



BEING GREAT IN LITTLE THINGS TOGETHER

Annual review 2018

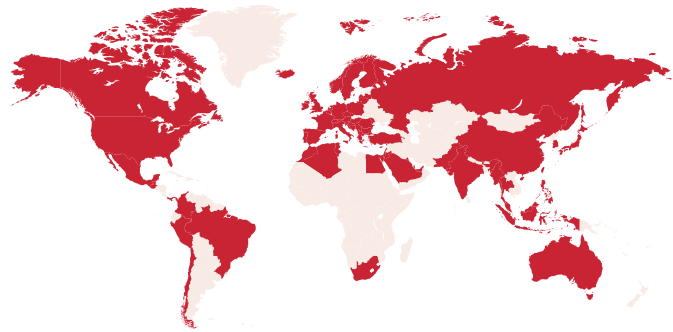


Jamila's favourite ... Lotus Biscoff!

"Lotus Biscoff is my favourite biscuit, because the crispy texture & caramelised flavour are very unique in China. Whenever our employees meet a customer, I tell them to start the meeting with a Lotus Biscoff. The surprising flavour of our small biscuit makes sure the meeting always starts with a pleasant vibe. We are introducing this great product to more people in more occasions, get bought more often & easier."

— Jamila Xiao, Sales Director/Acting country manager China





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

2018 was a year to be proud of. A year with many commercial highpoints, a fantastic acquisition and some great investment projects making good progress.

Achievements to be proud of

2018 was a year with many wide-ranging achievements to be proud of. Here are a few examples: Lotus Bakeries was ranked second for the company with the best reputation in Belgium. We launched brand-new packaging for our Lotus Biscoff range. A splendid design that looks great on the shelf in store. We also achieved a production record in the factory in Lembeke: 50 million kilogrammes of biscuits produced. This was partly thanks to the start-up of an additional production line in the third manufacturing hall.

Commercial highpoints

We achieved many successes commercially.

It's important for the future of Lotus Biscoff that we achieve consistent success in large consumer markets such as the US and the UK.

Lotus Biscoff continues to perform strongly in many countries. We are conquering bigger and bigger consumer markets with the taste of our original caramelised biscuits. It's important for the future of Lotus Biscoff that we achieve consistent success in large consumer markets such as the US and the UK.

We are also proud of BEAR's impressive breakthrough in the US. And in the Netherlands and Belgium, distribution of Nakd and BEAR in super-markets continued to expand.

Last year, we brought all of our distributors for Biscoff and BEAR together for an inspiring Lotus seminar. We can look back on two successful events in the UK and the US, where we brought together people from more than 30 different countries. It was great to see how we were able to inspire this international group.

<

Jan Vander Stichele
Chairman
Jan Boone
CEO

Local 'hero' products were also successful once more. For example, in Belgium, the launch of Tartélice went down very well. Dinosaurus is doing fantastically too and we achieved a record market share for the Lotus brand in the Belgian market.

Healthy snacking for babies and toddlers

That's not all that happened in 2018. We made a fantastic acquisition in the UK in the summer: Kiddylicious, a market leader in healthy snacking for babies and toddlers, is now part of the Lotus family. Kiddylicious isn't just a good fit for our vision and strategy, the brand also goes well with our other brands belonging to the Natural Foods Business Unit.

Like BEAR and Nākd, Kiddylicious is a young brand and a young company that's growing and developing strongly. To foster this growth, we give these young brands and companies a high degree of autonomy, coupled with support from our international and corporate Lotus vision.

Kiddylicious, a market leader in healthy snacking for babies and toddlers, is now part of the Lotus family.

Two giga-projects

2018 is also the year in which two giga-projects steamed ahead: the construction of the new Biscoff factory in the US and the BEAR factory in South Africa.

At Lotus, we're always looking for the right people to fill vacant positions. So, it gives us great satisfaction that internal Lotus managers are at the helm of these projects. That's not all, it's heart-warming that we can count on many colleagues from the Lembeke factory to make the construction and start-up of the new factory in the US a success.

Good causes

As of 2018, Lotus Bakeries supports Kusasa, a special educational project in South Africa's Western Cape Province. The people behind Kusasa have built a new primary school and recruited highly skilled teachers to give children from the shanty towns a decent education. Thanks partly to the support of Lotus Bakeries, 150 children receive a good basic education every year and can look forward to a better future.

We want to help make the world a better place for different people in a sustainable way. However, since we realise we can't improve the whole world, we deliberately choose "educational projects for children". We use part of our profits to support these educational projects, making a positive change to the lives of hundreds of children. Besides Kusasa, we also support other educational projects.

Our company is growing,
brimming with ambition
and health.

Looking ahead

In 2019, we'll be opening two factories on two new continents: in North America and South Africa. There's still some hard work to do before we can cut the opening ribbons for these factories, but the projects are on schedule. As a result, by the end of 2019, we'll reach the milestone of 2,000 employees for the first time.

We have plenty to cope with in 2019. Many external factors will affect our business: Brexit, e-commerce, new governments, trade wars and the environment, to name but a few. No one knows exactly how it will all turn out, but Lotus Bakeries is ready to face these challenges in the coming years.

Our company is growing, brimming with ambition and health. And we continue to invest in the right people, at corporate level, in different countries and in our factories. We set the bar high for everyone who wants to join us. That's because we only want Lotus employees who are a strong fit with our culture, a culture of teamwork, ambition and a dynamic approach. We're a dynamic company and we express this to the outside world through our employees.

A stylized, handwritten signature in black ink, consisting of a large, looped 'J' followed by a horizontal line.

Jan Boone
CEO

A stylized, handwritten signature in black ink, featuring a large, looped 'J' followed by a horizontal line.

Jan Vander Stichele
Chairman

2018

AT A GLANCE

January

Biscoff redesign

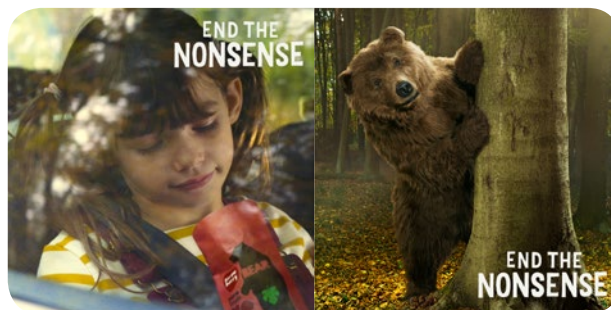
The new design for Lotus Biscoff is launched successfully.



January

BEAR on TV for the first time in the UK

The first national TV campaign for BEAR in the United Kingdom.



April

Ranked No 2 for companies with the best reputation

Lotus Bakeries is runner-up for companies with the best reputation in Belgium.



March

Integration of BEAR production activities

Agreement to transfer BEAR's production activities to South Africa. Lotus will become owner of a brand-new plant for the production of BEAR.

April

Launch of Tartélice

Lotus Bakeries launches two new pastries: Tartélice Chocolat and Tartélice Framboise.



February

Sponsorships

The employees from Lotus Bakeries Corporate sponsor children in South Africa and commit to offer the children they sponsor 12 years of primary and secondary education.





June

Additional production line for Plant 3 in Lembeke goes into operation

In June 2018, an additional production line went into operation in the third production hall in Lembeke.



May

Appointment of new director

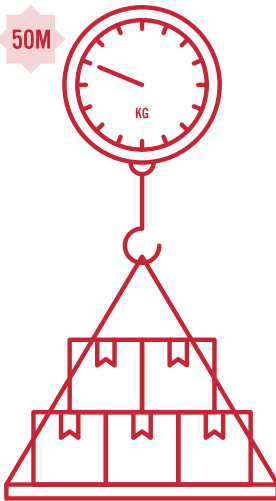
Michel Moortgat is appointed to Lotus Bakeries' Board of Directors as independent director.

July

Acquisition of Kiddylicious

Lotus Bakeries acquires Kiddylicious and is now active in the healthy snacking segment for babies and toddlers.





August

Production record

A production record is achieved in Lembeke; 50 million kilos in the last 12 months.



December

Shell of Biscoff factory in Mebane, US, complete

The Lotus Biscoff factory in Mebane is wind-tight and is being fitted out with the necessary utilities.

September

International Partner Meetings

Successful International Partner Meetings in the UK and the US for distributors of Biscoff & BEAR.



October

Support for the Kusasa project

Lotus Bakeries supports a second educational project in South Africa, Kusasa, which supports schoolchildren financially, academically and socially.



November

Lotus Bakeries - 30 years on the stock market

It's been 30 years since Lotus Bakeries was floated on the Brussels stock exchange (since 2002 Euronext Brussels).



SUBSTANTIAL INVESTMENT IN NEW PRODUCTION LINES AND FACTORIES



LOTUS BAKERIES FACTORY IN THE US

In the second half of 2019, the first Lotus Biscoff biscuits will roll off the conveyor belt in the factory in Mebane, North Carolina, USA. The construction of the factory and the production lines is making steady progress and the start-up team has been recruited.

Last February, it was just a 15-hectare field with a few trees here and there. The same piece of land now houses a Biscoff factory covering more than 11,000 m² where a billion biscuits can be baked each year and more than 50 people will work by the end of 2019.

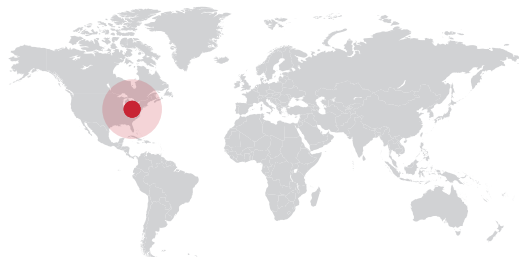
Johan Wilms, Sourcing & Finance Director



From the left to the right: Johan Wilms, Bart Vanterwyngen, Els Van Parys, Jan Boone, Isabelle Maes, Dick Pouwels

The first meeting with our future plant team was hugely inspiring. It's fantastic to see how enthusiastically this team is working to make the new factory a success!

Bart Vanterwyngen, Operations Director



Area (m²)



11,600

Employees



±50

Capacity at
start-up (tonnes)



> 8,000



BEAR FACTORY IN SOUTH AFRICA

The new production facility for BEAR is currently under construction. In the course of 2019, the integration of the factory, along with control over BEAR's production process and know-how, will be complete.



From the left to the right: Annelies Santens, Els Rutsaert, Jan Boone, Isabelle Maes, Donald Matheson, Brechtje Haan

It's a unique experience to be part of this story: not many people get the opportunity during their career to help design and build a new factory in a country like South Africa.

Els Rutsaert, Corporate Quality Manager

I'm most looking forward to welcoming 300 new colleagues into the Lotus family. The BEAR team in South Africa is extremely proud to be relocating to the new factory and be part of the ambitious and international Lotus Bakeries.

Brechtje Haan, General Counsel



Area (m²)



3,800

Employees



300

Capacity at
start-up (tonnes)

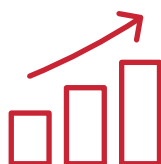


> 2,000

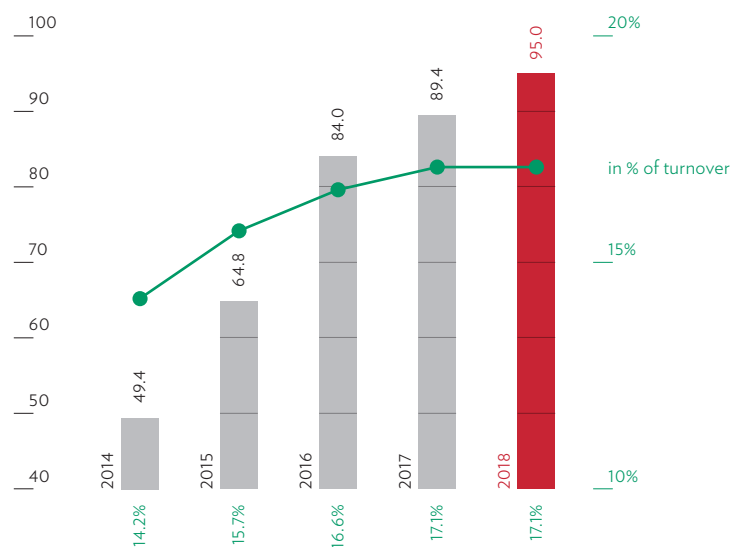
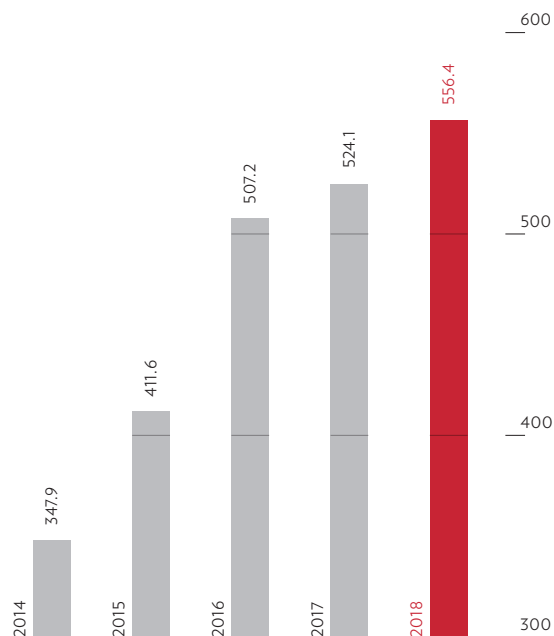
CONSOLIDATED KEY FIGURES 2018

TURNOVER

(in millions of EUR)



2018 **556.4**
2017 **524.1** | **+6.2%**



REBIT

(in millions of EUR)

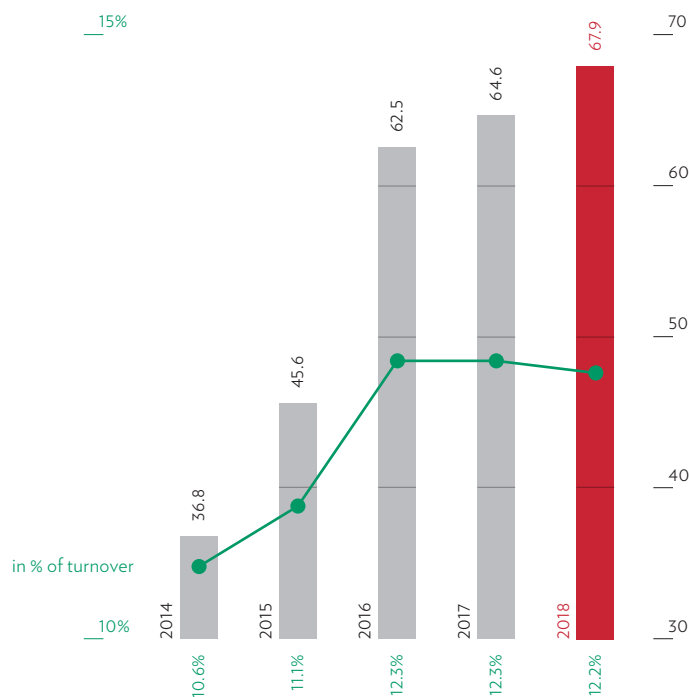
2018 **95.0**
2017 **89.4** | **+6.4%**



NET RESULT

(in millions of EUR)

2018 **67.9**
2017 **64.6** | **+5.1%**



Consolidated income statement

IN MILLIONS OF EUR	2018	2017	2016	2015	2014
TURNOVER	556.44	524.06	507.21	411.58	347.89
RECURRENT OPERATING RESULT (REBIT)	95.03	89.35	83.95	64.76	49.43
RECURRENT OPERATING CASH FLOW (REBITDA)	110.34	104.33	101.60	82.58	67.02
Non-recurrent operating result	(3.01)	(0.09)	4.51	(1.75)	(0.26)
OPERATING RESULT (EBIT)	92.03	89.26	88.45	63.02	49.17
Financial result	(3.32)	(2.23)	(2.68)	(0.78)	0.02
PROFIT FOR THE YEAR BEFORE TAXES	88.70	87.03	85.78	62.24	49.19
Taxes	20.83	(22.40)	(23.32)	(16.62)	(12.42)
RESULT AFTER TAXES	67.87	64.63	62.45	45.61	36.77
NET RESULT - attributable to:	67.87	64.63	62.45	45.61	36.77
Non-controlling interests	0.96	1.09	1.21	0.20	(0.00)
Equity holders of Lotus Bakeries	66.91	63.54	61.25	45.41	36.78

For definitions see financial supplement.

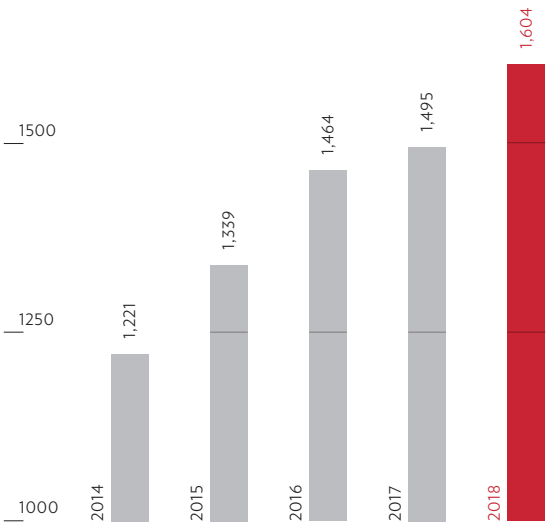
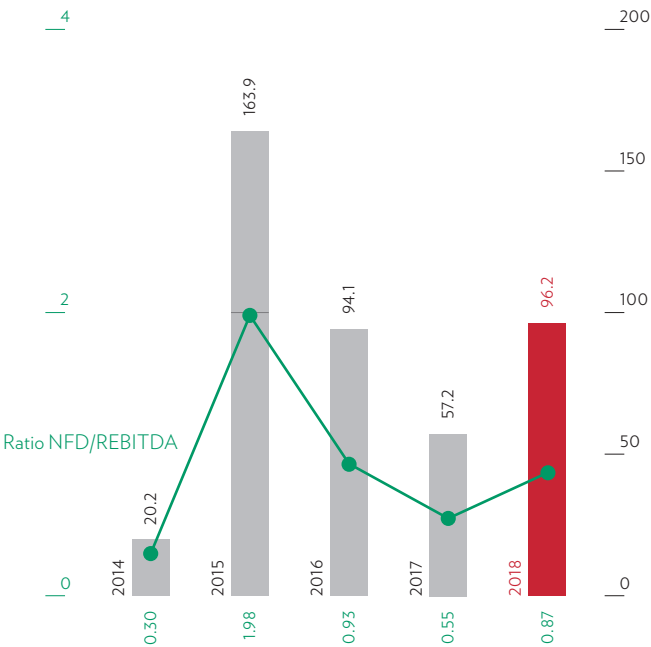


NET FINANCIAL DEBTS (NFD)

(in millions of EUR)

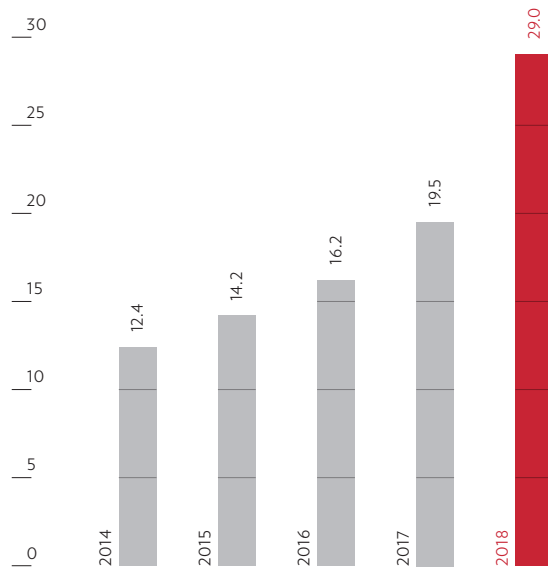
2018 **96.2**

2017 **57.2**



NUMBER OF PERSONS EMPLOYED

2018 **1,604** | **+7.3%**
2017 **1,495**



GROSS DIVIDEND

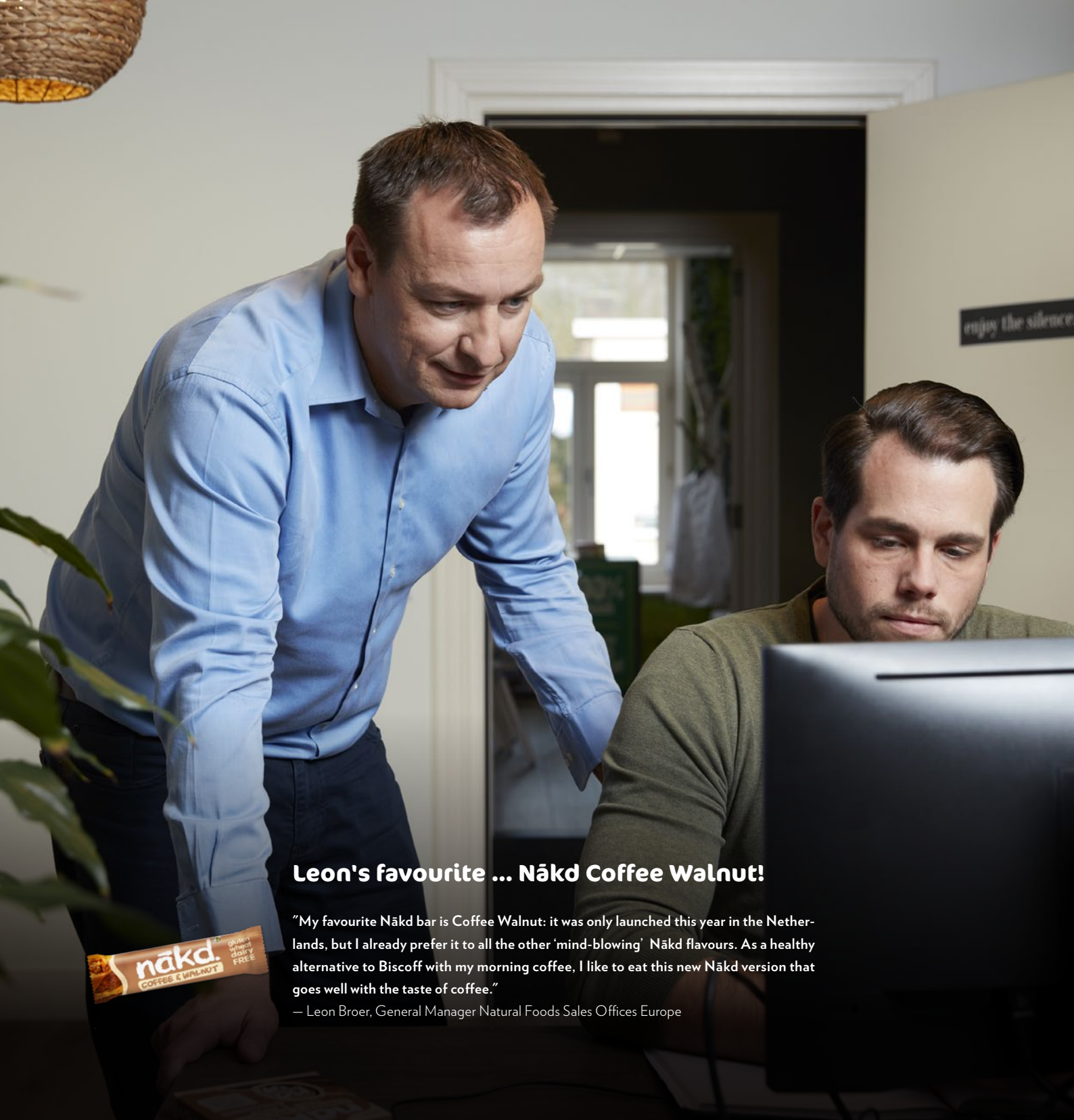
(in EUR)

2018 **29.0 EUR**
 2017 **19.5 EUR** | **+48.7%**

Balance sheet and key figures per share

IN MILLIONS OF EUR	2018	2017	2016	2015	2014
BALANCE SHEET					
Balance sheet total	711.57	597.49	548.00	571.22	336.99
Equity	346.93	293.21	248.46	217.53	200.63
Investments	62.70	28.24	37.50	16.07	16.55
Net financial debts	96.15	57.20	94.06	163.86	20.20
CONSOLIDATED KEY FIGURES PER SHARE in EUR					
Recurrent operating result (REBIT)	118.21	111.77	105.84	82.15	63.46
Recurrent operating cash flow (REBITDA)	137.26	130.51	128.09	104.76	86.03
Net result: share of the Group	83.23	79.48	77.22	57.61	47.21
Gross dividend	29.00	19.50	16.20	14.20	12.40
Weighted average number of shares	803,878	799,423	793,147	788,341	778,944
Total number of shares per 31 December	815,733	814,433	812,513	811,863	803,013

For definitions see financial supplement.



Leon's favourite ... Nākd Coffee Walnut!

"My favourite Nākd bar is Coffee Walnut: it was only launched this year in the Netherlands, but I already prefer it to all the other 'mind-blowing' Nākd flavours. As a healthy alternative to Biscoff with my morning coffee, I like to eat this new Nākd version that goes well with the taste of coffee."

— Leon Broer, General Manager Natural Foods Sales Offices Europe



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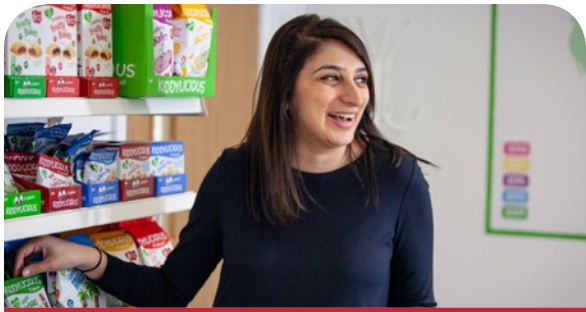
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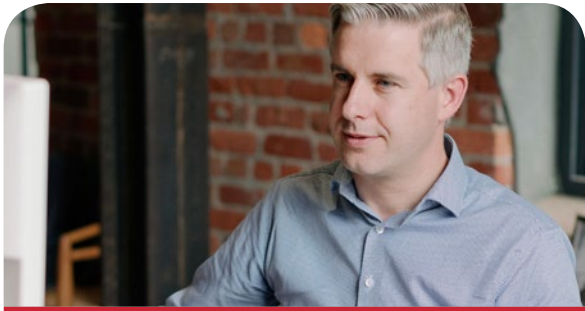
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Dee's favourite ... Kiddylicious Mini Coconut rolls!

"My favourite Kiddylicious product is our Mini Coconut rolls, simply because they taste so delicious that both babies and parents love them! It was the first coconut product on the baby fixture, and they are gluten, dairy and nut free, ideal for little ones exploring new tastes and textures."

— Dee Bulsara, Marketing Director Kiddylicious

CHAPTER 1

PROFILE LOTUS BAKERIES

1. MISSION STATEMENT AND STRATEGY

Lotus Bakeries is active worldwide in the snacking segment with the Lotus, Biscoff, Dinosaurus, Peijnenburg, Annas, Nākd, TREK, BEAR and Kiddylicious brands. By maintaining a healthy balance between tradition and innovation, Lotus Bakeries indulges consumers with a unique range of high-quality, tasty products. Lotus Bakeries aims to offer every consumer a versatile range of responsible and tasty snacks for every consumption moment. 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 realise 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.



Lotus Biscoff

Internationalisation of the Lotus Biscoff products



Delicious, high-quality products



Strong focus on the best performing products



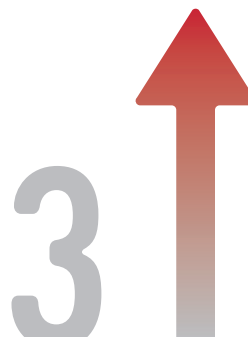
Natural Foods

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



Local Heroes

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



7 COMPONENTS



Communication with consumers



Continuous investment in employees, marketing and R&D



Targeted product innovations



Continuous improvement of manufacturing efficiency



Continuous commitment to Corporate Social Responsibility



Pillar 1: Lotus Biscoff

The first pillar focuses on the globalisation of Lotus Biscoff and Lotus Biscoff spread. Lotus Biscoff has a highly unique but accessible flavour, with a subtle caramel touch. Lotus Bakeries believes in the universal character of its original caramelised biscuit, and consequently its original caramelised 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 globalisation.

To support the further internationalisation 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 fifty countries and 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 a substantial percentage of households within a particular region consumes our products, we can start airing TV commercials to continue to grow steadily.

Pillar 2: Natural Foods

With the second 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, for the BEAR, Nākd and TREK brands, Lotus Bakeries initially focussed on their home market, the United Kingdom. Our existing sales organisations have achieved initial international successes for these brands in the Netherlands, Belgium and France. BEAR has also managed to penetrate the highly competitive retail market in the United States.

In 2018, Lotus Bakeries invested further in natural and healthy snacking with the acquisition of Kiddylicious, the fastest growing brand in the baby snacking category in the United Kingdom. Internationally, the brand has taken its first successful steps in Australia, China and Norway. This brand will also be further internationalised.

Since every strong brand has a proper 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.





Pillar 3: Local Heroes

Finally, there are our local core brands, the 'hero' products. We are present in 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 these local 'hero' brands in their home market, we can elevate these products from 'hero' to 'superhero'.

Lotus Bakeries' strategy is supported by the following components:

1. An offer of delicious, high-quality products to all consumers. 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 and R&D.
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 organisation as 'Care for Today – Respect for Tomorrow'.

MISSION STATEMENT LOTUS BAKERIES

Lotus Bakeries wishes to base its sustainable growth and profitability on offering present generations a versatile range of responsible and tasty snacks for every consumption moment, without compromising the opportunities for generations to come.



2. BRANDS AND PRODUCTS

Ever since Jan Boone senior founded Lotus Bakeries in 1932, the Lotus brand has been inextricably linked with original caramelised biscuits: a thoroughly Belgian product whose typical taste is due to the caramelisation during the baking process. Thanks to the acquisition of strong brands, the Lotus Bakeries Group is now active in both a broad traditional snacking segment and the natural snacking segment.

The global brand portfolio is of invaluable importance to the Lotus Bakeries Group. In both the category of biscuits and bakery 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 brands such as Lotus Biscoff, Nâkd, TREK, BEAR and Kiddylicious. Every Lotus Bakeries brand has its own DNA and target group, and its own story.





Lotus Biscoff biscuit

Our caramelised 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 caramelised biscuit is gradually conquering the world.

Outside the home markets of Belgium, the Netherlands and France, Lotus original caramelised 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. 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.



Lotus Biscoff spread

Our Lotus Biscoff spread is a spreadable, sweet spread with the familiar, unique taste of Lotus original caramelised biscuits. There are two varieties: crunchy and smooth. Both varieties offer an original, delicious alternative to traditional spreads. However, as well as being delicious on bread, this perfectly spreadable spread is also a favourite ingredient for desserts.

In 2018, a new version of this product was launched in the US, Lotus 'Biscoff & Go'. This snack combines delicious Lotus Biscoff spread with small breadsticks in a handy format to eat on the go.



Lotus Biscoff ice cream

Lotus Biscoff ice cream is a soft-scoop ice cream containing crunchy pieces of Lotus Biscoff biscuits and Lotus Biscoff spread. The ice cream is available in a family pack or in individual portions with the Lotus Biscoff ice cream cup. The ice cream range also includes Lotus Biscoff ice cream on a stick, mini-ice cream on a stick and an ice cream cone. The ice cream on a stick is made up of a core of Lotus Biscoff ice cream covered in a layer of crunchy Lotus Biscoff spread with a final coating of cracking real Belgian chocolate. The cone is filled with Lotus Biscoff ice cream, with a topping of Lotus Biscoff crumble and Lotus Biscoff spread.



Lotus cakes

Lotus Bakeries also offers consumers in Belgium a wide range of cake specialties, including Frangipane, Madeleine and Zebra. In 2017, 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. Following the successful redesign of the Lotus Biscoff range, the packaging design of other cake specialties such as Frangipane, Madeleine and Carré confiture was also modified. Last year, the range also saw the relaunch of Lotus Tartélice apple and the launch of two more varieties, Lotus Tartélice raspberry and chocolate, little round tarts that melt in the mouth, with a jam or chocolate filling.



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.

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, that contain the familiar basic variety—with milk chocolate or in a cereal version—in mini-format.



Suzy

Lotus Bakeries markets a waffle with pieces of pearl sugar as well as a vanilla waffle under this brand, plain or covered with dark chocolate. The waffles stand out thanks to their high quality, taste and texture. There are several formats: 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.



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.



Snelle Jelle

In 2002, the 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.

Snelle Jelle is a hit and is currently available in eight different flavours. There are also handy take-away 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 during the Christmas period. Special Annas pepparkakor houses are also sold there at that time of the year.

For the 2018 pepparkakor season, Lotus Bakeries launched a limited edition of Annas in Sweden - Annas Knäck. Annas Knäck has a deliciously sweet caramel flavour, which, combined with the classic character of the ginger biscuits, creates a perfect sweet and slightly spicy taste.



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 sports.

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 Cocoa Oat.



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 stabilisers.

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.



Kiddylicious

Kiddylicious was founded by Sally Preston in 2009 to help deliver delicious, nutritious food for little ones.

The brand includes an extensive range of responsible snacks which are healthier than alternative snacks consumed by children. Most products have no added sugars or salt and the majority of the range is free from dairy, lactose, gluten and allergens. The Kiddylicious brand—of which the most important products are Wafers, Veggie Straws and Melts—aims to offer a solution to busy parents looking for portion-controlled snacks that also benefit each stage of development.

Due to its diverse and innovative portfolio of baby snacks and meals, Kiddylicious is the fastest growing brand in the UK baby food market and has become a must-stock brand for all major retailers. The brand has also taken its first successful steps internationally, with four Kiddylicious snacks being consumed per second globally.



3. LOTUS BAKERIES 2018

01. SUPPORT FOR TWO EDUCATIONAL PROJECTS IN SOUTH AFRICA

“Our financial support can make a difference for many children and their environment.”

‘Care for today, respect for tomorrow’: that is the slogan of Lotus Bakeries’ sustainability programme. Not hollow words, but a real plan which the company is putting into practice—partly by supporting two educational projects in South Africa financially. “We deliberately chose educational projects”, explains Corporate Director Quality, Procurement & R&D William Du Pré. “Because education is a way of rescuing children from the vicious circle of poverty.”

Lotus Bakeries’ sustainability programme consists of the pillars of people, society, environment and employees. Supporting the South African educational projects comes under the pillar of society, according to William. “Education is an important way of rescuing children from poverty.” Because someone who has access to education also has the opportunity to learn a profession. Learning a profession means that you have a chance of employment and earning an income.”

Lotus Bakeries preferred projects that take a broad view of education and want to raise standards. For example, by releasing funds for good teachers who not only believe in what they do, but also have the right skills to offer a broad education. “In the end, we chose two educational projects in South Africa. We are convinced that our support for these projects can make a difference and that we’re making a fundamental contribution.

Education is a way of rescuing children from the vicious circle of poverty. In this way, we empower them, increase their assertiveness and develop their talents.

We know that we're helping the children with their own personal development, as well as making an impact on their wider environment."

More than just education

Firstly, there's Doug Gurr's worthwhile Kusasa project, which started in 2006 and enables around 150 children to go to school. Besides this, the organisation serves 1,000 meals a day at local crèches and schools. "So, it's about more than just education: the project focuses on healthy food for the children, who often have nothing to eat, but also makes them aware of their talents, enables them to develop these talents and boosts their assertiveness", says William enthusiastically.

Also in South Africa, Lotus Bakeries has made a long-term commitment by supporting a second educational project financially and by engaging in godparenthood of around 100 children. "The financial support comes from the company, while the employees from the corporate department are the godparents and get to build up a one-to-one relationship with their sponsored child", says William. "Our employees get to know their sponsored child and letters and school reports are exchanged. They support a child from their first year at primary school to the final year of secondary education, meaning that we're committed for around 12 years. Our employees responded very enthusiastically when we started this initiative. They commented spontaneously that they were proud to work for a company that organises this."

Lots of poverty

Supporting these projects is clearly a personal passion for William. In February, he even visited the Kusasa project for himself. "Both projects are situated in a region where there's lots of poverty. That's why we decided to support this area", he says. The fact that Lotus Bakeries is building a new production site for the BEAR range in the same region also played a role. "Soon, we'll be employing more than 300 people there. Perhaps the children we currently support will work for our company one day. But at the moment it's a pipe dream. For now, it's about empowering them, increasing their assertiveness and allowing them to develop their talents. We firmly believe in the importance of this. We're determined to maintain our commitment in future."



William Du Pré, Corporate Director Quality, Procurement & R&D

02.

NEW LOTUS BISCOFF MANUFACTURING FACILITY IN THE USA

“The success of this project starts with the people we recruit in the US.”

Mid-2019, the first Lotus Biscoff biscuits to be produced outside Belgium will roll off the conveyor belt in Mebane, USA. There are many challenges involved in the lead up to this, but the core team for the new factory is determined to overcome them. By recruiting the right people in the US, but also—above all—working closely with the experts in Lembeke, for the first time in Lotus’ history, we will manage to transfer the expertise, but also the spirit of Lotus Bakeries to another continent.

Lotus Bakeries is starting its production activities from scratch in the US, gradually building a new plant. “This means that new people have to be recruited, and the success of this project starts there”, says Johan Wilms, Sourcing & Finance Director. “It’s crucial for us that they convey the same values as the people in Lembeke. That they prioritise team spirit, open dialogue and passion. In Belgium, we’re all ambassadors for the Lotus family. We’re passionate, set the bar high and want results. That ambassadorship can’t be taught. It comes from the heart. We’ve already managed to recruit a passionate and ambitious plant management team, who will lead the new plant. They’re the core of our future, so we’re investing heavily in their training.”

Transferring expertise, experience and culture

Plenty of knowledge, experience and technical expertise has to be exchanged before the new plant is ready to go into operation. R&D experts, engineers, operators, bakers, dough-makers, technical experts and packaging specialists: more than 30 people make up the support team in Lembeke that keeps the transfer of expertise between Lembeke and Mebane on track. “We don’t just want to share knowledge and experience, but also the Lotus spirit”, continues Els Van Parys, Programme Director. “Working together towards the same goal and continuously improving are key here.” Members of the American team will therefore travel to Lembeke to learn from their colleagues, and employees from Belgium will also travel the other way to the US. In addition, each member of the plant team has been assigned a counterpart in Lembeke, who will support and train their American colleague during the start-up phase.

A passionate and ambitious plant management team will lead the plant in Mebane. They're the core of our future. So we're investing heavily in their training.

Johan Wilms, Sourcing & Finance Director

Veronique Onselare and Ruth Lopez—the former is production manager in Lembeke, Ruth is her counterpart in Mebane—agree with this. “It’s crucial for Lotus Bakeries employees from the US to come to Belgium and experience what Lotus stands for”, Ruth believes. “So they realise that they aren’t just going to make a product, but build a brand. Personally, I always feel really proud when I see how big Lotus is in Belgium, and think that I can be part of that here. Fortunately, everyone in the US is at least as enthusiastic as I am.”



Bart Vanterwyngen, Operations Director, Els Van Parys, Programme Director and Johan Wilms, Sourcing & Finance Director

Proud of the Lotus passion

"For the new people we're recruiting in the US, it's actually an incredible opportunity to join that very first team", continues Els. "But it's also amazing how many people in Lembeke are prepared to offer support and share their experience with the plant in the US. That surprised us, but not really. It gives us great pleasure to see how proud people are of their product. And how keen they are to share this with the new plant. We feel the Lotus passion in that. Our colleagues feel that this is an important milestone, and are really pleased to be part of it."

Veronique shares that feeling. "I'm especially proud to be part of the support team and be able to share my 20 years' experience as production manager with our new colleagues in Mebane", she says. "Soon, I'll be spending more time in the US myself. Because, naturally, production has to carry on in Belgium in the meantime, my team leaders are taking over

It's amazing how many people in Lembeke are prepared to share their experience with the new colleagues. We can feel the Lotus passion in that.

Els Van Parys, Program Director



Left: Veronique Onselaere, production manager Lembeke
Right: Ruth Lopez, production manager Mebane

my tasks temporarily. They're trained for that, and they're supported by my manager. So we can cover this year."

First Lotus Biscoff with American ingredients

Bart Vanterwyngen, Operations Director of the new plant, is also finding that, generally speaking, preparations for the new production site are going smoothly. "The challenges lie in the fact that everything seems to be a little bit different in the United States. Raw materials, packaging materials, construction techniques: we couldn't simply transfer everything, there always had to be a transition." Fortunately, there is a solution to every challenge. When it comes to purchasing ingredients and packaging materials, purchasing and R&D work closely together and a great deal of testing is carried out in Belgium.

Biscoff will be made in the US using local ingredients. This process has also been tackled step by step. "We brought the American ingredients to Belgium and tested them—separately at first and then together", explains Veronique. "We now have a biscuit that's been produced in Belgium using ingredients from the US and approved by the management. Now we have to make the same biscuit at the new plant in the US. There's still some way to go, but we're really determined and fully confident that we'll succeed. We have the knowledge, the team and the experience to make it a success."

For the technical side, ideas were shared with the Belgian engineering team, so that the years of expertise gained in Belgium could be incorporated into the American design. "Meanwhile, we've also been working with strong local partners who're very familiar with the laws in the US. This makes that the plant in Mebane is a truly American plant, incorporating the Lotus expertise", Bart adds.

Gathering pace

Now that construction and fitting-out are complete, testing can begin on the new site. "Here on the spot, you can feel the drive, and we're finding that everything is gathering pace as we approach the start-up", says Bart. "But we have every confidence that we'll keep to the timing. By the end of 2019, we hope to have completed the start-up without incident. We want to increase the workforce in the American plant to 50 employees, then there will be a full three-shift operation. If we can then deliver the same Lotus quality as in Lembeke for a decent return, we'll feel really proud."

The challenges lie in the fact that everything seems to be a little bit different in the United States. Raw materials, packaging materials, construction techniques: we couldn't simply transfer everything, there always had to be a transition.

Bart Vanterwyngen, Operations Director

03.

BRAND-NEW BEAR PRODUCTION SITE UNDER CONSTRUCTION IN SOUTH AFRICA

“We’re especially proud to be a leading employer in the region.”

As this annual report goes to press, 12,000 miles south of Belgium—in South Africa—they are working hard on a new production facility for BEAR. The new factory is a major step in the ongoing process of marketing and internationalising the 100% natural fruit snacks, which Lotus Bakeries acquired in 2015.

“When we acquired BEAR, we wanted to own the whole supply chain too”, says Isabelle Maes, CEO Natural Foods. “So we’re in control of the whole chain: from buying the ingredients, to marketing the end product. Straight after the acquisition, we began talks with the co-manufacturer in South Africa. At our request, our co-manufacturer is now building a new factory that will only make BEAR products. Once it’s operational, we’ll transfer production and take ownership of it.”

The new factory is situated in one of the largest fruit-growing valleys in the world: the fertile Ceres Valley, where the ingredients for BEAR are freshly picked. “So, it makes sense to stay here”, says Donald Matheson, Operations Director Urban Fresh Foods. “BEAR production is also labour-intensive. It’s made from apple and pear puree, which are gently baked, then cut and rolled. Of the 350 employees who currently do this, almost everyone will move with us to our new production site. So we’re bringing all of our skills and expertise with us.”

Leading employer in the region

Lotus Bakeries will be one of the largest employers in the region, and we’re proud of that. “Unemployment is very high”, says Isabelle. As a leading employer in the region, we can make a difference to the local community. The new factory on the edge of town will be more involved

in the community than the current site, which is in a remote area. So, we’re already building bridges with the locals.”

“The brand is doing well in our home market, the UK, and since 2016 we’ve also expanded internationally”, explains Donald. “The US will probably become the second largest market, and we’re making progress in Europe too—in countries like Belgium and the Netherlands. The factory is being built to have triple our current capacity and on top of this there’s enough land to increase the surface area of the factory too. The gov-

When we acquired BEAR, we wanted to own the whole supply chain too. So we’re in control of the whole chain: from buying the ingredients, to marketing the end product.

Isabelle Maes, CEO Natural Foods



Isabelle Maes, CEO Natural Foods & Donald Matheson, Operations Director Urban Fresh Foods

ernment has already welcomed us enthusiastically as an international investor and sees us as an example for other companies. Because we market a healthy product, employ lots of people and invest in the region.”

Strong partnership

The site will be ready by mid-2019, while the project only started in the spring of 2018. “Of course, it’s not easy managing a project that’s about 12,000 miles away from the Northern Hemisphere”, says Donald. “We have to deal with a different legal system, different building regulations and so on. But all difficulties are overcome by working very closely with our partner, who brings experience and knowledge and also listens to our input.”

Isabelle agrees. “We arrive with our European background, but things are very different there. For example, we take utilities for granted, but in South Africa there’s not always water or electricity. Our co-manufacturer has experience of this and maintains good relations with the local community. We couldn’t have done it without them. After the factory is finished, the current manufacturer will continue to work closely with us for a while. So we continue to guarantee the same quality as before.”

Belief in the potential

It’s clear that Lotus Bakeries believes in the new factory and fully backs BEAR’s potential. “The Natural Foods division is becoming a bigger and bigger part of our business. The size of the investment and the future scale of the factory confirm that we believe in BEAR’s growth”, confirms Donald.

04. LOTUS BISCOFF MAKES STRONG PROGRESS IN THE UK

“This excellent result is down to the dedication of our whole team.”

It is one of Lotus Bakeries' ambitions to make Lotus Biscoff big outside of Belgium, and in the UK we've made excellent progress in doing this. In 2018, we increased our sales by a quarter on our branded portfolio within the retail and out-of-home (OOH), and around 864,000 new households discovered the taste of Lotus Biscoff for the first time. “A fantastic result that's down to our first nationwide TV commercial in the UK and the hard work of the whole team”, says Country Manager Mark Staniforth.

Lotus Biscoff's excellent growth figures in the UK did not come out of the blue. The brand has already been on the market there for over 15 years, and has made great progress in the last few years. The UK's strong sales performance in 2018 comes off the back of a great year in 2017 where overall sales, for instance, rose by 17%. “We've increased this by a quarter in 2018”, says Mark. “And we're really proud of that.”

TV campaign reaches almost 20 million households

Lotus Biscoff's excellent figures for 2018 are partly due to the fact that, for the first time, the company invested in national TV advertising in the UK. “The commercial—with footballer Eden Hazard as brand ambassador—had a huge impact on our sales following the first wave in February last year”, explains Mark. “On the back of this, our household penetration also increased with 864,000 new households. We reached up to 20 million households who saw the advert at least twice during the whole campaign.” So, investing in TV was clearly a good decision.

Increasing in-store confrontation

Supporting the TV campaign with a fully aligned promotional plan led to a record number of in-store second placements. “Before it was never easy to get second placements with certain retailers, but this year we managed to deliver a record number”, Mark continues. “On top of this we saw the expansion of the Biscoff range within traditional retail, value discounters and the convenience channel. That means we're delivering growth in all channels in retail. So consumers come across our brand wherever they shop.”

We're delivering growth in all channels in retail. So consumers come across our brand wherever they shop.



Mark Staniforth , Country Manager UK

We continue to create more memory structures in OOH

On the back of the success in retail, the UK continues to focus on delivering great memory structures within OOH. "Our OOH team continues to deliver good growth on the 1p, which is fantastic given the scale of our OOH channel in the UK", explains Mark. "On top of this, we are also seeing that more and more companies are using Lotus Biscoff spread as an ingredient. This also means that more and more consumers are discovering the unique taste of Lotus Biscoff. "We can't measure the impact of this exactly, but we feel that it's reinforcing our household penetration and is increasing the awareness of the Lotus Biscoff brand."

Teamwork

With these results, Mark is obviously proud of Lotus Biscoff's performance in the UK. "This result is down to the dedication of our whole team in the UK and to the personnel at the head office in Belgium who support us extremely well. We'll continue to forge ahead along the same path in 2019 where we hope to convince even more households to enjoy our brand and to discover more Lotus Biscoff products. It promises to be another exciting year ahead!".

This result is down to the dedication of our whole team in the UK and to the personnel at the head office in Belgium who support us extremely well.

05. NOW HEALTHY SNACKS FOR BABIES, TODDLERS AND PRE-SCHOOLERS TOO

“Responsible and tasty felt like a winning combination to us.”

In 2018, Lotus Bakeries acquired Kiddylicious, an innovative British food company that creates delicious, nutritious snacks for little ones. In the UK, it has built up a tremendous brand awareness and market position in the space of ten years. And now it is also making progress internationally.

It all began about ten years ago when former food scientist and mother of two Sally Preston was looking for responsible snacks for her growing children. “I was looking for something that was healthy and tasty. So, as parents, we could feel good about the choices we were making for our children, and they enjoyed eating the snack”, she begins. Because such a product didn’t appear to exist, she simply developed her own. Today, Kiddylicious offers a wide range of snacks for children aged six months to four years, spanning the various learning stages a child goes through during their development from infant to toddler and pre-schooler.

“But we believe portion control is just as important, so children don’t eat too much”, Sally continues. Each of our products is also nutritionally balanced, giving children something to eat that’s tasty but also responsible: that felt like a winning combination to us.”

Market leader in the UK

The power behind this idea is demonstrated by Kiddylicious’ performance in its home market, the UK. It is currently the second largest player in the market, and the company aims to become the market leader in 2019. Sally attributes this success partly to the loyal group of parents who recommend Kiddylicious to other parents. “Mouth-to-mouth advertising is what’s made us big. There’s also our broad range, through which we

Kiddylicious is the growth driver in the category of baby and toddler snacks in the UK.

Sally Preston, founder Kiddylicious.



Neil Mather, Commercial Director Kiddylicious



Twan Thorn, Managing Director Kiddylicious and Sally Preston, founder of Kiddylicious

take young parents on a journey from a simple wafer for babies from six months to more complex and interesting products for when they're older."

Retailers were also enthusiastic about Kiddylicious, with its strong focus on product innovation. "Since we bring real innovation, we've become the growth driver in the category of baby and toddler snacks in the UK. This means that retailers give us more space on the shelf, and we see our turnover increase", says Sally.

Expansion of Natural Foods

For Lotus Bakeries, the acquisition completes the range of the Natural Foods division. "For us, Kiddylicious was a logical next step following the acquisition of Näkd, TREK and BEAR", adds Managing Director Twan Thorn. "Now we can offer healthy, natural snacks for babies and toddlers too. What's more, we're not just entering a new segment, we're also discovering a new way of working. The experienced and enthusiastic team behind Kiddylicious is really agile and innovative, and that's crucial for success. It's just as crucial that we keep it like this and build

on it day by day. In 2019, we'll be relocating to brand-new offices and recruiting several new employees so we're ready to support all aspects of future growth."

Finally, for Lotus Bakeries, there's also the international growth potential of the brand. "We currently also sell Kiddylicious abroad", adds Neil Mather, Commercial Director. "Over 100 million wafers were sold worldwide in 2018. Lotus Bakeries' strength in Europe and Southeast Asia will give our growth an extra boost. However, a challenging factor is that food regulations vary from country to country. But we're an agile business that can meet the requirements of the various countries quickly and flexibly. That gives us a competitive advantage."

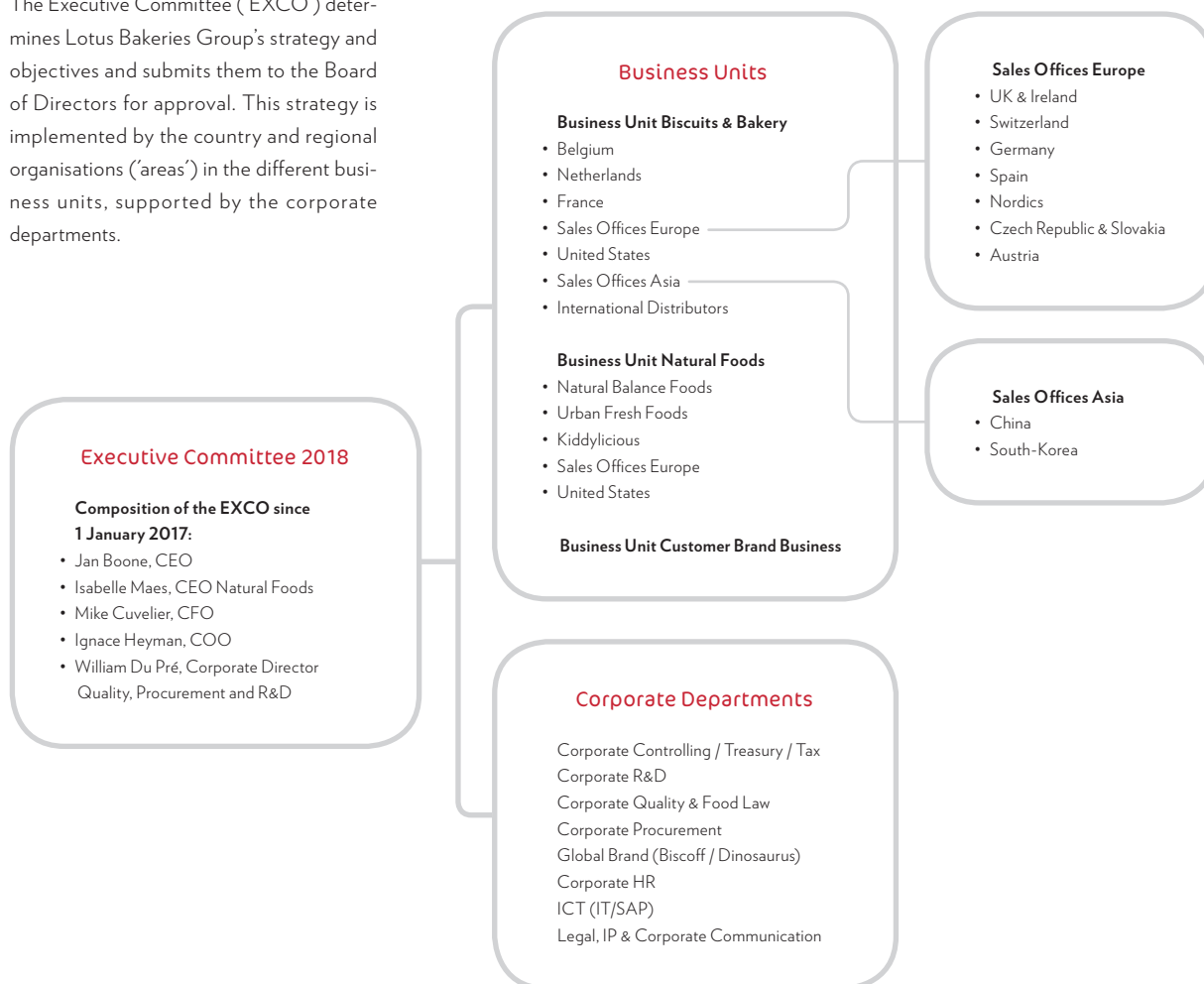


From left to right: Bart Bauwens, Ignace Heyman, Els De Smet, Michelle Singer, Mike Cuvelier, Twan Thorn, Ronald Drieduite, William Du Pré, Isabelle Maes, Paul Hunter, Jan Boone, Leon Broer, Jean-Philippe Kloutz, John Van de Par, Han van Welie

4. ORGANISATION

1. Group structure and day-to-day management

The Executive Committee ('EXCO') determines 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 organisations ('areas') in the different business units, supported by the corporate departments.





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 internationalisation 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 Group across all business units and areas and report directly to the EXCO.

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William Du Pré - Corporate Director Quality, Procurement and R&D

Ignace Heyman - COO

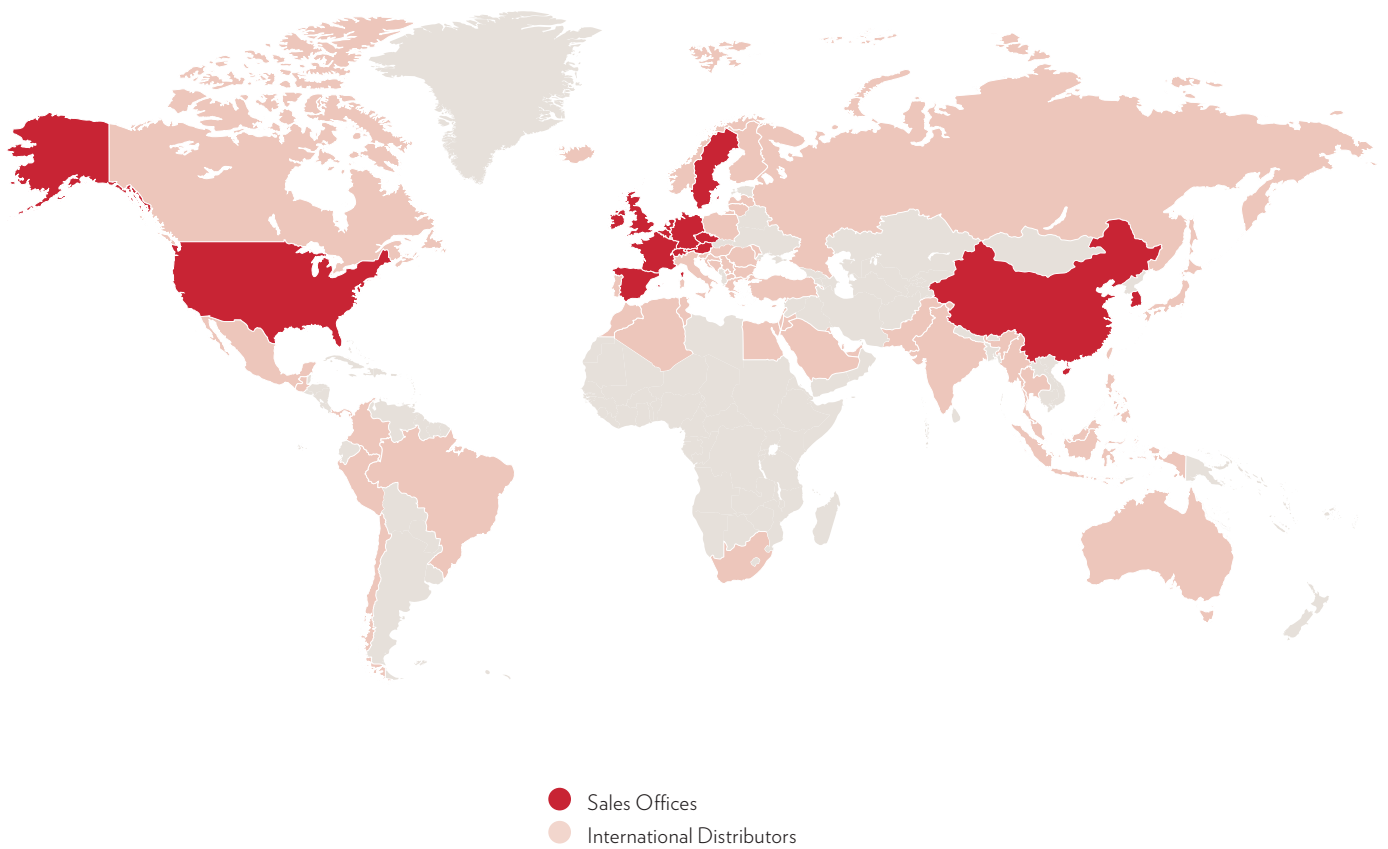
Jan Boone - CEO

Isabelle Maes - CEO Natural Foods

Mike Cuvelier - CFO

2. Sales structure

Lotus Bakeries has a total of twenty Sales Offices in Belgium (3), France, the Netherlands, the UK (4), Spain, Germany, Sweden, Switzerland, the Czech Republic, Austria, the US (2), Hong Kong, China and South Korea.



In about 50 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 Saudi Arabia, Israel, Japan, United Arab Emirates, Kuwait, Italy, Lebanon, Qatar, Jordan and Taiwan.

The business unit 'Natural Foods' combines all of Lotus Bakeries' activities in the natural snacking segment. This business unit covers the Natural Balance Foods, Urban Fresh Foods and Kiddylicious 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 centralise production processes in specialised 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).

Belgium

Lembeke	Lotus Biscoff, Lotus Biscoff spread and Lotus Dinosaur
Courcelles	Lotus waffle plant
Oostakker	Lotus cake specialties
Eeklo	Caramelised biscuits, caramelised biscuit spread

France

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

The Netherlands

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

Sweden

Tyresö	Annas pepparkakor biscuits
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In the third production hall at our factory in Lembeke (Belgium), an extra production line became operational in June 2018, capable of producing different portion packs of Lotus Biscoff.

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 2018, the foundation works and the construction of the buildings began. According to the project schedule, the first Lotus Biscoff cookies should roll off the conveyor belt in 2019.

In March 2018, Lotus Bakeries Group came to an agreement with the current co-manufacturer of BEAR to take control of the production process for these natural snacks. This involves building a new plant in Wolseley, South Africa. The building works began in September 2018 with production of the fruit snacks scheduled to start by summer 2019.

4. Personnel

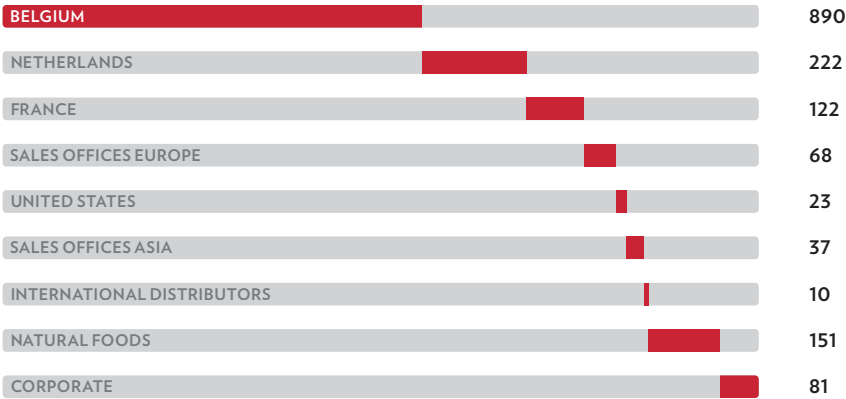
Evolution



The proportion of men and women



Number of employees per area





Michiel's favourite ... Biscoff & Go!

"In 2018, we launched Biscoff & Go in the US and I mainly focused with my team on our sales forecast & alignment with supply partners. It is very rewarding to actually find the product in store now and to see it perform so well. Personally, it quickly became one of my favourite snacks on our family day trips: convenient, tasty for the whole family & easy to share!"

— Michiel Bloemen, Director Finance and Supply Chain US

CHAPTER 2

REPORT OF THE BOARD OF DIRECTORS

1. ACTIVITIES IN 2018

1.1 Market situation and sales results in 2018

General evolution of turnover

In 2018, Lotus Bakeries Group’s consolidated turnover increased by EUR 32.4 million to EUR 556.4 million, representing 6.2% growth. The Group achieved growth of 7% at constant exchange rates. This increase is due to organic growth of more than 5% and the acquisition of Kiddylicious, which is included in the consolidation as from August 2018.

This year, the main organic growth, in absolute terms, came from Lotus Biscoff. The internationalisation of Lotus Biscoff and Lotus Biscoff Spread remains a robust growth area. With strong growth in the United States (US), the United Kingdom (UK), China, Spain, the Netherlands and the Czech Republic, the Group increased its penetration in these countries in 2018, leaving plenty of room for further growth in the future. A positive factor here is that, with Lotus Biscoff, we are gradually conquering larger markets such as the US and the UK.

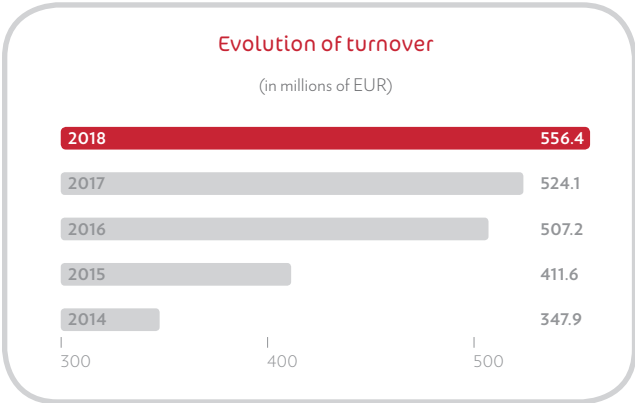
The new packaging design for all Biscoff products was very well received and is now available in stores worldwide. At the same time, the Group continues to innovate within the Biscoff concept. For example, the innovation Biscoff & Go, a Biscoff spread dip, was successfully launched in the test market of the US this year.

Natural snacks also experienced double-digit growth once more this year, with turnover reaching the EUR 100 million mark. The growth is due to a combination of the acquisition of Kiddylicious on the one hand and organic growth in the UK and the new countries on the other. TREK grew strongly once more and has earned its place as a major brand in the portfolio in the last few years. Besides their leading market position in the UK, distribution of Nākd and BEAR in supermarkets in the Netherlands and Belgium was further expanded. Nākd will be supported by a TV commercial for the first time in 2019, in both the UK and Belgium. The launch of BEAR in the US is a success. Distribution via the retail channel there is growing steadily.

The gingerbread category in the Netherlands has undergone a transition in the last few years, partly through the introduction of Peijnenburg Zero, the no added sugar version. However, the new products were unable to prevent a decline in penetration of the gingerbread category in the Dutch market. Nevertheless, Koninklijke Peijnenburg’s market share remained stable. As category captain, Lotus Bakeries aims to reverse the negative trend and bring about growth in the category once more. The management of Koninklijke Peijnenburg is pursuing an integrated plan to achieve this.

In Belgium, Lotus Bakeries continues to gain market share. This is partly due to our focus on local hero products. For instance, new, modern packaging was introduced across the entire cake range, along with several product innovations, such as the successful launches of Tartelice and Mini Dinosaurus. Waffles maintained their growth momentum too.

France experienced strong growth for waffles and Dinosaurus. Media support for waffles and targeted in-store activation for Dinosaurus delivered good results. The efforts to bring profitability more in line with the group are paying off and form a sound basis for future, profitable growth.



1.2 Main projects and investments

In 2018, Lotus Bakeries invested more than EUR 100 million in the acquisition of Kiddylicious and various CAPEX projects.

As follows an overview of the main projects:

1.2.1 Investment in Biscoff factory in the US in full swing

As announced at the time of the publication of the half-year figures, the investment plan continues to progress very well. The construction of the manufacturing hall was completed during the second half of the year. The utilities are currently being installed to prepare the factory for the installation of the production lines.

The local management team is now at full strength. Integration and training are in full swing.

The factory will go into operation in the second half of 2019. Then, for the first time, Lotus Biscoff will be made outside Lembeke and even on a different continent.

1.2.2 Brand new BEAR factory about to go into operation in South Africa

On 28 March 2018, it was announced that the Lotus Bakeries Group had acquired BEAR's production activities in South Africa from the co-manufacturer, Grassroots. Under the agreement, Grassroots will deliver a brand-new, turnkey production facility by mid-2019. The project team—made up of employees from both Lotus Bakeries and Grassroots—has worked hard during the last few months. Construction is on schedule.

1.2.3 Lotus Biscoff manufacturing facility in Lembeke expanded

In 2016, a third production hall came into service in Lembeke. In 2018, a second production line started up in that hall. The Lembeke factory has achieved another record: for the first time, output exceeded 50 million kilogrammes. The capacity investments in Lembeke and Mebane (US) are necessary so as to continue to meet the demand for Lotus Biscoff in the future.

1.2.4 Renovation of cake factory in Enkhuizen (Netherlands) finished

In 2017, the first phase of the renovation of the cake factory in Enkhuizen (Netherlands) was completed. Two new warehouses have come into service. In 2018, we also completed the second phase of the upgrade with new, modern offices.

1.2.5 Opening of new office building in Lembeke planned for 2019

The construction of the new offices in Lembeke is on schedule. The facilities will go into service in the second half of 2019.

Investments

(in millions of EUR)

2018	62.7
2017	28.2
2016	37.5
2015	16.1
2014	16.5

1.3 Successful acquisition and integration of Kiddylicious into growing Natural Foods business unit

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

The acquisition is perfectly aligned with Lotus Bakeries' strategic vision, focussed on food and health, and aimed at offering a versatile range of snacks. For every consumption moment and across all target groups. Kiddylicious is an excellent strategic fit with the Natural Foods business unit, into which it has therefore been integrated organisationally.

Kiddylicious was founded by Sally Preston, who still runs the business, together with her husband, Neil Mather, as Commercial Director. Both have continued in their roles following the acquisition, demonstrating just as much drive and passion for the brand and the business. Together with their team, they have laid the foundations for integration within Lotus Bakeries.

Sally Preston and Neil Mather have now decided that they wish to hand over their operational responsibilities. Consequently, Twan Thorn, current Global Brand Director at Lotus Bakeries, has been appointed as the new Managing Director of Kiddylicious, with effect from April 2019. Sally Preston and Neil Mather will remain closely involved as non-executive directors on Kiddylicious' board.

In the second half of the year, Kiddylicious grew in line with the high expectations. The brand has thus confirmed its position and potential to become market leader in the baby snacking category in the UK. Kiddylicious is flourishing internationally as well. The first steps towards further growth have already been taken.

Through the acquisition of Kiddylicious, Lotus Bakeries has once again demonstrated its strength and speed of execution in a competitive acquisition market for such great growth companies. I would like to thank Sally Preston and Neil Mather for the pleasant cooperation and the passion and dedication with which they have handed over their business. I look forward to their continued contribution as non-executives on the Kiddylicious board.

Jan Boone, CEO

2. FINANCIAL INFORMATION

2.1 Profitability and evolution of costs

The recurrent operating result (EUR 95.0 million) and recurrent operating cash flow (EUR 110.3 million) increased by EUR 5.7 million and EUR 6.0 million respectively year on year.

With percentages of 17.1% (REBIT) and 19.8% (REBITDA) respectively compared to turnover, Lotus Bakeries Group confirms once more that solid growth goes hand in hand with stable and high profitability.

The sales teams have been reinforced and expanded to support the international growth of Lotus Biscoff. We have invested strongly in media support and the development of international sales teams for the natural snacking category.

The non-recurrent operating result mainly comprises advice and due diligence costs for the Kiddylicious acquisition, and start-up costs relating to major investment projects such as the factory in the US. This explains why the non-recurrent operating result is EUR -3.0 million this year whereas it was still limited last year.

The financial result of EUR -3.3 million is primarily made up of interest expenses. The difference compared with the previous year is mainly due to negative results for exchange rates on balance sheet positions in foreign currencies (EUR -0.8 million).

The tax expense decreased further to EUR 20.8 million or 23.5% of the result before taxes. The tax expense was reduced compared with the end of 2017 due to the lower rates now applying in Belgium and the US.

The net profit increased by 5% to EUR 67.9 million and stands at 12.2% compared to turnover. The recurrent net result, consisting of the reported net result minus non-recurrent costs, rose by as much as 8.5% to EUR 70.2 million.

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 2,066 kEUR. 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 2,196.

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	(443)	400
GBP	(1,229)	1,358
CZK	(136)	151
Other	(258)	287
Total	(2,066)	2,196

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 2018, 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 2018 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 2018 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	2018	2017	2016	2015	2014
Days customer credit	45	42	37	45	41
Solvency ratio (%)	48.8	49.1	45.3	38.1	59.5
Net financial debts / REBITDA*	0.87	0.55	0.93	1.98	0.30
Net profitability of equity (%)	19.6	22.0	25.1	21.0	18.3

(*) REBITDA normalised 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. 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 events after 31 December 2018

No significant events have occurred since 31 December 2018 which have a material impact on the 2018 financial statements.

3. PROSPECTS FOR 2019

Lotus Bakeries continues to focus successfully on its three strategic pillars:

Firstly, there is the continued internationalisation of Biscoff, our main organic growth driver. In 2018, we recorded double-digit growth in major consumer markets such as the US, the UK and China. The construction of the new factory in Mebane (US) comes under the same pillar of internationalisation.

Secondly, there is the investment in and continued growth of a strong healthy snacking business. The acquisition of Kiddylicious forms part of this, as does the organic growth of BEAR, Nākd and TREK in the UK and new countries. There is also the construction of the BEAR factory in South Africa and in addition, we have made the first commercial for Nākd, to be shown in 2019.

Finally, we are building a strong market position for our local heroes in their home markets. We can look back on good growth for waffles in Belgium and France, and the successful introduction of new products such as Tartélice and Mini Dinosaurus. The integrated plan launched to generate growth for gingerbread once more in the Netherlands also comes under this pillar.

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

We continue to focus closely on our three strategic pillars and this is bringing results. Besides organic growth, the Group remains open to targeted and selective acquisitions in the longer term. We're managing to acquire and integrate successful brands and growth companies such as Kiddylicious and—while preserving their uniqueness—make them even stronger within the Group. Lotus Bakeries will take further significant strides forward in 2019. For example, by starting up two new manufacturing facilities on two new continents: the Biscoff factory in the US, and the BEAR factory in South Africa. As a result, by the end of 2019, the Group will have more than 2,000 employees worldwide. Every one of them an ambassador who joins us in helping Lotus Bakeries develop further.

Jan Boone, CEO

4. RESULTS AND PROPOSAL FOR APPROPRIATION OF RESULTS

Consolidated

The consolidated net profit for 2018 amounted to EUR 67.9 million as compared to 64.6 million EUR in 2017.

Statutory

The 2018 results for the parent company Lotus Bakeries NV are as follows:

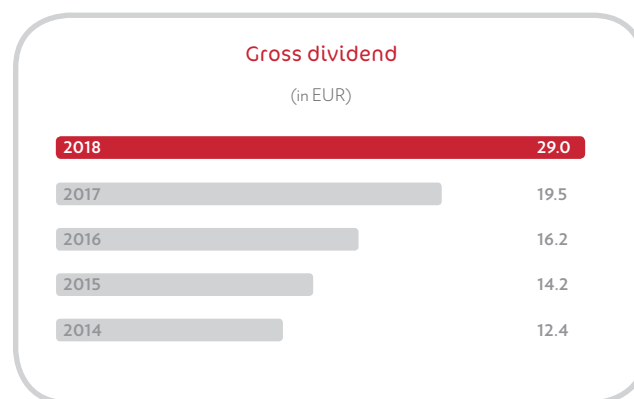
INEUR	
Profit for the financial year	11,454,054.17
Transfer from untaxed reserves	-
Transfer to untaxed reserves	-
Profit for the year available for appropriation	11,454,054.17

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

INEUR	
Allocation to legal reserves	572
Allocation / (Transfer) to other reserves	(12,460,894.83)
Distribution of a gross dividend ⁽¹⁾	23,644,377.00
Distribution of emoluments to directors	250,000.00
TOTAL	11,454,054.17

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

The Board of Directors will propose to the Ordinary General Meeting of Shareholders of 10 May 2019 to pay a gross dividend of EUR 29.0 per share for 2018 compared with EUR 19.5 per share in 2017.



We propose to pay a gross dividend of EUR 29 per share for 2018. This corresponds to one third of the recurrent net profit and gives us the right balance between providing a decent remuneration for shareholders and reinvesting the profit in the business. We believe that it's important to continue to offer Lotus Bakeries Group every opportunity for development in future, so as to be able to fully realise its strategic ambitions.

Jan Boone, CEO

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 2018 by EUR 1,320.00 from EUR 3,584,231.65 to EUR 3,585,551.65. This was followed by another increase on 3 October 2018 by EUR 4,400.00. This brought the share capital to EUR 3,589,951.65.

5.1.2 Shares

Through the exercise of warrants and subsequent capital increases, new shares of Lotus Bakeries NV were issued: 300 on 4 April 2018 and 1,000 on 3 October 2018.

As a result, the total number of shares of Lotus Bakeries increased from 814,433 to 814,733 and subsequently to 815,733.

As of 31 December 2018, there were 815,733 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, 1,179 share options were issued in 2018. As at 31 December 2018 the total number of unexercised share options was 9,718.

YEAR OF ISSUE OF THE OPTIONS	NUMBER OF ALLOCATED OPTIONS ⁽¹⁾	NUMBER OF OPTIONS EXERCISED ⁽²⁾	TOTAL OF AVAILABLE OPTIONS
2013	3,998	(3,998)	-
2014	5,358	(4,239)	1,119
2015	3,367	-	3,367
2016	2,367	-	2,367
2017	1,726	-	1,726
2018	1,139	-	1,139

(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 statement.

5.1.5 Purchase of treasury shares

The Extraordinary General Meeting of 15 May 2018 authorised 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 authorisation 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 2018, 80 treasury shares were purchased. The total number of purchased treasury shares in the portfolio at the end of the financial year is 9,740. They represent an accounting par value of EUR 42,856.00 or 1.19% 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 2018:

	NO. OF VOTING RIGHTS	% OF VOTING RIGHTS
Stichting Administratiekantoor van Aandelen Lotus Bakeries ⁽¹⁾	455,417	55.83%
Lotus Bakeries NV ⁽²⁾	9,740	1.19%
Publicly held ⁽³⁾	350,576	42.98%
Total	815,733	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* and in the notifications to Lotus Bakeries NV of the certification of Lotus Bakeries shares in July 2014 and in April 2018.

(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) Under publicly held shares, 27,000 shares (3.31%) are held by Holding Biloba BVBA and 20,298 shares (2.49%) by Christavest Comm.VA (controlled by Holding Biloba BVBA). 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 15 May 2018:

Chairman:

Vasticom BVBA, represented by its permanent representative Jan Vander Stichele

Current term of office ends: 2021 General Meeting

Managing director:

Mercur Consult BVBA, represented by its permanent representative Jan Boone

Current term of office ends: 2021 General Meeting

Non-executive directors:

- Beneconsult BVBA, represented by its permanent representative Benedikte Boone

Current term of office ends: 2020 General Meeting

- PMF NV, represented by its permanent representative Johan Boone

Current term of office ends: 2021 General Meeting

- Concellent NV, represented by its permanent representative Sofie Boone

Current term of office ends: 2020 General Meeting

- Anton Stevens

Current term of office ends: 2021 General Meeting

Independent directors:

- Peter Bossaert

Current term of office ends: 2021 General Meeting

- Benoit Graulich BVBA, represented by its permanent representative Benoit Graulich

Current term of office ends: 2021 General Meeting

- Lema NV, represented by its permanent representative, Michel Moortgat

Current term of office ends: 2022 General Meeting

- Sabine Sagaert BVBA, represented by its permanent representative Sabine Sagaert

Current term of office ends: 2019 General Meeting

Secretary:

- Brechtje Haan

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

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

Sofie Boone Non-executive director

- Master's degree in Pharmaceutical Sciences (KU Leuven), postgraduate degree in Business Economics (Vlekho) and Business Management for pharmacists (Vlerick Business School)
- 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
- Between 1989 and 2018 active at Medialaan, from 2012 as CEO
- Member of the Board of Directors at Lotus Bakeries since 2017
- Since 2018 CEO at KBVB

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 EY. Currently he is a managing partner at Bencis Capital Partners
- Various directorships at Van de Velde, among other companies
- Member of the Board of Directors at Lotus Bakeries since 2009

Michel Moortgat Independent director

- Master's degree in Business and Finance (Ichech Brussels) and MBA (Vlerick Business School)
 - Since 1991, active at Duvel Moortgat and since 1998 as CEO
 - Member of the Board of Directors at Lotus Bakeries since 2018
-

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 positions in the Benelux at CBR cement companies and at AB InBev, amongst others 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 June 2018, Managing director Oils and Seeds Emea
- Member of the Board of Directors at Lotus Bakeries since 2011

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
-

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
- Chairman of the Board of Directors at Fevia

Since May of the 2018 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 2018, please refer to the annual review of the 2017 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 to 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 2018. All directors were present at all meetings.

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
- status update on new factory in the United States
- integration of BEAR production activities and status updates for new factory in South Africa
- acquisition of Kiddylicious
- evolution of prices of raw materials and packaging
- product developments and innovations
- reports and recommendations from Committees
- agenda for Annual Shareholders meeting
- initiatives in the area of CSR

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

In the course of 2018, 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.

5.3.2 Audit Committee

The Audit Committee consists of two independent directors and one non-executive director. The two independent directors are Lema NV, represented by its permanent representative Michel Moortgat (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 accounting and audit experience.

The Audit Committee met three times in 2018 and all members were present at all meetings. The Auditor participated in all three meetings, at which he presented his findings to the Audit Committee.

The subjects examined were:

- 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 2018, with all members present.

The subjects examined were:

- remuneration Executive Committee
- remuneration policy and its application
- changes in the composition and nomination 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 optimise 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 since 1 September 2017:

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

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 specialising 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-five times in 2018. All members were present at all meetings.

5.5 Remuneration report

5.5.1 Introduction

The purpose of the 2018 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 10 May 2019 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 realise 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 remuneration is reviewed annually. For this Lotus Bakeries uses the services of an international HR consultancy firm, that assesses the functions and presents the corresponding salary package as commonly awarded in the relevant market. 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 as commonly awarded in the relevant market.

5.5.3 Statement on remuneration policy applied in 2018

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 realise 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 2018 to each member of the Board of Directors.

NAME	BOARD OF DIRECTORS	AUDIT COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE	TOTAL REMUNERATION 2018
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	Member	Member	30,000 EUR
Lema NV, represented by its permanent representative, Michel Moortgat	Independent Director	Chairman	-	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 2018 are the main performance indicators based on the objectives for 2018. 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.

Apart from this, there is also a stock option plan in place 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 2018 were presented to the Remuneration and Nomination Committee. The evaluation criteria used to determine the variable compensation in 2018 are the main performance indicators based on the objectives for 2018. The evaluation period for this 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.

5.5.5 CEO's remuneration in 2018

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 2018 amounts to EUR 775,862. The variable portion based on the 2018 targets amounts to EUR 514,823 and will be paid in 2018. The contributions to the pension scheme amount to EUR 123,760. Other components of the remuneration amount to EUR 43,064. There is no recovery provision. Evaluation of the performance is based on the audited results.

5.5.6 Remuneration of executive managers in 2018 (excluding CEO)

In 2018, 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 2018.

The fixed annual salary in 2018 amounts to EUR 1,354,297. The variable portion based on the 2018 targets amounts to EUR 680,345 and will be paid in 2018. The contributions to the pension scheme amount to EUR 211,444. Other components of the remuneration amount to EUR 111,433. 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 2018

In 2018, share options relating to the financial year 2017 were granted to members of the former Executive Committee.

NAME	YEAR OF ALLOCATION	NUMBER OF OPTIONS	EXERCISE PRICE
Jan Boone	2018	255	2,373 EUR
William Du Pré	2018	128	2,373 EUR
Ignace Heyman	2018	128	2,373 EUR
Isabelle Maes	2018	128	2,373 EUR
Mike Cuvelier	2018	128	2,373 EUR

5.5.8.2 Exercise of stock options and/or warrants in 2018

The members of the Executive Committee have exercised the following share options or warrants in 2018:

DATE	NAME	TRANSACTION	AMOUNT	PRICE	TOT. VALUE
10/04/2018	William Du Pré	Exerc. options	112	650.31 EUR	72,834.72 EUR
10/04/2018	William Du Pré	Exerc. options	196	802.55 EUR	157,299.80 EUR
18/04/2018	Jan Boone	Exerc. options	500	650.31 EUR	325,155.00 EUR
20/08/2018	Ignace Heyman	Exerc. options	135	802.55 EUR	108,405.00 EUR

In 2018 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 2018 no severance pay was paid to members of the Executive Committee.

5.6 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 organisation. We also focus on the activities of our suppliers of raw materials and packaging materials and co-manufacturers. Since 2012, Lotus Bakeries has summarised 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 2018. Hence there is no need for key performance indicators in this area at present.

5.7 Internal control and risk management

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

5.7.1 Control environment

The organisation 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 organisation.

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.

5.7.2 Risk management process

Lotus Bakeries implemented an ongoing process of risk management aimed at ensuring that this is organised 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.

5.7.3 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 organised 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.

5.7.4 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 authorisation management on a centralised 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.

5.7.5 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).

5.8 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 authorised by the Extraordinary General Meeting of Shareholders of 15 May 2018, in the event of a public takeover bid on the shares of the company, and by application of the authorised 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 15 May 2018.
2. By resolution of the Extraordinary General Meeting of Shareholders of 15 May 2018 the Board of Directors is authorised, 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 authorisation is granted for a period of three years from 15 May 2018 and is renewable.

5.9 External audit

PwC Bedrijfsrevisoren CVBA, 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 2018 for auditing and non-auditing services by PwC Bedrijfsrevisoren and by people connected to PwC Bedrijfsrevisoren, is described in note 38 of the financial supplement.

AUDIT FEE FOR THE GROUP AUDIT 2018	IN THOUSANDS OF EUR
Lotus Bakeries NV	80
Lotus Bakeries Group	322
Total	402



Claes' favourite ... Annas!

"If I have to choose my favorite cookie I have to stick to Annas original ginger thins. I am a friend of traditions and the experience every time you consume one of those crispy biscuits with the cinnamon and cloves start and the ginger finish, it's great. Working in the factory, one of the great advantages is that you have to taste on a daily basis for quality control reasons."

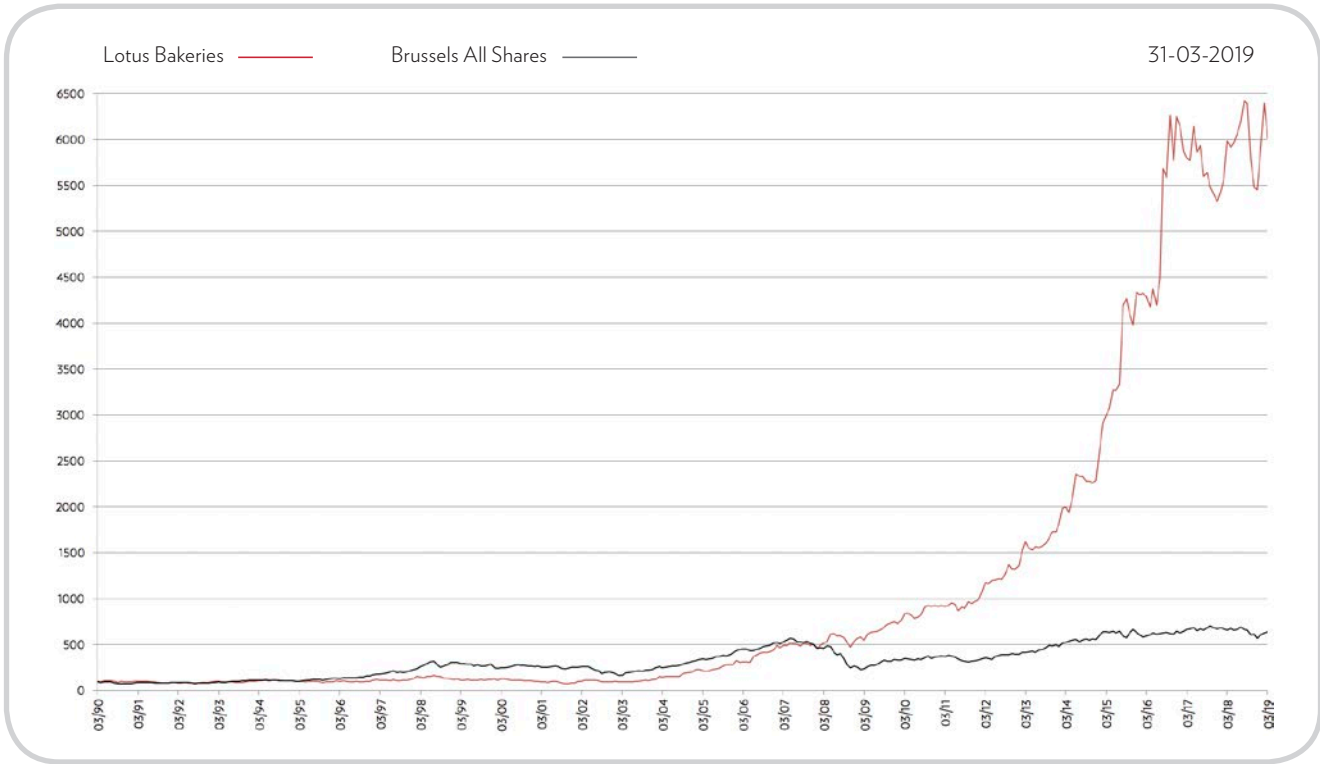
— Claes Bergsten, Plant Manager Sweden



CHAPTER 3

STOCK MARKET AND SHAREHOLDERS' INFORMATION

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	31-03-2019	2018	2017	2016	2015	2014
Highest price till 31/12 (till 31/03 in 2019)	2.640.00	2,690.00	2,529.00	2,617.95	1,845.00	989.95
Lowest price till 31/12 (till 31/03 in 2019)	2.080.00	2,010.00	2,025.00	1,550.00	926.10	711.00
Price per 31/12 (per 31/03 in 2019)	2.370.00	2,150.00	2,116.95	2,500.00	1,750.00	933.00
Market capitalization per 31/12 in millions of EUR (per 31/03 in 2019 in millions of EUR)	1.933.29	1,753.83	1,724.11	2,031.28	1,420.76	749.21
Number of shares per 31/12 (per 31/03 in 2019)	815,733	815,733	814,433	812,513	811,863	803,013
Ratio price/earning (PER) (1) per 31/12 (per 31/03 in 2019)	28.89	26.21	27.13	33.17	31.29	20.37

⁽¹⁾ PER: Price Earnings Ratio: The price at the end of the year (per 31 March in 2019 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 capitalisation

On 31 December 2018, market capitalisation of Lotus Bakeries amounted to EUR 1,753.83 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 16-19 and 96 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

Wednesday 10 April 2019

Annual review 2018 available on www.lotusbakeries.com

Friday 10 May 2019

Ordinary General Meeting of Shareholders at 4.30 PM

Friday 25 May 2019

Payment of dividend for the 2018 financial year

Monday 19 August 2019

Announcement of the half-year results for 2019

Monday 10 February 2020

Announcement of the year results for 2019

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.



Caroliens favourite ... Bear Yoyos!

"Bear Yoyos is a fantastic product: delicious, healthy and it scores 10 out of 10 for fun factor. My children are already fans! So, they're now real ambassadors. With the postcards, they take their friends along with them into the world of BEAR and introduce them to the delicious fruit rolls! I'm really proud to be able to develop a brand like BEAR in Belgium."

— Carolien De Vriese, Sales Director Belgium

CHAPTER 4

FINANCIAL STATEMENTS

In this section of the 2018 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 2018 shown, are based on the 2018 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 2017.

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.

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CONSOLIDATED BALANCE SHEET

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
ASSETS		
NON CURRENT ASSETS	545,647	447,693
Property, plant and equipment	219,897	174,426
Goodwill	177,639	141,001
Intangible assets	138,887	123,924
Participations	2,448	-
Investment in other companies	12	12
Deferred tax assets	3,936	4,310
Other non current assets	2,828	4,020
CURRENT ASSETS	165,925	149,801
Inventories	39,066	33,653
Trade receivables	71,097	60,104
VAT receivables	4,503	4,789
Income tax receivables	523	484
Other amounts receivable	2,993	1,487
Cash and cash equivalents	45,597	48,129
Deferred charges and accrued income	2,146	1,155
TOTAL ASSETS	711,572	597,494

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
EQUITY		
EQUITY AND LIABILITIES	346,927	293,213
Share Capital	16,319	15,999
Retained earnings	369,114	316,954
Treasury shares	(11,406)	(13,919)
Other reserves	(27,156)	(25,877)
Non-controlling interests	56	56
NON-CURRENT LIABILITIES	198,042	193,923
Interest-bearing loans and borrowings	116,500	117,500
Deferred tax liabilities	52,725	49,206
Pension liabilities	3,519	3,846
Provisions	377	414
Derivative financial instruments	2,319	1,970
Other non-current liabilities	22,602	20,987
CURRENT LIABILITIES	166,603	110,358
Interest-bearing loans and borrowings	36,655	1,750
Pension liabilities	234	152
Provisions	21	21
Trade payables	86,794	68,542
Employee benefit expenses and social security	21,330	18,383
VAT payables	300	119
Tax payables	14,761	16,464
Derivative financial instruments	-	1
Other current liabilities	3,102	1,662
Accrued charges and deferred income	3,406	3,264
TOTAL EQUITY AND LIABILITIES	711,572	597,494

CONSOLIDATED INCOME STATEMENT

IN THOUSANDS OF EUR	2018	2017
TURNOVER	556,435	524,055
Raw materials, consumables and goods for resale	(184,804)	(171,494)
Services and other goods	(150,732)	(145,568)
Employee benefit expense	(111,977)	(105,580)
Depreciation and amortisation on intangible and tangible assets	(12,942)	(12,105)
Impairment on inventories, contracts in progress and trade debtors	(1,706)	(2,198)
Other operating charges	(2,123)	(3,168)
Other operating income	2,879	5,407
RECURRENT OPERATING RESULT (REBIT) ⁽¹⁾	95,030	89,349
Non-recurrent operating result	(3,005)	(91)
OPERATING RESULT (EBIT) ⁽²⁾	92,025	89,258
Financial result	(3,324)	(2,228)
Interest income (cost)	(2,435)	(2,096)
Currency gains (loss)	(596)	175
Other financial income (cost)	(293)	(307)
PROFIT FOR THE YEAR BEFORE TAXES	88,701	87,030
Taxes	(20,829)	(22,397)
RESULT AFTER TAXES	67,872	64,633
NET RESULT	67,872	64,633
Attributable to:		
Non-controlling interests	964	1,094
Equity holders of Lotus Bakeries	66,908	63,539

(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	2018	2017
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit and loss	(1,726)	(2,727)
Currency translation differences	(587)	(5,989)
Gain / (Loss) on cash flow hedges, net of tax	(1,139)	3,262
Items that will not be reclassified to profit and loss	276	(757)
Remeasurement gains / (losses) on defined benefit plans	276	(757)
Other comprehensive income	(1,450)	(3,484)
Total comprehensive income	66,422	61,149
Attributable to:		
Non-controlling interests	793	449
Equity holders of Lotus Bakeries	65,629	60,700
EARNINGS PER SHARE (EUR)		
Weighted average number of shares	803,878	799,423
Basic earnings per share (EUR) - attributable to:		
Non-controlling interests	1.20	1.37
Equity holders of Lotus Bakeries	83.23	79.48
Weighted average number of shares after effect of dilution	808,813	808,735
Diluted earnings per share (EUR) - attributable to:		
Non-controlling interests	1.19	1.35
Equity holders of Lotus Bakeries	82.72	78.57
Total number of shares ⁽¹⁾	815,733	814,433
Earnings per share (EUR) - attributable to:		
Non-controlling interests	1.18	1.34
Equity holders of Lotus Bakeries	82.02	78.02

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

ABRIDGED FIVE YEAR FINANCIAL SUMMARY

Consolidated balance sheet

IN THOUSANDS OF EUR	31-12-2018	31-12-2017	31-12-2016	31-12-2015	31-12-2014
NON CURRENT ASSETS	545,647	447,693	437,310	442,884	263,881
Property, plant and equipment	219,897	174,426	161,590	139,377	137,569
Goodwill	177,639	141,001	144,368	93,229	46,135
Intangible assets	138,887	123,924	126,006	107,901	74,674
Participating interests	2,488	-	-	-	-
Investment in other companies	12	12	37	96,244	22
Deferred tax assets	3,936	4,310	4,854	5,889	5,275
Other non current assets	2,828	4,020	455	244	206
CURRENT ASSETS	165,925	149,801	110,692	128,337	73,108
Inventories	39,066	33,653	32,175	35,659	17,898
Trade receivables	71,097	60,104	50,922	56,143	38,804
Cash and cash equivalents	45,597	48,129	19,932	18,547	11,855
TOTAL ASSETS	711,572	597,494	548,002	571,221	336,989
EQUITY	346,927	293,213	248,464	217,525	200,629
Non-current liabilities	198,042	193,923	197,245	169,242	39,506
Interest-bearing loans and borrowings	116,500	117,500	118,500	97,000	325
Deferred tax liabilities	52,725	49,206	50,666	44,607	34,905
Other non-current liabilities	22,602	20,987	19,560	22,815	57
Current liabilities	166,603	110,358	102,293	184,454	96,854
Interest-bearing loans and borrowings	36,655	1,750	7,533	99,086	41,144
Trade payables	86,794	68,542	54,742	42,498	33,309
Employee benefit expenses and social security	21,330	18,383	18,418	18,336	12,357
TOTAL EQUITY AND LIABILITIES	711,572	597,494	548,002	571,221	336,989

Consolidated income statement

IN THOUSANDS OF EUR	2018	2017	2016	2015	2014
TURNOVER	556,435	524,055	507,208	411,576	347,890
RECURRENT OPERATING RESULT (REBIT)	95,030	89,349	83,945	64,764	49,433
Non-recurrent operating result	(3,005)	(91)	4,507	(1,748)	(261)
OPERATING RESULT (EBIT)	92,025	89,258	88,452	63,016	49,172
Financial result	(3,324)	(2,228)	(2,675)	(778)	16
PROFIT FOR THE YEAR BEFORE TAXES	88,701	87,030	85,777	62,238	49,188
Taxes	(20,829)	(22,397)	(23,322)	(16,623)	(12,415)
RESULT AFTER TAXES	67,872	64,633	62,455	45,615	36,773
NET RESULT - attributable to:	67,872	64,633	62,455	45,615	36,773
Non-controlling interests	964	1,094	1,210	202	(2)
Equity holders of Lotus Bakeries	66,908	63,539	61,245	45,413	36,775



Larysa's favourite ... Lotus Biscoff!



"I've been in the role for nearly two years now, and in that time it has been great to see the household penetration of my ultimate favourite cookie, Lotus Biscoff, grow thanks to above the line investments, strong brand awareness and activation across the market."

— Larysa Dushko, Key Account Manager Retail UK

CHAPTER 5

CORPORATE SOCIAL RESPONSIBILITY

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.

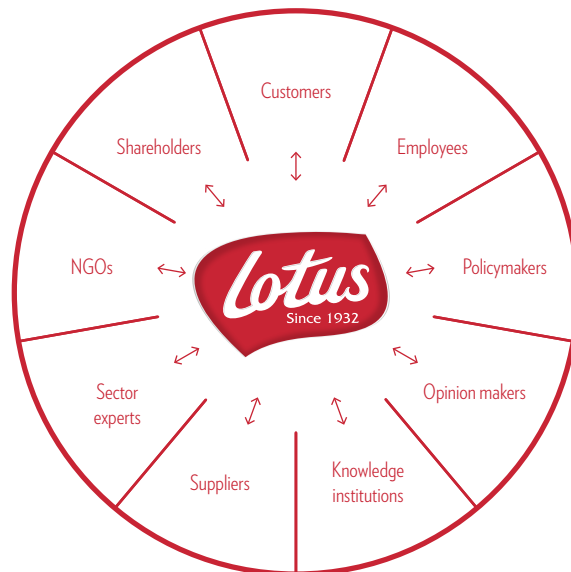
Our objective is to make Lotus Bakeries products more and more sustainable. This ambition involves much more than just the production process. People, environment and society—we treat them all with care and respect. So that we remain successful as a company, today and tomorrow. And consumers can continue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

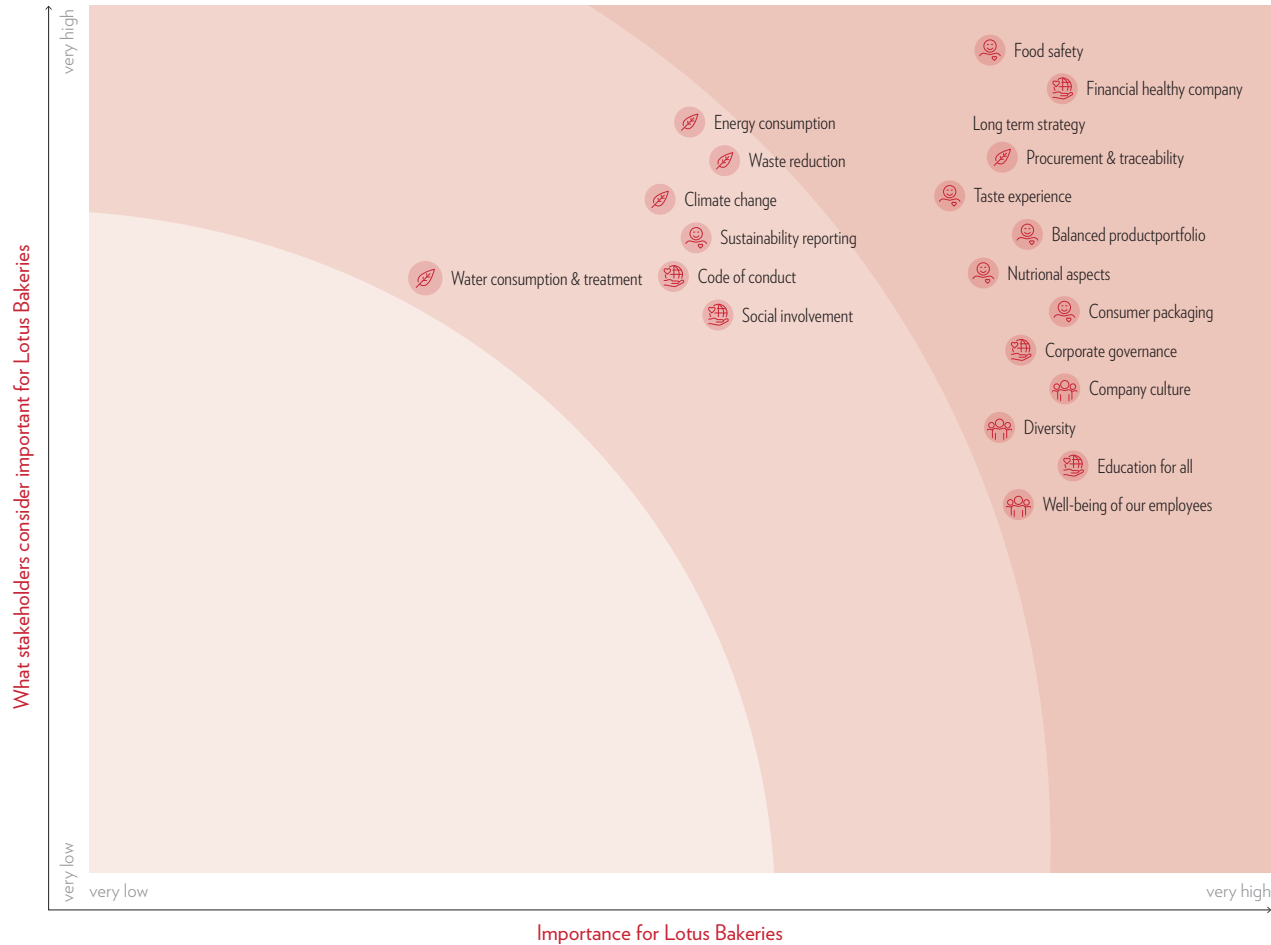
THE STARTING POINT: THE MATERIALITY MATRIX

Lotus Bakeries' approach to Corporate Social Responsibility (CSR) is reflected in our sustainability programme 'Care for Today - Respect for Tomorrow'.

To ensure that the outside world was sufficiently represented in our Corporate Social Responsibility policy (CSR), we carried out a materiality analysis in 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’.







This materiality matrix was recently updated by both external stakeholders and the Exco. You can see the result of this update in the modified materiality matrix.

At the top right, the materiality matrix shows the aspects viewed by both Lotus Bakeries and its stakeholders as most important. These underlie the four pillars of sustainability which form the basis for the ‘Care for Today - Respect for Tomorrow’ programme: society, employees, people and environment.

Lotus Bakeries has decided to report on its sustainability programme according to the sustainable development goals (SDG reporting) proposed by the United Nations.

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
SOCIETY	 <p>2 ZERO HUNGER</p> <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' • Lotus Bakeries child sponsorship • Support for The Kusasa Project
	 <p>4 QUALITY EDUCATION</p> <p>Ensure inclusive and quality education for all and promote lifelong learning</p>	<ul style="list-style-type: none"> • Support for The Kusasa Project • Lotus Bakeries child sponsorship
	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <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"> • Preparation employment of employees in Wolseley, South Africa • Partner of 'Entrepreneurs for Entrepreneurs' • Training of farmers in Benin
	 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> <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
EMPLOYEES	 <p>5 GENDER EQUALITY</p> <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 52.4% female and 47.6% male employees
	 <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Promote lasting, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<ul style="list-style-type: none"> • TOP values • 'Safety First' strategy • The Arbovignet (Netherlands)

Lotus Bakeries' pillars of sustainability	SDGs	Lotus Bakeries' reporting
PEOPLE	 <p>2 ZERO HUNGER</p> <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>3 GOOD HEALTH AND WELL-BEING</p> <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 and 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>6 CLEAN WATER AND SANITATION</p> <p>Ensure access to water and sanitation for all</p>	<ul style="list-style-type: none"> • Efficient use of ingredients to reduce waste
	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <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
	 <p>13 CLIMATE ACTION</p> <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 production site outside Belgium (in North Carolina)
	 <p>15 LIFE ON LAND</p> <p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss</p>	<ul style="list-style-type: none"> • Traceability audit • RSPO certified



Our 4 pillars of sustainability



Society

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



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.

OUR SUSTAINABILITY PROGRAMME IN PRACTICE



01.

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 first CSR pillar, we enthusiastically take on this role.

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

Respect for human rights is in our company's DNA. Locally and internationally, in the Lotus Bakeries family, among its 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 are receiving more and more 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 parties involved from purchase to sale. The risk of corrupt practices is relatively low for our company since we do not have any production facilities or sales offices of our own in countries with a Corruption Perception Index of below 57, except for South Korea (CPI score 57) and China (CPI score 39). This is compared to a global average CPI score of 43 and an increased risk for a CPI score below 50 (source: "Transparency International 2018").

We focus on supporting education

At Lotus Bakeries, we believe that it is important to support education because education is the key to breaking the vicious circle of poverty. Anyone who has access to education can learn a profession and thus also gain access to the labour market, earn an income and support a family. The quality of the education is also crucial here. In order to fulfil this commitment, Lotus Bakeries has chosen to support two educational projects.

Kusasa project

As of 2018, Lotus Bakeries supports Kusasa, a special charity in South Africa's Western Cape Province. The people behind Kusasa have built a new primary school and recruited highly skilled teachers to offer children from the shanty towns a decent education. Every year, more than 150 children can receive a good basic education. As a result, they can look forward to a better future.

By providing an outstanding “Whole Child Education” in our independent primary school, The Kusasa Project seeks to help children from South Africa's Western Cape to reach their potential, to love learning and develop skills necessary to achieve their dreams.

Doug Gurr, founder of The Kusasa Project





As a Lotus employee, it's great that we can do our bit for the 'Care for Today - Respect for Tomorrow' programme. We consider it a privilege to be able to do this as a family for children who have less opportunities than our own children, and support them in their schooling so that they too can use their talents and ultimately also do their bit to help create a better future.

Roel de Jong, Corporate Procurement Director

It gives you a fantastic feeling to be assigned a sponsored child with whom you not only develop a bond, but whom you also support tangibly by making it possible for them to receive a high quality education.

Annelies Santens, Finance Director Business Unit Natural Foods

Lotus Bakeries child sponsorship

This project was set up together with Cunina at the school in Reichenau, Underberg, South Africa. 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 godparents. All sponsored children are offered education from the first year of primary education to the final year of secondary education. This means a long-term commitment for 12 years. The Lotus employees involved will communicate with the children they sponsor several times a year, receive their photo and school report and follow their development. In this way, a personal bond can be developed. We chose a school in South Africa, due to the link with the manufacture of our BEAR products there.

We are particularly proud that our employees responded positively to this project en masse when it was presented. They say that they are proud to be able to work for a company in which such an initiative is proposed and carried out. An individual sponsor cannot save all of the children in the world, but they can save the world of an individual child. We are therefore pleased with our decision—together with our colleagues from the corporate departments—to give about a hundred children access to a decent education, giving them the chance of a better future.



Creating employment

By starting up production facilities for BEAR in Wolseley, South Africa, Lotus Bakeries will provide extra employment in the region. We plan to employ more than 300 people when the factory starts up in Wolseley. This means that we will be a major employer in the region, and as a result make a significant contribution to improving local society.

Unemployment in the region is very high. As a leading employer in the region, we can make a difference to the local community. The new factory on the edge of town will be more involved in the community than the current site, which is in a remote area. So, we're already building bridges with the locals.

Isabelle Maes, CEO Natural Foods

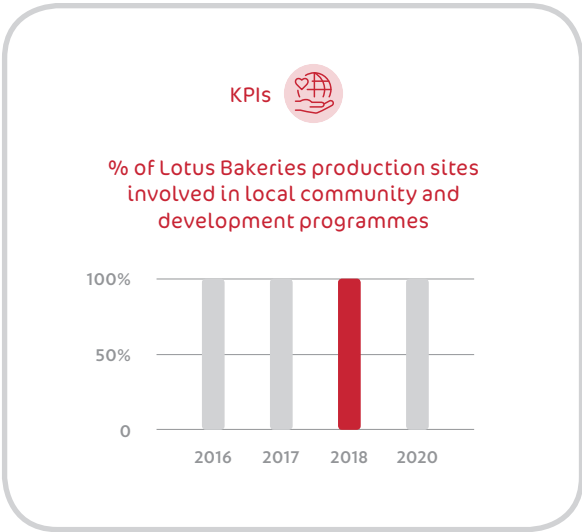
We promote entrepreneurship

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 organisation.

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 receive help to produce fonio.





02. THANKS TO OUR EMPLOYEES, WE MAKE A DIFFERENCE

Offering pleasant work in a challenging environment is our motto. Our employees' well-being and an inspirational corporate culture form the key objectives of our second pillar of sustainability. Lotus Bakeries is committed to sustainable growth so as to offer long-term employment.



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.

Corporate values and competencies: a priority in recruitment

A key 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. 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 as described above, subject to internal and external assessments of competencies, skills and values, regardless of origin, 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 52.4% female and 47.6% male employees.

Onboarding

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. Special induction days are organised for new employees. In the case of acquisitions too, we ensure that employees have a good idea of how the Lotus Bakeries Group works.

Clear about our objectives

Only when we are all working towards the same goal can we realise 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 organised so that employees can get to know one another outside their everyday context. Finally, Lotus Bakeries has appointed several well-trained confidential counsellors whom employees can approach.

Plenty of growth within the organization

Once they are on board, it is a question of retaining these engaged and motivated TOP talents in the company so that the know-how 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.

We are convinced that internal mobility is one of the keys to greater commitment and improved employability for our employees. 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 organisation. In 2018, we were able once again to give several Lotus employees the opportunity to gain experience abroad as expats. Regular training opportunities are offered too and we have also started up a 'Young graduates programme'. This contributes to the continuous development of skills and high-grade competencies among the Lotus team.

Safety first in the workplace

Another challenge especially in the production environment of Lotus Bakeries is the safety and well-being of employees. ‘Safety first’ is always top of the agenda.

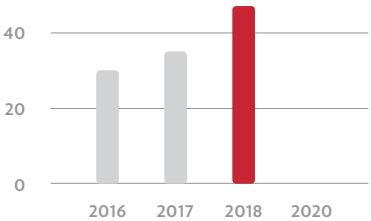
‘Safety first’ top of the agenda

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.

In 2018 across all Lotus Bakeries Group sites, there were a total of 47 occupational accidents resulting in absence from work and—although none of them could be classed as a serious occupational accident—that is 47 too many.



Number of occupational accidents involving absence from work in our current production sites



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.

The majority of occupational accidents occurred in two plants where volumes have increased enormously and many new employees have started. In themselves, these factors are no excuse for the increase in occupational accidents. We will therefore make an extra effort to bring about a dramatic improvement in results in future.

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.

Make work pleasant for our employees

Pleasant working environment

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.

Following the occupation of new offices in the US, Germany, Switzerland, China, South Korea and Austria and the renovation of the offices in Comines, in 2018, we began renovating the office complex in Lembeke. The aim is to make the workplace as pleasant as possible.



The plant and offices at Enkhuizen (NL) have also been fully renovated.



Healthy and fit for the day

Lotus Bakeries believes that paying attention to health and fitness benefits both the employee and the company. In 2018, all employees in Belgium were given the opportunity to join a bicycle leasing scheme. More than 150 enthusiastic employees have now chosen to hire a bicycle under this scheme and cycle to work regularly. This is not only good for the employees' health, but also has a positive effect on CO₂ emissions.





03.

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 third pillar of sustainability.

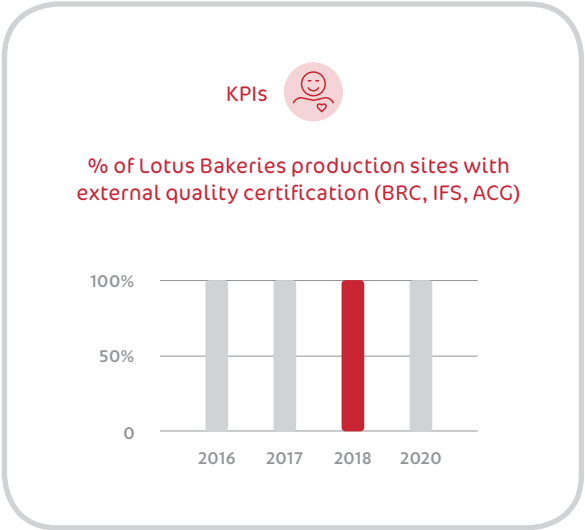
Lotus Bakeries wants to be able to offer its consumers delicious, high-quality snacks, for all times of the day, in both the biscuits and bakery and the natural snacking category. Within the range of biscuits and bakery, the emphasis is on enjoyment, but with a constant focus on a healthy balance between 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 we 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 analyse 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 organised 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.





As Lotus Bakeries, we consider it important to be able to offer consumers different solutions for leading a responsible lifestyle. Such a responsible lifestyle can be presented as a balance between diet and exercise.

In order to support consumers in their nutritional choices, we believe that it is paramount to give them the correct information about the nutritional value of every item. This information can be found not only on the packaging, but also on our website. We are also responding to growing awareness of healthy eating by offering several of our top products in large and small packs.

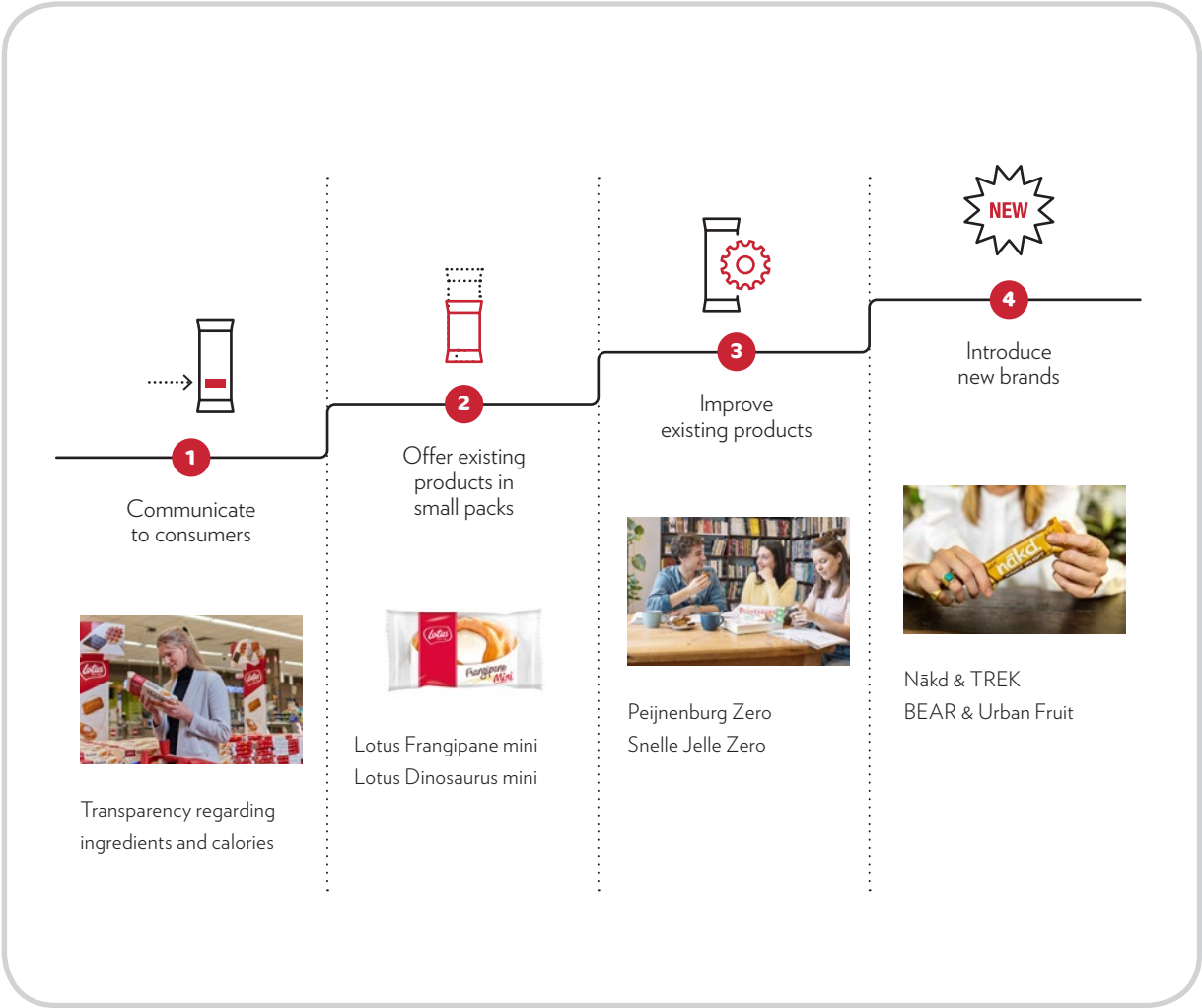
Our R&D department is tasked with developing products with an improved nutritional composition, while still maintaining the quality of the product. They have made significant progress in reducing trans fats, saturated fats and sugars.

Finally, since the acquisition of Näkd, TREK, BEAR, Urban Fruit and Kiddylicious, our range has expanded to include healthy snacks.

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 organisation, which promotes a healthy weight among young people. We have also signed up to 'healthy school canteens' and, in partnership with JOGG, we offer healthy alternatives for breaktime by introducing Näkd, BEAR, Snelle Jelle and Peijnenburg Zero.







04. 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 fourth 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 sixty countries and produces them in four—soon to be six—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 optimising 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 minimise 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 small amount of plastic to package portions separately. The ecological footprint of the production process in the broadest sense (growing, harvesting, assembling, etc.) is generally significantly larger than that of the packaging. At Lotus, we seek flexibility in our packaging formats and a solution for different sizes of household and consumption moments, depending on how often people want to enjoy our biscuits.

Using packaging responsibly

The purpose of packaging

Without its contents, packaging is often perceived as waste, since it has no significance for the consumer when it no longer contains a biscuit or product. However, packaging fulfils a number of important functions that are crucial, amongst other purposes, for preserving and protecting the product during transport and interim storage between Lotus Bakeries' factory and the consumer. In addition, good packaging guarantees the health and safety of consumers. Packaging also fulfils other roles, such as providing information (allergens), marketing, diversification and portion-controlled presentation of products.

Packaging materials

Lotus Bakeries uses three types of packaging material to ensure our products reach the consumer safely and full of flavour: cardboard, glass and plastic.

For transport, the main packaging material, in terms of weight, is cardboard. This offers optimal protection. More than 90% of our transport packaging consists of recycled materials. Cardboard is already collected and recycled on a large scale and helps create a circular economy.

Our Lotus Biscoff spread is mostly sold in glass jars because this ensures optimum preservation and taste. The used jars can then be collected and recycled.

When Lotus Bakeries uses plastic, it is to preserve the product and keep it fresh for longer. In using plastic, we deliberately choose mono-materials, in order to maximise the recycling possibilities.

Recycling

If we want to continue to enjoy the advantages of plastic in future without harming the environment, we must use it smartly. We design packaging that protects the product as well as possible, while also minimising the environmental impact of both product and packaging. We also note that the weight of all packaging material per consumer trade item (or kg of product) for Lotus Bakeries is extremely low.

We actively analyse the recyclability of our packaging, but recyclability alone is not enough. Biscoff is marketed globally. But collection and sorting is organised locally. For materials that are "harder" to recycle, we seek alternatives, together with our suppliers and scientific institutions. These alternatives are extensively tested, without losing sight of the quality and taste of our product.

Food waste versus pre-packaged

It is a misconception that large value packs are better for the environment than portion packs. It is true that the amount of packaging is less here than for portion packs. But, on the other hand, portion packs can prevent food waste and are therefore better for the environment. This is because the impact of throwing away food versus the impact of a few grams more of plastic is much greater.

Innovation

When we develop new products and packaging formats, we consider the whole supply chain. For example, we always try to load the pallets and trucks in the best possible way to minimise the impact of the transport. Naturally, we consider it our job to keep a close eye on trends and developments in the areas of materials, sustainability and recycling and implement them where possible.

Respect for our ecological footprint

Reducing energy consumption and emissions

In 2018, our Carbon Footprint (kg CO₂) Scope 1 & 2 per produced tonne fell by 8% compared with 2017. A reduction was achieved at no less than 10 out of 11 production sites, while the other site remained virtually stable.

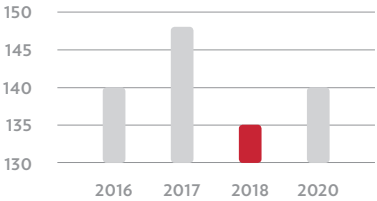
Our gas consumption is also offset via the WWF Gold Standard programme and our electricity is green. The result of all these efforts: since 2015, Lotus Bakeries' production has been CO₂ neutral.

Raising awareness among employees of waste and emissions

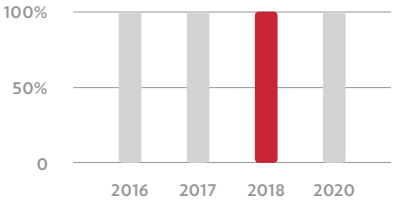
Our employees are involved in reducing waste and emissions too. For example, Lotus has installed a LotusLink SharePoint platform whereby information is completely digitised and access to it facilitated. This is a significant step towards a paperless working environment. The use of modern means of communication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



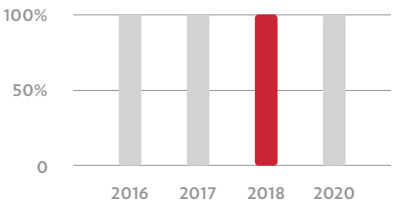
Emission of CO₂ equivalent emissions per tonne produced (in kgCO₂e/tonne) * in our current production sites



% 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.



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 minimise 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, USA. As for our European factories, in the US we will purchase our raw materials and packaging materials locally as far as possible. Moreover, the production lines will be equipped with modern energy recovery technology. The aim is to organise 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.



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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Illustration cover

Flore Deman

www.floredeman.com





Max' favourite ... Lotus Biscoff 1p!



"Without a doubt my favourite Lotus Biscoff product is the 1p. Not only is it at the core of everything that we do in the out of home department, but it helps to make each coffee moment in all of our channels memorable and continues to be fundamental in driving our growth."

— Max Kenyon, Key Account Manager OOH UK



www.lotusbakeries.com