

LOTUS BAKERIES GROUP



Interim Financial Reporting per 30 June 2019





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1. Consolidated key figures

Income statement ⁽¹⁾ (in thousands of EUR)	30/06/2019	30/06/2018	Evolution %	
Turnover	298,134	267,503	+	11.5
Recurrent operating result (REBIT) ⁽²⁾	51,235	47,853	+	7.1
Recurrent operating cash flow (REBITDA) ⁽³⁾	60,918	54,897	+	11.0
Non-recurrent operating result	(2,373)	(1,018)	+	133.1
Operating result (EBIT) ⁽⁴⁾	48,862	46,835	+	4.3
Financial result	(1,573)	(1,466)	+	7.3
Profit for the year before taxes	47,289	45,369	+	4.2
Taxes	(11,047)	(11,132)	-	0.8
Net result	36,242	34,237	+	5.9
Non-controlling interests	348	518	-	32.8
Equity holders of Lotus Bakeries	35,894	33,719	+	6.5
Total number of shares on 30 June ⁽⁵⁾	808,038	804,412	+	0.5
Key figures per share (in EUR)				
Recurrent operating result (REBIT)	63.41	59.49	+	6.6
Recurrent operating cash flow (REBITDA) ⁽³⁾	75.39	68.24	+	10.5
Net result: Group share	44.42	41.92	+	6.0
Balance sheet (in thousands of EUR)				
Balance sheet total	799,400	608,309	+	31.4
Equity	357,055	313,746	+	13.8
Investments ⁽⁶⁾	72,714	20,676	+	251.7
Net financial debts ⁽⁷⁾	152,506	69,237	+	120.3

(1) Further information on the income statement and balance sheet can be found on the website: www.lotusbakeries.com

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

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

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

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

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

(7) Net financial debts are defined as interest bearing financial debts - investments - cash and cash equivalents - treasury shares, and are reported excluding the 'lease liability' that results from the implementation of the new IFRS 16 Leases standard. Including this 'lease liability', the net financial debts amount to KEUR 161,947.



2. Management explanation

2.1 Group turnover rises by 11.5%

In the first half of 2019, Lotus Bakeries Group's consolidated turnover increased by EUR 30.6 million to EUR 298.1 million, representing 11.5% growth. Growth during the first half of the year was positively impacted by the sum of EUR 10.6 million since Kiddylicious was not yet consolidated last year. In addition, a positive exchange rate effect of EUR 2.2 million was realized in the first half of the year.

Once again, the main organic growth came from **Lotus Biscoff**. The internationalization of Lotus Biscoff, Lotus Biscoff Spread and now also Lotus Biscoff Ice Cream, forms the first pillar of our strategy. In the first half of the year, the new international TV commercial was launched in support of Biscoff. Once more, in this half-year, the strongest growth was in the large consumer markets of the United States (US), the United Kingdom (UK) and France. Solid growth was also recorded in the Middle East, China, Korea, Spain, the Czech Republic and Switzerland.

Biscoff Ice Cream was already successfully launched several years ago on the Belgian market and more recently on the Dutch market as well. As of this year, Biscoff Ice Cream has been internationalized further and supported as a third global category under Lotus Biscoff. A new international range has also been developed. Plans are in place to launch it in various countries in the coming years.

The second strategic pillar **Natural Foods**, natural snacking, experienced strong growth once more. For the first time, in 2019, Nākd's growth was supported by a TV commercial – in the UK, Belgium and the Netherlands. BEAR is also experiencing strong growth in its penetration and turnover internationally, particularly in the US with increasing distribution in the traditional retail channel. Kiddylicious continues to grow in the UK, mainly through expansion of distribution. In addition, the range and packaging is being adapted so that Kiddylicious can be rolled out internationally in the second half of the year. TREK is continuing on its growth path, supported by the successful introduction of the new protein nut bar.

The third pillar of the Lotus Bakeries strategy is the focus on **local specialities** in the home markets of Belgium, the Netherlands and France.

In Belgium, as a brand, Lotus has managed to achieve a particularly high market share and level of penetration among families in recent years. This achievement is due to a strong and continuous focus on our 'hero' products in the waffle and cake range. We continue to focus on product innovations with the recent introductions of the chocolate-filled Madeleine and the Suzy milk chocolate Liège waffle. Dinosaurus also grew well in the first half of the year.

The gingerbread category in the Netherlands remained under pressure in the first half of the year. As category captain, Lotus Bakeries aims to reverse the negative trend and bring about growth in the category once more. The management of Koninklijke Peijnenburg is working on an integrated plan for which various initiatives will become evident in the second half of the year.

In addition to the increase in turnover for Biscoff, there was also solid growth for waffles in France once again. France is an extremely important and strategic consumer market for Lotus Bakeries. For this reason, the Group has decided to make further significant investments in TV advertising and the expansion of sales teams in the various regions.



2.2 Recurrent operating cash flow rises by 11%

The recurrent operating result REBIT (EUR 51.2 million or 17.2% compared to turnover) and recurrent operating cash flow REBITDA (EUR 60.9 million or 20.4% compared to turnover) increased once more by EUR 3.4 million and EUR 6.0 million respectively year on year. The recurrent operating cash flow includes EUR 1.5 million relating to the new IFRS 16 Leases standard effective from 2019. The impact of the new standard on the operating result is minimal.

The increase in turnover is complemented by a positive sales and operating margin contribution. In addition, the Group continues to invest in media support, strengthening and expansion of sales teams and the support functions which develop as the Group grows and becomes more international. The BEAR factory in South Africa officially became part of the Group in June, but its operating results will not be consolidated until the second half of the year.

The non-recurrent operating result stands at EUR -2.4 million and mainly comprises start-up costs for the Lotus Biscoff manufacturing facility in the US.

The financial result of EUR -1.6 million primarily consists of interest expenses and bank charges. Results on exchange rates on balance sheet positions in foreign currencies were limited in the first half of the year.

The tax expense decreased to EUR 11.0 million or 23.4% of the profit before taxes. The tax expense comprises a one-off positive impact on deferred taxes as a result of the forthcoming rate reduction in the Netherlands.

The net profit increased by 6% to EUR 36.2 million. The recurrent net result, consisting of the reported net result minus non-recurrent costs, rose by nearly 9% to EUR 38.1 million or 12.8% compared to turnover.

2.3 Net financial debt remains low thanks to strong operating cash flow

Over the past 12 months, Lotus Bakeries has invested EUR 164 million in both the acquisitions of Kiddylicious and the BEAR factory in South Africa and major CAPEX projects, with the factory in the US as a strategic milestone.

The net financial debt/REBITDA ratio remains low at around 1.3.

This is because the EUR 164 million of investments were largely offset by a sustained strong operating cash flow, so that net financial debt has risen by just EUR 83 million since 30 June 2018 to EUR 152.5 million. The application of the new IFRS 16 Leases standard results in a 'lease liability' of EUR 9.4 million.

2.4 Acquisition and opening of brand new BEAR factory in South Africa

At the beginning of June, Lotus Bakeries announced the acquisition and opening of the new BEAR factory in Wolseley, South Africa. This was just 14 months after an agreement was reached in March 2018 with BEAR's former manufacturer, Grassroots, for the acquisition of the BEAR production activities.

Wolseley is a small town located in the municipality of Witzenberg, in the Western Cape of South Africa. This location is ideal for our new BEAR production facility for several reasons. First of all, because of the availability of skilled workforce, which is crucial for a plant that employs about 300 employees. Secondly, because of the proximity to the fertile Ceres valley, where all of the fruit for the fruit snacks is freshly picked.



In 2015, Lotus Bakeries acquired BEAR, a brand that offers natural snacks made from pure fruit. BEAR only uses gently baked, freshly picked seasonal fruits. The products are free from added sugars, concentrate, preservatives and stabilisers. BEAR Yoyos are the number 1 lunchbox item in the United Kingdom for parents that want to offer their kids a healthy and fun option. We have made the first steps for further internationalisation of the brand in Europe, the US and Australia.

After this successful commercial integration, the next step was the integration of production. Lotus Bakeries has initiated vertical integration so as to establish an increased quality control over the BEAR production activities, to stimulate flexibility of new product development, and because of the direct access to our raw material providers located in the Ceres valley.

2.5 Factory in the US goes into operation with the first commercial production of US-made Biscoff biscuits in August

Lotus Bakeries is extremely proud to announce that the new Lotus Biscoff manufacturing facility in the US is operational as of the beginning of August. The first US-made Biscoff will shortly arrive on American shelves.

There are two production lines, which initially started up in two shifts, to expand to three shifts by the end of the year. In the first half of the year, all newly recruited operators were trained, both in the factory in Lembeke and in the US. Experienced Belgian operators were also present for several weeks at the start-up of the lines in the US.

The start-up of the factory is a historic milestone for Lotus Bakeries and a fantastic achievement for the project team, as well as an example of true Lotus Bakeries team spirit between the project team, the team in Lembeke and the team in the US.

2.6 Lotus Bakeries and Lona establish Lotus Bakeries Italy

In recent decades, the Italian distribution partner Lona has developed the market in Italy for Lotus Bakeries. Italy is one of the main consumer markets in Europe and a country which still has plenty of potential for Lotus Bakeries. Lotus Bakeries and Lona decided to set up a company together, called Lotus Bakeries Italy, which will focus exclusively on the marketing of Lotus Bakeries brands. Lotus Bakeries owns the majority of the shares in this joint venture with an option to acquire all shares eventually.

2.7 Lotus Bakeries sets up incubator fund FF 2032 and makes first investment

The purpose of the Lotus Bakeries incubator fund is to create a platform for investment in promising brands and growth companies offering innovative products, technologies or market approaches within the food sector. The fund will invest in innovative companies focused on contemporary consumer demands in the areas of nutrition and convenience, and which are located in Europe or the US.

While they have to grow under their own steam, these companies will receive extra financial and strategic support from Lotus Bakeries. This should always involve a minority interest, which may ultimately lead to full acquisition, but not necessarily. In the coming years, the fund will invest up to EUR 30 million in such minority interests.

This is intended to create win-win situations for both the founders of these companies and Lotus Bakeries. While Lotus Bakeries can provide expertise and a financial, strategic and supportive input, these companies will inspire Lotus Bakeries through their entrepreneurship, their technology, their speed and agility, their passion and their innovations.



What does FF 2032 stand for?

2032 will mark Lotus Bakeries' centenary. 2032 is also relatively far in the future, indicating long-term investment and commitment. FF stands for Fast Forward: we want these young companies to realize their growth plans faster, and at the same time have a positive, accelerating impact on the growth achieved by Lotus Bakeries.

FF 2032 made its first investment in July. FF 2032 acquired 20% of the shares of Peter's Yard. The agreement also foresees the possibility of acquiring all of the shares in phases.

Peter's Yard is a company in the UK which produces healthy sourdough crispbreads. These are tasty crackers made from only natural ingredients. The products are eaten as a snack or as toast and are a healthy alternative to bread. The products can currently be found in stores in the UK in the savoury category. The company achieved a turnover of around GBP 3 million in 2018.

CEO Jan Boone looks back with satisfaction on Lotus Bakeries' performance and achievements in the first half of 2019, and looks forward too:

"We continue to focus closely on our three strategic pillars and the achievement of solid organic growth in each of these pillars.

In addition, we have achieved two major milestones in the form of two new factories on two new continents. The different teams have worked extremely hard to achieve this, which therefore brings great satisfaction.

I am also very enthusiastic about the establishment of FF 2032 and the resources we will be able to allocate to this in the coming years. This is a perfect fit for our long-term vision and philosophy. I believe very strongly in this collaborative model and the mutual cross-fertilization which can take place with promising young businesses and equally so business cultures. In view of this, I am very much looking forward to supporting our first investment, Peter's Yard, on its growth path, together with the founders."



3. Consolidated financial statements

3.1 Consolidated income statement

in thousands of EUR	Jan-June 2019	Jan-June 2018
Turnover	298,134	267,503
Raw materials, consumables and goods for resale	(94,849)	(86,399)
Services and other goods	(82,340)	(71,439)
Employee benefit expense	(59,387)	(54,873)
Depreciation and amortisation on intangible and tangible assets	(8,230)	(6,325)
Impairment on inventories, contracts in progress and trade debtors	(1,204)	(440)
Other operating charges	(2,263)	(1,204)
Other operating income	1,374	1,030
Recurrent operating result (REBIT) ⁴⁾	51,235	47,853
Non-recurrent operating result	(2,373)	(1,018)
Operating result (EBIT) ²⁾	48,862	46,835
Financial result	(1,573)	(1,466)
Interest income (expense)	(1,368)	(1,111)
Foreign exchange gains (losses)	(49)	(211)
Other financial income (expense)	(156)	(144)
Profit for the year before taxes	47,289	45,369
Taxes	(11,047)	(11,132)
Result after taxes	36,242	34,237
NET RESULT	36,242	34,237
attributable to:		
Non-controlling interests	348	518
Equity holders of Lotus Bakeries	35,894	33,719
Other comprehensive income:		
Items that may be subsequently reclassified to profit and loss	(4,016)	(2,070)
Currency translation differences	(1,863)	(678)
Gain/(Loss) on cash flow hedges, net of tax	(2,153)	(1,392)
Other comprehensive income	(4,016)	(2,070)
Total comprehensive income	32,226	32,167
attributable to:		
Non-controlling interests	338	533
Equity holders of Lotus Bakeries	31,888	31,634



	Jan-June 2019	Jan-June 2018
Earnings per share		
Weighted average number of shares	807,291	802,411
Basic earnings per share (EUR) - attributable to:		
Non-controlling interests	0.43	0.65
Equity holders of Lotus Bakeries	44.46	42.02
Weighted average number of shares after effect of dilution	809,576	807,600
Diluted earnings per share (EUR) - attributable to:		
Non-controlling interests	0.43	0.64
Equity holders of Lotus Bakeries	44.34	41.75
Total number of shares ⁽³⁾	816,013	814,733
Earnings per share (EUR) - attributable to:		
Non-controlling interests	0.43	0.64
Equity holders of Lotus Bakeries	43.99	41.39

(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	30/06/2019	31/12/2018
ASSETS		
Non-current assets	614,770	545,647
Property, plant and equipment	252,103	219,897
Goodwill	218,110	177,639
Intangible assets	139,247	138,887
Participating interests	-	2,448
Investment in other companies	12	12
Deferred tax assets	4,817	3,936
Other non-current assets	481	2,828
Current assets	184,630	165,925
Inventories	43,684	39,066
Trade receivables	79,028	71,097
VAT receivables	5,072	4,503
Income tax receivables	1,040	523
Other amounts receivable	9,161	2,993
Derivative financial instruments	204	-
Cash and cash equivalents	42,017	45,597
Deferred charges and accrued income	4,424	2,146
TOTAL ASSETS	799,400	711,572
EQUITY AND LIABILITIES		
Equity	357,055	346,927
Share Capital	16,388	16,319
Retained earnings	382,242	369,114
Treasury shares	(10,515)	(11,406)
Other reserves	(31,161)	(27,156)
Non-controlling interests	101	56
Non-current liabilities	249,239	198,042
Interest-bearing loans and borrowings	168,879	116,500
Deferred tax liabilities	50,914	52,725
Pension liabilities	3,481	3,519
Provisions	364	377
Derivative financial instruments	3,050	2,319
Other non-current liabilities	22,551	22,602
Current liabilities	193,106	166,603
Interest-bearing loans and borrowings	54,594	36,655
Pension liabilities	234	234
Provisions	21	21
Trade payables	84,710	86,794
Employee benefit expenses and social security	19,808	21,330
VAT payables	447	300
Tax payables	11,960	14,761
Other current liabilities	17,370	3,102
Accrued charges and deferred income	3,962	3,406
TOTAL EQUITY AND LIABILITIES	799,400	711,572



3.3 Consolidated cash flow statement

in thousands of EUR	Jan-June 2019	Jan-June 2018
Operating activities		
Net result (Group)	35,894	33,719
Depreciation and amortisation of (in)tangible assets	8,237	6,325
Net valuation allowances current assets	1,204	435
Provisions	11	(22)
Disposal of fixed assets	569	14
Financial result	1,573	1,466
Taxes	11,047	11,132
Employee share-based compensation expense	266	278
Non-controlling interests	348	518
Gross cash provided by operating activities	59,149	53,865
Decrease/(Increase) in inventories	(4,956)	(5,427)
Decrease/(Increase) in trade accounts receivable	(7,819)	(3,578)
Decrease/(Increase) in other assets	344	(1,403)
Increase/(Decrease) in trade accounts payable	970	(7,924)
Increase/(Decrease) in other liabilities	2,025	214
Change in operating working capital	(9,436)	(18,118)
Income tax paid	(16,421)	(13,857)
Interest paid	(1,405)	(1,095)
Other financial income and charges received/(paid)	319	(145)
Net cash provided by operating activities	32,206	20,650
Investing activities		
(In)tangible assets - acquisitions	(31,571)	(16,294)
(In)tangible assets - other changes	-	4
Acquisition of subsidiaries	(42,281)	-
Financial assets - other changes	-	(2,448)
Net cash used in investing activities	(73,852)	(18,738)



in thousands of EUR	Jan-June 2019	Jan-June 2018
Net cash flow before financing activities	(41,646)	1,912
Financing activities		
Dividends paid	(24,036)	(15,684)
Treasury shares	1,712	3,699
Proceeds of capital increase	69	74
Proceeds / (Reimbursement) of long-term borrowings	44,509	(500)
Proceeds / (Reimbursement) of short-term borrowings	16,387	(288)
Mutation in lease liabilities	(1,451)	-
Proceeds / (Reimbursement) of long-term receivables	50	(11)
Cash flow from financing activities	37,240	(12,710)
Net change in cash and cash equivalents	(4,406)	(10,798)
Cash and cash equivalents on January 1	45,597	48,129
Effect of exchange rate fluctuations	826	328
Cash and cash equivalents on June 30	42,017	37,659
Net change in cash and cash equivalents	(4,406)	(10,798)

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 gains/(losses) on defined benefit plans	Cash flow hedge reserves	Other reserves	Equity - part of the group	Non-controlling interests	Total Equity
EQUITY as on 1 January 2019	3,590	12,729	16,319	369,114	(11,406)	(26,844)	(178)	(134)	(27,156)	346,871	56	346,927
Net result of the Financial Year	-	-	-	35,894	-	-	-	-	-	35,894	348	36,242
Currency translation differences	-	-	-	-	-	(1,852)	-	-	(1,852)	(1,852)	(10)	(1,862)
Cash flow hedge reserves	-	-	-	-	-	-	-	(3,010)	(3,010)	(3,010)	-	(3,010)
Taxes on items taken directly to or transferred from equity	-	-	-	-	-	-	-	857	857	857	-	857
Net income/(expense) for the period recognised directly in equity	-	-	-	-	-	(1,852)	-	(2,153)	(4,005)	(4,005)	(10)	(4,015)
Total comprehensive income/(expense) for the period	-	-	-	35,894	-	(1,852)	-	(2,153)	(4,005)	31,889	338	32,227
Dividend to shareholders	-	-	-	(23,664)	-	-	-	-	-	(23,664)	(607)	(24,271)
Increase in capital	1	68	69	-	-	-	-	-	-	69	-	69
Acquisition/sale own shares	-	-	-	-	891	-	-	-	-	891	-	891
Employee share-based compensation expense	-	-	-	266	-	-	-	-	-	266	-	266
Non-controlling interests resulting from business combinations	-	-	-	(142)	-	-	-	-	-	(142)	34	(108)
Impact written put options on Non-controlling interests	-	-	-	(280)	-	-	-	-	-	(280)	280	-
Other	-	-	-	1,054	-	-	-	-	-	1,054	-	1,054
EQUITY as on 30 June 2019	3,591	12,729	16,388	382,242	(10,515)	(28,696)	(178)	(2,287)	(31,161)	356,954	101	357,055

	Issued capital	Share premium	Share Capital	Retained earnings	Treasury shares	Translation differences	Remeasurement gains/(losses) on defined benefit plans	Cash flow hedge reserves	Other reserves	Equity - part of the group	Non-controlling interests	Total Equity
EQUITY as on 1 January 2018	3,584	12,415	15,999	316,954	(13,919)	(26,428)	(454)	1,005	(25,877)	293,157	56	293,213
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/(expense) for the period recognised directly in equity	-	-	-	-	-	(692)	-	(1,392)	(2,084)	(2,084)	15	(2,069)
Total comprehensive income/(expense) for the period	-	-	-	33,719	-	(692)	-	(1,392)	(2,084)	31,635	533	32,168
Dividend to shareholders	-	-	-	(15,887)	-	-	-	-	-	(15,887)	-	(15,887)
Increase in capital	1	73	74	-	-	-	-	-	-	74	-	74
Acquisition/sale own shares	-	-	-	-	2,353	-	-	-	-	2,353	-	2,353
Employee share-based compensation expense	-	-	-	278	-	-	-	-	-	278	-	278
Impact written put options on Non-controlling interests	-	-	-	531	-	-	-	-	-	531	(531)	-
Other	-	-	-	1,547	-	-	-	-	-	1,547	-	1,547
EQUITY as on 30 June 2018	3,585	12,488	16,073	337,142	(11,566)	(27,120)	(454)	(387)	(27,961)	313,688	58	313,746



3.5 Disclosure acquisition BEAR Nibbles

In 2015, Lotus Bakeries acquired BEAR, a brand that offers natural snacks made from pure fruit. BEAR only uses gently baked, freshly picked fruits. The products are free from added sugars, concentrate, preservatives and stabilisers.

After the successful commercial integration, the next step was the integration of production. On 31 May, Lotus Bakeries acquired 100% of the shares of BEAR Nibbles, the company that produces the BEAR products.

The total purchase price is EUR 45.2 million and is composed as follows:

in thousands of EUR	Provisional fair value
Purchase price	45,251
Property, plant and equipment	3,308
Stocks	1,005
Trade and other receivables	473
Cash and cash equivalents	773
Trade and other payables	(1,114)
Tax payables	(130)
Total net assets	4,315
Goodwill	40,936

The goodwill of EUR 40.9 million that originates from the acquisition relates to various components.

With this acquisition, Lotus Bakeries has initiated vertical integration so as to establish an increased quality control over the BEAR production activities, to stimulate flexibility of new product development, and because of the direct access to the raw material providers located in the Ceres valley.

Within a period of twelve months following the acquisition date, the final value of the acquired assets and liabilities will be calculated and the necessary additional adjustments made to the fair value.

The activities of BEAR Nibbles represent the lowest level (cash generating unit) within the Group at which goodwill is monitored for internal management purposes.



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:

- IFRS 16: 'Leases';
- IFRIC 23: 'Uncertainty over income tax treatment';
- Amendments to IAS 28: 'Investments in Associates and Joint Ventures';
- Amendment to IAS 19: 'Plan amendment, curtailment or settlement';
- Annual improvement to IFRS standards 2015-2017

The impact of the implementation of IFRS 16 is further disclosed in 4.3. With the exception of IFRS 16, the implementation of these revised guidelines has 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.



4.2 Segment information by geographical region

Segment reporting by geographical region (30 June 2019)

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, Urban Fresh Foods, Kiddylicious and the production of BEAR Nibbles
- Other: sales from Belgium to countries without own Sales Office and by own Sales Offices in Germany, Italy, Austria, Switzerland, the Czech Republic/Slovakia, United States, Spain, China, South Korea, Sweden/Finland plus production in Sweden.

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

YEAR ENDED 30 JUNE 2019		CONTINUING OPERATIONS					
IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
TURNOVER							
Sales to external customers	75,393	37,983	44,007	69,296	71,455	-	298,134
Inter-segment sales	60,454	6,835	1,583	3,991	407	(73,270)	-
Total turnover	135,847	44,818	45,590	73,287	71,862	(73,270)	298,134
RESULTS							
Segment result REBIT	18,859	1,033	7,840	6,630	10,339	6,534	51,235
Non-recurrent operating result	(67)	-	-	-	(1,537)	(769)	(2,373)
Segment result EBIT	18,792	1,033	7,840	6,630	8,802	5,765	48,862
Financial result							(1,573)
Profit for the year before taxes							47,289
Taxes							(11,047)
Result after taxes							36,242
ASSETS AND LIABILITIES							
Non-current assets	143,775	8,607	107,004	237,135	94,103	19,329	614,770
Segment assets	143,775	8,607	107,004	237,135	94,103	19,329	609,953
Unallocated assets:							4,817
Deferred tax assets							4,817
Current assets	34,099	13,570	17,324	47,603	20,103	3,802	184,630
Segment assets	34,099	13,570	17,324	47,603	20,103	3,802	136,501
Unallocated assets:							48,129
VAT receivables							5,072
Income tax receivables							1,040
Cash and cash equivalents							42,017
Total assets							799,400
Non-current liabilities	1,496	669	873	-	485	3,372	249,239
Segment liabilities	1,496	669	873	-	485	3,372	6,895
Unallocated liabilities:							242,344
Deferred tax liabilities							50,914
Interest-bearing loans and borrowings							168,879
Other non-current liabilities							22,551
Current liabilities	33,372	9,814	7,744	38,613	23,871	12,691	193,106
Segment liabilities	33,372	9,814	7,744	38,613	23,871	12,691	126,105
Unallocated liabilities:							67,001
VAT payables							447
Tax payables							11,960
Interest-bearing loans and borrowings							54,594
Total liabilities							442,345



YEAR ENDED 30 JUNE 2019

CONTINUING OPERATIONS

IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
OTHER SEGMENT INFORMATION							
Capital expenditure:							
Tangible fixed assets	2,148	351	211	451	22,937	367	26,465
Intangible fixed assets	4	-	-	-	-	994	998
Depreciation	4,657	496	1,274	307	893	603	8,230
Increase/(decrease) in amounts written off stocks, contracts in progress and trade debtors	539	195	259	(231)	429	13	1,204



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 arm's length.

YEAR ENDED 30 JUNE 2018

CONTINUING OPERATIONS

IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
TURNOVER							
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)	-
Total turnover	124,372	41,048	46,441	59,173	59,788	(63,319)	267,503
RESULTS							
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)
Result after taxes							34,237
ASSETS AND LIABILITIES							
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
Total assets							608,309
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
Total liabilities							294,563



YEAR ENDED 30 JUNE 2018

CONTINUING OPERATIONS

IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
OTHER SEGMENT INFORMATION							
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



4.3 IFRS 16

The IFRS 16 standard for leases applies as from 1 January 2019. This new standard requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for all leases. Except for leases with a term of 12 months or less or a low-value underlying asset.

The Group has opted for the simplified transition approach and will consequently not publish comparative figures for periods prior to 1 January 2019. The Group's leases mainly relate to office buildings, machinery and cars. The total leasing costs of these leases as at 30 June amount to EUR 2.4 million, of which EUR 0.8 million relates to short-term or low-value leases and is therefore recognized as an expense in the income statement. The interest rate at which the lease liabilities are discounted is 1.4% for leases with a term of up to six years and 1.66% for leases with a term of more than six years.

Due to the implementation of this new standard, the Group's property, plant and equipment and debt increased by EUR 9.4 million. The Group's REBITDA increased by EUR 1.5 million. The impact on REBIT is minimal.

As of 1 January 2019, the Group applies the following accounting principles in relation to IFRS 16.

Right-of-use assets

The Group recognizes right-of-use assets as assets, on the date on which the underlying assets are available for use. Assets are valued at cost price. Cost price comprises the sum of recognized lease liabilities and initial direct costs minus lease discounts received. Right-of-use assets are depreciated on a straight-line basis over the lease term and are subject to impairment.

Lease liabilities

Lease liabilities are measured at the present value of lease payments over the lease term. For the calculation of the present value of lease payments, a market interest rate is used, where it is impossible to calculate the interest rate implicit in the lease.

Short-term leases

Where the lease term is 12 months or less on the start date of the lease and no purchase option exists, these leases are classified as short-term leases. For accounting purposes, they are recognized as an expense for the financial year in the income statement.

Low value leases

Leases with a value lower than EUR 5,000 are recognized as an expense for the financial year in the income statement.

4.4 Treasury shares

On 31 December 2018, Lotus Bakeries owned 9,740 out of the 815,733 total issued shares.

On 30 June 2019, Lotus Bakeries owned 7,975 out of the 816,013 total issued shares. Such treasury shares, which have been purchased under the option plans programme for senior staff members and group management, have been deducted from equity.

4.5 Dividends

On 22 May 2019, EUR 23,644,377 of gross dividends in respect of the financial year 2018 became payable. On 25 May 2018, EUR 15,887,294 of gross dividends in respect of the financial year 2017 became payable.



4.6 Loan / Derivatives

During the past 12 months, Lotus Bakeries has invested EUR 164 million in both the acquisitions of Kiddylicious and the BEAR factory in South Africa and major CAPEX projects, with the factory in the US as a strategic milestone.

The net financial debt/REBITDA ratio remains low at around 1.3.

This is because the EUR 164 million of investments were largely offset by a sustained strong operating cash flow, so that net financial debt has risen by just EUR 83 million since 30 June 2018 to EUR 152.5 million. The application of the new IFRS 16 Leases standard results in a 'lease liability' of EUR 9.4 million.

4.7 Commitments to acquire tangible fixed assets

On 30 June 2019, the Group had obligations up to EUR 9.3 million (EUR 25.4 million as of 31 December 2018) 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 Belgium.

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 2018 annual report.

The information on risks and uncertainties has been listed in the annual report of 2018 (Chapter 2 - 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 2018 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

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STATUTORY AUDITOR'S REPORT ON REVIEW OF CONSOLIDATED CONDENSED FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2019

Introduction

We have reviewed the accompanying consolidated balance sheet of Lotus Bakeries NV and its subsidiaries as of 30 June 2019 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 2019 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, 19 August 2019

PwC Bedrijfsrevisoren cvba
represented by

Lien Winne
Registered Auditor

PwC Bedrijfsrevisoren cvba - PwC Reviseurs d'Entreprises scrl - Financial Assurance Services
Maatschappelijke zetel/Siège social: Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe
Vestigingseenheid/Unité d'établissement: Sluisweg 1 bus 8, B-9000 Gent
T: +32 (0)9 268 82 11, F: +32 (0)9 268 82 99, www.pwc.com
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB /
BELFIUS BE92 0689 0408 8123 - BIC GKCC BEBB



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 2019, 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.

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

Jan Boone
CEO

Lembeke, 19 August 2019