



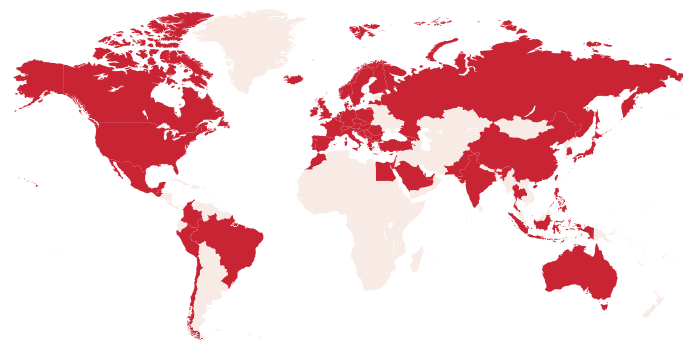
**BEING GREAT
IN LITTLE THINGS**

Annual review



6,140,000,000

In 2017 Lotus Bakeries sold 6,140,000,000 Lotus Biscoff biscuits worldwide.



This is for the little moments.

At Lotus we are constantly amazed
how little things deliver instant
pleasure.

And those little things are at the
heart of our company. We believe
that true greatness consists of
being great in little things. We
want people all around the world
to enjoy these little moments.



MESSAGE FROM THE CHAIRMAN AND THE CEO

Following the historic year of 2016, during which Lotus Bakeries Group's turnover passed the half-a-billion mark, we have surpassed this once more in 2017. Looking back, it was a year of great performance and unfortunately also a few setbacks for Lotus Bakeries.

Great performance

2017 featured many great events, including: the brand-new third production hall at Lembeke, cutting the first sod for our Lotus Biscoff factory in Mebane (United States), Lotus Biscoff for the first time on TV in the United Kingdom and the United States, the introduction of our natural snacks in Belgium and the launch of BEAR in the United States, and the establishment of new sales offices in Austria and Charlotte, US.

It is now eighteen years since we entered a new millennium. How different the world looks and how Lotus Bakeries has evolved! In 2000 our turnover was one fourth of our current turnover with 80% achieved in our home markets Belgium, the Netherlands and France. Today, these proportions are completely different.

It is now eighteen years since we entered a new millennium. How different the world looks and how Lotus Bakeries has evolved! In 2000 our turnover was one fourth of our current turnover with 80% achieved in our home markets Belgium, the Netherlands and France. Today, these proportions are completely different. The majority of our sales now takes place outside Belgium. Obviously, Belgium is still our biggest home market, where we can demonstrate Lotus' potential to grow and above all keep growing through passion and initiatives.

Last year, we welcomed commercial partners from some 27 different countries from all corners of the world to our splendid factory in Lembeke. We explained our ambitions to them and enabled them to experience what we are about at Lotus. It is amazing to see how we can inspire them with our work and how - with a boost of positive energy - they set to work for Lotus Biscoff in their home countries.

A few setbacks

2017 was also a challenging year. For the first time, we were faced with an international recall of our crunchy Lotus Biscoff spread, where the source of the problem lay with our supplier. We pulled out all the stops to minimize the damage, and succeeded thanks to our professional attitude, effective teamwork and rapid decision-making.

<

Jan Vander Stichele
Chairman
Jan Boone
CEO

Unfortunately, 2017 was also the year of the fipronil crisis. Once again, the cause of this egg crisis was external and lay with poultry farmers who fell victim to fraudulent practices by suppliers of disinfectants for poultry houses. As a company, we took responsibility and decided to remove all non-compliant products from the shelves. We received many positive responses to this. It was the only right decision to be made.

Strong result

Despite these setbacks, we are extremely proud to report that we managed to achieve a strong year. Perhaps precisely because of this, we recorded our greatest performance, since in 2017 we achieved even more turnover than in the record year of 2016. We have therefore grown once again - thanks to our employees' drive and commitment.

Growth through investment

Lotus Bakeries believes in continuously investing in order to achieve sustainable growth. For this, we need people who support us. People who believe in Lotus' future and want to make sure the brand and the company continue to grow. We are therefore delighted that more and more employees want to develop Lotus Biscoff internationally.

To ensure the sustainable growth of Lotus Bakeries, we continue to follow a clear strategy consisting of three pillars.

Boundless ambition in our home markets

Above all, we are ambitious in our home markets of Belgium, the Netherlands, France and the United Kingdom with a wide range of waffles, cakes, gingerbread, Lotus Biscoff, Lotus Biscoff spread and natural snacks. We want to develop our strong market positions by winning extra market share and increasing our lead over our competitors.

Globalization of Lotus Biscoff

The second pillar of our strategy is the globalization of Lotus Biscoff and Lotus Biscoff spread. It is our dream for Lotus Biscoff to be on sale in every shop in every country in the world. So, we still have a huge amount of work to do. We are fundamentally convinced that we have the perfect product to achieve this ultimate goal.

There are already many success stories about Lotus Biscoff from all over the world and it is fantastic that we can achieve so much extra sales in various countries. However, finding the right distributors and making sure that we actually sell well in stores is a process in which we need to invest heavily in the long term in order to be able to talk about success in the country concerned. But it all starts with a top product and we have never compromised on this at all. Our Lotus Biscoff is simply TOP.

It is our dream for Lotus Biscoff to be on sale in every shop in every country in the world.

We are firmly convinced that besides indulgent products, we also need to invest in a strong healthy snacking activity.

Healthy eating will be a major topic of public discussion in the coming decades. We are responding to this by offering our consumers different portion sizes, making our Lotus specialities healthier but just as tasty and communicating transparently about the content of our products.

Natural Foods

But we want to go a step further, which brings us to the third and final pillar of our strategy: the development of Natural Foods. We acquired several ground-breaking major natural snacking brands in BEAR, Nākd and TREK. We are firmly convinced that besides indulgent products, we also need to invest in a strong healthy snacking activity. This requires patience and a long-term vision.

We are proud that, following the acquisitions, we have enabled BEAR, Nākd and TREK to grow in their home market, the United Kingdom, and now gradually further afield. In the next few years, we will invest strongly in the further integration and commercialisation of our natural foods brands. We want to realize our ambitions in Europe and the United States as well. The greatest challenge here is that we have to start from zero in each country, but that will not hold us back at all.

Realizing our sustainable strategy

Our strategy is clear. But at the same time it has not yet been realized and that is our greatest challenge. To realize this, we need to be able to rely on passionate and driven employees who are fully committed to Lotus Bakeries and proud ambassadors for our products. People with Lotus DNA, love for the sector and passion for the brand. So, we are also grateful that our employees believe in and help build a brilliant, sustainable future for Lotus Bakeries.



Jan Boone
CEO



Jan Vander Stichele
Chairman

2017

AT A GLANCE

January

First steps for Nākd, TREK and BEAR in Belgium

Natural snacks from Nākd, TREK and BEAR make their entrance into the Belgian market.



March

Third production hall in Lembeke operational

At the beginning of March, the first Lotus Biscoff biscuits roll off the production line in the brand-new third production hall in Lembeke.



March



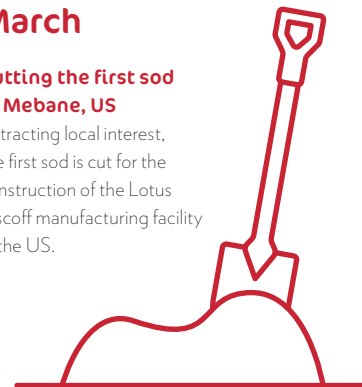
New look for Lotus Dinosaurus

Lotus Dinosaurus gets a new look with packaging to match. The cool new look encourages both children and young people alike to discover the world. Do. Try. Discover.

March

Cutting the first sod at Mebane, US

Attracting local interest, the first sod is cut for the construction of the Lotus Biscoff manufacturing facility in the US.

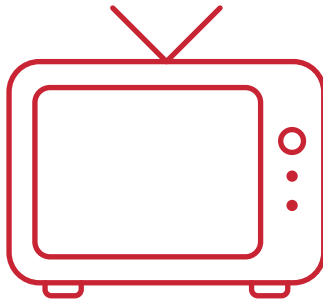




May

Appointment of new director

Peter Bossaert is appointed to Lotus Bakeries' Board of Directors as independent director to succeed Herman Van de Velde.



April

Lotus Biscoff on TV for the first time in the UK and the US

The first regional TV campaign for Lotus Biscoff in the UK (Lancashire, Yorkshire, Tyne Tees, Midlands) and the US (Atlanta) becomes a reality.

April

A new look for Lotus Zebra

The complete Lotus Zebra range is given a new look with individual packaging, improved recipe and a new variety, Zebra Double Chocolate.





June

Launch of BEAR in the US

BEAR sets foot in the US, ready to win American hearts with BEAR Yoyos.



September

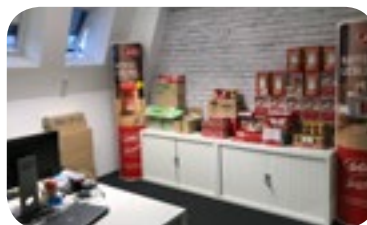
Enhancement of Executive Committee

With the appointment of Isabelle Maes as CEO Natural Foods and Mike Cuvelier as new CFO, Lotus Bakeries has a new, enhanced Executive Committee.

July

Establishment of Lotus Bakeries Sales Office in Austria

To maximize sales activities in Austria, a new sales office is established in Vienna.



September

Lotus Biscoff coffee biscuit brand of the year in South Korea

Lotus Biscoff is voted coffee biscuit brand of 2017 by the South Korean Customers Council.



October

International partner meetings in Belgium and the UK

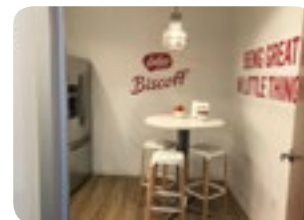
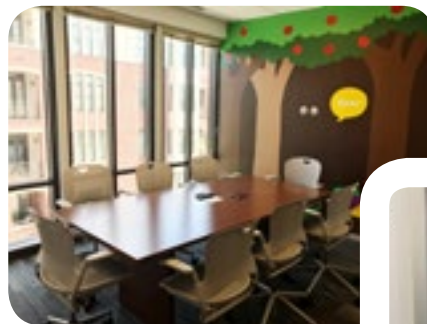
During partner meetings in Belgium and the UK, Lotus Bakeries shares best practices and experiences with its commercial partners.

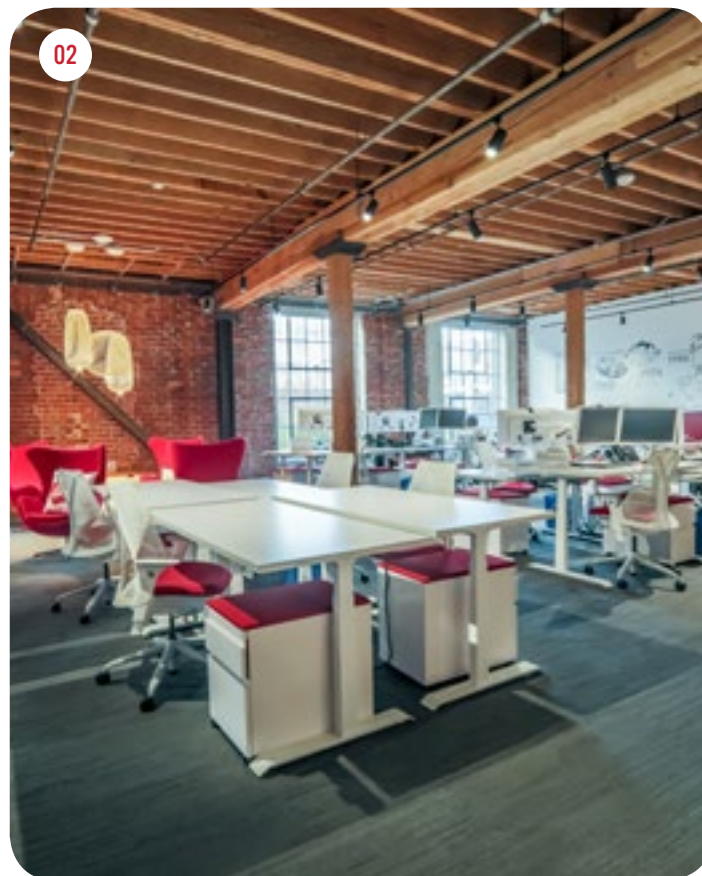
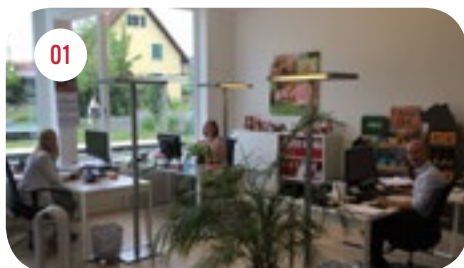


December

Establishment of Natural Foods Sales Office in Charlotte (US)

From a new office in Charlotte (North Carolina), the Natural Foods team works on selling Natural Foods products in the US.





SUBSTANTIAL INVESTMENT IN NEW PREMISES FOR EXISTING SALES OFFICES

Lotus Bakeries Switzerland (01)

The Swiss team relocates to bigger offices in Zug.

Lotus Bakeries North America (02)

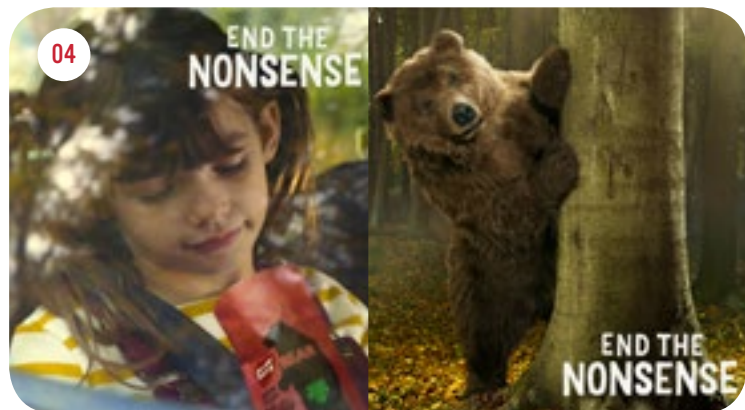
The team in the United States moves into a renovated industrial property in San Francisco's financial district.

Lotus Bakeries China (03)

Lotus Bakeries China relocates to offices in the Jing'an district of Shanghai, one of Shanghai's top commercial districts.

Lotus Bakeries Germany (04)

The team in Germany relocates and operates from offices in Düsseldorf since August.



INVESTMENT IN NEW TV COMMERCIALS

Lotus Suzy (01)

The latest TV commercial highlights how Lotus Suzy waffles add that little bit extra to heartwarming moments with family and friends.

Lotus Biscoff (02)

A brand-new TV commercial for Lotus Biscoff spread shows young and old the endless ways to enjoy the delicious spread.

Lotus Dinosaurus (03)

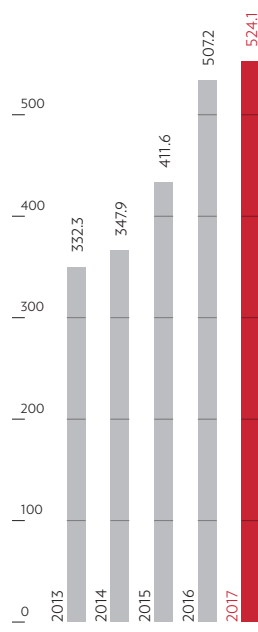
As part of the rebranding of Lotus Dinosaurus, a TV commercial is launched in which young people go on an adventure with Lotus Dinosaurus by their side.

BEAR (04)

In the UK, a brand-new TV commercial comes to the screen for BEAR Yoyos aiming to make both children and their parents enthusiastic about the pure fruit rolls. *End the nonsense.*

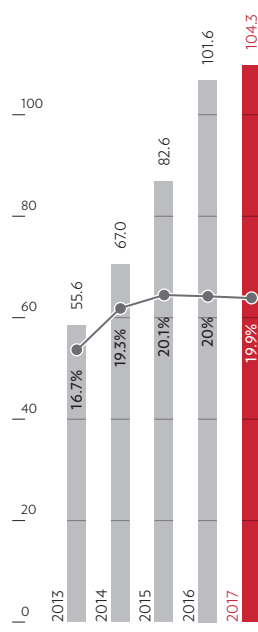
TURNOVER

(in millions of EUR)



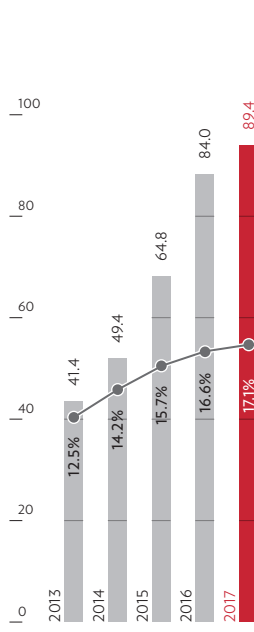
REBITDA

(in millions of EUR)



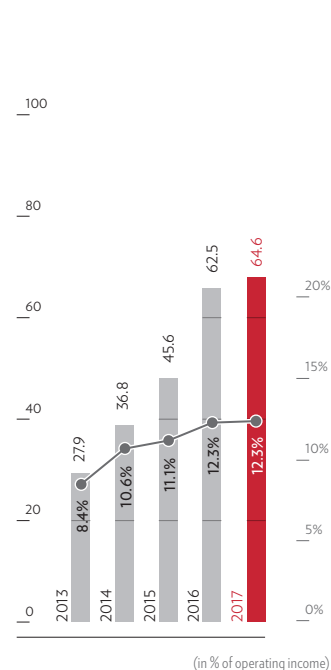
REBIT

(in millions of EUR)



NET RESULT

(in millions of EUR)



GROSS DIVIDEND 2017

19.5 EUR
PER SHARE

NUMBER OF EMPLOYEES 2017

1,495

NET FINANCIAL DEBTS 2017

57.2
(in millions of EUR)

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) Investments in tangible and intangible fixed assets.
- (5) Net financial debts are defined as interest bearing financial debts - investments - cash equivalents - treasury shares.
- (6) Compared to the weighted average number of shares.
- (7) For 2017: dividend will be proposed to the Ordinary General Shareholders' Meeting of 15 May 2018.

IN MILLIONS OF EUR	2017	2016	2015	2014	2013
INCOME STATEMENT					
Turnover	524.06	507.21	411.58	347.89	332.32
Raw materials, consumables and goods for resale	(171.49)	(168.31)	(121.80)	(104.43)	(111.43)
Services and other goods	(145.57)	(133.10)	(117.96)	(96.48)	(87.26)
Employee benefit expense	(105.58)	(101.64)	(88.53)	(78.89)	(78.90)
Depreciation and amounts written off	(14.30)	(16.70)	(17.01)	(16.66)	(14.16)
Other operating income and charges (net)	2.24	(3.51)	(1.52)	(1.99)	0.80
Recurrent operating result (REBIT)	89.35	83.95	64.76	49.43	41.37
Recurrent operating cash flow (REBITDA)	104.33	101.60	82.58	67.02	55.62
Non-recurrent operating result	(0.09)	4.51	(1.75)	(0.26)	(3.65)
Operating result (EBIT)	89.26	88.46	63.01	49.17	37.72
Financial result	(2.23)	(2.68)	(0.78)	0.02	(1.74)
Profit for the year before taxes	87.03	85.78	62.23	49.19	35.98
Taxes	(22.40)	(23.32)	(16.62)	(12.42)	(8.06)
NET RESULT	64.63	62.46	45.61	36.77	27.92
Net result: non-controlling interests	1.09	1.21	0.20	-	-
Net result: Group share	63.54	61.25	45.41	36.77	27.92
BALANCE SHEET					
Balance sheet total	597.49	548.00	571.22	336.99	334.10
Equity	293.21	248.46	217.53	200.63	171.38
Investments	28.24	37.50	16.07	16.55	33.16
Net financial debts	57.20	94.06	163.86	20.20	48.89
NUMBER OF PERSONS EMPLOYED	1,495	1,464	1,339	1,221	1,244
CONSOLIDATED KEY FIGURES PER SHARE in EUR					
Recurrent operating result (REBIT)	111.77	105.84	82.15	63.46	54.09
Recurrent operating cash flow (REBITDA)	130.51	128.09	104.76	86.03	72.72
Net result: share of the Group	79.48	77.22	57.61	47.21	36.50
Gross dividend	19.50	16.20	14.20	12.40	10.80
Net dividend	13.65	11.34	10.37	9.30	8.10
Weighted average number of shares	799,423	793,147	788,341	778,944	764,828
Total number of shares per 31 December	814,433	812,513	811,863	803,013	795,113



As of 2017, Näkd is on the shelves of 85% of all stores in the Netherlands.





INDEX



Message from the Chairman and the CEO5

2017 at a glance8

Consolidated key figures 201714

LOTUS BAKERIES GROUP'S PROFILE

1. Mission statement and strategy Lotus Bakeries 22

2. Brands and products27

3. Lotus Bakeries 201736

4. Organization.49

- Group structure and day-to-day management49
- Sales structure52
- Production sites.53
- Personnel55



REPORT OF THE BOARD OF DIRECTORS

1. Activities in 2017. 58

- Market situation and sales results in 2017. 58

- Main projects and investments 59

2. Financial information. 61

- Profitability and evolution of costs 61

- Principal risks and uncertainties 62

- Financial instruments 64

- Research and development, innovation and sustainability. . . 65

- Significant events after 31 December 2017 65

3. Prospects for 2018. 66

4. Results and proposal for appropriation of results. 66

5. Corporate Governance Declaration 67

- Share capital and shares 67

- Shareholders and shareholding structure 69

- Board of Directors and committees of the Board of Directors . 70

- Executive Committee. 75

- Remuneration report 75

- Internal control and risk management 80

- Announcements according to article 34 of the Royal Decree of 14 November 2007 - protective constructions 81

- External audit 81

STOCK MARKET & SHAREHOLDERS' INFORMATION. .84

FINANCIAL STATEMENTS. 88

Consolidated financial statements 89

Abridged five-year financial summary Lotus Bakeries Group . 92

CSR: 'CARE FOR TODAY, RESPECT FOR TOMORROW' . 97

PROFILE LOTUS BAKERIES



11

Last year, 11 product innovations were developed and introduced into the Belgian market including Zebra Double Chocolate, a variant of the well-known Zebra cake.



ZEBRA



NEW

Voorverpakt - Préemballé Double Chocolate

ZEBRA



NEW

Double Chocolate

Lotus
Since 1932

Lotus
Since 1932

2.69

Lotus
Since 1932

ZEBRA



NEW

Voorverpakt - Préemballé Double Chocolate

ZEBRA

1. MISSION STATEMENT AND STRATEGY

LOTUS BAKERIES

Lotus Bakeries is active worldwide in the snacking segment with the Lotus, Biscoff, Dinosaurus, Suzy, Peijnenburg, Snelle Jelle, Annas, Năkd, TREK, BEAR and Urban Fruit brands. By maintaining a healthy balance between tradition and innovation, Lotus Bakeries indulges consumers with a unique range of high-quality, tasty products. *“Being Great in Little Things”*. That is the core of Lotus’ mission. The biscuits, waffles, cakes, gingerbread and natural snacks our company offers do not need to be a decisive moment in consumers’ lives, but create a moment of pleasure, cheerfulness and joy. With the unique taste experience of its products, Lotus Bakeries wants to be an established part of consumers’ daily lives, in as many countries as possible.

In order to realize this ambition and achieve sustainable growth, Lotus Bakeries has a clear strategy in mind, centred on building brands. This strategy is based on three pillars.



Local Heroes

Development of strong market position in our home markets by continuous investments in our broad range



Delicious, high-quality products



Strong focus on the best performing products



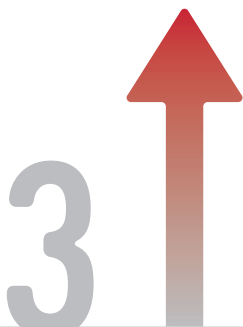
Lotus Biscoff

Internationalisation of Lotus Biscoff,
both the biscuit and the spread



Natural Foods

Investment in a strong healthy snacking
business so that we gradually enter other
markets from the United Kingdom



7 ELEMENTS



Communication with
consumers



Continuous investment in
employees, marketing,
R&D and production



Targeted product
innovations



Continuous improvement of
manufacturing efficiency



Continuous commitment to
Corporate Social
Responsibility



Pillar 1: Local Heroes

We start with our core brands, the 'hero' products. We are present in our home markets of Belgium, the Netherlands, France and the United Kingdom with a wide range of local 'hero' products: biscuits, waffles, cakes, gingerbread and natural snacks. We want to develop these already strong market positions by investing continuously in this wide range. In this way, Lotus Bakeries strengthens its position as market leader in the relevant subsegments. Belief in 'hero' products is great. It is no coincidence that, when making acquisitions, Lotus Bakeries has always focussed on companies with a strong brand, exceptional products and a strong market position in the home market of the company concerned. We are firmly convinced that, by paying attention to our local 'hero' brands in their home market, we can elevate these products from 'hero' to 'superhero'.

Pillar 2: Lotus Biscoff

The second pillar focuses on the globalization of Lotus Biscoff and Lotus Biscoff spread. Lotus Biscoff has a highly unique but accessible flavour, with a subtle caramelized touch and a definite link to hot drinks, mainly coffee. Lotus Bakeries believes in the universal character of its original caramelized biscuit, and consequently its original caramelized biscuit spread. These products enjoy success across national borders and cultural differences - a quite exceptional situation in the food sector. Lotus Biscoff is now enjoyed in some sixty countries. This success supports the ambition of globalization.

To support the further internationalization of Lotus Biscoff, Lotus Bakeries operates in fourteen countries with its own sales offices and its own sales teams. Cooperation also takes place with local commercial partners in more than forty countries. Via their channels, we launch our products in new markets. We conquer the markets with our brands by approaching consumers first in hotels and restaurants and seducing them with the taste of our products. The next step is the shop shelf. Here, we want to gradually gain a more prominent place on the shelves with displays and promotions. The more households are familiar with our products, the better. Once we have achieved a substantial level of penetration and thus a substantial percentage of households within a particular region consume our products, we can start airing TV commercials to continue to grow steadily.





Pillar 3: Natural Foods

With the third pillar, we target a second international growth area, natural and healthy snacking. Following the acquisitions of Natural Balance Foods and Urban Fresh Foods in 2015, Lotus Bakeries initially focussed on their home market, the United Kingdom. However, these brands are in line for internationalization. The first steps have already been made in Europe and the United States. For this, full use is made of our existing sales organizations, where we have created separate teams which focus on this natural snacking segment.

Since every strong brand has a unique personality, specific DNA and its own consumers, brand ownership is kept separate for each brand. Parallel to this, we focus strongly on our unique capacity to stimulate growth through our extensive international network of sales offices and commercial partners, across all brands.

Lotus Bakeries' strategy is supported by the following elements:

1. An offer of delicious, high-quality products to all consumers. For this reason, the range has been expanded to include natural, unprocessed fruit and nut-based products for adults and children. All products in each of our categories must stand out by offering a superior taste experience.
2. A strong focus on the best performing products.
3. Clear and consistent communication with the consumer is key, and sufficient resources are allocated to this.
4. Continuous investment in employees, marketing, R&D and production.
5. Targeted product innovations, primarily based on format innovations to constantly introduce our best performing products to new groups of consumers and achieve new consumption moments.
6. A clear focus on continuously improving the manufacturing efficiency. The aim is to continue to produce the best quality products at the most competitive cost.
7. Continuous commitment to Corporate Social Responsibility. The Corporate Social Responsibility theme is implemented in the organization as 'Care for Today – Respect for Tomorrow'.

MISSION STATEMENT LOTUS BAKERIES

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



2. BRANDS AND PRODUCTS

The global brand portfolio is of invaluable importance to the Lotus Bakeries Group. In both the category of biscuits and pastries as well as in the natural snacking category, we have strong brands which we intend to develop in the long term. We implement our marketing strategy by continuously investing in our “hero brands” in our home markets whilst also stimulating the international growth of certain brands such as Lotus Biscoff, Lotus Dinosaurus, Nâkd, TREK and BEAR. Every Lotus Bakeries brand has its own DNA and target group, and its own story.



Lotus

Ever since Jan Boone senior founded Lotus Bakeries in 1932, the Lotus brand has been inextricably linked with original caramelized biscuits: a thoroughly Belgian product whose typical taste is due to the caramelization during the baking process. Our caramelized biscuits only contain carefully selected ingredients and are free from artificial colourings and flavourings. The superior quality is reflected in the brand name. It refers to the lotus flower, the ultimate symbol of purity. With its iconic shape and jagged edge, our original caramelized biscuit is gradually conquering the world.

Lotus Bakeries also incorporates the unique flavour of Lotus Biscoff biscuits in spreads and ice cream. Our original caramelized biscuit spread is a perfectly spreadable sweet spread with the familiar, unique taste of Lotus original caramelized biscuits. There are two varieties: crunchy and smooth. As well as being delicious on bread, the spread is also a favourite ingredient for desserts.

Lotus Biscoff ice cream is a soft-scoop ice cream containing crunchy pieces of Lotus Biscoff biscuits and Lotus Biscoff spread. Along with the Lotus Biscoff ice cream on a stick, since 2017, Lotus Bakeries' ice cream range now has a new addition: the Lotus Biscoff ice cream cone. The cone is filled with Lotus Biscoff ice cream, with a topping of Lotus Biscoff crumble and Lotus Biscoff spread.

Lotus also offers consumers in Belgium a wide range of cake specialties, including frangipane, madeleine, carré confiture and Zebra, and Breton butter specialties in France. Each of these local traditional cake specialties strongly contributes to Lotus' popularity in the markets in question. Last year, the entire Lotus Zebra range was updated, with new, individual packaging, an improved recipe and an extra variety, Zebra Double Chocolate, a light chocolate cake with jam and a chocolate coating.

In Belgium and France, both renowned for their waffle culture, Lotus offers an extensive range of waffles: Liège waffles, vanilla waffles, soft waffles, filled waffles and crunchy galettes.



Lotus Biscoff

Over the next years, Lotus Bakeries continues to focus fully on the sustainable internationalization of caramelized biscuits and spread. Outside the home markets of Belgium, the Netherlands and France, Lotus original caramelized biscuits are marketed under the brand name 'Lotus Biscoff', a contraction of 'Biscuit with coffee' and a reference to the complementarity of the two tastes. Research shows that whenever coffee and Lotus Biscoff biscuits are consumed together, the two flavours lift one another to a higher level. Our international strategy therefore consists in introducing new consumers to Lotus Biscoff during their regular coffee time.

In 2017, a new product variant was launched in the US, Lotus Biscoff Dip & Go. Lotus Biscoff Dip & Go combines delicious Lotus Biscoff spread with small breadsticks in a handy format to eat on the go.



Lotus Dinosaurus

These crunchy biscuits are made from a balanced combination of high quality ingredients. In 2017, Lotus Dinosaurus was given a special brand-new look including new packaging and packaging formats. The brand inspires and motivates children and young people to discover the world, face challenges and let their imagination run wild. They can count on Lotus Dinosaurus for the energy they need. A new TV commercial for Lotus Dinosaurus highlights this message.

Besides the three basic varieties – milk chocolate, dark chocolate and wholewheat – the range also includes 'Lotus Dinosaurus filled', a round biscuit with a light filling of Belgian milk or dark chocolate. In 2017, Lotus Dinosaurus Minis were added to the range. These are handy bags for eating on the go, full of the familiar basic variety – with milk chocolate or in a cereal version – in mini-format.



Lotus Suzy

Lotus Bakeries markets waffles with pieces of pearl sugar as well as vanilla waffles under this brand, plain or covered with dark chocolate. The waffles stand out thanks to their high quality, taste and texture. There are several varieties: the classic format, the XL version and the mini-version.

The figurehead of Lotus Suzy is the young lady of the same name who promotes the waffles from her retro van, winning many hearts in the process. Through her presence at heartwarming occasions with family and friends, Suzy always makes a difference. The packaging of the waffles and the communication around the brand exude the same atmosphere. A new TV commercial for Lotus Suzy was successfully launched last year.



Peijnenburg

When baker Harry Peijnenburg started selling his freshly baked gingerbread in Geldrop in the Netherlands in 1883, the Peijnenburg brand was born. The gingerbread was an instant hit and over the years the bakery grew into a proper factory.

Peijnenburg stands for moist gingerbread made from specially selected rye and spices, according to a traditional preparation and baking process.

Peijnenburg offers gingerbread in a variety of flavours and different formats, including Peijnenburg Zero, a variety with no added sugar. The gingerbread contains only natural sweeteners, without affecting the taste, moistness or structure. The huge popularity of this variety in the Netherlands was demonstrated when Peijnenburg Zero won the award for product of the year in the snack category in 2016.

In 2017, two new flavours were added to the luxury Peijnenburg gingerbread segment – the original Peijnenburg gingerbread with a rich filling: salted caramel and double chocolate. The range is now available in a variety of packaging formats. There is something for everyone.



Snelle Jelle

In 2002, Dutch brand Snelle Jelle was born. This tasty wholemeal gingerbread snack is packed with carbohydrates and handy to eat on the go. Snelle Jelle focuses on a target group of sporty men and women looking for natural energy for their activities. The packaging design for the Snelle Jelle range was totally redesigned in 2017.

Snelle Jelle is a hit and is currently available in eight different flavours. There are also handy takeaway formats, including 'Snelle Jelle Tussendoor': small gingerbread bars with the same familiar taste. Following the success of Peijnenburg Zero, the Snelle Jelle range was expanded to include several flavours of Snelle Jelle Zero, a tasty gingerbread with no added sugar.



Annas

The Annas brand dates from 1929, the year in which Anna and Emma Karlsson opened their bakery near Stockholm (Sweden). There they baked the typical Swedish speciality of pepparkakor biscuits: thin, crunchy biscuits flavoured with ginger and cinnamon.

Annas is a success story in its home markets of Sweden and Finland. The biscuits can also be found on the shelves in some twenty other countries, including the US, Canada and a number of Asian markets.

There are now four different flavours, as well as an Annas variety with organic ingredients bearing the EU Organic Logo. Although Annas pepparkakor biscuits are available all year round, in Scandinavia they are especially popular at Christmas. Special Annas pepparkakor houses are also sold at that time of the year.

For the 2017 pepparkakor season, Lotus Bakeries launched two limited editions of Annas in Sweden and Finland - Annas Lakrits (liquorice flavour) and Annas Polka (mint), both of which proved to be hits.



Nākd

With uncomplicated snacks and bars, Nākd's approach is 100% natural.

The raw, all-natural ingredients – fruit and nuts – are unprocessed (cold pressed), never baked and wheat, lactose and gluten free. Nākd bars contain no added sugars, syrups or other additives.

Nākd is available in more than 25 different flavours. Each variety has its own bright, appealing name and packaging. The ambition? To turn every natural snack into a feast.



TREK

TREK shares Nākd's natural philosophy, but these snacks are also packed with protein. The nutritionally balanced energy bars and flapjacks help keep blood sugar levels stable and supply long-lasting energy. This makes TREK ideal for anyone wanting a handy energy boost during or after playing sport.

The bars are made from different kinds of fruit and gluten-free cereals with extra protein crunchies. The gluten free cereals in the flapjacks give a healthy boost. The snacks are available in ten different flavours, including Peanut Power, Cocoa Coconut and Morning Berry.



BEAR

BEAR offers an extensive range of healthy snacks and breakfast cereals. The snacks are made from pure fruit (not concentrate) and vegetables. The philosophy behind the brand is as simple as it is ambitious: making families happier and healthier with products that children enjoy and their parents can trust.

The innovative range of healthy snacks from BEAR includes Yoyos (fruit rolls), Paws (fruit snacks for toddlers) and Claws (shapes made of one third vegetables and two thirds fruit). BEAR only uses gently baked, freshly picked seasonal fruits. The products are free from added sugars, concentrate, preservatives and stabilizers.

BEAR Yoyos make it easier for parents to get their children to eat more fruit. Every Yoyos pack contains a set of cards to collect, to make it even more fun. BEAR Paws are the first ready-to-eat snack for toddlers made from pure fruit. This snack contains a fun element too: matching the shape with the correct animal encourages shape recognition.



Urban Fruit

With its modern product range, Urban Fruit has been offering a healthy, natural and tasty alternative to traditional snacks since 2010. The products are gently baked, natural pure fruit snacks. Urban Fruit wants to offer a solution to busy young adults who like eating fruit but in a handy way, on the go.

As Urban Fruit stands for pure nature, there are no added sugars, sulphites or fats. The brand also offers appealing snacks made from such fruits as strawberries and raspberries. There are a total of eight varieties. They are offered in snack packs to eat on the go as well as larger packaging formats.





Biscoff

EUROPE'S
FAVORITE COOKIE
WITH COFFEE

Biscoff cookies come
from Belgium, where
they are known as speculoos.

When they first gained
popularity, they spread the
Biscoff's



 59

Thanks to a clear focus on globalization, Lotus Biscoff is now available in 59 countries.

3. LOTUS BAKERIES 2017

Following the historic year of 2016, during which Lotus Bakeries Group's turnover passed the half-a-billion mark, we have surpassed this once more in 2017. Some of our employees elaborate on a few of the great achievements of 2017.

01. LOTUS BISCOFF PRODUCED OUTSIDE BELGIUM FOR THE FIRST TIME

Lotus is opening a new factory in the United States in 2019

In the second half of 2019, the very first Lotus Biscoff biscuits to be produced outside Belgium will roll off the conveyor belt. In Mebane, North-Carolina, where an enthusiastic team of Lotus colleagues are hard at work getting the brand-new site ready for production.

From the Middle East to Korea, from Lembeke to Australia: we now know virtually everyone loves Lotus Biscoff. Thanks to its universal flavour, the biscuit has already managed to make its way to the farthest corners of the world. Until now, all those biscuits have been produced in Lembeke. The first production site outside Belgium will change this in the second half of 2019. "In recent years, Lotus has grown strongly internationally. To such an extent that it was the right decision economically, ecologically and strategically to open a factory in the United States", says Els Van Parys, Project Manager. "It's a unique opportunity for us to open up a different continent, and so diversify outside Europe. Also, we currently export almost 9,000 tonnes to the US. A local production site makes us more flexible. Our product will be fresher on delivery, and we'll be able to respond faster to questions from retailers."

We cannot predict the future, but one thing is for sure: in the second half of 2019, the very first Lotus Biscoff biscuit produced outside Belgium will roll off the conveyor belt.

Lotus Biscoff takes off

The success of Lotus Biscoff in the US – since 2016, more of our original caramelized biscuits have been sold there than in Belgium – did not just happen overnight. Lotus Bakeries started offering the biscuit on flights of US airlines in the 1980's. "When we started hearing more and more that people wanted to taste and buy our biscuits, we launched a catalogue business via a local partner", says Isabelle Maes, CEO Natural Foods and member of the steering group for the new factory. "After a while, we took over this partner, and then we started to take steps into retail. Now we achieve a penetration of 3.3%, which means that 3.3% of households in the United States buy a packet of Lotus Biscoff at least once a year. Since the US is such an enormous market, we still have amazingly great opportunities."

Flavour guaranteed

Work has now begun on the construction site. At the end of 2018, the building should be ready for the equipment to be installed. The first shipment of Lotus Biscoff will leave the site in the second half of 2019. But how do you make sure the typical flavour of Lotus will be the same in United States? "That was our most important condition for foreign production", says Els. "So we spent a long time in discussions with local suppliers. Based on tests of ingredients from the US, we're confident that we can guarantee the same lightness, authentic taste and typical crunch of our original caramelized biscuits."

The project also brings with it several other challenges. "In almost every area you can think of, producing and starting up production in the US is different than in Belgium", says Isabelle. "In the start-up phase, it all has to come together: the machines have to work, the raw materials have to be ready, and our people have to be trained. So we're working out a go-live strategy, and putting

together a strong team. This is made up of a mix of people from Lembeke who are moving to the US, and colleagues who will support the opening from Belgium. Of course we'll also recruit people locally. So there are lots of things to take into account. But that's what makes it so exciting and fulfilling to support this project. The close cooperation of the project team is therefore the basis of this project's success."

Retail enthusiast

The presence of a factory in the United States will be a further asset for the local sales organization. "Partly because it makes it possible to show people around the factory. That always generates enthusiasm. Many retailers are therefore responding extremely positively to the news", Isabelle concludes.



Isabelle Maes, CEO Natural Foods and
Els Van Parys, Project Manager

02.

“AT LEAST ONE LOTUS PRODUCT IN EVERY BELGIAN HOUSEHOLD. WE’RE AIMING FOR NO LESS.”

John Van de Par, General Manager Belgium

“Last year we recorded another top performance in our home market, Belgium. We achieved the **highest market share ever** with Lotus Biscoff, and in the sandwich spread category, our Biscoff spread is number one after the chocolate spreads. Our special Sinterklaas biscuits grew Lotus Biscoff sales by more than 20% around St Nicholas’ Day.

Fantastic results, for which we can thank our focus on household penetration. Our aim is for every household in Belgium to have one of our products at home. Presently, we know that **two thirds of Belgian households buy at least one Lotus product per year**. That’s a lot and we’re extremely proud of it, but we want to grow further. Above all by reaching as many new consumers as possible through our efforts.

In this, we rely on two major pillars: firstly, we focus all of our attention in Belgium on the best performing Lotus products. **We want to make these products, every one of which is fantastic, even greater**. Partly by aiming for 100% distribution in every store chain in which we want to be present. Our account managers and representatives play a major role in this. Our category managers also work with retailers day in, day out to make sure that our products end up in the best possible position on the shelves.

A second major pillar is innovation. Because we’re the market leader in our category, we also like to take the lead by coming up with new developments. In 2017 this resulted in **no less than 11 innovations**. For Zebra there was an improved recipe, a new design, an extra Double Chocolate variety and individual packaging. We also brought out a mini-version of the limited-edition frangipane with forest fruits, launched a delicious Lotus Biscoff ice cream cone and relaunched Dinosaur biscuits. The range now also includes filled biscuits and mini-dinosauruses. Finally, the packaging of Dinosaur was also redesigned. Innovations regularly find their way from the home market of Belgium to other countries where we are present as Lotus.

The **out-of-home channel is also extremely important** for us, especially where Biscoff is concerned. We secretly dream of people everywhere in Belgium having a Lotus Biscoff with their coffee. And we want to offer our product in all vending machines, railway and petrol stations too. So consumers can get to know our product and then decide to buy it themselves at the supermarket. Our out-of-home team is therefore dedicated to achieving optimum distribution in that channel.



John Van de Par, General Manager Belgium

We're also proud of our **good relationship with customers**. All top retailers choose us to help define the shelf for the whole category. They value our input, and that was confirmed once again in 2017 when we were presented with the StoreCheck Salesteam Award. The out-of-home channel rewarded us with the Suppliers Award at the Java trade fair.

Finally, we've invested heavily in our factories. This is because we want to **continue to work on our production facilities**, each of which has and retains its own unique speciality. Thanks to a clear focus on each production site's speciality, we can guarantee optimum quality produced at the most competitive cost. We're very proud of our colleagues in production, who make great Lotus products day after day.

In this home market, constantly striving for improvement is a priority for us. We raise the bar on a daily basis. Records are there to be broken. Our colleagues are people who come to work with that attitude every day, full of enthusiasm and joy. That's what makes us Lotus."

Keep growing, keep improving.
We can always raise the bar.

03.

LOTUS BISCOFF NOW ALSO IN INDIA, COLOMBIA, PANAMA, PAKISTAN AND PERU

Lotus Bakeries' ambition is to make sure that every household buys a Lotus product at least once a year. All over the world. To make this a reality, we rely on the work of our distributors in – currently – more than 40 countries. Together with his team, Bart Bauwens, General Manager International Distributors, works to continue to conquer the world. The following countries were added during 2017: India, Colombia, Panama, Pakistan and Peru.

A local distributor is our eyes and ears on the spot. A commercial partner who closely supports us, understands our strategy and can translate this into a plan for their own market. Naturally, we don't rush when opening up a new market. Bart Bauwens explains: "We aim to open up three to five new countries every year. This year we launched successful partnerships with distributors in India, Colombia, Panama, Pakistan and Peru."

Out-of-home and retail

We always prefer a partner who can serve a whole country, and who is active in both the out-of-home segment and in retail. In new markets, Lotus Bakeries mainly introduces consumers to the product via out-of-home, following which they can make a larger purchase in retail. "Besides logistical capacities and financial soundness, it's also important that a distributor has sufficient marketing and sales expertise in house, as well as insight into category development", continues Bart. "The distributors in the over 40 countries where we now have partnerships put our products on the market, organize promotional campaigns, work towards a better shelf impact and make sure that consumers become familiar with Lotus. In some countries, we end up opening our own office, such as for example in South Korea and Spain. Whether that happens depends on the situation in the country and the momentum."

It doesn't stop when a product is launched in the country. We continue to invest afterwards. After all, that's the only way we can carry on growing.

A relationship with a distributor is a very close partnership. We expect a partner to understand our business model, and be able to translate it into a plan for their own market.

First container in India

In 2017, Bart's team entered into a successful new partnership with a distributor in India. "Because India is an extremely large country, first of all we spent six months identifying all the players, local brands, the distribution of the population, purchasing power and price level. Then we looked for a distributor. In 2017, we registered our products, fulfilled some other formalities, and in October the first container of our products was unloaded. An exciting moment, because we expect a lot of that country."

Support and advice

But the work does not stop once a distributor has been found. "On the one hand, we feel a constant drive to add new countries, and on the other hand, in countries where we are already present, we take further steps towards wider distribution, add new products or packaging and so on. Our local partners can also rely on our help. We help, support, guide, share best practices and continuously invest, together with the distributor, so that our international markets continue to grow", says Bart. "Networking between distributors is also encouraged, partly via a commercial platform on which they can share experiences. What this department stands for is therefore pure entrepreneurship." Bart's ambitious team was strengthened in 2017 by several new colleagues, who, following intensive training, are ready to step onto the field.



Bart Bauwens, General Manager International Distributors

04.

"WITH OUR UPDATED PRODUCT RANGE, WE'RE RESPONDING TO WHAT DUTCH CONSUMERS WANT TODAY."

Rene Groen, General Manager Netherlands

"Lotus Bakeries can look back on a successful 2017 in the Dutch market. Despite the challenging market situation, we managed to achieve excellent sales growth, including a growth in branded sales. Our secret? We used the trends emerging in the market as an opportunity to grow and innovate. The result is an updated range - including smaller packs, on-the-go products and alternatives with no added sugar - which perfectly matches what Dutch consumers are looking for today. And a stronger market position for Lotus Bakeries in the Netherlands.

For example, in the Netherlands, firstly **a great deal of attention is paid to health**. Today's consumers deliberately choose products containing less added sugar, that are natural and less processed. We have already responded to this trend for several years, by developing products with no added sugar. The patented Peijnenburg Zero is an example of this. Now

- two years after the launch - it's our bestselling product. The figures tell us that nearly one million Dutch households, or 12.5%, bought Peijnenburg Zero at least once last year. So there's still potential for growth, and consequently we continue to work hard on this brand.

Our natural foods brands Nākd, TREK, BEAR and Urban Fruit - a group of healthy, natural and responsible snacks that we launched in 2016 - are riding the trend for healthy snacking. Nākd is now in 85% of all stores in the Netherlands, and is the third largest brand in the snacking category for a major retailer.

Besides the increased attention to health, we're all also increasingly **deliberately opting for moments of pure enjoyment**. Then - in moderation - treat ourselves to something really special. In view of this, we've added new flavours to our range of luxury cakes - or gingerbread with a little bit extra - which mainly appeal to a young audience. For example, there's gingerbread with salted caramel, or double dark with extra chocolate. By also introducing smaller packs to the market within this range, such as minis, individually packaged slices and pre-cut slabs, we continue to respond to the **changing demographic**. In large cities such as Amsterdam and Utrecht, more than 50% of all households are currently one-person households. The changes to the range of luxury cakes have ensured that sales of this product group continued to rise.

With our product range we
offer consumers a moment
of pure enjoyment.

Finally, as part of the 'clean and clear label' project, we've cast a critical eye over all of our packaging. Transparency is another hot topic: consumers want **real, honest and transparent products**. Long lists of ingredients are a thing of the past. Therefore our gingerbread now contains just five ingredients. And we're making responsible choices here too: we only use spices for the pure taste of our gingerbread.

Finally, we focus closely on visibility on the shelf. Our category managers sit around the table with retailers to organize the shelves. Based on the data in our possession, we carry out analyses, evaluate the category and advise the retailer. Here we always aim for a **clear layout and a neat**

arrangement on the shelf. Because we know for a fact that this works: a well laid out shelf can boost sales. With this in mind, we also refreshed the packaging of Snelle Jelle – a gingerbread that is individually packaged and consumed 70% on the go – in 2017. The result is a neat design that increases our visibility on the shelf. We also launched a value pack and minis for the biggest products in this range."



Rene Groen, General Manager Netherlands

05. NATURAL FOODS SUCCESSFULLY LAUNCHED IN BELGIUM

Nākd, TREK, BEAR and Urban Fruit: four brands, four healthy snacks. In 2017, they were also successfully launched in Belgium. With these products from the 'Natural Foods' business unit, Lotus Bakeries wants to make natural, healthy snacks accessible to a wide audience. For this we rely on a clever combination of presence in the out-of-home channel on the one hand and broad distribution via retail channels on the other. Let us hear from the people who make the launch a success.

In the last few years, the trend for healthier snacks has reached Belgium too. However, there was not really a healthy snacking category until Lotus Bakeries decided to launch its natural foods in Belgium at the end of 2016. Wouter Van Dyck, Business Development Manager Natural Foods, explains: "At that time, the traditional cereal biscuit was no longer seen as healthy by consumers. Yet there was no alternative. There were a few – rather more expensive – niche brands on the market, but these were mainly available in specialist stores. We have a different ambition: we want our natural foods to be accessible to everyone, by distributing them widely to the retail and out-of-home channels. And at the right price."

Educational role

The launch brought with it an educational role for Lotus Bakeries. Sales Director Els De Smet explains: "We want to explain exactly what makes a healthy product, and why our products can be called healthy. So we don't distribute them on a mass scale at first, but offer them selectively via the out-of-home segment. There we focus on the sales channels to which our target audience comes, or which support our educational role. For example, the healthy image of a juice bar can help build our brand. And via petrol stations and vending machines in urban areas, we reach travelling consumers, to whom such new trends



Pascal Deckers, Director Category Development

We have the mentality of a start-up, and the strength of a major company. And that combination makes us a success.

seem to appeal above all. Then, for BEAR 100% natural fruit treats, we chose places where young children come with their parents. Together, these channels represent a step towards broader sales in retail, where we will then reach the large mass of consumers.”

Not a diet food

Definite progress was made in retail in 2017. Several major players have already taken up the range. Displays, presence at tills and tastings turned out to be real success factors here. “People often think that a healthy snack can’t taste good. By letting them try our products, we proved that they can”, says Pascal Deckers, Director Category Development. “So, our natural foods don’t belong on the diet shelf, where people are looking for a solution to a problem. Instead we belong in high traffic locations, including at the till. Tests prove that this works: anyone who presents healthy snacks in a cabinet with the title ‘healthy snacking’ sees rotation double or even treble.”

One company, complete offer

Finally, Pascal says that the Natural Foods business unit has also been successfully integrated into the company. “We’ve convinced our colleagues of the fact that this is a question of ‘and and’. One moment people want a delicious frangipane and another a sensible snack. Lotus Bakeries offers a solution for a variety of requirements from one company. Our Lotus products are tasty and as healthy as possible, and our natural foods are healthy and as tasty as possible. This business unit has the mentality of a start-up. We have to be flexible, fast, and able to change gear at short notice. But at the same time we also have the strength of a major international company. And that combination makes us a success.”

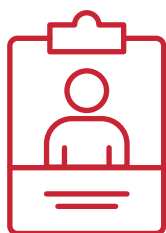


Wouter Van Dyck, Business Development Manager Natural Foods BELUX
and Els De Smet, Sales Director Belgium

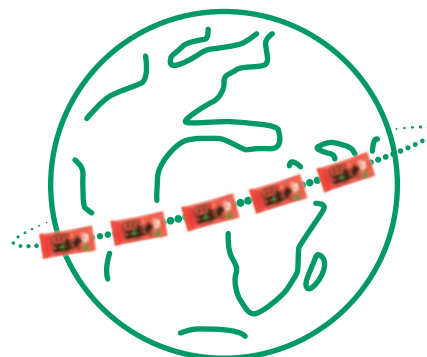
FACTS & FIGURES 2017



Lotus Bakeries
sales offices
worldwide



1,495
employees



An amount equivalent to

41,000 KM

of BEAR Yoyos was sold worldwide
last year. This is enough to go
round the world once.



5

new distribution countries
for Lotus Biscoff

(Colombia, India, Panama, Pakistan, Peru)

53,000

pallets of delicious Lotus
products were delivered to
our customers in France





3,327,685

packs of Lotus Biscoff
'Sinterklaas' were sold in
Belgium for St Nicholas' day



Lotus Bakeries Netherlands is
voted one of the three most vital
companies in the Netherlands

600,000

Annas pepparkakor
houses sold during the
Christmas period in
Sweden and Finland



More than

100,000,000

Näkd and TREK bars
were sold worldwide



6

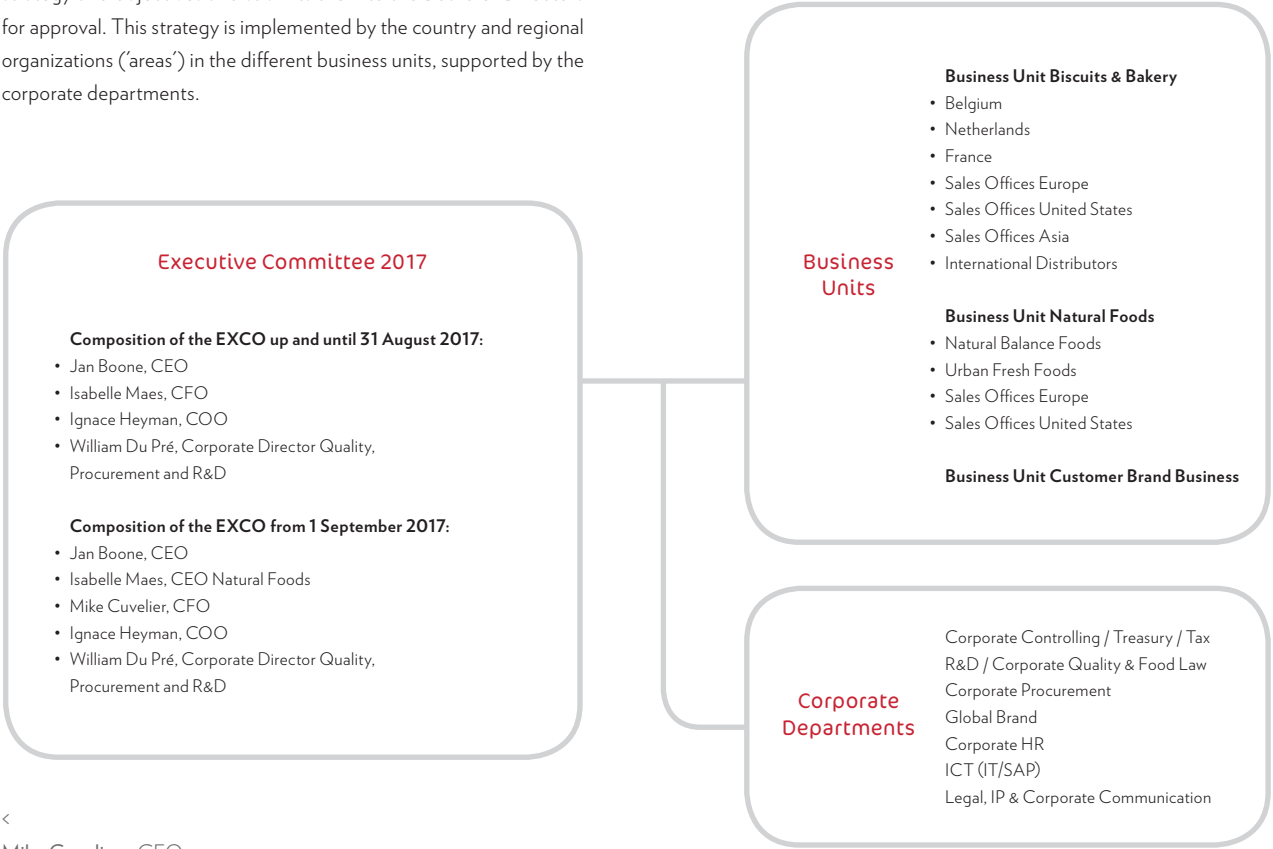
different characters
for Lotus Dinosaurus



4. ORGANIZATION

1. Group structure and day-to-day management

The Executive Committee (“EXCO”) defines Lotus Bakeries Group’s strategy and objectives and submits them to the Board of Directors for approval. This strategy is implemented by the country and regional organizations (“areas”) in the different business units, supported by the corporate departments.



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Mike Cuvelier - CFO
Isabelle Maes - CEO Natural Foods
William Du Pré - Corporate Director Quality, Procurement and R&D Management
Jan Boone - CEO
Ignace Heyman - COO



Jan Boone has been CEO of Lotus Bakeries Group since 2011 and leads the members of the EXCO on a day-to-day basis. He began his career in the audit department of PwC. From 2000-2005, he was responsible for corporate controlling, reporting and M&A at pharmaceutical company Omega Pharma. He sat on the Executive Committee and Board of Directors there. Jan joined Lotus Bakeries as General Manager and Director in May 2005.

Isabelle Maes is CEO Natural Foods within the Lotus Bakeries Group. She began her career as an auditor for PwC. In May 2001, she moved to the Barry Callebaut chocolate company. Having fulfilled various roles and been involved in various projects in Finance and SAP, she was appointed Finance Officer of Barry Callebaut Belgium in 2006. Between 2014 and 2017, Isabelle fulfilled the role of CFO at Lotus Bakeries Group. So as to be able to dedicate herself fully to the internationalization and growth of the natural snacking segment, she has fulfilled the role of CEO Natural Foods since September 2017.

Ignace Heyman is COO of Lotus Bakeries Group. He pursued a career in marketing in both Belgium and France, firstly at Procter & Gamble, PAB Benelux (Panzani-Amora-Blédina) and then at Reckitt Benckiser. In 2008, Ignace joined Lotus Bakeries as Marketing Director Belgium, before going on to become Corporate Director Marketing in 2011. From mid-2012 to the end of 2015 he was General Manager France.

William Du Pré is Corporate Director Quality, Procurement and R&D, in charge of these corporate departments. William's career with Lotus Bakeries began in 1982. Over the years, he has occupied a variety of sales roles. He has been General Manager Belgium for almost ten years (2007-2015).

Mike Cuvelier has been CFO of Lotus Bakeries Group since September 2017. Mike began his career in 1996 as an auditor for PwC. Between 2000 and 2013 he fulfilled various controlling roles at Bekaert in the US, Asia and finally Vice President Control Global Business Platforms in Belgium. From 2013 to 2016, Mike was CFO of the Unilin Group, part of Mohawk Industries.

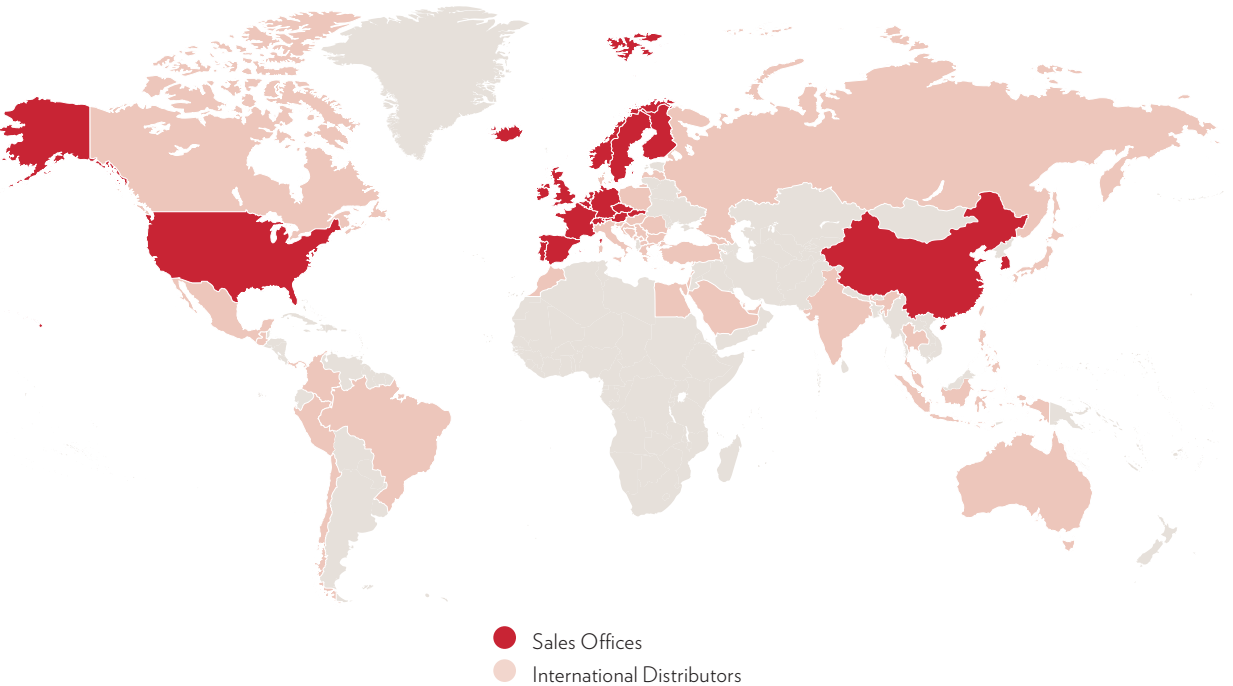
Together with the general managers from the various areas within the business units, the EXCO members form the Group Management Team ('GMT'). Each area implements the Lotus Bakeries strategy according to a clearly defined business model. The corporate departments advise and support the Lotus Bakeries Group across all business units and areas and report directly to the EXCO.

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The former presbytery in Lembeke has been fully renovated and incorporated into a modern office complex accommodating Lotus Bakeries headquarters.

2. Sales Structure

Lotus Bakeries has a total of nineteen Sales Offices in Belgium (3), France, the Netherlands, the UK (3), Spain, Germany, Sweden, Switzerland, the Czech Republic, Austria, the US (2), Hong Kong, China and South Korea.



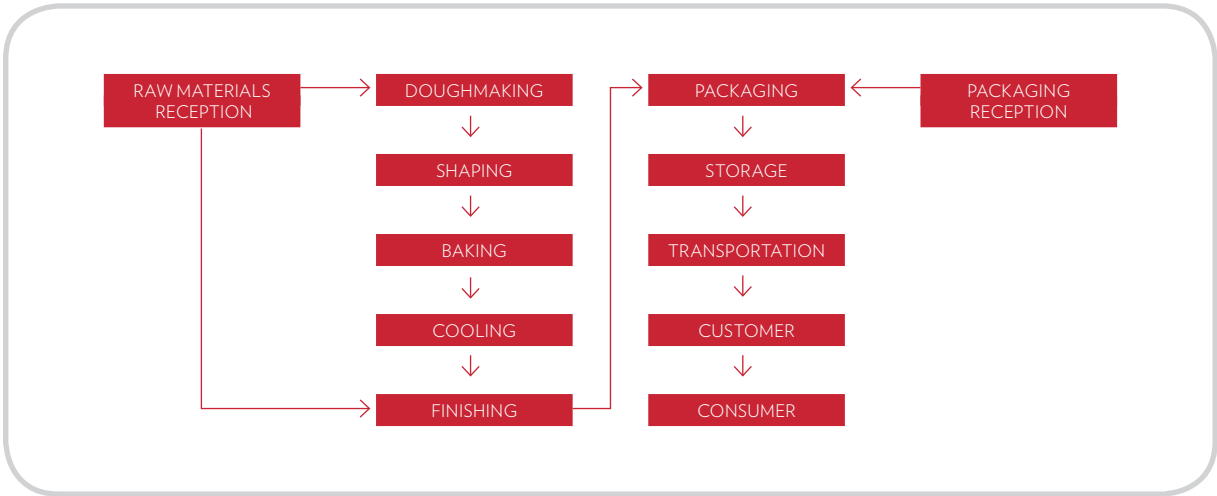
In about 40 other countries, we work closely with commercial partners. These partnerships are combined in a separate area: International Distributors. The main countries in this area are Japan, Israel, Saudi Arabia, Italy, Kuwait, Australia, United Arab Emirates, Qatar and Lebanon.

The business unit 'Natural Foods' combines all of Lotus Bakeries' activities in the natural snacking segment. This business unit covers the Natural Balance Foods and Urban Fresh Foods teams as well as the Natural Foods sales teams for Europe and the United States.

3. Production sites

Production for the traditional specialities takes place at various Lotus Bakeries sites. To guarantee the typical characteristics of our extensive product range, we deploy various production technologies. Mastering, managing and developing these technologies represent a permanent challenge for Lotus Bakeries Group. We therefore try to limit the number of products and technologies for each production site and to centralize production processes in specialized plants.

Lotus Bakeries has a total of ten production sites. They are spread across Belgium, France, the Netherlands and Sweden. We also have our own distribution centre in Lokeren (Belgium). Since September 2015, Lotus Bakeries has borne the CO₂-Neutral Label.



Belgium

Lembeke	Lotus Biscoff, Lotus Biscoff spread and Lotus Dinosaurus
Courcelles	Lotus Suzy waffles, vanilla waffles, soft waffles and galettes
Oostakker	Lotus cake specialties
Eeklo	Caramelized biscuits, caramelized biscuits spread
Lokeren	Distribution centre

France

Briec-de-L'Odét	Breton butter specialties
Comines	Lotus cake specialties and filled waffles

Following the construction of a third production hall at our factory in Lembeke (Belgium), completed in 2016, the first production line became operational in March 2017. An extra warehouse for storing packaging and equipment was also completed in 2017, together with new staff facilities. At the end of 2017, it was decided to invest in an extra line in the third production hall, which should be operational by the summer of 2018.

The cake factory in Enkhuizen is being fully upgraded. The first phase, in which two new warehouses were erected, began in 2017. This phase was completed in February 2018. During the second phase, which began in February 2018, the offices are being refurbished.

In 2016, Lotus Bakeries announced the location for the construction of the first Lotus Biscoff manufacturing facility outside Belgium, in Mebane, North Carolina (US). In 2017, the piece of land was purchased and the design of the factory and production lines finalized. According to the project schedule, the first Lotus Biscoff cookies should roll off the conveyor belt in 2019.

The Netherlands

Enkhuizen	Enkhuizer biscuits and cake specialties
Geldrop	Peijnenburg gingerbread
Sintjohannesga	Peijnenburg gingerbread, Snelle Jelle gingerbread

Zweden

Tyresö	Annas pepparkakor
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4. Personnel

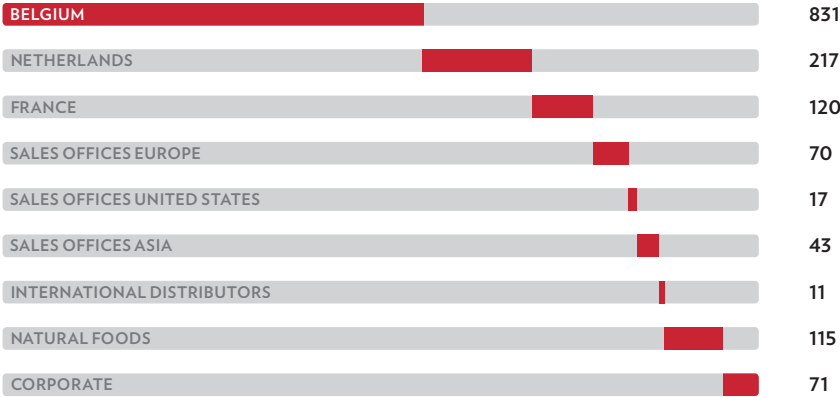
Evolution



The proportion of men and women



Number of employees per area



REPORT OF THE BOARD OF DIRECTORS



1,000,000

In 2017 almost 1 million households in the Netherlands
bought Peijnenburg Zero.





1. ACTIVITIES IN 2017

1.1 Market situation and sales results in 2017

General evolution of turnover

The historic year of 2016, during which Lotus Bakeries Group's turnover passed the half-a-billion mark, was followed in 2017 by a further increase in turnover of more than 3% to EUR 524 million. After a slower start in the first few months of 2017, the Group saw its turnover increase month by month, culminating in growth of more than 3% for the year as a whole and twice as much, i.e. 6%, for the second half of the year.

The 6% growth in the second half of the year is impressive given the strong euro, which continued to affect turnover in the US (USD) and the UK (GBP), two major markets for Lotus Bakeries. When the exchange rate effects are neutralized over the whole year, turnover increased by 5% in 2017.

In 2017, Lotus Bakeries Group achieved its biggest growth in natural snacking Năkd, TREK and BEAR. The continued internationalization of Lotus original caramelized biscuits, under the Biscoff brand name, and sales of Lotus waffles also had a very positive impact on turnover.

Under the brand names Năkd, TREK and BEAR, the natural snacking category experienced double-digit growth. This is due to strong growth in the UK combined with the successful launch of the brands in other countries. The launch of Năkd and TREK in the Netherlands was highly successful, especially in a country where the 'healthy snacking' category already occupies a significant place on supermarket shelves. Further launches in Belgium and France in 2018 will intensify this trend.

BEAR's healthy fruit snacks grew significantly in 2017. This growth can be attributed to higher visibility at the point of sale in the UK and the successful launch of the new flavour range BEAR Yoyos Sours. From the beginning of 2018, the first national BEAR TV commercial is also being shown in the UK. Excellent progress was made in the US as well. Several months ago, an agreement was signed with a major chain, so that BEAR will be available in more than 4,000 coffee shops in the US.

The internationalization of Lotus Biscoff remains another major growth driver. Since 2016, the US has been the biggest country for Lotus Bakeries' original caramelized biscuits and in 2017 Lotus Biscoff continued to conquer the continent. Biscoff is becoming a firm favourite for more and more American families and distribution via supermarket chains is expanding accordingly. This trend confirms the decision to build a new factory in the US. Lotus Biscoff also grew very strongly in Europe, especially in the UK, the Netherlands, Scandinavia, the Czech Republic, Switzerland and Austria.

Sales of Lotus waffles continue to grow in France and Belgium. In both countries, the category was supported by national TV campaigns, combined with point-of-sale promotions.

In the gingerbread category, the success of Peijnenburg Zero, a tasty no-added-sugar version, continued. In just two years, Peijnenburg Zero gingerbread has become the trendsetting, go-to brand in this category.

It is impossible to calculate the precise impact of the fipronil crisis on turnover. In any case, Lotus Bakeries reacted swiftly and resolutely, immediately withdrawing all affected bakery products from sale in Belgium and France.

Evolution of turnover

(in millions of EUR)

2017	524.1
2016	507.2
2015	411.6
2014	347.9
2013	332.3

1.2 Main projects and investments

In 2017, Lotus Bakeries once more mainly invested in the expansion of capacity. Investments totalled EUR 28.2 million. Investments in the new factory in the US have been modest so far, but will be the largest investment in 2018.

Here is an overview of the main projects:

1.2.1 New Lotus Biscoff manufacturing facility in the United States

The excellent growth of Lotus Biscoff in the United States in 2017 represents further confirmation that building an original caramelized biscuits factory in the US was the right decision for Lotus Bakeries – ecologically, economically and strategically. An experienced project team combining expertise from within the Group with local know-how leads this ‘milestone’ investment, which will result in Lotus Biscoff being made on a different continent for the first time.

In 2017, a piece of land was purchased in Mebane, North Carolina. The design of the factory and the production lines has been finalized. Meanwhile, the levelling of the site has already begun, to be followed by the commencement of the building works. The factory is scheduled to go into operation in 2019. Meanwhile, local procurement of ingredients and packaging is also being put in place.

1.2.2 Further expansion of Lotus Biscoff manufacturing facility in Lembeke

Following the commissioning of a third production hall at the end of 2016, further large investments were made in Lembeke in 2017. An additional production line for Lotus Biscoff has been operational since March. An extra warehouse for storing packaging and equipment has also been completed, together with new facilities for staff.

It was recently decided to invest in an extra line in the third production hall. This investment is intended to be operational by the summer of 2018 and is necessary so as to continue to be able to satisfy the rising demand for original caramelized biscuits efficiently in future.

1.2.3 Waffle production at Courcelles

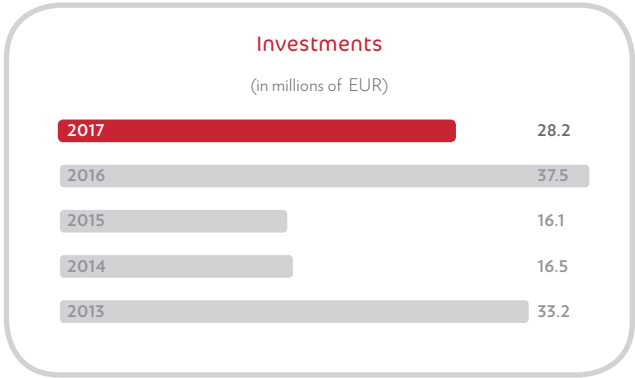
Since the end of 2016, all waffle production has been centralized at the factory in Courcelles. As a result, the volume produced by this factory has more than doubled. In order to be able to produce these extra volumes and to increase capacity, two extra production lines have been added. These investments are fully completed and the focus now lies on making further improvements in productivity.

1.2.4 Upgrade of cake factory in Enkhuizen (the Netherlands)

The cake factory in Enkhuizen has been fully upgraded. The first phase, in which two new warehouses were erected, began in 2017. This phase was completed in February 2018. During the second phase, which began in February 2018, the offices are being refurbished.

1.2.5 Offices at Lembeke

Creating an optimal and pleasant working environment for our employees is important and, in view of this, several new offices have been opened in the last few years. It was recently decided to also upgrade the offices in Lembeke into a modern, state-of-the-art office for sales, marketing, IT, Procurement, Quality and R&D. The offices will officially come into use at the end of 2019.



2. FINANCIAL INFORMATION

2.1 Profitability and evolution of costs

The recurrent operating result (EUR 89.3 million) and recurrent operating cash flow (EUR 104.3 million) increased by EUR 5.4 million and EUR 2.7 million respectively year on year.

Growth in turnover and more efficient use of the available production capacity form the basis of the improved operating result.

Additional investments were also made in international growth for Lotus Biscoff by strengthening the sales teams and substantial investments were made in the natural snacking category as well.

Lotus Bakeries has continued to invest consistently in promotional activities at the point of sale and marketing campaigns. In both the US and the UK, Lotus Biscoff had a TV presence for the first time - in regions with a high market penetration. The results of these targeted Lotus Biscoff campaigns, combined with a strong presence at points of sale, were highly positive.

The non-recurrent operating result is low at EUR - 0.1 million. Last year, the non-recurrent operating result was positive (EUR 4.5 million), due to the compensation received for the Meise waffle factory, which was destroyed by a fire.

The financial result of EUR - 2.2 million is largely made up of interest expenses.

The tax expense is EUR 22.4 million or 25.7% of the result before taxes. The tax expense fell by 1.5% due to the positive impact on deferred taxes (non-cash) of future rate reductions in a couple of countries, in particular in Belgium and the United States.

The net result increased by EUR 2.2 million (+3.5%) compared with 2016 to stand at EUR 64.6 million. The net result rose in line with turnover thanks to the disproportionate increase in the recurrent operating result.

2.2 Principal risks and uncertainties

The text below describes the business risks as assessed by the Executive Committee of Lotus Bakeries. The Lotus Bakeries Group's greatest market risks are fluctuations in raw material and packaging prices, and exchange rates.

2.2.1 Raw material and packaging costs

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

2.2.2 Currency risk

Purchasing takes place predominantly in euros. On the sales side too, a very significant portion of the turnover is invoiced in euros. The main foreign currency transactions related to buying and selling are in USD, GBP, CHF, SEK, CNY and KRW. Lotus Bakeries Group seeks to net out as far as possible its purchases and sales in foreign currencies, with net foreign exchange risks hedged if necessary by forward and/or option contracts if there is a material unhedged net risk for the Group.

Lotus Bakeries' consolidated financial statements are presented in euros. The operating results and financial position of each Lotus Bakeries company whose functional currency is not the euro have to be converted into euros at the applicable exchange rate for inclusion in the Group's consolidated financial statements. Lotus Bakeries does not hedge against this "conversion risk".

A 5% lower average rate for Lotus Bakeries' key foreign currencies would have had a negative impact on the net profit amounting to a total of kEUR 2,507. A 5% higher average rate for Lotus Bakeries' key foreign currencies would have had a positive impact on the net profit amounting to a total of kEUR 2,771.

CURRENCY RISK

	EFFECT ON THE NET RESULT OF THE LOWER AVERAGE RATE OF 5% (AMOUNT IN KEUR)	EFFECT ON THE NET RESULT OF THE HIGHER AVERAGE RATE OF 5% (AMOUNT IN KEUR)
USD	(971)	1,074
GBP	(1,028)	1,136
CNY	(195)	215
Other	(313)	346
Total	(2,507)	2,771

2.2.3 Interest rate risk

The interest rate risk is the risk associated with interest-bearing financial instruments and relates to the risk of the fair value or related interest cash flows of the underlying financial instrument fluctuating due to future changes in market interest rates.

Lotus Bakeries Group's objectives with regard to interest rate risks are to reduce fluctuations in income, limit interest expenses in the long term and protect future cash flows against the impact of significant negative interest rate fluctuations.

As part of managing its interest rate risks, where necessary, the Group enters into interest rate agreements to convert a variable rate into a fixed rate. As of 31 December 2017, the financial interest-bearing liabilities (kEUR 115,000) were hedged at a variable rate under such agreements.

A change in the Euribor rate by ten basis points in 2017 would have had an impact on interest expenses amounting to approximately kEUR 91.

2.2.4 Credit risk

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

The Lotus Bakeries Group has a diversified international customer portfolio, consisting mainly of large retail, cash-and-carry and food service customers in various countries. For export outside Western and Northern Europe, the United States, South Korea and China, the Lotus Bakeries Group works on a documentary credit basis or uses credit insurance. 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.

2.2.5 Liquidity risk

Lotus Bakeries uses an international cash pooling structure for daily cash pooling where possible. Lotus Bakeries also closely monitors the amount of short-term funds and the ratio of short-term funds to its total debts, as well as the availability of committed lines of credit in relation to the level of outstanding short-term debt.

In connection with the acquisition of Natural Balance Foods Ltd in 2015, put options were granted to third parties with respect to the remaining non-controlling interests, where these put options give holders the right to sell part or the whole of their investment in this subsidiary. A financial liability is shown on the consolidated balance sheet for this, which could potentially result in a larger cash outlay if the acquired entity performs better than forecast in the long-term business plan. Further details are given in note 21 in the financial supplement of the 2017 annual review.

In view of the significant cash flow from operations compared with the net financial debt position, and the available committed lines of credit, the liquidity risk for the Lotus Bakeries Group is low.

2.2.6 Balance sheet structure

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

Lotus Bakeries strives to keep the proportion of net financial debt (defined as interest-bearing financial debt - monetary investments - liquid assets - treasury shares) and the recurrent company cash flow (REBITDA) at what is considered to be a normal healthy level in the financial market.

FINANCIAL RATIOS	2017	2016	2015	2014	2013
Days customer credit	42	37	45	41	40
Solvency ratio (%)	49.1	45.3	38.1	59.5	51.3
Net financial debts / Rebitda*	0.55	0.93	1.83	0.30	0.88
Net profitability of equity (%)	22.0	25.1	21.0	18.3	16.3

(*) REBITDA normalized for the impact of acquisitions

2.2.7 Product liability risks

The production, packing and sale of food products give rise to product liability risks. Lotus Bakeries applies the highest product safety standards to the entire production and distribution process, from the purchase of raw materials through to the distribution of the final product, supported and guaranteed by structured procedures and systematic internal quality audits. External audits take place at regular intervals.

The necessary product liability insurance has been subscribed within reasonable limits.

2.2.8 Pension scheme risks

The form of and benefits under pension schemes existing within the Lotus Bakeries Group depend on the conditions and customs in the countries involved. Pension benefits can be provided under defined contribution schemes or defined benefit schemes.

A major portion of these pension schemes are defined contribution schemes, including in Belgium, France, Sweden and the United States. These are funded by employer and employee contributions and charged to the income statement of the year in question. Under this type of scheme, there is no legal or constructive obligation to pay further contributions irrespective of the capacity of the funds to pay future pension contributions.

Because of the Belgian legislation applicable to second pillar pension plans (so-called 'Vandenbroucke Law'), basically all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans because of the minimum guaranteed return, although it is normally insured by an external insurance company that collects and manages the contributions. This 'Vandenbroucke Law', which came into force in 2004, stipulates that, in the context of a defined contribution plan, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. As from 1 January 2016, these percentages were replaced by a single percentage which changes in line with market rates, subject to a minimum of 1.75% and a maximum of 3.75%, which reduces the risk for the employer.

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

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

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

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

2.3 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.

2.4 Research and development, innovation and sustainability

2.4.1 Innovation and product development

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

The R&D department hopes to contribute to better products with new insights into processes and the interactions between various ingredients. In this, Lotus Bakeries does not only employ its own expertise but also calls on the expertise of well-known university knowledge centres, and of existing innovation platforms set up by the food industry.

2.4.2 Sustainability

The 'Care for Today - Respect for Tomorrow' programme represents in a clear way how Lotus Bakeries is handling sustainability. This programme has been widely communicated to all employees and the Board of Directors. At the end of 2014, Lotus Bakeries began testing this programme with all its stakeholders in accordance with the Global Reporting Initiative (GRI), version GRI-G4. As from 2017, Lotus Bakeries opts to report on its sustainability programme based on the Sustainable Development Goals (SDG reporting) proposed by the United Nations. You can read the result about the progress so far in the chapter 'Care for Today - Respect for Tomorrow'.

2.5 Significant facts after 31 December 2017

In March 2018, Lotus Bakeries reached an agreement with Grassroots for the acquisition of the BEAR production activities. Grassroots currently manufactures the entire BEAR range for Lotus Bakeries on an exclusive basis. The production facility is in South Africa, near the fertile Ceres valley, where all of the fruit for the fruit snacks is freshly picked. Under the agreement, via a newly incorporated company, Bearnibbles, Grassroots will deliver a brand-new production facility, fully equipped and staffed for the manufacture of BEAR products. This turnkey production facility should be operational by 2019. The final handover will take place only once all of the specified conditions are met and following approval by the regulatory authorities.

3. PROSPECTS FOR 2018

After the historic year of 2016, Lotus Bakeries succeeded in raising the bar once again in 2017, in terms of both turnover and profitability. The turnover of EUR 524 million in 2017 is almost 3% higher than in 2016, despite the strong euro, and the recurrent operating result rose by more than 6%. The increase in turnover was particularly impressive in the second half of the year, due to natural snacking, the continued internationalization of Lotus Biscoff and the growth of Lotus waffles.

In 2017, natural snacking under the Năkd, TREK and BEAR brands achieved double-digit growth, driven by the UK and the Netherlands. The first successful steps were also taken for these brands in several other European countries and in the US. In the US and Europe, excellent growth was once again achieved with Lotus Biscoff.

In 2017, further investment was made in the expansion of production capacity, in both Belgium and the US.

In 2018, Lotus Bakeries plans to continue the momentum of 2017. The packaging for Lotus Biscoff will be totally redesigned and a new range of cakes will shortly be launched. Nevertheless, the evolution of the euro will remain a key factor affecting turnover and profits, with the continued weakening of the USD having a significant impact. The level of investment will remain high this year, in terms of both investment in additional capacity and efficiency and ongoing support for brands through media campaigns.

The management and the Board of Directors of Lotus Bakeries are convinced that the current strategy is the right way to continue to grow in a sustainable and profitable manner in the long term.

4. RESULTS AND PROPOSAL FOR APPROPRIATION OF RESULTS

Consolidated

The consolidated net profit for 2017 amounted to EUR 64.6 million as compared to EUR 62.5 million in 2016.

Statutory

The results for 2017 for the parent company Lotus Bakeries NV are as follows:

IN EUR	
Profit for the financial year	9,046,105.91
Transfer from untaxed reserves	-
Transfer to untaxed reserves	-
Profit for the year available for appropriation	9,046,105.91

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

IN EUR	
Allocation to legal reserves	844.80
Allocation / (Transfer) to other reserves	(7,092,032.39)
Distribution of a gross dividend ⁽¹⁾	15,887,293.50
Distribution of emoluments to directors	250,000.00
TOTAL	9,046,105.91

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

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

If the Ordinary General Meeting of Shareholders of 15 May 2018 accepts the Board of Directors' proposal to distribute a gross dividend of EUR 19.50 per share, this gross dividend per share - after deducting a withholding tax of 30% - will be payable as from 25 May 2018 on surrender of coupon no. 30 at Degroof - Petercam, BNP Paribas Fortis, Belfius, ING Bank and KBC Bank.

Gross dividend

(in EUR)

2017	19.5
2016	16.2
2015	14.2
2014	12.4
2013	10.8

5. CORPORATE GOVERNANCE DECLARATION

Lotus Bakeries has adopted a Corporate Governance Charter under which we commit to apply the principles of the Corporate Governance Code of 12 March 2009 and to respect the associated legal norms and regulations. The charter outlines our corporate governance policy and the internal rules of procedure of the Board of Directors, the Committees and the Executive Committee. It can be consulted on our website (www.lotusbakeries.com).

Based on the relevant legislation or developments in corporate governance policy, we adapt the charter as necessary or advisable. In this annual review, we report actual changes to the Corporate Governance Charter. There are no deviations from the provisions of the Corporate Governance Code.

5.1 Share capital

5.1.1 Capital

As a result of the exercise of warrants the share capital of Lotus Bakeries NV was increased on 4 April 2017 by EUR 7,780.00 from EUR 3,575,783.65 to EUR 3,583,571.65. This was followed by another increase on 4 October 2017 by EUR 660.00. This brought the share capital to EUR 3,584,231.65.

5.1.2 Shares

Through the exercise of warrants and subsequent capital increases, new shares of Lotus Bakeries NV were issued: 1,770 on 4 April 2017 and 150 on 4 October 2017. As a result, the total number of shares of Lotus Bakeries increased from 812,513 to 814,283 and subsequently to 814,433.

As of 31 December 2017, there were 814,433 shares of Lotus Bakeries NV, in registered or dematerialised form.

5.1.3 Share options

In the context of the Lotus Bakeries share option scheme, 2,260 share options were issued in 2017. As at 31 December 2017 the total number of unexercised share options was 14,391.

YEAR OF ISSUE OF THE OPTIONS	NUMBER OF ALLOCATED OPTIONS ⁽¹⁾	NUMBER OF OPTIONS EXERCISED ⁽²⁾	TOTAL OF AVAILABLE OPTIONS
2007	11,950	11,950	-
2010	2,400	2,400	-
2011	1,300	1,300	-
2012	5,069	5,069	-
2013	3,998	2,726	1,272
2014	5,358	-	5,358
2015	3,383	-	3,383
2016	2,532	-	2,532
2017	1,846	-	1,846

(1) Number allocated minus cumulative number lapsed.

(2) Cumulative number exercised.

5.1.4 Warrants

The key conditions of the warrant plan set out in 2007, the exercise conditions and the key consequences of the abolition of the pre-emptive right for shareholders are set out in note 24 of the financial appendix.

5.1.5 Purchase of treasury shares

The Extraordinary General Meeting of 9 May 2014 authorized the Board of Directors of Lotus Bakeries NV for 5 years (i) to acquire the shares or profit certificates of the company in an amount of up to 20 percent of the issued capital under the conditions stipulated by the Companies Code, with as compensation the average closing share price of the company over the last 30 calendar days prior to the date of purchase, reduced by 20 per cent as a minimum price and increased by 10 percent as a maximum price; this authorization also applies to the acquisition of shares and profit certificates of the company by one of its directly controlled subsidiaries under Article 627 of the Companies Code, and (ii) to dispose of any shares or profit certificates of the company, regardless of when and on what basis they were acquired, if this divestment either forms part of a stock option plan approved by the Board of Directors of the Company, subject to payment of the agreed option price, or takes place against compensation that is higher than the average closing share price of the company over the last 30 calendar days prior to the date of sale reduced by 20 percent and lower than this average increased by 20 percent.

In 2017, 1,611 treasury shares were purchased. The total number of purchased treasury shares in the portfolio at the end of the financial year is 15,171. They represent an accounting par value of EUR 66,752.4 or 1.86% of the issued capital.

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

5.2 Shareholders and shareholders structure

The shareholding structure of Lotus Bakeries NV on 31 December 2017:

	NO. OF VOTING RIGHTS	% OF VOTING RIGHTS
Stichting Administratiekantoor van Aandelen Lotus Bakeries ⁽¹⁾	455,323	55.91%
Lotus Bakeries NV ⁽²⁾	15,171	1.86%
Total held by Stichting Administratiekantoor van Aandelen Lotus Bakeries and Lotus Bakeries NV	470,494	57.77%
Holding Biloba BVBA ⁽³⁾	27,000	3.32%
Christavest Comm.VA ⁽⁴⁾	20,298	2.49%
Publicly held	296,641	36.42%
Total	814,433	100.00%

(1) Stichting Administratiekantoor van Aandelen Lotus Bakeries is not controlled. The interest of Stichting Administratiekantoor van Aandelen Lotus Bakeries in Lotus Bakeries NV appears in the transparency notification that Lotus Bakeries NV received on 5 April 2013*, in the notification to Lotus Bakeries NV of the certification of Lotus Bakeries shares in July 2014 and in the request to Lotus Bakeries NV of 20 November 2017 from Stichting Administratiekantoor van Aandelen Lotus Bakeries for the conversion of the dematerialised Lotus Bakeries shares into registered Lotus Bakeries shares, whereupon, since 21 November 2017, the shares of Stichting Administratiekantoor van Aandelen Lotus Bakeries are registered in the shareholders' register of Lotus Bakeries NV.

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

(3) Holding Biloba BVBA is not controlled. The interest of Holding Biloba BVBA in Lotus Bakeries NV appears in the transparency notification that Lotus Bakeries NV received on 3 July 2014*.

(4) Christavest Comm.VA is 82.82% controlled by Holding Biloba BVBA, which in turn has no controlling shareholder. Mr. Stanislas Boone and Mrs. Christiane De Nie are the statutory business managers of Christavest Comm.VA. The interest of Christavest Comm.VA in Lotus Bakeries NV appears in the transparency notification that Lotus Bakeries NV received on 3 July 2014*.

(*) Pursuant to article 6 of the Law of 2 May 2007 on disclosure of major holdings.

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

Lotus Bakeries NV is not aware of any updates to any communication according to article 74 of the Law of 1 April 2007.

5.3 Board of Directors and Committees of the Board of Directors

5.3.1 Board of Directors

5.3.1.1 Composition

The composition of the Board of Directors as of 12 May 2017:

Chairman:

Vasticom BVBA, represented by its permanent representative Jan Vander Stichele

Managing director:

Mercur Consult BVBA, represented by its permanent representative Jan Boone

Non-executive directors:

- PMF NV, represented by its permanent representative Johan Boone
 - Anton Stevens
 - Beneconsult BVBA, represented by its permanent representative Benedikte Boone
 - Concellent NV, represented by its permanent representative Sofie Boone
-

Independent directors:

- Peter Bossaert
 - Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich
 - Dominique Leroy
 - Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert
-

Jan Vander Stichele Chairman of the Board of Directors

- Master's degree in Civil Engineering (KU Leuven) and Candidate degree in Applied Economics (KU Leuven)
 - Was technical director of the Verlipack Group
 - Since the end of 1996 active in the Lotus Bakeries Group as General Manager Lotus Bakeries France, thereafter as General Manager Operations and between 2011 and 2016 as Executive Director
 - Since 2005, member of the Board of Directors at Lotus Bakeries and between May 2011 and May 2016, managing director
 - Chairman of the Board of Directors at Team Industries and Fevia Vlaanderen/Flanders' Food
 - Member of the Board of Directors at TVH Parts
 - Member of the Committee of Directors at Voka and KULAK
-

Jan Boone CEO / Managing director

- Master's degree in Applied Economics (KU Leuven); Master in Audit (UMH)
- Started his career in the Audit department of PwC
- Between 2000 and 2005 Head of Corporate Controlling, member of the Executive Committee and Board of Directors at Omega Pharma
- Since 2005, active at Lotus Bakeries as managing director and since 2011 as CEO
- Since 2005, member of the Board of Directors at Lotus Bakeries and managing director since 2011
- Member of the Board of Directors of Omega Pharma and director at Club Brugge
- President of the Board of Directors of Animal Care, a listed company in the veterinary sector

Johan Boone Non-executive director

- Master's degree in dentistry (KU Leuven)
 - Dentist
 - Member of the Board of Directors at Lotus Bakeries since 1996
-

Anton Stevens Non-executive director

- Master's degree in Law (UGent) and in Notarial law (UGent)
 - Member of the Board of Directors at Lotus Bakeries since 2002
-

Benedikte Boone Non-executive director

- Master's degree in Applied Economics (KU Leuven)
- She has held positions at Creyf's Interim and Avasco Industries
- Director in various family companies (Bene Invest BVBA, Holve NV and Harpis NV) and also director at Deceuninck NV
- Member of the Board of Directors at Lotus Bakeries since 2012

Sofie Boone

Non-executive director

- Master's degree in Pharmaceutical Sciences (KU Leuven), post-graduate degree in Business Economics (Vlekho) and Business Management for pharmacists (Vlerick)
 - 1996 – 2001: deputy pharmacist and titular pharmacist.
 - Since 2002, owner and titular pharmacist of Boone pharmacy in Tervuren
 - Since 1999, active as volunteer departmental pharmacist at the Red Cross Tervuren
 - Member of the Board of Directors at Lotus Bakeries since 2016
-

Peter Bossaert

Independent director

- Commercial engineer (University of Antwerp)
 - 1989 - 1997: various marketing and sales roles at Unilever and Campina
 - Since 1997, employed by Medialaan. In 2000, he was appointed managing director of radio activities
 - Since 2012 CEO at Medialaan
 - On 1 February 2018, it was announced that Medialaan and De Persgroep Publishing were merging to form a single media company and that he was appointed as CEO of the merged group
 - Member of the Board of Directors at Lotus Bakeries since 2017
-

Benoit Graulich

Independent director

- Master's degrees in Law, Business and Finance (KU Leuven)
 - Began his professional career at PwC and then at Paribas Bank/Artesia Bank. In 2000 he became a partner at Ernst & Young. Currently he is a managing partner at Bencis Capital Partners
 - Different mandates at a.o. Van de Velde
 - Member of the Board of Directors at Lotus Bakeries since 2009
-

Dominique Leroy

Independent director

- Master's degree in Commercial Engineering (Solvay Business School)
 - She has a 24-year career with Unilever, beginning in finance and followed by various sales and marketing functions. In 2007 she became Managing Director of Unilever BeLux and was also member of the Unilever Benelux Board
 - Since 2011, working at Proximus (former Belgacom), initially as Vice President Sales for the consumer division. As of 2012 Executive Vice President of the Consumer Business Unit and since January 2014, managing director of Proximus Group and president of the Executive Committee
 - President of the Board of Directors of BICS, Be-Mobile and the International Advisory Board of Solvay Brussels School of Economics & Management
 - Member of the Supervisory Board of Directors of Koninklijke Ahold Delhaize NV
 - Member of the Board of Directors of Compagnie de Saint-Gobain
 - Member of the Board of Directors at Lotus Bakeries since 2009
-

Sabine Sagaert

Independent director

- Master's degree in Commercial Engineering (KU Leuven), Master in Economic Legislation (UCL) and MBA (KU Leuven), graduate degree in Taxation (Fiscale Hogeschool Brussel)
- Held various logistics and commercial positions in the Benelux at CBR cement companies. Thereafter she held various positions at AB InBev, most recently as Business Unit President Belux. Subsequently, she led the Dental Division at Arseus
- Since 2011, employed by Cargill as General Manager Malt business Europe. As of 2015, Global Managing Director Malt Business and since October 2017, Managing Director Global Edible Oils Solutions EMEA & Russia
- Director at Miko and vzw Spullenhulp
- Member of the Board of Directors at Lotus Bakeries since 2011

Since May of the 2017 financial year, the Board of Directors has been composed of the above directors. For the composition of the Board of Directors in the first four months of 2017, please refer to the annual review of the 2016 financial year.

In the selection of candidates for the Board of Directors by the current members of the Board of Directors, prior to the proposal of a new director to the General Shareholders Meeting, skills, competencies and diversity are paramount. Lotus Bakeries is conscious that it must ensure the presence of a critical Board of Directors, with specialist knowledge of the various areas relevant to Lotus Bakeries. Certain diversity criteria are imposed by law and are naturally adopted by Lotus Bakeries, including the number of independent directors and the number of directors of a different gender. In this respect, Lotus Bakeries declares that, with the aforementioned composition, it complies with the requirement for at least one third of directors be of a different gender than that of the other members. The aforementioned obligation is contained in Art. 518bis, §1 of the Companies Code. It also wishes to point out in this connection that the abovementioned independent directors fulfil the independence criteria of Article 526-ter of the Companies Code. Besides these diversity criteria enshrined in law, Lotus Bakeries also aims for diversity in knowledge and experience and, when selecting candidates, performs a thorough assessment based on competencies which would additionally benefit the company in view of the existing competencies among the members of the Board of Directors. The results of this policy are illustrated in the CVs described above.

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

5.3.1.2 Activities of the Board of Directors

The Board of Directors met six times in 2017. All directors were present at all meetings, except for Dominique Leroy and Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert, both of whom were not present at one meeting of the Board of Directors.

The subjects dealt with at the meetings were:

- financial results
- sales results
- results at 31/12 and 30/06 and proposed press release
- investment budget and global budget
- media investments
- clarification of the year action plans of the different countries
- price developments in various countries
- expansion of Lembeke factory
- status update on new factory in the United States
- review of prices of raw materials and packaging
- product developments and innovations
- reports and recommendations from Committees
- agenda for Annual General Shareholders meeting
- recall of Lotus Biscoff spread
- fipronil crisis and impact on egg prices
- growth ambition and M&A vision
- privacy legislation

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

In the course of 2017, there were no incidences within the Board of Directors which led to the application of the conflict of interest procedure as set out in Article 523 of the Companies Code.

All transactions involving shares of Lotus Bakeries NV carried out in 2017 by persons considered as insiders and by persons with executive responsibility were undertaken in accordance with the internal rules of Lotus Bakeries for the prevention of market abuse.

5.3.2 Audit Committee

The Audit Committee consists of two independent directors and one non-executive director. The two independent directors are Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich (Chairman) and Dominique Leroy. The non-executive director is Vasticom BVBA, represented by its permanent representative Jan Vander Stichele. All members have accounting and audit experience. The Audit Committee met three times in 2017 and all members were present at all meetings, except Dominique Leroy, who did not attend one meeting. The Auditor participated in all three meetings, at which he presented his findings to the Audit Committee.

The subjects examined were:

- non-audit services and independence requirements of the Statutory Auditor
- risk management
- discussion of report and internal controls / recommendations of the Statutory Auditor
- discussion of annual and interim results

5.3.3 Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of two independent directors and one non-executive director. The independent directors are Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert (Chairman) and Benoit Graulich BVBA represented by its permanent representative Benoit Graulich. The non-executive director is Vasticom BVBA, represented by its permanent representative Jan Vander Stichele. All members have both HR management and remuneration policy experience.

The Committee met twice in 2017, with all members present.

The subjects examined were:

- remuneration Executive Committee
- remuneration policy and its application
- changes in the composition and appointment of a new member of the Executive Committee
- change in the composition and proposal of a new member of the Board of Directors

5.3.4 Evaluation of the Board of Directors and its Committees

The operation of the Board of Directors and of the Committees is evaluated every three years. The evaluation of the effectiveness of the Board of Directors is undertaken by the Board itself under the leadership of its Chairman. This evaluation covers the size of the Board, the general functioning of the Board of Directors, the way meetings are prepared, the contribution of each individual director to the work of the Board, the presence and involvement of each individual director at meetings and decision-making, the composition of the Board of Directors and the interaction with the Executive Committee.

This assessment makes it possible to constantly optimize the management of Lotus Bakeries. Where appropriate, based on this review, and eventually in consultation with external experts, the Remuneration and Nomination Committee presents a report on the strengths and weaknesses of the Board of Directors and, where necessary, a proposal for the appointment of a new director or the non-prolongation of a directorship. The non-executive directors evaluate annually the interaction of the Board of Directors and the Executive Committee and when appropriate, submit proposals for improving cooperation. The CEO and the Remuneration and Nomination Committee also together evaluate annually the operation and performance of the Executive Committee. The CEO is not present at his own evaluation.

5.4 Executive Committee

Composition of the Executive Committee up to 31 August 2017:

- Jan Boone, permanent representative of Mercuur Consult BVBA, CEO
- Isabelle Maes, permanent representative of Valseba BVBA, CFO
- Ignace Heyman, COO
- Willam Du Pré, Corporate Director Quality, Procurement and R&D Management

As of September 2017, the Executive Committee consists of the following members:

- Jan Boone, permanent representative of Mercuur Consult BVBA, CEO
- Isabelle Maes, permanent representative of Valseba BVBA, CEO Natural Foods
- Mike Cuvelier, permanent representative of Cumaco BVBA, CFO
- Ignace Heyman, COO
- Willam Du Pré, Corporate Director Quality, Procurement and R&D Management

The members of the Executive Committee are appointed by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee selects on the basis of knowledge, competencies, experience, background and skills and aims for diversity in these areas so as to have all knowledge in house to manage Lotus Bakeries with a team specializing in all relevant areas. Within the Executive Committee, there is currently a good balance between members with a financial background and members with a marketing and/or sales background. A good proportion of members with a long history in the company and members with a fresh view of matters is also ensured.

The Executive Committee met twenty-three times in 2017. All members were present at all meetings.

5.5 Remuneration report

5.5.1 Introduction

The purpose of the 2017 remuneration report is to provide transparent information about the specific remuneration policy adopted by Lotus Bakeries for directors and executive managers.

The remuneration report below will be submitted to the General Meeting of 15 May 2018 for approval. The works council has been informed in accordance with the provisions of the Act. The report has also been reviewed by the Auditor.

5.5.2 Procedure for defining remuneration policy and remuneration

5.5.2.1 Directors

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

The current remuneration policy for directors was approved by the General Meeting of 13 May 2011, based on a proposal by the Board of Directors, on the advice of the Remuneration and Nomination Committee.

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

5.5.2.2 Executive managers

For the purpose of determining who falls into the category of 'executive managers' according to the Act of 6 April 2010 to strengthen corporate governance, Lotus Bakeries considers the members of its Executive Committee as falling into this category. The Executive Committee is responsible for the management of the company.

The remuneration policy for members of the Executive Committee is set every two years by the Board of Directors based on a proposal by the Remuneration and Nomination Committee. Individual remunera-

tion 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. The consultant reports directly to the Remuneration and Nomination Committee and provides verbal explanations.

5.5.2.3 Senior managers

Remuneration policy for senior managers ('kaderleden') is set by the Executive Committee. This is then approved by the Remuneration and Nomination Committee. The services of an international HR consultancy are also called upon in this regard. They propose the job weighting and the corresponding salary package current in the relevant market.

5.5.3 Statement on remuneration policy applied in 2017

5.5.3.1 Non-executive and executive directors

Policy criteria

The non-executive directors receive a remuneration as indicated in the table on the opposite page, with no performance-based remuneration such as bonuses, stock-related long-term incentive schemes, fringe benefits or pension plan-related benefits.

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

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

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

Lotus Bakeries aims at a competitive remuneration, based on a comparison of directors' remuneration in companies that are comparable in

terms of size, complexity and international activity.

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

Remuneration

Members of the Board of Directors each receive EUR 20,000 a year. The Chairman receives EUR 40,000 a year. Each member of the Audit Committee and Remuneration and Nomination Committee receives a fee of EUR 5,000 a year. No other compensation is provided to non-executive directors, such as performance bonuses in cash, shares or options. The table on the opposite page shows the remuneration awarded for 2017 to each member of the Board of Directors.

NAME	BOARD OF DIRECTORS	AUDIT COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE	TOTAL REMUNERATION 2017
Vasticom BVBA, represented by its permanent representative Jan Vander Stichele	Chairman	Member	Member	50,000 EUR
Mercur Consult BVBA, represented by its permanent representative Jan Boone	Managing director	-	-	20,000 EUR
PMF NV, represented by its permanent representative Johan Boone	Non-executive director	-	-	20,000 EUR
Anton Stevens	Non-executive director	-	-	20,000 EUR
Beneconsult BVBA, represented by its permanent representative Benedikte Boone	Non-executive director	-	-	20,000 EUR
Concellent NV, represented by its permanent representative Sofie Boone	Non-executive director	-	-	20,000 EUR
Peter Bossaert	Independent director	-	-	20,000 EUR
Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich	Independent director	Chairman	Member	30,000 EUR
Dominique Leroy	Independent director	Member	-	25,000 EUR
Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert	Independent director	-	Chairman	25,000 EUR

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

The Chairman receives an additional compensation of EUR 100,000 for representing the company with respect to interest groups.

5.5.3.2 Executive managers

Policy criteria

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

The level and structure of the remuneration of the Executive Committee must be such as to attract, retain and continually motivate qualified and skilled managers, taking into account the nature and scope of their individual responsibilities. To this end, a survey is carried out every two years of the remuneration of managers in Belgium in order to facilitate an external comparison of key functions.

In order to ensure an internal logic between remuneration levels, in defining the remuneration for executive managers for each function, account is taken of the way the function is fulfilled at Lotus Bakeries.

In addition to their fixed remuneration, there is a variable compensation. For executive managers, this depends on the results of Lotus Bakeries, based on well-defined criteria with a one year evaluation period and evaluation periods of two and three years.

The evaluation criteria used to determine the variable compensation in 2017 are the main performance indicators based on the objectives for 2017. The evaluation period for this is one year.

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

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

There also exists a stock option plan with a fixed number of options for the members of the Executive Committee.

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 and a half year after being allocated.

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

Recovery provisions

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

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

The objectives for 2017 were presented to the Remuneration and Nomination Committee. The evaluation criteria used to determine the variable compensation in 2017 are the main performance indicators based on the objectives for 2017. The evaluation period is one year. The bonus plan for executive management provides that the bonus is earned only after approval of the consolidated figures by the Auditor and then by the Remuneration and Nomination Committee.

Objectives for the 2017-2019 period were decided upon and presented to the Remuneration and Nomination Committee for determining the long-term remuneration. The main performance indicators are taken from the strategic plan of the Lotus Bakeries Group. In 2017, bonuses were paid as part of the long-term remuneration policy.

5.5.5 CEO's remuneration in 2017

The CEO is paid on a self-employed basis and via a number of directorships. The remunerations mentioned are expressed as cost for the company.

The cost of the fixed basic salary in 2017 amounts to EUR 739,994. The variable portion based on the 2017 targets amounts to EUR 377,953 and will be paid in 2018. The contributions to the pension scheme amount to EUR 114,547. Other components of the remuneration amount to EUR 32,268. There is no recovery provision. Evaluation of the performance is based on the audited results.

5.5.6 Remuneration of executive managers in 2017 (excluding CEO)

In 2017, three members of the EXCO were paid on a self-employed basis and via directorships and one member through an employment contract. In the case of pay through an employment contract, the amounts given do not include social insurance contributions and in the case of pay on a self-employed basis, the full cost is given.

The remuneration for all executive managers together on a full year's basis, are the following for 2017.

The fixed annual salary in 2017 amounts to EUR 1,070,713. The variable portion based on the 2017 targets amounts to EUR 427,487 and will be paid in 2018. The contributions to the pension scheme amount to EUR 164,208. Other components of the remuneration amount to EUR 51,821. There is no recovery provision. Evaluation of the performance is based on the audited results.

5.5.7 Arrangements for the Executive Committee as a whole

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

5.5.8 Share-based compensation

5.5.8.1 Allocations in 2017

In 2017, share options relating to the financial year 2016 were granted to members of the former Executive Committee.

NAME	YEAR OF ALLOCATION	AOF OPTIONS	EXERCISE PRICE
Jan Boone	2017	255	2,331.77 EUR
William Du Pré	2017	128	2,331.77 EUR
Ignace Heyman	2017	128	2,331.77 EUR
Isabelle Maes	2017	128	2,331.77 EUR

5.5.8.2 Exercise of stock options and/or warrants in 2017

The members of the Executive Committee have exercised the following share options or warrants in 2017:

DATE	NAME	TRANSACTION	AMOUNT	PRICE	TOT. VALUE
5/04/2017	Ignace Heyman	Exerc. options	250	496.77 EUR	124,192.50 EUR
5/04/2017	Ignace Heyman	Exerc. options	250	650.31 EUR	162,577.50 EUR

In 2017 there are no lapsed unexercised options relating to members of the Executive Committee.

5.5.9 Severance pay

No special severance arrangements have been agreed with members of the Executive Committee. Members of the Executive Committee compensated on a self-employed basis and via directorships are entitled to severance pay equal to 12 months' fixed and variable remuneration. The other member of the Executive Committee is bound by a salaried employee contract. In 2017 no severance pay was paid to members of the Executive Committee.

5.6 Internal control and risk management

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

5.6.1 Control environment

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

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

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

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

5.6.2 Risk management process

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

The Executive Committee has total responsibility for the risk management process for Lotus Bakeries. The Corporate Director Quality, Procurement and R&D is responsible for coordination.

The Executive Committee has defined special risks which are considered

to be the most important at group level. These risks, which are defined very specifically, are tackled with the highest priority. A process owner is appointed for each of these risks who puts in place a specific action plan to avert or mitigate the risks or be as well prepared as possible. The process owner is also responsible for following up the specified actions. This top-down approach was proposed and approved at the meeting of the Audit Committee on 2 December 2016. The results will be reported to the Audit Committee on an annual basis.

5.6.3 Control activities

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

The Corporate Finance department directs the whole process.

For this Lotus Bakeries has developed various KPIs for the sales operations, for the financial reporting of each area and for the consolidated results. There are also KPIs relating to personnel and for factory operations, purchasing and logistics. These KPIs and reports exist for each area separately and are aggregated for the Lotus Bakeries Group.

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

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

5.6.4 Information and communication

Lotus Bakeries has chosen to manage all key business processes through a single ERP package (SAP). This not only offers extensive functionality with regard to internal reporting and communication, but also the ability to manage and audit access rights and authorization management on a centralized basis.

As mentioned above, the results of each area within the business units are reported in writing on a monthly basis and discussed and explained

verbally by the area manager. The Executive Committee also discusses the results on a monthly basis at its meeting. The Corporate Finance department directs the information and communication process. For both internal and external information reporting and communication there exists an annual financial calendar in which all reporting dates are set out and which is communicated to all parties involved.

For the provision of information Lotus Bakeries has developed various KPIs for its sales operations, for the financial reporting, as well as KPIs relating to personnel, factory operations, purchasing and logistics. These reports are available on an individual basis, but also aggregated at area or group level.

5.6.5 Control

Lotus Bakeries evaluates every internal audit and takes appropriate steps to avoid any deficiencies in the future by means of concrete action points. Employees are asked to constantly question and improve existing procedures and practices based on the Lotus competencies.

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

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

5.7 Announcements according to article 34 of the Royal Decree of 14 November 2007 - protective constructions

1. The Board of Directors of Lotus Bakeries NV is authorized by the Extraordinary General Meeting of Shareholders of 8 May 2015, 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 8 May 2015.

2. By resolution of the Extraordinary General Meeting of Shareholders of 8 May 2015 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 27 May 2015 and is renewable.

5.8 External audit

PwC Bedrijfsrevisoren BCVBA, represented by Mr. Peter Opsomer, 'bedrijfsrevisor', was reappointed as Auditor of Lotus Bakeries NV on 13 May 2016 by the Ordinary General Meeting for a term of three years. Its mandate expires immediately after the Ordinary General Meeting of 2019. The compensation received in 2017 for auditing and non-auditing services by PwC Bedrijfsrevisoren BCVBA and by people connected to PwC Bedrijfsrevisoren BCVBA, is described in note 38 of the financial supplement.

AUDIT FEE FOR THE GROUP AUDIT 2017	IN THOUSANDS OF EUR
Lotus Bakeries NV	77
Lotus Bakeries Group	346
Total	423

STOCK MARKET AND SHAREHOLDERS' INFORMATION



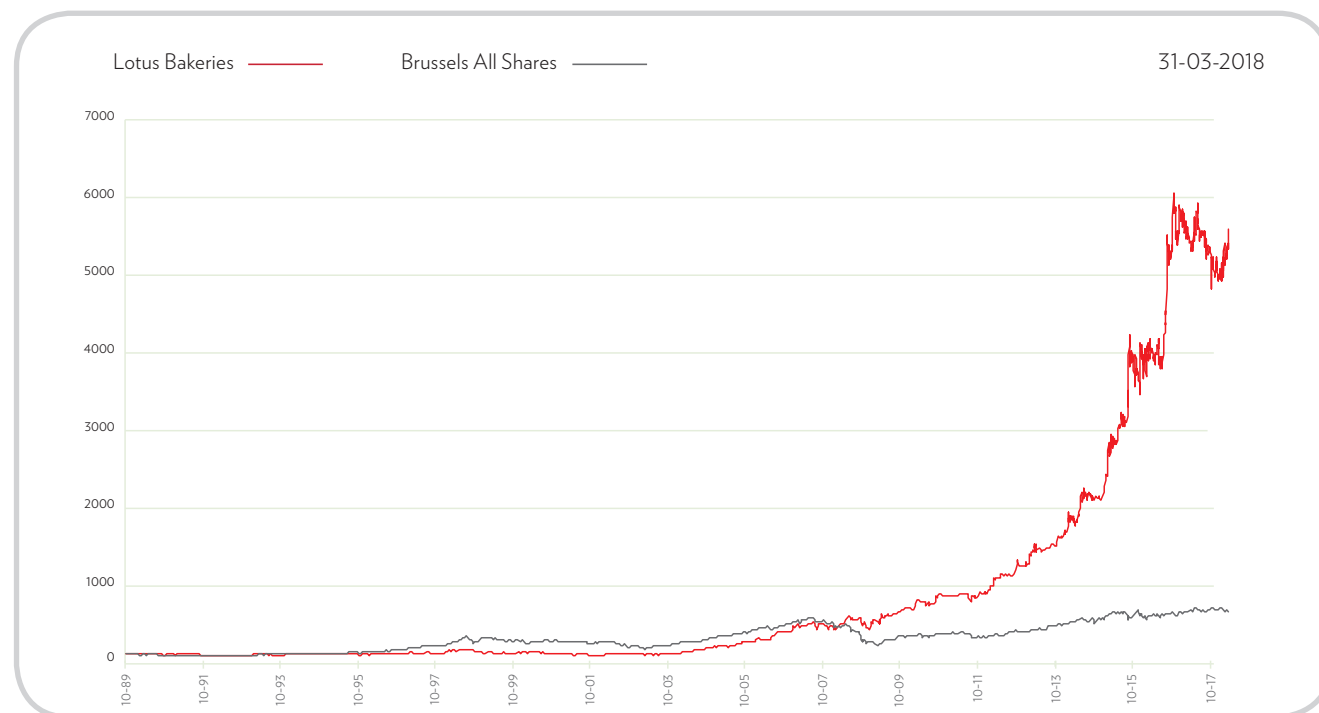
100,000,000

British consumers ate over 100,000,000
BEAR fruit portions in 2017.





Evolution of the Lotus Bakeries share in comparison to the BASR-index



Both share evolutions are with reinvested net dividend.

STOCK DATA ABOUT THE LOTUS BAKERIES SHARE IN EUR

	31-03-2018	2017	2016	2015	2014	2013
Highest price till 31/12 (till 31/03 in 2018)	2,420.00	2,529.00	2,617.95	1,845.00	989.95	725.00
Lowest price till 31/12 (till 31/03 in 2018)	2,050.00	2,025.00	1,550.00	926.10	711.00	555.00
Price per 31/12 (per 31/03 in 2018)	2,380.00	2,116.95	2,500.00	1,750.00	933.00	713.63
Market capitalization per 31/12 in millions of EUR (per 31/03 in 2018 in millions of EUR)	1,938.35	1,724.11	2,031.28	1,420.76	749.21	567.42
Number of shares per 31/12 (per 31/03 in 2018)	814,433	814,433	812,513	811,863	803,013	795,113
Ratio price/earning (PER) (1) till 31/12 (till 31/03 in 2018)	30.51	27.13	33.17	31.29	20.37	20.32

(1) PER: Price Earnings Ratio: the price at the end of the year (per 31 March in 2018 respectively) divided by net result, per share at the end of the year.

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 Degroof - Petercam, BNP Paribas Fortis, Belfius, ING Bank and KBC Bank. The main paying agent is BNP Paribas Fortis.

3. Liquidity and visibility of the share

Lotus Bakeries has appointed the stock market company Degroof - Petercam as 'liquidity provider'. The liquidity and market activation agreement that was agreed with Degroof - 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 2017, market capitalization of Lotus Bakeries amounted to EUR 1,724.11 million.

5. Evolution of the Lotus Bakeries share

The graph on the previous page 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 15 and 84 of this annual review.

7. Corporate website

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

8. Financial calendar

Friday 13 April 2018

Annual review 2017 available on www.lotusbakeries.com

Tuesday 15 May 2018

Ordinary and Extraordinary General Meeting of Shareholders at 4.30 PM

Friday 25 May 2018

Payment of dividend for the 2017 financial year

Friday 17 August 2018

Announcement of the half-year results for 2018

Monday 11 February 2019

Announcement of the year results for 2018

Friday 10 May 2019

Ordinary General Meeting of Shareholders

9. Annual review

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

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

In matters of any misinterpretation, the Dutch annual review will prevail.

FINANCIAL STATEMENTS



1

The more than 6 billion biscuits that Lotus Bakeries sells worldwide are still made on one production site, in Lembeke, Belgium. In the second half of 2019, a second production site will be added, in Mebane, USA.





In this section of the 2017 annual review, only the consolidated balance sheet, the consolidated income statement and the abridged five-year financial summary for the Lotus Bakeries Group are presented. The financial supplement to this annual review contains the entire consolidated annual account, including the consolidated external Auditor's report, and is available in Dutch and English.

The consolidated financial statements for 2017 shown, are based on the 2017 consolidated annual account, which has been prepared in accordance with IFRS rules as adopted for use within the European Union with comparative IFRS figures for 2016.

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 (Investor Relations) or can be obtained for free from the Corporate Secretary of Lotus Bakeries on simple request.

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

Index

Consolidated financial statements	89
- Consolidated balance sheet.....	89
- Consolidated income statement	90
 Abridged five-year financial summary Lotus Bakeries Group	 92

CONSOLIDATED BALANCE SHEET

IN THOUSANDS OF EUR	31-12-2017	31-12-2016
ASSETS		
NON CURRENT ASSETS	447,693	437,310
Property, plant and equipment	174,426	161,590
Goodwill	141,001	144,368
Intangible assets	123,924	126,006
Investment in other companies	12	37
Deferred tax assets	4,310	4,854
Other non current assets	4,020	455
CURRENT ASSETS	149,801	110,692
Inventories	33,653	32,175
Trade receivables	60,104	50,922
VAT receivables	4,789	4,235
Income tax receivables	484	1,061
Other amounts receivable	1,487	485
Cash and cash equivalents	48,129	19,932
Deferred charges and accrued income	1,155	1,882
TOTAL ASSETS	597,494	548,002

IN THOUSANDS OF EUR	31-12-2017	31-12-2016
EQUITY		
EQUITY AND LIABILITIES	293,213	248,464
Share Capital	15,999	15,527
Retained earnings	316,954	267,947
Treasury shares	(13,919)	(12,038)
Other reserves	(25,877)	(23,038)
Non-controlling interests	56	66
NON-CURRENT LIABILITIES	193,923	197,245
Interest-bearing loans and borrowings	117,500	118,500
Deferred tax liabilities	49,206	50,666
Pension liabilities	3,846	3,114
Provisions	414	1,986
Derivative financial instruments	1,970	3,419
Other non-current liabilities	20,987	19,560
CURRENT LIABILITIES	110,358	102,293
Interest-bearing loans and borrowings	1,750	7,533
Pension liabilities	152	89
Provisions	21	21
Trade payables	68,542	54,742
Employee benefit expenses and social security	18,383	18,418
VAT payables	119	225
Tax payables	16,464	15,097
Derivative financial instruments	1	4
Other current liabilities	1,662	2,133
Accrued charges and deferred income	3,264	4,031
TOTAL EQUITY AND LIABILITIES	597,494	548,002

CONSOLIDATED INCOME STATEMENT

IN THOUSANDS OF EUR	2017	2016
TURNOVER	524,055	507,208
Raw materials, consumables and goods for resale	(171,494)	(168,310)
Services and other goods	(145,568)	(133,095)
Employee benefit expense	(105,580)	(101,639)
Depreciation and amortization on intangible and tangible assets	(12,105)	(14,796)
Impairment on inventories, contracts in progress and trade debtors	(2,198)	(1,905)
Other operating charges	(3,168)	(6,411)
Other operating income	5,407	2,893
RECURRENT OPERATING RESULT (REBIT) ⁽¹⁾	89,349	83,945
Non-recurrent operating result	(91)	4,507
OPERATING RESULT (EBIT) ⁽²⁾	89,258	88,452
Financial result	(2,228)	(2,675)
Interest income (cost)	(2,096)	(2,209)
Currency gains (loss)	175	(189)
Other financial income (cost)	(307)	(277)
PROFIT FOR THE YEAR BEFORE TAXES	87,030	85,777
Taxes	(22,397)	(23,322)
RESULT AFTER TAXES	64,633	62,455
NET RESULT	64,633	62,455
Attributable to:		
Non-controlling interests	1,094	1,210
Equity holders of Lotus Bakeries	63,539	61,245

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

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

IN THOUSANDS OF EUR	2017	2016
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit and loss	(2,727)	(22,747)
Currency translation differences	(5,989)	(21,064)
Gain / (Loss) on cash flow hedges, net of tax	3,262	(1,683)
Items that will not be reclassified to profit and loss	(757)	(36)
Remeasurement gains / (losses) on defined benefit plans	(757)	(36)
Other comprehensive income	(3,484)	(22,783)
Total comprehensive income	61,149	39,672
Attributable to:		
Non-controlling interests	449	(1,784)
Equity holders of Lotus Bakeries	60,700	41,456
EARNINGS PER SHARE (EUR)		
Weighted average number of shares	799,423	793,147
Basic earnings per share (EUR) - attributable to:		
Non-controlling interests	1.37	1.53
Equity holders of Lotus Bakeries	79.48	77.22
Weighted average number of shares after effect of dilution	808,735	806,206
Diluted earnings per share (EUR) - attributable to:		
Non-controlling interests	1.35	1.50
Equity holders of Lotus Bakeries	78.57	75.97
Total number of shares ⁽¹⁾	814,433	812,513
Earnings per share (EUR) - attributable to:		
Non-controlling interests	1.34	1.49
Equity holders of Lotus Bakeries	78.02	75.38

(1) Total number of shares including treasury shares, per 31 December.

FIVE YEAR FINANCIAL SUMMARY

Consolidated balance sheet

IN THOUSANDS OF EUR	31-12-2017	31-12-2016	31-12-2015	31-12-2014	31-12-2013
NON CURRENT ASSETS	447,693	437,310	442,884	263,881	262,729
Property, plant and equipment	174,426	161,590	139,377	137,569	136,489
Goodwill	141,001	144,368	93,229	46,135	46,517
Intangible assets	123,924	126,006	107,901	74,674	75,744
Investment in other companies	12	37	96,244	22	27
Deferred tax assets	4,310	4,854	5,889	5,275	3,859
Other non current assets	4,020	455	244	206	93
CURRENT ASSETS	149,801	110,692	128,337	73,108	71,375
Inventories	33,653	32,175	35,659	17,898	16,665
Trade receivables	60,104	50,922	56,143	38,804	36,036
Cash and cash equivalents	48,129	19,932	18,547	11,855	11,933
TOTAL ASSETS	597,494	548,002	571,221	336,989	334,104
EQUITY	293,213	248,464	217,525	200,629	171,375
Non-current liabilities	193,923	197,245	169,242	39,506	43,984
Interest-bearing loans and borrowings	117,500	118,500	97,000	325	7,925
Deferred tax liabilities	49,206	50,666	44,607	34,905	32,687
Other non-current liabilities	20,987	19,560	22,815	57	5
Current liabilities	110,358	102,293	184,454	96,854	118,745
Interest-bearing loans and borrowings	1,750	7,533	99,086	41,144	62,337
Trade payables	68,542	54,742	42,498	33,309	34,249
Employee benefit expenses and social security	18,383	18,418	18,336	12,357	12,525
TOTAL EQUITY AND LIABILITIES	597,494	548,002	571,221	336,989	334,104

Consolidated income statement

IN THOUSANDS OF EUR	2017	2016	2015	2014	2013
TURNOVER	524,055	507,208	411,576	347,890	332,319
RECURRENT OPERATING RESULT (REBIT)	89,349	83,945	64,764	49,433	41,371
Non-recurrent operating result	(91)	4,507	(1,748)	(261)	(3,655)
OPERATING RESULT (EBIT)	89,258	88,452	63,016	49,172	37,716
Financial result	(2,228)	(2,675)	(778)	16	(1,740)
PROFIT FOR THE YEAR BEFORE TAXES	87,030	85,777	62,238	49,188	35,976
Taxes	(22,397)	(23,322)	(16,623)	(12,415)	(8,057)
RESULT AFTER TAXES	64,633	62,455	45,615	36,773	27,919
NET RESULT - attributable to:	64,633	62,455	45,615	36,773	27,919
Non-controlling interests	1,094	1,210	202	(2)	(1)
Equity holders of Lotus Bakeries	63,539	61,245	45,413	36,775	27,920

CORPORATE SOCIAL RESPONSIBILITY



14

The buildable area in Mebane (US), on which the first Lotus Biscoff factory outside Belgium is being built, covers an area of 14 soccer pitches (7 hectares). This is intended to help us respond to the growth potential of Lotus Biscoff.







It was not by chance that founder Jan Boone named his company Lotus in 1932. It was a reference to the purity of the lotus flower. Right from the start, the recipe for Lotus Biscoff has consisted solely (and exclusively) of natural ingredients. We still respect his decision today.

Our objective is to make Lotus Bakeries products more and more sustainable. This ambition involves much more than just the production process. People, environment and society - we treat them all with care and respect. So that we remain successful as a company, today and tomorrow. And consumers can continue to enjoy our products.

THE STARTING POINT: THE MATERIALITY MATRIX

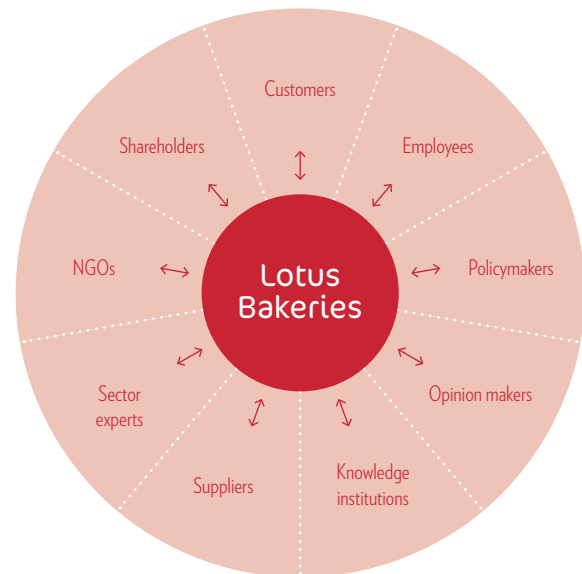
Lotus Bakeries' approach to Corporate Social Responsibility (CSR) is reflected in 'Care for Today - Respect for Tomorrow'. In 2015, we began reporting on the rollout of the sustainability programme, at the time in accordance with the Global Reporting Initiative (GRI G4 standard). As from 2017, Lotus Bakeries has decided to report on its sustainability programme according to the sustainable development goals (SDG reporting) proposed by the United Nations. These goals are the best fit for Lotus Bakeries' CSR policy: accessible, transparent and focussed on progress towards a sustainable world and society.

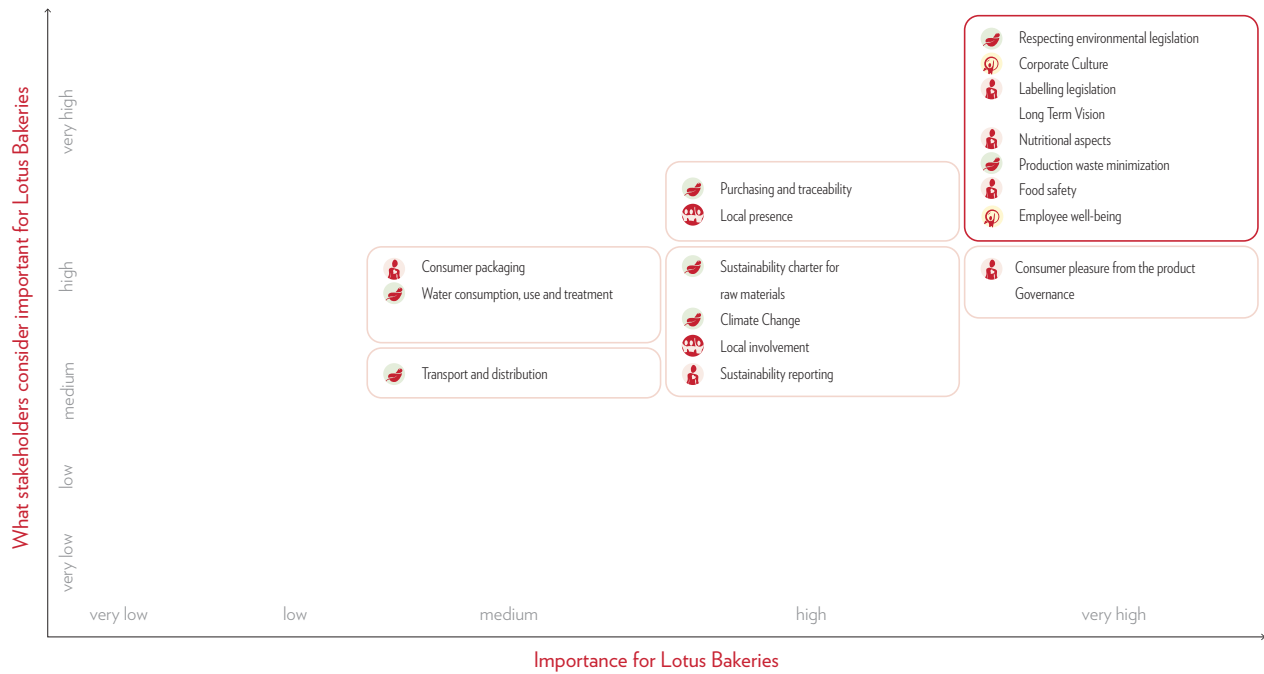
To ensure that the outside world was sufficiently represented in our Corporate Social Responsibility policy (CSR), we carried out a materiality analysis at the end of 2014. For this, we identified several issues that are important to our stakeholders as well as the company.

Using a questionnaire, partly based on the themes of our sustainability programme 'Care for Today - Respect for Tomorrow' and inspired by the latest trend analyses in CSR, we gauged the relevance and importance of these issues. Besides the stakeholders, we also submitted the questionnaire to the Executive Committee.

We plotted the stakeholders' answers on the y-axis theme by theme and the Executive Committee's answers on the x-axis. The result of

the exercise is known as the 'materiality matrix'. As there have been no fundamental changes to the environment, concerns and interests of stakeholders since this survey, we were also able to use it as a basis for 2017.





The box at the top right of the materiality matrix contains the aspects viewed by both Lotus Bakeries and its stakeholders as most important. We have grouped them into four pillars of sustainability which form the basis for the 'Care for Today - Respect for Tomorrow' programme: employees, people, environment and society. These four pillars of sustainability closely match the sustainable development goals proposed by the United Nations.



Our 4 pillars of sustainability



Employees

Every employee deserves our respect. After all, it is thanks to the motivation and commitment of our employees that we make a difference.



People

Our aim is to ensure in a responsible way that consumers can enjoy products produced by us in a sustainable manner.



Environment







Because all of our ingredients come from nature, we like to give something back.









Society

Lotus Bakeries has a role to play in society. We are only too happy to assume our responsibilities, time and time again.

The four sustainability pillars of Lotus Bakeries' CSR policy are presented in the overview below in accordance with the SDG reporting standards.

Lotus Bakeries' pillars of sustainability	SDGs	Lotus Bakeries' reporting
EMPLOYEES	 <p>Achieve gender equality and empower all women and girls</p>	<ul style="list-style-type: none"> • Lotus Bakeries fulfils the requirement for at least one third of directors to be of a different gender to the other members • Lotus Bakeries has excellent gender diversity, with 51.1% female and 48.9% male employees.
	 <p>Promote lasting, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<ul style="list-style-type: none"> • The Arbovignet (Netherlands) • 'Safety First' strategy • TOP values
PEOPLE	 <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	<ul style="list-style-type: none"> • Internal and external audit for high-quality products and processes (IFS, BRC, ACG)
	 <p>Ensure healthy lives and promote well-being for all at all ages</p>	<ul style="list-style-type: none"> • Clear communication to consumers • Reduction of sugar, salt content and saturated fat in our products • Offer of both large and small packs to give consumers the opportunity to consume less calories • Entry into the natural snacking segment
ENVIRONMENT	 <p>Ensure access to water and sanitation for all</p>	<ul style="list-style-type: none"> • Efficient use of ingredients to reduce waste
	 <p>Ensure sustainable consumption and production patterns (waste management, sustainable production and consumption patterns, sustainable supply chain, etc.)</p>	<ul style="list-style-type: none"> • Efficient use of ingredients to reduce waste • Processing of food waste (from production) into animal feed • Use of plastic packaging to keep products fresh • Different packaging formats

Lotus Bakeries' pillars of sustainability	SDGs	Lotus Bakeries' reporting
ENVIRONMENT	 <p>Take urgent action to combat climate change and its impacts</p>	<ul style="list-style-type: none"> • Energy consumption and emission reduction + offset via WWF Gold Standard • Ecological footprint reduced by the creation of a Lotus Biscoff plant outside Belgium (in North Carolina, US)
	 <p>Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss</p>	<ul style="list-style-type: none"> • Traceability audit • RSPO certified
SOCIETY	 <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	<ul style="list-style-type: none"> • Partner of 'Entrepreneurs for Entrepreneurs' • Child sponsorship with Cunina
	 <p>Ensure inclusive and quality education for all and promote lifelong learning</p>	<ul style="list-style-type: none"> • Child sponsorship with Cunina
	 <p>Ensure sustainable consumption and production patterns (waste management, sustainable production and consumption patterns, sustainable supply chain, etc.)</p>	<ul style="list-style-type: none"> • Partner of 'Entrepreneurs for Entrepreneurs' • Training of farmers in Tanzania
	 <p>Promote just, peaceful and inclusive societies, ensure access to justice for all and build effective, accountable institutions at all levels</p>	<ul style="list-style-type: none"> • Lotus Bakeries Code of Conduct

OUR SUSTAINABILITY PROGRAMME IN PRACTICE



01. THANKS TO OUR EMPLOYEES, WE MAKE A DIFFERENCE

Offering pleasant work in a challenging environment is our motto. Our employees' well-being and an inspiring corporate culture form the key objectives of our first pillar of sustainability. Lotus Bakeries focuses on sustainable growth by means of which it wants to offer long-term employment opportunities.



Our corporate values are TOP

Team spirit: each link in the process is equally important, from marketing to production and packaging. It is essential to work as a well-oiled team. We work together every day to make Lotus Bakeries a success, in a safe and inspiring working environment.

Open dialogue: a listening, open attitude, proactive communication and respectful feedback are priorities in dealings with and between employees. This is put into practice via regular departmental meetings, use of internal communication platforms and promotion of two-way communication between employees.

Passion: our employees' dedication and commitment are evident on a daily basis in the workplace. In their justified pride in our products, for example. Investing in our employees benefits the whole company.

The first challenge for Lotus Bakeries is to attract competent employees who reflect the TOP values. Lotus Bakeries wants to offer its consumers high-quality products and for this it needs to be able to rely on capable employees who go about their work confidently and efficiently. Once they are on board, it is a question of retaining these engaged and motivated TOP talents in the company so that the knowhow these employees have acquired is not lost. Here, the focus lies on giving employees opportunities to develop, offering adequate training opportunities, but also making sure that there are sufficient challenges within the Group for employees who are hungry for more.

A second challenge to the production environment of Lotus Bakeries is the safety and well-being of employees. 'Safety first' is always top of the agenda.

Corporate values and competencies a priority in recruitment

When selecting new employees, the competencies of the applicant and the TOP corporate values are paramount. During the selection process, the applicants meet several Lotus Bakeries employees and, where relevant, undergo an external assessment adapted to the role for which they are applying. The aim is twofold: to create a broad platform for selecting the candidates with the best set of skills and competencies for the role in question and to give the candidates a better idea of the corporate values and culture. In this way, we believe that we can employ a diversified group of employees who all have the TOP values in common.

Lotus Bakeries does not apply any quotas based on gender, age, nationality, language or any other factor. We recruit each candidate using the same process described above, subject to internal and external assessments of competencies, skills and corporate culture, regardless of origin,



Arbovignet for Lotus Bakeries Netherlands

The Dutch Working Conditions Act, known as the Arbowet for short, contains rules for promoting the health, safety and well-being of employees and preventing occupational accidents. The Dutch Association for the Baking and Confectionary Industry (VBZ) has developed an "Arbovignet" or occupational health and safety label for the industry. Both the plant in Enkhuizen and the plant in Geldrop have proved that they can meet the high quality standards and been awarded the label.

age, gender and nationality. For each role within Lotus Bakeries, a job weighting is performed, based on which a pay package is defined for each role, so that an objectively determined pay package is available for each candidate.

We find that Lotus Bakeries' objective recruitment policy results in excellent gender diversity, with 51.1% female and 48.9% male employees.

Once on board, Lotus Bakeries aims for thorough onboarding, in which new Lotus members are immersed in our company, our products, our brands and our culture. For example, in Belgium, three induction days with a total of 91 participants were organized in 2017.

Clear about our objectives

Only when we are all working towards the same goal, can we realize our long-term objectives together and with even greater pleasure in our work. For this reason, we communicate about these long-term objectives via various internal channels. The various departments then determine their own priorities based on this general direction and devise an action plan to achieve this.

Building bridges

Lotus Bakeries wants to build bridges between all of its employees. This happens firstly through treating one another with respect and care. It is not by chance that team spirit is one of the TOP values. To enhance cooperation between employees, Lotus Bakeries fosters clear communication throughout the entire Group, locally and internationally, including via our information sharing system LotusLink SharePoint. Teambuilding activities are also organized so that employees can get to know one another outside their everyday context. Finally, Lotus Bak-

eries has appointed several well-trained confidential counsellors whom employees can approach.

Plenty of growth within the organization

We are convinced that internal mobility is one of the keys to greater commitment and improved employability for our employees. Accordingly, Lotus Bakeries constantly offers its employees new opportunities and we can foster a long career in the company. At Lotus Bakeries Netherlands, for instance, we managed to fill more than 75% of our vacancies internally last year. Employees are given a new set of tasks or different responsibilities to enable them to develop to the full within the organization. In 2017, we were able once again to give several Lotus employees the opportunity to gain experience abroad as expats. Regular training opportunities are also offered. This contributes to the continuous development of skills and high-grade competencies among the Lotus team.



**Lotus Bakeries Netherlands:
the most vital company in
Noord-Brabant 2017 and top
3 most vital company in the
Netherlands!**

In 2017, Lotus Bakeries Netherlands was rewarded for its continuous investment in sustainably deployable employees, for whom it has developed a true vitality policy with actions to promote a safe, healthy and pleasant working environment and activities to boost the physical and mental vitality of employees: standing desks, table football, personal coaches, boot camp in the car park, stop smoking workshops, free fruit and reusable drinking bottles. All to be healthy and fit and make a good impression.

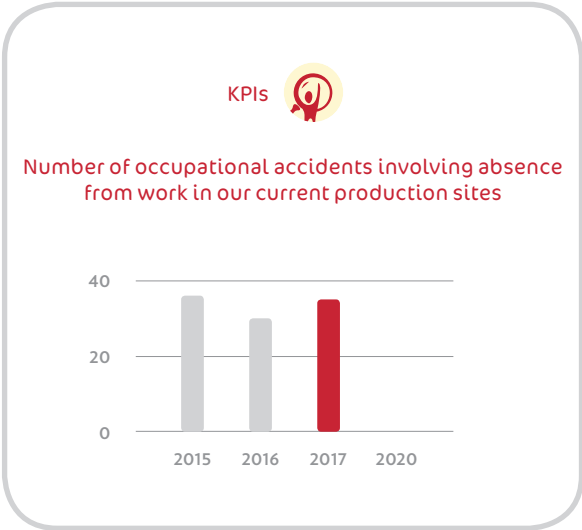
‘Safety first’ top of the agenda

Our employees’ well-being depends first and foremost on a safe working environment. An accident can happen any time, and a moment’s carelessness can have serious consequences on a production floor. That’s why ‘safety first’ is always top of the agenda at work meetings. Our employees and managers discuss safety situations on a daily basis and we are committed to bringing about improvements across the board.

Unfortunately, in 2017, these efforts did not lead to a fall in the number of occupational accidents compared with 2016. In 2017, there were a total of 35 occupational accidents resulting in absence from work across all Lotus Bakeries Group sites and - although none of them could be classed as a serious occupational accident - that is 35 too many. The fact that some departments and even some factories have kept the counter at zero for several years strengthens our assurance that we must continue our efforts just as strongly to achieve our ultimate goal: ‘zero’ occupational accidents across all Group sites.

Healthy and fit for the day

Lotus Bakeries believes that paying attention to health and fitness benefits both the employee and Lotus Bakeries. Lotus Bakeries aims to offer a pleasant working environment with a variety of facilities such as standing desks to encourage working standing up, showers so that employees can easily cycle to work, sufficient expanses of glass to create light and airy offices.





02. ENJOYING OUR SUSTAINABLE PRODUCTS RESPONSIBLY

Ensuring that people enjoy our products to the full but responsibly, now and in the future. We are committed to this day after day as part of our second pillar of sustainability.

Lotus Bakeries wants to be able to offer its consumers delicious, high-quality snacks, for all times of the day, in both the biscuits and cakes and the natural snacking category. Within the range of biscuits and cakes, the emphasis is on enjoyment, but with a constant focus on a healthy balance between enjoyment and health. In the natural snacking range, the primary focus is on health, but with the aim of offering healthy, natural products which are also really tasty. Lotus Bakeries wants to make 'tasty' as healthy as possible and 'healthy' as tasty as possible. Ensuring the quality, origin, composition and safety of our products is vital.

This policy is associated with many challenges. In order to be able to bring high-quality products to the market, funds need to be available to support research and product improvement. We need to be able to rely on a skilled internal R&D department. Ever-growing public awareness of healthy eating requires us to commit to a diversified offer of products and to analyze the product composition and keep updating it where possible.

Top quality right down the line

We work to achieve high-quality products and processes every day, accompanied by high levels of investment in research. Accordingly, our R&D department refines the composition of our products. In addition to their own expertise, they also rely on new insights into various ingredients from well-respected knowledge institutions and innovation platforms in the food industry. We learn a lot from one another too. In order to apply best practices in the other plants as soon as possible, we use a system of organized consultation. The constant striving for high-quality products and processes is audited both externally and internally (IFS, BRC, ACG) and all of our employees are closely involved in this.



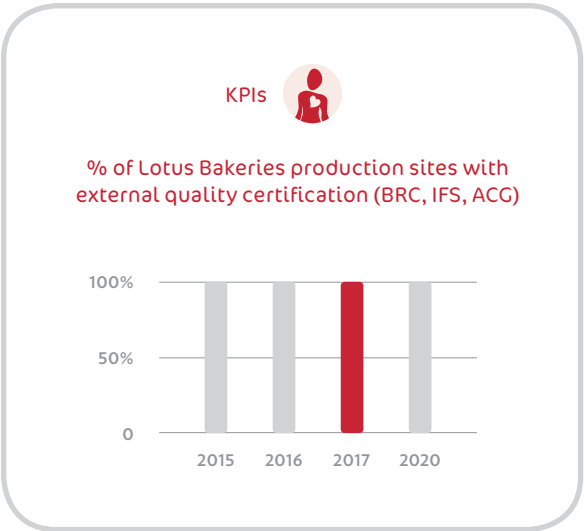


Less sugar and smaller portions

Offering both large and small packs means that consumers can deliberately opt to consume fewer calories. In this way we are responding to growing awareness of healthy eating. But we are also working on reducing sugar and salt content and the amount of saturated fat in our products and identifying natural flavourings. This is paying off, as shown by the success of our ‘Zero’ concept, in which sugar is replaced by a natural substitute. From the launch of Peijnenburg Zero in 2015 to the end of 2017, 300 million cubes of sugar have already been saved. Following Peijnenburg Zero, a version with no added sugar was also added to the Snelle Jelle range in 2016. We also launched the www.rogge.nl website on which we reveal the composition of our various varieties of gingerbread, including the number of calories per portion.

The right snack for all times in the day

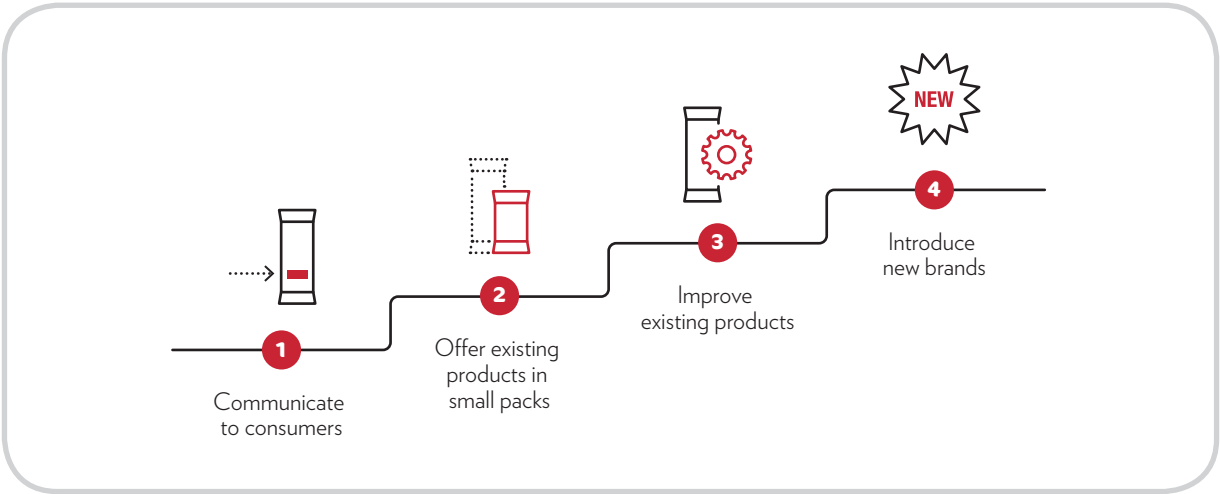
Breakfast, coffee break, on the go ... Every consumption moment needs the right snack. To fulfil consumer requirements, we are constantly looking for new opportunities. We found these in 2015 in the natural snacks of Natural Balance Foods (Näkd and TREK) and Urban Fresh Foods (BEAR and Urban Fruit). Our Natural Foods business unit is not just experiencing significant growth in its home market, the UK. The launch of these products in the Netherlands was highly successful and the ‘healthy snacking’ category now occupies a significant place on supermarket shelves. In 2017, we also took the first steps in the US where our BEAR products are available in more than 4,000 coffee shops nationwide. We are well on the way to continued expansion in Europe, especially in Belgium and France.



Lotus has always paid attention to accurate and clear communication to consumers. Our strategy is to offer every consumer a versatile range of responsible snacks for every consumption moment in different packaging formats. We're investing heavily in R&D to make our existing range healthier and healthier. Without impacting on taste or quality, because it still needs to be a treat. In 2015, we also began exploring the whole new natural snacking segment based on dried fruit and nuts. With Nākd, TREK and Urban Fruit, we target active twenty- and thirty-year-olds, while BEAR is aimed at kids with its colourfully packaged fruit rolls.



Isabelle Maes,
CEO Natural Foods





03.

SYSTEMATICALLY REDUCING OUR IMPACT ON THE ENVIRONMENT

When it comes to respect for the environment, we leave nothing to chance. From purchasing to production and packaging: care for our living environment is key. As part of the third pillar of sustainability, we continuously monitor and improve the impact of all of our processes on nature.

Lotus Bakeries wishes to achieve sustainable growth. Compliance with the relevant environmental legislation is an obvious aim. Our goal goes further. Lotus Bakeries closely monitors the impact of its activities on the environment and constantly strives to reduce its ecological footprint.

Based on the materiality matrix, we have identified some key environmental risks. Firstly, Lotus Bakeries now sells products in around sixty countries and produces them in four – soon to be five – countries, so that we have to deal with constantly changing legislation, including in relation to the environment. Reducing waste, but also cutting energy, CO₂ and water consumption are also a key focus in the food sector. Finally, the purchasing side presents various challenges, regarding traceability and compliance of our suppliers with principles corresponding to those valued by Lotus Bakeries with regard to the environment and society.





Professional quality department

Our Corporate Quality Assurance department is responsible for constantly monitoring changes in the law and incorporating them in our Quality Management System (QMS). Among other aspects, the department ensures that there is clear information on packaging in accordance with the law, so that the consumer is well informed about our products and their ingredients. Suppliers and their products are also tested against the requirements that Lotus Bakeries imposes on them, so that we can offer consumers high-quality, safe food products. Quality guarantees are constantly monitored by laboratory testing and supplier evaluations.

Reducing and preventing waste

By systematically optimizing the production process, we keep our production waste as low as possible. Anything left over from production is processed into animal feed, but we also intend to minimize waste flows through more efficient use of ingredients.

We also help consumers waste less food by offering a choice of different packaging formats. And we are increasingly using portion packs. The idea behind this: throwing away food is much more damaging to the environment than using a few extra grams of plastic to package portions separately.



Deliberate choice of plastic

Through our packaging, we are responding to two major trends: less damage to the environment and longer shelf life. Since our plastic packaging keeps the product fresh for longer, we prefer that material. And despite its not so good reputation, the lion's share of our consumer packaging is made of plastic. If we take into account the overall impact on the environment, plastic packaging scores overall well. This is because the material is much lighter than say cardboard, so we need much less of it. We also consider it our duty to follow trends and developments in the area of recycling and implement them where possible.

Reducing energy consumption and emissions

Our aim is to consume less energy and gas per kilogramme produced every year. In 2017, investments were made in new production lines on several sites so as to be able to keep pace with the growth of the company. However, starting up new production lines requires considerable adjustment of machinery and training of staff before the desired yields are achieved. This is also the main reason why we have not managed to reduce our energy consumption per tonne of end-product produced compared with 2016. We expect that the efforts, investments, training and targeted campaigns which took place in 2017 will enable a saving of CO₂ emissions per tonne produced to be achieved once more in 2018.

Our gas consumption is also offset via the WWF Gold Standard programme and our electricity is green. The result of all these efforts: since 2015, Lotus Bakeries' production has been CO₂ neutral.



Raising awareness among employees of waste and emissions

Our employees are involved in reducing waste and emissions too. For example, Lotus has installed a LotusLink SharePoint platform whereby information is completely digitized and access to it facilitated. This is a significant step towards a paperless working environment. The use of modern means of communication is also promoted to reduce travel. Attention is also paid to a greener car fleet and research has begun into a bicycle leasing scheme for our employees in Belgium.

Local production in our largest export market

When developing a new product or a different packaging format, we always take the whole logistics chain into account. Such as optimal loading of pallets and trucks. In this way we minimize the impact of transport.

To supply our largest export market for Biscoff, we are even going a step further. The first Lotus Biscoff manufacturing facility outside Belgium will be built in North Carolina, US. As for our European factories, in the US we will purchase our raw materials and packaging materials locally as much as possible. Moreover, the production lines will be equipped with modern energy recovery technology. The aim is to organize all production for the US market locally. This will not only have a significant impact on our ecological footprint, we will also create new jobs in that region. The first Lotus Biscoff biscuits will roll off the production line there in 2019.

Traceable right back to the origin

We aim to make the industry as a whole and our supply chain in particular more sustainable. When we negotiate with a supplier, this topic is on the table.

Traceability is a key aspect of our supply chain policy. After all, once we know the origin of a product or ingredient, we can begin managing it. As far as possible, we use local ingredients and/or growing and harvesting conditions. Apart from less transport, this offers many other advantages as far as sustainability is concerned, including greater control over cultivation, land use and working conditions.

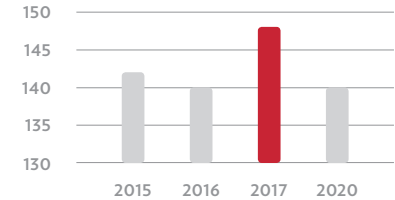
We are also a member of RSPO and a founder member of BASP, and all our current production facilities are RSPO-certified.

RSPO

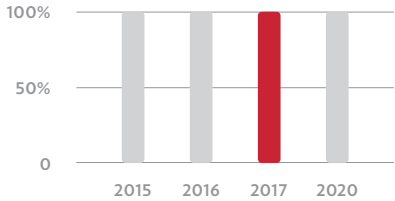
Roundtable on Sustainable Palm Oil



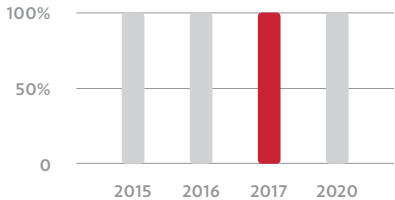
Emission of CO₂ equivalent emissions per tonne produced (in kgCO₂e/tonne) * in our current production sites



% of our current production sites that has achieved the CO₂ neutral label *



% of our current production sites that has achieved the RSPO-certificate



*These KPIs apply to scope 1 and 2 emissions and are calculated on the basis of Bilan Carbone.





04. WE PLAY OUR PART IN SOCIETY

Lotus Bakeries is in the midst of society and we are fully aware of our social responsibility. Under the fourth CSR pillar, we enthusiastically take on this role.

Locally, naturally, where we are present with our factories and sales organizations and where the main challenge lies in clear and accurate communication to consumers and in quality assurance for our products, these risks being adequately dealt with by Lotus' professional quality department and focus on top quality as discussed above.

Respect for human rights is in our company's DNA. Locally and internationally, in the Lotus Bakeries family, among its suppliers and other business partners. It is our duty to take steps to reduce the risk of violations of human rights - in whatever form. However, our social responsibility goes further: Lotus Bakeries also actively supports local and international social initiatives.

In its social role, Lotus Bakeries also guards against fraud and corruption and the social damage that can result from this.

These aspects deserve attention as, like similar companies, we are faced with the risks of the market: the geographical scale of our buying and selling activities, the cultural and regulatory differences in all these countries and the multitude of actors from purchase to sale. The risk of corrupt practices is relatively low for our company since we do not have any production facilities or our own sales offices in countries with a Corruption Perception Index of below 57, except for South Korea (CPI score 54) and China (CPI score 41). This is compared to a global average

CPI score of 43 and an increased risk for a CPI score below 50 (source: "Transparency International 2017").

Internal control environment

Lotus Bakeries strongly believes in internal control systems which support the sustainable business operations within Lotus Bakeries. Within the company, we rely on the ICT systems in place and the general internal control system. Accordingly, in 2017, we can speak of integrated and automated business operations thanks to the connection of virtually all Lotus Bakeries entities to our ERP system.

Internal code of conduct

Respect for and promotion of human rights and the fight against bribery and corruption are self-evident at Lotus Bakeries. It is no coincidence that the corporate culture of Lotus Bakeries is expressed in the TOP values of 'team spirit', 'open dialogue' and 'passion'. The management of Lotus Bakeries emphasizes these values based on respect for fellow human beings, transparency, togetherness and the purity of pleasure in our work. The focus lies on upholding these values in our own organization. We also focus on the activities of our suppliers of raw materials and packaging materials and co-manufacturers.

Since 2012, Lotus Bakeries has summarized its internal code of conduct in the 'Code of Conduct', which is regularly reviewed in the light of changed

circumstances. In this document, employees are reminded that bribery is unacceptable in our company, that employees must not accept any personal gifts or favours irrespective of material or commercial value except for small gifts in line with generally accepted commercial practice and that any form of inappropriate, unethical or illegal behaviour is absolutely forbidden. Armed with this code of conduct, Lotus Bakeries intends to ensure uniform respect for the above principles. In view of the increased risk of bribery in both China and South Korea, the ban on bribery and a strict gift and entertainment policy is included in the contract of employment and/or employee handbook in both countries.

The result of all this is that compliance with the law and ethical standards, respect for one another, open dialogue, collaboration, focus on training and development are not empty concepts in our company. The members of the Executive Committee and senior management who have determined these values display this corporate culture. This corporate culture is applied daily by our employees. We are therefore not aware of any case of fraud, bribery or unethical behaviour in 2017. Hence there is no need for key performance indicators in this area at present.

Healthy lifestyle: catch them young

Anyone who learns about healthy eating and a healthy lifestyle as a child will reap the rewards in later life. Based on this reasoning, our site at Geldrop in the Netherlands has teamed up with the JOGG organization, which promotes a healthy weight among young people. Nationally speaking, we have also signed up to 'healthy school canteens' and, in partnership with JOGG, we offer healthy alternatives for breaktime by introducing Nâkd and Peijnenburg Zero.

WWF Gold

As already stated, our gas consumption is offset via a WWF Gold Standard programme. We have chosen the 'Saving trees' project. The project facilitates the dissemination of different cooking technology by using new cookstoves. This is having a significant impact, including: reducing deforestation, reducing CO₂-emissions and saving time and money for users.



Partner of 'Entrepreneurs for Entrepreneurs'

When Entrepreneurs for Entrepreneurs was founded almost two decades ago, Lotus Bakeries was one of its partners right from the start. After all, the mission of helping entrepreneurs in developing countries was a perfect fit for our family values. Today we are still actively involved as a key member of this not-for-profit organization.

Tanzanian young people on the road to entrepreneurship

As part of Entrepreneurs for Entrepreneurs, together with ngo Trias, we help young people in Tanzania who want to start their own business. Agriculture is the largest employer in the East African country, but due to limited access to land and means of production, this sector has less and less to offer young farmers.

So, in conjunction with two nationally recognized membership organizations, Trias provides training, support and finance for over 2,000 young farmers. The focus is on improving crops and increasing production, along with the commercial side of the business. We want to train them up to become enthusiastic entrepreneurs so they can take their future in their own hands.

Promoting entrepreneurship in Benin

In the north of Benin, fonio is one of the staple food crops, which can be used in many ways. However, crops have been declining for several years. Via Entrepreneurs for Entrepreneurs and Louvain Coopération, Lotus Bakeries supports a project with the goal of ensuring continuous access all year round to healthy and nutritious food products for 8,000 families. For this, 850 microprojects have been set up and 3,300 families helped to produce fonio.



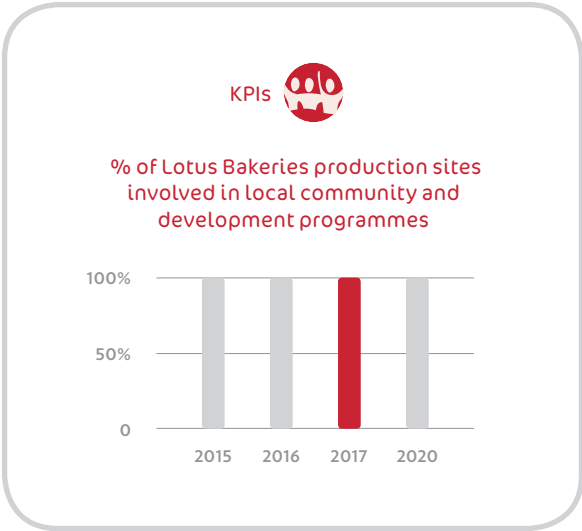
Cunina is a well-known ngo, but we retain our small-scale, pragmatic, authentic and family character. We don't want to be the biggest organization, but above all try to set an example, prioritizing transparency, credibility, authenticity, efficiency, innovation and sustainability.

Mrs Vangheel, founder of Cunina



Child sponsorship with Cunina

It was our wish to provide extra support in developing regions, especially in education. We wanted to increase the involvement of our employees. In 2017, we initiated a project with Cunina and the employees of Lotus Bakeries Corporate were given the opportunity to become sponsors. All sponsored children will be offered education from the first year of primary education to the final year of secondary education. The Lotus employees involved will communicate with the children they sponsor several times a year, receive their photo and school report and be able to follow their development. We chose a school in South Africa, due to the link with the manufacture of our BEAR products there.





INDEPENDENT LIMITED ASSURANCE REPORT ON CARE FOR TODAY – RESPECT FOR TOMORROW SECTION OF THE ANNUAL REPORT 2017 OF LOTUS BAKERIES AND ITS SUBSIDIARIES

This report has been prepared in accordance with the terms of our engagement contract dated 5 December 2017, whereby we have been engaged to issue an independent limited assurance report in connection with selected indicators in the Care for Today – Respect for Tomorrow section as of and for the year ended 31 December 2017 in the accompanying Annual Report 2017 of Lotus Bakeries and its subsidiaries (the “Report”).

Responsibility of Board of Directors

The Board of Directors of Lotus Bakeries (“the Company”) is responsible for the preparation of the selected indicators, for the year ended 31 December 2017, presented in the tables on pages 105, 107, 112 and 117 in the Care for Today – Respect for Tomorrow section of the Report (the “Subject Matter Information”), in accordance with the criteria disclosed in the Care for Today – Respect for Tomorrow section.

This responsibility includes the selection and application of appropriate methods for the preparation of the Subject Matter Information, for ensuring the reliability of the underlying information and for the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility of the Board of Directors includes the design, implementation and maintenance of systems and processes relevant for the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an independent conclusion about the Subject Matter Information based on the procedures we have performed and the evidence we have obtained. We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) “Assurance Engagements other than Audits or Reviews of Historical Financial Information”. This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain limited assurance as to whether nothing has come to our attention that causes us to believe that the Subject Matter Information is not fairly stated, in all material respects, based on the Criteria.

The objective of a limited-assurance engagement is to perform the procedures we consider necessary to provide us with sufficient appropriate evidence to support the expression of a conclusion in the negative form on the Subject Matter Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

PwC Bedrijfsrevisoren cvba, burgerlijke vennootschap met handelsvorm - PwC Reviseurs d'Entreprises srl, société civile à forme commerciale - Risk Assurance Services
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The selection of such procedures depends on our professional judgment, including the assessment of the risks of management's assertion being materially misstated. The scope of our work comprised the following procedures:

- assessing and testing the design and functioning of the systems and processes used for data-gathering, collation, consolidation and validation, including the methods used for calculating and estimating the Subject Matter Information;
- conducting interviews with responsible officers;
- inspecting internal and external documents.

We have evaluated the Subject Matter Information against the Criteria. The accuracy and completeness of the Subject Matter Information are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information. Our Limited Assurance Report should therefore be read in connection with the Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our audit firm applies International Standard on Quality Control (ISQC) n° 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on the procedures performed, as described in this Independent Limited Assurance Report, and the evidence obtained, nothing has come to our attention that causes us to believe that the selected indicators, for the year ended 31 December 2017, presented the tables on pages 105, 107, 112 and 117 in the Care for Today – Respect for Tomorrow section of the Report, is not fairly stated, in all material respects, in accordance with the Criteria.

Restriction on Use and Distribution of our Report

Our assurance report has been made in accordance with the terms of our engagement contract. Our report is intended solely for the use of the Company, in connection with the Care for Today – Respect for Tomorrow section as of and for the year ended 31 December 2017 and should not be used for any other purpose. We do not accept, or assume responsibility to anyone else, except to the Company for our work, for this report, or for the conclusions that we have reached.

Sint-Stevens-Woluwe, 5 April 2018

PwC Bedrijfsrevisoren bvba,
Represented by

Marc Daalder
Bedrijfsrevisor

Peter Opsomer
Bedrijfsrevisor

NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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Concept and realisation

Focus Advertising and Lotus Bakeries

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