

# LOTUS BAKERIES GROUP



Interim Financial Reporting per 30 June 2018





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## 1. Consolidated key figures

Income statement <sup>(1)</sup> (in thousands of EUR)	30/06/2018	30/06/2017	Evolution %	
<b>Turnover</b>	<b>267,503</b>	<b>258,871</b>	+	<b>3.3</b>
<b>Recurrent operating result (REBIT) <sup>(2)</sup></b>	<b>47,853</b>	<b>46,670</b>	+	<b>2.5</b>
<b>Recurrent operating cash flow (REBITDA) <sup>(3)</sup></b>	<b>54,897</b>	<b>53,728</b>	+	<b>2.2</b>
Non-recurrent operating result	(1,018)	(1,064)	-	4.3
Operating result (EBIT) <sup>(4)</sup>	46,835	45,606	+	2.7
Financial result	(1,466)	(1,648)	-	11.1
Profit for the year before taxes	45,369	43,958	+	3.2
Taxes	(11,132)	(12,108)	-	8.1
<b>Net result</b>	<b>34,237</b>	<b>31,850</b>	+	<b>7.5</b>
Non-controlling interests	518	430	+	20.5
Equity holders of Lotus Bakeries	33,719	31,420	+	7.3
<b>Total number of shares on 30 June <sup>(5)</sup></b>	<b>804,412</b>	<b>800,576</b>	+	<b>0.5</b>
<b>Key figures per share (in EUR)</b>				
Recurrent operating result (REBIT)	59.49	58.30	+	2.0
Recurrent operating cash flow (REBITDA) <sup>(3)</sup>	68.24	67.11	+	1.7
Net result: Group share	41.92	39.25	+	6.8
<b>Balance sheet (in thousands of EUR)</b>				
Balance sheet total	608,309	571,270	+	6.5
Equity	313,746	267,191	+	17.4
Investments <sup>(6)</sup>	20,676	13,173	+	57.0
Net financial debts <sup>(7)</sup>	69,237	83,946	-	17.5

<sup>(1)</sup> Further information on the income statement and balance sheet can be found on the website: [www.lotusbakeries.com](http://www.lotusbakeries.com)

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

<sup>(3)</sup> Recurrent operating cash flow is defined as recurrent operating result + depreciations + provisions and amounts written off + non-cash costs valuation option and warrant plan.

<sup>(4)</sup> EBIT is defined as recurrent operating result + non-recurrent operating result.

<sup>(5)</sup> Total number of shares on 30 June, excluding treasury shares.

<sup>(6)</sup> Investments in tangible, intangible fixed assets and participating interests.

<sup>(7)</sup> Net financial debts are defined as interest bearing financial debts - investments - cash and cash equivalents - treasury shares.



## 2. Management explanation

### 2.1 Turnover

In the first half of 2018 the consolidated turnover of Lotus Bakeries Group grew by EUR 8.6 million to EUR 267.5 million. Excluding the negative exchange rate impact of EUR 3.7 million, turnover grew by 5%.

Once again, Lotus Biscoff experienced significant growth in the first half of the year, for both biscuits and spread.

This growth underlines our strategy of continued investments in the internationalization of Lotus Biscoff. This year also sees a new packaging design for all Biscoff products.

In the United States, Lotus Biscoff continues to deliver double-digit growth, driven by expansion of distribution and an increase in sale rotations.

In Europe, Lotus Biscoff also grew strongly during the first half of the year, particularly in the UK, Spain, the Czech Republic and the Netherlands. In view of the success of the Biscoff commercial launched for the first time in 2017 in the UK, it was decided to repeat the campaign this year. The investment was increased substantially by expanding the reach of the campaign to a national level.

Natural snacks (Näkd, TREK and BEAR) continue their positive trend, both in the UK and in the new countries. Following a successful introduction in the Netherlands in 2017, the natural snacks are scheduled to be launched in Belgium, the United States, France and Switzerland in 2018. Meanwhile, in Belgium, we have managed to secure national distribution for Näkd across the main retailers. As of the beginning of the year, our healthy fruit snack BEAR is available in more than 4,000 coffee shops across the United States. This was recently also extended to Canada. We are also seeing BEAR's distribution via the retail channel grow every month.

Lotus Bakeries brands and products continue to gain market share in Belgium. In the 'Bakery & Sweet Biscuits' category, Lotus - already number one for several years in terms of volume - has now become the biggest brand in terms of value over the last twelve months. This success is amongst others due to the focus on our local 'hero' products and constant product innovations in the ranges of waffles, cakes and pastries. The recent launch of Tartélice is a good example of this. The new look and formats for Dinosaurus which were launched in 2017 also proved successful, leading to double-digit growth in the first half of the year.

### 2.2 Operating result

The recurrent operating result (REBIT) of EUR 47.9 million and recurrent operating cash flow (REBITDA) of EUR 54.9 million both increased by EUR 1.2 million year on year.

With percentages on turnover of 17.9% (REBIT) and 20.5% (REBITDA), the Lotus Bakeries Group assures solid growth combined with stable and high profitability.

Growth in turnover and more efficient use of the available production capacity contribute to the improved operating result. Lotus Bakeries has continued to invest consistently in promotional activities at the point of sale and in marketing campaigns. The focus continues to lie in particular on 'above the line' TV and online commercials. For the first time, there were also national TV campaigns in the UK, for both Biscoff and BEAR. Other overheads remain well under control.





The non-recurrent operating result (EUR -1.0 million) is in line with last year.

The financial result (EUR -1.5 million) consists primarily of interest expenses.

The tax expense is EUR 11.1 million or 24.5% of the profit before tax. In line with the reduction in the effective tax rate at the end of 2017, the lower income tax rates in Belgium and the United States have a positive impact on the total tax burden.

The net profit for the first half of the year is up by EUR 7.5 million compared with 2017 and stands at EUR 34.2 million or 12.8% of turnover.

### 2.3 Net financial debt

Compared to the end of June 2017, net financial debt decreased by EUR 14.7 million to EUR 69.2 million. Despite the growth and the higher level of capex, with more than EUR 35 million invested over the last twelve months, the strong operating cash flow keeps the Group's debt ratio low. The balance sheet remains strong even after the acquisition of Kiddylicious.

### 2.4 Main projects and investments

As already stated, Lotus Bakeries Group's investment budget is historically high until 2020, mainly due to the construction of the new factory in the United States, the construction of the new factory in South Africa and the expansions in Lembeke.

#### a. New Lotus Biscoff factory in the United States

The significant growth of Lotus Biscoff in the United States in recent years and once again in the first half of 2018, underpins the strategic rationale behind this investment in Mebane, North Carolina. For the first time, Lotus Biscoff will be produced on a different continent. This investment is now well under way, the foundations of the building have been laid and the building is scheduled for completion by the end of December. This investment is led by an experienced project team combining expertise from within the Group with local know-how. The project is on schedule, with the factory set to go into operation in the second half of 2019.

#### b. Investment in BEAR factory in South Africa

On 28 March 2018, it was announced that the Lotus Bakeries Group will acquire the BEAR production facility in South Africa from the co-manufacturer, Grassroots. Under the agreement, Grassroots will deliver a brand-new, turnkey production facility during 2019. In order to make this project a success, a project team with employees from both Lotus Bakeries and Grassroots has been established. The original schedule is still on track.

#### c. Further expansion of Lotus Biscoff manufacturing facility in Lembeke

In 2016, a third production hall was built in Lembeke. In 2018, a second production line started up in that hall. Both of these investments, in Lembeke and Mebane, are necessary in the long term, in order to meet future demand for Lotus Biscoff.



d. Offices at Lembeke

It was decided to upgrade the offices in Lembeke into modern offices for sales, marketing, IT, Procurement, Quality and R&D. The staff will move into the new offices at the end of 2019.

## 2.5 Acquisition of Kiddylicious

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

Born in Buckinghamshire, UK, in 2009, Kiddylicious was founded by Sally Preston, mother of two and former Marks & Spencer food scientist, to help deliver delicious, nutritious food for little ones which benefits each stage of their development and helps shape a positive attitude towards health and nutrition for their future.

Due to its diverse, innovative portfolio of baby snacks and meals, Kiddylicious is the fastest growing brand in the UK baby food market and has become a must-stock brand for all major retailers. Kiddylicious has made its first successful steps as an international brand and is now already sold in multiple countries worldwide.

Net revenue for Kiddylicious is estimated to be at least GBP 21 million for the year ending December 2018, with strong profitability above 15% Earnings before Taxes. The price paid represents c.2x sales for the calendar year 2018.

Lotus Bakeries has a focussed strategic vision on food and health, and wants to offer every consumer a versatile range of snacks for every consumption moment and across all age groups, both in the indulgent and healthy snacking segment. Kiddylicious is an excellent strategic fit with the Natural Foods business unit of Lotus Bakeries created after the acquisition of the Nākd, TREK, BEAR and Urban Fruit brands in 2015. That's why we are excited as we firmly believe that the Kiddylicious brand has a delicious and extensive product offering for babies and toddlers, which enriches our product range in the healthier snacking segment. Kiddylicious products can already be found in multiple countries, yet Lotus Bakeries can help in realising the next level of growth for Kiddylicious by leveraging its international potential. Additionally we want to further strengthen the position of Kiddylicious in its home market the UK.





## 2.6 Conclusion and prospects

In the first half of 2018, Lotus Bakeries achieved turnover growth of 5% at constant exchange rates. Profitability also remains high with a net profit of EUR 34.2 million, an increase of 7.5% year on year.

Lotus Biscoff's strong growth in the first half of the year underlines the fact that the internationalization of our main 'hero' product is successful. Lotus Bakeries will continue to invest in order to reach more and more families all over the world.

The further development of natural snacking is a major strategic pillar for Lotus Bakeries. Accordingly, the Group makes the necessary resources available for this, in terms of marketing, sales and people. For the first time, a national TV campaign was launched for the BEAR brand in the UK. The launch of the natural snacks outside the UK is also in full swing. Meanwhile, in Belgium, we have secured national distribution for Nākd across main retailers and BEAR has been successfully launched in the United States.

Following the recent acquisition of Kiddylicious, Lotus Bakeries now also has the fastest growing brand in the baby snacking category in the UK in its portfolio. In this way, the Group has an additional platform to further strengthen its leading position and growth ambitions in the natural snacking segment, both in the UK and internationally. Kiddylicious' turnover and results will be consolidated as from 26 July 2018.

Lotus Bakeries Group has planned various strategic investment projects from 2018 to 2020. The construction of the new factory in the United States is well under way and the project is on schedule to go into operation in the second half of 2019. It was recently announced that Lotus Bakeries will take over the BEAR production facility in South Africa from Grassroots in 2019 and a new Lotus Biscoff production line has gone into service in Belgium.

*CEO Jan Boone is enthusiastic about the performance and sees the Group making further progress this year: "I'm especially delighted with the results for the first six months because we're combining organic, profitable growth with the execution of acquisitions and major investment projects on several continents. The Group will be faced with important challenges in the months and years ahead, but we look forward to tackling them with great determination. Following the acquisition of Kiddylicious, the Group is now active in a completely new segment of healthy baby snacking. At the same time, two major investment projects are ongoing in the United States and South Africa, which should both be successfully completed by the end of 2019. Then, Lotus Bakeries will have its own production operations in Europe, North America and Africa."*





### 3. Consolidated financial statements

#### 3.1 Consolidated income statement

in thousands of EUR	Jan-June 2018	Jan-June 2017
<b>Turnover</b>	<b>267,503</b>	<b>258,871</b>
Raw materials, consumables and goods for resale	(86,399)	(82,740)
Services and other goods	(71,439)	(70,164)
Employee benefit expense	(54,873)	(52,103)
Depreciation and amortization on intangible and tangible assets	(6,325)	(5,809)
Impairment on inventories, contracts in progress and trade debtors	(440)	(1,002)
Other operating charges	(1,204)	(2,314)
Other operating income	1,030	1,931
<b>Recurrent operating result (REBIT) <sup>(1)</sup></b>	<b>47,853</b>	<b>46,670</b>
Non-recurrent operating result	(1,018)	(1,064)
<b>Operating result (EBIT) <sup>(2)</sup></b>	<b>46,835</b>	<b>45,606</b>
Interest income (expense)	(1,111)	(1,027)
Foreign exchange gains (losses)	(211)	(464)
Other financial income (expense)	(144)	(157)
<b>Profit for the year before taxes</b>	<b>45,369</b>	<b>43,958</b>
Taxes	(11,132)	(12,108)
<b>Result after taxes</b>	<b>34,237</b>	<b>31,850</b>
<b>NET RESULT</b>	<b>34,237</b>	<b>31,850</b>
attributable to:		
Non-controlling interests	518	430
Equity holders of Lotus Bakeries	33,719	31,420
<b>Other comprehensive income:</b>		
<b>Items that may be subsequently reclassified to profit and loss</b>	<b>(2,070)</b>	<b>(3,049)</b>
Currency translation differences	(678)	(3,873)
Gain/(Loss) on cash flow hedges, net of tax	(1,392)	824
<b>Total comprehensive income</b>	<b>32,167</b>	<b>28,801</b>
attributable to:		
Non-controlling interests	533	(58)
Equity holders of Lotus Bakeries	31,634	28,859





in thousands of EUR	Jan-June 2018	Jan-June 2017
<b>Earnings per share</b>		
Weighted average number of shares	802,411	798,373
<b>Basic earnings per share (EUR) - attributable to:</b>		
Non-controlling interests	0.65	0.54
Equity holders of Lotus Bakeries	42.02	39.36
Weighted average number of shares after effect of dilution	807,600	808,013
<b>Diluted earnings per share (EUR) - attributable to:</b>		
Non-controlling interests	0.64	0.53
Equity holders of Lotus Bakeries	41.75	38.89
Total number of shares <sup>(3)</sup>	814,733	814,283
<b>Earnings per share (EUR) - attributable to:</b>		
Non-controlling interests	0.64	0.53
Equity holders of Lotus Bakeries	41.39	38.59

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

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

(3) Total number of shares including treasury shares.



### 3.2 Consolidated balance sheet

in thousands of EUR	30/06/2018	31/12/2017
<b>ASSETS</b>		
<b>Non current assets</b>	<b>458,053</b>	<b>447,693</b>
Property, plant and equipment	185,432	174,426
Goodwill	140,636	141,001
Intangible assets	123,539	123,924
Participating interests	2,448	-
Investment in other companies	12	12
Deferred tax assets	3,714	4,310
Other non current assets	2,272	4,020
<b>Current assets</b>	<b>150,256</b>	<b>149,801</b>
Inventories	38,595	33,653
Trade receivables	63,781	60,104
VAT receivables	4,357	4,789
Income tax receivables	1,411	484
Other amounts receivable	1,056	1,487
Cash and cash equivalents	37,659	48,129
Deferred charges and accrued income	3,397	1,155
<b>TOTAL ASSETS</b>	<b>608,309</b>	<b>597,494</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>313,746</b>	<b>293,213</b>
Share Capital	16,073	15,999
Retained earnings	337,142	316,954
Treasury shares	(11,566)	(13,919)
Other reserves	(27,961)	(25,877)
Non-controlling interests	58	56
<b>Non-current liabilities</b>	<b>194,386</b>	<b>193,923</b>
Interest-bearing loans and borrowings	117,000	117,500
Deferred tax liabilities	49,964	49,206
Net employee defined benefit liabilities	3,823	3,846
Provisions	402	414
Derivative financial instruments	2,181	1,970
Other non-current liabilities	21,016	20,987
<b>Current liabilities</b>	<b>100,177</b>	<b>110,358</b>
Interest-bearing loans and borrowings	1,462	1,750
Net employee defined benefit liabilities	152	152
Provisions	21	21
Trade payables	62,027	68,542
Employee benefit expenses and social security	18,280	18,383
VAT payables	177	119
Tax payables	12,172	16,464
Derivative financial instruments	-	1
Other current liabilities	1,153	1,662
Accrued charges and deferred income	4,733	3,264
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>608,309</b>	<b>597,494</b>



### 3.3 Consolidated cash flow statement

in thousands of EUR	Jan-June 2018	Jan-June 2017
<b>Operating activities</b>		
Net result (Group)	33,719	31,420
Depreciation and amortization of (in)tangible assets	6,325	5,809
Net valuation allowances current assets	435	1,328
Provisions	(22)	337
Capital loss on disposal of fixed assets	14	-
Financial result	1,466	1,648
Taxes	11,132	12,108
Employee share-based compensation expense	278	262
Non-controlling interests	518	430
<b>Gross cash provided by operating activities</b>	<b>53,865</b>	<b>53,342</b>
Decrease/(Increase) in inventories	(5,427)	(1,973)
Decrease/(Increase) in trade accounts receivable	(3,578)	(9,234)
Decrease/(Increase) in other assets	(1,403)	(3,067)
Increase/(Decrease) in trade accounts payable	(7,924)	8,379
Increase/(Decrease) in other liabilities	214	(696)
<b>Change in operating working capital</b>	<b>(18,118)</b>	<b>(6,591)</b>
Income tax paid	(13,857)	(10,916)
Interest paid	(1,095)	(1,017)
Other financial income and charges received/(paid)	(145)	(284)
<b>Net cash provided by operating activities</b>	<b>20,650</b>	<b>34,534</b>
<b>Investing activities</b>		
(In)tangible assets - acquisitions	(16,294)	(12,103)
(In)tangible assets - other changes	4	(111)
Financial assets - other changes	(2,448)	5
<b>Net cash used in investing activities</b>	<b>(18,738)</b>	<b>(12,209)</b>



in thousands of EUR	Jan-June 2018	Jan-June 2017
<b>Net cash flow before financing activities</b>	<b>1,912</b>	<b>22,325</b>
<b>Financing activities</b>		
Dividends paid	(15,684)	(12,869)
Treasury shares	3,699	2,198
Proceeds of capital increase	74	435
Proceeds / (Reimbursement) of long-term borrowings	(500)	(500)
Proceeds / (Reimbursement) of short-term borrowings	(288)	(3,014)
Proceeds / (Reimbursement) of long-term receivables	(11)	(39)
<b>Cash flow from financing activities</b>	<b>(12,710)</b>	<b>(13,789)</b>
<b>Net change in cash and cash equivalents</b>	<b>(10,798)</b>	<b>8,536</b>
Cash and cash equivalents on January 1	48,129	19,932
Effect of exchange rate fluctuations	328	(471)
Cash and cash equivalents on June 30	37,659	27,997
<b>Net change in cash and cash equivalents</b>	<b>(10,798)</b>	<b>8,536</b>

### 3.4 Consolidated statement of changes in equity

in thousands of EUR

	Issued capital	Share premium	Share Capital	Retained Earnings	Treasury shares	Translation differences	Remeasurement gain/(losses) on defined benefit plans	Cash flow hedge reserves	Other Reserves	Equity - part of the Group	Non-controlling interest	Total Equity
<b>EQUITY as at 1 January 2017</b>	<b>3,576</b>	<b>11,951</b>	<b>15,527</b>	<b>267,947</b>	<b>(12,038)</b>	<b>(21,084)</b>	<b>303</b>	<b>(2,257)</b>	<b>(23,038)</b>	<b>248,398</b>	<b>66</b>	<b>248,464</b>
Net result of the Financial Year	-	-	-	31,420	-	-	-	-	-	31,420	430	31,850
Currency translation differences	-	-	-	-	-	(3,385)	-	-	(3,385)	(3,385)	(488)	(3,873)
Cash flow hedge reserves	-	-	-	-	-	-	-	1,248	1,248	1,248	-	1,248
Taxes on items taken directly to or transferred from equity	-	-	-	-	-	-	-	(424)	(424)	(424)	-	(424)
Net income/(expense) for the period recognised directly in equity	-	-	-	-	-	(3,385)	-	824	(2,561)	(2,561)	(488)	(3,049)
<b>Total comprehensive income/(expense) for the period</b>	-	-	-	<b>31,420</b>	<b>(3,385)</b>	<b>(3,385)</b>	-	<b>824</b>	<b>(2,561)</b>	<b>28,859</b>	<b>(58)</b>	<b>28,801</b>
Dividend to shareholders	-	-	-	(13,191)	-	-	-	-	-	(13,191)	-	(13,191)
Increase in capital	7	428	435	-	-	-	-	-	-	435	-	435
Acquisition/sale own shares	-	-	-	-	1,500	-	-	-	-	1,500	-	1,500
Employee share-based compensation expense	-	-	-	262	-	-	-	-	-	262	-	262
Impact written put options on Non-controlling interests	-	-	-	(47)	-	-	-	-	-	(47)	47	-
Other	-	-	-	920	-	-	-	-	-	920	-	920
<b>EQUITY as at 30 June 2017</b>	<b>3,583</b>	<b>12,379</b>	<b>15,962</b>	<b>287,311</b>	<b>(10,538)</b>	<b>(24,469)</b>	<b>303</b>	<b>(1,433)</b>	<b>(25,599)</b>	<b>267,136</b>	<b>55</b>	<b>267,191</b>

	Issued capital	Share premium	Share Capital	Retained Earnings	Treasury shares	Translation differences	Remeasurement gain/(losses) on defined benefit plans	Cash flow hedge reserves	Other Reserves	Equity - part of the Group	Non-controlling interest	Total Equity
<b>EQUITY as at 1 January 2018</b>	<b>3,584</b>	<b>12,415</b>	<b>15,999</b>	<b>316,954</b>	<b>(13,919)</b>	<b>(26,428)</b>	<b>(454)</b>	<b>1,005</b>	<b>(25,877)</b>	<b>293,157</b>	<b>56</b>	<b>293,213</b>
Net result of the Financial Year	-	-	-	33,719	-	-	-	-	-	33,719	518	34,237
-Currency translation differences	-	-	-	-	-	(692)	-	-	(692)	(692)	15	(677)
-Cash flow hedge reserves	-	-	-	-	-	-	-	(1,963)	(1,963)	(1,963)	-	(1,963)
-Taxes on items taken directly to or transferred from equity	-	-	-	-	-	-	-	571	571	571	-	571
Net income and exp. recognised directly in equity -year	-	-	-	-	-	(692)	-	(1,392)	(2,084)	(2,084)	15	(2,069)
Tot comprehensive income and expenses for the period	-	-	-	33,719	-	(692)	-	(1,392)	(2,084)	31,635	533	32,168
<b>Dividend to shareholders</b>	-	-	-	<b>(15,887)</b>	-	-	-	-	-	<b>(15,887)</b>	-	<b>(15,887)</b>
Increase in capital	1	73	74	-	-	-	-	-	-	74	-	74
Acquisitions/sale own shares	-	-	-	-	2,353	-	-	-	-	2,353	-	2,353
Impact written put options on Non-controlling interests	-	-	-	278	-	-	-	-	-	278	-	278
Employee share-based compensation expense	-	-	-	531	-	-	-	-	-	531	(531)	-
Other	-	-	-	1,547	-	-	-	-	-	1,547	-	1,547
<b>EQUITY as at 30 June 2018</b>	<b>3,585</b>	<b>12,488</b>	<b>16,073</b>	<b>337,142</b>	<b>(11,566)</b>	<b>(27,120)</b>	<b>(454)</b>	<b>(387)</b>	<b>(27,961)</b>	<b>313,688</b>	<b>58</b>	<b>313,746</b>



## 4. Condensed clarification on the half-year financial statements

### 4.1 Declaration of conformity

These consolidated half-year financial statements have been prepared in accordance with the International Financial Accounting Standards (IFRS), as approved by the European Commission, and with IAS 34. These half-year financial statements also meet the requirements imposed by the Royal Decree of 14 November 2007. The accounting principles applied in this report are the same as those used in the previous financial year, with the exception of:

- Annual improvements to IFRS standards (2014-2016 cycle);
- IFRS 9 'Financial instruments'; and
- IFRS 15 'Revenue from contracts with customers'.

The implementation of these revised guidelines had no material impact on the Group's condensed financial statements, Lotus Bakeries did not implement in advance any new IASB guidelines that were published but not yet effective after balance sheet date.

#### Initial analysis IFRS 16 'Leases'

The standard replaces the current standard, IAS 17, and represents a significant change in the accounting treatment of leases by the lessee. Under IAS 17, the lessee had to distinguish between a finance lease (to be included in the balance sheet) and an operating lease (does not have to be included in the balance sheet). Instead, IFRS 16 requires the lessee to recognize a liability on the balance sheet equal to the future lease payments and a 'right-of-use asset' for almost all leases.

The IASB has also altered the definition of a lease. According to IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard is effective from 1 January 2019.

During 2017, the Group commenced an impact analysis for IFRS 16. An inventory of the various contracts within the Group was started and updated in 2018. These contracts mainly relate to the use of offices and warehouses and the hire of vehicles. Based on the analysis of the contracts, it will be identified which contracts fit the definition of a lease specified by the IASB. The relevant contracts will be analysed further in the second half of 2018 in order to determine the quantitative impact of IFRS 16.



## 4.2 Segment information by geographical region

### Segment information by geographical region (30 June 2018)

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

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

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

YEAR ENDED 30 JUNE 2018	CONTINUING OPERATIONS						ELIMINATIONS + CORPORATE COMPANIES	TOTAL
	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER <sup>(1)</sup>			
IN THOUSANDS OF EUR								
<b>TURNOVER</b>								
Sales to external customers	71,711	34,809	45,574	56,074	59,335	-	267,503	
Inter-segment sales	52,661	6,239	867	3,099	453	(63,319)	-	
<b>Total turnover</b>	<b>124,372</b>	<b>41,048</b>	<b>46,441</b>	<b>59,173</b>	<b>59,788</b>	<b>(63,319)</b>	<b>267,503</b>	
<b>RESULTS</b>								
Segment result REBIT	16,940	544	8,388	5,735	10,118	6,128	47,853	
Non-recurrent operating result	(264)	-	9	-	(759)	(4)	(1,018)	
Segment result EBIT	16,676	544	8,397	5,735	9,359	6,124	46,835	
Financial result							(1,466)	
Profit for the year before taxes							45,369	
Taxes							(11,132)	
<b>Result after taxes</b>							<b>34,237</b>	
<b>ASSETS AND LIABILITIES</b>								
Non-current assets	136,005	8,257	106,288	139,343	44,577	19,869	458,053	
Segment assets	136,005	8,257	106,288	139,343	44,577	19,869	454,339	
Unallocated assets:							3,714	
Deferred tax assets							3,714	
Financial receivables							-	
Current assets	25,805	12,259	16,603	27,789	19,741	4,631	150,256	
Segment assets	25,805	12,259	16,603	27,789	19,741	4,631	106,828	
Unallocated assets:							43,428	
VAT receivables							4,357	
Income tax receivables							1,411	
Financial receivables							1	
Cash and cash equivalents							37,659	
<b>Total assets</b>							<b>608,309</b>	
Non-current liabilities	1,664	690	937	-	532	2,583	194,386	
Segment liabilities	1,664	690	937	-	532	2,583	6,406	
Unallocated liabilities:							187,980	
Deferred tax liabilities							49,964	
Interest-bearing loans and borrowings							117,000	
Other non-current liabilities							21,016	
Current liabilities	28,990	10,212	5,315	14,825	15,526	11,498	100,177	
Segment liabilities	28,990	10,212	5,315	14,825	15,526	11,498	86,366	
Unallocated liabilities:							13,811	
VAT payables							177	
Tax payables							12,172	
Interest-bearing loans and borrowings							1,462	
<b>Total liabilities</b>							<b>294,563</b>	



YEAR ENDED 30 JUNE 2018

CONTINUING OPERATIONS

IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER <sup>(1)</sup>	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
<b>OTHER SEGMENT INFORMATION</b>							
Capital expenditure:							
Tangible fixed assets	6,157	718	2,037	39	8,263	692	17,906
Intangible fixed assets	120	-	3	-	-	199	322
Depreciation	3,823	365	1,117	55	309	656	6,325
Increase/(decrease) in amounts written off stocks, contracts in progress and trade debtors	382	30	140	12	(131)	7	440

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







## Segment information by geographical region (30 June 2017)

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

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

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

YEAR ENDED 30 JUNE 2017

CONTINUING OPERATIONS

IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER <sup>(1)</sup>	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
<b>TURNOVER</b>							
Sales to external customers	70,618	34,013	46,975	51,867	55,398	-	258,871
Inter-segment sales	46,298	5,819	642	2,104	325	(55,188)	-
<b>Total turnover</b>	<b>116,916</b>	<b>39,832</b>	<b>47,617</b>	<b>53,971</b>	<b>55,723</b>	<b>(55,188)</b>	<b>258,871</b>
<b>RESULTS</b>							
Segment result REBIT	17,517	225	10,626	5,633	7,365	5,304	46,670
Non-recurrent operating result	(563)	-	(400)	-	-	(101)	(1,064)
Segment result EBIT	16,954	225	10,226	5,633	7,365	5,203	45,606
Financial result							(1,648)
Profit for the year before taxes							43,958
Taxes							(12,108)
<b>Result after taxes</b>							<b>31,850</b>
<b>ASSETS AND LIABILITIES</b>							
Non-current assets	130,302	7,539	104,261	137,971	37,411	17,900	439,897
Segment assets	130,302	7,539	104,261	137,971	37,411	17,900	435,384
Unallocated assets:							4,513
Deferred tax assets							4,493
Financial receivables							20
Current assets	26,375	11,673	16,501	23,010	14,619	5,099	131,373
Segment assets	26,375	11,673	16,501	23,010	14,619	5,099	97,277
Unallocated assets:							34,096
VAT receivables							4,462
Income tax receivables							1,637
Cash and cash equivalents							27,997
<b>Total assets</b>							<b>571,270</b>
Non-current liabilities	1,559	690	366	-	541	2,557	195,018
Segment liabilities	1,559	690	366	-	541	2,557	5,713
Unallocated liabilities:							189,305
Deferred tax liabilities							52,261
Interest-bearing loans and borrowings							118,000
Other non-current liabilities							19,044
Current liabilities	30,501	10,366	6,655	14,989	15,803	11,090	109,061
Segment liabilities	30,501	10,366	6,655	14,989	15,803	11,090	89,404
Unallocated liabilities:							19,657
VAT payables							278
Tax payables							14,898
Interest-bearing loans and borrowings							4,481
<b>Total liabilities</b>							<b>304,079</b>



YEAR ENDED 30 JUNE 2017

CONTINUING OPERATIONS

IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER <sup>(1)</sup>	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
<b>OTHER SEGMENT INFORMATION</b>							
Capital expenditure:							
Tangible fixed assets	9,145	614	1,694	60	1,220	127	12,860
Intangible fixed assets	-	-	38	-	-	275	313
Depreciation	3,545	311	980	66	287	620	5,809
Increase/(decrease) in amounts written off stocks, contracts in progress and trade debtors	692	25	393	(177)	66	3	1,002

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





#### 4.3 Treasury shares

On 31 December 2017, Lotus Bakeries owned 15,171 out of the 814,433 total issued shares. On 30 June 2018, Lotus Bakeries owned 10,368 out of the 814,733 total issued shares. Such treasury shares, which have been purchased under the option plans program for senior staff members and group management, have been deducted from equity.

#### 4.4 Dividends

On 25 May 2018, EUR 15,887,294 of gross dividends in respect of the financial year 2017 became payable.

On 22 May 2017, EUR 13,191,385 of gross dividends in respect of the financial year 2016 became payable.

#### 4.5 Loan / Derivatives

Net financial debt decreased by EUR 14.7 million to EUR 69.2 million over the last twelve months. Despite the growth and the higher level of investment, with more than EUR 35 million invested over the last twelve months, the strong operating cash flow keeps the Group's debt ratio low.

#### 4.6 Commitments to acquire tangible fixed assets

On 30 June 2018, the Group had obligations up to kEUR 41,687 (kEUR 5,651 as of 31 December 2017) as a result of commitments to the purchase of tangible fixed assets. The main commitments relate to the construction of the new production facility in the United States and investments in the various Belgian factories.

### 5. Risks and uncertainties

There are no material changes related to the risks and uncertainties for the Group as explained in the 'Report of the Board of Directors' of the 2017 annual report.

The information on risks and uncertainties has been listed in the annual report of 2017 (chapter 4 - Report of the Board of Directors).

### 6. Transactions with related parties

The related party transactions with shareholders and parties related to the shareholders have not substantially changed in nature and impact compared to the year ended 31 December 2017 and hence no updated information is included in this interim reporting.

The remuneration of the members of the Board of Directors and key management is determined on an annual basis, for which reason no further details are included in this interim report.



## 7. Auditor's report



To the board of directors  
LOTUS BAKERIES NV  
Gentstraat 1  
B- 9971 LEMBEKE

### FREE TRANSLATION

### STATUTORY AUDITOR'S REPORT ON REVIEW OF CONSOLIDATED CONDENSED FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2018

#### *Introduction*

We have reviewed the accompanying consolidated balance sheet of Lotus Bakeries NV and its subsidiaries as of 30 June 2018 and the related consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the six-month period then ended, as well as the explanatory notes (the "Interim Financial Information"). The board of directors is responsible for the preparation and presentation of the Interim Financial Information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed financial information based on our review.

#### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

We have also read the financial accounting data presented in tabular form under point 1 of the press release concerning the half-year ended 30 June 2018 and confirm that such data is consistent with the Interim Financial Information from which they are derived and which were the subject of our review as described above.

Ghent, 17 August 2018

PwC Bedrijfsrevisoren bvba  
represented by

Peter Opsomer  
Bedrijfsrevisor

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## 8. Declaration by the persons responsible for the Half-Year Financial Report

We hereby certify that, to the best of our knowledge, the condensed consolidated financial statements for the six-months period ended 30 June 2018, which have been prepared in accordance with the IAS 34 'Interim Financial Reporting' as adopted by the European Union, give us a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the scope of consolidation, and that the Half-Year Financial Report includes a fair review of the important events that have occurred during the first six months of the financial year and of the major transactions with related parties, and their impact on the condensed consolidated financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

In the name of and for the account of the Board of Directors,

Jan Boone  
CEO

Lembeke, 17 August 2018