

## LOTUS BAKERIES: HALF-YEAR REPORT 2015

- 16.5% turnover growth, primarily as a result of a very strong organic growth by more than 10% (\*)
- Vigorous increase in recurrent operating cash flow by more than EUR 7 million
- Increase in net result by EUR 5.5 million to EUR 21.6 million
- Acquisition of commercial partner in South Korea successfully finalized (\*\*)

### 1. Half-year results 2015

Income statement <sup>(1)</sup> (in thousands of EUR)	30/06/2015	30/06/2014	Evolution %	
Turnover	195,567	167,798	+	16.5
Recurrent operating result (REBIT) <sup>(2)</sup>	29,376	22,079	+	33.0
Recurrent operating cash flow (REBITDA) <sup>(3)</sup>	37,753	30,412	+	24.1
Non-recurrent operating result	(1,091)	(222)	+	391.4
Operating result (EBIT) <sup>(4)</sup>	28,285	21,857	+	29.4
Financial result	311	(922)	-	-
Result before taxes	28,596	20,935	+	36.6
Taxes	(7,035)	(4,846)	+	45.2
<b>Net result</b>	<b>21,561</b>	<b>16,089</b>	+	<b>34.0</b>
Net result: non-controlling interests	1	-	+	-
Net result: Group share	21,560	16,089	+	34.0
<b>Total number of shares on 30 June <sup>(5)</sup></b>	<b>790,318</b>	<b>780,997</b>	+	<b>1.2</b>
<b>Key figures per share (in EUR)</b>				
Recurrent operating result (REBIT)	37.17	28.27	+	31.5
Recurrent operating cash flow (REBITDA) <sup>(3)</sup>	47.77	38.94	+	22.7
Net result: Group share	27.28	20.60	+	32.4
<b>Balance sheet (in thousands of EUR)</b>				
Balance sheet total	366,873	334,785	+	9.6
Equity	211,811	180,902	+	17.1
Investments <sup>(6)</sup>	6,267	8,427	-	25.6
Net financial debts <sup>(7)</sup>	22,728	47,112	-	51.8

(1) Further information on the balance sheet and income statement can be found on the website: [www.lotusbakeries.com](http://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 + depreciations + provisions and amounts written off + non-cash costs of the valuation of the 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 and intangible fixed assets.

(7) Net financial debts are defined as financial debts - cash investments - cash and cash equivalents - treasury shares.

The statutory auditor, PwC Bedrijfsrevisoren, represented by Peter Opsomer, has executed a limited 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.

(\*) Excluding exchange rate effects and turnover of Lotus Korea.

(\*\*) On 25 March 2015, the Lotus Bakeries Group acquired 100% of the shares of Lotus Korea, a leading distributor of biscuits and chocolate in South Korea. The results are consolidated as from that date.



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## 2. Management statement

### 2.1 Turnover

During the first half of 2015, the consolidated turnover of the Lotus Bakeries Group grew by 16.5% to EUR 195.6 million. The increase in turnover is almost entirely attributable to a positive evolution of the Group brands, with a growth by around EUR 24 million being realized primarily by the continuing international growth of original caramelized biscuits ('Lotus Biscoff') and the expansion of Lotus Dinosaurus and Lotus waffles.

The strategy of internationalizing **Lotus Biscoff** in a sustainable way has been consistently pursued, which resulted in some very nice successes in the United States and the United Kingdom. In the United States, efforts continued to focus on strengthening distribution, while sales per store (rotation) increased as well as a result of the constant focus on greater in-store visibility and the right promotional campaigns. In the United Kingdom, continuing powerful growth is attributable to strong in-store presence, targeted PR campaigns, and distribution expansion. Other countries such as France, Switzerland, Germany, Austria, Israel, Kuwait and Saudi Arabia also realized a fine growth in sales of Lotus Biscoff.

The turnover of **Lotus Biscoff spread** increased strongly during the first six months, partly as a result of the introduction of a new packaging design which further emphasizes the link between the biscuit and the spread. In addition, Lotus Biscoff spread remains in many countries one of the favourite ingredients for desserts.

**Lotus Dinosaurus** grew in the domestic markets Belgium and France as a result of distribution gains, better shelf placement and good in-store activation for the basic product range on the one hand, and by the introduction of the new variety 'Dinosaurus filled', the typical Dinosaurus biscuits with a layer of real Belgian chocolate or vanilla in between. This new product range was enthusiastically welcomed by retailers, while the response from consumers is very positive as well. In the Netherlands, the basic range was successfully introduced on the biscuit shelf at the end of last year. This success is continuing in 2015 as a result of strong in-store support and advertising in TV commercials. In 2015, the first steps are being taken to introduce Lotus Dinosaurus in new international markets, which involves substantial investment in commercial and marketing efforts. The extra gross margin will be entirely reinvested in order to achieve sustainable growth.

The rebranding of the **waffles** to 'Lotus Suzy' in Belgium and the relaunch of the Liège waffles in France at the end of last year generated an attractive turnover growth in the waffle segment during the first half of 2015. In both countries, the segment was supported by national television campaigns, presence at events, and in-store promotion. The other Lotus waffles such as the vanilla waffles and filled waffles showed a positive evolution as well.





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At the end of the first semester, a slight growth in the **gingerbread** category was again reported. At the end of 2014, the new Peijnenburg TV campaign was launched with the title 'Lekker thuis met Peijnenburg' (*Comfortably at Home with Peijnenburg*), and a new fresh foil packaging was put on the market. This strategy has laid the foundations for a strengthening of market share and for further growth. In the second half of 2015, the healthy aspects of gingerbread will be put firmly in the spotlight with the introduction of some new varieties.

## 2.2 Operating result

The recurring operating result and the recurring operating cash flow increased by EUR 7.3 million compared to last year, to EUR 29 million (+33%) and nearly EUR 38 million (+24%) respectively.

The increased operating result is primarily attributable to the strong turnover growth in Lotus Biscoff as well as in Lotus Dinosaurus and waffles. The growth in turnover allows the Group to keep stepping up its commercial efforts for the different brands in the various countries, both in terms of marketing and in-store promotion. In France, three television campaigns were launched, two for Lotus Biscoff and one for Liège waffles. In the Netherlands, a new commercial was aired with the title 'Lekker thuis met Peijnenburg', while Lotus Koffieleutjes and Lotus Dinosaurus were supported as well. In Belgium, Lotus was also omnipresent with television support for Lotus Biscoff, Lotus Dinosaurus, Lotus Frangipane and the Lotus Suzy commercial.

The volume growth in Lotus Biscoff also ensures optimal capacity utilization at the plant, making a substantial positive contribution to the operating result. As of mid-June 2014, Lotus Dinosaurus is produced in-house at the Lembeke plant, which guarantees increased cost-effectiveness as well as superior product quality and flexibility. Lotus Bakeries also continues to focus on improving efficiency and flexibility at the production plants and in the supply chain. For that purpose, the Group invested in a system to optimize the storage of packaging materials in Lembeke. Moreover, a project was initiated to optimize the logistics flows and bring them closer to the customer.

The non-recurring operating result amounts to EUR -1.1 million and is mainly attributable to acquisition costs, restructuring of the logistical operations at the distribution centre in Lokeren, and the depreciation of the brand Wieger Ketellapper.

The financial result of EUR 0.3 million mainly consists of positive exchange rate results. The interest charges were lower by half than last year as a result of the continuing debt reduction and the low interest rates.

The tax expense amounts to EUR 7 million or 24.6% of pre-tax profit, which is in line with the tax percentage at year-end 2014.

The net result for the first half-year increased by EUR 5.5 million (+34%) compared to 2014 and stands at EUR 21.6 million.





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## 2.3 Investments

The investment level during the first half of 2015 amounted to EUR 6.3 million. The main investments were done in Belgium and the Netherlands, with the installation of a new packaging robot for Lotus Madeleines at the Oostakker plant, investment in extra capacity in Lembeke, and the installation of a new oven at the gingerbread plant in Sintjohannesga.

## 2.4 Net financial debt

As a result of the strong operating cash flow, the net financial debt decreased by EUR 24 million to EUR 22.7 million over the past 12 months, despite a total cash outflow of EUR 35 million for investments and acquisitions.

## 3. Acquisition of biscuit and chocolate distributor in South Korea

On 25 March 2015, the Lotus Bakeries Group acquired 100% of the shares of Lotus Korea, a leading distributor of biscuits and chocolate in South Korea. With this acquisition, the Lotus Bakeries Group further consolidates its position in Asia, where it is now present with a sales office in China and South Korea, two growing economies with enormous potential.

Soon after the acquisition, work began on the implementation of SAP and a strategic study of market dynamics and opportunities in South Korea with a view to setting up the best strategy, structure and organization to support the future growth and profitability in a sustainable way.

The results of Lotus Korea were consolidated for a period of three months as from the first of April 2015.

## 4. Fire at waffle factory in Meise

On 3 June 2015, fire broke out at the waffle factory of Lotus Bakeries in Meise. All personnel present at the plant were evacuated in time and brought to safety. The firefighters made every effort to get the fire under control, but unfortunately the factory burnt down completely.

The Meise plant produced waffles mainly for the French and British markets. The waffles for the Belgian market are made at the Courcelles plant.





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Lotus Bakeries is very proud that it managed to get the products back on the shelves in the course of June, and that the impact on turnover in the second half of the year will be relatively limited. Most of the production was taken over by the waffle factory in Courcelles.

Lotus Bakeries is currently looking into various ways to restore the lost capacity internally, more details will follow in the course of September.

## 5. Acquisition of Natural Balance Foods, UK pioneer in 100% natural snacks

On 14 August 2015, Lotus Bakeries announced the strategic partnership with Natural Balance Foods ('NBF'), the pioneering British wholefood company, which is revolutionary within the snacking sector with its range of innovative wholefood bars and snacks, made with 100% natural ingredients, without added sugars and free of lactose, wheat and gluten. The products are sold under the Nākd and Trek brands.

Through their partnership Lotus Bakeries and Natural Balance Foods want to further grow the Nākd and Trek brands, by growing the UK market and continuing targeted international expansion. Lotus has strong knowledge and long experience in internationalising consumer goods. Through the multiple Lotus sales offices in over 15 countries NBF will have access to new markets and resources.

As a Group, Lotus Bakeries has traditionally focused mainly on the indulgent segment of biscuits and snacking. There is a growing global demand for healthy, unprocessed and tasty alternatives. The Nākd and Trek brands, which are complementary to the current product and brand portfolio of Lotus Bakeries, will ensure Lotus has the right product and brand offering for all consumers.

The business was founded in 2004 by the Californian brothers Jamie and Greg Combs, who will continue to lead and run the company. Net Sales Value of NBF for the year to 31st March 2015 was £20m, and is estimated to be approximately £33m in the current year. Natural Balance Foods has c40 employees. Lotus has acquired just over 67% of the shares of Natural Balance Foods from the external, non-active investors. The price for 100% of the shares represents a multiple of c1.8x the expected current year Net Sales.

The figures of Natural Balance Foods will be consolidated as from the first of September 2015.

## 6. Conclusion

For the first half of 2015, Lotus Bakeries can present an attractive growth of 16.5% on turnover and 33% on recurring operating result.





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Lotus Bakeries continues to invest strongly in the future by looking for new distribution opportunities in countries where it is not present yet, and by establishing new sales offices in Asia (China and South Korea) and South America. Those sales offices allow to respond more quickly and more effectively to the specific market dynamics, but call for substantial investments in organization, marketing and commercial support, especially in the early years. Hence there is a limited impact on profitability. The growth in the United Kingdom and the United States proves that this is a successful strategy, supported by strong local management teams that implement the strategy of Lotus Bakeries correctly and consistently.

Furthermore, the profitability growth has been achieved by major commercial efforts in the domestic markets (Belgium, the Netherlands and France), thereby focusing on clear and consistent communication with the end consumer. Lotus Bakeries firmly believes that in the long term it will have to continue to invest significantly in marketing and sales to support and further expand its brands and product range.

The strategy of an extensive focus on the main specialties will be pursued as well as the further internationalization of Lotus Biscoff.

Lotus Bakeries continues to invest in its production plants, particularly in machinery, safety and process optimization. In this way, efforts continue to increase production efficiency at the different sites, while at the same time a consistently high quality standard of the various products can be guaranteed. The supply chain is also under review to ensure that Lotus Bakeries can get the products to the consumer even more quickly.

Both the Management and the Board of Directors of Lotus Bakeries are convinced that the right basis and strategy are in place to keep growing in the future.

CEO Jan Boone is pleased with the results and developments of the past half-year:

*"We can report an excellent internal growth rate of more than 10% during this first half-year. Furthermore, our profitability is growing more strongly than the turnover, which shows that, by investing in people and production plants during the past few years, the right foundations have been laid for a sustainable and profitable long-term growth."*

*Nevertheless, the first half of 2015 was also a turbulent period, with the fire at the Meise factory sounding a particularly sour note. We deeply regret the loss of the factory. Nevertheless, we are proud that the Belgian management team succeeded so quickly in getting our products back on the shelves. Making up the lost capacity internally as soon as possible will be a major challenge for the near future."*

*With the acquisition of Lotus Korea and the ongoing expansion of the sales office in China, we have laid the foundations for further growth in a very attractive market. Through our partnership with Natural Balance Foods, we want to penetrate the market of natural snacks, a growing segment that is becoming mainstream and not just a passing fad."*







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## 7. Financial calendar

Financial analysts' meeting (conference call):	25 August 2015
Announcement annual results 2015:	12 February 2016
Financial analysts' meeting:	12 February 2016
Ordinary General Meeting of shareholders:	13 May 2016
Dividend payable from:	23 May 2016

### Lotus Bakeries in a nutshell

*Lotus Bakeries is globally active in cookies, cake and snacking with the brands Lotus, Lotus Biscoff, Lotus Dinosaurus, Lotus Suzy, Peijnenburg, Snelle Jelle, Annas, Nākd and Trek. Lotus Bakeries, having its headquarters in Belgium, is a dynamic, internationally oriented company with production facilities in Belgium, the Netherlands, France and Sweden, and has fifteen own sales offices in Europe, the United States and Asia. Additionally Lotus Bakeries collaborates with commercial partners in approximately forty countries worldwide. Lotus Bakeries has 1,321 employees. By maintaining a healthy balance between tradition and innovation, the Lotus brand indulges consumers with a unique range of high quality and tasty products. Thanks to Peijnenburg and Snelle Jelle, the company is market leader in gingerbread in the Netherlands. Lotus Bakeries offers all-natural, unprocessed and tasteful snacking solutions, free from added sugars under the Nākd and Trek brands. In 2014 the Group achieved a turnover of EUR 347.9 million. The Lotus Bakeries shares are listed on Euronext Brussels.*

For more information please contact:

Jan Boone, CEO  
Tel. + 32 9 376 26 14

Isabelle Maes, CFO  
Tel. +32 9 376 26 01

Further information on Lotus Bakeries can be found at [www.lotusbakeries.com](http://www.lotusbakeries.com)

