LOTUS BAKERIES: HALF-YEAR RESULTS 2018

Lotus Bakeries continues the positive momentum of the second half of 2017, with turnover growing by 5% at constant exchange rates and net profit increasing by 7.5% to EUR 34.2 million.

Strategic investment projects in the United States, South Africa and Belgium are on schedule.

With the recent acquisition of Kiddylicious, Lotus Bakeries strengthens its leading position in the UK and its international growth ambitions in the natural snacking segment.

1. Half-year results 2018

<table>
<thead>
<tr>
<th>Income statement</th>
<th>30/06/2018</th>
<th>30/06/2017</th>
<th>Evolution %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Turnover</strong></td>
<td>267,503</td>
<td>258,871</td>
<td>+3.3</td>
</tr>
<tr>
<td>Recurrent operating result (REBIT)(2)</td>
<td>47,853</td>
<td>46,670</td>
<td>+2.5</td>
</tr>
<tr>
<td>Recurrent operating cash flow (REBITDA) (3)</td>
<td>54,897</td>
<td>53,728</td>
<td>+2.2</td>
</tr>
<tr>
<td>Non-recurrent operating result</td>
<td>(1,018)</td>
<td>(1,064)</td>
<td>-4.3</td>
</tr>
<tr>
<td>Operating result (EBIT) (4)</td>
<td>46,835</td>
<td>45,606</td>
<td>+2.7</td>
</tr>
<tr>
<td>Financial result</td>
<td>(1,466)</td>
<td>(1,648)</td>
<td>-11.1</td>
</tr>
<tr>
<td>Profit for the year before taxes</td>
<td>45,369</td>
<td>43,958</td>
<td>+3.2</td>
</tr>
<tr>
<td>Taxes</td>
<td>(11,132)</td>
<td>(12,108)</td>
<td>-8.1</td>
</tr>
<tr>
<td><strong>Net result</strong></td>
<td>34,237</td>
<td>31,850</td>
<td>+7.5</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>518</td>
<td>430</td>
<td>+20.5</td>
</tr>
<tr>
<td>Equity holders of Lotus Bakeries</td>
<td>33,719</td>
<td>31,420</td>
<td>+7.3</td>
</tr>
<tr>
<td><strong>Total number of shares on 30 June (5)</strong></td>
<td>804,412</td>
<td>800,576</td>
<td>+0.5</td>
</tr>
</tbody>
</table>

**Key figures per share (in EUR)**

- Recurrent operating result (REBIT) | 59.49 | 58.30 | +2.0 |
- Recurrent operating cash flow (REBITDA) (3) | 68.24 | 67.11 | +1.7 |
- Net result: Group share | 41.92 | 39.25 | +6.8 |

**Balance sheet (in thousands of EUR)**

- Balance sheet total | 608,309 | 571,270 | +6.5 |
- Equity | 313,746 | 267,191 | +17.4 |
- Investments (6) | 20,676 | 13,173 | +57.0 |
- Net financial debts (7) | 69,237 | 83,946 | -17.5 |

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(1) Further information on the income statement and balance sheet can be found on the website: www.lotusbakeries.com
(2) REBIT is defined as the recurrent operating result, consisting of all the proceeds and costs relating to normal business.
(3) Recurrent operating cash flow is defined as recurrent operating result + depreciation + provisions and amounts written off + non-cash costs valuation option and warrant plan.
(4) EBIT is defined as recurrent operating result + non-recurrent operating result.
(5) Total number of shares on 30 June, excluding treasury shares.
(6) Investments in tangible, intangible fixed assets and participating interests.
(7) Net financial debts are defined as interest bearing financial debts - investments - cash and cash equivalents - treasury shares.

The statutory auditor, PwC Bedrijfsrevisoren, represented by Peter Opsomer, has executed a review of the consolidated balance sheet and consolidated interim financial information. The statutory auditor has no comments. For the statutory auditor’s report we refer to the Interim Financial Report on our website.
2. **Management explanation**

2.1 Turnover

In the first half of 2018 the consolidated turnover of Lotus Bakeries Group grew by EUR 8.6 million to EUR 267.5 million. Excluding the negative exchange rate impact of EUR 3.7 million, turnover grew by 5%.

Once again, Lotus Biscoff experienced significant growth in the first half of the year, for both biscuits and spread.

This growth underlines our strategy of continued investments in the internationalization of Lotus Biscoff. This year also sees a new packaging design for all Biscoff products.

In the United States, Lotus Biscoff continues to deliver double-digit growth, driven by expansion of distribution and an increase in sale rotations.

In Europe, Lotus Biscoff also grew strongly during the first half of the year, particularly in the UK, Spain, the Czech Republic and the Netherlands. In view of the success of the Biscoff commercial launched for the first time in 2017 in the UK, it was decided to repeat the campaign this year. The investment was increased substantially by expanding the reach of the campaign to a national level.

Natural snacks (Nâkd, TREK and BEAR) continue their positive trend, both in the UK and in the new countries. Following a successful introduction in the Netherlands in 2017, the natural snacks are scheduled to be launched in Belgium, the United States, France and Switzerland in 2018. Meanwhile, in Belgium, we have managed to secure national distribution for Nâkd across the main retailers. As of the beginning of the year, our healthy fruit snack BEAR is available in more than 4,000 coffee shops across the United States. This was recently also extended to Canada. We are also seeing BEAR’s distribution via the retail channel grow every month.

Lotus Bakeries brands and products continue to gain market share in Belgium. In the ‘Bakery & Sweet Biscuits’ category, Lotus - already number one for several years in terms of volume - has now become the biggest brand in terms of value over the last twelve months. This success is amongst others due to the focus on our local ‘hero’ products and constant product innovations in the ranges of waffles, cakes and pastries. The recent launch of Tartéllice is a good example of this. The new look and formats for Dinosaurus which were launched in 2017 also proved successful, leading to double-digit growth in the first half of the year.
2.2 Operating result

The recurrent operating result (REBIT) of EUR 47.9 million and recurrent operating cash flow (REBITDA) of EUR 54.9 million both increased by EUR 1.2 million year on year.

With percentages on turnover of 17.9% (REBIT) and 20.5% (REBITDA), the Lotus Bakeries Group assures solid growth combined with stable and high profitability.

Growth in turnover and more efficient use of the available production capacity contribute to the improved operating result. Lotus Bakeries has continued to invest consistently in promotional activities at the point of sale and in marketing campaigns. The focus continues to lie in particular on ‘above the line’ TV and online commercials. For the first time, there were also national TV campaigns in the UK, for both Biscoff and BEAR. Other overheads remain well under control.

The non-recurrent operating result (EUR -1.0 million) is in line with last year.

The financial result (EUR -1.5 million) consists primarily of interest expenses.

The tax expense is EUR 11.1 million or 24.5% of the profit before tax. In line with the reduction in the effective tax rate at the end of 2017, the lower income tax rates in Belgium and the United States have a positive impact on the total tax burden.

The net profit for the first half of the year is up by EUR 7.5 million compared with 2017 and stands at EUR 34.2 million or 12.8% of turnover.

2.3 Net financial debt

Compared to the end of June 2017, net financial debt decreased by EUR 14.7 million to EUR 69.2 million. Despite the growth and the higher level of capex, with more than EUR 35 million invested over the last twelve months, the strong operating cash flow keeps the Group’s debt ratio low. The balance sheet remains strong even after the acquisition of Kiddylicious.
3. **Main projects and investments**

As already stated, Lotus Bakeries Group's investment budget is historically high until 2020, mainly due to the construction of the new factory in the United States, the construction of the new factory in South Africa and the expansions in Lembeke.

a. **New Lotus Biscoff factory in the United States**

The significant growth of Lotus Biscoff in the United States in recent years and once again in the first half of 2018, underpins the strategic rationale behind this investment in Mebane, North Carolina. For the first time, Lotus Biscoff will be produced on a different continent. This investment is now well under way, the foundations of the building have been laid and the building is scheduled for completion by the end of December. This investment is led by an experienced project team combining expertise from within the Group with local know-how. The project is on schedule, with the factory set to go into operation in the second half of 2019.

b. **Investment in BEAR factory in South Africa**

On 28 March 2018, it was announced that the Lotus Bakeries Group will acquire the BEAR production facility in South Africa from the co-manufacturer, Grassroots. Under the agreement, Grassroots will deliver a brand-new, turnkey production facility during 2019. In order to make this project a success, a project team with employees from both Lotus Bakeries and Grassroots has been established. The original schedule is still on track.

c. **Further expansion of Lotus Biscoff manufacturing facility in Lembeke**

In 2016, a third production hall was built in Lembeke. In 2018, a second production line started up in that hall. Both of these investments, in Lembeke and Mebane, are necessary in the long term, in order to meet future demand for Lotus Biscoff.

d. **Offices at Lembeke**

It was decided to upgrade the offices in Lembeke into modern offices for sales, marketing, IT, Procurement, Quality and R&D. The staff will move into the new offices at the end of 2019.
4. Acquisition of Kiddylicious

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

Born in Buckinghamshire, UK, in 2009, Kiddylicious was founded by Sally Preston, mother of two and former Marks & Spencer food scientist, to help deliver delicious, nutritious food for little ones which benefits each stage of their development and helps shape a positive attitude towards health and nutrition for their future.

Due to its diverse, innovative portfolio of baby snacks and meals, Kiddylicious is the fastest growing brand in the UK baby food market and has become a must-stock brand for all major retailers. Kiddylicious has made its first successful steps as an international brand and is now already sold in multiple countries worldwide.

Net revenue for Kiddylicious is estimated to be at least GBP 21 million for the year ending December 2018, with strong profitability above 15% Earnings before Taxes. The price paid represents c.2x sales for the calendar year 2018.

Lotus Bakeries has a focussed strategic vision on food and health, and wants to offer every consumer a versatile range of snacks for every consumption moment and across all age groups, both in the indulgent and healthy snacking segment. Kiddylicious is an excellent strategic fit with the Natural Foods business unit of Lotus Bakeries created after the acquisition of the Nakd, TREK, BEAR and Urban Fruit brands in 2015. That's why we are excited as we firmly believe that the Kiddylicious brand has a delicious and extensive product offering for babies and toddlers, which enriches our product range in the healthier snacking segment. Kiddylicious products can already be found in multiple countries, yet Lotus Bakeries can help in realising the next level of growth for Kiddylicious by leveraging its international potential. Additionally we want to further strengthen the position of Kiddylicious in its home market the UK.
5. Conclusion and prospects

In the first half of 2018, Lotus Bakeries achieved turnover growth of 5% at constant exchange rates. Profitability also remains high with a net profit of EUR 34.2 million, an increase of 7.5% year on year.

Lotus Biscoff’s strong growth in the first half of the year underlines the fact that the internationalization of our main ‘hero’ product is successful. Lotus Bakeries will continue to invest in order to reach more and more families all over the world.

The further development of natural snacking is a major strategic pillar for Lotus Bakeries. Accordingly, the Group makes the necessary resources available for this, in terms of marketing, sales and people. For the first time, a national TV campaign was launched for the BEAR brand in the UK. The launch of the natural snacks outside the UK is also in full swing. Meanwhile, in Belgium, we have secured national distribution for Nakd across main retailers and BEAR has been successfully launched in the United States.

Following the recent acquisition of Kiddylicious, Lotus Bakeries now also has the fastest growing brand in the baby snacking category in the UK in its portfolio. In this way, the Group has an additional platform to further strengthen its leading position and growth ambitions in the natural snacking segment, both in the UK and internationally. Kiddylicious’ turnover and results will be consolidated as from 26 July 2018.

Lotus Bakeries Group has planned various strategic investment projects from 2018 to 2020. The construction of the new factory in the United States is well under way and the project is on schedule to go into operation in the second half of 2019. It was recently announced that Lotus Bakeries will take over the BEAR production facility in South Africa from Grassroots in 2019 and a new Lotus Biscoff production line has gone into service in Belgium.

CEO Jan Boone is enthusiastic about the performance and sees the Group making further progress this year: “I’m especially delighted with the results for the first six months because we’re combining organic, profitable growth with the execution of acquisitions and major investment projects on several continents. The Group will be faced with important challenges in the months and years ahead, but we look forward to tackling them with great determination. Following the acquisition of Kiddylicious, the Group is now active in a completely new segment of healthy baby snacking. At the same time, two major investment projects are ongoing in the United States and South Africa, which should both be successfully completed by the end of 2019. Then, Lotus Bakeries will have its own production operations in Europe, North America and Africa.”
6. Financial calendar

Financial analysts’ meeting (conference call): 17 August 2018
Announcement annual results 2018: 11 February 2019
Ordinary General Meeting of shareholders: 10 May 2019
Dividend record date: 17 May 2019
Dividend payable as of: 21 May 2019

Lotus Bakeries in a nutshell

Lotus Bakeries began in the village of Lembeke in 1932 and is now active worldwide in the indulgent and natural snacking segment with the Lotus, Lotus Biscoff, Dinosaurus, Peijnenburg, Annas, Nikkd, Trek, BEAR and Kiddylicious brands, among others. Lotus Bakeries, with headquarters in Belgium, is a dynamic, internationally oriented company with production facilities in Belgium, the Netherlands, France and Sweden, and 20 own sales organizations in Europe, America and Asia. Lotus Bakeries also works with commercial partners in approximately forty countries worldwide. Lotus Bakeries has approximately 1,500 employees. By maintaining a healthy balance between tradition and innovation, the Lotus brand indulges consumers with a unique range of high-quality, tasty products. The secret of Lotus Biscoff lies in the biscuit’s unique flavour, distinctive design and delightful crispiness. The unique caramelized biscuit flavour has meanwhile also been incorporated into a spread and ice cream. A wide range of cake specialties and waffles are furthermore offered under the Lotus brand name. Koninklijke Peijnenburg is the market leader for gingerbread in the Netherlands and Annas is a typical Swedish speciality of pepparkakor biscuits: thin, crunchy biscuits flavoured with ginger and cinnamon. Under the Nikkd, TREK and BEAR brands, Lotus Bakeries offers tastysnacks, manufactured from all-natural, unprocessed ingredients, with no added sugar. Kiddylicious focusses on healthy snacking for babies, toddlers and pre-schoolers. In 2017 the Group achieved a turnover of EUR 524 million. The shares of Lotus Bakeries are listed on Euronext Brussels. The majority of the shares are owned by the Boone and Stevens family.

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Further information on Lotus Bakeries can be found on www.lotusbakeries.com

For pictures concerning our company Lotus Bakeries, please click on the following link:
http://www.lotusbakeries.com/corporate/investor-relations/doclist/media-gallery