BEING GREAT IN LITTLE THINGS TOGETHER

Annual review 2018 - Financial supplement

The consolidated financial statements for 2018 shown below have been prepared in accordance with IFRS as adopted for application within the European Union with comparative IFRS figures for 2017.

The condensed statutory financial statements are presented in the financial supplement and are prepared in accordance with Belgian accounting standards (BGAAP).

Only the consolidated financial statements, as set out on the following pages, 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 statements of Lotus Bakeries NV, in accordance with Article 105 of the Belgian Companies Code.

The full statutory annual 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 corporate website of Lotus Bakeries, www.lotusbakeries.com (Investor Relations) or can be obtained for free from the Corporate Secretary of Lotus Bakeries on simple request.

This financial supplement is a part of the 2018 annual review of Lotus Bakeries NV. This annual review consists of two parts which are available on the Lotus Bakeries corporate website and also on simple request, separately and free of charge, from the Lotus Bakeries Corporate Secretary.

The Auditor has issued an unqualified audit opinion with respect to the consolidated and the statutory annual statements of Lotus Bakeries NV.

INDEX

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

IN THOUSANDS OF EUR	NOTES	31-12-2018	31-12-2017
ASSETS			
NON-CURRENT ASSETS		**545,647**	**447,693**
Property, plant and equipment	5	219,897	174,426
Goodwill	6	177,639	141,001
Intangible assets	7	138,887	123,924
Participating interests	9	2,448	-
Investment in other companies	4	12	12
Deferred tax assets	8	3,936	4,310
Other non-current assets	9, 20	2,828	4,020
CURRENT ASSETS		**165,925**	**149,801**
Inventories	10	39,066	33,653
Trade receivables	11	71,097	60,104
VAT receivables	11	4,503	4,789
Income tax receivables	11	523	484
Other amounts receivable	11	2,993	1,487
Cash and cash equivalents	12, 13	45,597	48,129
Deferred charges and accrued income		2,146	1,155
TOTAL ASSETS		**711,572**	**597,494**

IN THOUSANDS OF EUR	NOTES	31-12-2018	31-12-2017
EQUITY AND LIABILITIES			
EQUITY		**346,927**	**293,213**
Share Capital	14	16,319	15,999
Retained earnings		369,114	316,954
Treasury shares	13, 16, 24	(11,406)	(13,919)
Other reserves	18	(27,156)	(25,877)
Non-controlling interests		56	56
NON-CURRENT LIABILITIES		**198,042**	**193,923**
Interest-bearing loans and borrowings	13, 17	116,500	117,500
Deferred tax liabilities	8	52,725	49,206
Pension liabilities	18	3,519	3,846
Provisions	19	377	414
Derivative financial instruments	20	2,319	1,970
Other non-current liabilities	21	22,602	20,987
CURRENT LIABILITIES		**166,603**	**110,358**
Interest-bearing loans and borrowings	13, 17	36,655	1,750
Pension liabilities	18	234	152
Provisions	19	21	21
Trade payables	22	86,794	68,542
Employee benefit expenses and social security	22	21,330	18,383
VAT payables	22	300	119
Tax payables	22	14,761	16,464
Derivative financial instruments	20, 22	-	1
Other current liabilities	22	3,102	1,662
Accrued charges and deferred income	22	3,406	3,264
TOTAL EQUITY AND LIABILITIES		**711,572**	**597,494**

Consolidated income statement

IN THOUSANDS OF EUR	NOTES	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	23	(111,977)	(105,580)
Depreciation and amortisation on intangible and tangible assets	25	(12,942)	(12,105)
Impairment on inventories, contracts in progress and trade debtors	10, 11	(1,706)	(2,198)
Other operating charges	26	(2,123)	(3,168)
Other operating income	26	2,879	5,407
RECURRENT OPERATING RESULT (REBIT) (1)		**95,030**	**89,349**
Non-recurrent operating result	27	(3,005)	(91)
OPERATING RESULT (EBIT) (2)		**92,025**	**89,258**
Financial result	28	(3,324)	(2,228)
Interest income (expense)		(2,435)	(2,096)
Foreign exchange gains (losses)		(596)	175
Other financial income (expense)		(293)	(307)
PROFIT FOR THE YEAR BEFORE TAXES		**88,701**	**87,030**
Taxes	8, 29	(20,829)	(22,397)
RESULT AFTER TAXES		**67,872**	**64,633**
NET RESULT - attributable to		**67,872**	**64,633**
Non-controlling interests		964	1,094
Equity holders of Lotus Bakeries		66,908	63,539

IN THOUSANDS OF EUR	NOTES	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	18	276	(757)
Other comprehensive income		**(1,450)**	**(3,484)**
Total comprehensive income - attributable to:		**66,422**	**61,149**
Non-controlling interests		793	449
Equity holders of Lotus Bakeries		65,629	60,700
EARNINGS PER SHARE	30		
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 (3)		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) REBIT is defined as the recurrent operating result, consisting of all the proceeds and costs relating to normal business.
(2) EBIT is defined as recurrent operating result + non-recurrent operating result.
(3) Total number of shares including treasury shares at 31 December.

Consolidated statement of changes in equity

IN THOUSANDS OF EUR	ISSUED CAPITAL	SHARE PREMIUM	CAPITAL	RETAINED EARNINGS
EQUITY as on 1 January 2018	**3,584**	**12,415**	**15,999**	**316,954**
Net result of the Financial Year	-	-	-	66,908
Currency translation differences	-	-	-	-
Remeasurement gains / (losses) on defined benefit plans	-	-	-	-
Cash flow hedge reserves	-	-	-	-
Taxes on items taken directly to or transferred from equity	-	-	-	-
Net income / (expense) for the period recognised directly in equity	-	-	-	-
Total comprehensive income / (expense) for the period	-	-	-	**66,908**
Dividend to shareholders	-	-	-	(15,887)
Increase in capital	6	314	320	-
Acquisition / sale own shares	-	-	-	-
Employee share-based compensation expense	-	-	-	(1,436)
Impact written put options on non-controlling interests	-	-	-	590
Other	-	-	-	1,985
EQUITY as on 31 December 2018	**3,590**	**12,729**	**16,319**	**369,114**

EQUITY as on 1 January 2017	**3,576**	**11,951**	**15,527**	**267,947**
Net result of the Financial Year	-	-	-	63,539
Currency translation differences	-	-	-	-
Remeasurement gains / (losses) on defined benefit plans	-	-	-	-
Cash flow hedge reserves	-	-	-	-
Taxes on items taken directly to or transferred from equity	-	-	-	-
Net income / (expense) for the period recognised directly in equity	-	-	-	-
Total comprehensive income/(expense) for the period	-	-	-	**63,539**
Dividend to shareholders	-	-	-	(13,191)
Increase in capital	8	464	472	-
Acquisition / sale own shares	-	-	-	-
Employee share-based compensation expense	-	-	-	620
Impact written put options on non-controlling interests	-	-	-	(2,013)
Other	-	-	-	52
EQUITY as on 31 December 2017	**3,584**	**12,415**	**15,999**	**316,954**

TREASURY SHARES	TRANSLATION DIFFERENCES	REMEASUREMENT GAINSLOSSES ON DEFINED BENEFIT PLANS	CASH FLOW HEDGE RESERVES	OTHER RESERVES	EQUITY PART OF THE GROUP	NON-CONTROLLING INTERESTS	TOTAL EQUITY
(13,919)	**(26,428)**	**(454)**	**1,005**	**(25,877)**	**293,157**	**56**	**293,213**
-	-	-	-	-	66,908	964	67,872
-	(416)	-	-	(416)	(416)	(170)	(586)
-	-	199	-	199	199	-	199
-	-	-	(1,594)	(1,594)	(1,594)	-	(1,594)
-	-	77	456	533	533	-	533
-	(416)	276	(1,138)	(1,278)	(1,278)	(170)	(1,448)
-	**(416)**	**276**	**(1,138)**	**(1,278)**	**65,630**	**794**	**66,424**
-	-	-	-	-	(15,887)	(444)	(16,331)
-	-	-	-	-	320	-	320
2,513	-	-	-	-	2,513	-	2,513
-	-	-	-	-	(1,436)	(350)	(1,786)
-	-	-	-	-	590	-	590
-	-	-	(1)	(1)	1,984	-	1,984
(11,406)	**(26,844)**	**(178)**	**(134)**	**(27,156)**	**346,871**	**56**	**346,927**

TREASURY SHARES	TRANSLATION DIFFERENCES	REMEASUREMENT GAINSLOSSES ON DEFINED BENEFIT PLANS	CASH FLOW HEDGE RESERVES	OTHER RESERVES	EQUITY PART OF THE GROUP	NON-CONTROLLING INTERESTS	TOTAL EQUITY
(12,038)	**(21,084)**	**303**	**(2,257)**	**(23,038)**	**248,398**	**66**	**248,464**
-	-	-	-	-	63,539	1,094	64,633
-	(5,344)	-	-	(5,344)	(5,344)	(646)	(5,990)
-	-	(828)	-	(828)	(828)	-	(828)
-	-	-	4,974	4,974	4,974	-	4,974
-	-	71	(1,712)	(1,641)	(1,641)	-	(1,641)
-	(5,344)	(757)	3,262	(2,839)	(2,839)	(646)	(3,485)
-	**(5,344)**	**(757)**	**3,262**	**(2,839)**	**60,700**	**448**	**61,148**
-	-	-	-	-	(13,191)	(358)	(13,549)
-	-	-	-	-	472	-	472
(1,881)	-	-	-	-	(1,881)	-	(1,881)
-	-	-	-	-	620	-	620
-	-	-	-	-	(2,013)	(100)	(2,113)
-	-	-	-	-	52	-	52
(13,919)	**(26,428)**	**(454)**	**1,005**	**(25,877)**	**293,157**	**56**	**293,213**

Consolidated cash flow statement

IN THOUSANDS OF EUR	2018	2017
Operating activities		
Net result (Group)	66,908	63,539
Depreciation and amortization of (in)tangible assets	12,942	12,105
Net valuation allowance current assets	1,701	2,198
Provisions	68	(1,316)
Disposal of fixed assets	29	1,776
Financial result	3,324	2,228
Taxes	20,829	22,397
Employee share-based compensation expense	589	620
Non-controlling interests	964	1,094
Gross cash provided by operating activities	**107,354**	**104,641**
Decrease/(Increase) in inventories	(5,023)	(4,345)
Decrease/(Increase) in trade accounts receivable	(8,098)	(9,825)
Decrease/(Increase) in other assets	1,821	(955)
Increase/(Decrease) in trade accounts payable	(3,445)	12,819
Increase/(Decrease) in other liabilities	(2,694)	(2,982)
Change in operating working capital	**(17,439)**	**(5,288)**
Income tax paid	(20,051)	(22,240)
Interest paid	(2,461)	(2,102)
Other financial income and charges received/(paid)	(504)	(263)
Net cash provided by operating activities	**66,899**	**74,748**

IN THOUSANDS OF EUR	2018	2017
Investing activities		
(In)tangible assets - acquisitions	(42,590)	(26,172)
(In)tangible assets - other changes	630	-
Acquisition of subsidiaries	(48,284)	-
Financial assets - other changes	(2,448)	24
Net cash used in investing activities	**(92,692)**	**(26,148)**
Net cash flow before financing activities	**(25,793)**	**48,600**
Financing activities		
Dividends paid	(16,129)	(13,218)
Treasury shares	4,056	(1,155)
Proceeds of capital increase	320	472
Proceeds / (Reimbursement) of long-term borrowings	(1,000)	(1,000)
Proceeds / (Reimbursement) of short-term borrowings	34,352	(5,734)
Proceeds / (Reimbursement) of long-term receivables	(49)	(50)
Cash flow from financing activities	**21,550**	**(20,685)**
Net change in cash and cash equivalents	**(4,243)**	**27,915**
Cash and cash equivalents on January 1	48,129	19,932
Effect of exchange rate fluctuations	1,711	282
Cash and cash equivalents on 31 December	45,597	48,129
Net change in cash and cash equivalents	**(4,243)**	**27,915**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated companies

1.1 List of consolidated companies

	ADDRESS	VAT OR NATIONAL NUMBER	31-12-2018	31-12-2017
A. Fully consolidated subsidiaries			%	%
Cremers-Ribert NV	Gentstraat 52, 9971 Lembeke, BE	VAT BE 0427.808.008	100.0	100.0
Interwaffles SA	Rue de Liège 39, 6180 Courcelles, BE	VAT BE 0439.312.406	100.0	100.0
Lotus Bakeries NV	Gentstraat 1, 9971 Lembeke, BE	VAT BE 0401.030.860	100.0	100.0
Lotus Bakeries Corporate NV	Gentstraat 1, 9971 Lembeke, BE	VAT BE 0881.664.870	100.0	100.0
Lotus Bakeries België NV	Gentstraat 52, 9971 Lembeke, BE	VAT BE 0421.694.038	100.0	100.0
Biscuiterie Willems BVBA	Nieuwendorpe 33 Bus C, 9900 Eeklo, BE	VAT BE 0401.006.413	100.0	100.0
B.W.I. BVBA	Ambachtenstraat 5, 9900 Eeklo, BE	VAT BE 0898.518.522	100.0	100.0
Lotus Bakeries Schweiz AG	Nordstrasse 3, 6300 Zug, CH	VAT CHE 105.424.218	100.0	100.0
Lotus Bakeries CZ s.r.o.	Slezská 844/96, Vinohrady (Praha 3), 130 00 Praha, CZ	VAT CZ 271 447 55	100.0	100.0
Lotus Bakeries GmbH	Rather Strasse 110a, 40476 Düsseldorf, DE	VAT DE 811 842 770	100.0	100.0
Biscuiterie Le Glazik SAS	Zone Industrielle 2, 29510 Briec-de-l'Odet, F	VAT FR95 377 380 985	100.0	100.0
Biscuiterie Vander SAS	Place du Château BP 70091, 59560 Comines, F	VAT FR28 472 500 941	100.0	100.0
Lotus Bakeries France SAS	Place du Château BP 50125, 59560 Comines, F	VAT FR93 320 509 755	100.0	100.0
Lotus Bakeries UK Ltd.	3000 Manchester Business Park, Aviator Way, Manchester, M22 5TG, UK	VAT GB 606 739 232	100.0	100.0
Natural Balance Foods Ltd.	Unit 1A Drakes Drive, Longcrendon, Bucks, HP18 9BA, UK	VAT GB 841 254 348	67.2	67.2
Urban Fresh Foods Ltd.	The Emerson Building, 4-8 Emerson Street, London, SE1 9DU, UK	VAT GB 883 0600 32	100.0	100.0
Lotus Bakeries Réassurances SA	74, Rue de Merl, 2146 Luxembourg, L	R.C.S. Luxembourg B53262	100.0	100.0
Koninklijke Peijnenburg BV	Nieuwendijk 45, 5664 HB Geldrop, NL	VAT NL003897187B01	100.0	100.0
Peijnenburg's Koekfabrieken BV	Nieuwendijk 45, 5664 HB Geldrop, NL	VAT NL001351576B01	100.0	100.0
WK Koek Beheer BV	Streek 71, 8464 NE Sintjohannesga, NL	VAT NL006634199B01	100.0	100.0
WK Koek Bakkerij BV	Streek 71, 8464 NE Sintjohannesga, NL	VAT NL006634151B01	100.0	100.0
Enkhuizer Koekfabriek BV	Oosterdijk 3e, 1601 DA Enkhuizen, NL	VAT NL823011112B01	100.0	100.0
Lotus Bakeries Nederland BV	Nieuwendijk 45, 5664 HB Geldrop, NL	VAT NL004458953B01	100.0	100.0
Lotus Bakeries Asia Pacific Limited	Room 2302, 23rd floor, Caroline Centre, Lee Garden Two, 28 Yun Ping road, Hong Kong	Inland Revenue Department file no. 22/51477387	100.0	100.0
Lotus Bakeries North America Inc.	1000 Sansome Street Suite 220, San Francisco, CA 94111-1323, USA	IRS 94-3124525	100.0	100.0
Lotus Bakeries US, LLC	1000 Sansome Street Suite 220, San Francisco, CA 94111-1323, USA	IRS 82-1300826	100.0	100.0
Lotus Bakeries US Manufacturing, LLC	1000 Sansome Street Suite 220, San Francisco, CA 94111-1323, USA	IRS 82-2542596	100.0	100.0
Natural Balance Foods USA Inc.	406 Bryant Circle, Unit G, Ojai, CA 93023, USA	C3598146	67.2	67.2
Lotus Bakeries Ibérica S.L.	C/ Severo Ochoa, 3, 2a Planta Oficina 8A, 28232 Las Rozas (Madrid), Spain	VAT ESB80405137	95.0	95.0

	ADDRESS	VAT OR NATIONAL NUMBER	31-12-2018	31-12-2017
A. Fully consolidated subsidiaries (continued)			%	%
Annas - Lotus Bakeries Holding AB	Radiovägen 23, SE 135 48 Tyresö, Sweden	Registration no. 556757-7241	100.0	100.0
AB Annas Pepparkakor	Radiovägen 23, SE 135 48 Tyresö, Sweden	BTW SE556149914501	100.0	100.0
Lotus Bakeries North America Calgary Inc.	L.M. Gordon LAW Office, 2213 - 20th Street P.O. Box 586, Nanton, Alberta, Canada, T0L 1R0	GST 131 644 205	100.0	100.0
Lotus Bakeries Chile SpA	Nueva Tajamar #555 OF401, Las Condes, Santiago, Chile 7550099	VAT (RUT) 76.215.081-6	100.0	100.0
Lotus Bakeries China Ltd	Room 01.02, Floor 15, No. 511 Weihai Road, Jing'an Disctrict, Shanghai 200041, P.R. China	Registration no. 913100000781169357	100.0	100.0
Lotus Bakeries Korea Co. Ltd.	4/F, AIA Tower, 16 Tongil-ro-2-gil, Jung-gu, Seoul 04511, South Korea	Registration no. 128-81-19621	100.0	100.0
Lotus Bakeries Austria GmbH	Fleischmarkt 1/6/12, 1010 Wien, Austria	VAT ATU72710827	100.0	100.0
The Kids Food Company Ltd	Kiddy Hq Amersham Court, 152 Station Road Amersham, Buckinghamshire, HP6 5DW	VAT GB 977396157	100.0	-
Kiddylicious International Ltd.	Kiddy Hq Amersham Court, 152 Station Road Amersham, Buckinghamshire, HP6 5DW	VAT GB 211115184	100.0	-
Kids Food Global Ltd.	Dixcart House, Fort Charles, Charlestown, Nevis, St Kitts and Nevis	C44487	100.0	-

On the basis of section 2:403 of the Dutch Civil Code, legal entities with a Dutch company number are exempt from the requirements for a local statutory audit. Lotus Bakeries UK Ltd. en Urban Fresh Foods Ltd. are exempt from the requirement for a local statutory audit, based on section 479A of company law. The holding entity guarantees the debts of these two companies as at 31 December 2018.

1.2 Changes in the group structure in 2018

The following changes to the group structure took place in 2018:

Kiddylicious

In July 2018, Lotus Bakeries UK Ltd. acquired 100% of the shares of The Kids Food Company Ltd. and Kids Food Global Ltd.

Further information about these acquisitions can be found in note 4.

1.3 Legal Structure of the Lotus Bakeries Group at 31 December 2018

LOTUS BAKERIES NV (*)

- Biscuit. Willems BVBA (BE) 99.9%
- BWI BVBA (BE) 99.9%
- LB België NV (BE) 99.9%
- Cremers-Ribert NV (BE) 99.9%
- Interwaffles NV (BE) 99.9%
- LB Corporate NV (BE) 99.9%
- LB Réassurances SA (LU) 99.9%
- LB NL BV (NL) 100%
  - KP BV (NL) 100%
    - WK Koek Beheer BV (NL) 100%
      - WK Koek Bakkerij BV (NL) 100%
    - Peijnenburg's Koekfabrieken BV (NL) 100%
    - Enkhuizer Koekfabriek BV (NL) 100%
- LB France SAS (FR) 100%
  - Biscuiterie Le Glazik SAS (FR) 100%
  - Biscuiterie Vander SAS (FR) 100%
- LB Schweiz AG (CH) 100%
- LB UK Ltd. (UK) 99.9%
  - Natural Balance Foods Ltd (UK) 67.2%
    - Natural Balance Foods USA Inc. (USA) 100%
  - Urban Fresh Foods Ltd (UK) 100%
  - The Kids Food Company Ltd (UK) 100%
  - Kiddylicious International Ltd (UK) 100%
  - Kids Food Global Ltd (St Kits & Nevis) 100% **
- LB Ibérica S.L. (ES) 95%
- LB GmbH (DE) 100%
- LB Austria GmbH (AT) 100%
- LB CZ s.r.o. (CZ) 100%
- Annas-LB-Holding AB (SE) 100%
  - Annas Pepparkakor AB (SE) 100%
- LB North America Inc. (USA) 100%
  - LB US LLC (USA) 100%
  - LB US Manufacturing LLC (USA) 100%
- LB North America Calgary Ltd. (CA) 100%
- LB Chile SpA (CL) 100%
- LB Asia Pacific Ltd. (HK) 100%
  - LB China Ltd. (CN) 100%
  - LB Korea Co, Ltd (KR) 100%

(*) Deviations in percentages with note 1.1 are due to insignificant non-controlling interests held by group entities other than Lotus Bakeries NV. For reasons of simplicity, they are not included in the above legal structure.

(**) 2019 restructuring – Kids Food Global Ltd. in winding-up procedure.

2. Accounting principles

2.1 Statement of compliance

The consolidated financial statements for the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS), as endorsed by the European Union. Lotus Bakeries has used IFRS as its only accounting standards since 1 January 2005.

2.2 Basis of presentation

The consolidated financial statements are presented in thousands of euros and present the financial situation as of 31 December 2018.

The accounting principles were applied consistently.

The consolidated financial statements are presented on the basis of the historical cost price method, with the exception of the measurement at fair value of derivatives and financial assets available for sale.

The consolidated financial statements are presented before allocation of the parent company's result, as proposed to the General Meeting of Shareholders and approved by the Board of Directors on 8 February 2019 for publication.

Recent IFRS pronouncements
Endorsement status of the new standards as at 31 December 2018

The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning 1 January 2018 and have been endorsed by the European Union:

- IFRS 9, 'Financial instruments' (effective 1 January 2018). This standard, relating to financial instruments on both the asset and the liability side, defines the conditions for recognition, classification and disposal of this type of instrument, together with the permitted measurement methods.
- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018). The IASB and the FASB have published a joint standard concerning the recognition of revenue from contracts with customers. The standard will result in improved financial reporting of revenue and improved global comparability of revenue reported in the financial statements. Entities which apply IFRS are required to apply this standard to annual reporting periods beginning on or after 1 January 2018.
- Amendments to IFRS 15, 'Revenue from contracts with customers' – clarification (effective 1 January 2018). These amendments provide clarification on identifying performance obligations, accounting for licences relating to intellectual property and principal versus agent considerations. The amendment also contains clarifying examples.
- IFRIC 22, Foreign currency transactions and advance consideration (effective 1 January 2018): This interpretation relates to foreign currency transactions or parts of foreign currency transactions where there is advance consideration expressed in a foreign currency. The interpretation contains additional information for when a single payment/receipt takes place and for when multiple payments/receipts take place. This interpretation is designed to reduce the current diversity in accounting for such transactions.
- Annual improvements to IFRS standards 2014-2016 applicable to standards where the amendments to IFRS 1 and IAS 28 are effective from 1 January 2018 and the amendments to IFRS 12 will be effective from 1 January 2017. The improvements consist of clarifications regarding the scope of IFRS 12 'Disclosure of interests in other entities'. These amendments are to be applied retrospectively to annual accounting periods beginning on or after 1 January 2017.
- Amendments to IFRS 2: Share-based payments (effective 1 January 2018): The amendment clarifies the valuation method for cash-settled share-based payment transactions and accounting for modification of the payment transaction from cash-settled to equity-settled payment transactions. The amendment also provides for a deviation from IFRS 2 principles to treat a payment transaction where the employer has to deduct part of the payment for tax reasons and pay this to the tax authorities as an equity-settled share-based payment transaction.

The following **new standards and amendments** to standards have been published, but are not yet mandatory for the first time for the financial year beginning 1 January 2018 and have been endorsed by the EU:

- **IFRS 16**, 'Leases' (effective 1 January 2019): This standard replaces the current guidance in IAS 17 and is a major change in accounting by lessees in particular. Under IAS 17, lessees were required to distinguish between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **Amendments to IFRS 9**, 'Prepayment features with negative compensation' (effective 1 January 2019 within the EU). Amendment allowing companies to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income, instead of at fair value in profit or loss, because they would otherwise fail the SPPI test. This amendment also explains an aspect of accounting for a modification of a financial liability.
- **IFRIC 23**, The treatment of uncertainty concerning income tax (effective 1 January 2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The following new standards, amendments and interpretations for standards have been published, but are not yet mandatory for the first time for the financial year beginning 1 January 2018 and have not been endorsed by the EU:

- **Amendments to IAS 19**, 'Plan amendment, curtailment or settlement' (effective 1 January 2019). The amendments require a company to use updated assumptions to determine current service cost and net interest for the remainder of the reporting period after an amendment to, curtailment or settlement of the plan. Furthermore, an entity must recognise in profit or loss as part of past service cost, or as a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendments affect any entity which changes the terms or membership of a defined benefit plan so that this results in past service cost or gain or loss on settlement.
- **Amendments to references to the conceptual framework in IFRS standards** (effective 1 January 2020). The revised conceptual framework contains a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance (in particular the definition of a liability); and clarifications in important areas, such as the role of stewardship, prudence and measurement uncertainty in financial reporting.
- **Amendments to IFRS 3**: 'Business combinations' (effective 1 January 2020), revising the definition of 'a business'. The new guidance provides a framework for evaluating when there is an input and a substantive process (including for start-ups yet to generate any outputs). In order to be a business without an output, there must now be an organised workforce. The changes to the definition of a business will probably lead to more acquisitions being treated as 'acquisitions of assets' in all sectors, but particularly in the real estate, pharmaceutical and petrochemical sectors. The application of the amendments will also affect the recognition of divestment transactions.
- **Changes in definition of 'material' in IAS 1 and IAS 8** (effective 1 January 2020). The amendments clarify the definition of 'material' and increase consistency within IFRS. The amendment clarifies that the reference to obscuring relates to situations where the effect is similar to omitting or misstating information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' by defining them as 'present and potential investors, lenders and other creditors', who rely on the financial statements in order to obtain a large part of the financial information

they need. The amendments are not expected to have a significant effect on the preparation of the financial statements.

- Annual improvements to IFRS standards 2015-2017 Cycle, applicable as of 1 January 2019 and relating to the following standards:
  - IFRS 3 'Business combination' and IFRS 11 'Joint Arrangements'. The amendments to IFRS3 clarify that when an entity obtains control of a business that is a joint operation, previously held interests in that business must be remeasured. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
  - IAS 12 'Income taxes'. The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) must be recognised in profit or loss, regardless of how this tax arises.
  - IAS 23 'Borrowing costs'. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Lotus Bakeries expects that, except for IFRS 16, for which an analysis has been performed, the application of these standards will not have a material impact on the consolidated financial statements.

IFRS 16 'Leases'

Lotus Bakeries will apply the new IFRS 16 standard as from 1 January 2019, the mandatory adoption date. The Group has opted for the 'simplified transition approach' and will not publish comparative figures for periods prior to 1 January 2019. The Group has performed an analysis, in which all current operating leases were inventorized. These mainly relate to office buildings, machinery and cars. As at 31 December 2018, the Group had taken out leases worth a total of EUR 4.1 million for 2019 (see note 32). EUR 1.2 million-worth of these leases concerns short-term or low-value leases. These are outside the scope of the standard and are recognised for accounting purposes as an expense in the income statement. The Group estimates that leases falling within the scope of IFRS 16, will give rise to an increase of approximately EUR 9.2 million in both tangible assets and debts. It is estimated that the Group's REBITDA will increase by between EUR 2.5 million and EUR 3.5 million.

IFRS 9 'Financial instruments'

The standard deals with the classification, valuation and derecognition of financial assets and liabilities. The standard is effective from 1 January 2018. Lotus Bakeries performed an analysis via the expected credit loss model defined in IFRS 9, the impact of this is not material for the Group.

IFRS 15 'Revenue from contracts with customers'

The Group is primarily involved in the sale of goods and recognises the revenue at the time at which physical possession of the asset is transferred to the customer, generally upon delivery of the goods. As far as the transaction price is concerned, an impact analysis was performed in 2017, based on the underlying contracts. The Group concluded that there was no need for a shift in presentation between turnover and costs.

2.3 Consolidation principles

The consolidated financial statements comprise the financial statements of Lotus Bakeries NV and its subsidiaries (collectively referred to as the 'Group'). All material balances and transactions within the Group have been eliminated.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group has control over an investee when it is exposed to, or has the right to, variable returns arising from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are included in the consolidation scope as from the date that the Group obtains control until the date such control ceases.

Acquisition of subsidiaries is accounted for according to the acquisition method. The financial statements of the subsidiaries have the same financial year as the Group and are prepared in accordance with the accounting principles of the Group.

A list of subsidiaries of the Group is disclosed in the relevant notes.

Liabilities related to put options granted to non-controlling interests

The Group granted put options to third parties with non-controlling interests in a subsidiary, with these options giving the holders the right to sell part or all of their investment in the subsidiary. These financial liabilities do not bear interest. In accordance with IAS 32, when non-controlling interests hold put options enabling them to sell their investment in the Group, a financial liability is recognised in an amount corresponding to the present value of the estimated exercise price. This financial liability is included in the other non-current liabilities. The counterpart of this liability is a write-down of the value of the non-controlling interest underlying the option.

The difference between the value of the non-controlling interest and the fair value of the liability is allocated to the retained earnings (Group share), which are included in shareholders' equity.

This item is adjusted at the end of each reporting period to reflect changes in the estimated exercise price of the option and the carrying amount of non-controlling interests. If the option matures without exercising, the liability is written off against non-controlling interests and retained earnings (Group share).

2.4 Use of estimates

In order to prepare the financial statements in accordance with IFRS, management has to make judgements, estimates and assumptions which have an impact on the financial statements and notes.

Estimates made on the reporting date reflect existing conditions on that date (for example: market prices, interest rates and foreign exchange rates). Though these estimates are made by management based on maximum knowledge of ongoing business and of the actions that the Group may undertake, the actual results may be different.

The assumptions made for measuring goodwill, intangible assets, post-employment benefits and financial derivatives are included in notes 6, 7, 18 and 20.

2.5 Foreign currencies

The Group's reporting currency is the euro.

Transactions in foreign currencies

Transactions in foreign currencies are converted using the exchange rate applicable on the date of the transaction. Monetary assets and liabilities in foreign currencies are converted to the closing rate on the reporting date.

Financial statements of foreign entities

For foreign entities using a different functional currency than the euro:

- assets and liabilities are converted to the euro using the exchange rate on the reporting date.
- income statements are converted at annual average exchange rate.
- equity items are converted at the historic exchange rate.

Translation differences resulting from conversion of equity into euro using the rate at the end of the reporting period are recognised as translation differences under equity. Translation differences remain in equity up to the disposal of the company. In case of disposal, the deferred cumulative amount included in equity is included in the results for the foreign activity in question.

Goodwill from the acquisition of a foreign entity and possible fair value changes in carrying amount of the acquired assets and liabilities at the moment of acquisition, are considered as assets and liabilities of the foreign activity and are converted using the closing rate.

The Group has no entities in hyper-inflationary economies.

Exchange rates

The following exchange rates were used in preparing the financial statements:

	CLOSING RATE		AVERAGE RATE	
	2018	2017	**2018**	2017
EUR/CAD	1.5605	1.5039	1.5329	1.4718
EUR/CHF	1.1269	1.1702	1.1515	1.1161
EUR/CLP	792.9810	733.9410	755.6531	732.0983
EUR/CNY	7.8751	7.8044	7.8152	7.6556
EUR/CZK	25.7240	25.5350	25.6725	26.2863
EUR/GBP	0.8945	0.8872	0.8857	0.8758
EUR/KRW	1277.9300	1279.6100	1295.9567	1275.7250
EUR/PLN	4.3014	4.1770	4.2675	4.2427
EUR/SEK	10.2548	9.8438	10.2952	9.6437
EUR/USD	1.1450	1.1993	1.1792	1.1368
EUR/ZAR	16.4594	14.8054	15.6125	15.0552

2.6 Intangible assets

Intangible assets which are acquired separately are measured initially at cost. After initial recognition, intangible assets are measured at cost less cumulative amortization and impairment. The residual value of intangible assets is assumed to be zero.

Intangible assets acquired upon acquisition of a subsidiary or as a result of the acquisition of a customer portfolio, are recognised separately in the balance sheet at their estimated fair value at acquisition date.

Costs for internally generated goodwill are recognised as costs in the income statement when they occur.

Amortisation

Intangible assets with a finite life are amortised on a straight-line basis over the estimated useful life and reviewed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation begins when the intangible asset is ready for its intended use.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or whenever there is a valid reason to do so. The indefinite life is re-assessed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made prospectively.

The investments in software and licences are amortised over a period of three to five years. The brands acquired in acquisitions or the value of the customer portfolios obtained through acquisition are amortised on a straight-line basis over a maximum period of ten years, except when the brand can be regarded as having an indefinite life.

Goodwill

Goodwill arising from a business combination is initially measured at cost (i.e. the positive difference between the cost of the business combination and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities). After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate that the carrying amount may have been impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date onwards, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.7 Property, plant and equipment

Property, Plant and Equipment is valued at cost less cumulative depreciation and impairment. Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of self-produced assets includes direct material costs, direct labour costs and a proportional part of the production overhead.

If the various parts of a tangible asset have different useful lives, they are depreciated according to their respective useful lives.

The depreciation methods, residual value, as well as the useful lives of the Property, Plant and Equipment is reassessed and adjusted if appropriate, annually.

Subsequent expenditure

Costs of maintenance and repair of Property, Plant and Equipment are capitalised if the cost can be measured reliably and the expenditure will result in a future economic benefit.

All other costs are recognised as operating charges when they occur.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.
Depreciation of an asset begins when the asset is ready for its intended use.

Useful life is assigned as follows:

Buildings and warehouses	25-30 years
Plant and equipment	15 years
Basic machines	20-25 years
Common machines, tools	10-15 years
Furniture	15 years
Office equipment	5 years
Computer equipment	3-5 years
Passenger vehicles	4-5 years
Trucks	10 years

Land is not depreciated given that it has an undefined useful life.

2.8 Leasing

Financial leases

A financial lease is a lease that transfers substantially all risks and rewards incidental to ownership of an asset to the lessee. Fixed assets held under a financial lease are, at the beginning of the lease term, measured at present value of the future minimum lease payments during the lease term. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership remain with the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.9 Government grants

Government grants are recognised at fair value when it is probable that they will be received and that the Group will comply with the conditions attached to the grant. If the grant is related to a cost item, the grant is systematically recognised as income over the periods required to attribute these grants to the costs which they are intended to compensate. When the grant is related to an asset, it is presented in the balance sheet deducted from the asset. Grants are recognised in income net of the depreciation of the related asset.

2.10 Impairment of non-current assets

For the Group's non-current assets, other than deferred tax assets, the Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and the value in use. In assessing value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash generating unit.

When the carrying amount exceeds the recoverable amount, an impairment loss is recognised as an operating charge in the income statement.

Reversal of impairments

Impairments for financial assets normally held by the Group until maturity or receivables are reversed if a subsequent increase in their net asset value can be objectively associated with an event arising after the recording of the loss.

A previously recognised impairment for other assets is reversed where there has been a change in the assumptions used to determine the recoverable amount. An increase in the carrying amount of an asset resulting from the reversal of an impairment cannot be higher than the carrying amount (after depreciation) that would have been determined had no impairment loss been recognised in prior years.

An impairment loss recognised on goodwill is never reversed in a subsequent period.

2.11 Financial assets available for sale

Financial assets available for sale include shares in companies in which the Group does not exercise control nor significant influence.

Financial assets are initially measured at cost. The cost includes the fair value of the compensation provided and acquisition costs associated with the investment.

After the initial recognition, the financial assets are measured at fair value. Changes in fair value are directly recognised in a separate component of other comprehensive income. For listed companies, the share price is the best estimate of the fair value. Investments for which no fair value can be determined, are recognised at historical cost.

The Group assesses at each reporting date whether there is objective evidence that the asset is impaired. Objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

If the financial asset is sold or an impairment loss is recognised, the cumulative profits or losses recognised in equity are transferred to profit or loss. An impairment loss on a financial asset available for sale is not reversed through the income statement, unless it includes a debt instrument.

2.12 Other long-term receivables

Long-term receivables are valued at their actual net value based on an average market interest rate in accordance with the useful life of the receivable.

2.13 Inventories

Raw materials, consumables and goods for resale are measured at purchase price on a FIFO basis.

Finished products are measured at the standard manufacturing cost price. This includes, in addition to direct production and material costs, a proportional part of the fixed and variable overhead costs based on the normal production capacity.

If the purchase price or the manufacturing price exceeds the net realisable value, the stock is measured at the lower net realisable value.

The net realisable value is defined as the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

2.14 Trade receivables and other amounts receivable

Trade receivables and other amounts receivable are measured at their nominal value less impairment, if any.

Impairments are recognised in the operating results if it becomes probable that the Group will not be able to collect all outstanding amounts.

At each reporting date, the Group estimates the impairment by evaluating all outstanding amounts individually. An impairment is recognised in the results of the period in which it was identified as such.

2.15 Cash and cash equivalents

Cash and cash equivalents include liquid assets and bank balances (current and deposit accounts). In general, investments are held until the expiration date. Profits and losses are recognised in the income statement when the investment is realized or impaired.

For the cash flow statement, cash and cash equivalents include cash and bank balances. Possible negative cash is recognised as short-term interest-bearing loans and borrowings with credit institutions.

2.16 Non-current assets (or disposal groups) held for sale and discontinued operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A non-current asset (or a disposal group) is classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or a disposal group) classified as held for sale is recognised at the lower of the carrying amount and the fair value less cost to sell.

An impairment test is performed on these assets at the end of each reporting date.

2.17 Share capital and treasury shares

For the purchase of treasury shares, the amount paid, including any directly attributable costs, is recognised as a change in this section. Treasury shares purchased are considered as a reduction in equity.

2.18 Interest-bearing financial debts

All interest-bearing financial debts are initially recognised at fair value less direct attributable transaction costs. After initial recognition, the interest-bearing financial debts will be recognised at the amortised cost price based on the effective interest rate method.

2.19 Provisions

Provisions are recognised in the balance sheet if the Group has obligations (legal or constructive) resulting from a past event and if it is probable that fulfilment of these commitments will incur expenses that can be estimated reliably on reporting date.

No provisions are recognised for future operating costs. If the effect of the time value of money is material, the provisions are discounted.

Restructuring

A provision for restructuring is recognised when a formal, detailed restructuring plan is approved by the Group and if this restructuring has either begun or been announced to the ones concerned.

2.20 Financial derivatives

The Group uses financial derivatives to limit risks from adverse exchange rate and interest rate fluctuations. No derivatives are used for trading purposes.

Financial derivatives are initially recognised at cost. After initial recognition, these instruments are recognised at their fair value.

Changes in fair value of the Group's derivatives that do not meet the criteria of IAS 39 for hedge accounting, are recognised in the income statement.

The effective portion of the change in fair value of derivative financial instruments that are identified as cash flow hedges is recognised in other comprehensive income. The gain or loss on the ineffective portion is immediately recognised in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged position impacts the income statement.

All regular purchases and sales of financial assets are recognised on transaction date.

2.21 Trade payables and other debts

Trade payables and other debts are recognised at their nominal value. A financial obligation is derecognised once the obligation is fulfilled, settled or lapsed.

2.22 Dividends

Dividends payable to shareholders of the Group are recognised as a liability in the balance sheet in the period in which the dividends are approved by the shareholders of the Group.

2.23 Revenues

Revenues are included in the income statement when it is probable that the Group will receive economic benefits from the transaction and the revenues can be measured reliably.

Sale of goods and delivery of services

Revenue is deemed to have been earned when the risks and rewards of the sale are payable by the purchaser and any uncertainty has been removed in terms of the collection of the agreed amount, transaction costs and any return of the goods.

Financial income

Financial income (interests, dividends, royalties, etc.) are considered to be realised once it is probable that the Group will receive the economic benefits from the transaction and the revenues can be measured reliably.

2.24 Employee benefits

Pension plans

The Group holds a number of defined contribution plans. These pension plans are funded by members of personnel and the employer and are recognised in the income statement of the reporting period to which they refer.

In addition, there is also a defined benefit pension plan in the subsidiary in Germany and the Netherlands.

There are also provisions in some companies for early retirement (Belgium) and pension obligations arising from legal requirements (France). These are classified as employment benefits of the defined benefit pension plans.

For the defined benefit pension plans, provisions are measured by calculating the present value of future amounts payable to the employees.

Defined benefit costs are divided into 2 categories:

- Current service cost, past service cost, gains and losses on curtailments and settlements;
- Net interest expense or income.

The current and past service cost, the net interest expense, the remeasurement of other long term personnel expenses, administrative expenses and taxes for the reporting period are included in the personnel expenses in the statement of profit or loss. The remeasurement on the net defined benefit liability as a consequence of actuarial gains or losses is included in the statement of comprehensive income as part of other comprehensive income.

Share-based payment

The stock option plan and the warrant plan allow employees to acquire shares in the company at relatively advantageous conditions. The exercise price of the option and warrant is equal to the average stock market closing price of the Lotus Bakeries share during the thirty calendar days preceding the date of offering. A personnel cost is recognised for options and warrants granted to employees as part of the stock option plan or warrant plan. The cost is determined based on the fair value of the stock options and warrants on the grant date and, together with an equal increase in equity, is recognised over the vesting period, ending on the date when the employees receive full right to the options. When the options or warrants are exercised, equity is increased by the amount of the revenues.

Bonuses

Bonuses for employees and management are calculated based on key financial objectives and individual objectives. The estimated amount of the bonuses is recognised as a charge for the financial year based on an estimate on the reporting date.

2.25 Income tax

Income taxes in the result of the reporting period include current and deferred taxes. Both taxes are recognised in the income statement except if they have been recognised directly in other comprehensive income. If so, these taxes are also directly recognised in other comprehensive income.

Current taxes include the amount of tax payable on the taxable earnings for the period calculated at the tax rate applicable on the reporting date. They also include adjustments of fiscal liabilities for previous years. In line with IAS 12§46 'Income Taxes', management assesses on a periodic basis the positions taken in tax declarations in respect of items subject to interpretation in the tax legislation, and records – if necessary– additional income tax liabilities based on the expected amounts payable to the tax authorities. The evaluation is made for all fiscal periods still subject to controls by the authorities.

Deferred taxes are calculated using the balance sheet method and result mainly from temporary differences between the carrying amount of both assets and liabilities in the balance sheet and their respective taxable base. Deferred taxes are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date. Deferred taxes are recognised at their nominal value and are not discounted.

Deferred tax assets from deductible temporary differences and unused tax loss carry forwards are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reassessed at each reporting date and reduced when it is no longer probable that the related tax savings can be generated. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that future taxable profits allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.26 Earnings per share

The Group calculates the ordinary profit per share on the basis of the weighted average of the number of outstanding shares during the period. For the diluted profit per share, the dilutive effect of stock options during the period is also taken into account.

2.27 Segment reporting

Group turnover is centralised around a number of products that are all included in the traditional and natural snacking segment. For these products, the Group is organised according to geographical regions for sales, production and internal reporting. As a result, segment reporting presents the geographical markets.

The Group's geographical segments are based on the location of the assets. The results of a segment include the income and charges directly generated by a segment. To this is added the portion of the income and charges that can be reasonably attributed to the segment. Intersegment price-fixing is defined based on the 'at arm's length' principle.

The assets and liabilities of a segment are reported excluding taxes and after deduction of depreciation, impairments and valuation allowances.

3. Segment reporting by geographical region

Segment reporting by geographical region (2018)

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

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

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

YEAR ENDED 31 DECEMBER 2018	CONTINUING OPERATIONS						
IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER [1]	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
TURNOVER							
Sales to external customers	148,948	69,189	87,629	116,229	134,440	-	556,435
Inter-segment sales	102,958	13,564	2,276	6,769	790	(126,357)	-
Total turnover	**251,906**	**82,753**	**89,905**	**122,998**	**135,230**	**(126,357)**	**556,435**
RESULTS							
Segment result REBIT	34,468	3,114	15,478	12,041	20,946	8,983	95,030
Non-recurrent operating result	(416)	-	67	-	(1,385)	(1,271)	(3,005)
Segment result EBIT	34,052	3,114	15,545	12,041	19,561	7,712	92,025
Financial result							(3,324)
Profit for the year before taxes							88,701
Taxes							(20,829)
Result after taxes							**67,872**
ASSETS AND LIABILITIES							
Non-current assets	143,724	8,230	107,390	191,504	70,034	20,829	545,647
Segment assets	143,724	8,230	107,390	191,504	70,034	20,829	541,711
Unallocated assets:							3,936
Deferred taxes							3,936

YEAR ENDED 31 DECEMBER 2018	CONTINUING OPERATIONS						
IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER [1]	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
Current assets	29,759	12,399	16,210	33,098	19,743	4,093	165,925
Segment assets	29,759	12,399	16,210	33,098	19,743	4,093	115,302
Unallocated assets:							50,623
VAT receivables							4,503
Income tax receivables							523
Cash and cash equivalents							45,597
Total assets							**711,572**
Non-current liabilities	1,539	679	873	-	478	2,646	198,042
Segment liabilities	1,539	679	873	-	478	2,646	6,215
Unallocated liabilities:							191,827
Deferred tax liabilities							52,725
Interest-bearing loans and borrowings							116,500
Other non-current liabilities							22,602
Current liabilities	39,302	7,821	8,033	19,295	26,471	13,965	166,603
Segment liabilities	39,302	7,821	8,033	19,295	26,471	13,965	114,887
Unallocated liabilities:							51,716
VAT payables							300
Tax payables							14,761
Interest-bearing loans and borrowings							36,655
Total liabilities							**364,645**
OTHER SEGMENT INFORMATION							
Capital expenditure:							
Tangible fixed assets	17,831	1,073	4,254	77	34,795	1,779	59,809
Intangible fixed assets	257	-	13	-	-	175	445
Depreciation	7,911	748	2,241	110	635	1,297	12,942
Increase/(decrease) in amounts written off stocks, contracts in progress and trade debtors	895	122	265	374	48	2	1,706

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

Segment reporting by geographical region (2017)

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

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

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

YEAR ENDED 31 DECEMBER 2017	CONTINUING OPERATIONS						
IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER [1]	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
TURNOVER							
Sales to external customers	143,362	65,707	90,436	101,321	123,229	-	524,055
Inter-segment sales	94,618	11,441	1,502	4,129	688	(112,378)	-
Total turnover	**237,980**	**77,148**	**91,938**	**105,450**	**123,917**	**(112,378)**	**524,055**
RESULTS							
Segment result REBIT	31,913	276	17,629	9,824	19,006	10,701	89,349
Non-recurrent operating result	2,082	(9)	(1,070)	-	(1,093)	(1)	(91)
Segment result EBIT	33,995	267	16,559	9,824	17,913	10,700	89,258
Financial result							(2,228)
Profit for the year before taxes							87,030
Taxes							(22,397)
Result after taxes							**64,633**
ASSETS AND LIABILITIES							
Non-current assets	133,581	7,901	105,379	136,726	38,443	21,353	447,693
Segment assets	133,581	7,901	105,379	136,726	38,443	21,353	443,383
Unallocated assets:							4,310
Deferred tax assets							4,310

YEAR ENDED 31 DECEMBER 2017	CONTINUING OPERATIONS						
IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER [1]	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
Current assets	25,987	11,874	15,429	23,459	16,716	2,934	149,801
Segment assets	25,987	11,874	15,429	23,459	16,716	2,934	96,399
Unallocated assets:							53,402
VAT receivables							4,789
Income tax receivables							484
Cash and cash equivalents							48,129
Total assets							**597,494**
Non-current liabilities	1,704	700	937	-	512	2,377	193,923
Segment liabilities	1,704	700	937	-	512	2,377	6,230
Unallocated liabilities:							187,693
Deferred tax liabilities							49,206
Interest-bearing loans and borrowings							117,500
Other non-current liabilities							20,987
Current liabilities	33,369	8,396	7,379	13,758	17,305	11,818	110,358
Segment liabilities	33,369	8,396	7,379	13,758	17,305	11,818	92,025
Unallocated liabilities:							18,333
VAT payables							119
Tax payables							16,464
Interest-bearing loans and borrowings							1,750
Total liabilities							**304,281**
OTHER SEGMENT INFORMATION							
Capital expenditure:							
Tangible fixed assets	17,599	1,305	3,864	95	4,164	522	27,549
Intangible fixed assets	-	-	59	-	151	480	690
Depreciation	7,386	643	2,053	119	592	1,312	12,105
Decrease/(increase) in amounts written off stocks, contracts in progress and trade debtors	1,278	64	500	41	305	10	2,198

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

4. Acquisitions and disposal of subsidiaries

In July 2018, Lotus Bakeries acquired 100% of the shares of Kiddylicious. This British food company creates responsible and delicious snacks for growing babies, toddlers and pre-schoolers. The total purchase price was EUR 49.2 million.

The results of Kiddylicious are included in the consolidation as from 26 July 2018.

The purchase price is composed as follows:

IN THOUSANDS OF EUR	PROVISIONAL FAIR VALUE
Purchase price	**49,183**
Intangible assets	16,014
Stocks	1,847
Trade and other receivables	3,179
Cash and cash equivalents	899
Other assets	46
Deferred tax liabilities	(2,236)
Interest-bearing loans and borrowings	(559)
Trade and other payables	(7,575)
TOTAL NET ASSETS	**11,615**
GOODWILL	**37,568**

The Goodwill of kEUR 37,568 arising from the acquisition relates to various components. Kiddylicious is a perfect strategic fit for the Natural Foods business unit of Lotus Bakeries, which was established following the acquisition of the Nākd, TREK, BEAR and Urban Fruit brands in 2015.

The Kiddylicious brand includes an extensive range, of which the most important products are Wafers, Veggie Straws and Melts. These products enrich the product range in the healthy snacking segment. Kiddylicious products can already be found in multiple countries and, with the help of Lotus Bakeries' international sales team, its international growth can be accelerated. Kiddylicious' statutory turnover is estimated at GBP 21 million for 2018.

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

The combined activities of the Kiddylicious companies (The Kids Food company Ltd. and Kiddylicious international Ltd.) represent the lowest level (cash generating unit) within the Group at which goodwill is monitored for internal management purposes.

5. Tangible assets

Tangible assets are purchased by and are the full property of Lotus Bakeries. This includes land and buildings, machinery and office equipment. The tangible assets are unencumbered with the exception of the notes included in 32.4.

Once again in 2018, the main investments relate to expansions of capacity. Investments totalled EUR 59.8 million. They mainly relate to the new factory in the United States. The construction of the manufacturing hall was completed during the second half of the year and the factory is scheduled to go into operation in the second half of 2019.

In 2018, an extra line came into service in the third production hall in Lembeke. Together with the factory in the United States, this expansion of capacity is needed to be able to continue to meet rising demand for Lotus Biscoff efficiently.

In 2018, the upgrade of the cake factory in Enkhuizen was completed. Following the first phase, during which two new warehouses were erected, in a second phase, the offices are being refurbished.

During 2018, the Group invested in new, modern offices in Lembeke. The works are on schedule and the new offices will go into service in the second half of 2019.

IN THOUSANDS OF EUR	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	FURNITURE, OFFICE EQUIPMENT AND VEHICLES	ASSETS UNDER CONSTRUCTION	TOTAL
On 31 December 2018					
Acquisition cost					
At the end of the preceding year	108,905	275,563	15,907	7,839	408,214
Acquisition during the year	12,093	13,366	841	33,509	59,809
Sales and disposals	(1,335)	(1,599)	(88)	-	(3,022)
Transfers from one heading to another	918	10	-	(928)	-
Translation differences	(205)	(263)	(6)	96	(378)
Acquisition through business combinations	-	5	144	-	149
Receipt of investment grants	(622)	(8)	-	-	(630)
Total acquisition cost	**119,754**	**287,074**	**16,798**	**40,516**	**464,142**
Depreciation and amounts written down					
At the end of the preceding year	(42,506)	(177,850)	(13,261)	(171)	(233,788)
Depreciation during the year	(2,731)	(8,830)	(690)	-	(12,251)
Sales and disposals	-	1,570	77	-	1,647
Translation differences	69	213	7	7	296
Acquisition through business combinations	-	(5)	(144)	-	(149)
Total depreciation and amounts written down	**(45,168)**	**(184,902)**	**(14,011)**	**(164)**	**(244,245)**
NET BOOK VALUE	**74,586**	**102,172**	**2,787**	**40,352**	**219,897**

IN THOUSANDS OF EUR	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	FURNITURE, OFFICE EQUIP-MENT AND VEHICLES	ASSETS UNDER CONSTRUC-TION	TOTAL
On 31 December 2017					
Acquisition cost					
At the end of the preceding year	97,483	261,038	15,067	11,751	385,339
Acquisition during the year	9,564	10,166	1,033	6,785	27,548
Sales and disposals	(3,071)	(1,124)	(134)	-	(4,329)
Transfers from one heading to another	5,170	5,520	-	(10,690)	-
Translation differences	(241)	(37)	(59)	(7)	(344)
Total acquisition cost	**108,905**	**275,563**	**15,907**	**7,839**	**408,214**
Depreciation and amounts written down					
At the end of the preceding year	(40,074)	(170,681)	(12,818)	(176)	(223,749)
Depreciation during the year	(2,434)	(8,288)	(666)	-	(11,388)
Sales and disposals	(47)	1,114	189	-	1,256
Translation differences	49	5	34	5	93
Total depreciation and amounts written down	**(42,506)**	**(177,850)**	**(13,261)**	**(171)**	**(233,788)**
NET BOOK VALUE	**66,399**	**97,713**	**2,646**	**7,668**	**174,426**

During 2018 kEUR 630 of newly granted capital grants were received and kEUR 55 of capital grants were taken into the income statement, giving at year end a remaining balance of kEUR 1,060, which is deducted from the net book value as reported in the above tables of movements.

INVESTMENT GRANTS

On 31 December	2018	2017
At the end of the preceding year	(485)	(548)
Taken into the income statement	55	63
Newly granted capital grants	(630)	-
At the end of the year	**(1,060)**	**(485)**

6. Goodwill

The carrying value of goodwill at the end of 2018 is EUR 178 million.

For sales, production and internal reporting, the Group is organised into geographic regions (see also geographic segment information). The segments consist of underlying business units. These business units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. These business units are the cash generating units to which goodwill is allocated.

The net carrying value of goodwill has been allocated to the various independent cash generating units as follows:

Cash flow-generating unit	Amount kEUR
Netherlands (Koninklijke Peijnenburg)	17,151
Spain (Lotus Bakeries Ibérica)	1,704
Sweden (AB Annas Pepparkakor)	5,981
Customer Brand Business (Biscuiterie Willems BVBA en B.W.I. BVBA)	20,773
Lotus Korea	9,707
Natural Foods	122,323
Total	**177,639**

The change for the year is due to the acquisition of Kiddylicious and translation differences:

IN THOUSANDS OF EUR	2018	2017
Acquisition cost		
Balance at end of previous year	141,001	144,368
Acquisitions of subsidiaries	37,568	-
Effect of movements in foreign exchange rates	(930)	(3,367)
Balance at end of year	**177,639**	**141,001**

Goodwill, representing approximately 25% of the total assets of Lotus Bakeries at 31 December 2018, is tested for impairment every year (or whenever there is a specific reason to do so) by comparing the carrying value of each cash generating unit (CGU) with its recoverable amount. The recoverable amount of a cash generating unit is determined on the basis of the calculated value in use.

The value in use is determined as the present value of expected future cash flows based on the current long-term planning of the Group. The discount rate used in determining the present value of expected future cash flows is based on a weighted average cost of capital (WACC). The impairment test for goodwill is based on a number of critical judgements, estimates and assumptions.

The assumptions are consistent and realistic for the six cash generating units, which are mainly located in Europe:

- Revenue and gross profit margin: revenue and gross profit margin reflect management's expectations based on past experience and taking into account the risks specific to the reportable business unit.
- The first year of the model is based on the budget for the year; the budget is taking into account historical results and is management's best estimate of the free cash flow outlook for the current year.
- In years two to five of the model, free cash flows are based on Lotus Bakeries' long-term plan. The long-term plan of Lotus Bakeries is prepared country by country, based on realistic internal plans that take into account the specific market situation and the past.
- Cash flows beyond the first five years are extrapolated by applying a growth rate to free cash flows, lying between 1% and 3%.
- Projections are discounted at the weighted average pre-tax cost of capital, which lies between 5.4% and 6.5%. The pre-tax discount rate is calculated by dividing the discount rate after tax by one minus the applicable tax rate. This result is not materially different from an iterative calculation method as described in IAS 36.

End 2018, Lotus Bakeries has completed its annual impairment test on goodwill and concluded from this that no further impairment allowance is necessary. Lotus Bakeries believes all of its estimates to be reasonable: they are consistent with the internal reporting and reflect management's best estimates.

As a part of the valuation test, Lotus Bakeries carried out a sensitivity analysis for important assumptions used, including the weighted average capital costs and long term growth percentage. Here, a fall in the long-term growth percentage by 100 basis points and an increase in the weighted average capital costs before tax by 100 basis points were applied. A change in the estimates used, as described above, does not lead to a potential material impairment.

Although Lotus Bakeries believes that its assessments, assumptions and estimates are suitable, actual results may differ from these estimates in the event of changed assumptions and conditions.

7. Intangible assets

Intangible assets refer to brands, software and an acquired customer portfolio.

The brands relate to:
- the Peijnenburg brand
- the Annas brand
- the Nākd brand
- the BEAR brand
- the Dinosaurus brand
- the Kiddylicious brand

The value of these brands was established as part of the valuation at fair value of the asset and liability components upon first consolidation.

As the Peijnenburg brand serves as the base brand in the Netherlands, it is not amortised. In accordance with the valuation rules, its fair value is tested annually, using the DCF method. The 'Netherlands' segment is defined here as a cash generating unit.

The Annas brand is used as the base brand for the Nordic region and as the base brand for its pepparkakor products outside the Nordic region. This brand is not being amortised. Here too, the fair value is tested annually using the DCF method. The activity in the Nordic region plus the pepparkakor activity outside this region are defined as a cash generating unit. This cash generating unit is part of the segment 'Other' in note 3.

In 2012 the intellectual property rights in the Dinosaurus brand were acquired. Based on an analysis of all relevant factors, there is no foreseeable limit to the period of time over which this brand is expected to generate cash flows. The Dinosaurus brand has been assigned indefinite useful life and therefore is not amortised.

In 2015, the Nākd brand was acquired as part of the acquisition of Natural Balance Foods. Nākd is loved by customers for its delicious, innovative products made from 100% natural ingredients with no added sugar. They are dairy, wheat and gluten free. Since Nākd is the base brand of Natural Balance Foods in the UK and elsewhere, it is not amortised. In accordance with the valuation rules, its fair value is tested annually, using the DCF method. Accordingly, the sale of Nākd products in the UK and elsewhere is treated as a cash generating unit.

At the end of 2015, the BEAR brand was acquired as part of the acquisition of Urban Fresh Foods. The BEAR brand is the market leader in the UK for pure fruit snacks for children. Since BEAR is the base brand of Urban Fresh Foods in the UK and elsewhere, it is not amortised. In accordance with the valuation rules, its fair value is tested annually, using the DCF method. Accordingly, the sale of BEAR products in the UK and elsewhere is treated as a cash generating unit.

In 2018, the Kiddylicious brand was acquired as part of the acquisition of Kiddylicious. Delicious, nutritious, portion-controlled snacks for growing babies, toddlers and pre-schoolers are marketed under this brand. Since Kiddylicious is the base brand in the UK and elsewhere, it is not amortised. In accordance with the valuation rules, its fair value is tested annually, using the DCF method. Accordingly, the sale of Kiddylicious products in the UK and elsewhere is treated as a cash generating unit.

At year-end 2018, the Group tested the value of these brands for possible impairment. Taking into account the assumptions used, the value in use of the unit exceeds its carrying amount and no impairment loss was recognised.

The main judgements, assumptions and estimates are:

- Revenue and gross profit margin: revenue and gross profit margin reflect management's expectations based on past experience and taking into account the risks specific to the cash generating unit.
- The first year of the model is based on the budget for the year, taking into account historical results and is management's best estimate of the free cash flow outlook for the current year;
- In years two to five of the model, free cash flows are based on Lotus Bakeries' long-term plan. The long-term plan of Lotus Bakeries is prepared country by country, based on realistic internal plans that take into account the specific market situation and the past.
- Cash flows beyond the first five years are extrapolated by applying a growth rate to free cash flows, lying between 1% and 3%.
- Projections are discounted at the weighted average pre-tax cost of capital, which lies between 5% and 6%. The pre-tax discount rate is calculated by dividing the discount rate after tax by one minus the applicable tax rate. This result is not materially different from an iterative calculation method as described in IAS 36.

As a part of the valuation test, Lotus Bakeries carried out a sensitivity analysis for important assumptions used, including the weighted average capital costs and long term growth percentage. Here, a fall in the long-term growth percentage by 100 basis points and an increase in the weighted average capital costs before tax by 100 basis points were applied. A change in the estimates used, as included above, does not lead to a potential material impairment.

Although Lotus Bakeries believes that its assessments, assumptions and estimates are suitable, actual results may differ from these estimates in the event of changed assumptions and conditions.

Software relates mainly to the capitalised external and internal costs connected with the further basic implementation of the ERP information system SAP.

The portfolio concerns Spanish out-of-home customers purchased in 2011.

IN THOUSANDS OF EUR	INDEFINITE LIFE BRANDS	DEFINITE LIFE BRANDS	SOFTWARE	CUSTOMER PORTFOLIO	TOTAL
On 31 December 2018					
Acquisition cost					
At the end of the preceding year	122,280	4,627	10,123	1,030	138,060
Acquisitions during the year	-	-	445	-	445
Translation differences	(805)	-	10	-	(795)
Acquisition through business combinations	16,014	-	-	-	16,014
Total acquisition cost	**137,489**	**4,627**	**10,578**	**1,030**	**153,724**
Depreciation and amounts written down					
At the end of the preceding year	-	(4,627)	(8,865)	(644)	(14,136)
Depreciation during the year	-	-	(588)	(103)	(691)
Translation differences	-	-	(10)	-	(10)
Total depreciation and amounts written down	**-**	**(4,627)**	**(9,463)**	**(747)**	**(14,837)**
NET BOOK VALUE	**137,489**	**-**	**1,115**	**283**	**138,887**

IN THOUSANDS OF EUR	INDEFINITE LIFE BRANDS	DEFINITE LIFE BRANDS	SOFTWARE	CUSTOMER PORTFOLIO	TOTAL
On 31 December 2017					
Acquisition cost					
At the end of the preceding year	124,336	4,627	9,480	1,030	139,473
Acquisitions during the year	-	-	691	-	691
Sales and disposals	-	-	(3)	-	(3)
Translation differences	(2,056)	-	(45)	-	(2,101)
Total acquisition cost	**122,280**	**4,627**	**10,123**	**1,030**	**138,060**
Depreciation and amounts written down					
At the end of the preceding year	-	(4,627)	(8,299)	(541)	(13,467)
Depreciation during the year	-	-	(611)	(103)	(714)
Translation differences	-	-	45	-	45
Total depreciation and amounts written down	**-**	**(4,627)**	**(8,865)**	**(644)**	**(14,136)**
NET BOOK VALUE	**122,280**	**-**	**1,258**	**386**	**123,924**

8. Deferred taxes

Deferred tax assets are included for the companies which have a loss at the end of the year, except for Interwaffles SA (kEUR 4,477 in 2018 versus kEUR 4,792 in 2017). The recognition of these deferred tax assets is supported by profit expectations in the foreseeable future.

IN THOUSANDS OF EUR	ON 31 DECEMBER 2017	CHARGED/ CREDITED TO THE INCOME STATEMENT	CHARGED/ CREDITED TO EQUITY	CHARGED/ CREDITED ACQUISITION	EXCHANGE DIFFERENCES	ON 31 DECEMBER 2018
Property, plant and equipment and intangible assets	(44,646)	(372)	-	(2,722)	160	(47,580)
Inventories	291	120	-	-	4	415
Pension liabilities	586	39	77	-	-	702
Tax effect of tax loss carry-forwards	2,880	(612)	-	-	(29)	2,239
Provisions	(1,966)	(40)	-	-	-	(2,006)
Derivative financial instruments	(554)	-	456	-	-	(98)
Other	(1,487)	(1,767)	-	486	307	(2,461)
Total deferred tax	**(44,896)**	**(2,632)**	**533**	**(2,236)**	**442**	**(48,789)**

IN THOUSANDS OF EUR	ON 31 DECEMBER 2016	CHARGED/ CREDITED TO THE INCOME STATEMENT	CHARGED/ CREDITED TO EQUITY	CHARGED/ CREDITED ACQUISITION	EXCHANGE DIFFERENCES	ON 31 DECEMBER 2017
Property, plant and equipment and intangible assets	(48,897)	4,037	-	-	214	(44,646)
Inventories	24	280	-	-	(13)	291
Pension liabilities	744	(228)	71	-	(1)	586
Tax effect of tax loss carry-forwards	3,269	(249)	-	-	(140)	2,880
Provisions	(2,158)	197	-	-	(5)	(1,966)
Derivative financial instruments	1,164	(6)	(1,712)	-	-	(554)
Other	42	(1,755)	-	-	226	(1,487)
Total deferred tax	**(45,812)**	**2,276**	**(1,641)**	**-**	**281**	**(44,896)**

9. Participating interests and other long-term receivables

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Participating interests	2,448	-

In March 2018, an agreement was reached with Grassroots, the current co-manufacturer for the BEAR range, for the acquisition of the production activities of BEAR. The new turnkey production facility should be operational in 2019. In that respect, a first payment was done, which is reported under participating interests in the accounting report. The transfer will become official when all specified conditions are met and after approval by the regulatory authorities.

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Derivative financial instruments	2,280	3,525
Cash guarantees	538	485
Other long-term receivables	10	10
Total	**2,828**	**4,020**

Please refer to note 20.

10. Inventories

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Raw materials and consumables	10,764	10,252
Work in progress	433	376
Finished goods	18,551	12,531
Goods for resale	9,318	10,494
Total	**39,066**	**33,653**

Valuation allowances of kEUR 1,551 relate mainly to raw materials (kEUR 138), packaging material (kEUR 357), finished products (kEUR 550) and goods for resale (kEUR 505). In 2017, valuation allowances amounted to kEUR 2,075.

11. Trade receivables and other amounts receivable

The amount of valuation allowances in 2018 is kEUR 155. In 2017, kEUR 123 of valuation allowances were charged. The trade receivables represent an average of 45 days of sales outstanding (2017: 42 days).

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Trade receivables	**71,097**	**60,104**
Tax receivables		
VAT receivables	4,503	4,789
Income tax receivables	523	484
Total	**5,026**	**5,273**
Other amounts receivable	**2,993**	**1,487**

The other current amounts receivables item includes amongst others the proportion of long-term receivables that are due within one year, empties in custody and investment grants to be received. The increase compared with 2017 is due to a receivable relating to the sale of a tangible asset.

Movements on valuation allowances of trade receivables:

IN THOUSANDS OF EUR	2018	2017
Amounts written off on 1 January	**434**	**1,148**
Increase of amounts written off	155	123
Amounts written off used during the year	22	(837)
Amounts written off on 31 December	**611**	**434**

With regard to trade receivables there are no indications that debtors will not meet their payment obligations. In 2017, a provision was used for doubtful debts, which was not the case for 2018. Nor are there any customers representing more than 10% of the consolidated turnover. IFRS 9 requires Lotus Bakeries to establish a provision for expected losses on the recovery of trade receivables. The application of this new IFRS standard has no material impact. More information regarding the credit risk is included in the chapter 'Report of the Board of Directors' in part 1 of the Lotus Bakeries 2018 annual review.

12. Cash and cash equivalents

Cash and cash equivalents are balances on bank accounts remunerated at market conditions. The market value of these cash and cash equivalents is therefore equal to the carrying value.

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Cash and cash equivalents	45,597	48,129
Total	**45,597**	**48,129**

13. Net financial debt

Net financial debt is defined as interest-bearing financial debt less monetary investments, cash and cash equivalents and treasury shares.

Net financial debt has increased by kEUR 38,950 compared with the end of the previous financial year. The increase is due to investments in non-current assets and the acquisition of Kiddylicious. This increase is partially offset by very strong operating cash flow.

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Non current interest-bearing liabilities	(116,500)	(117,500)
Short term interest-bearing liabilities	(36,655)	(1,750)
Cash and cash equivalents	45,597	48,129
Treasury shares	11,406	13,919
Total	**(96,152)**	**(57,202)**

14. Issued capital

All shares are ordinary shares, registered or dematerialised. The treasury shares have been purchased as part of the share option plans mentioned in note 24.

Ordinary shares, issued and fully paid

IN THOUSANDS OF EUR	2018	2017
On 1 January	3,584	3,576
Increase	6	8
On 31 December	3,590	3,584
Number of ordinary shares		
On 1 January	814,433	812,513
Increase	1,300	1,920
On 31 December	815,733	814,433
Less: treasury shares held at 31 December	(9,740)	(15,171)
Shares outstanding at 31 December	805,993	799,262
Amounts of authorized capital, not issued		
IN THOUSANDS OF EUR	943	949

Structure of shareholdings

Further details of the shareholding structure of Lotus Bakeries NV as of 31 December 2018 are contained in the Corporate Governance Statement in part 1 of the 2018 annual review of Lotus Bakeries.

Capital risk management

The goal of Lotus Bakeries as far as capital management is concerned is to ensure that Lotus Bakeries can continue to operate as a going concern in order to generate a return for shareholders and provide benefits for other stakeholders. Furthermore, Lotus Bakeries aims for a capital structure (balance between debt and equity) that gives it the required financial flexibility to implement its growth strategy. The aim is to maintain the ratio of net financial debt (defined as interest-bearing financial debt less monetary investments, cash equivalents and treasury shares) to recurring operating cash flow (REBITDA) at what is considered as a normal healthy level in the financial market.

15. Dividends

IN THOUSANDS OF EUR	2018	2017
Dividend payments in		
Gross dividend per ordinary share (EUR)	19.50	16.20
Gross dividend on ordinary shares	15,887	13,191
Proposed dividend per ordinary share (EUR)	**29.00**	**19.50**
Gross dividend on ordinary shares	23,664	15,887

The Board of Directors will propose to the Ordinary General Meeting of Shareholders of 10 May 2019 to pay a gross dividend of EUR 29.00 per share for 2018 compared to EUR 19.50 per share in 2017.

This amount is not recognised as a debt on 31 December.

The gross dividend takes into account warrants exercised prior to the Ordinary General Meeting of Shareholders of 10 May 2019.

16. Treasury shares

Treasury shares purchased as part of the stock option plans as declared in note 24 are subtracted from equity.

IN THOUSANDS OF EUR	2018	2017
On 1 January	13,919	12,038
Purchased during the year	173	3,437
Sold during the year	(2,686)	(1,556)
On 31 December	11,406	13,919
Number of treasury shares		
On 1 January	15,171	17,630
Purchased during the year	80	1,611
Sold during the year	(5,511)	(4,070)
On 31 December	9,740	15,171

17. Interest-bearing liabilities

Non-current financial debts with an initial maturity of more than 1 year increased by kEUR 1,000. The current interest-bearing liabilities increased by kEUR 34,905. The currency of all non-current interest-bearing liabilities is euro. Current interest-bearing liabilities are mainly expressed in euro.

All interest-bearing liabilities were contracted at market conditions and therefore the carrying amount approximates the fair value.

IN THOUSANDS OF EUR	DUE WITHIN 1 YEAR	DUE BETWEEN 1 TO 5 YEARS	DUE AFTER 5 YEARS	TOTAL
Non current interest-bearing liabilities	-	116,500	-	116,500
Current interest-bearing liabilities	36,655	-	-	36,655
Total on 31 December 2018	**36,655**	**116,500**	**-**	**153,155**
Interests due on non current interest-bearing liabilities	1,805	4,382	-	6,187

IN THOUSANDS OF EUR	DUE WITHIN 1 YEAR	DUE BETWEEN 1 TO 5 YEARS	DUE AFTER 5 YEARS	TOTAL
Non current interest-bearing liabilities	-	42,500	75,000	117,500
Current interest-bearing liabilities	1,750	-	-	1,750
Total on 31 December 2017	**1,750**	**42,500**	**75,000**	**119,250**
Interests due on non current interest-bearing liabilities	1,816	5,872	315	8,003

The interests due on the loans with variable interest rate are calculated at the actual interest rate.

The unused committed credit lines amounted to kEUR 72,499 on 31 December 2018.

18. Pension liabilities

Defined contribution plan

As part of a defined contribution plan, the Group pays contributions to well-defined insurance institutions. Management of the pension plan is outsourced to an insurance company. These employer contributions are subtracted from the results for the year concerned. The Group has no further payment obligations in addition to these contributions.

Because of the Belgian legislation applicable to 2nd pillar pension plans (so-called 'Law Vandenbroucke'), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. This 'Law Vandenbroucke', which came into force in 2004, states that in the context of defined contribution plans, 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 will be replaced by a single percentage which changes in line with market rates, ubject to a minimum of 1.75% and a maximum of 3.75%, reducing the risk for the employer.

Because of this minimum guaranteed return for defined contribution plans in Belgium, the employer is exposed to a financial risk (there is a legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods). These plans should therefore in principle be classified and accounted for as defined benefit plans under IAS 19.

In the past the company did not apply the defined benefit accounting for these plans because the return on plan assets provided by insurance companies was sufficient to cover the minimum guaranteed return. As a result of continuous low interest rates offered by the European financial markets, the employers in Belgium effectively assumed a higher financial risk related to the pension plans with a minimum fixed guaranteed return than in the past, requiring them to measure the potential impact of defined benefit accounting for these plans. We made an estimate of the potential additional liabilities as at 31 December 2018 and these are assessed as not significant. The employer's contribution related to the plans amounted to a total of kEUR 1,297 in 2018.

In the Netherlands a defined benefit pension plan has been concluded with BPF ('Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie' (collective schemes of several employers in the sector)). The employer pays an annual fixed percentage on a part of the salary (pension base) of the year in which pension is accrued. Because employers pay a fixed contribution, the scheme falls under the defined contribution scheme.

The Group expects to pay around kEUR 3,583 of contributions to these defined contribution plans in respect of 2019.

Defined benefit pension plan

There is a defined benefit pension plan in the subsidiaries in Germany and the Netherlands. For the Belgian companies, there are provisions for early retirement in accordance with the valid Collective Work Agreement. In France, there are pension requirements deriving from legal requirements.

Defined benefit costs are split into 2 categories:

- Current service cost, past-service cost, gains and losses on curtailments and settlements;
- Net interest expense or income.

The total service cost, the net interest expense, the remeasurement of other long term personnel charges, administrative expenses and taxes for the year are included in the personnel charges in the consolidated income statement. The remeasurement on the net defined benefit liability is included in the statement of comprehensive income as part of other comprehensive income.

The provisions for early retirement pensions ('bridging pensions') of the Belgian companies make up the largest part of the defined benefit pension liabilities. For the defined benefit pension plan, provisions are formed by calculating the actuarial value of future payments to the employees in question. No investments are held in respect of these pension plans.

The actuarial calculation for the Belgian companies is based on the following assumptions:

	2018	2017
Discount rate	1.15%	0.76%
Inflation rate	1.8% p.a.	1.8% p.a.

No major adaptations were required in the past for pension liabilities.
The Group expects to pay out around kEUR 21 in 2019 under defined benefit pension schemes for Germany and France.

IN THOUSANDS OF EUR	2018	2017
Net periodic cost		
Service cost	103	118
Interest charges	33	33
(Gains) / losses	(52)	(44)
NET PERIODIC COST	**84**	**107**
Remeasurements (recognised in OCI)		
Remeasurements on the defined benefit obligation	(199)	833
REMEASUREMENTS	**(199)**	**833**
Movement in the net liability		
Net debts as at 1 January	3,998	3,203
Service cost	103	118
Interest charges	33	33
Remeasurements	(199)	833
Employers contribution	(129)	(145)
(Gains) / losses	(52)	(44)
Other	-	-
NET DEBT AS AT 31 DECEMBER	**3,754**	**3,998**

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 higher than expected salary increase of plan members will lead to higher liabilities.
- Longevity risk: pension plans provide for benefits for the life of the plan members, so increases in life expectancy will result in an increase in the plan's liabilities.

The actuary has performed a sensitivity analysis on actuarial assumptions used. In this respect, both the discount rate and the inflation rate were altered by 50 basis points. A change in the estimates used, as recorded above, does not lead to a possible material impact on Lotus Bakeries' financial statements.

19. Provisions

The provisions mainly relate to contractual or legal obligations towards personnel.

IN THOUSANDS OF EUR	INTEGRATION AND RESTRUCTURING	OTHER	TOTAL
Provisions on 1 January 2018	**-**	**435**	**435**
Increase of provisions	-	-	-
Reversal of unutilised provisions	-	(16)	(16)
Provisions used during the year	-	(21)	(21)
Provisions on 31 December 2017	**-**	**398**	**398**
Long-term	-	377	377
Short-term	-	21	21

IN THOUSANDS OF EUR	INTEGRATION AND RESTRUCTURING	OTHER	TOTAL
Provisions on 1 January 2017	**1,400**	**607**	**2.007**
Increase of provisions	-	-	-
Reversal of unutilised provisions	-	(22)	(22)
Provisions used during the year	(1,400)	(150)	(1.550)
Provisions on 31 December 2017	**-**	**435**	**435**
Long-term	-	414	414
Short-term	-	21	21

Current provisions are expected to be settled within 12 months.

20. Financial derivatives

The Lotus Bakeries Group uses financial derivatives to cover risks from adverse exchange rate and interest rate fluctuations. No derivatives are used for trading purposes. Financial derivatives are initially valued at cost price and thereafter at fair value.

Interest rate hedges

The interest rate contracts cover the interest rate risk of the financial liabilities with variable interest rates based on the Euribor. The fair value of the interest rate derivatives is calculated using a model that takes into account the available market information on current and expected interest rates (level 2 valuation).

In 2016, Lotus Bakeries acquired additional finance with bank loans worth EUR 18 million over a period of 7 years (variable rate), for which seven-year interest rate agreements were entered into at the same time (variable for fixed) to hedge against fluctuations in cash flow caused by changes in interest rates.

In 2015, Lotus Bakeries already acquired finance with bank loans worth EUR 40 million (over a period of 5 years) and EUR 57 million (over a period of 7 years), for which interest rate agreements were entered into at the same time (variable for fixed) to hedge against fluctuations in cash flow caused by changes in interest rates. The maturity dates and nominal value of the interest rate swaps ('hedging instrument') correspond to those of the underlying debt ('hedged position'), and the transaction meets the hedge accounting requirements (cf. IAS 39). The Group has identified and documented these transactions as a 'cashflow hedge' and processed this in the accounts as such from the issue dates.

As of 31 December 2018, the market value of these interest rate swaps was kEUR -2,319, and the change in market value is included in equity under other comprehensive income (loss on cash flow hedge).

Exchange rate hedges

The Group is subject to foreign currency risks. The main foreign currency transactions take place in USD, GBP, ZAR, CHF, SEK, CNY and KRW. Management is considering the hedging of the net foreign exchange risk of these currencies by forward and/or option contracts whenever there exists a material uncovered net risk for the Group. As of 31 December 2018, the market value of this hedge was kEUR 2,280, and the change in market value is included in equity under other comprehensive income.

The fair value of the foreign currency derivatives is calculated using a valuation model based on the available market data on exchange rates and interest rates (level 2 valuation).

Fair value of derivative financial instruments

IN THOUSANDS OF EUR	2018	2017
Financial derivatives		
Fair value	(39)	1,554
Cost/(revenue) in results before tax	(1)	(3)
Decrease/(increase) in equity before tax	1,594	(4,974)

The financial instruments are level 2 instruments. The fair value is calculated on the basis of the available market information. With respect to put options on non-controlling interests, please refer to note 21.

21. Other non-current liabilities

Other non-current liabilities mainly concern the impact of the financial liability relating to put options granted to third parties with respect to the entire non-controlling interest in Natural Balance Foods Ltd., where these put options give holders the right to sell part or the whole of their investment in this subsidiary. This financial liability, amounting to EUR 22.6 million, does not give rise to interest expenses. The options were exercisable for the first time in 2017 and expire in 2024.

These put options are unconditional and the exercise price depends on the future results (turnover and operating result) of Natural Balance Foods. In accordance with IAS 32, where non-controlling interests hold put options giving them the right to sell their investment, a financial liability is recorded for the present value of the exercise price expected to be paid. These put options are level 3 instruments.

The counterpart of this liability is a cancellation of the underlying non-controlling interest. The difference between the value of the non-controlling interest and the fair value of the liability is added to the consolidated reserves, which are included in shareholders' equity. This item is adjusted at the end of each reporting period to take into account changes in the exercise price expected to be paid for the option and non-controlling interests. If the option expires without being exercised, the liability is cancelled with the non-controlling interests and consolidated reserves.

22. Trade payables and other liabilities

IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Trade payables	86,794	68,542
Remuneration and social security	21,330	18,383
Tax payables		
VAT payables	300	119
Tax payables	14,761	16,464
Total	**15,061**	**16,583**
Derivative financial instruments	-	1
Other current liabilities	3,102	1,662
Accrued charges and deferred income	3,406	3,264
TOTAL	**129,693**	**108,435**

The increase in 2018 is mainly due to the increase in trade payables and remuneration and social security, as a result of Lotus Bakeries' internal growth, the purchase of tangible assets and the acquisition of Kiddylicious.

23. Personnel costs

IN THOUSANDS OF EUR	2018	2017
Salaries and wages	75,005	69,801
Social security contributions	14,361	13,489
Contributions for company pension plans with fixed contribution	3,245	2,659
Other personnel costs	19,366	19,631
Total personnel costs	**111,977**	**105,580**
Average number of members of personnel	1,555	1,500
Number of members of personnel as at the end of the year	1,604	1,495

The other personnel costs include among other things the costs of temporary staff, training costs and compensation for directors.

Personnel costs increased in 2018 compared with 2017 due to the increase in the number of staff.

24. Share-based payments

Stock option plans

The stock option plan ratified by the Board of Directors of March 2012 stipulates that options are granted each financial year to executives and senior management, based on category, results and evaluation.

One option gives the holder the right to purchase one normal Lotus Bakeries share at the fixed exercise price. The exercise price is equal to the average closing stock market price of the underlying share during the thirty calendar days prior to offering date. The standing options have a term of five years. After the exercise period, the options are no longer valid. The exercise period of the options granted in 2007 has been extended by five years under the terms of the Economic Recovery Act ('Herstelwet'). To retain their exercise rights, option holders must remain attached to Lotus Bakeries or an Affiliated Company as an employee or executive director. These rights remain in their entirety in the event of pension retirement, early pension retirement, invalidity or death. Options are exercised via equity.

In 2018, 1,179 share options were granted to and accepted by Lotus Bakeries employees.
In 2017, 2,260 share options were granted to and accepted by Lotus Bakeries employees.

Warrant plan

In 2007, a warrant plan was issued for executives and senior management, with a term of seven years. Each warrant entitles the warrant holder to subscribe one Lotus Bakeries share at the established exercise price. This exercise price is equal to the average stock market closing price of the Lotus Bakeries share during the thirty calendar days preceding the date of offering. After the expiry of the exercise period the warrants become worthless. Upon exercise the company will issue shares in favour of the warrant holder.

Warrants are definitively acquired only three years after the date of the offering, viz. 19 July 2010. All warrants that have been allocated become null and void if the employment contract or directorship is terminated before the end of this three-year period, except where the warrant holder takes retirement pension, early retirement pension, or in the event of definitive disability or death. Where the warrant holder's employment contract or directorship ends in the period between the third and fifth anniversaries of the date of offering, only half of the warrants that have been definitively acquired at that time may be exercised, and the other half of the definitively acquired warrants become null and void and lose all value.

No new warrants were allocated in 2018 and 2017. The warrants run for seven years, with the exercise period of the warrants granted in 2007 extended for five years by the Economic Recovery Act.

The share options and warrants outstanding at the end of 2018 have a weighted average term of two years and three months (2017: two years and three months).

The fair value of the options and warrants is estimated at the time of allotment, using the binomial valuation method. This valuation model is based on the following market data and assumptions: the share price at the time of allotment, the exercise price, the exercise arrangements, the estimated volatility, the dividend expectations and the risk-free interest rate. The fair value of the share options and warrants is charged to the vesting period.

For all allotted and accepted options, a charge of kEUR 590 was recorded in the income statement in 2018 (kEUR 620 in 2017). For share options exercised during 2018, the weighted average share price at exercise date was EUR 2,352.57 (2017: EUR 2,370.98). For the exercised warrants, the weighted average share price at the exercise date was EUR 2,529.74 (2017: EUR 2,316.09).

Number of options and warrants	2018	2017
Outstanding at January, 1	**15,971**	**20,687**
Options granted during the year	1,179	2,260
Options exercised during the year	(5,511)	(4,070)
Options expired during the year	(341)	(986)
Warrants exercised during the year	(1,300)	(1,920)
Outstanding at 31 December	**9,998**	**15,971**
Exercisable at 31 December	1,429	2,852
Charge recorded in the income statement (kEUR)	**590**	**620**

The weighted average exercise price of options and warrants is as follows:

IN EUR	2018	2017
Outstanding at January, 1	**1,148.04**	**841,50**
Options granted during the year	2,373.00	2.347,52
Options exercised during the year	767.41	560.70
Options expired during the year	1,981.06	1,646.83
Warrants exercised during the year	246.02	246.02
Outstanding at 31 December	**1,591.17**	**1,148.04**
Exercisable at 31 December	695.97	426.33

Weighted average term of the share options and warrants outstanding at the end of the period.

	2018	2017
Number of years	2	2
Number of months	3	3

ALLOTED IN		NUMBER ALLOTED (1)	NUMBER EXERCISED (2)	AVAILABLE BALANCE	EXERCISE PRICE	EXERCISE PERIOD		
2007	Options	11,950	11,950		232.82	01/01/2011	-	10/05/2017
						15/03/2018	-	31/03/2018
						15/09/2018	-	30/09/2018
2007	Warrants	43,450	43,170	280	246.02	15/03/2019	-	31/03/2019
						16/06/2019	-	30/06/2019
2010	Options	2,400	2,400	-	367.72	01/01/2014	-	17/05/2015
2011	Options	800	800	-	405.12	01/01/2015	-	12/05/2016
2011	Options	500	500	-	387.12	18/03/2015	-	29/07/2016
2012	Options	5,069	5,069	-	496.77	01/01/2016	-	10/09/2017
2013	Options	3,998	3,998	-	650.31	01/01/2017	-	13/05/2018
2014	Options	5,358	4,239	1,119	802.55	01/01/2018	-	08/05/2019
2015	Options	30	-	30	919.92	25/08/2018	-	01/01/2020
2015	Options	3,317	-	3,317	1,243.57	01/01/2019	-	07/05/2020
2016	Options	20	-	20	1,591.00	10/08/2019	-	12/12/2020
2016	Options	2,367	-	2,367	1,702.49	01/01/2020	-	12/05/2021
2017	Options	-	-	-	2,417.75	01/01/2021	-	31/12/2021
2017	Options	1,726	-	1,726	2,331.77	01/01/2021	-	11/05/2022
2018	Options	1,139	-	1,139	2,373.00	01/01/2022	-	14/05/2023
	Total	**82,124**	**72,126**	**9,998**				

(1) Cumulated number allocated minus cumulative number lapsed.
(2) Cumulative number exercised.

The weighted fair value of the options and assumptions used in applying the option pricing model are as follows:

	2018	2017
Fair value of options granted	316.29	378.27
Share price	2,310.00	2,459.00
Exercise price	2,373.00	2,331.77
Expected volatility	22.43%	22.02%
Expected dividends	0.93%	1.07%
Risk-free interest rate	0.11%	(0.12%)

The volatility measured at the standard deviation is based on daily share prices of Lotus Bakeries over the last three years.

25. Depreciation and amortisation of (in)tangible assets

IN THOUSANDS OF EUR	2018	2017
Depreciation of intangible assets	691	714
Depreciation of property, plant & equipment	12,251	11,391
Total	**12,942**	**12,105**

See notes 5, 7 and 27 concerning tangible assets, intangible assets and non-recurrent operating result.

26. Other operating income and charges

IN THOUSANDS OF EUR	2018	2017
Other costs		
Other taxes	2,310	2,931
Other operating charges	(187)	237
Total	**2,123**	**3,168**
Other revenues		
Transport charges	(7)	(7)
Fixed assets - own construction	(890)	(1,006)
Other operating income	(1,982)	(4,394)
Total	**(2,879)**	**(5,407)**
Other operating charges (income)	**(756)**	**(2,239)**

The other charges are mainly local indirect taxes (property taxes, municipal taxes, packaging tax, etc.), losses on sales of fixed assets and compensation amounts paid.

The other income consists primarily of various costs recovered at the time of sale, contributions to the cost of training, and damage compensation payments.

27. Non-recurrent operating result

Grouped under non-recurrent operating result are those operating income items and charges that do not belong to or derive from the recurrent operating activities of the Group. This category includes primarily results from the disposal of fixed assets, any goodwill impairment losses, write-downs or impairment losses on brands from takeovers, project costs for the start-up of new factories under construction, provisions and costs for restructuring and takeovers.

The non-recurrent operating result at the end of 2018 amounts to kEUR -3,005. It comprises costs relating to acquisitions, start-up costs for the factory in the United States and the gain on the sale of land in South Korea.

In 2017, the non-recurrent operating result amounted to kEUR -91. It comprised the proceeds of the sale of land in Meise, restructuring costs, start-up costs for the factory in the US and costs relating to the recall of Lotus Biscoff spread and the fipronil crisis.

28. Financial results

IN THOUSANDS OF EUR	2018	2017
Interest expense (income)	**2,435**	**2,096**
Interest charges	2,463	2,131
Fair value valuation of the financial instruments	(1)	(3)
Interest income	(27)	(32)
Foreign exchange losses (gains)	**596**	**(175)**
Exchange rate losses	2,554	5,128
Exchange rate gains	(1,958)	(5,303)
Other financial expenes (income)	**293**	**307**
Financial results	**3,324**	**2,228**

On an annual basis, the Group reports a financial charge of kEUR 3,324 versus kEUR 2,228 in 2017. The net financial result for 2018 consists mostly of interest expenses. The higher charge compared with the previous year is due to a foreign exchange loss and the higher net financial debt on average in 2018 as a result of the investments in tangible assets and the acquisition of Kiddylicious.

29. Taxes

Income tax amounted to EUR 20.8 million and fell by 7% compared with 2017. The average effective tax rate was 23.48% in 2018 compared with 25.73% in 2017.

IN THOUSANDS OF EUR	2018	2017
Income taxes on the results		
Income taxes on the results of the current year	20,264	21,054
Tax adjustments for prior years	(2,067)	3,619
Deferred taxes of the current year	2,632	(2,276)
Total tax charge reported in the income statement	**20,829**	**22,397**
Accounting profit before tax	**88,701**	**87,030**
Effective tax rate of the year	23.48%	25.73%
Reconciliation between theoretical and effective tax rate		
Results before taxation	88,701	87,030
Legal tax rate	29.58%	33.99%
Legal income tax expense	26,238	29,581
Effect of different tax rates in other countries	(2,481)	(4,203)
Deductions of taxable income (Deduction Notional Interest + various tax credits)	(1,329)	(1,335)
Tax adjustments for prior years	(2,067)	3,619
Taxes on dividend income	(35)	174
Disallowed expenses	870	1,950
Tax free income	35	(287)
Tax losses used for which no deferred tax asset has been recorded	(162)	(170)
Changes in tax rate or new taxes	(153)	(6,767)
Other	(87)	(165)
Effective tax	20,829	22,397
Effective tax rate	23.48%	25.73%

30. Earnings per share

Earnings per share is calculated by dividing the Group's share in net profit by the weighted average number of outstanding shares over the year (total number of shares - treasury shares).
Diluted earnings per share is calculated by dividing the Group's share in net profit by the weighted average number of outstanding shares over the year, adjusted for the potential dilution of ordinary shares as a result of options and warrants granted under the stock option plan for management (see note 24).

IN THOUSANDS OF EUR	2018	2017
Net result - attributable to:	**67,872**	**64,633**
Non-controlling interests	964	1,094
Equity holders of Lotus Bakeries	66,908	63,539
Weighted average number of shares	803,878	799,423
Ordinary earnings per share (EUR) - attributable to:		
Non-controlling interests	1.20	1.37
Equity holders of Lotus Bakeries	83.23	79.48
Dilutive effect	**4,935**	**9,312**
Weighted average number of shares under option	11,266	15,716
Weighted average number of shares which should be issued at average market rate	(6,331)	(6,404)
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	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
Total number of shares less treasury shares	805,993	799,262
Earnings per share (EUR) - attributable to:		
Non-controlling interests	1.20	1.37
Equity holders of Lotus Bakeries	83.01	79.50

31. Related parties

A list of all Group companies is provided in note 1. Further details of the shareholding structure of Lotus Bakeries NV as of 31 December 2018 are contained in the Corporate Governance Statement in part 1 of the 2018 annual review of Lotus Bakeries.

For information on the remuneration of the CEO and the remuneration of the executive managers (excluding the CEO) in 2018, we refer to the remuneration report included in part 1 of the 2018 annual review.

Apart from remuneration and transactions between companies included in the scope of consolidation, no significant transactions took place with related parties.

32. Rights and commitments not reflected in the balance sheet

1. Leases

The Group's commitments mainly relate to the leasing of office buildings, storage space and cars.

Future rental charges as of 31 December:

IN THOUSANDS OF EUR	2018	2017
Less than one year	4,089	4,880
More than one year and less than five years	6,399	6,652
More than 5 years	1,157	1,621

The annual rent costs of these commitments totalled kEUR 4,569 in 2018 (kEUR 4,892 in 2017).

Lease agreements in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating lease agreements. Payments made under operating lease agreements are charged to the income statement on a straight-line basis over the life of the lease agreement.

2. Commitments to acquire tangible fixed assets
As per 31 December 2018, the Group had kEUR 25,394 of commitments (2017: kEUR 5,661) for the purchase of fixed assets.

The main commitments relate to the construction of the new factory in Mebane, North Carolina, USA

3. Contracts for raw materials and finished products
Purchased but not yet delivered raw materials and finished products in 2019 and 2020 amount to kEUR 95,888, as detailed below.

IN THOUSANDS OF EUR	2018	2017
Less than one year	76,819	85,295
More than one year and less than five years	19,069	10,828

4. Other rights and commitments
Bank guarantees as per 31 December 2018: kEUR 601 (as per 31/12/2017: kEUR 601).

Lotus Bakeries commits itself not to dispose of, mortgage or pledge any fixed assets without prior consultation with the credit-granting institutions. These assets serve as guarantee for the loans ('full negative pledge').

33. Financial risk management

The Lotus Bakeries Group's greatest market risks are fluctuations in raw material and packaging prices, exchange rates and interest rates.

For a description of these risks, please refer to the financial information contained in the report of the Board of Directors in part 1 of the 2018 annual review of Lotus Bakeries.

34. Categories and fair value of financial instruments

Financial Assets by Class and Measurement Category:
Financial assets (trade receivables, cash and cash equivalents) are measured at amortised cost. Financial liabilities (interest-bearing liabilities, trade payables) are recognised at amortised cost. Derivative financial instruments are measured at fair value.

Financial Assets by Class and Measurement Category:

		31 DECEMBER 2018		
		FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE	
IN THOUSANDS OF EUR	NOTE	LOANS AND RECEIVABLES	DERIVATIVES - THROUGH EQUITY	TOTAL
Derivative financial instruments	20	-	2,280	2,280
Trade receivables	11	71,097	-	71,097
Cash and cash equivalents	12, 13	45,597	-	45,597
Total financial assets		**116,694**	**2,280**	**118,974**

		31 DECEMBER 2017		
		FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE	
IN THOUSANDS OF EUR	NOTE	LOANS AND RECEIVABLES	DERIVATIVES - THROUGH EQUITY	TOTAL
Derivative financial instruments	20	-	3,525	3,525
Trade receivables	11	60,104	-	60,104
Cash and cash equivalents	12, 13	48,129	-	48,129
Total financial assets		**108,233**	**3,525**	**111,758**

Financial Liabilities by Class and Measurement Category

31 DECEMBER 2018

IN THOUSANDS OF EUR	NOTE	FINANCIAL LIABILITIES AT AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE: DERIVATIVES - THROUGH PROFIT OR LOSS	FINANCIAL LIABILITIES AT FAIR VALUE: DERIVATIVES - THROUGH EQUITY	FINANCIAL LIABILITIES AT FAIR VALUE: FAIR VALUE HIERARCHY	TOTAL
Interest-bearing liabilities	13, 17	116,500	-	-	-	116,500
Derivative financial instruments	20	-	-	2,319	Level 2	2,319
Other non-current liabilities	21	5	-	22,597	Level 3	22,602
Non-current liabilities		**116,505**	**-**	**24,916**	**-**	**141,421**
Interest-bearing liabilities	13, 17	36,655	-	-	-	36,655
Trade payables	22	86,794	-	-	-	86,794
Derivative financial instruments	20, 22	-	1	-	Level 2	1
Current liabilities		**123,449**	**1**	**-**	-	**123,450**
Total financial liabilities		**239,954**	**1**	**24,916**	**-**	**264,871**

31 DECEMBER 2017

IN THOUSANDS OF EUR	NOTE	FINANCIAL LIABILITIES AT AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE: DERIVATIVES - THROUGH PROFIT OR LOSS	FINANCIAL LIABILITIES AT FAIR VALUE: DERIVATIVES - THROUGH EQUITY	FINANCIAL LIABILITIES AT FAIR VALUE: FAIR VALUE HIERARCHY	TOTAL
Interest-bearing liabilities	13, 17	117,500	-	-	-	117,500
Derivative financial instruments	20	-	-	1,970	Level 2	1,970
Other non-current liabilities	21	5	-	20,982	Level 3	20,987
Non-current liabilities		**117,505**	**-**	**22,952**	**-**	**140,457**
Interest-bearing liabilities	13, 17	1,750	-	-	-	1,750
Trade payables	22	68,542	-	-	-	68,542
Derivative financial instruments	20, 22	-	1	-	Level 2	1
Current liabilities		**70,292**	**1**	**-**	-	**70,293**
Total financial liabilities		**187,797**	**1**	**22,952**	**-**	**210,750**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 requires, for financial instruments that are measured in the balance sheet at fair value, the disclosure of fair value measurements by level of fair value measurement hierarchy. For financial instruments not measured at fair value, the disclosure of their fair value and the fair value measurement level is necessary.

The fair value measurements have to be categorised by the following level of fair value measurement hierarchy:

Level 1: The fair value of a financial instrument that is traded in an active market is measured based on quoted (unadjusted) prices for identical assets or liabilities. A market is considered as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency. Those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, either directly (i.e., as prices) or indirectly (i.e., derived from prices), the instrument is included in Level 2.

Level 3: If one or more of the significant inputs used in applying the valuation technique is not based on observable market data, the financial instrument is included in Level 3.

No transfers between the different fair value hierarchy levels took place in 2018 and 2017.

35. Research and development

External and internal costs of research and development are expensed to the income statement during the year in which they are incurred. For 2018 these costs amounted to kEUR 1,623.

YEAR	EXTERNAL AND INTERNAL COSTS OF RESEARCH AND DEVELOPMENT
2018	1,623
2017	1,568
2016	1,320
2015	1,384
2014	1,434

36. Subsequent events

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

37. Management responsibility statement

We hereby certify that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRS (International Financial Reporting Standards), give us a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the subsidiaries included in the consolidation as a whole, and that the annual report includes a fair review of the important events that have occurred during the year 2018 and of the major transactions with the related parties, and their impact on the consolidated financial statements, together with a description of the principal risks and uncertainties with which the company is confronted.

Lembeke, 10 April 2019
On behalf of the Board of Directors

Jan Boone, CEO

38. Information about the Statutory Auditor, its remuneration and additional services rendered

The company's Statutory Auditor is PwC Bedrijfsrevisoren CVBA, represented by Peter Opsomer.

IN THOUSANDS OF EUR	
Audit fee for the Group audit 2018	
Lotus Bakeries NV	80
Lotus Bakeries Group	322
Total	**402**
Fees for the mandates of PwC Bedrijfsrevisoren	277
Fees for the mandates of persons related to PwC bedrijfsrevisoren	125
Group's Auditor fees for additional services rendered	
Other audit-related fees	2
Tax fees	-
Other non-audit fees	24
Fees for additional services rendered by persons related to PwC Bedrijfsrevisoren	
Other audit-related fees	-
Tax fees	472
Other non-audit fees	105

REPORT TO THE GENERAL SHAREHOLDERS

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated financial statements of Lotus Bakeries NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consoli- dated financial statements, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 13 May 2016, following the proposal formulated by the board of directors and following the recommendation by the audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual financial statements for the year ended 31 December 2018. We have performed the statutory audit of the consolidated financial statements of Lotus Bakeries NV for 12 consecutive years.

Report on the consolidated financial statements

Unqualified opinion

We have performed the statutory audit of the Group's consolidated financial statements, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated balance sheet total of EUR'000 711,572 and a profit for the year, Group share, of EUR'000 66,908.

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the years ending as from 31 December 2018, which are not yet approved at the national level.

Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated statements of the current period. These matters were addressed in the context of our audit of the consolidated statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of goodwill and other intangible assets - Notes 6 and 7

Description of the key audit matter

The carrying value of the Group's goodwill and other intangible assets with an indefinite life amounts to EUR'000 177,639 and EUR'000 137,489 respectively at 31 December 2018.

These assets are subject to impairment testing on an annual basis or more frequently if there are indicators of impairment.

We consider this as most significant to our audit because the determination of whether or not an impairment charge is necessary involves significant judgement in estimating the future results of the business.

How our audit addressed the key audit matter

We evaluated the appropriateness of the Group's accounting policies and assessed compliance with the policies in accordance with IFRS.

We evaluated management's annual impairment testing and assessment of the indicators of impairment and challenged impairment calculations by assessing the future cash flow forecasts used in the models, and the process by which they were drawn up, including comparing them to the latest budgets approved by the board of directors.

We understood and challenged:

- Assumptions used in the Group's budget and internal forecasts and the long term growth rates by comparing them to economic and industry forecasts;
- The discount rate by assessing the cost of capital and other inputs including benchmarking with comparable organizations;
- The historical accuracy of budgets to actual results to determine whether cash flow forecasts are reliable based on past experience;
- The mechanics of the underlying calculations.

In performing the above work, we utilized our internal valuation experts to provide challenge and external market data to assess the reasonableness of the assumptions used by management.

We evaluated the sensitivity analysis around the key drivers within the cash flow forecasts to ascertain the extent of change in those assumptions and also considered the likelihood of such a movement in those key assumptions arising.

Whilst recognizing that cash flow forecasting, impairment modeling and valuations are all inherently judgmental, we concluded that the assumptions used by management were within an acceptable range of reasonable estimates.

Revenue recognition relating to commercial arrangements – Note 2

Description of the key audit matter

As described in Note 2 on the applied accounting policies, the Group enters into commercial agreements with its customers whereby volume-related allowances, promotional & marketing allowances and various other fees and discounts are contractually agreed. The Group measures revenue, cost of sales and cost of services & other goods taken into consideration the estimated amount based on those contractual agreements and the specific classification criteria in accordance with IFRS.

Due to the nature of some arrangements there is a risk that these arrangements are not appropriately accounted for and as a result revenue would be misstated.

We consider this as most significant to our audit because the assessment of customer allowances requires significant judgement from management concerning:

- The nature and level of fulfilment of the company's obligations under the contractual agreements;
- Estimates with respect to sales volumes to support the required provision to fulfil the current obligation towards the customers.

How our audit addressed the key audit matter

We evaluated the appropriateness of the Group's revenue recognition accounting policies, in particular those relating to volume rebates and promotional & marketing allowances and assessed compliance with the policies in accordance with IFRS.

We tested the effectiveness of the Group's controls over accounting for commercial arrangements and the accuracy of the contractual agreements registered in the accounting system.

In addition, we challenged management's assumptions used in determining the commercial accruals through discussions with management and performing specific substantive procedures including:

- A sample basis on which we agreed the recorded amounts to contractual evidence;
- Inspecting supporting documentation for a sample of manual journals posted to revenue accounts;
- Testing credit notes issued after period end to assess the completeness of the commercial accruals recorded;
- A run down on prior years' commercial accruals to evaluate the reliability of ma agement's estimates.

Our procedures confirmed that management's assumptions and estimates in respect of accounting for commercial arrangements are appropriate in all material aspects.

<u>Accounting for deferred taxes and uncertain tax positions – Note 8 and 29</u>

Description of the key audit matter

The company's disclosures concerning deferred and current income taxes are included in Notes 8 and 29 of the consolidated financial statements. As per 31 December 2018, the total balance of deferred taxes for the entire Group amounts to EUR'000 3,936 of deferred tax assets and EUR'000 52,725 of deferred tax liabilities.

The Group operates in various countries and is present in many different tax jurisdictions where transfer pricing assessments can be challenged by the tax authorities. Furthermore, developments in local fiscal regulations are impacting the valuation of deferred tax positions.

In the normal course of business, group management makes judgments and estimates in relation to tax issues and exposures resulting in the recognition of other tax liabilities. This area required our focus due to its inherent complexity and the estimation and judgement involved in calculating such liabilities.

How our audit addressed the key audit matter

We evaluated the appropriateness of the Group's accounting policies and assessed compliance with the policies in accordance with IFRS.

We tested the completeness and accuracy of the amounts reported for deferred tax, including the assessment of disputes with tax authorities, based on the developments in 2018. In this area our audit procedures included:

- Assessment of the group's transfer pricing judgements, considering the way in which the group's businesses operate and the impact of tax audits on this;
- Testing the effectiveness of the Group's internal controls around the recording and continuous re-assessment of the other tax liabilities including identification of uncertain tax positions.

We also assessed the applicable local fiscal regulations and developments as these are key assumptions underlying the recognition and valuation of the current and deferred tax positions. In addition, we also focused on the adequacy of the company's disclosures on income tax positions and uncertain tax positions.

We found the estimates to be reasonable in all material aspects in the context of the applicable fiscal regulations.

Responsibilities of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated financial statements in Belgium.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction,

supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the separate report on non-financial information and the other information included in the annual report.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised in 2018) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated financial statements, the separate report on non-financial information and the other information included in the annual report and to report on these matters.

Aspects related to the directors' report on the consolidated financial statements and to the other information included in the annual report

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated financial statements and to the other information included in the annual report, this report is consistent with the consolidated financial statements for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 119, §2 of the Companies' Code is included in the directors' report on the consolidated financial statements. The Company has prepared the non-financial information, based on the Sustainable Development Goals (SDG) framework. However, in accordance with article 148, §1, 5° of the Companies' Code, we do not express an opinion, in this report, as to whether the non-financial information has been prepared in accordance with the Sustainable Development Goals (SDG) framework as disclosed in the consolidated financial statements.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated financial statements, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated financial statements referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated financial statements.

Other statements

This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Ghent, 8 April 2019

The statutory auditor
PwC Bedrijfsrevisoren cvba
Represented by

Peter Opsomer
Bedrijfsrevisor

ABRIDGED FIVE-YEAR FINANCIAL SUMMARY GROUP LOTUS BAKERIES

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	2,448	-	-	-	-
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 liabilities	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 liabilities	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

ABRIDGED STATUTORY FINANCIAL STATEMENTS OF LOTUS BAKERIES NV

Balance sheet after appropriation of profit

ASSETS IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Fixed Assets	**400,761**	**373,592**
II. Intangible assets	**5,987**	**7,484**
IV. Financial assets	**394,774**	**366,108**
A. Affiliated enterprises	394,774	366,108
1. Participating interests	394,774	366,108
Current Assets	**25,713**	**42,625**
VII. Amounts receivable within one year	**13,103**	**28,622**
A. Trade debtors	12,473	11,670
B. Other amounts receivable	630	16,952
VIII. Current investments	**11,406**	**13,919**
A. Own shares	11,406	13,919
IX. Cash at bank and in hand	**1,184**	**64**
X. Deferred charges and accrued income	**20**	**20**
TOTAL ASSETS	**426,474**	**416,217**

LIABILITIES IN THOUSANDS OF EUR	31-12-2018	31-12-2017
Equity	**55,894**	**68,026**
I. Capital	**3,590**	**3,584**
A. Issued capital	3,590	3,584
II. Share premium account	**12,729**	**12,415**
IV. Reserves	**39,567**	**52,027**
A. Legal reserve	359	358
B. Reserves not available for distribution	11,478	13,991
1. Own shares	11,406	13,919
2. Other	72	72
C. Untaxed reserves	545	545
D. Reserves available for distribution	27,185	37,133
Amounts payable	**370,588**	**348,191**
VIII. Amounts payable after one year	**107,573**	**107,436**
A. Financial debts	98,140	98,140
5. Other loans	98,140	98,140
D. Other debts	9,433	9,296
IX. Amounts payable within one year	**263,009**	**240,750**
A. Current portion of amounts payable after one year	-	-
B. Financial debts	233,101	217,756
2. Other loans	233,101	217,756
C. Trade debts	5,590	5,785
1. Suppliers	5,590	5,785
E. Taxes, remuneration and social security	384	1,053
1. Taxes	384	1,053
F. Other amounts payable	23,934	16,156
X. Accrued charges and deferred income	**6**	**5**
TOTAL LIABILITIES	**426,474**	**416,217**

Non-consolidated income statement

IN THOUSANDS OF EUR	2018	2017
I. Operating income	**12,470**	**11,670**
D. Other operating income	12,470	11,670
II. Operating charges	**(6,399)**	**(5,148)**
B. Services and other goods	3,606	3,130
D. Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	1,497	1,497
G. Other operating charges	257	41
H. Non-recurring operating charges	1,039	480
III. Operating profit	**6,071**	**6,522**
IV. Financial income	**9,608**	**7,104**
A. Income from financial fixed assets	7,962	6,288
C. Other financial income	1,646	816
V. Financial charges	**(3,501)**	**(3,492)**
A. Interest and other debt charges	3,345	3,196
C. Other financial charges	156	296
IX. Profit for the year before taxes	**12,178**	**10,134**
X. Income taxes	**(724)**	**(1,088)**
A. Income taxes	724	1,088
B. Adjustment of income taxes and write-back of tax provisions	-	-
XI. Profit for the year	**11,454**	**9,046**
XIII. Profit for the year available for appropriation	**11,454**	**9,046**

Appropriation of the result

IN THOUSANDS OF EUR	2018	2017
A. Profit to be appropriated	11,454	9,046
1. Profit for the year available for appropriation	11,454	9,046
B. Withdrawals from capital and reserves	12,461	7,092
2. From reserves	12,461	7,092
C. Transfer to capital and reserves	(1)	(1)
2. To legal reserve	1	1
3. To other reserves	-	-
F. Distribution of profit	(23,914)	(16,137)
1. Dividends	23,664	15,887
2. Directors' entitlements	250	250

Extract from the notes

VIII. Statement of capital	2018	2017	2018
	IN THOUSANDS OF EUR	IN THOUSANDS OF EUR	NUMBER OF SHARES
A. Capital			
1. Issued capital			
At the end of the preceding year	3,584	3,576	
At the end of the year	3,590	3,584	
2. Structure of the capital			
2.1. Different categories of shares			
Ordinary shares	3,590	3,584	815,733
2.2. Registered shares and dematerialised shares			
Registered			468,994
Dematerialised			346,739
C. Teasury shares held by:			
The company itself	11,406	13,919	9,740
its subsidiaries	-	-	-
E. Amounts of authorised capital, not issued	**943**	**949**	

Accounting principles

1. Assets

1.1. Formation expenses
Formation expenses are recorded at cost and depreciated at 100%.

1.2. Intangible fixed assets
Intangible fixed assets are recorded at purchase or transfer price.
The amortisation percentages applied are:
- brand: 10%
- software: 33%

1.3. Financial fixed assets
Financial fixed assets are valued at acquisition price or contribution value without supplementary costs.

Reductions in value are applied where the estimated value of the financial fixed assets is less than the accounting value and where the loss of value so determined is of a lasting nature in the opinion of the Board of Directors.

The estimated value of the financial fixed assets is determined at the end of the accounting period based on the most recent available balance sheet and on one or more criteria.

Reductions in value are reversed, up to the amount of the previously recorded reductions in value, where the valuation at the closing date of the accounting period concerned significantly exceeds the previous valuation.

1.4. Receivables
The necessary reductions in value are applied to receivables, the collection of which is in doubt.

Receivables are recorded at their nominal value, less any credit notes remaining to be drawn up.

Receivables in foreign currencies are converted at the exchange rate applying on the balance sheet date.

Negative exchange rate differences in non-euro currencies are included in the income statement as in the past.

1.5. Investments and cash at bank and in hand
Treasury shares are valued at purchase price.

Cash at bank and in hand in foreign currency is converted at the exchange rate applying on the balance sheet date.

Both the negative and the positive conversion differences are included in the profit and loss account.

2. Liabilities

2.1. Provisions for liabilities and charges
Provisions are made for all normally foreseeable liabilities and charges.

2.2. Amounts payable within one year
Suppliers
Debts to suppliers are booked at their nominal value. Debts in foreign currencies are valued at the rate of exchange on the balance date.

Exchange rate differences are processed in the same way as for foreign currency receivables.

3. Additional information

The company is part of a VAT unit which was formed within the Group and to which the following companies belong:

- Lotus Bakeries NV
- Lotus Bakeries België NV
- Cremers-Ribert NV
- Interwaffles SA
- Lotus Bakeries Corporate NV
- B.W.I. BVBA
- Biscuiterie Willems BVBA

Consequently, the company is jointly and severally liable for the tax debts of all the above companies.

REGISTERED OFFICE

Lotus Bakeries NV
Gentstraat 1
B-9971 Lembeke
T + 32 9 376 26 11
F + 32 9 376 26 26
www.lotusbakeries.com

Register of legal persons of Ghent,
Enterprise number 0401.030.860

CONTACT

For further information about the data of the annual review or more information about the Lotus Bakeries Group, please contact:

Lotus Bakeries NV
Corporate Secretary
Gentstraat 1
B-9971 Lembeke
T + 32 9 376 26 11
F + 32 9 376 26 26
corporate@lotusbakeries.com

Concept and realisation
Focus Advertising and Lotus Bakeries
www.focus-advertising.be
Cover illustration
Flore Deman
www.floredeman.com

MIX
Paper from responsible sources
FSC® C010426
FSC www.fsc.org

Lotus
Since 1932

www.lotusbakeries.com