



2010

ANNUAL REPORT



 **PEIJNENBURG**  
SINCE 1883

**ANNA'S**



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## CONSOLIDATED KEY FIGURES



in millions of EUR

	2010	2009	2008	2007	2006
<b>INCOME STATEMENT</b>					
Turnover	264.82	261.07	256.69	224.53	179.25
Raw materials, consumables and goods for resale	(82.38)	(87.32)	(93.50)	(75.31)	(60.35)
Services and other goods	(69.63)	(63.80)	(60.87)	(56.24)	(44.75)
Personnel costs	(65.53)	(65.00)	(61.20)	(56.34)	(47.50)
Depreciation and amounts written off <sup>(1)</sup>	(12.50)	(12.08)	(11.00)	(10.36)	(9.06)
Other operating income and charges (net)	0.17	1.71	3.93	2.42	2.36
Recurrent operating result (REBIT)	34.96	34.59	34.04	28.70	19.94
Recurrent operating cash flow (REBITDA) <sup>(2)</sup>	48.71	48.20	45.69	38.75	28.46
Non-recurrent operating result	(0.87)	(0.29)	(0.78)	(0.94)	(1.12)
Operating result (EBIT) <sup>(3)</sup>	34.09	34.30	33.26	27.76	18.82
Financial result	(2.96)	(2.83)	(6.94)	(3.97)	(3.19)
Result before taxes	31.13	31.47	26.32	23.79	15.63
Taxes	(8.06)	(8.20)	(6.41)	(3.44)	(4.52)
Result after taxes	23.07	23.27	19.91	20.35	11.11
Share in results of equity-consolidated enterprises	-	-	0.25	0.31	0.29
Result from discontinued operations	-	1.89	-	-	-
Net result	23.07	25.16	20.16	20.66	11.40
Net result : share of third parties	0.01	0.10	0.13	0.14	0.03
Net result : share of the Group	23.06	25.06	20.03	20.52	11.37
<b>SELF-FINANCING AND INVESTMENTS</b>					
Net cash flow <sup>(4)</sup>	38.15	40.47	36.50	29.71	22.03
Investments <sup>(5)</sup>	17.09	9.18	10.81	7.33	10.33
<b>BALANCE SHEET</b>					
Balance sheet total	224.73	226.11	227.91	195.33	199.50
Equity	109.80	101.20	85.86	68.92	54.68
Net financial debts <sup>(6)</sup>	23.76	26.99	40.39	42.25	63.41
<b>NUMBER OF PERSONS EMPLOYED<sup>(7)</sup></b>					
	<b>1,198</b>	<b>1,224</b>	<b>1,245</b>	<b>1,152</b>	<b>1,159</b>
<b>CONSOLIDATED KEY FIGURES PER SHARE in EUR<sup>(8)</sup></b>					
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Recurrent operating result (REBIT)	46,52	45,08	44,63	37,64	25,62
Recurrent operating cash flow (REBITDA) <sup>(2)</sup>	64,83	62,81	59,91	50,82	36,56
Net result: share of the Group	30,68	32,67	26,28	26,90	14,61
Gross dividend <sup>(9)</sup>	8,80	7,80	6,80	5,40	4,40
Net dividend	6,60	5,85	5,10	4,05	3,30
Weighted average number of shares	751,377	767,320	762,664	762,453	778,385
<b>Total number of shares per 31 December</b>	<b>772,563</b>	<b>803,037</b>	<b>803,037</b>	<b>803,037</b>	<b>803,037</b>

## CONSOLIDATED KEY FIGURES OF THE LOTUS BAKERIES GROUP

(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 warrant plan.

(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) For the joint ventures all members of personnel are taken into account for one hundred percent.

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

(9) For 2010; proposed dividend to the General Meeting of 13 May 2011.

CONSOLIDATED KEY FIGURES

< One of our 'Star Products' is Lotus frangipane.

# KEY EVENTS IN 2010



Koninklijke Peijenburg starts a new campaign under the slogan 'Van huis uit meegekregen!' ['Since we were kids!']

Poster campaign in France



Automation of the filled waffle production line (2-waffle pack)



Opening of a Biscoff coffee corner in the United States





Decision to enlarge production capacity at Lembeke and Oostakker



Introduction of Annas Lantkakor (caramelized biscuits) in Sweden and Finland

Automation of the individual madeleine production line



Sampling original caramelized biscuits at the World Expo China from 01/05/2010 until 31/10/2010



Announcement management succession:  
 - Matthieu Boone becomes a non-executive member of the Board of Directors  
 - Jan Boone CEO  
 - Jan Vander Stichele COO

KEY EVENTS IN 2010

# CHAPTER

## I MESSAGE FROM THE CHAIRMAN AND THE CEO



Jan Vander Stichele  
Managing director

Karel Boone  
Chairman

Matthieu Boone  
CEO

Jan Boone  
Managing director

For 2010 we set ourselves clear goals: we would focus more on our 'Star Products' and do better than the market. We then turned these challenging objectives into action plans for all regions and departments. This approach has paid off.

Although the total biscuit market, as broadly defined, remained unchanged in most countries - and even declined slightly in the Netherlands - we achieved growth of more than 2% in 2010 with our brands.

In this way Lotus Bakeries outperformed the market, while maintaining its margins. This success we owe to our clear strategy and to the commitment of all our employees.

Last year we paid special attention to the following aspects:

1. Additional and innovative advertising for the 'Star Products' in Belgium, Netherlands and France.
2. Continuous quality improvements and format innovation to meet the needs of today's consumers.
3. Completing the integration of Annas Pepparkakor Sweden into Lotus Bakeries and the organizational transformation of Lotus Bakeries North America.
4. The successful SAP integration of Annas Pepparkakor. Data accuracy, speed, uniformity and integration are highly valued by Lotus Bakeries. These were again given high priority. In 2011 Lotus Bakeries North America was also fully integrated into SAP.

Of course we do not lose sight of the long term. We continue to work to build a strong organization based on our key values of Team spirit, Open dialogue and Passion. These we fit into a broader context of Corporate Social Responsibility (CSR). CSR has been deeply anchored into Lotus Bakeries' way of thinking ever since the first generation. However, it is the first time that we systematically spotlight CSR in our annual report. In it we wish to show how CSR has a long history at Lotus Bakeries.

In 2011 new challenges present themselves. Since last autumn we have seen sharp increases in the cost of our raw materials and packaging. This has required Lotus Bakeries to adjust its prices.

Furthermore, in 2011 we shall be completing the transition from the second to the third generation of executive directors. Matthieu Boone reaches the age of 65 in May 2011. He will resign as CEO and from then on sit on the Board of Directors as a non-executive director. The new organization, which is described further on in the annual report, has been thoroughly prepared. The family directors and shareholders, the Board of Directors as a whole, along with the entire management and workforce, all have great confidence in the new Executive Committee and the distribution of responsibilities within it. Lotus Bakeries is proud that this phase has been completed to everyone's satisfaction. It ensures management continuity, while permitting the renewal and rejuvenation of general management.

Lotus Bakeries remains convinced that its strategy of continuing to invest significant sums in its brands and its products in the coming years should continue. On top of this it is crucial to continuously invest in order to maintain and even improve production performance and quality. Only in this way can products be produced with a distinctive taste and in a cost-efficient manner.

Together with everyone's commitment, which we can always count on, this will make 2011 another good year.



**Matthieu Boone**  
CEO



**Karel Boone**  
Chairman





# CHAPTER II

## LOTUS BAKERIES' STRATEGY

## 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 succeeding ones. In this way the company will contribute on a daily basis to a better world in terms of food & health, use of resources, society and the well-being of its employees.

Lotus Bakeries is built on three foundation stones:

- A focus on authentic products from the biscuit and cake world. Products that are distinctive in terms of both quality and consumer satisfaction. Consumers are entitled to expect the very best from Lotus Bakeries.
- A targeted brand policy: building brands with real content. Lotus, Peijnenburg and Anna's are strong brands that radiate pride and in which consumers rightly trust and feel good when consuming.
- Strengthening its clear leadership with its specialty products.

## LOTUS BAKERIES' STRATEGY

Lotus Bakeries operates in the field of authentic specialty biscuits and cakes.

Lotus Bakeries wants to strengthen its leadership in each of its specialty areas and is stimulating the internationalization of these products. The strong brand positions of the Lotus, Peijnenburg and Anna's labels confirm this leadership.

Lotus is the brand for caramelized biscuits (speculoos), caramelized biscuit spread, cakes, waffles & galettes and gingerbread in the various markets, except for two brands:

- Peijnenburg is the brand in the Netherlands for gingerbread and other specialties that fit the brand image 'Van huis uit meegekregen!' ['Since we were kids!'].
- Anna's is the brand for pepparkakor specialties.

Leadership is based on a clear brand policy that is recognizable to consumers and gives confidence in the products. Leadership is reinforced by the Lotus Bakeries 'beliefs' that lead to a number of strategic choices:

1. That the Lotus Bakeries specialties have growth potential. Lotus has increased its market share even in those areas where the specialties are traditional products in mature markets. For example, by focusing on strong products such as frangipane and madeleine in Belgium.
2. That continuing to invest in commercial efforts and growing Lotus' market share require adequate resources to be made available.

3. That Lotus Bakeries needs to choose which products to invest in to realize its growth potential. Product innovation is directed partly at 'format innovation' such as mini-Liège waffles.
4. That Lotus Bakeries should continue to invest in the most efficient possible production units. This is in order to continue to produce the best quality products at the most competitive cost price.
5. That the strategy must fit into a long-term vision. This is why Corporate Social Responsibility is of crucial importance for Lotus Bakeries. The following themes form the basis of Lotus Bakeries' CSR policy:
  - **Food & Health:**  
Lotus Bakeries products meet the guidelines of current European food legislation. At the same time, Lotus Bakeries strives for a unique taste experience with specific attention to the health aspect.
  - **Use of raw materials:**  
Lotus Bakeries will contribute to the use of sustainable raw materials out of a concern for today's and tomorrow's generations.
  - **Society:**  
Lotus Bakeries takes its social responsibility seriously and wants to play an active role in society.
  - **Employees:**  
Lotus Bakeries wants to be an employer that offers its employees a challenging career within its TOP (Team spirit, Open dialogue and Passion) culture. In so doing, Lotus Bakeries is keen to invest in the development and well-being of its employees.

# CHAPTER III LOTUS BAKERIES GROUP'S PROFILE

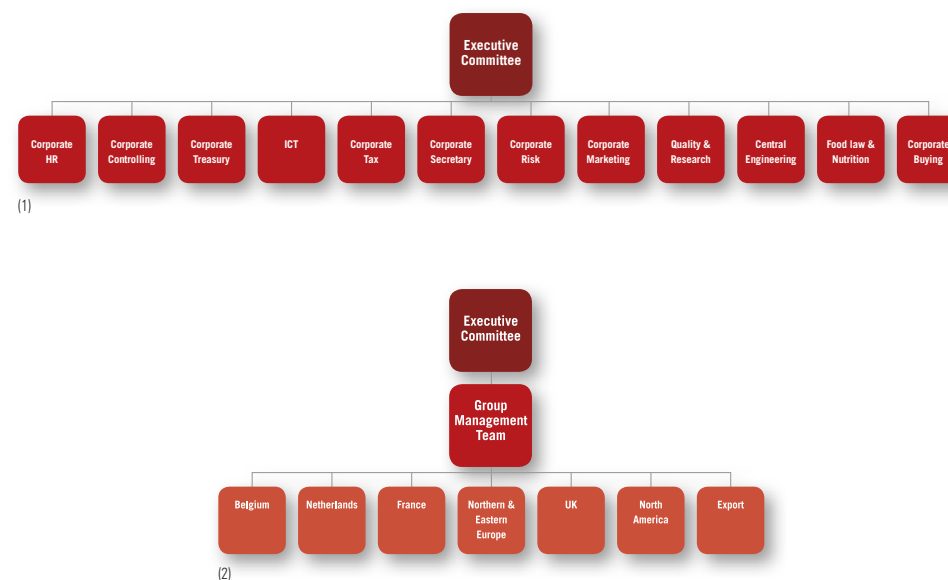


## 1. GROUP FUNCTIONS AND COUNTRY ORGANIZATION

In order to be able to realise its objectives and strategy in the most coherent and efficient manner possible, the Lotus Bakeries Group has opted for a group-wide management <sup>(1)</sup> that is implemented by the Executive Committee (EXCO) and is cascaded to the various country and regional organizations (areas) <sup>(2)</sup>. This whole (EXCO members and area management) comprises the 'Group Management Team'. The country and regional organizations play a very important role of adapting 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 reflect its own particular market and that production facilities also think in a market-directed way. This is part of the Lotus Bakeries group policy, and is integrated into the policy lines that are set at group level.

From May 2011 the Executive Committee will consist of the persons below with the following responsibilities:

Name	Function	Department
Jan Boone	CEO	
Jan Vander Stichele	COO	Corporate departments: Buying, Central Engineering, R&D, Quality, Food law & Nutrition
Marco de Leeuw (from 2012)	Corporate director international	Areas: North America, Export
Jos Destrooper	Corporate director finance & human resources	Corporate departments: Controlling, Treasury, HR
Ronald Drieduite	Corporate director home markets	Areas: Belgium, Netherlands, France, Northern & Eastern Europe, United Kingdom
Ignace Heyman	Corporate director marketing	Corporate department: Marketing
John Van de Par	Corporate director ICT, tax, legal & risk	Corporate departments: ICT, Tax, Corporate Secretary, Risk





# ANNAS



## 2. PRODUCTS

Lotus Bakeries has opted for a brand policy based on authentic specialties from the biscuit and cake world: caramelized biscuits, gingerbread, waffles and galettes, cake specialties and pepparkakor 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 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 Holland) has developed very strongly in the Netherlands, where gingerbread is very popular. Strong brands like Peijnenburg and Wieger Ketellapper have been turned into modern, contemporary concepts that match the consumption patterns of today's conscious consumers. Koninklijke Peijnenburg has more than 60% of the Dutch gingerbread market. Lotus wants to market these products more strongly, first of all in Belgium. This product will be redynamized, with product development and innovative packaging, under the Lotus brand.



### 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 GALETTES

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.



### 3. *PRODUCTION FACILITIES*

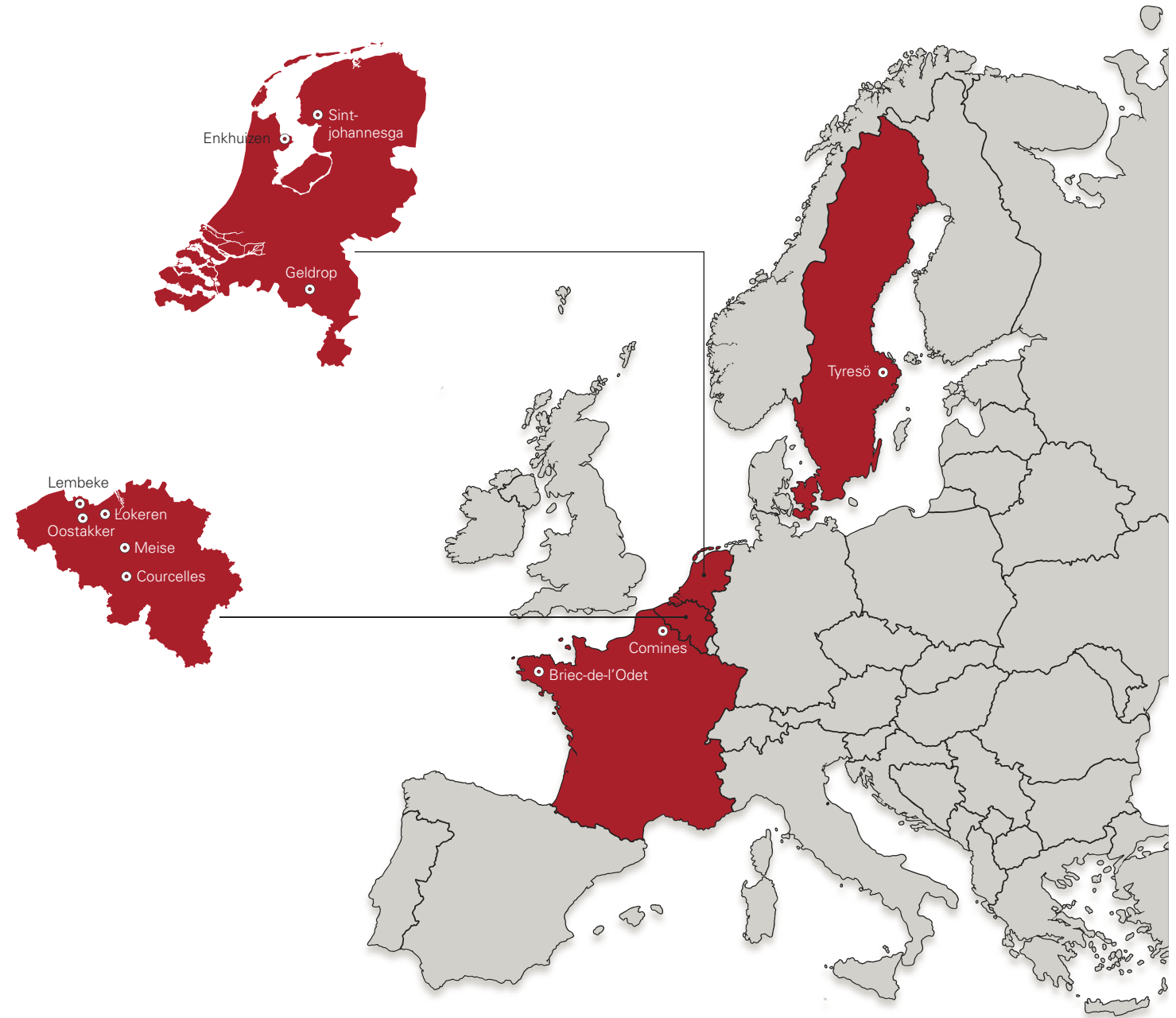
Lotus Bakeries' product range involves it in a wide range of different production technologies. Understanding, mastering and further developing these product technologies is a constant challenge. This makes it important to concentrate the products and production processes in specialized plants.

Our production sites from mid-2011 are:

Belgium (*)		Netherlands		France		Sweden	
Lembeke	caramelized biscuits	Geldrop	gingerbread	Comines	cake specialties and filled waffles	Tyresö	pepparkakor biscuits
Oostakker	cake specialties	Sintjohannesga	gingerbread	Briec-de-l'Odé	Breton butter products		
Meise	waffles and galettes	Enkhuizen	Enkhuizer cookies and cake specialties				
Courcelles	waffles and galettes						

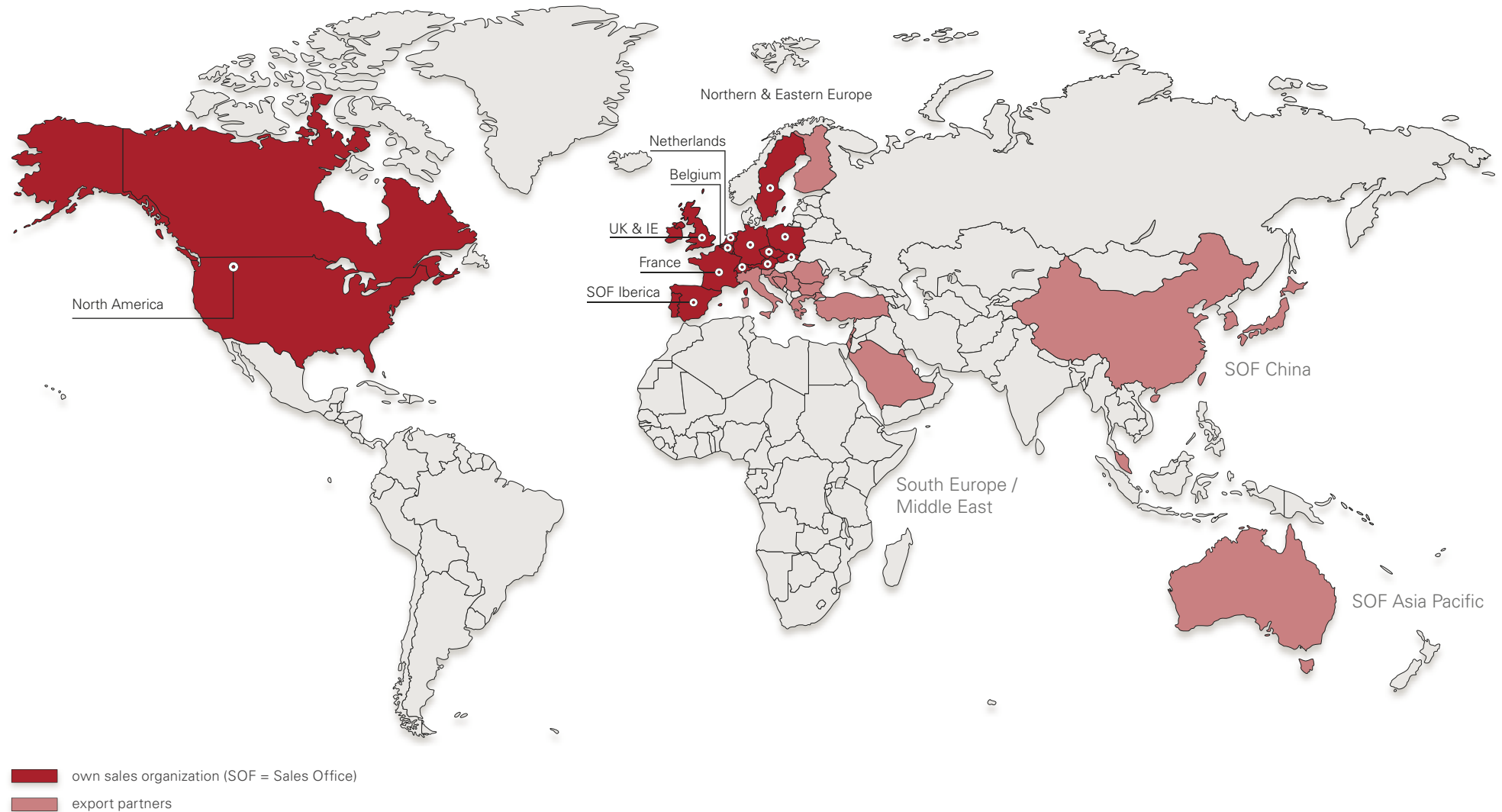
(\*) Lotus Bakeries has a logistics centre in Lokeren.

## PRODUCTION FACILITIES





#### 4. COUNTRY AND REGIONAL ORGANIZATIONS WITH OWN SALES ORGANIZATION (SOF) & EXPORT PARTNERS





TV commercial Peijnenburg gingerbread –  
'Van huis uit meegekregen!'  
['Since we were kids!']

# CHAPTER IV

## CORPORATE GOVERNANCE DECLARATION



Lotus Bakeries has adopted a Corporate Governance Charter. This document, the text of which is published on its website (www.lotusbakeries.com), is a commitment to apply the principles of the Corporate Governance Code dated 12 March 2009 and the Corporate Governance Act of 6 April 2010. This charter is adapted when necessary to reflect changes in the company's business. The Charter describes the most important aspects of Corporate Governance at Lotus Bakeries and the internal regulations of the Board of Directors, Committees and the Executive Committee.

This annual report gives details of the application of Lotus Bakeries Corporate Governance Charter. This document does not diverge from the provisions of the Corporate Governance Code.

## <sup>1.</sup> CAPITAL AND SHARES

### 1.1 CAPITAL

At the Extraordinary General Meeting of Shareholders of Lotus Bakeries NV of 27 April 2010, following the merger of Lotus Bakeries NV and Bisinvest NV, the capital of the company was increased from EUR 1,500,000 to EUR 3,400,003.65. Since 27 April 2010, there have been no further changes in the capital of the company in the course of 2010.

### 1.2 SHARES

At the Extraordinary General Meeting of Shareholders of Lotus Bakeries NV of 27 April 2010, following the merger of Lotus Bakeries NV and Bisinvest NV, 470,175 Lotus Bakeries NV shares were destroyed and 439,701 new Lotus Bakeries shares were issued. In this way, following the merger, the total number of Lotus Bakeries shares reduces from 803,037 to 772,563.

On 31 December 2010 the number of shares in Lotus Bakeries NV totalled 772,563.

Shares are nominal, bearer in denominations of 1-10-50 or dematerialized. For the conversion of shares into nominal or dematerialized shares, the Corporate Secretary should be contacted.

### 1.3 SHARE OPTIONS

In the context of the Lotus Bakeries share option scheme there were 3,400 share options issued in 2010. Per 31 December 2010 the total number of unexercised share options was 26,250.

Year of issue of the options	Number of allocated options	Number of options exercised	Total of available options
2006	9,950	7,750	2,200
2007	11,950	-	11,950
2008	-	-	-
2009	8,700	-	8,700
2010	3,400	-	3,400

### 1.4 WARRANTS

The principal conditions governing the warrants issued in 2007 and the exercise of the same and the most important consequences of the lifting of the pre-emption right of existing shareholders are mentioned in note 25 of the financial supplement.

### 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 the course of 2010, 4,180 treasury shares were purchased, representing a fractional value of EUR 18,392 or 0.54% of issued capital. The total number of shares purchased held in portfolio at the end of the financial year is 27,218, representing a fractional value of EUR 119,759,20 or 3.52% of 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.

## <sup>2</sup> **SHAREHOLDERS AND SHAREHOLDING STRUCTURE**

Based on the transparency notice received by Lotus Bakeries on 30 April 2010, the shareholding structure of Lotus Bakeries NV as of 27 April 2010 is as follows:

	No. of voting rights	% of voting rights
Stichting Administratiekantoor van Aandelen Lotus Bakeries	446,378	57.78%
Lotus Bakeries Group Services NV <sup>(1)(3)</sup>	26,457	3.42%
<b>Total held by Stichting Administratiekantoor van Aandelen Lotus Bakeries and Lotus Bakeries Group Services</b>	<b>472,835</b>	<b>61.20%</b>
Christavest Comm. VA <sup>(2)</sup>	63,046	8.16%
Publicly held	236,682	30.64%
<b>Total</b>	<b>772,563</b>	<b>100.00%</b>

(1) Lotus Bakeries Group Services NV is 99.8% controlled by Lotus Bakeries NV and 100% by the Lotus Bakeries Group. Lotus Bakeries NV is 57.78% controlled by Stichting Administratiekantoor van Aandelen Lotus Bakeries. Stichting Administratiekantoor van Aandelen Lotus Bakeries is not controlled.

(2) Christavest Comm. VA is 82.82% controlled by Holding Biloba BVBA. Mr Stanislas Boone is the statutory general manager ('statutair zaakvoerder') of Christavest Comm. VA.

(3) The voting rights associated with the shares held by Lotus Bakeries Group Services NV have been suspended. The dividends have not been suspended and will be paid out to Lotus Bakeries Group Services NV.

### **Communication in the framework of 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 57.78%.

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### <sup>3</sup> *BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORS*

#### 3.1 BOARD OF DIRECTORS

##### 3.1.1 Composition

The composition of the Board of Directors during 2010 is as follows:

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##### **Charlofin NV, represented by its permanent representative Baron Karel Boone**

##### **Non-executive Chairman**

Karel Boone (69) holds a degree in Commercial Engineering (KUL). He began his career in 1966 as executive director of the Board of Directors of Lotus Bakeries (then named Lotus Biscuits). When Lotus Biscuits merged in 1974 with Corona, he became CEO. He was also Chairman of the Board of Directors from 1992 to 2006. Since October 2006 he has become the non-executive Chairman of the Board of Directors. He also holds other directorships with Bank Degroof, UCB (Chairman) and Vandemoortele (Chairman). He is also Honorary Chairman of the Association of Belgian Companies.

The term of office of Charlofin NV, represented by its permanent representative Karel Boone, as non-executive Chairman of Lotus Bakeries NV ends at the Ordinary General Meeting of 2012.

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

##### **CEO**

Matthieu Boone (64) holds a degree in Commercial Engineering (KUL). He is CEO of Lotus Bakeries. He has been a director of Lotus Bakeries since 1970. He is also a member of the Board of Directors of ACG Gent, 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 2013.

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

##### **Executive director**

Jan Vander Stichele (47) holds a degree in Civil Engineering (KUL) and has a Candidate degree in Applied Economics (KUL). His 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, and thereafter as general manager operations and current as managing director. He is a member of the Board of Directors since May 2005. 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 an executive director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2013.

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

##### **Executive director**

Jan Boone (39) holds a licentiate degree in Applied Economics (KUL), as well as a Special Licentiate in Révisorat (UMH). He started his career in the Audit department of PricewaterhouseCoopers. 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. Since May 2005, he has also been a member of the Board of Directors of Lotus Bakeries. In addition he is an independent director of Omega Pharma and Durabrik.

The term of office of Mercuur Consult NV, represented by its permanent representative Jan Boone, as an executive director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2013.

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**PMF NV, represented by its permanent representative Johan Boone****Non-executive director**

Johan Boone (59) 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 2013.

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**Anton Stevens****Non-executive director**

Anton Stevens (34) holds a licentiate 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 2013.

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**Jean-Luc Dehaene****Independent director**

Jean-Luc Dehaene (70) holds a doctorate in Law (KUL). He has held various ministerial posts, was Prime Minister of Belgium from 1992 to 1999 and was Deputy Chairman of the European Convention. Currently he is a member of the European Parliament. He has been a director of Lotus Bakeries since 2000. Since October 2008 he has been Chairman of the Board of Directors of Dexia. He is also a member of the Board of Directors of InBev, Umicore and Thrombogenics. The term of office of Jean-Luc Dehaene as an independent director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2011.

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

Herman Van de Velde (56) has a licentiate 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 het 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 2013.

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**Wolferen BV, represented by its permanent representative Johan Lokhorst****Non-executive director**

Johan Lokhorst (58) holds degrees in Industrial Management, Market Management and Market Research (Landbouw Hogeschool Wageningen) and in Financing and Financial Analysis (Technische Hogeschool Enschede). He was general manager of Koninklijke Peijnenburg from 1999 till 2007. He is also Chairman of the Supervisory Boards of De Banket Groep BV, Hespri Holding BV and Bart's Retail Food Group BV, Rabobank Oost-Betuwe and Chairman of the Board of Salad Signature NV. He is a member of the Council of Animal Affairs and member of the Supervisory Board of Springpaarden Fonds Nederland BV. He has been a director of Lotus Bakeries NV since May 2007. The term of office of Wolferen BV, represented by its permanent representative Johan Lokhorst, as a non-executive director of Lotus Bakeries NV ends at the Ordinary General Meeting of 2011.

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

Benoit Graulich (45) has Master's degrees in Law, Business and Finance from the Catholic University of Leuven (KUL). He began his professional career at PricewaterhouseCoopers and then Artesia Bank. In 2000 he became a partner at Ernst & Young and is currently a partner at Bencis Capital Partners. He is also a director of Wereldhave Belgium (Chairman), Van de Velde and Omega Pharma. 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 2013.

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**Dominique Leroy**

Dominique Leroy (46) has a commercial engineering degree from Solvay Business School. She has a 23-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 is also member of the Unilever Benelux Board. 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 2013.

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**Independent director**

The secretary of the Board of Directors is Filip Standaert, Corporate Secretary.

This gives us a balanced Board of Directors in which the majority shareholder, the independent directors and executive management are adequately represented.

Until the end of October 2006 Karel Boone was both executive Chairman and Chairman of the Board of Directors. Charlofin NV, represented by its permanent representative Karel Boone, has been Chairman of the Board of Directors since 1 November 2006. The intention is to continue to avail of the knowledge and experience in another function.

Jean-Luc Dehaene has reached the age limit and will therefore end his term of office as an independent director at the General Meeting of 13 May 2011. With his extensive experience and interest in the company, he has played an important role, over an 11-year period, in the good functioning and decision-making of the Board of Directors.

The term of office of Wolferen BV, represented by its permanent representative Johan Lokhorst, ends at the General Meeting of 2011.

With his experience at Koninklijke Peijnenburg, Johan Lokhorst has played a major role during his time as a director in the rapid and very smooth

integration of Koninklijke Peijnenburg into Lotus Bakeries. His extensive business knowledge has enabled him to make a significant contribution in the Board of Directors.

A proposal is made to appoint as a director for a 4-year term, in the category of independent director:

Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert (44). Ms Sagaert has a degree in Commercial Engineering from the KUL, a Master's in Economic Legislation (UCL) and an MBA (KUL). She has spent most of her business career at AB InBev, most recently as Business Unit President Belux, and is currently CEO Dental Division at Arseus.

As from the Ordinary General Meeting of 13 May 2011, the Board of Directors will be composed of:

- Charlofin NV, represented by its permanent representative Karel Boone, non-executive Chairman
- Mercuur Consult NV, represented by its permanent representative Jan Boone, managing director and CEO
- CofigoMM BVBA, represented by its permanent representative Jan Vander Stichele, managing director and COO

- Beukenlaan NV, represented by its permanent representative Matthieu Boone, non-executive director
- PMF NV, represented by its permanent representative Johan Boone, non-executive director
- Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich, independent director
- Dominique Leroy, independent director
- Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert, independent director
- Anton Stevens, non-executive director
- Herman Van de Velde NV, represented by its permanent representative Herman Van de Velde, independent director.

The secretary of the Board of Directors is Axelle Heuvelmans, Corporate Secretary.



### 3.1.2 Activities of the Board of Directors

The Board of Directors met seven times in 2010. All directors were present at all meetings.

The subjects dealt with at the meetings were:

- recent sales and financial results
- results at 30/06 and 31/12 and proposed press releases
- strategy, long-term objectives and major action plans
- investment budget and global budget
- reports and recommendations from the Committees
- organization structure
- merger of Lotus Bakeries and Bisinvest
- new product introductions
- proposed subjects for the annual report
- risk management
- agendas for the General Meetings.

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

No situations occurred in the course of 2010 in which the procedure of Article 523 of the Companies' Code on conflicts of interest was applied in the Board of Directors.

In the course of 2010 no conflicts of interest occurred between Lotus Bakeries NV (including its associated companies) and its directors or members of the Executive Committee, falling under the conflict of interest rules of articles 523 and 524 ter of the Companies Code.

All transactions involving shares of Lotus Bakeries NV carried out in the course of 2010 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.

In late 2008-early 2009 an evaluation was undertaken of the composition and operation of the Board of Directors and the Committees. The Chairman has interviewed each member separately on the basis of a questionnaire and reported on this to the Board of Directors' meeting of 4 May 2009.

### 3.2 AUDIT COMMITTEE

The Audit Committee consists of three members: two independent directors, Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich (Chairman), and Dominique Leroy, and one non-executive director, Charlofin NV, represented by its permanent representative Karel Boone. All three members have accounting and audit experience. The Audit Committee met four times in 2010 and all members were present. The Auditor participated in part of all three meetings, at which he presented his findings to the Audit Committee.

The subjects examined were:

- proposal to draw up an inventory of risk areas
- 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
- group structures
- design of SAP authorization structure.

### 3.3 REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee consists of:

Jean-Luc Dehaene (Chairman), Herman Van de Velde NV, represented by its permanent representative Herman Van de Velde, and Charlofin NV, represented by its permanent representative Karel Boone.

The Committee met twice in 2010, with all members present.

The subjects examined were:

- 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.

As from the General Meeting of 13 May 2011, the Remuneration and Nomination Committee will consist 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, Charlofin NV, represented by its permanent representative Karel Boone. All three members have both HR management and remuneration policy experience.

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#### ***4. EXECUTIVE COMMITTEE***

Until May 2011, the Executive Committee consists of:

- Beukenlaan NV, represented by its permanent representative Matthieu Boone, CEO and Chairman
- CofigoMM BVBA, represented by its permanent representative Jan Vander Stichele, managing director
- Mercuur Consult NV, represented by its permanent representative Jan Boone, managing director
- Jos Destrooper, corporate director finance & human resources
- John Van de Par, corporate director ICT, tax, legal & risk.

The secretary of the Executive Committee is Filip Standaert, Corporate Secretary.

The Executive Committee met sixteen times in 2010. All members were present at all meetings. There were no transactions between Lotus Bakeries and the members of the Executive Committee that were in conflict with the interests of Lotus Bakeries.

In May 2011 the Executive Committee will be expanded to include:

- Ronald Drieduite: corporate director home markets
- Ignace Heyman: corporate director marketing
- Marco de Leeuw: corporate director international (from 2012).

The secretary of the Executive Committee is Axelle Heuvelmans, Corporate Secretary.

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#### ***5. REMUNERATION REPORT***

##### **5.1 INTRODUCTION**

The objective of the 2010 remuneration report is to provide specific data in a transparent manner concerning Lotus Bakeries' remuneration policy for its directors and executives. The remuneration report already fulfils the provisions of the Corporate Governance Act of 6 April 2010. The remuneration report below will be submitted to the General Meeting of 13 May 2011 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.

##### **5.2 PROCEDURE FOR DEFINING REMUNERATION POLICY AND REMUNERATION**

###### **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, on the advice of the Remuneration and Nomination Committee. Directors' remuneration is regularly benchmarked against a relevant sample of listed companies to enable Lotus Bakeries to attract directors with relevant competences in the framework of its ambitions.

### 5.2.2 Executive Managers

For the purpose of determining who falls into the category of 'Executive Managers' within the framework of 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 competent 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.

### 5.2.3 Senior managers

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

## 5.3 STATEMENT ON REMUNERATION POLICY APPLIED IN 2010

### 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 incurred with the consent of the Chairman of the Board are reimbursed.

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

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

Directors' remuneration is regularly benchmarked against a relevant sample of listed companies, to enable Lotus Bakeries to attract directors with relevant competences in the framework of its ambitions.

#### REMUNERATION

Board members each receive EUR 17,500 a year. The Chairman receives double this amount, i.e. EUR 35,000 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.

#### REMUNERATION POLICY IN COMING YEARS

In the General Meeting of 13 May 2011, a proposal will be made to increase the fixed fee to EUR 20,000 a year. The President will receive double.

Members of the Audit Committee and the Remuneration and Nomination Committee will receive a fee of EUR 5,000 a year.

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

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### 5.3.2 Executive Managers

#### POLICY CRITERIA

The Remuneration and Nomination Committee makes specific recommendations to the Board 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.

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 and/or warrant plan with a fixed number of options or warrants 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.

Where a member of the Executive Committee is also an executive director, his remuneration includes the fees he receives in this latter capacity.

#### REMUNERATION POLICY IN COMING YEARS

The evaluation criteria used to determine the variable compensation in 2010 are the main performance indicators based on the objectives for 2010. The evaluation period is 1 year.

From 2011 onwards 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.

#### 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.



#### 5.4 DIRECTORS' REMUNERATION IN 2010

Board members each receive EUR 17,500 a year. The Chairman receives EUR 35,000 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.

The following table shows the remuneration awarded for 2010 to each member of the Board of Directors.

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

#### 5.5 EVALUATION CRITERIA FOR THE PERFORMANCE-BASED REMUNERATION OF EXECUTIVE MANAGERS

The objectives for 2010 were presented to the Remuneration and Nomination Committee. The evaluation criteria used to determine the variable compensation in 2010 are the main performance indicators based on the objectives for 2010. The evaluation period is 1 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.

#### 5.6 CEO'S REMUNERATION IN 2010

The remuneration of the CEO Matthieu Boone is paid through a management company. There are no social security contributions payable by the company. All costs are borne by the management company.

The remuneration for 2010 is:

Remuneration CEO	2010
Fixed	439,125 EUR
Variable	174,245 EUR
Pension	58,612 EUR
Other	38,477 EUR

No other remuneration was granted in 2010.

In 2010 there was no long-term cash bonus plan in place.

Naam	Board of Directors	Audit Committee	Remuneration Committee	Total remuneration 2010
Charlofin NV, represented by its permanent representative Baron Karel Boone	Chairman	Member	Member	45,000 EUR
Beukenlaan NV, represented by its permanent representative Matthieu Boone	Managing director	-	-	17,500 EUR
CofigoMM BVBA, represented by its permanent representative Jan Vander Stichele	Executive director	-	-	17,500 EUR
Mercur Consult NV, represented by its permanent representative Jan Boone	Executive director	-	-	17,500 EUR
PMF NV, represented by its permanent representative Johan Boone	Non-executive director	-	-	17,500 EUR
Anton Stevens	Non-executive director	-	-	17,500 EUR
Jean-Luc Dehaene	Independent director	-	Chairman	22,500 EUR
Herman Van de Velde NV, represented by its permanent representative Herman Van de Velde	Independent director	-	Member	22,500 EUR
Wolferen BV, represented by its permanent representative Johan Lokhorst	Non-executive director	-	-	17,500 EUR
Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich	Independent director	Chairman	-	22,500 EUR
Dominique Leroy	Independent director	Member	-	22,500 EUR

## 5.7 REMUNERATION OF EXECUTIVE MANAGERS IN 2010 (EXCLUDING CEO)

The remuneration of the other members of the Executive Committee was paid, for two members, through a management company, and for two members under an employment contract. For members paid through a management company there are no social security contributions incumbent on the company and all costs are borne by the management company. For the two members under employment contracts the amounts given are before social security contributions.

The remuneration for all executive managers together for 2010 is:

EXCO (excl. CEO)	2010
Fixed	1,086,919 EUR
Variable	404,729 EUR
Pension	151,360 EUR
Other	98,555 EUR

In 2010 there was no long-term cash bonus plan in place.

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

Finally, there is a warrant plan that was implemented in 2007 and a stock option plan for those who were not yet eligible for the warrant plan. The grant of warrants in 2007 was for a period of 5 years, from 2007 to 2011 inclusive.

## 5.8 SHARE-BASED COMPENSATION

### 5.8.1 Allocations in 2010

In 2010, no shares or share options were granted to members of the Executive Committee.

### 5.8.2 Exercise of stock options in 2010

The share options exercised in 2010 by members of the Executive Committee are:

Name	Year of allocation	Number of options	Exercise price
Matthieu Boone	2005	1000	103.96 EUR
Jan Boone	2006	750	150.47 EUR
Matthieu Boone	2006	1000	150.47 EUR
Jan Vander Stichele	2006	750	150.47 EUR
Jos Destrooper	2006	500	150.47 EUR

In 2010 there are no lapsed unexercised options relating to members of the Executive Committee.

## 5.9 SEVERANCE PAY

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. For them, no specific departure arrangements have been agreed.

In 2010, no severance pay was paid to members of the Executive Committee.

## 6. INTERNAL CONTROL AND RISK MANAGEMENT

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

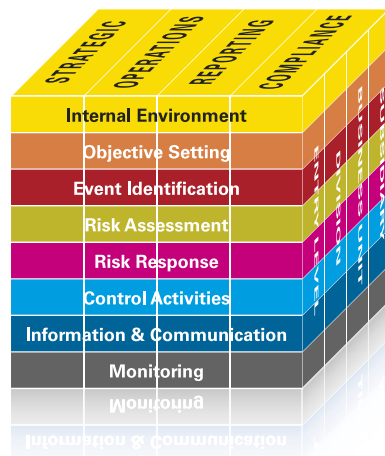
### 6.1 CONTROL ENVIRONMENT

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 Directives so that each area and corporate department clearly knows its 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, investments, insurance and the internal control environment.

Second, there is the 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 entirely 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.



## 6.2 RISK MANAGEMENT PROCESS

Lotus Bakeries has implemented an ongoing process of risk management, aimed at ensuring that this is organised 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, operating under the responsibility of the Board of Directors, 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 corporate director ICT, tax, legal & risk, 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 corporate director ICT, tax, legal & risk. In addition there are at least 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. The entire corpus of policies and procedures related to the risk management process is also set down in the General Directives of Lotus Bakeries.

## 6.3 CONTROL ACTIVITIES

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

Lotus Bakeries has developed various dashboards and key performance indicators (KPIs) around its sales activities, factory operations, purchasing and logistics. These dashboards and reporting tools exist both for each area separately and in aggregate for the Group, and include both financial and non-financial KPIs.

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

## 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 on a centralised basis.

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.

## 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 Banking, Finance and Insurance Commission.

## ***7. ANNOUNCEMENTS IN THE FRAMEWORK OF 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 27 April 2010.
2. By resolution of the Extraordinary General Meeting of Shareholders of 8 May 2009 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 2 June 2009 and is renewable.

## ***8. EXTERNAL AUDIT***

PricewaterhouseCoopers Bedrijfsrevisoren cvba, represented by Mr Lieven Adams, 'bedrijfs-revisor', and Mr Peter Opsomer, 'bedrijfsrevisor', was appointed as Auditor of Lotus Bakeries NV on 18 May 2010 by the Ordinary General Meeting for a term of three years. Its mandate expires immediately after the Ordinary General Meeting of 2013. The compensation received in 2010 for auditing and non-auditing services by PricewaterhouseCoopers Bedrijfsrevisoren cvba and by people connected to PricewaterhouseCoopers Bedrijfsrevisoren cvba, is described in note 38 of the financial supplement.

<b>Audit fee for the Group audit 2010</b>	in thousands of EUR
Lotus Bakeries NV	111
Lotus Bakeries Group	209
<b>Total</b>	<b>320</b>



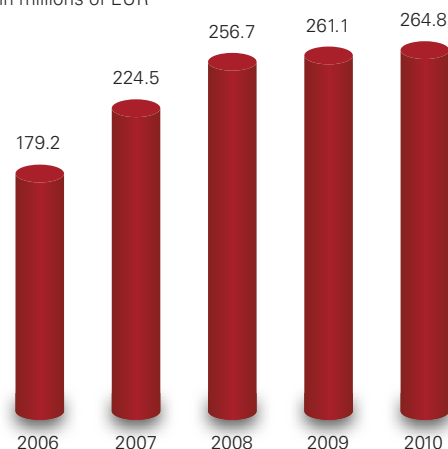
# CHAPTER

## REPORT OF THE BOARD OF DIRECTORS

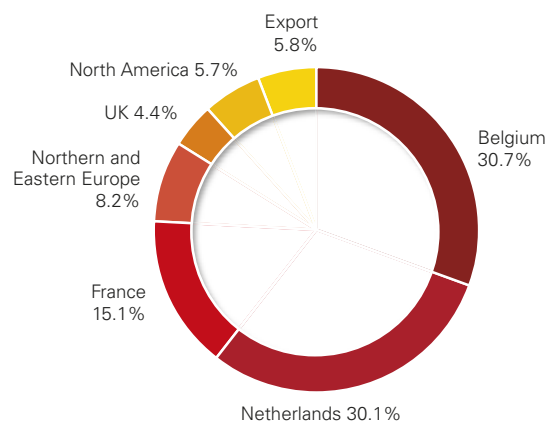


## EVOLUTION OF TURNOVER

in millions of EUR



## GEOGRAPHICAL TURNOVER DISTRIBUTION



V REPORT OF THE BOARD OF DIRECTORS

< Launch of new Anna's packaging in North America from mid-2011

## 1. ACTIVITIES IN 2010

### 1.1 MARKET SITUATION AND SALES RESULTS

#### GENERAL EVOLUTION OF TURNOVER

In 2010 the consolidated turnover of Lotus Bakeries grew by 1.4% to EUR 264.8 million. On a like-for-like basis, taking into account the ending of the Jaffa cake bars contract with Mc Vities, turnover was, thanks to the branded products, up by a large 2.5% in comparison with 2009.

The growth of the total biscuit market in Belgium in 2010 was slightly positive. Through constant focus on the quality of our products, and with increased media investments, the Lotus brand was able to significantly strengthen its market share in its specific segments of caramelized biscuits, cakes and waffles. In product innovation particular attention was paid to increasing consumer convenience and creating new consumption occasions. Although the hype that surrounded the launch of our caramelized biscuit spread is over, we see that Lotus caramelized biscuit spread has taken an important position in the 'bread spread' category.

The gingerbread market in the Netherlands experienced a slight downward trend through to September 2010. However, thanks to various initiatives by Koninklijke Peijnenburg, including a further improvement in quality and softness, new packaging and formats and large-scale media effort, the gingerbread market returned to growth in the last quarter, with a further strengthening of Koninklijke Peijnenburg's position. Sales of Lotus

caramelized biscuits and caramelized biscuit spread continued their sustained growth. Total sales of branded products in the Netherlands in 2010 were stable.

2010 was another excellent year for France. During the year, various additional commercial initiatives at the national level were rewarded with good growth in caramelized biscuits, caramelized biscuit spread and waffles.

A clear focus on caramelized biscuits in the United Kingdom, Northern and Eastern Europe, North America and Export areas is generating results. In all the above areas, sales of caramelized biscuits continued to grow.

#### SOME NOTABLE ACHIEVEMENTS IN DIFFERENT AREAS

##### Belgium

The Lotus brand continues to evolve positively in Belgium. An important factor here is our increasing focus on our top products. Two examples are the frangipane and the Liège waffle with chocolate.

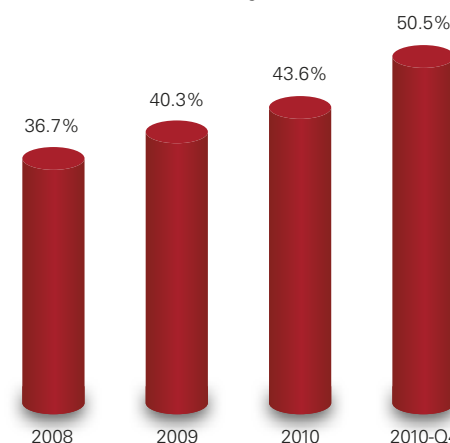
The Lotus frangipane is a true classic. Convinced that the Lotus frangipane still had growth potential, we picked out this product for extra support. In early 2009, an initial TV campaign for Lotus frangipane was broadcast. In both 2009 and 2010, there were three national TV campaigns. We also provided additional displays at POSs. On top of this we launched, in September 2010, the Lotus mini-frangipane. This smaller version of the traditional Lotus frangipane encourages its consumption as a snack.



Since the start of this global support plan in 2009, our frangipane sales have grown sharply, with Lotus' market share rising from 36.7% in 2008 to 40.3% in 2009 to 43.6% in 2010. During the last quarter of 2010 - i.e. since the launch of the mini-frangipane - our market share has risen as high as 50.5%. Moreover, the activation by Lotus has had the effect of significantly expanding the overall frangipane market.

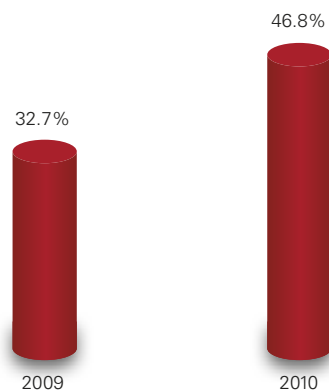
## LOTUS MARKET SHARE

of the frangipane segment  
(Nielsen - in value - total Belgium)



## LOTUS MARKET SHARE

of the Liège waffle with chocolate segment  
(Nielsen - in value - total Belgium)



The Lotus Liège waffle with chocolate is another classic with growth potential. The real Belgian chocolate, combined with strong production process control, enables the Lotus Liège waffle to deliver a superior taste experience. In order to continue to recruit even more new consumers, we launched a mini-version in April 2010. This was well received by the retail trade and consumers clearly appreciate this new variant.



The Lotus market share rose from 32.7% in 2009 to 46.8% in 2010. Again, we note that the Lotus momentum has produced a strong growth of the entire Liège waffle with chocolate segment.

### Netherlands

The gingerbread market in the Netherlands experienced a slight downward trend through to September 2010. However, driven by various efforts by Koninklijke Peijnenburg, the gingerbread market started to grow again in the last quarter. Koninklijke Peijnenburg strengthened its position, gaining a full percentage point in volume share.

The recipe and the baking of Peijnenburg gingerbread were both optimized. Consumers state that it has become more tender and tastier. The packaging has been adapted to respond better to the varying household compositions in the Netherlands, and also updated and

smartened up. All this led in the second half of the year to a 17% growth in sales of Peijnenburg natural gingerbread.

The packaging of Snelle Jelle was also updated, with, since September 2010, 6 gingerbread slices instead of 4 in each package. A new radio campaign was started with the slogan Snelle Jelle – 'voor als je nog even door moet' ['for when you need to keep going that little bit longer']. In the on-the-go channel a distribution extension was undertaken with the existing version and the newly introduced individual 'Snelle Jelle Rozijn' and the 'Snelle Jelle kruidkoek' 3-pack. Snelle Jelle grew by 27% in volume in the second half of 2010.

**Back to growth in the gingerbread market**  
**Koninklijke Peijnenburg market share +1%**



### France

In a context of strong structural competition on France's very dynamic caramelized biscuit market, Lotus Bakeries France began in 2009 a regional communication plan to accelerate the development in the north of the country of the 'Lotus' brand associated with its flagship product, 'l'Original Speculoos'.

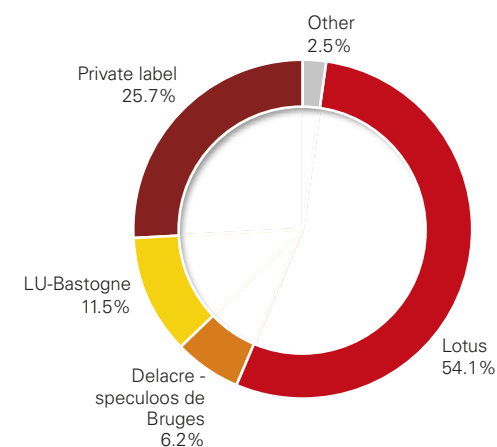
In 2010, this communication plan went national and was significantly boosted around a simple message and an awareness-building vector:

'Speculoos en 5 lettres...' = LOTUS !

The insinuation is that 'there are many different caramelized biscuits in French stores but only one is the true, Original one'.

The results were immediate. Lotus caramelized biscuits' market share rose by 4 points, bringing it back above 50% in late 2010. Over the same period, the penetration rate rose 1.4 percentage points. In this way, Lotus speculoos gained 442,000 new households in a single year, including 360,000 in just the last 6 months of 2010.

**Market share, caramelized biscuits**  
**period 12 2010 (from 7 November 2010**  
**to 12 December 2010) from 50.5% -> 54.1%**





TV commercial Lotus caramelized biscuits – Israel

## Export

Israel is an important export market and Lotus caramelized biscuits have a (weighted) distribution presence of 90%.

To consolidate and further expand this, a national TV campaign was undertaken with significant operations in retail outlets (sampling, displays).

## North America

Biscoff and Lotus (caramelized biscuits) grew significantly in the United States, achieving a 42% weighted distribution in retail channels.

**14% growth of Lotus Biscoff (kg)**



## Northern and Eastern Europe

Early 2010: launch of Annas Lantkakor (caramelized biscuits) in Sweden and Finland. This produced a weighted distribution of 80% in Sweden and 50% in Finland. Contributing factors include intensive sampling and display operations in supermarkets.

**Sweden: 80% distribution**

**Finland: 50% distribution**



## United Kingdom

At the end of 2009 we launched our new international packaging, starting with the UK market.

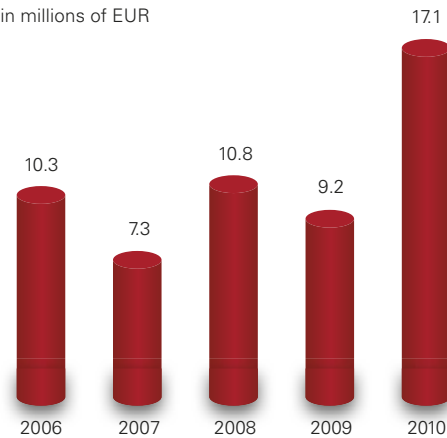
Following this our sales volume increased by 13% in 2010 vs. 2009.

**Caramelised biscuits +13% (kg)**



## INVESTMENTS

in millions of EUR



### 1.2 INVESTMENTS AND INDUSTRIAL OPERATIONS

In 2010 investments in tangible and intangible assets amounted to EUR 17.1 million, compared with EUR 9.2 million in 2009.

The largest investment was the purchase of the land and the building at Tyresö (Sweden) for EUR 7.3 million. The former owners of Annas Pepparkakor had concluded a sale and leaseback operation in 2006.

The projects initiated in 2009 for the extensive automation of the packaging process for Snelle Jelle (Sintjohannesga), for the individually wrapped madeleines (Oostakker) and for filled waffles (Comines) were all successfully completed. In Comines, Lotus invested further in the dough preparation process for the Pommeline. The complete modernization of the dough room control system for the caramelized biscuit factory (Lembeke) was largely completed in 2010, as was the cooling capacity extension in Geldrop.

In 2011, attention will focus primarily on extending the Group's caramelized biscuit production capacity in Lembeke, and on expanding the Oostakker plant into a strategic cake production plant in which all of the Belgian cake production will be concentrated. Pepparkakor production will be concentrated in Tyresö.

Operational excellence and maximum employee involvement are key factors in the optimal functioning of the Lotus plants. Certain pilot projects have been completed with excellent results. This project approach is now being applied in other places and plants.

All plants operate to unambiguously defined and challenging standards in terms of return, quality (regularity, superior taste experience), hygiene and safety. A number of parameters are measured daily to ensure that every department has timely information with which to make any necessary adjustments. The plant teams remain highly motivated and focused on the proper operation of the departments and the continuous optimization and/or improvement of production processes.



### 1.3 PERSONNEL AND ORGANIZATION

#### Evolution of the workforce

The total number of employees decreased during the year by 26 to 1,198 at 31/12/2010.

The following table shows the number of employees (number of heads) and the changes since last year.

Area /Organization	Number of employees	Change
Belgium	607	+8
Netherlands	308	-18
France	126	-4
Northern and Eastern Europe	50	-9
North America	36	-6
United Kingdom	6	+1
Export	15	-2
Corporate	50	+4
<b>Total</b>	<b>1,198</b>	<b>-26</b>

50.40% of employees are male, 49.60% female.

#### Lotus competencies and TOP culture

Lotus Bakeries has since 2007 used a proprietary competency model, Leadership@Lotus Bakeries, for its executives. This project sets out to clarify the role of our senior and middle management.

Following this, in 2010, a new proprietary competency model, entitled Working@Lotus Bakeries, was developed for all employees. In this model, our TOP values (Team spirit, Open dialogue and Passion) are once again central.

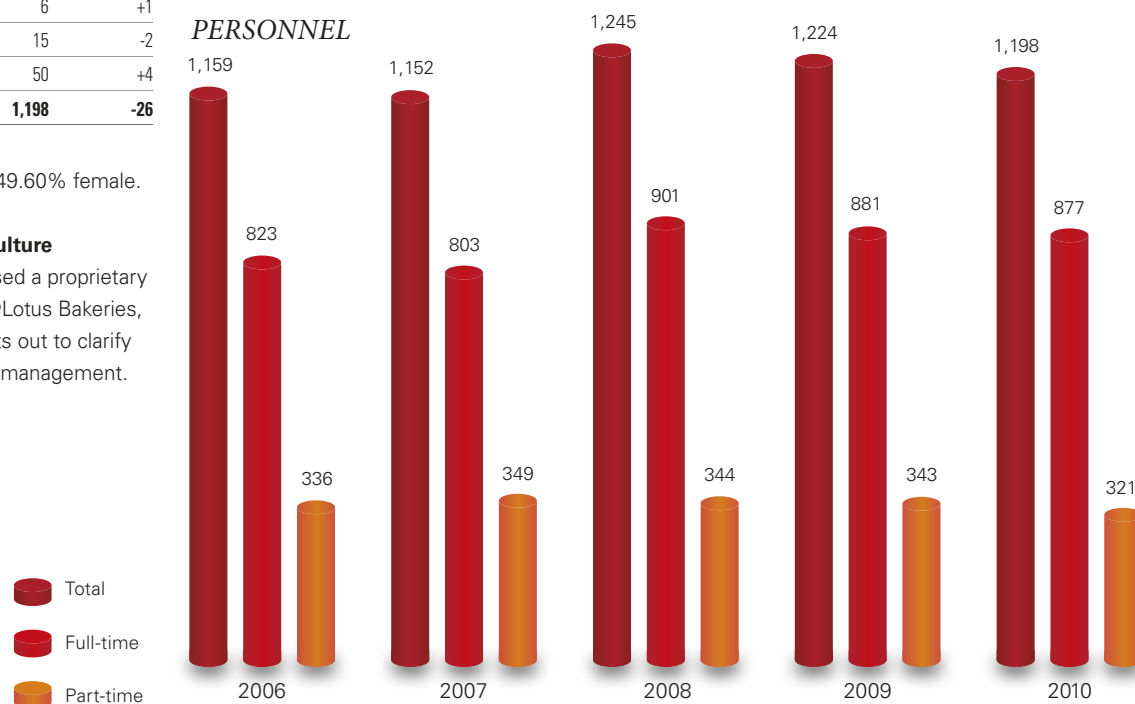
In addition, in cooperation with senior management, Lotus has selected and defined those competencies that it needs to support in order to continue to successfully realise its business goals.

This model helps to propagate the Lotus culture uniformly throughout the employee population. Additionally, Working@Lotus Bakeries forms an integrated model for all HR processes and tools, such as selection and development, at Lotus Bakeries.

In 2010, Working@Lotus Bakeries was implemented in Belgium and the Netherlands. In 2011 it will be rolled out in all other countries in which Lotus Bakeries operates.

The development of its employees on the basis of both competency models remains a priority for Lotus Bakeries.

#### PERSONNEL





## <sup>2</sup> *FINANCIAL INFORMATION*

### 2.1 EVOLUTION OF COSTS

The increase in costs in 2010 is explained primarily 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.

2010 saw a significant decrease in the cost of raw materials, consumables and goods for resale. This is partly due to the cessation of production of Jaffa cake bars for Mc Vities.

### 2.2 PROFITABILITY

2010 confirmed the strong REBIT and REBITDA percentages of 2009. Recurrent operating result, at 13.2% of turnover, and recurrent operating cash flow at 18.4% are fully in line with 2009.

Recurrent operating result (REBIT) grew in absolute terms, from EUR 34.6 million to EUR 35 million. Recurrent operating cash flow (REBITDA) for 2010 amounted to EUR 48.7 million (+ EUR 0.5 million).

The non-recurrent operating result was kEUR -874. The non-recurring costs consist mainly of the amortization of amortizable brands from the 'purchase price allocation' related to the acquisition of Koninklijke Peijnenburg, of the cost of terminating the joint venture involving the Sweden merchandising team and of legal costs, including for the merger of Lotus Bakeries NV and NV Bisinvest.

The financial result, consisting primarily of interest on debt, amounted on an annual basis to a cost of EUR 3 million. This figure is in line with 2009.

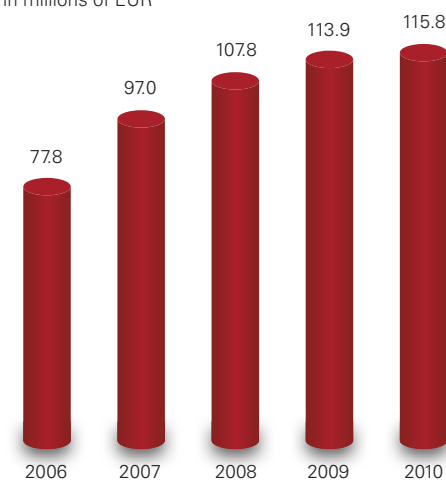
The tax charge for 2010 amounts to EUR 8.1 million, representing an effective tax rate of 26%.

The positive result from discontinued operations in 2009, amounting to EUR 1.9 million, is due entirely to the sale of the shares held in Harry's Benelux.

The net result amounts to EUR 23 million. The decrease of EUR 2 million versus 2009 is entirely attributable to the gain on the sale of the shares in Harry's Benelux in 2009.

Net financial debt in 2010 was significantly impacted by the merger of Lotus Bakeries and Bisinvest, leading to the acquisition of EUR 10.2 million of debt, also by the acquisition of land and buildings in Tyresö for EUR 7.3 million and, lastly, the acquisition of all the shares held by the joint venture partner of Margarinerie Hinnekens for approximately EUR 1 million. Given the strong cash flow in 2010, net financial debt fell from EUR 27 million to EUR 23.8 million.

*EVOLUTION OF  
ADDED VALUE*  
in millions of EUR



## 2.3 PRINCIPAL RISKS AND UNCERTAINTIES

The 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 financial results is limited by the signing of contracts with a fixed price in euro for the 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, CAD, GBP, CZK and SEK. The net foreign exchange risk on these currencies is almost fully hedged by forward contracts and/or options contracts.


### 3. Interest rate risk

Long-term financial liabilities carry either fixed (kEUR 516) or variable (kEUR 29,159) interest rates, the latter based on Euribor rates for periods up to 1 year.

The variable interest rate risk on the outstanding financial liabilities is 100% hedged.

 REBITDA <sup>(1)</sup>

 REBIT <sup>(2)</sup>

 Depreciations + provisions and amounts written off + non-cash costs valuations option- and warrantplan

## 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 services customers in various countries. For exports 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 (32 days

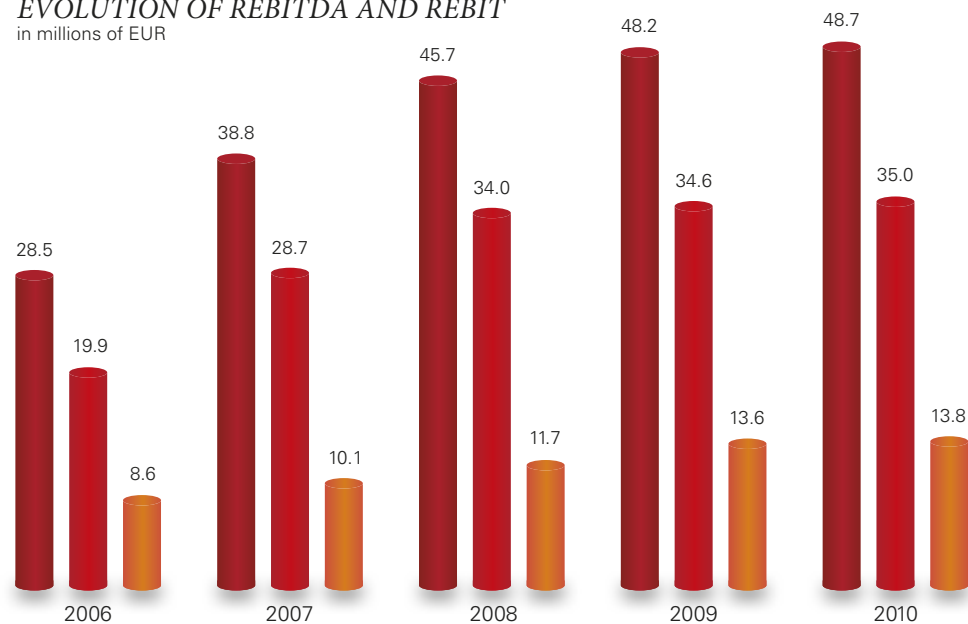
in 2010). Within the Lotus Bakeries Group, there are strict procedures to accurately follow up on customers and to handle possible risks as quickly and as efficiently as possible.

For financial operations, credit and hedging, the Lotus Bakeries Group works only with established financial institutions having credit ratings of A<sup>+</sup> or higher.

## 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 AND REBIT**  
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.

## 6. Balance sheet structure

Lotus Bakeries seeks to maintain its balance sheet structure (balance between debts and equity) so as to preserve the desired financial flexibility to be able to carry out its growth strategy.

It strives to maintain a ratio of net financial debt (defined as financial debts – treasury investments – liquid assets – treasury shares) to recurrent operating cash flow (REBITDA) at what is considered as a normally healthy level in the financial market. In 2010 it easily met the financial covenants entered into in the context of the 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 raw materials through to the distribution of the final product, supported and guaranteed by structured procedures and systematic internal quality audits. External ISO, BRC and other 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 rules 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.

Defined benefit pension schemes exist in the Dutch and German subsidiaries. In the Netherlands a defined pension plan has been concluded with BPF. Since the data for the defined pension calculation (cf. IAS 19) are not available, the plan is included under the defined contribution scheme.

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 benefits schemes the necessary provisions are set up based on the actuarial current value of the future obligations to the employees concerned.

## FINANCIAL RATIOS

	2010	2009	2008	2007	2006
Days customer credit	32	30	30	27	34
Solvency ratio (%)	48.9	44.8	37.7	35.3	27.4
Liquidity ratio (Current ratio)	0.7	1.0	0.9	0.7	0.8
Gross sales margin (%)	17.9	17.9	17.5	17.4	15.6
Net cash flow/Net financial debts (%)	160.6	150.0	90.4	70.3	34.8
Net cost-effectiveness of equity (%)	21.0	24.9	23.5	30.0	20.9

## 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.

Most current contracts do not fulfil the conditions for hedge accounting (cf. IAS 39). Changes in the fair value of these outstanding contracts are recognized in the income statement. One outstanding interest rate hedging contract at the merged company Bisinvest does meet the conditions for hedge accounting (cf. IAS 39). For this contract the change in fair value is recognized through equity.

## 2.5 SIGNIFICANT EVENTS SINCE 31 DECEMBER 2010

### 1. Production of pepparkakor

Lotus Bakeries' vision is to be the leader in the specialty market for pepparkakor biscuits with its Anna's brand. Central to this is the unique taste of the products. High and consistent product quality is of vital importance here.

In December 2010, Ikea, a major customer for our pepparkakor biscuits, announced that it would discontinue buying Anna's pepparkakor from June 2011. Ikea has recently opted for a new Food concept in its stores, with its Food section to be stocked entirely with Ikea's own brand products. In 2010 sales to Ikea amounted to nearly EUR 4 million, with a contribution margin of around EUR 1 million.

Right now the Ikea volume is produced at two manufacturing sites: Tyresö (Sweden) and High River (Canada).

In order to be able to continue to implement the strategic choices that have been made, Lotus Bakeries will produce all Anna's pepparkakor at Tyresö (Sweden) and close its High River (Canada) manufacturing location. Tyresö in this way becomes the specialized and efficient production location for pepparkakor biscuits.

The closure of the High River production facility is a well-considered choice, despite the measures that this will require. The closure will mean 11 permanent job losses in High River and this will create an additional seven jobs in Tyresö.

Centralizing production in Tyresö and increasing the output there offers the opportunity to better protect the unique taste experience and product quality of Anna's pepparkakor.

With the closure effectively completed, the North America organization can then concentrate fully on the major task of further expanding the Anna's (pepparkakor) and Lotus Biscoff (caramelized biscuits) brands. The North American market is one of the most important growth markets for Lotus Bakeries.

### 2. Court judgement with regard to the patenting of 'speculoospasta' (caramelized biscuit spread) in Belgium

On 20 January 2010 the Ghent Commercial Court, in the proceedings concerning the Belgian patent on caramelized biscuit spread held by Lotus Bakeries, declared the patent to be revoked. Lotus Bakeries decided not to lodge an appeal.

The unique taste experience of the Lotus caramelized biscuit spread reinforces Lotus Bakeries' assessment that the revoking of the patent will have little or no effect on the Lotus caramelized biscuit spread's market position.

## FINANCIAL RATIOS

	2010	2009	2008	2007	2006
<b>In % of operating income</b>					
Added value	43.7	43.6	42.0	43.2	43.4
REBITDA	18.4	18.5	17.8	17.3	15.9
Net cash flow	14.4	15.5	14.2	13.2	12.3
REBIT	13.2	13.3	13.3	12.8	11.1
Net profit	8.7	9.6	7.9	9.2	6.4
<b>In % of added value</b>					
Personnel expenses	56.6	57.1	56.8	58.1	61.0
Depreciations <sup>(1)</sup>	9.8	9.7	9.4	10.0	10.9
Taxes	7.0	7.2	5.9	3.6	5.8
Net financial charges <sup>(2)</sup>	2.6	2.5	6.4	4.1	4.1
Net profit	19.9	22.1	18.7	21.3	14.7

(1) Not included depreciations on consolidation differences.

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



TV commercial Lotus caramelized biscuits –  
 'Bij koffie hoort Lotus.'/'A chaque café, son Lotus.'/'Every coffee needs a Lotus.'

### 3. PROSPECTS FOR 2011

In 2010, the Lotus Bakeries Group once again posted positive internal growth together with excellent profitability and cash flow. In Belgium, the Netherlands and France we saw a positive trend of the specialties under the Lotus and Peijnenburg brands through additional commercial investments and consumer communication. In 2010 especially our caramelized biscuits sales grew strongly, as in previous years, in all our sales areas.

In 2011 a number of major investment programs are starting up. First of all, production capacity will be increased to meet the growing demand for caramelized biscuits. Lotus Bakeries has decided to undertake a major investment at its Lembeke site, where already all its caramelized biscuits are produced. A clear focus on caramelized biscuits is a major pillar of the Group's long-term strategy.

In addition, preparations will start to extend the Oostakker plant into a strategic cake production plant where all cake production in Belgium will be centralized. Finally, in 2011, as indicated above, pepparkakor production will be centralized at Tyresö, to give us a single efficient, high-performance production plant focused on a single specialty.

Lotus Bakeries is convinced that the strategy of continuing to invest significantly in its brands and the associated products should be continued for the coming years. The clear focus on the main specialties will be continued. In addition to this, it is crucial to continuously invest in order to maintain and even improve the production performance, efficiency and quality of these specialties. Only in this way products can be produced with a distinctive taste and costprice.

In recent months, raw materials and packaging prices have increased significantly. Lotus Bakeries has therefore increased its selling prices in early 2011.

The Board of Directors and management are very confident that the fundamentals exist for further sales and profitability growth in the longer term.



#### ***4. RESULTS AND PROPOSAL FOR APPROPRIATION OF RESULT***

##### CONSOLIDATED

The consolidated net profit of the year 2010 amounted to EUR 23.1 million as compared to EUR 25.2 million last year.

##### STATUTORY

The results of the year 2010 of the parent company Lotus Bakeries NV are as follows:

	in EUR
- Profit of the financial year	15,567,434.79
- Profit brought forward from previous financial period <sup>(1)</sup>	2,751,853.34
- Transfer from untaxed reserves	28,477.90
- Transfer to untaxed reserves	(202,022.20)
<b>Profit for the year available for appropriation</b>	<b>18,145,743.83</b>

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

- Allocation to other reserves	(11,107,189.43)
- Distribution of a gross dividend of 8.80 EUR per share to 772,563 shares <sup>(2)</sup>	6,798,554.40
- Distribution of emoluments to directors	240,000.00
<b>TOTAL</b>	<b>18,145,743.83</b>

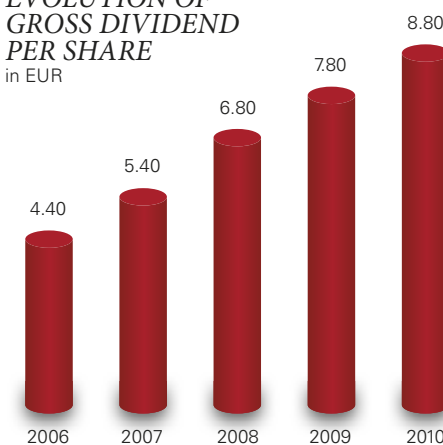
(1) As a result of the merger of Bisinvest

(2) The dividends on the purchased Lotus Bakeries shares will be paid to Lotus Bakeries Group Services 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 13 May 2011 accepts the Board of Directors' proposal, the net dividend per share will amount to EUR 6.60, after deducting a withholding tax of 25%. This net dividend will be payable as from 20 May 2011 on surrender of coupon no. 23 at Bank Degroof, BNP Paribas Fortis, Dexia Bank, ING Bank, KBC Bank and Petercam.

**EVOLUTION OF  
GROSS DIVIDEND  
PER SHARE**  
in EUR





# CHAPTER VI

'CARE FOR TODAY -  
RESPECT FOR TOMORROW'  
CORPORATE SOCIAL RESPONSIBILITY

Lotus Bakeries wishes to base its sustainable growth and profitability on meeting the needs of the present generations, without compromising the opportunities of succeeding ones. In this way the company will contribute on a daily basis to a better world in terms of food & health, use of resources, society and the well-being of its employees.

This social responsibility policy has been deeply embedded in Lotus Bakeries since the first generation.

## 1. FOOD & HEALTH

Lotus Bakeries' products fulfil all requirements of nutritional legislation. We seek to make our products as healthy as possible, while offering the consumer a unique taste perception and experience.

### 1.1 LEGISLATION

The importance of legislation on the composition and labelling of foods is increasing. Lotus Bakeries actively applies all applicable nutritional and health legislation. The Group takes part in working groups of the various professional associations at local and international level. This gives it a good view of what legislation is 'in the pipeline' and enables to prepare for this in a timely fashion.

### 1.2 SALT

Lotus Bakeries is actively cooperating in the salt reduction strategies of governments in different countries (among others Belgium, Netherlands, United Kingdom). In general terms, also to make things understandable for the consumer, we talk about salt reduction. From a health perspective, however, what is really at stake is lowering consumers' sodium intake. Biscuits, cakes and gingerbread are not among the most important food categories in terms of the sodium intake of the population. In Belgium, biscuits and cakes represent just 4% of the consumers' salt intake.

### 1.3 FAT

Lotus Bakeries has since 1999 used only vegetable oils to produce its products. In our quest for products with a unique taste sensation we of course also seek to include the lowest possible amount of fat and make minimum use of saturated fats. Gingerbread is a good example in our range of a low fat product with less than 2% fat. Since 2006 we have been aiming to remove trans fats from virtually all our products. In 2011 we shall be working on eliminating - if feasible - trans fat (present level < 5%) in the last products still containing them, that is our Carré Confiture, Glacé, Mergpijpjes (a form of battenberg) and Choco Jodekoek.

### 1.4 NATURAL COLOURANTS

Lotus Bakeries aims to use to minimize the use of colourants, and where really necessary, to use only natural dyes and natural colouring ingredients. Already more than 95% of Lotus Bakeries products are dye-free.

### 1.5 NUTRITIONAL INFORMATION

Lotus Bakeries complies with national and international (EU) legislation on nutritional labelling. We want to provide consumers with optimal information on the nutritional composition of our products. Where package size permits, we mention the energy value and the 7 key nutrients. In EU markets we mention the GDA values on a voluntary basis. The Koninklijke Peijnenburg website includes additional information about healthy food and snacks.

Gebäck  
Pâtisserie

Gem. bioverträgliches  
Sonnensaatöl  
Ohne Konservierungsstoffe

Gem. bioverträgliches  
Sonnensaatöl  
Ohne Konservierungsstoffe

Gem. bioverträgliches  
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Sonnensaatöl  
Ohne Konservierungsstoffe

Gem. bioverträgliches  
Sonnensaatöl  
Ohne Konservierungsstoffe

# FRANGIPANE

Quantität	Wendungen pro Teller	Wendungen pro Teller	Wendungen pro Teller	Wendungen pro Teller	Wendungen pro Teller
	100g	50g	140KJ	100g	50g
Energie (Energy)	1000	500	1400	1000	500
Fett (Fat)	100g	50g	140g	100g	50g
Protein (Protein)	100g	50g	140g	100g	50g
Gluten (Gluten)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
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Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g	140g	100g	50g
Wasser (Water)	100g	50g			

### 1.6 RESEARCH & DEVELOPMENT

Lotus Bakeries' strategy is based on the superior quality of its products. To maintain this superiority over the long term, Lotus Bakeries deliberately invests in research and development into existing and new products and packaging. Lotus Bakeries' R&D investment is more than twice the average for the European food industry.

### 1.7 FOOD SAFETY

As a producer of brand products, Lotus Bakeries seeks to make the difference in each of its products through better quality. Superior taste experience and strong customer satisfaction are objectives shared throughout the Group, and are the order of the day for each plant and every employee.

Lotus Bakeries has the necessary food safety, traceability, quality control, hygiene and similar procedures in place. All production sites are audited internally to the Group's quality standards, in addition to being IFS and/or BRC certified. Our philosophy is that prevention is better than subsequent cure, with internal audits ensuring the proper functioning of the quality and product safety system. This applies equally to the entire supply chain. For this reason all our suppliers must also meet the required specifications and provide the necessary quality guarantees.

Each year several traceability exercises are held to ensure that every step in the entire supply chain is continuously and actively under (quality) control.

## 2. SUSTAINABILITY

Lotus Bakeries wishes to contribute actively to the sustainable use of resources and the sustainability of production processes.

### 2.1 ENERGY

Lotus Bakeries is keen to contribute to the responsible use of energy. Initiatives are taken, for example, to reduce consumption and use green energy. Our target is to reduce our energy consumption at constant capacity - at both production locations and offices - by 2% a year.

In 2009/2010 the Lembeke facilities participated in the Flemish government's 'audit covenant' initiative. Analysis of all consumption patterns led to a number of energy-saving investments, including a condensing boiler and adapting the cooling installation. Similar initiatives are taking place at other locations. In 2010 a solar panel system (100 kW peak) came into operation at Lokeren and installation of solar panels has begun at Lembeke (450 kW peak).



### 2.2 PACKAGING

Lotus Bakeries has started an active policy to further reduce and optimize primary and secondary packaging, but without compromising the goal of increased consumer convenience. Offering the correct portion sizes enables customers to consume our products in an ideal fashion.



For example, since 2010 madeleines have been placed individually pre-wrapped in a cardboard box, which reduces by more than 30% the amount of plastic/wrapping film in the total package.



### 2.3 RAW MATERIALS

Those Lotus Bakeries suppliers that source their products in less developed countries (primarily oil/fat, chocolate and ginger), are specifically asked for a commitment towards the local population. In future our aim will be to have our suppliers sign up to our sustainability charter.

Lotus Bakeries does not use, either directly or indirectly, genetically modified raw materials.

In 2011, Lotus Bakeries joined the Round Table of Sustainable Palm. Before the end of the year Lotus Bakeries will be taking an important step towards the use of sustainable palm oil: all palm oil used by Lotus Bakeries after that date will be green palm oil. In 2012, Lotus Bakeries will cease using 'battery' eggs.

### 2.4 WATER

Lotus Bakeries policy is to systematically limit water consumption, to encourage use of rain and well water, and to purify its waste water as well as possible. We aim here to meet at least all legal requirements.



In all Belgian plants and Comines (France), the wastewater is collected and either passed through grease traps and sedimentation tanks and completely purified (Oostakker), or led off directly to the nearest wastewater treatment plant (Lembeke), or taken by special tanker to a water treatment plant. All the rainwater at the margarine production plant is collected and used, among other things, as an alternative for cooling the production process.

### 2.5 WASTE

All Lotus Bakeries plants make every effort to limit the production of waste. The small amount of final waste is currently less than 1% and is separated out and recycled as far as possible under the strict GMP standard. Cardboard and paper are collected separately and recycled.

## 3. SOCIETY

Lotus Bakeries is fully aware of its social responsibility and actively pursues its social role.

### RESPONSIBILITY

For many years Lotus Bakeries has supported a wide range of social and cultural projects, activities and organizations. These include donations and support for development projects, cultural sponsoring and financial support for activities in local communities in which the company is active.

Lotus Bakeries has defined policy lines whereby the level of its financial support for local and development projects is tied to its gross profit.

Lotus Bakeries also supports the Corporate Funding Programme (CFP). More specifically it is helping the 'Boat to Kinshasa' project, also supported by the Belgian government, which aims to create a central organization for transporting and marketing agricultural products along Lake Mai-Ndombe and the River Congo to Kinshasa. In the opposite direction, basic consumption goods from Kinshasa can be sold in the local region.



Lotus Bakeries employees have already organized various activities to support this project, with Lotus Bakeries matching the funds raised by its personnel. This amount is doubled a second time by the food industry development fund. A great deal of local progress has already been made in this way. Our efforts to support this project will continue in 2011.





BAKERIES  
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## 4. EMPLOYEES

Lotus Bakeries wants to be an employer that offers its employees challenging work in a TOP (Team spirit, Open dialogue and Passion) culture. It is keen to invest in the further development and welfare of its employees.

### 4.1 TOP VALUES

Lotus Bakeries has since 2007 used a proprietary competency model, Leadership@Lotus Bakeries, for its executives. This project sets out to clarify the role of our senior and middle management.

Following this, in 2010, a new proprietary competency model, entitled Working@Lotus Bakeries, was developed for all employees. In this model, our TOP values (Team spirit, Open dialogue and Passion) are once again central. In addition, in cooperation with senior management, Lotus has selected and defined those competencies that it needs to support in order to continue to successfully realise its business goals.

This model helps to propagate the Lotus culture uniformly throughout the employee population. Additionally, Working@Lotus Bakeries forms an integrated model for all HR processes and tools, such as selection and development, at Lotus Bakeries.

In 2010, Working@Lotus Bakeries was implemented in Belgium and the Netherlands. In 2011 it will be rolled out in all other countries in which Lotus Bakeries operates.

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### 4.2 CODE OF PRINCIPLES

Lotus Bakeries has a code of principles that focuses on working in an honest and ethically responsible environment, within which everyone applies the same ethical principles and conceptual framework vis-à-vis both internal and external stakeholders.

### 4.3 COMMUNICATION

Communication is an important aspect at Lotus Bakeries. Considerable attention is paid to keeping employees well informed, first of all on general matters such as the vision, mission, strategy and TOP values of Lotus Bakeries and, second, on the implementation of annual plans, news and other relevant information.

This communication takes place through the managers, regular departmental or team meetings and communication platforms (Plateau and Zoom). Lotus Bakeries will be working in 2011 on an intranet site. The objectives are to facilitate and accelerate the dissemination of internal information, making available and sharing knowledge, procedures and regulations and strengthening the Lotus identity across national borders.

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### 4.4 PERSONAL DEVELOPMENT

We want committed employees who are involved in what we do, identify with our mission, vision and culture, are loyal to the company and act as ambassadors of Lotus Bakeries. Committed employees are keen to develop themselves, making them passionate and energetic in their professional activities. Training, coaching and on-the-job training play an important role here. Lotus Bakeries believes that professional self-fulfilment contributes to employee retention and commitment. In this way our employees perform strongly and make that extra effort that ensures the success of our organization in both the short and long term.



# CHAPTER VII

STOCK MARKET  
INFORMATION

Koninklijke  
**PEIJNENBURG**  
- Sinds 1883 -



## 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, Dexia Bank, 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 2010, market capitalization of Lotus Bakeries amounted to EUR 312.8 million.

## 5. EVOLUTION OF THE LOTUS BAKERIES SHARE

The graph on page 53 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 51 of this annual report.

## 7. CORPORATE WEBSITE

A new corporate website was launched on 5 October 2009 ([www.lotusbakeries.com](http://www.lotusbakeries.com)).

A substantial portion of the corporate website is reserved for investor relations. The website thus plays an increasingly important role in the Lotus Bakeries Group's financial communication.

## STOCK DATA ABOUT THE LOTUS BAKERIES SHARE IN EUR

	2011	2010	2009	2008	2007	2006
<b>Highest price</b> till 31/03 in 2011	407.50	411.50	340.00	289.99	255.88	225.00
<b>Lowest price</b> till 31/03 in 2011	385.00	310.00	229.99	194.00	201.50	135.20
<b>Price</b> per 31/12 – per 31/03 in 2011	400.00	404.94	332.87	244.99	234.90	208.40
<b>Market capitalization</b> per 31/12 - per 31/03 in 2011 in millions of EUR	309.03	312.84	267.30	196.70	188.63	167.35
<b>Number of shares</b> per 31/12 – per 31/03 in 2011	772,563	772,563	803,037	803,037	803,037	803,037
<b>Ratio price/earning</b> (PER) <sup>(1)</sup>	13.39	13.56	10.62	9.76	9.13	14.68
<b>Ratio price/cash flow</b> (PCF) <sup>(2)</sup>	8.10	8.20	6.60	5.39	6.35	7.60

(1) PER: Price Earnings Ratio: The price at the end of the year (per 31 March in 2011 respectively) divided by net result, per share at the end of the year.

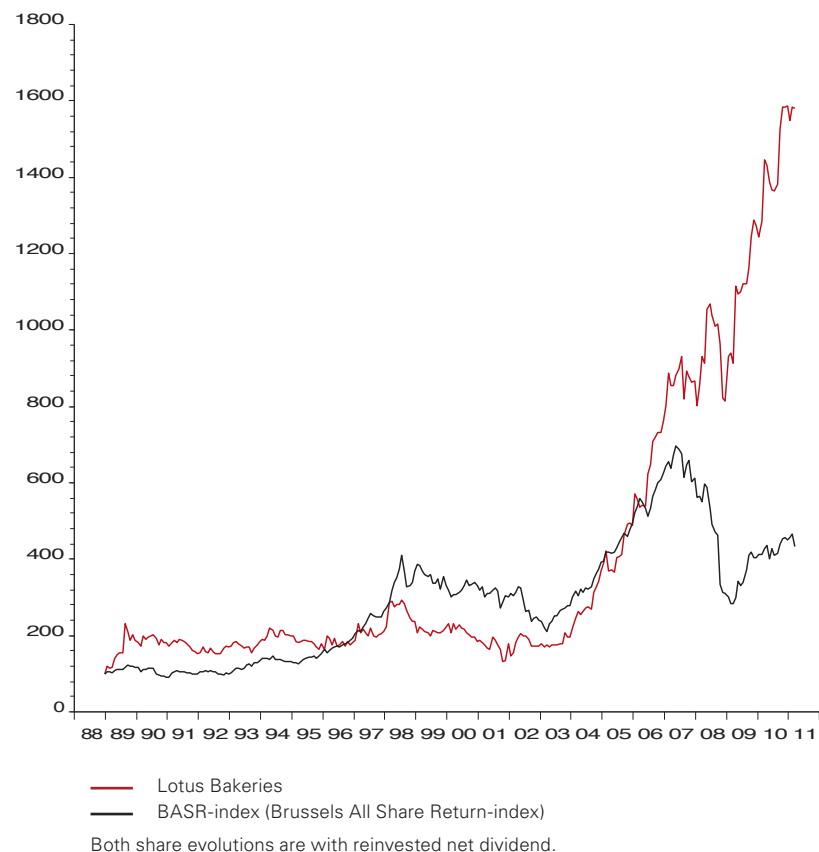
(2) PCF: Price Cash Flow Ratio: The price at the end of the year (per 31 March in 2011 respectively) divided by net cash flow, per share at the end of the year.







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



### VII STOCK MARKET INFORMATION

< 'Format innovation':  
newly launched mini-frangipane

## 8. FINANCIAL CALENDAR

### Friday 15 April 2011

Annual report 2010 available on  
[www.lotusbakeries.com](http://www.lotusbakeries.com)

### Friday 13 May 2011

Ordinary and Extraordinary General Meeting of  
Shareholders at 4.30 p.m  
Announcement of the interim declaration  
covering the period from 1 January 2011.

### Friday 20 May 2011

Payment of dividend for the 2010 financial year

### Monday 29 August 2011

Announcement of the half-year results for 2011

### Monday 13 February 2012

Announcement of the year results for 2011

### Friday 11 May 2012

Ordinary General Meeting of Shareholders.

## 9. PROPOSALS TO THE ORDINARY GENERAL MEETING OF 13 MAY 2011

1. Proposal to approve the statutory financial  
statements dated 31 December 2010.
2. Proposal to approve the remuneration report  
2010.
3. Proposal to approve the proposed distribution  
of profits which is detailed on page 43.

4. Proposal to discharge by separate vote the  
directors and the Auditor from their mandate  
during the year 2010.

5. a. Proposal to appoint Sabine Sagaert BVBA,  
represented by its permanent representative  
Sabine Sagaert as an independent director of  
Lotus Bakeries NV for a four-year term. Sabine  
Sagaert BVBA, represented by its permanent  
representative Sabine Sagaert fulfils the  
criteria of independence established by  
Article 526ter of the Companies Code.

b. Proposal to reduce the number of directors'  
mandates from eleven to ten given the  
termination of two directors' mandates and  
the appointment as mentioned in item 5.a.  
above.

6. Proposal to approve the proposed remuneration  
of directors from 2011 onwards

- directors: EUR 20,000 per person per year
- Chairman of the Board of Directors:  
EUR 40,000 per year
- members of the Audit Committee and the  
Remuneration and Nomination Committee:  
EUR 5,000 per person per year.

## Situation from May 2011

### EXECUTIVE COMMITTEE

Jan Boone	Chief Executive Officer (CEO)	
Jan Vander Stichele	Chief Operating Officer (COO)	Corporate departments: Buying, Central Engineering, R&D, Quality, Food law & Nutrition
Marco de Leeuw (from 2012)	Corporate director international	Areas: North America, Export
Jos Destrooper	Corporate director finance & human resources	Corporate departments: Controlling, Treasury, HR
Ronald Drieduite	Corporate director home markets	Areas: Belgium, Netherlands, France, Northern and Eastern Europe, United Kingdom
Ignace Heyman	Corporate director marketing	Corporate department: Marketing
John Van de Par	Corporate director ICT, tax, legal & risk	Corporate departments: ICT, Tax, Corporate Secretary, Risk

### CORPORATE DEPARTMENTS

#### Corporate Marketing

#### Corporate Finance & HR

Joseph Bultynck	Corporate Treasury
Joeri Pergoot	Corporate Controlling
Denis Pieters	Consolidation
Katia Dobbelaere	Corporate HR

#### Corporate ICT, Tax, Legal & Risk

Tom De Corte	SAP
Axelle Heuvelmans	Corporate Secretary
Filip Standaert	Legal Counsel

#### Corporate Services Operations

Katrien De Vos	Quality & Research
Els Van Parijs	Research & Development
Etienne Geirnaert	Food law & Nutrition
Dirk Verstraeten	Central Engineering

## COUNTRIES AND AREAS

### LOTUS BAKERIES HOME MARKETS

#### Belgium

William Du Pré	General manager Belgium
Sabien Dejonckheere	Marketing
Karel Vercruysse	Finance and administration
Geert Verkinderen	Sales
Ivo Vermeiren	Operations
Yves Boisdenghien	Plant Courcelles
Johan Claerhout	Logistics
Erik Claeysens	Plant Oostakker
Mia Desmet	Human Resources
Xavier Speeleveld	Purchase
Toon Hubrechts	Plant Meise
Jean-Paul Van Hoydonck	Plant Lembeke
Eddy Thijs	Technical services

#### Netherlands

René Groen	General manager Netherlands
Leon Broer	Marketing & NPD
Norbert Haans	Human Resources
Dick Pouwels	Supply chain
Ronald Visser	Plant Enkhuizen
Brigitte ten Voorde	Quality, working conditions and environment
Frank van Harten	Plant Sintjohannesga
Eric van Nunen	Plant Geldrop
Kamiel Steendijk	Finance and administration
Han van Welie	Sales

#### United Kingdom and Ireland

Paul Hunter	Director United Kingdom and Ireland
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#### France

Martin Watrelot	General manager France
Patrick Alexandre	Finance and administration
Marc Berger	Plant Briec-de-l'Odét
Corentin Delsaut	Sales
Thierry Roose	Marketing
Ludovic Valente	Plant Comines

#### Northern and Eastern Europe

Joakim Inaeus	General manager Northern and Eastern Europe
Per Baumann	Finance and administration
Daniel Driving	Sales and Marketing Nordics
Seppo Koivumäki	Plant Tyresö
Fred Korfage	Germany/Austria/Switzerland
Marek Kowalewski	Poland
Tomáš Zbořilek	Czech Republic/Slovakia

### LOTUS BAKERIES INTERNATIONAL

#### North America

Marco de Leeuw	Executive President North America
Michael Bannister	Executive Vice-President
Gary E. Payne	Executive Vice-President
Johan Wilms	Finance and administration

#### Export

Bart Bauwens	Director export
Ángel López	Iberica

# CHAPTER **IX** FINANCIAL STATEMENTS



In this section of the 2010 annual report, 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 report contains all the financial data, including the consolidated external Auditor's report, and is available in Dutch and English.

The consolidated financial statements for 2010 shown hereafter have been prepared in accordance with IFRS rules as adopted by the EU with comparative IFRS figures for 2009.

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>61</b>



## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET

in thousands of EUR

	31-12-10	31-12-09
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>178,257</b>	<b>170,301</b>
Tangible assets	90,233	84,150
Goodwill	25,670	24,837
Intangible assets	61,576	60,822
Investment in other companies	32	38
Deferred tax assets	637	353
Other non-current assets including derivative financial instruments	109	101
<b>Current assets</b>	<b>46,474</b>	<b>55,809</b>
Stocks	12,998	12,947
Trade receivables	23,360	21,288
Tax receivables	2,967	3,083
Other amounts receivable	114	394
Derivative financial instruments	60	70
Cash and cash equivalents	6,302	16,249
Deferred charges and accrued income	673	1,778
<b>TOTAL ASSETS</b>	<b>224,731</b>	<b>226,110</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>109,795</b>	<b>101,197</b>
Issued capital	3,400	1,500
Share premium	2,298	2,298
Consolidated reserves	109,704	104,503
Translation differences	1,709	(32)
Treasury shares	(7,157)	(7,639)
Hedging reserves	(192)	(307)
Non-controlling interest	33	874
<b>Non-current liabilities</b>	<b>50,571</b>	<b>69,313</b>
Interest-bearing loans and borrowings	17,902	37,136
Deferred tax liabilities	28,700	28,619
Pensions	2,906	2,672
Provisions	948	738
Other non-current liabilities including derivative financial instruments	115	148
<b>Current liabilities</b>	<b>64,365</b>	<b>55,600</b>
Interest-bearing loans and borrowings	19,319	13,739
Provisions	79	216
Trade payables	23,509	22,138
Remuneration and social security	9,081	9,518
Tax payables	5,491	4,207
Derivative financial instruments	2,079	3,001
Other current liabilities	974	704
Accrued charges and deferred income	3,833	2,077
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>224,731</b>	<b>226,110</b>

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

in thousands of EUR

	2010	2009
<b>Turnover</b>	<b>264,823</b>	<b>261,071</b>
Raw materials, consumables and goods for resale	(82,378)	(87,315)
Services and other goods	(69,633)	(63,800)
Personnel costs	(65,533)	(64,996)
Depreciation and amortization	(11,318)	(11,084)
Decrease/(Increase) in amounts written off stocks, contracts in progress and trade debtors	(1,178)	(997)
Other operating income and charges (net)	172	1,714
<b>Recurrent operating result (REBIT) <sup>(1)</sup></b>	<b>34,955</b>	<b>34,593</b>
Non-recurrent operating result	(874)	(294)
<b>Operating result (EBIT) <sup>(2)</sup></b>	<b>34,081</b>	<b>34,299</b>
Financial result	(2,960)	(2,826)
Financial income	2,730	3,531
Financial charges	(5,690)	(6,357)
<b>Result before taxation</b>	<b>31,121</b>	<b>31,473</b>
Income taxes	(8,055)	(8,202)
<b>Result after taxation</b>	<b>23,066</b>	<b>23,271</b>
Results from termination of activities	-	1,889
<b>Net result</b>	<b>23,066</b>	<b>25,160</b>
Net result: share of third parties	11	95
Net result: share of the Group	23,055	25,065
<b>Other comprehensive income:</b>		
<b>Gains/(Losses) recognized directly in equity</b>		
Currency translation differences	1,741	257
Financial instruments	115	(307)
<b>Other comprehensive income for the year</b>	<b>1,856</b>	<b>(50)</b>
<b>Total comprehensive income for the year</b>	<b>24,922</b>	<b>25,110</b>
<b>Total comprehensive income for the year attributable to:</b>		
Non-controlling interest	11	95
Equity holders of Lotus Bakeries	24,911	25,015
<b>Earnings per share</b>		
<b>Basic earnings per share (EUR)</b>	<b>30.68</b>	<b>32.67</b>
of discontinued operations	-	2.46
of continued operations	30.68	30.21
<b>Diluted earnings per share (EUR)</b>	<b>29.72</b>	<b>31.93</b>
of discontinued operations	-	2.41
of continued operations	29.72	29.52

(1) REBIT is defined as recurrent operating result.

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



## FIVE-YEAR FINANCIAL SUMMARY LOTUS BAKERIES GROUP

### CONSOLIDATED BALANCE SHEET

in thousands of EUR

	2010	2009	2008	2007	2006
<b>Non-current assets</b>	<b>178,257</b>	<b>170,301</b>	<b>172,028</b>	<b>156,227</b>	<b>161,535</b>
Tangible assets	90,233	84,150	86,408	83,441	85,986
Goodwill	25,670	24,837	24,147	17,151	17,151
Intangible assets	61,576	60,822	61,185	54,727	55,252
Deferred tax assets	637	353	170	163	1,954
Other non-current assets including derivative financial instruments	109	101	80	303	930
<b>Current assets</b>	<b>46,474</b>	<b>55,809</b>	<b>55,884</b>	<b>39,100</b>	<b>37,967</b>
Stocks	12,998	12,947	13,913	10,319	9,145
Trade receivables	23,360	21,288	20,985	16,489	16,903
Cash and cash equivalents	6,302	16,249	14,548	7,384	5,884
<b>TOTAL ASSETS</b>	<b>224,731</b>	<b>226,110</b>	<b>227,912</b>	<b>195,327</b>	<b>199,502</b>
<b>Equity</b>	<b>109,795</b>	<b>101,197</b>	<b>85,855</b>	<b>68,924</b>	<b>54,678</b>
<b>Non-current liabilities</b>	<b>50,571</b>	<b>69,313</b>	<b>82,831</b>	<b>72,545</b>	<b>94,788</b>
Interest-bearing loans and borrowings	17,902	37,136	50,159	43,603	59,640
Deferred tax liabilities	28,700	28,619	29,320	26,389	30,649
<b>Current liabilities</b>	<b>64,365</b>	<b>55,600</b>	<b>59,226</b>	<b>53,858</b>	<b>50,036</b>
Interest-bearing loans and borrowings	19,319	13,739	12,488	13,879	14,125
Trade payables	23,509	22,138	30,321	23,082	19,356
Remuneration and social security	9,081	9,518	8,480	6,717	7,433
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>224,731</b>	<b>226,110</b>	<b>227,912</b>	<b>195,327</b>	<b>199,502</b>

### CONSOLIDATED INCOME STATEMENT

in thousands of EUR

	2010	2009	2008	2007	2006
Turnover	264,823	261,071	256,687	224,528	179,245
<b>Recurrent operating result (REBIT)</b>	<b>34,955</b>	<b>34,593</b>	<b>34,040</b>	<b>28,695</b>	<b>19,944</b>
Non-recurrent operating result	(874)	(294)	(779)	(937)	(1,120)
<b>Operating result (EBIT)</b>	<b>34,081</b>	<b>34,299</b>	<b>33,261</b>	<b>27,758</b>	<b>18,824</b>
Financial result	(2,960)	(2,826)	(6,939)	(3,970)	(3,187)
<b>Result before taxation</b>	<b>31,121</b>	<b>31,473</b>	<b>26,322</b>	<b>23,788</b>	<b>15,637</b>
Income taxes	(8,055)	(8,202)	(6,405)	(3,440)	(4,523)
<b>Result after taxation</b>	<b>23,066</b>	<b>23,271</b>	<b>19,917</b>	<b>20,348</b>	<b>11,114</b>
Share in the result of the enterprises accounted for using the equity method	-	-	-	309	288
Result from assets held for sale	-	-	248	-	-
Results from termination of activities	-	1,889	-	-	-
<b>Net result</b>	<b>23,066</b>	<b>25,160</b>	<b>20,165</b>	<b>20,657</b>	<b>11,402</b>
Net result: share of third parties	11	95	125	144	27
Net result: share of the Group	23,055	25,065	20,040	20,513	11,375

# EEN ECHTE FRIES HERKEN JE METEEN

DE NIEUWE VERPAKKING VAN SNELLE JELLE



*Snelle Jelle zorgt dat de koek nooit op is*



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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](http://www.lotusbakeries.com)

Register of legal persons of Ghent,  
Enterprise number 0.401.030.860

### **Annual report**

This annual report 2010 is also available on the  
internetsite: [www.lotusbakeries.com](http://www.lotusbakeries.com)

Dit jaarverslag is eveneens verkrijgbaar in het  
Nederlands.

De financiële bijlage bij het jaarverslag 2010 is  
beschikbaar in het Nederlands en het Engels.  
The financial supplement to the annual report  
2010 is available in Dutch and in English.

### **Contact**

For further information about the data of the  
annual report or more information about the  
Lotus Bakeries Group, please contact:  
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Tel.: + 32 9 376 26 11  
Fax: + 32 9 376 26 04  
[axelle.heuvelmans@lotusbakeries.com](mailto:axelle.heuvelmans@lotusbakeries.com)

### **Colophon**

Concept and realization: ColorStudio  
[www.colorstudio.be](http://www.colorstudio.be)

### **Translation**

Lomax BVBA

### **Photos**

#### **Belgium**

ColorStudio - Duval Guillaume - FoodPhoto -  
Koen Deprez - Michèle Francken - Quadri

#### **France**

JC. Decaux

#### **Israel**

Adler Chomsky & Warshavsky

#### **Netherlands**

Bureau David-raakt - Leukwerkt Worldwide -  
The Communication Company -  
Zero40-Rens van Mierlo

#### **United States (San Francisco)**

Turner Duckworth

#### **Sweden**

Falck & Co



IN MEMORIAM

## *ANTOINE STEVENS*

On 17 March 2011 we said farewell to Mr Antoine Stevens.

He was the founder of BVBA Corona and Chairman of the Board of Directors of Corona-Lotus from 1974 to 1992. After that he remained a Board member of Lotus Bakeries until 2002.

His merits in building up first Corona and later Corona-Lotus are hard to overestimate. Antoine was the man who placed Belgian cakes, and in particular Corona cakes, at a level of quality which was, and still is, unequalled.

As a major shareholder in Lotus Bakeries he always helped support the family anchoring. This is continued today by his son Anton as a member of the Lotus Bakeries Board of Directors.

We will always remember his strong personality, his human warmth and his exceptional good humour. Antoine was also a man of 'honour' and 'honesty'.

We express our condolences to his wife Gerda and his son Anton, and wish them every strength in their painful loss.



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