

LOTUS BAKERIES: HALF-YEARLY REPORT 2011

- Turnover up 5 %
- Strong profitability confirmed in first half
- Take-over of out-of-home customers in Spain

1. Half-yearly results 2011

Income statement (1) (in thousands EUR)	30/06/2011	30/06/2010	Evolution (%)
Turnover	133,571	127,190	5.0
Recurrent operating result (REBIT)	17,431	17,477	- 0.3
Recurrent operating cash flow (REBITDA) (2)	23,898	24,342	- 1.8
Non-recurrent operating result	(940)	(228)	312.3
Operating result (EBIT) (3)	16,491	17,249	- 4.4
Financial result	(436)	(3,904)	- 88.8
Result before taxes	16,055	13,345	20.3
Taxes	(4,773)	(3,844)	24.2
Net result	11,282	9,501	18.7
Net result: minority interest	1	80	- 98.8
Net result: Group share	11,281	9,421	19.7
Total number of shares on June 30 (4)	772,563	772,563	-
Key figures per share (in EUR)			
Recurrent operating result (REBIT)	22.56	22.62	- 0.3
Recurrent operating cash flow (REBITDA) (2)	30.93	31.51	- 1.8
Net result: Group share	14.60	12.19	19.8
Weighted average number of shares	749,654	758,074	- 1.1
Key figures per share (in EUR)			
Recurrent operating result (REBIT)	23.25	23.05	0.9
Recurrent operating cash flow (REBITDA) (2)	31.88	32.11	- 0.7
Net result: Group share	15.05	12.43	21.1
Balance sheet statement (in thousands of EUR)			
Balance sheet total	228,591	219,863	4.0
Equity	115,761	95,571	21.1
Investments (5)	6,473	4,745	36.4
Net financial debts (6)	26,593	34,945	- 23.9
(1) Further information on the income statement and balance sheet can be found on the website: www.lotusbakeries.com			
(2) Recurrent operating cash flow is defined as recurrent operating result + depreciations + provisions and amounts written off + non-cash costs valuation option- and warrantplan.			
(3) EBIT is defined as recurrent operating result + non-recurrent operating result			
(4) Total number of shares on June 30, including treasury shares			
(5) Investments in intangible and tangible fixed assets			
(6) Net financial debts are defined as financial debts - cash investments - liquid assets - treasury shares.			
The statutory auditor, PricewaterhouseCoopers Bedrijfsrevisoren, represented by Lieven Adams, has confirmed that its limited review on the consolidated balance sheet and consolidated income statement, which has been substantially completed, has not revealed the need for any material deviations to the accounting information contained in this press release.			

2. Explanation of the results

2.1 Turnover

During the first half, the consolidated turnover of the Lotus Bakeries Group grew by 5% to EUR 133.6 million. On a like-for-like basis, taking into account the termination of the Jaffa Cake bars contract with McVities, internal growth was over 6%.

During the first half Lotus Bakeries Belgium achieved strong growth. A clear focus on consistent quality and distinctive taste, combined with significant investment in communication, is clearly paying off. The Lotus brand was able, following a good 2010, to further strengthen its market share in the caramelised biscuit, cake and waffle segments.

The gingerbread market in the Netherlands dipped slightly in 2010. Stimulated by various initiatives at Koninklijke Peijnenburg this market has started to grow again since the last quarter of last year. During the first half of 2011, Koninklijke Peijnenburg gingerbread sales continued to move upwards. Lotus caramelised biscuit products also continued their growth in the Netherlands during the first half of 2011.

As in previous years, Lotus Bakeries France again reported good growth during the first half. The main segments for Lotus in France are caramelised biscuits and waffles. With a well-targeted commercial policy these two segments continue to expand.

In the areas UK, North-Eastern Europe, North America and Export the strategy is to give the caramelised biscuit business every opportunity to expand. During the first half, caramelised biscuits achieved further growth over the previous year.

2.2 Income statement

The half-year 2011 results confirm the strong operating results of 2010. **Recurrent operating result** stands at 13% of turnover and **recurrent operating cash flow** at 18%.

The strong commercial support for the Lotus Bakeries brands and related products was continued, with marketing investment increased during the first half of this year.

The **non-recurrent operating result** of kEUR - 940 reflects mainly the restructuring costs of closing the production location at High River (Canada). Since June this year production of 'pepparkakor' has been centralised at Tyresö (Sweden). This centralisation and increased output make it possible to guarantee even better the unique taste and quality of Anna's Pepparkakor.

The **financial result** amounted during the first six months of the year to a net charge of kEUR 436. This is a significant fluctuation compared with 2010 when the financial result was a net charge of EUR 3.9 million. This difference with the previous year is largely attributable to the need to record in 2010 the fall in the 'marked to market' value of US dollar hedging instruments. In the first half of this year, moreover, a net gain was recorded on the hedging instruments for the US dollar and for interest rates.

The **tax charge** of EUR 4.8 million is up 24% over the previous year, in line with the more than 20% increase in profit before taxes.

The **net result** of the first half is up 19% compared with 2010. The higher net result is due primarily to the improved financial result, partially offset by the restructuring costs at High River.

2.3 Investments

The group invested EUR 6.5 million during the first half of 2011. The main investments relate to the start of construction work on a major expansion of the caramelized biscuit factory in Lembeke.

2.4 Net financial debt

Net financial debt has been significantly affected over the past twelve months by the purchase of the land and buildings in Tyresö, the acquisition of all shares of the joint venture partner of Margarinerie Hinnekens, the restructuring costs at High River and the start of construction work on the expansion of the caramelized biscuit factory in Lembeke. Despite these items, with the strong cash flow of the past twelve months net financial debt has fallen from EUR 35.0 million to EUR 26.6 million.

3. Spain: Out-of-Home

Since the beginning of 2008, Lotus Bakeries Ibérica, formerly Lopez Market, has been part of the Lotus Bakeries Group. Lotus Bakeries Ibérica is fully focused on marketing products to Spanish supermarkets (retail). To date, sales to the out-of-home channel, mainly hotels and catering customers, have been taken care of in Spain by a specialised importer, Disnerga.

However, the strategy in Spain is to serve both the retail and the out-of-home channels from within the Lotus organisation in order to achieve maximum growth. Lotus Bakeries and Disnerga have therefore agreed that all out-of-home customers will be taken over by Lotus Bakeries Ibérica. This transfer will take place at the beginning of October this year. This offers an ideal platform to launch the further expansion of the out-of-home channel in Spain by Lotus Bakeries Ibérica.

The customer turnover acquired from Disnerga is approximately EUR 1.5 million. Since, as an importer, Disnerga was already a Lotus Bakeries customer, the additional turnover at the consolidated level will be relatively limited.

4. Conclusion and outlook

During the first half of 2011 Lotus Bakeries again presented attractive internal growth of 5%, rising as high as 6% on a like-for-like basis. This growth was achieved by significant marketing efforts in several countries, focused on clear and consistent communication with the end-user. Lotus Bakeries is convinced that in the long term it needs to continue to invest significantly in marketing & sales in order to support and further develop its brands and related specialties. The strategy of a clear focus on key specialties will be continued.

During the first half of 2011 the strong profitability ratios of 2010 of 13% recurrent operating result and 18% recurrent operating cash flow could be confirmed. The concerted marketing efforts are supporting growth and profitability. This cash flow can also serve for major investment programmes at a number of production sites. In this way, production capacity is being strongly increased at Lembeke to meet the growing demand for caramelised biscuits. A clear focus on continuing the international expansion of caramelised biscuits is a key pillar in the Group's long-term strategy. Furthermore, in the first half of this year, "pepparkakor" production was centralised in Sweden, and in the longer term all cake production in Belgium will be located in Oostakker. In this way, Lotus Bakeries is working to further increase production efficiencies at its various sites and to ensure a consistently high quality of its various specialties.

Lotus Bakeries will apply a consistent policy of passing on price changes in raw materials, packaging materials and other cost elements, in combination with production efficiencies, in its tariff prices.

Both the Management and the Board of Directors of Lotus Bakeries are convinced that the right strategy and a good basis are in place to ensure continued growth.

5. Financial calendar

Financial analysts' meeting (conference call):	30 August 2011
Publication of the interim declaration covering the period from 1 July 2011:	10 November 2011
Announcement annual results 2011:	13 February 2012
Financial analysts' meeting:	14 February 2012
Ordinary General Meeting of shareholders:	11 May 2012
Publication of the interim declaration covering the period from 1 January 2012:	11 May 2012
Dividend payable from:	18 May 2012

Lotus Bakeries in a nutshell

Lotus Bakeries focuses on authentic specialties from the biscuit and cake world: caramelized biscuits (speculoos), gingerbread, cake specialties, waffles and pepparkakor biscuits. Lotus Bakeries, with headquarters in Belgium, is a dynamic, internationally oriented company with production facilities in Belgium, the Netherlands, France and Sweden, own sales organizations in 9 European countries and in the United States/Canada, and an export department for the other countries. With about 1200 employees, Lotus Bakeries produces and sells high-quality, tasty products under the Lotus, Peijnenburg and Anna's brand names. By maintaining a healthy balance between tradition and innovation, Lotus Bakeries indulges consumers with a unique range of products. In 2010 the Group achieved a turnover of EUR 264.8 million. The shares of Lotus Bakeries are listed on Euronext Brussels.

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