2016. The compensation received in 2013 for auditing and non-auditing services by PwC Bedrijfsrevisoren BCVBA and by people connected to PwC Bedrijfsrevisoren BCVBA, is described in note 38 of the financial supplement.

<b>Audit fee for the Group audit 2013</b>	<b>in thousands of EUR</b>
Lotus Bakeries NV	64
Lotus Bakeries Group	290
<b>Total</b>	<b>354</b>



^ TV spot Snelle Jelle gingerbread



^ TV spot Snelle Jelle gingerbread

#### 4 REPORT OF THE BOARD OF DIRECTORS

**5** STOCK  
MARKET- AND  
SHAREHOLDERS  
INFORMATION



## 1 | STOCK MARKET LISTING

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

## 2 | FINANCIAL SERVICE

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

## 3 | LIQUIDITY AND VISIBILITY OF THE SHARE

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

## 4 | MARKET CAPITALIZATION

On 31 December 2013, market capitalization of Lotus Bakeries amounted to EUR 567.42 million.

## 5 | EVOLUTION OF THE LOTUS BAKERIES SHARE

The graph on page 48 shows the evolution of the share price with reinvested net dividend as from 31 December 1988 of the Lotus Bakeries share in comparison to the BASR (Brussels All Share Return) index. The BASR-index reflects the price of the total Belgian market.

## 6 | STOCK DATA ON THE LOTUS BAKERIES SHARE

Charts with the consolidated key figures per share and the stock market performance of the Lotus Bakeries share can be found on pages 3 and 47 of this annual review.

## 7 | CORPORATE WEBSITE

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

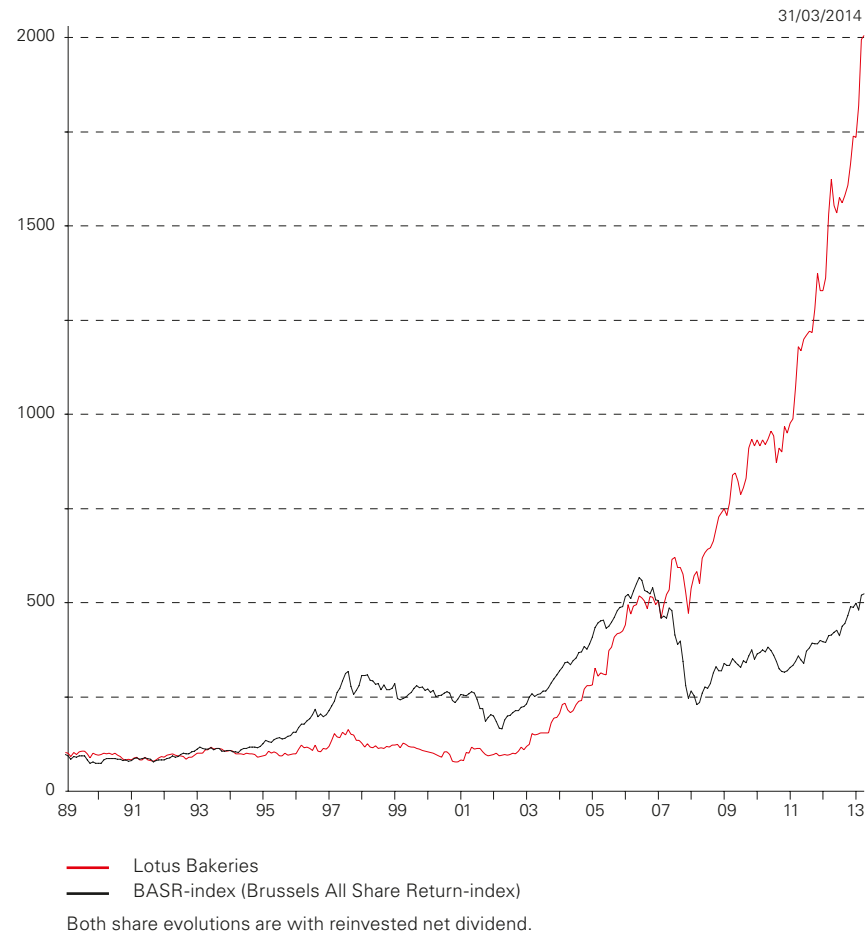
## STOCK DATA ABOUT THE LOTUS BAKERIES SHARE

in EUR	2014	2013	2012	2011	2010	2009
<b>Highest price</b> till 31/03 in 2014	875.00	725.00	615.00	423.00	411.50	340.00
<b>Lowest price</b> till 31/03 in 2014	711.00	555.00	407.00	325.00	310.00	229.99
<b>Price</b> per 31/12 - per 31/03 in 2014	824.99	713.63	555.00	416.00	404.94	332.87
<b>Market capitalization</b> per 31/12 - per 31/03 in 2014 in millions of EUR	655.96	567.42	432.70	321.40	312.84	267.30
<b>Number of shares</b> per 31/12 - per 31/03 in 2014	795,113	795,113	779,643	772,563	772,563	803,037
<b>Ratio price/earning</b> (PER) <sup>(1)</sup>	23.49	20.32	16.81	13.50	13.56	10.62
<b>Ratio price/cash flow</b> (PCF) <sup>(2)</sup>	14.45	12.50	10.07	8.83	8.20	6.60

(1) PER: Price Earnings Ratio: The price at the end of the year (per 31 March in 2014 respectively) divided by net result, per share at the end of the year.

(2) PCF: Price Cash Flow Ratio: The price at the end of the year (per 31 March in 2014 respectively) divided by net cash flow, per share at the end of the year.

## EVOLUTION OF THE LOTUS BAKERIES SHARE IN COMPARISON TO THE BASR-INDEX



## 8 | FINANCIAL CALENDAR

### Wednesday 9 April 2014

Annual review 2013 available on  
[www.lotusbakeries.com](http://www.lotusbakeries.com)

### Friday 9 May 2014

Ordinary and Extraordinary General Meeting of  
 Shareholders at 4.30 p.m.  
 Announcement of the interim declaration  
 covering the period from 1 January 2014.

### Thursday 15 May 2014

Payment of dividend for the 2013 financial year

### Monday 25 August 2014

Announcement of the half-year results for 2014

### Friday 13 February 2015

Announcement of the year results for 2014

### Friday 8 May 2015

Ordinary General Meeting of Shareholders.

## 9 | AGENDA OF THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 9 MAY 2014

1. Reading and discussion of the statutory and consolidated annual report of the Board of Directors with regard to the financial statements of the company for the financial year ended on December 31st, 2013.
2. Reading and discussion of the statutory and consolidated audit report of the Auditor with regard to the statutory and consolidated annual report of the company for the financial year ended on December 31st, 2013.
3. Adoption of the remuneration report with regard to the financial year of the company for the financial year ended on December 31st, 2013.
4. Adoption of the annual report of the company ending on December 31st, 2013 and appropriation of the result detailed on page 31. Inspection of the consolidated annual report ending on the same date.
5. Discharge of the directors and the Auditor.
6. Resignation of CofigoMM BVBA and appointment of Vasticom BVBA (*in formation*) as a director.
7. Renewal of the powers of the Board of Directors in connection with the purchase and sale of own shares - amendment of the transitional provisions A, B and C - renumbering of the transitional provision D - revocation of the transitional provision E.
8. Amendment of Article 9 and Article 25 of the Articles of Association with regard to the nature of shares and access to the general meeting as a result of the Act of 14 December 2005 regarding the cancellation of bearer securities.
9. Authority to the Board of Directors to implement the decisions made.
10. Authority to coordinate the Articles of Association.

The agenda, including any proposed resolutions, can be consulted at [www.lotusbakeries.com/corporate/investor-relations/doclist/shareholder-meetings](http://www.lotusbakeries.com/corporate/investor-relations/doclist/shareholder-meetings).

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Situation from May 2014

## EXECUTIVE COMMITTEE

Jan Boone	Chief Executive Officer
Jan Vander Stichele	Executive Director
Isabelle Maes	Chief Financial Officer
John Van de Par	Chief Operating Officer

## CORPORATE DEPARTMENTS

### Corporate Finance

Joseph Bultynck	Corporate Treasury
Annelies Santens	Corporate Controlling & Reporting
Caroline Pannier	Corporate Controlling
Denis Pieters	Consolidation

### Global Brand & Customer Development

Twan Thorn	Global Brand & Customer Development
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### Corporate HR

Katia Dobbelaere	HR International Sales Offices & Corporate Departments
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### Corporate ICT

Tom De Corte	ICT
Monique Huijsmans	Enterprise Content Management
Thierry Polfliet	IT Service Delivery
Patrick Van Cleemput	SAP administrative solutions

### Legal, IP & Corporate Communication

Sofie Dumarey	General Counsel
Stephanie De Wilde	Legal Counsel

### Corporate Services Operations

Roel de Jong	Corporate Procurement
Etienne Geirnaert	Food law & Nutrition
Els Van Parys	Research & Development
Dirk Verstraeten	Central Engineering



## COUNTRIES AND AREAS

### Belgium

William Du Pré	General manager Belgium
Pascal Deckers	Category management
Sabien Dejonckheere	Marketing
Els De Smet	Sales
Jos Destrooper	Finance and Group HR
Charlotte Castele	Head of accounting
Mia Desmet	HR Belgium
Katja Maerschallck	Controlling
Filip Vanthienen	Customer brand business
Ivo Vermeiren	Operations
Yves Boisdenghien	Plant Courcelles
Johan Claerhout	Logistics
Christophe Laureys	Plant Oostakker
Dries Mermuys	Plant Eeklo
Xavier Speeleveld	Purchase
Jean-Paul Van Hoydonck	Plant Lembeke
Eddy Thijs	Technical services
Bart Vanterwyngen	Plant Meise (as from July 2014)
Toon Hubrechts	Plant Meise (until July 2014)

### Netherlands

René Groen	General manager Netherlands
Leon Broer	Marketing
Bastiaan Haks	HR, Finance and administration
Dick Pouwels	Supply chain & NPD
Frank van Harten	Plant Sintjohannesga
Will Kuppens	Plant Geldrop
Rik Houtman	Plant Enkhuizen
Kamiel Steendijk	Sales

### France

Ignace Heyman	General manager France
Virginie Catteau	Human Resources
Christine Franssen	Marketing
Jean-Philippe Kloutz	Sales
Lucie La Folie	Finance and administration
Ludovic Valente	Operations
Marc Berger	Plant Briec-de-l'Odé

### Sales Offices Europe

Han van Welie	General manager Sales Offices Europe
Martin Birrer	Switzerland
Serge Defaix	Iberica
Paul Hunter	United Kingdom and Ireland
Pelle Karlson	Nordics
Ton Kooi	Central Europe / Germany and Austria
Marek Kowalewski	Poland
Tomáš Zbořilek	Czech Republic/Slovakia

### Americas

Michael Bannister	General manager Americas
Sal Alvarez	Operations
Steffany Lee	Marketing
Angel López	Latin America
Carmen Gana	Chile
Michelle Singer	Sales
Johan Wilms	Finance and administration

### International Distributors

Bart Bauwens	General manager International Distributors
Martin-Frederic Eeckhout	South Europe/Middle East/Africa

### China

Ronald Drieduite	General manager China
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# 7 FINANCIAL STATEMENTS

In this section of the 2013 annual review, only the consolidated balance sheet, the consolidated income statement and the five-year financial summary for the Lotus Bakeries Group are presented. The financial supplement to this annual review contains all the financial data, including the consolidated external Auditor's report, and is available in Dutch and English.

The consolidated financial statements for 2013 shown hereafter have been prepared in accordance with IFRS rules as adopted by the EU with comparative IFRS figures for 2012.

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

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

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

The full statutory annual financial statements, together with the statutory annual report of the Board of Directors and the statutory audit report of the Auditor, will be submitted to the National Bank of Belgium within the legally prescribed term. These documents are available on the website [www.lotusbakeries.com](http://www.lotusbakeries.com) (Investor Relations) or can be obtained for free from the Corporate Secretary of Lotus Bakeries on simple request.

The Auditor has issued an unqualified audit opinion without reservation with respect to the consolidated and the statutory annual financial statements of Lotus Bakeries NV.

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<b>Five-year financial summary Lotus Bakeries Group</b>	<b>57</b>

## CONSOLIDATED BALANCE SHEET

in thousands of EUR

### ASSETS

	31-12-13	31-12-12
<b>Non current assets</b>	<b>262,729</b>	<b>214,154</b>
Tangible assets	136,489	109,064
Goodwill	46,517	25,960
Intangible assets	75,744	76,248
Investment in other companies	27	32
Deferred tax assets	3,859	2,691
Other non current assets	93	159
<b>Current assets</b>	<b>71,375</b>	<b>56,461</b>
Stocks	16,665	14,917
Trade receivables	36,036	29,751
Tax receivables	5,428	4,248
Other amounts receivable	402	-
Cash and cash equivalents	11,933	6,452
Deferred charges and accrued income	911	1,093
<b>TOTAL ASSETS</b>	<b>334,104</b>	<b>270,615</b>

### EQUITY AND LIABILITIES

<b>Equity</b>	<b>171,375</b>	<b>145,206</b>
Share Capital	11,246	7,440
Retained earnings	167,099	146,183
Treasury shares	(9,442)	(11,061)
Other reserves	2,414	2,586
Non-controlling interest	58	58
<b>Non-current liabilities</b>	<b>43,984</b>	<b>34,041</b>
Interest-bearing loans and borrowings	7,925	-
Deferred tax liabilities	32,687	30,323
Pensions	2,793	3,215
Provisions	574	498
Other non-current liabilities	5	5
<b>Current liabilities</b>	<b>118,745</b>	<b>91,368</b>
Interest-bearing loans and borrowings	62,337	41,675
Provisions	1,265	1,405
Trade payables	34,249	30,886
Remuneration and social security	12,525	10,792
Tax payables	5,126	3,736
Derivative financial instruments	70	495
Other current liabilities	279	200
Accrued charges and deferred income	2,894	2,179
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>334,104</b>	<b>270,615</b>

## CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

in thousands of EUR

	2013	2012
<b>Turnover</b>	<b>332,319</b>	<b>288,455</b>
Raw materials, consumables and goods for resale	(111,425)	(91,149)
Services and other goods	(87,259)	(78,390)
Personnel costs	(78,900)	(69,972)
Depreciation and amortization	(13,290)	(11,708)
Decrease/(Increase) in amounts written off stocks, contracts in progress and trade debtors	(869)	(1,130)
Other operating income and charges (net)	795	574
<b>Recurrent operating result (REBIT) <sup>(1)</sup></b>	<b>41,371</b>	<b>36,680</b>
Non-recurrent operating result	(3,655)	(1,953)
<b>Operating result (EBIT) <sup>(2)</sup></b>	<b>37,716</b>	<b>34,727</b>
Financial result	(1,740)	(1,569)
Financial income	2,576	1,395
Financial charges	(4,316)	(2,964)
<b>Result before taxation</b>	<b>35,976</b>	<b>33,158</b>
Income taxes	(8,057)	(7,408)
<b>Result after taxation</b>	<b>27,919</b>	<b>25,750</b>
<b>NET RESULT</b>	<b>27,919</b>	<b>25,750</b>
Net result: minority interest	(1)	13
Net result: Group share	27,920	25,737
<b>Other comprehensive income:</b>		
<b>items that may be subsequently reclassified to profit and loss</b>	<b>(581)</b>	<b>1,005</b>
Currency translation differences	(610)	941
Financial instruments	29	64
<b>items that will not be reclassified to profit and loss</b>	<b>409</b>	<b>-</b>
Defined benefit plans	409	-
<b>Other comprehensive income for the year</b>	<b>(172)</b>	<b>1,005</b>
<b>Total comprehensive income for the year</b>	<b>27,747</b>	<b>26,755</b>
<b>Total comprehensive income for the year attributable to:</b>		
Non-controlling interest	(1)	13
Equity holders of Lotus Bakeries	27,748	26,742
<b>Earnings per share</b>		
Weighted average number of shares	764,828	746,052
<b>Basic earnings per share (EUR)</b>	<b>36.50</b>	<b>34.50</b>
of continued operations	36.50	34.50
Weighted average number of shares after effect of dilution	787,170	773,576
<b>Diluted earnings per share (EUR)</b>	<b>35.47</b>	<b>33.27</b>
of continued operations	35.47	33.27
Total number of shares <sup>(3)</sup>	795,113	779,643
<b>Diluted earnings per share (EUR)</b>	<b>35.11</b>	<b>33.01</b>
of continued operations	35.11	33.01

## CONSOLIDATED FINANCIAL STATEMENTS

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

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

(3) Total number of shares including treasury shares.



## FIVE-YEAR FINANCIAL SUMMARY LOTUS BAKERIES GROUP

### CONSOLIDATED BALANCE SHEET

in thousands of EUR

	2013	2012	2011	2010	2009
<b>Non current assets</b>	<b>262,729</b>	<b>214,154</b>	<b>184,861</b>	<b>178,257</b>	<b>170,301</b>
Tangible assets	136,489	109,064	95,052	90,233	84,150
Goodwill	46,517	25,960	25,710	25,670	24,837
Intangible assets	75,744	76,248	61,859	61,576	60,822
Deferred tax assets	3,859	2,691	2,045	637	353
Other non current assets including derivative financial instruments	93	159	163	109	101
<b>Current assets</b>	<b>71,375</b>	<b>56,461</b>	<b>53,025</b>	<b>46,474</b>	<b>55,809</b>
Stocks	16,665	14,917	14,285	12,998	12,947
Trade receivables	36,036	29,751	26,305	23,360	21,288
Cash and cash equivalents	11,933	6,452	7,369	6,302	16,249
<b>TOTAL ASSETS</b>	<b>334,104</b>	<b>270,615</b>	<b>237,886</b>	<b>224,731</b>	<b>226,110</b>
<b>Equity</b>	<b>171,375</b>	<b>145,206</b>	<b>126,760</b>	<b>109,795</b>	<b>101,197</b>
<b>Non-current liabilities</b>	<b>43,984</b>	<b>34,041</b>	<b>41,312</b>	<b>50,571</b>	<b>69,313</b>
Interest-bearing loans and borrowings	7,925	-	6,632	17,902	37,136
Deferred tax liabilities	32,687	30,323	29,187	28,700	28,619
<b>Current liabilities</b>	<b>118,745</b>	<b>91,368</b>	<b>69,814</b>	<b>64,365</b>	<b>55,600</b>
Interest-bearing loans and borrowings	62,337	41,675	19,474	19,319	13,739
Trade payables	34,249	30,886	29,430	23,509	22,138
Remuneration and social security	12,525	10,792	10,690	9,081	9,518
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>334,104</b>	<b>270,615</b>	<b>237,886</b>	<b>224,731</b>	<b>226,110</b>

### CONSOLIDATED INCOME STATEMENT

in thousands of EUR

	2013	2012	2011	2010	2009
Turnover	332,319	288,455	275,598	264,823	261,071
<b>Recurrent operating result (REBIT)</b>	<b>41,371</b>	<b>36,680</b>	<b>36,363</b>	<b>34,955</b>	<b>34,593</b>
Non-recurrent operating result	(3,655)	(1,953)	(2,695)	(874)	(294)
<b>Operating result (EBIT)</b>	<b>37,716</b>	<b>34,727</b>	<b>33,668</b>	<b>34,081</b>	<b>34,299</b>
Financial result	(1,740)	(1,569)	(688)	(2,960)	(2,826)
<b>Result before taxation</b>	<b>35,976</b>	<b>33,158</b>	<b>32,980</b>	<b>31,121</b>	<b>31,473</b>
Income taxes	(8,057)	(7,408)	(9,165)	(8,055)	(8,202)
<b>Result after taxation</b>	<b>27,919</b>	<b>25,750</b>	<b>23,815</b>	<b>23,066</b>	<b>23,271</b>
Results from termination of activities	-	-	-	-	1,889
<b>NET RESULT</b>	<b>27,919</b>	<b>25,750</b>	<b>23,815</b>	<b>23,066</b>	<b>25,160</b>
Net result: minority interest	(1)	13	13	11	95
Net result: Group share	27,920	25,737	23,802	23,055	25,065



8 GENERAL  
INFORMATION

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**Registered office**

Lotus Bakeries NV  
Gentstraat 52  
B- 9971 Lembeke

Tel.: + 32 9 376 26 11  
Fax: + 32 9 376 26 26  
www.lotusbakeries.com

Register of legal persons of Ghent,  
Enterprise number 0.401.030.860

**Annual review**

This annual review is also available on the  
internetsite:  
www.lotusbakeries.com

Het eerste gedeelte van dit jaaroverzicht is  
eveneens beschikbaar in het Nederlands.  
La première partie du rapport annuel est  
également disponible en français.

De financiële bijlage (het tweede gedeelte) van  
het jaaroverzicht is beschikbaar in het Nederlands  
en het Engels.

L'annexe financière (la deuxième partie) du  
rapport annuel est disponible en néerlandais  
et en anglais.

The financial supplement (the second part) of the  
annual review is available in Dutch and in English.

The original Dutch version of this annual review is  
available. In matters of any misinterpretation, the  
Dutch annual review will prevail.

**Contact**

For further information about the data of the  
annual review or more information about the  
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- Michèle Francken & Daan Moreels - Quadri  
- employees Lotus Bakeries

***Netherlands***

Peek fotografie - N=5 - employees Lotus Bakeries

***United States***

Heather Hryciw Photography

***Sweden***

Fabian Björnstjerna



CARE FOR TODAY

Respect for  
tomorrow



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# CARE FOR TODAY Respect for tomorrow its genesis

As we show in our brochure 'Care for today - Respect for tomorrow', corporate social responsibility is part of our DNA. It has been important ever since the founding of Lotus Bakeries in 1932, and it remains important.

We believe it is essential to measure progress and report on it and have found the necessary themes and principles within the Global Reporting Initiative (GRI). Additionally, the new G4 standard is very well structured and the recently published 'G4 Sector Disclosure for Food Processing' (March 2014) ensures that all elements of the entire supply chain are on the agenda. We needed to frame all our initiatives within one of the 4 focus areas (mankind,





environment, society and personnel) to give our corporate social responsibility a face and a name. The policy statements, which are extensively described in our brochure, 'Care for today - Respect for tomorrow', form the basis for a journey towards this carefully chosen destination.

The next step will lead first of all to an important exercise, called the 'materiality exercise' in the GRI. For this purpose, we will ask our stakeholders which CSR themes they find relevant to our company. Combined with the potential impact on our company, this will provide a clear base for prioritisation. This will be planned in greater detail in the course of 2014.

We have taken the first steps in 2010 and 2011, when we investigated various topics within the company, which led to our 'Care for today - Respect for tomorrow' programme. This genesis is an important corner stone of the GRI story and that is why we repeat it here.

Around the middle of 2010, a working group started a survey to question the various areas as to which CSR themes they considered important and, after consultation with the Executive Committee, drew up a clear action plan.

This way, 4 focal themes have been identified:

PEOPLE	ENVIRONMENT	SOCIETY	EMPLOYEES
 <p>We also leave no stone unturned to ensure that our sustainably produced products are also produced as responsibly as possible for our consumers to enjoy.</p>	 <p>Nature provides us with all that we need to make our products. And we like to give nature something back in return.</p>	 <p>Lotus Bakeries must fulfil its role in society. We are only too happy to assume our responsibilities, time and time again.</p>	 <p>With the help of our motivated and deeply committed people, we are able to make that difference. This is why every member of staff deserves our respect.</p>

This programme, which has been broadly communicated to all employees and the Board of Directors, has become the Lotus Bakeries 'Care for today - Respect for tomorrow'-programme.

As you can see, the journey started a long time ago, when the company was founded, and it was first formalised in 2010-2011. Based on the answers to our survey we are now drawing up an update

of the 'internal' version adding the extra dimension 'external'. We therefore consciously choose the new and engaged GRI G4 principles.

We also hope to align our governance structure with these new and innovative insights and of course remain open to all suggestions on this subject.

'CARE FOR TODAY - RESPECT FOR TOMORROW'



Koninklijke  
**PEIJNENBURG**  
- Sinds 1883 -

**ANNAS** 



## PREFACE

# the vision of the future

'Care for today - Respect for tomorrow', at Lotus Bakeries we firmly believe in entrepreneurship that cares for today but also has full respect for tomorrow. This has been the case since 1932, which is the year in which our flourishing family business first came into being.

Caring for our products, our environment, our partners, our employees as well as for our consumers; that is our DNA. It is also our way of ensuring that our company can thrive today and enjoy a successful future too, and to enable our consumers to continue to enjoy our delicious products both now and in the future.

Our aim is to take this strong conviction into the future. Care and respect are most definitely crucial, now more than ever. Every single day, we continue to strive for a better future.

We are making significant efforts in the following four areas; people, environment, society and employees. This brochure will tell you more about our principles.

This way, we hope to make a contribution. To make a difference. And we are convinced that we will succeed in this together.

*Thanking you,*  
**Jan Boone,**  
*CEO at Lotus Bakeries*



# sustainability, the main ingredient

our constant aim is to produce all Lotus Bakeries products in a more sustainable way. what's more, this sustainable approach extends far beyond our production process. we treat people, the environment, society and every member of our workforce with care and respect.

'CARE FOR TODAY - RESPECT FOR TOMORROW'



## PEOPLE



We also leave no stone unturned to ensure that our sustainably produced products are also produced as responsibly as possible for our consumers to enjoy.

## ENVIRONMENT



Nature provides us with all that we need to make our products. And we like to give nature something back in return.

## SOCIETY



Lotus Bakeries must fulfil its role in society. We are only too happy to assume our responsibilities, time and time again.

## EMPLOYEES



With the help of our motivated and deeply committed people, we are able to make that difference. This is why every member of staff deserves our respect.

# PEOPLE



To ensure that every consumer can really enjoy our responsibly produced products, now and in the future. This is what we are striving for at Lotus Bakeries every single day. How do we achieve that? By complying with the most stringent nutrition and health guidelines, of course. **We keep the salt content of our products to a minimum, and our fats are completely free from transfats.** The large majority of our raw materials are of natural origin.



# enjoyment & health

In addition, to continue to ensure that our products are of the highest quality:

- We invest on average twice as much in **R&D** compared to other European food manufacturers.
- We implement **extremely stringent procedures** in the field of food safety, traceability, quality control, hygiene, transport, etc.
- We constantly carry out **internal audits**.

Consumers also know exactly what they are putting into their shopping trolley, because our **clear nutrition labelling** complies with both national and European legislation. In Europe our packaging even gives extensive information about the GDA values (Guideline Daily Amounts), which we have implemented voluntarily.

Gemiddelde voedingswaarde per / Valeur nutritionnelle moyenne par Durchschnittlicher Nährwert pro / Average nutrition value per	100 g	1 Frangipane 32,5 g	%GDA
Energie/Brennwert/Energy	447 kcal/1868 kJ	145 kcal/607 kJ	7 %
Eiwitten/Protéines/Eiweiß/Proteins	4,5 g	1,5 g	3 %
Koolhydraten/Glucides/Kohlenhydrate/Carbohydrate	54,5 g	17,7 g	7 %
waarvan Suikers/dont Sucres/davon Zucker/of which Sugars	31,9 g	10,4 g	12 %
Vetten/Lipides/Fett/Fat	23,6 g	7,7 g	11 %
waarvan verzadigd/dont saturés/davon gesättigt/of which saturates	13,0 g	4,2 g	21 %
Voedingsvezels/Fibres alimentaires/Ballaststoffe/Fibre	0,8 g	0,3 g	1 %
Natrium/Sodium	0,23 g	0,08 g	3 %

kcal  
**145**  
7%\*

Per/Par/Pro  
Frangipane

# with respect for nature

100%

CO<sub>2</sub> neutral electricity in all factories

<1%

final waste

## PALM OIL - DECLARATION

Lotus Bakeries is a member of the RSPO (Round Table of Sustainable Palm Oil) and, in support of the production of sustainable palm oil, has bought GreenPalm certificates for all palm oil used since September 2011. All this palm oil is considered sustainable in accordance with the Book&Claim principle.

All palm oil purchased directly by Lotus Bakeries for its own margarine factory is 100% RSPO segregated; the highest sustainability level of the RSPO certificates. Towards the end of 2014, all other sustainable palm oil (present in the few

margarines and products bought externally) will be at least of mass balance level and during the year 2015 this oil should also become 100% RSPO segregated.

Lotus Bakeries fully endorses the principles for using traceable palm oil which cannot be connected with deforestation, the reclamation of peat moors and exploitation.

For this reason Lotus Bakeries, in close cooperation with its suppliers, aims to achieve full traceability up to the plantations for all palm oil used by

the end of 2015. This way Lotus Bakeries wishes to ensure that all suppliers involved are able to guarantee that the palm oil being purchased is not connected to deforestation, the reclamation of peat moors and exploitation.

When it comes to respect for the environment, Lotus Bakeries leaves nothing to chance. For example, the electricity used in all of our factories is CO<sub>2</sub> neutral.

Every year, we also reduce this energy usage by 2% per kg produced. We also apply this sustainable approach to our entire production process. We only use non-genetically modified raw materials which **have been grown and produced in a sustainable way.**

Another way in which we care for the environment is by limiting our water consumption. For our production process we use **as much rain and well water as possible.** All our waste water also goes through a high performance water treatment plant.

As far as waste is concerned, we only effectively end up with less than 1%. This is then **sorted and recycled as much as possible.**



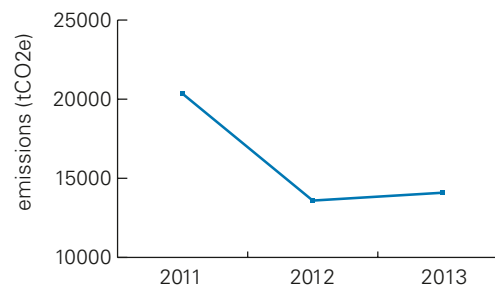
# ENVIRONMENT



## DID YOU KNOW?

Lotus Bakeries signs a 'sustainability agreement' with its suppliers in order to encourage them to take environmental protection measures and to commit to fair and ethical trading.

## CO<sub>2</sub>-emission -32%\*



(\*) Comparison scope 1 & 2 (CO<sub>2</sub>-logic)

# SOCIETY



To Lotus Bakeries, sustainability means much more than just environmental protection. For us it is inextricably linked with the social aspect. In other words, we are **very aware of our role in society**.

# serious about our responsibilities, now and in the future

For many years now, **we have been supporting wide-ranging social and cultural (development) projects, activities and organisations.**

And this both locally and internationally.

Through 'ondernemers voor ondernemers/entrepreneurs pour entrepreneurs' we are providing support to, for example, 'The Boat to Kinshasa' project. The aim of this is to develop a central organisation for transporting and marketing the agricultural products from along Lake Mai-Ndombe and the Congo River to Kinshasa.

## **Sports events**

We consider sports and exercise to be of vital importance. This is why we regularly support local initiatives and give participants the opportunity to enjoy our products.

### **In the future too, we will continue to invest in:**

- Miscellaneous social, sporting and cultural projects
- Numerous development projects
- 'The Boat to Kinshasa'.



# OUR PEOPLE show FULL commitment, and so do we

Lotus Bakeries aims to be a committed employer and to offer its employees challenging work in a pleasant work environment. We realise this promise in four different ways:

## 1 TOP CULTURE

We set high store by **T**eam Spirit, **O**pen Dialogue and **P**assion and we also constantly invest in self-development and the wellbeing of our people.

## 2 SAFETY

Working safely means working well. **'Safety First'** is therefore a topic that is given top priority.



## 3 COMMUNICATION

Involving our people as much as possible in our activities requires clear communication. Information quickly reaches our people through the managers, different meetings and internal communication platforms.

## 4 DEVELOPMENT

Investing in every employee benefits the whole company. This is something we experience every day, because our people work with passion and commitment. We want to keep it that way in the future, by continuing to offer **courses, coaching and 'on the job' training.**

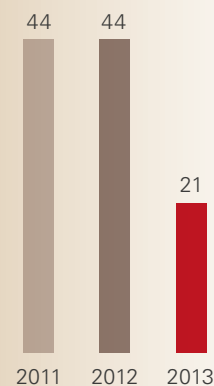
# EMPLOYEES



### DID YOU KNOW?

Lotus Bakeries operates a 'code of principles', the aim of which is to achieve a fair and ethically responsible work environment. These principles apply to everyone, in every country, at every level and at every place of work.

Number of industrial accidents per year



This result is mainly due to the increased attention given to all aspects of safety at work. All managers and team members in the entire organisation are involved in this policy. The safety aspect plays a prominent role in everything we do. The 'safety reflex' was born.

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# our sustainable approach in Practice

PEOPLE, Environment, Society and EMPLOYEES. That is what the Lotus Bakeries' sustainable approach is focused upon. However, what does that mean in real terms? How does this policy work in practice? We asked Jean-Paul Van Hoydonck, Production manager at the Lotus Bakeries' site in Lembeke. Mr. Van Hoydonck is in charge of the general management of the Production Department, and outlines the strategy in terms of volumes, investments and long-term approach.

## Speaking long-term, are you mindful of sustainability?

**JP** "Absolutely. We always try to protect the environment in everything we do. We allow the authorities – and this is completely voluntary – to come and see just what an energy-saving operation we are. We also call upon the services of an energy consultant and we are making constant improvements. A few examples: we have installed roof insulation and solar panels and we have replaced our previous heating systems with more powerful and efficient ones, thus reducing our energy usage. Our machines are usage controlled, which means that they only run on the power that is required, and not always at full power.

In our new production hall, we can even check and switch each production line separately to the most economical

setting in order to save energy. We have also implemented an innovative waste reduction programme. And for the future we are aiming for CO<sub>2</sub> neutral production. All our electricity is already CO<sub>2</sub> neutral now."


## For Lotus Bakeries sustainability also means respect for people, the employees and society.

**JP** "And you can really feel that. We carefully monitor all developments in terms of production and packaging in order to enable consumers to fully enjoy our products as responsibly as possible. In order to meet that promise, we need motivated employees. To further increase that motivation and commitment, we strive for 'independent team work'. This briefly means that all the employees, jointly with their team, are responsible for their production

line and they therefore monitor the production. He or she is also responsible for the results and can consult with other teams. Our people thus gain a deeper insight into the production process and also have a greater say. We are already noticing that this approach is generating great enthusiasm.

We also realise that our factory plays a role in society within the area. This is why we have been working with a local sheltered workplace for many years now. And if there are any sports events being organised, we are happy to contribute to the organisation by offering some of our products. Finally, it is not our intention to rest on our laurels. Sustainability will always remain a top priority for us, now and in the future."

Thank you for your explanation.

A portrait of Jean-Paul Van Hoydonck, a middle-aged man with a receding hairline, smiling. He is wearing a blue and white checkered shirt under a dark blue vest. His arms are crossed. The background is a blurred green hedge.

"TO FURTHER INCREASE  
THAT MOTIVATION AND  
COMMITMENT, WE STRIVE  
FOR 'INDEPENDENT  
TEAM WORK'."

**Jean-Paul Van Hoydonck**  
*Production manager Lembeke*

#### Colophon

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# The Original SPECULOOS KOOKBOEK







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