

The consolidated financial statements for 2019 shown below have been prepared in accordance with IFRS as adopted for application within the European Union with comparative IFRS figures for 2018.

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 3:17 of the Belgian Companies and Associations 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 2019 annual report of Lotus Bakeries NV. This annual report 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.

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

IN THOUSANDS OF EUR	NOTES	31-12-2019	31-12-2018
ASSETS			
NON-CURRENT ASSETS		641,122	545,647
Property, plant and equipment	5	263,793	219,897
Goodwill	6	229,365	177,639
Intangible assets	7	142,709	138,887
Participating interests	9	-	2,448
Investment in other companies	9	2,243	12
Deferred tax assets	8	2,505	3,936
Other non-current assets	9, 20	507	2,828
CURRENT ASSETS		171,507	165,925
Inventories	10	44,461	39,066
Trade receivables		79,072	71,097
VAT receivables		5,280	4,503
Income tax receivables		1,075	523
Other amounts receivable		172	2,993
Cash and cash equivalents	12, 13	40,093	45,597
Deferred charges and accrued income		1,354	2,146
TOTAL ASSETS		812,629	711,572

IN THOUSANDS OF EUR	NOTES	31-12-2019	31-12-2018
EQUITY			
EQUITY		402,477	346,927
Share Capital	14	16,388	16,319
Retained earnings		422,724	369,114
Treasury shares	13, 16, 24	(15,866)	(11,406)
Other reserves	18	(20,848)	(27,156)
Non-controlling interests		79	56
NON-CURRENT LIABILITIES		239,584	198,042
Interest-bearing loans and borrowings	13,17	158,010	116,500
Deferred tax liabilities	8	50,737	52,725
Net employee defined benefit liabilities	18	3,712	3,519
Provisions	19	285	377
Derivative financial instruments	20	2,340	2,319
Other non-current liabilities	21	24,500	22,602
CURRENT LIABILITIES		170,568	166,603
Interest-bearing loans and borrowings	13, 17	36,579	36,655
Net employee defined benefit liabilities	18	325	234
Provisions	19	21	21
Trade payables	22	88,716	86,794
Employee benefit expenses and social security	22	24,146	21,330
VAT payables	22	254	300
Tax payables	22	11,630	14,761
Other current liabilities	22	5,240	3,102
Accrued charges and deferred income	22	3,657	3,406
TOTAL EQUITY AND LIABILITIES		812,629	711,572

Consolidated income statement

IN THOUSANDS OF EUR	NOTES	2019	2018
TURNOVER		612,737	556,435
Raw materials, consumables and goods for resale		(197,799)	(184,804)
Services and other goods		(168,966)	(150,732)
Employee benefit expense	23	(123,493)	(111,977)
Depreciation and amortisation on intangible and tangible assets	25	(17,754)	(12,942)
Impairment on inventories, contracts in progress and trade debtors	10, 11	(2,135)	(1,706)
Other operating charges	26	(3,254)	(2,123)
Other operating income	26	3,555	2,879
RECURRENT OPERATING RESULT (REBIT) (1)		102,891	95,030
Non-recurrent operating result	27	(2,292)	(3,005)
OPERATING RESULT (EBIT) (2)		100,599	92,025
Financial result	28	(2,514)	(3,324)
Interest income (expense)		(4,460)	(2,435)
Foreign exchange gains (losses)		2,232	(596)
Other financial income (expense)		(285)	(293)
PROFIT FOR THE YEAR BEFORE TAXES		98,086	88,701
Taxes	8, 29	(22,317)	(20,829)
RESULT AFTER TAXES		75,769	67,872
NET RESULT - attributable to:		75,769	67,872
Non-controlling interests		857	964
Equity holders of Lotus Bakeries		74,912	66,908

IN THOUSANDS OF EUR	NOTES	2019	2018
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to profit and loss		7,417	(1,726)
Currency translation differences		7,929	(587)
Gain/(Loss) on cash flow hedges, net of tax		(512)	(1,139)
Items that will not be reclassified to profit and loss		(124)	276
Remeasurement gains/(losses) on defined benefit plans	18	(124)	276
Other comprehensive income		7,293	(1,450)
Total comprehensive income - attributable to:		83,062	66,422
Non-controlling interests		1,842	793
Equity holders of Lotus Bakeries		81,220	65,629
EARNINGS PER SHARE	30		
Weighted average number of shares		807,476	803,878
Basic earnings per share (EUR) - attributable to:			
Non-controlling interests		1.06	1.20
Equity holders of Lotus Bakeries		92.77	83.23
Weighted average number of shares after effect of dilution		809,848	808,813
Diluted earnings per share (EUR) - attributable to:			
Non-controlling interests		1.06	1.19
Equity holders of Lotus Bakeries		92.50	82.72
Total number of shares (5)		816,013	815,733
Earnings per share (EUR) - attributable to:			
Non-controlling interests		1.05	1.18
Equity holders of Lotus Bakeries		91.80	82.02

 $^{(1) \}quad REBIT is defined as the recurrent operating result, consisting of all the proceeds and costs relating to normal business.$

⁽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 2019	3,590	12,729	16,319	369,114
Net result of the Financial Year	-	-	-	74,912
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		-	-	74,912
Dividend to shareholders		-	-	(23,664)
Increase in capital	1	68	69	-
Acquisition / sale own shares	-	-	-	-
Employee share-based compensation expense		-	-	568
Non-controlling interests following business combinations		-	-	(284)
Impact written put options on non-controlling interests		-	-	530
Other		-	-	1,548
EQUITY as on 31 December 2019	3,591	12,797	16,388	422,724
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

TREASURY SHARES	TRANSLATION DIFFERENCES	REMEASUREMENT GAINS/(LOSSES) ON DEFINED BENEFIT PLANS	CASH FLOW HEDGE RESERVES	OTHER RESERVES	EQUITY PART OF THE GROUP	NON-CONTROLLING INTERESTS	TOTAL EQUITY
SHARES	DIFFERENCES	BENEFII PLANS	HEDGE RESERVES	RESERVES	THE GROUP	INTERESTS	EQUIT
(11,406)	(26,844)	(178)	(134)	(27,156)	346,871	56	346,927
	<u> </u>		<u> </u>	<u> </u>	74,912	857	75,769
	6,944		<u> </u>	6,944	6,944	1,002	7,946
		(170)		(170)	(170)	<u> </u>	(170)
	<u> </u>	<u> </u>	(822)	(822)	(822)	<u> </u>	(822)
	<u> </u>	46	310	356	356	<u> </u>	356
-	6,944	(124)	(512)	6,308	6,308	1,002	7,310
-	6,944	(124)	(512)	6,308	81,220	1,859	83,079
-	-	-	-	-	(23,664)	(603)	(24,267)
-	-	-	-	-	69	-	69
(4,460)	-	-	-	-	(4,460)	-	(4,460)
-	-	-	-	-	568	-	568
-	-	-	-	-	(284)	34	(250)
-	-	-	-	-	530	(1,267)	(737)
-	-	-	-	-	1,548	-	1,548
(15,866)	(19,900)	(302)	(646)	(20,848)	402,398	79	402,477
(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

Consolidated cash flow statement

IN THOUSANDS OF EUR	2019	2018
Operating activities		
Net result (Group)	74,912	66,908
Depreciation and amortisation of (in)tangible assets	17,763	12,942
Net valuation allowance current assets	2,135	1,701
Provisions	230	68
Disposal of fixed assets	69	29
Financial result	2,514	3,324
Taxes	22,317	20,829
Employee share-based compensation expense	568	589
Non-controlling interests	857	964
Gross cash provided by operating activities	121,365	107,354
Decrease / (Increase) in inventories	(5,804)	(5,023)
Decrease / (Increase) in trade accounts receivable	(6,870)	(8,098)
Decrease / (Increase) in other assets	3,257	1,821
Increase / (Decrease) in trade accounts payable	861	(3,445)
Increase / (Decrease) in other liabilities	(1,515)	(2,694)
Change in operating working capital	(10,071)	(17,439)
Income tax paid	(26,675)	(20,051)
Interest paid	(2,872)	(2,461)
Other financial income and charges received / (paid)	1,656	(504)
Net cash provided by operating activities	83,403	66,899

IN THOUSANDS OF EUR	2019	2018
Investing activities		
(In)tangible assets - acquisitions	(47,478)	(42,590)
(In)tangible assets - other changes	514	630
Acquisition of subsidiaries	(42,281)	(48,284)
Financial assets - other changes	(2,231)	(2,448)
Net cash used in investing activities	(91,476)	(92,692)
Net cash flow before financing activities	(8,073)	(25,793)
Financing activities		
Dividends paid	(24,059)	(16,129)
Treasury shares	(3,252)	4,056
Proceeds of capital increase	69	320
Proceeds / (Reimbursement) of long-term borrowings	35,503	(1,000)
Proceeds / (Reimbursement) of short-term borrowings	(3,195)	34,352
PLeasing debts	(2,892)	-
Proceeds / (Reimbursement) of long-term receivables	(27)	(49)
Net cash flow from financing activities	2,147	21,550
Net change in cash and cash equivalents	(5,926)	(4,243)
Cash and cash equivalents on January 1	45,597	48,129
Effect of exchange rate fluctuations	422	1,711
Cash and cash equivalents on 31 December	40,093	45,597
Net change in cash and cash equivalents	(5,926)	(4,243)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated companies

1.1 List of consolidated companies

	ADDRESS	VAT OR NATIONAL NUMBER	31-12-2019	31-12-2018
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 BV	Nieuwendorpe 33 Bus C, 9900 Eeklo, BE	VAT BE 0401.006.413	100.0	100.0
B.W.I. BV	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.	Amerciká 415/36, 120 00 Praha 2, 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.	1 Drakes Drive, Long Crendon, Aylesbury, 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	Oosterdijk 3e, 1601 DA Enkhuizen, 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	2010 Park Center Drive, Mebane NC 27302	IRS 82-1300286	100.0	100.0
Lotus Bakeries US Manufacturing, LLC	2010 Park Center Drive, Mebane NC 27302	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 España S.L.	C/Severo Ochoa, 3, 2a Planta Oficina 8A, 28232 Las Rozas (Madrid), Spain	VAT ESB80405137	100.0	95.0

	ADDRESS	VAT OR NATIONAL NUMBER	31-12-2019	31-12-2018
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	VAT 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, TOL 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 Biscuits Trading (Shanghai) Company Ltd.	Room 01.02, Floor 15, No. 511 Weihai Road, Jingʻan 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.	1st Floor, Rose House, Bell Lane Office Village, Bell Lane, Amersham, HP6 6 FA, UK	VAT GB 977396157	100.0	100.0
Kiddylicious International Ltd.	1st Floor, Rose House, Bell Lane Office Village, Bell Lane, Amersham, HP6 6 FA, UK	VAT GB 211115184	100.0	100.0
Kids Food Global Ltd.	Dixcart House, Fort Charles, Charlestown, Nevis, St Kitts and Nevis	C44487	100.0	100.0
Lotus Bakeries Italia S.r.l.	Zona Produttiva Plattl 17, 39040 Ora (Bolzano) Italy	IT03029890211	55.0	-
Lotus South Africa Manufacturing Ltd.	Erf 4109, Voortrekker Road, Montana, Wolseley, South Africa	4190279762	100.0	-
FF2032 NV	Gentstraat 1, B-9971 Lembeke	VAT BE 0730.550.847	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., Urban Fresh Foods Ltd., The Kids Food Company Ltd. and Kiddylicious International 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 companies as at 31 December 2019.

1.2 Changes in the group structure in 2019

The following changes to the group structure took place in 2019:

Lotus Bakeries Italia S.r.l.

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In February 2019, Lotus Bakeries founded Lotus Bakeries Italia S.r.l., together with its Italian distribution partner Lona. Lotus Bakeries owns the majority of the shares (55%) with an option to purchase the remaining shares.

Lotus South Africa Manufacturing Ltd.

In May 2019, Lotus Bakeries UK Ltd. acquired 100% of the shares of Lotus South Africa Manufacturing Ltd.

FF2032 NV

FF2032 NV, a fund which invests in promising young companies, was set up in July 2019. Also in July 2019, it acquired its first stake, buying 20% of shares in Peter's Yard. The agreement also allows for the acquisition of all of the shares in phases.

Lotus Bakeries España S.L.

In 2019, Lotus Bakeries NV acquired the remaining 5% of the shares in Lotus Bakeries España S.L., so that this company is now wholly owned by Lotus Bakeries NV.

Kids Food Global Ltd.

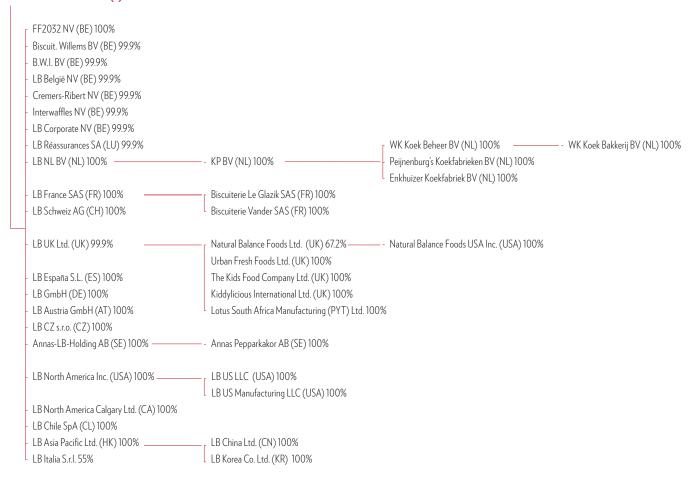
Kids Food Global Ltd. filed for dissolution on 5 September 2019. This entity will be automatically terminated on 5 September 2021.

Financial supplement Lotus Bakeries Lotus Bakeries

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1.3 Legal Structure of the Lotus Bakeries Group at 31 December 2019

LOTUS BAKERIES NV (*)



^(*) 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.
Kids Food Global Ltd. (St Kitts and Nevis) filed for dissolution 5 September 2019. Will be automatically terminated on 5 September 2021.

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 (EU). 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 2019.

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 7 February 2020 for publication.

Recent IFRS pronouncements Endorsement status of the new standards as at 31 December 2019

The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning 1 January 2019 and have been endorsed by the European Union:

- 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 uncertainty of treatment 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.
- Amendments to IAS 28, 'Long term interests in associates and joint ventures' (effective 1 January 2019). Clarification regarding the accounting for long-term interests in an associate or joint venture, to which the equity method is not applied, under IFRS 9. Specifically, whether the measurement and impairment of such interests should be done using IFRS 9, IAS 28 or a combination of both.
- 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.

Lotus Bakeries expects that, except for IFRS 16, the amendments to the above described IFRS standards do not have a material impact on the consolidated financial statements.

Annual improvements to IFRS Standards 2015-2017 cycle, applicable as of 1 January 2019 and containing the following amendments to IFRS:

- IFRS 3 Business combination, paragraph 42A: The amendments clarify that, when an entity obtains control of a business that is a joint operation (as defined in IFRS 11), it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer re-measures its entire previously held interest in the joint operation.
- IFRS 11 Joint Arrangements, paragraph B33CA:
 A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS
 In such cases, previously held interests in the joint operation are not re-measured.
- IAS 12 Income Taxes, paragraph 57A:

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

- IAS 23 Borrowing Costs, paragraph 14:

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An

entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

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 2019 and have been endorsed by the EU:

- 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.
- 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 to whom these financial statements are addressed' 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.

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- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective 1 January 2020). The amendments require qualitative and quantitative disclosures to enable users of financial statements to understand how an entity's hedging relationships are affected by the uncertainty arising from interest rate benchmark reform.

The following new standards, amendments and interpretations have been published, but are not mandatory for the first time for the financial year beginning 1 January 2019 and have not been endorsed by the EU:

- Amendments to IFRS 3, 'Business Combinations', that revises the definition of 'a business' (effective 1 January 2020). The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical and petrochemical sector.. Application of the changes would also affect the accounting for disposal transactions.
- IFRS 17, 'Insurance contracts' (effective 1 January 2022). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all

entities that issue insurance contracts and investment contracts with discretionary participation features.

IFRS 16 'Leases'

The IFRS 16 standard for leases is effective from 1 January 2019. This new standard requires lessees to recognise, on balance sheet, a lease liability reflecting future lease payments and a right-of-use asset for all leases. Except for leases with a term of 12 months or less or a low-value underlying asset.

The Group has opted for the modified retrospective approach and will consequently not publish comparative figures for periods prior to 1 January 2019. The Group's leases mainly relate to office buildings and cars. The total leasing costs of these leases as at 31 December amount to EUR 4.9 million, of which EUR 1.9 million relates to short-term or low value leases and is therefore recognised in the income statement. The rate at which the lease liabilities are discounted is 1.4% for leases with a term of up to six years and 1.66% for leases with a term of more than six years.

Due to the implementation of this new standard, the Group's property, plant and equipment and debt increased by EUR 8.9 million. The Group's REBITDA increased by EUR 3.0 million. The impact on REBIT is minimal.

IN THOUSANDS OF EUR

Reconciliation between IAS 17 and IFRS 16	in kEUR
Future rental charges on 31 December 2018	11,645
Short-term and low-value contracts	(1,200)
Discounting effect and contract changes	(2,329)
Foreign exchange effect	179
Leasing debt 1 January 2019	8,295

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.

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

	CLOSIN	NG RATE	AVERA	GE RATE
	2019	2018	2019	2018
EUR/CAD	1.4598	1.5605	1.4822	1.5329
EUR/CHF	1.0854	1.1269	1.1111	1.1515
EUR/CLP	834.3130	792.9810	792.2603	755.6531
EUR/CNY	7.8205	7.8751	7.7237	7.8152
EUR/CZK	25.4080	25.7240	25.6588	25.6725
EUR/GBP	0.8508	0.8945	0.8759	0.8857
EUR/KRW	1296.2800	1277.9300	1303.1692	1295.9567
EUR/PLN	4.2568	4.3014	4.2990	4.2675
EUR/SEK	10.4468	10.2548	10.5824	10.2952
EUR/USD	1.1234	1.1450	1.1195	1.1792
EUR/ZAR	15.7773	16.4594	16.1701	15.6125

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 amortisation 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

A lease exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset is recognised for this in the balance sheet as well as a debt equal to the future lease payments for all leases except those with a term of 12 months or less or an underlying asset lower than EUR 5,000.

The Group recognises right-of-use assets as non-current assets on the date of first use and they are valued at cost price. Cost price comprises the sum of recognised lease liabilities and initial direct costs minus lease discounts received. These assets are depreciated on a straight-line basis over the lease term and are subject to impairment.

Lease liabilities are measured at the discounted value of future lease payments over the lease term in question. This calculation assumes a market interest rate where the interest rate implicit in the lease cannot be determined.

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 realised 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.

The introduction of the new IFRS standard for leases leads to the recognition of lease liabilities on the balance sheet. This liability is recognised as equal to the future lease payments for all leases except those with a term of 12 months or less or an underlying asset lower than EUR 5,000.

Lease liabilities are measured at the discounted value of future lease payments over the lease term in question. This calculation assumes a market interest rate where the interest rate implicit in the lease cannot be determined.

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 in the balance sheet 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. The final warrants owned by executives and senior management were exercised during the first half of 2019.

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 (2019)

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, and the production of Lotus South Africa Manufacturing

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, Italy, 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 2019 CONTINUING OPERATIONS

IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
TURNOVER							
Sales to external customers	154,722	76,439	87,482	137,557	156,537	-	612,737
Inter-segment sales	118,073	13,281	3,520	8,768	751	(144,393)	-
Total turnover	272,795	89,720	91,002	146,325	157,288	(144,393)	612,737
RESULTS							
Segment result REBIT	38,537	3,801	15,506	13,774	24,650	6,623	102,891
Non-recurrent operating result	(108)				(3,988)	1,804	(2,292)
Segment result EBIT							100,599
Financial result							(2,514)
Profit for the year before taxes							98,086
Taxes							(22,317)
Result after taxes							75,769
ASSETS AND LIABILITIES							
Non-current assets	146,703	8,663	102,114	252,769	99,291	29,076	641,122
Segment assets	146,703	8,663	102,114	252,769	99,291	29,076	638,617
Unallocated assets:							2,505
Deferred taxes							2,505

YEAR ENDED 31 DECEMBER 2019 CONTINUING OPERATIONS

IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER	ELIMINATIONS + CORPORATE COMPANIES	TOTAL
Current assets	37,085	13,679	14,947	36,151	18,477	4,720	171,507
Segment assets	37,085	13,679	14,947	36,151	18,477	4,720	125,059
Unallocated assets:							46,448
VAT receivables							5,280
Income tax receivables							1,075
Cash and cash equivalents							40,093
Total assets	183,788	22,342	117,061	288,920	117,768	33,796	812,629
Non-current liabilities	1,717	591	762	-	591	2,676	239,584
Segment liabilities	1,717	591	762	-	591	2,676	6,337
Unallocated liabilities:							233,247
Deferred tax liabilities							50,737
Interest-bearing loans and borrowings							158,010
Other non-current liabilities							24,500
Current liabilities	39,786	9,968	11,078	27,108	16,158	18,007	170,568
Segment liabilities	39,786	9,968	11,078	27,108	16,158	18,007	122,105
Unallocated liabilities:							48,463
VAT payables							254
Tax payables							11,630
Interest-bearing loans and borrowings							36,579
Total liabilities							410,152
OTHER SEGMENT INFORMATION							
Capital expenditure:							
Tangible fixed assets	10,363	787	2,181	1,437	29,059	1,656	45,483
Intangible fixed assets	8	-	-	-	-	1,184	1,192
Depreciation	9,139	1,026	2,675	712	2,588	1,614	17,754
Increase / (decrease) in amounts written off stocks, contracts in progress and trade debtors	961	289	459	52	360	14	2,135

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.

CONTINUING OPERATIONS

YEAR ENDED 31 DECEMBER 2018

IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER ^(I)	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 tax assets							3,936

YEAR ENDED 31 DECEMBER 2018 CONTINUING OPERATIONS

IN THOUSANDS OF EUR	BELGIUM	FRANCE	NETHERLANDS	UK	OTHER ^(I)	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
Decrease / (increase) in amounts written off stocks, contracts in progress and trade debtors	895	122	265	374	48	2	1,706

 $^{(1) \, {}^{&#}x27;}Other' \, segment: there \, are \, no \, geographical \, regions \, representing \, more \, than \, 10\% \, of \, total \, sales.$

4. Acquisitions and disposal of subsidiaries

Lotus South Africa Manufacturing Ltd.

In 2015, Lotus Bakeries acquired BEAR, a brand that offers natural snacks made from pure fruit. BEAR only uses gently baked, freshly picked seasonal fruits. The products are free from added sugars, concentrate, preservatives and stabilisers. After the successful commercial integration, the next step was the integration of production. On 31 May, Lotus Bakeries acquired control of Lotus South Africa Manufacturing Ltd., the company which manufactures BEAR products.

The total purchase price was EUR 46.5 million, broken down as set out below:

IN THOUSANDS OF EUR	PROVISIONAL FAIR VALUE
Purchase price	46,532
Property, plant and equipment	3,308
Stocks	1,005
Trade and other receivables	473
Cash and cash equivalents	773
Trade and other payables	(1,114)
Tax payables	(130)
TOTAL NET ASSETS	4,315
GOODWILL	42,217

The goodwill of EUR 42.2 million arising from the acquisition relates to a variety of components. With this acquisition, Lotus Bakeries set up a vertical integration to achieve greater quality control of BEAR production activities and boost flexibility for new product development. There is also direct access to suppliers of fresh fruit in the Ceres valley. The results of Lotus South Africa Manufacturing Ltd. are included in the consolidation as from June 2019. As of the end of December 2019, there were no changes to the fair value set in May 2019.

Kiddylicious

In July 2018, Lotus Bakeries acquired 100% of the shares of Kiddylicious. This food company creates responsible and delicious snacks for growing babies, toddlers and pre-schoolers. The total acquisition price was EUR 49.2 million. The results are consolidated as from 26 July 2018. At 31 December 2018, the fair value of the assets and liabilities was determined in order to calculate the goodwill arising from this acquisition. This analysis was further refined in 2019 and the final value of the acquired assets and liabilities was calculated during a period of twelve months following the acquisition date. The purchase price is composed as follows:

IN THOUSANDS OF EUR	PROVISIONAL FAIR VALUE	FAIR VALUE
Purchase price	49,183	49,183
Intangible assets	16,014	16,014
Stocks	1,847	1,847
Trade and other receivables	3,179	3,179
Cash and cash equivalents	899	899
Other assets	46	46
Deferred tax liabilities	(2,236)	(1,799)
Interest-bearing loans and borrowings	(559)	(559)
Trade and other payables	(7,575)	(10,148)
TOTAL NET ASSETS	11,615	9,479
GOODWILL	37,568	39,704

The goodwill of kEUR 39.7 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.

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 right-of-use assets arising from the new IFRS 16 leases standard are an exception to this. The tangible assets are unencumbered with the exception of the notes included in 32.4.

Once again in 2019, the main investments relate to expansions of capacity. Investments totalled EUR 45.5 million. They mainly relate to the new factory in the United States. This factory, with two production lines, went into operation at the beginning of August 2019. When operating continuously at full capacity – with these two production lines – the factory can meet a large proportion of US demand.

During 2019, investments were also made in product innovation such as Madeleine Chocolate and the new Lotus Biscoff cookie, consisting of two round Lotus Biscoff cookies with a filling between them, to be launched in 2020.

In addition to investing in the expansion of capacity and product innovation, the company also invested in new offices for the Belgian team in Lembeke.

	LAND	PLANT, MACHINERY	FURNITURE, OFFICE EQUIP-	ASSETS UNDER	
IN THOUSANDS OF EUR	AND BUILDINGS	AND EQUIPMENT	MENT AND VEHICLES	CONSTRUC- TION	TOTAL
On 31 December 2019					
Acquisition cost					
At the end of the preceding year	119,754	287,074	16,798	40,516	464,142
Acquisition during the year	3,326	5,227	1,746	35,184	45,483
Sales and disposals	(533)	(234)	(276)	-	(1,042)
Transfers from one heading to another	39,392	27,024	467	(66,882)	0
Amendment to accounting principles (IFRS 16 leases standard)	6,447	219	5,114	-	11,780
Translation differences	50	(55)	84	630	709
Acquisistion through business combinations	2,581	688	180		3,449
Total acquisition cost	171,017	319,943	24,114	9,448	524,521
Depreciation and amounts written down					
At the end of the preceding year	(45,168)	(184,902)	(14,011)	(164)	(244,245)
Depreciation during the year	(3,415)	(9,870)	(878)	-	(14,163)
Sales and disposals	53	223	144	-	420
Amendment to accounting principles (IFRS 16 leases standard)	(1,303)	(41)	(1,604)		(2,948)
Translation differences	143	172	(6)	14	322
Acquisistion through business combinations	(26)	(70)	(19)	-	(115)
Total depreciation and amounts written down	(49,718)	(194,487)	(16,374)	(150)	(260,729)
NET BOOK VALUE	121,299	125,455	7,740	9,298	263,793

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

During 2019 no newly granted capital grants were received and kEUR 60 of capital grants were taken into the income statement, giving at year end a remaining balance of kEUR 1,000, which is deducted from the net book value as reported in the above tables of movements.

INVESTMENT GRANTS

On 31 December	2019	2018
At the end of the preceding year	(1,060)	(485)
Taken into the income statement	60	55
Newly granted capital grants	-	(630)
At the end of the year	(1,000)	(1,060)

6. Goodwill

The carrying value of goodwill at the end of 2019 is EUR 229 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 España S.L.)	1,695
Sweden (AB Annas Pepparkakor)	5,874
Customer Brand Business (Biscuiterie Willems BV and B.W.I. BV)	20,773
Lotus Bakeries Korea Co. Ltd.	9,570
Natural Foods	174,302
Total	229,365

The change for the year is due to the acquisition of Lotus South Africa Manufacturing Ltd., translation differences and a change in Kiddylicious' opening balance sheet and goodwill.

IN THOUSANDS OF EUR	2019	2018
Acquisition cost		
Balance at end of previous year	177,639	141,001
Acquisitions of subsidiaries	44,355	37,568
Effect of movements in foreign exchange rates	7,371	(930)
Balance at end of year	229,365	177,639

Goodwill, representing approximately 28% of the total assets of Lotus Bakeries at 31 December 2019, 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 longterm 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 4.8% and 6.2%. 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 2019, 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 100% 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 2019, 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;

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- 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 rollout of the ERP information system SAP across the Lotus Bakeries Group.

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

NET BOOK VALUE	140,757		1.763	189	142,709
Total depreciation and amounts written down		(4,627)	(10,018)	(841)	(15,486)
Translation differences			(5)		(5)
Depreciation during the year	-	-	(550)	(94)	(644)
At the end of the preceding year	-	(4,627)	(9,463)	(747)	(14,837)
Depreciation and amounts written down					
Total acquisition cost	140,757	4,627	11,781	1,030	158,195
Acquisition through business combinations		-			-
Translation differences	3,268	-	11		3,279
Acquisitions during the year	-	-	1,192	-	1,192
At the end of the preceding year	137,489	4,627	10,578	1,030	153,724
Acquisition cost					
On 31 December 2019	_				
IN THOUSANDS OF EUR	INDEFINITE LIFE BRANDS	DEFINITE LIFE BRANDS	SOFTWARE	CUSTOMER PORTFOLIO	TOTAL

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
Sales and disposals	(805)	-	10	-	(795)
Translation differences	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

8. Deferred taxes

Deferred tax assets are included for the companies which have a loss at the end of the year. The recognition of these deferred tax assets is supported by profit expectations in the foreseeable future

IN THOUSANDS OF EUR	ON 31 DECEMBER 2018	CHARGED/ CREDITED TO THE INCOME STATEMENT	CHARGED/ CREDITED TO EQUITY	CHARGED/ CREDITED ACQUISITION	EXCHANGE DIFFERENCES	ON 31 DECEMBER 2019
Property, plant and equipment and intangible assets	(47,580)	(8,495)		(77)	(499)	(56,651)
Inventories	415	(50)	-	-	8	373
Pension liabilities	702	19	46	-	-	767
Tax effect of tax loss carry- forwards	2,239	6,820	-	-	(57)	9,002
Provisions	(2,006)	(55)		-	-	(2,061)
Derivative financial instruments	(98)	370	310	-	-	582
Other	(2,461)	1,673		470	74	(244)
Total deferred tax	(48,789)	282	356	393	(474)	(48,232)

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)

9. Participations, investments in other companies and other long-term receivables

IN THOUSANDS OF EUR	31-12-2019	31-12-2018
Participating interests	0	2,448

In March 2018, an agreement was reached with Grassroots, the former co-manufacturer of the BEAR range, for the acquisition of the production activities relating to BEAR. In 2018, an initial payment was made for this, which was reported for accounting purposes under participating interests. The factory became fully operational during 2019, marking the completion of the acquisition of Lotus South Africa Manufacturing Ltd. and its inclusion in the scope of consolidation.

IN THOUSANDS OF EUR	31-12-2019	31-12-2018
Derivative financial instruments	0	2,280
Cash guarantees	513	538
Other long-term receivables	(6)	10
Total	507	2,828

At the end of 2019, the Group had no forward hedges and/or options contracts for foreign exchange risks, as was the case at the end of 2018.

IN THOUSANDS OF EUR	31-12-2019	31-12-2018
Investments in other companies	2,243	12

In 2019, Lotus Bakeries set up incubator fund FF2032 NV, creating a platform for investment in promising brands and growth companies offering innovative products, technologies or market approaches within the food sector. In July 2019, the fund took its first 20% stake in Peter's Yard, which is an associated company of Lotus Bakeries. The agreement also allows for the acquisition of all of the shares in phases.

10. Inventories

IN THOUSANDS OF EUR	31-12-2019	31-12-2018
IN THOUSANDS OF EUR	31-12-2019	51-12-2018
Raw materials and consumables	11,419	10,764
Work in progress	3,038	433
Finished goods	18,332	18,551
Goods for resale	11,672	9,318
Total	44,461	39,066
IVIGI	74,401	37,000

Valuation allowances of kEUR 2,236 relate mainly to raw materials (kEUR 68), packaging material (kEUR 647), finished products (kEUR 1,390) and goods for resale (kEUR 103). In 2018, valuation allowances amounted to kEUR 1,551.

11. Trade receivables and other amounts receivable

The amount of valuation allowances in 2019 is kEUR 140. In 2018, kEUR 155 of valuation allowances were charged. The trade receivables represent an average of 47 days of sales outstanding (2018: 45 days).

IN THOUSANDS OF EUR	31-12-2019	31-12-2018
Trade receivables	79,072	71,097
Tax receivables		
VAT receivables	5,280	4,503
Income tax receivables	1,075	523
Total	6,355	5,026
Other amounts receivable	172	2,993

The other current amounts receivables item includes amongst others the proportion of long-term receivables that are due within one year and empties in custody. The drop compared with 2018 is due to a receivable relating to the sale of a tangible asset.

Movements on valuation allowances of trade receivables:

IN THOUSANDS OF EUR	2019	2018
Amounts written off on 1 January	611	434
Increase of amounts written off	140	155
Amounts written off used during the year	(70)	22
Amounts written off on 31 December	681	611

With regard to trade receivables there are no indications that debtors will not meet their payment obligations. 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 2019 annual report.

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	31-12-2019	31-12-2018
Cash and cash equivalents	40,093	45,597
Total	40,093	45.597
Total	40,093	45,397

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 33,539 compared with the end of the previous financial year.

The increase is due to investments in non-current assets in, amongst others, the new factory in the US and the acquisition of Lotus South Africa Manufacturing Ltd. This increase is partially offset by very strong operating cash flow.

IN THOUSANDS OF EUR	31-12-2019	31-12-2018
Non current interest-bearing liabilities	(152,003)	(116,500)
Short term interest-bearing liabilities	(33,647)	(36,655)
Cash and cash equivalents	40,093	45,597
Treasury shares	15,866	11,406
Net financial debt excl. IFRS 16 leases standard	(129,691)	(96,152)
IFRS 16 leases standard	(8,939)	0
Total	(138,630)	(96,152)

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

NATURAL DE REFUR	1	1
IN THOUSANDS OF EUR	2019	2018
On 1 January	3,590	3,584
Increase	1	6
On 31 December	3,591	3,590
Number of ordinary shares		
On 1 January	815,733	814,433
Increase	280	1,300
On 31 December	816,013	815,733
Less: treasury shares held at 31 December	(9,681)	(9,740)
Shares outstanding at 31 December	806,332	805,993
Amounts of authorized capital, not issued		
IN THOUSANDS OF EUR	942	943

Structure of shareholdings

Further details of the shareholding structure of Lotus Bakeries NV as of 31 December 2019 are contained in the Corporate Governance Statement in part 1 of the 2019 annual report 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	2019	2018
Dividend payments in		
Gross dividend per ordinary share (EUR)	29.00	19.50
Gross dividend on ordinary shares	23,664	15,887
Proposed dividend per ordinary share (EUR)	32.00	29.00
Gross dividend on ordinary shares	26,112	23,664

The Board of Directors will propose to the Ordinary Shareholders' Meeting of 8 May 2020 to pay a gross dividend of EUR 32.00 per share for 2019 compared to EUR 29.00 per share in 2018.

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

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	2019	2018
On 1 January	11,406	13,919
Purchased during the year	5,625	173
Sold during the year	(1,165)	(2,686)
On 31 December	15,866	11,406
Number of treasury shares		
On 1 January	9,740	15,171
Purchased during the year	2,250	80
Sold during the year	(2,309)	(5,511)
On 31 December	9,681	9,740

17. Interest-bearing liabilities

Non-current financial debts with an initial maturity of more than 1 year increased by kEUR 35,503. The current interest-bearing liabilities decreased by kEUR 3,008. 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.

Total on 31 December 2019	36,579	128,010	30,000	194,589
IFRS 16 leases standard	2,932	6,007		8,939
Total interest-bearing liabilities 2019	33,647	122,003	30,000	185,650
Current interest-bearing liabilities	33,647			33,647
Non current interest-bearing liabilities	-	122,003	30,000	152,003
IN THOUSANDS OF EUR	DUE WITHIN 1 YEAR	DUE BETWEEN 1 TO 5 YEARS	DUE AFTER 5 YEARS	TOTAL

IN THOUSANDS OF EUR	DUE WITHIN 1 YEAR	DUE BETWEEN 1 TO 5 YEARS	DUE AFTER 5 YEARS	TOTAL
Total interest-bearing liabilities 2019	33,647	122,003	30,000	185,650
Interests due on non current interest-bearing liabilities	1,823	4,746	529	7,098

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

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

The introduction of the new IFRS standard for leases gives rise to a liability, equal to future lease payments. These are discounted at 1.4% for leases with a term of up to six years and 1.66% for leases with a term of more than six years.

The unused committed credit lines amounted to kEUR 193,059 on 31 December 2019.

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, subject 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 2019 and these are assessed as not significant. The employer's contribution related to the plans amounted to a total of kEUR 1,266 in 2019.

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 3,756 of contributions to these defined contribution plans in respect of 2020.

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:

	2019	2018
Discount rate	0.27%	1.15%
Inflation rate	1.80% p.a.	1.80% p.a.

No major adaptations were required in the past for pension liabilities.

The Group expects to pay out around kEUR 21 in 2020 under defined benefit pension schemes for Germany and France.

IN THOUSANDS OF EUR	2019	2018
Net periodic cost		
Service cost	102	103
Interest charges	46	33
(Gains) / losses	81	(52)
NET PERIODIC COST	229	84
Remeasurements (recognised in OCI)		
Remeasurements on the defined benefit obligation	170	(199)
REMEASUREMENTS	170	(199)
Movement in the net liability		
Net debts as at 1 January	3,754	3,998
Service cost	102	103
Interest charges	46	33
Remeasurements	170	(199)
Employers contribution	(117)	(129)
(Gains) / losses	81	(52)
Other	-	-
NET DEBT AS AT 31 DECEMBER	4,036	3,754

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.

TOTAL

377

21

19. Provisions

IN THOUSANDS OF EUR

Long-term

Short-term

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

Provisions on 1 januari 2019	398
Increase of provisions	-
Acquisistion through business combinations	-
Reversal of unutilised provisions	(2)
Provisions used during the year	(90)
Provisions on 31 December 2018	306
Long-term	285
Short-term Short-term	21
IN THOUSANDS OF EUR	TOTAL
Provisions on 1 januari 2018	435
Increase of provisions	-
Acquisistion through business combinations	-
Reversal of unutilised provisions	(16)
Provisions used during the year	(21)
Provisions on 31 December 2018	398

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.

In 2019, a new long-term finance agreement was signed, under which some of the past long-term loans will be repaid early, together with the associated interest rate swaps. This early repayment already partially took place in the current financial year. This new long-term finance agreement was signed at a fixed interest rate. The new finance was partially recognised in 2019 and the remainder will be recognised in 2020.

As at 31 December 2019, the market value of these interest rate swaps was kEUR -2,340, of which EUR -1,478k were recognised in the income statement. These are interest rate swaps associated to loans for which refunding is foreseen. The remaining sum of kEUR -862, relating to the interest rate swap for which no refinancing took place, was recognised as a change in market value of these interest rate swaps 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. The net foreign exchange risk of these currencies are hedged by forward and/or option contracts whenever there exists a material uncovered net risk for the Group. At the end of 2018, Lotus Bakeries owned a foreign currency derivative, which expired during 2019.

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	2019	2018
Financial derivatives		
Fair value	(2,340)	(39)
Cost / (revenue) in results before tax	1,478	(1)
Decrease / (increase) in equity before tax	822	1,594

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 24.5 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 Ltd. 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	31-12-2019	31-12-2018
Trade payables	88,716	86,794
Remuneration and social security	24,146	21,330
Tax payables		
VAT payables	254	300
Tax payables	11,630	14,761
Total	11,884	15,061
Derivative financial instruments	-	-
Other current liabilities	5,240	3,102
Accrued charges and deferred income	3,657	3,406
TOTAL	133,643	129,693

The increase in 2019 is mainly due to the increase in trade payables, as a result of Lotus Bakeries' continued internal growth and the acquisition of Lotus South Africa Manufacturing Ltd.. Staff liabilities increased due to a higher number of employees, including at the factories in Mebane, Lembeke and South Africa.

23. Personnel costs

IN THOUSANDS OF EUR	2019	2018
Salaries and wages	83,848	75,005
Social security contributions	15,358	14,361
Contributions for company pension plans with fixed contribution	3,491	3,245
Other personnel costs	20,796	19,366
Total personnel costs	123,493	111,977
Average number of members of personnel	1,821	1,555
Number of members of personnel as at the end of the year	2,056	1,604

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

Personnel costs increased in 2019 compared with 2018 due to the increase in the number of staff.

24. Share-based payments

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.

The last warrants in possession of senior management and executives of Lotus Bakeries, were exercised in the first half of 2019.

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 2019, 1,199 share options were granted to and accepted by Lotus Bakeries employees.

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

The share options and warrants outstanding at the end of 2019 have a weighted average term of two years and one month (2018: two years and three months).

The fair value of the options 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 568 was recorded in the income statement in 2019 (kEUR 590 in 2018). For share options exercised during 2019, the weighted average share price at exercise date was EUR 2,460.50 (2018: EUR 2,352.57). For the exercised warrants, the weighted average share price at the exercise date was EUR 2,390 (2018: EUR 2,529.74).

Number of options and warrants	2019	2018
Outstanding at 1 January	9,998	15,971
Options granted during the year	1,199	1,179
Options exercised during the year	(2,249)	(5,511)
Options expired during the year	(100)	(341)
Warrants exercised during the year	(280)	(1,300)
Outstanding at 31 December	8,568	9,998
Exercisable at 31 December	2,182	1,429
Charge recorded in the income statement (kEUR)	568	590

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

INEUR	2019	2018
Outstanding at 1 January	1,591.17	1,148.04
Options granted during the year	2,351.58	2,373.00
Options exercised during the year	1,029.04	767.41
Options expired during the year	1,425.23	1,981.06
Warrants exercised during the year	246.02	246.02
Outstanding at 31 December	1,891.03	1,591.17
Exercisable at 31 December	1,246.75	695.97

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

	2019	2018
Number of years	2	2
Number of months	1	3

ALLOTED IN		NUMBER ALLOTED (1)	NUMBER EXERCISED (2)	AVAILABLE BALANCE	EXERCISE PRICE	EXER	CISE PERIO	DD
2007	Options	11,950	11,950	-	232.82	01/01/2011	-	10/05/2017
							-	31/03/2018
						15/09/2018	-	30/09/2018
2007	Warrants	43,450	43,450	-	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	5,333	5,333	-	802.55	01/01/2018	-	08/05/2019
2015	Options	-	-	-	919.92	25/08/2018	-	01/01/2020
2015	Options	3,317	1,155	2,162	1,243.57	01/01/2019	-	07/05/2020
2015	Options	20	-	20	1,591.00	10/08/2019	-	12/12/2020
2016	Options	2,351	-	2,351	1,702.49	01/01/2020	-	12/05/2021
2017	Options	-	-	-	2,417.75	01/01/2021	-	31/12/2021
2017	Options	1,697	-	1,697	2,331.77	01/01/2021	-	11/05/2022
2018	Options	1,139	-	1,139	2,373.00	01/01/2022	-	14/05/2023
2019	Options	1,199	-	1,199	2,351.58	01/01/2023	-	09/05/2024
	Total	83,223	74,655	8,568				

⁽¹⁾ Cumulated number allocated minus cumulative number lapsed.

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

	2019	2018
Fair value of options granted	331.55	316.29
Share price	2,330.00	2,310.00
Exercise price	2,351.58	2,373.00
Expected volatility	23.14%	22.43%
Expected dividends	0.92%	0.93%
Risk-free interest rate	(0.29%)	0.11%

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

⁽²⁾ Cumulative number exercised.

25. Depreciation and amortisation of (in)tangible assets

IN THOUSANDS OF EUR	2019	2018
Depreciation of intangible assets	644	691
Depreciation of property, plant & equipment	17,110	12,251
Total	17,754	12,942

The application of the new IFRS 16 standard has an impact of kEUR 2,948 on depreciation on property, plant and equipment. 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	2019	2018
Other costs		
Other taxes	2,982	2,310
Other operating charges	272	(187)
Total	3,254	2,123
Other revenues		
Transport charges	(9)	(7)
Fixed assets - own construction	(850)	(890)
Other operating income	(2,696)	(1,982)
Total	(3,555)	(2,879)
Other operating charges (income)	(301)	(756)

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, costs and income for restructuring and takeovers.

The non-recurrent operating result at the end of 2019 amounts to kEUR -2,292. It comprises start-up and project costs for the factory in the United States and the result of the acquisition of the factory in South Africa.

In 2018, the non-recurrent operating result amounted to kEUR -3,005. It comprised the costs related to acquisitions, start-up costs for the factory in the US and the gain on the sale of land in South Korea.

28. Financial results

IN THOUSANDS OF EUR	2019	2018
Interest expense (income)	4,460	2,435
Interest charges	3,306	2,463
Fair value valuation of the financial instruments	1,478	(1)
Interest income	(324)	(27)
Foreign exchange losses (gains)	(2,232)	596
Exchange rate losses	2,497	2,554
Exchange rate gains	(4,729)	(1,958)
Other financial expenes (income)	286	293
Financial results	2,514	3,324

On an annual basis, the Group reports a financial charge of kEUR 2,514 versus kEUR 3,324 in 2018. The net financial result for 2019 consists mostly of interest expenses. The increase in this item is due, on the one hand, to a higher average net financial debt due partly to investments in property, plant and equipment and acquisitions. On the other hand, the negative market value of the existing interest rate swaps was recognised. These are the interest rate swaps associated to loans, for which refunding is obtained. The change in the foreign exchange result is related to the realisation of the revaluation of balance sheet positions in foreign currencies, predominantly the pound sterling.

29. Taxes

Income tax amounted to EUR 22.3 million and increased by 7% compared with 2018. The average effective tax rate was 22.8% in 2019 compared with 23.5% in 2018.

IN THOUSANDS OF EUR	2019	2018
Income taxes on the results		
Income taxes on the results of the current year	24,481	20,264
Tax adjustments for prior years	(1,882)	(2,067)
Deferred taxes of the current year	(282)	2,632
Total tax charge reported in the income statement	22,317	20,829
Accounting profit before tax	98,086	88,701
Effective tax rate of the year	22.75%	23.48%
Reconciliation between theoretical and effective tax rate		
Results before taxation	98,086	88,701
Legal tax rate	29.58%	29.58%
Legal income tax expense	29,014	26,238
Effect of different tax rates in other countries	(2,786)	(2,481)
Deductions of taxable income (Deduction Notional Interest + various tax credits)	(1,259)	(1,329)
Tax adjustments for prior years	(1,175)	(2,067)
Taxes on dividend income		(35)
Disallowed expenses	784	870
Tax free income	(462)	35
Tax losses used for which no deferred tax asset has been recorded	(232)	(162)
Changes in tax rate or new taxes	(1,747)	(153)
Other	180	(87)
Effective tax	22,317	20,829
Effective tax rate	22.75%	23.48%

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	2019	2018
Net result - attributable to:	75,769	67,872
Non-controlling interests	857	964
Equity holders of Lotus Bakeries	74,912	66,908
Weighted average number of shares	807,476	803,878
Ordinary earnings per share (EUR) - attributable to:		
Non-controlling interests	1.06	1.20
Equity holders of Lotus Bakeries	92.77	83.23
Dilutive effect	2,372	4,935
Weighted average number of shares under option	8,712	11,266
Weighted average number of shares which should be issued at average market rate	(6,340)	(6,331)
Weighted average number of shares after effect of dilution	809,848	808,813
Diluted earnings per share (EUR) - attributable to:		
Non-controlling interests	1.06	1.19
Equity holders of Lotus Bakeries	92.50	82.72
Total number of shares	816,013	815,733
Earnings per share (EUR) - attributable to:		
Non-controlling interests	1.05	1.18
Equity holders of Lotus Bakeries	91.80	82.02
Total number of shares less treasury shares	806,332	805,993
Earnings per share (EUR) - attributable to:		
Non-controlling interests	1.06	1.20
Equity holders of Lotus Bakeries	92.90	83.01

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 2019 are contained in the Corporate Governance Statement in part 1 of the 2019 annual report of Lotus Bakeries.

For information on the remuneration of the CEO and the remuneration of the executive managers (excluding the CEO) in 2019, we refer to the remuneration report included in part 1 of the 2019 annual report.

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 leases in 2018 mainly relate to the leasing of office buildings, storage space and cars. As of 1 January 2019, Lotus Bakeries applies the IFRS 16 leases standard. We refer to p.14 for more information on the application of this standard.

Future rental charges as of 31 December:

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

2. Commitments to acquire tangible fixed assets

As per 31 December 2019, the Group had kEUR 6,642 of commitments (2018: kEUR 25,394) for the purchase of fixed assets.

The main commitments in 2018 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 2020 and 2021 amount to kEUR 91.568. as detailed below.

IN THOUSANDS OF EUR	2019	2018
Less than one year	72,728	76,819
More than one year and less than five years	18,840	19,069

4. Other rights and commitments

Bank guarantees as per 31 December 2019: kEUR 1,041 (as per 31/12/2018: 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 2019 annual report 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. The amortised cost approximates the fair value as closely as possible. The put options included in the other non-current liabilities are valued based on the market approach (multiple). Derivative financial instruments are measured at fair value.

Financial Liabilities by Class and Measurement Category		31 [
		FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE	
IN THOUSANDS OF EUR	NOTE	LOANS AND RECEIVABLES	DERIVATIVES - THROUGH EQUITY	TOTAL
Trade receivables	11	79,072	-	79,072
Cash and cash equivalents	12, 13	40,093	-	40,093
Total financial assets		119,165	-	119,165

31 DECEMBER 2018

Total financial assets		116.694	2.280	118.974
Cash and cash equivalents	12, 13	45,597	-	45,597
Trade receivables	11	71,097		71,097
Derivative financial instruments	20		2,280	2,280
IN THOUSANDS OF EUR	NOTE	LOANS AND RECEIVABLES	DERIVATIVES - THROUGH EQUITY	TOTAL
		FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE	

Financial Liabilities by Class and Measurement Category			31 DI	ECEMBER 2019		
		_	FINANCIA	L LIABILITIES AT FAIR VAI	LUE	
IN THOUSANDS OF EUR	NOTE	FINANCIAL LIABILITIES AT AMORTISED COST	DERIVATIVES - THROUGH PROFIT OR LOSS	DERIVATIVES - THROUGH EQUITY	FAIR VALUE HIERARCHY	TOTAL
Interest-bearing liabilities	13, 17	152,003	-	-	-	152,003
Derivative financial instruments	20	-	1,478	862	Level 2	2,340
Other non-current liabilities	21	-	-	24,495	Level 3	24,495
Non-current liabilities		152,003	1,478	25,357	-	178,838
Interest-bearing liabilities	13, 17	33,647	-	-	-	33,647
Trade payables	22	88,716	-	-	-	88,716
Current liabilities		122,363	-	-	-	122,363
Interest-bearing liabilities IFRS 16 leases standard	13, 17	8,939	-	-	-	8,939
Totaal financiële verplichtingen		283,305	1,478	25,357	-	310,140

31 DECEMBER 2018

	FINANCIAL LIABILITIES AT				LUE	
IN THOUSANDS OF EUR	NOTE	FINANCIAL LIABILITIES AT AMORTISED COST	DERIVATIVES - THROUGH PROFIT OR LOSS	DERIVATIVES - THROUGH EQUITY	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

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 2019 and 2018.

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 2019 these costs amounted to kEUR 1,539.

YEAR	EXTERNAL AND INTERNAL COSTS OF RESEARCH AND DEVELOPMENT
2019	1,539
2018	1,623
2017	1,568
2016	1,320
2015	1,384

36. Subsequent events

The main and most urgent risk is the outbreak of COVID-19. The Lotus Bakeries Executive Committee is keeping close track of crisis developments and their potential impact on the company. Since the outbreak of the virus, it has quickly taken all necessary measures to protect the Lotus Bakeries workforce. It is also making every effort to limit the impact on operational activities.

Lotus Bakeries judges that there is no material impact on the financial statements as at 31 December 2019 due to the consequences of the worldwide spread of the COVID-19 virus. Lotus Bakeries assumes that the measures imposed by governments worldwide to control the spread of the coronavirus will adversely affect sales to the out-of-home channel (including hotels, bars and restaurants) and airlines. Exacerbated by the uncertainty over the duration of the crisis and the accompanying measures, the potential financial impact of COVID-19 cannot yet be gauged.

No other significant facts have occurred after 31 December 2019 with a material impact on the 2019 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 2019, 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 2019 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, 7 April 2020 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 BV, represented by Lien Winne.

IN THOUSANDS OF EUR

Audit fee for the Group audit 2019	
Lotus Bakeries NV	84
Lotus Bakeries Group	317
Total	401
Fees for the mandates of PwC Bedrijfsrevisoren	303
Fees for the mandates of persons related to PwC bedrijfsrevisoren	98
Group's Auditor fees for additional services rendered	
Other audit-related fees	1
Tax fees	-
Other non-audit fees	3
Fees for additional services rendered by persons related to PwC Bedrijfsrevisoren	
Other audit-related fees	-
Tax fees	242
Other non-audit fees	179

AUDITOR'S REPORT

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF LOTUS BAKERIES NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of Lotus Bakeries NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, 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. 10 May 2019, 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 accounts for the year ended 31 December 2021. We have performed the statutory audit of the Company's consolidated accounts for 13 consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated balance sheet as at 31 December 2019, 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'000 812,629 and a profit for the year, Group share, of EUR'000 74.912.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2019, 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 as approved by the IAASB which are applicable to the yearend and 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 accounts 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.

Emphasis of Matter - subsequent events

As far as the outbreak of COVID 19 is concerned, we draw your attention to point 2.5 'Significant events after 31 December 2019' of the directors' report and note 36 'Subsequent events' of the consolidated accounts in which the board of directors expresses their view that, although the consequences thereof may have a significant impact on the Group's operations in 2020, such consequences do not have a material impact on the Group's financial position for the year ended 31 December 2019. Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts 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'000 229,365 and EUR'000 140,757 respectively at 31 December 2019.

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 con-

tractually 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 management's estimates.

Our procedures confirmed that management's assumptions and estimates in respect

of accounting for commercial arrangements are appropriate in all material aspects.

Accounting for uncertain tax positions - Note 29

Description of the key audit matter

Note 29 includes the information provided by the Company in respect of taxes on the result

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.

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.

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 accounts

The board of directors is responsible for the preparation of consolidated accounts 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 determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, 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 accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts 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 accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level.

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 accounts,
 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 accounts 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 accounts, including the disclosures, and whether the consolidated accounts 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 accounts 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 accounts and the separate report on non-financial information.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard 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 accounts, the separate report on non-financial information and to report on these matters.

Aspects related to the directors' report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit, and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, 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 3:32,\$2 of the Companies' and Associations' Code is included in the directors' report in chapter 5 'Corporate social responsibility' on the consolidated accounts. The Company has prepared the non-financial information, based on the Sustainable Development Goals (SDG) framework. However, in accordance with article $3:80,\$1,5^\circ$ of the Companies' and Associations' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the Sustainable Development Goals (SDG) framework as disclosed in the consolidated accounts.

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 accounts, 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 accounts referred to in article 3:65 of the Companies' and
 Associations' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

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, 7 April 2020

The statutory auditor $\label{eq:pwc_bedrijfsrevisoren_BV} PwC \ Reviseurs \ d'Entreprises \ SRL \ / \ PwC \ Bedrijfsrevisoren \ BV \ Represented \ by$

Lien Winne

Réviseur d'Entreprises / Bedrijfsrevisor

ABRIDGED FIVE-YEAR FINANCIAL SUMMARY GROUP LOTUS BAKERIES

Consolidated balance sheet

IN THOUSANDS OF EUR	31-12-2019	31-12-2018	31-12-2017	31-12-2016	31-12-2015
NON CURRENT ASSETS	641,122	545,647	447,693	437,310	442,884
Property, plant and equipment	263,793	219,897	174,426	161,590	139,377
Goodwill	229,365	177,639	141,001	144,368	93,229
Intangible assets	142,709	138,887	123,924	126,006	107,901
Participating interests	-	2,448	-	-	-
Investment in other companies	2,243	12	12	37	96,244
Deferred tax assets	2,505	3,936	4,310	4,854	5,889
Other non-current assets	507	2,828	4,020	455	244
CURRENT ASSETS	171,507	165,925	149,801	110,692	128,337
Inventories	44,461	39,066	33,653	32,175	35,659
Trade receivables	79,072	71,097	60,104	50,922	56,143
Cash and cash equivalents	40,093	45,597	48,129	19,932	18,547
TOTAL ASSETS	812,629	711,572	597,494	548,002	571,221
EQUITY	402,477	346,927	293,213	248,464	217,525
Non-current liabilities	239,584	198,042	193,923	197,245	169,242
Interest-bearing liabilities	158,010	116,500	117,500	118,500	97,000
Deferred tax liabilities	50,737	52,725	49,206	50,666	44,607
Other non-current liabilities	24,500	22,602	20,987	19,560	22,815
Current liabilities	170,568	166,603	110,358	102,293	184,454
Interest-bearing liabilities	36,579	36,655	1,750	7,533	99,086
Trade payables	88,716	86,794	68,542	54,742	42,498
Employee benefit expenses and social security	24,146	21,330	18,383	18,418	18,336
TOTAL EQUITY AND LIABILITIES	812,629	711,572	597,494	548,002	571,221

Consolidated income statement

IN THOUSANDS OF EUR	2019	2018	2017	2016	2015
TURNOVER	612,737	556,435	524,055	507,208	411,576
RECURRENT OPERATING RESULT (REBIT)	102,891	95,030	89,349	83,945	64,764
Non-recurrent operating result	(2,292)	(3,005)	(91)	4,507	(1,748)
OPERATING RESULT (EBIT)	100,599	92,025	89,258	88,452	63,016
Financial result	(2,514)	(3,324)	(2,228)	(2,675)	(778)
PROFIT FOR THE YEAR BEFORE TAXES	98,086	88,701	87,030	85,777	62,238
Taxes	(22,317)	(20,829)	(22,397)	(23,322)	(16,623)
RESULT AFTER TAXES	75,769	67,872	64,633	62,455	45,615
NET RESULT - attributable to:	75,769	67,872	64,633	62,455	45,615
Non-controlling interests	857	964	1,094	1,210	202
Equity holders of Lotus Bakeries	74,912	66,908	63,539	61,245	45,413

ABRIDGED STATUTORY FINANCIAL STATEMENTS OF LOTUS BAKERIES NV

Balance sheet after appropriation of profit

ASSETS IN THOUSANDS OF EUR	31-12-2019	31-12-2018
Fixed Assets	432,258	400,761
II. Intangible assets	4,490	5,987
IV. Financial assets	427,768	394,774
A. Affiliated enterprises	427,768	394,774
1. Participating interests	427,768	394,774
Current Assets	30,758	25,713
VII. Amounts receivable within one year	14,512	13,103
A. Trade debtors	13,665	12,473
B. Other amounts receivable	847	630
VIII. Current investments	15,866	11,406
A. Own shares	15,866	11,406
IX. Cash at bank and in hand	360	1,184
X. Deferred charges and accrued income	20	20
TOTAL ASSETS	463,016	426,474

LIABILITIES IN THOUSANDS OF EUR	31-12-2019	31-12-2018
Equity	64,473	55,886
I. Capital	3,591	3,590
A. Issued capital	3,591	3,590
II. Share premium account	12,797	12,729
IV. Reserves	48,085	39,567
A. Legal reserve	359	359
B. Reserves not available for distribution	15,938	11,478
1. Own shares	15,866	11,406
2. Other	72	72
C. Untaxed reserves	545	545
D. Reserves available for distribution	31,243	27,185
Amounts payable	398,543	370,588
VIII. Amounts payable after one year	107,712	107,573
A. Financial debts	98,140	98,140
5. Other loans	98,140	98,140
D. Other debts	9,572	9,433
IX. Amounts payable within one year	290,823	263,009
A. Current portion of amounts payable after one year	-	-
B. Financial debts	258,039	233,101
2. Other loans	258,039	233,101
C. Trade debts	5,888	5,590
1. Suppliers	5,888	5,590
E. Taxes, remuneration and social security	517	384
1. Taxes	517	384
F. Other amounts payable	26,379	23,934
X. Accrued charges and deferred income	8	6
TOTALLIABILITIES	463,016	426,474

Non-consolidated income statement

IN THOUSANDS OF EUR	2019	2018
I. Operating income	13,595	12,470
D. Other operating income	13,595	12,470
II. Operating charges	(5,036)	(6,399)
B. Services and other goods	3,500	3,606
D. Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	1,497	1,497
G. Other operating charges	39	257
H. Non-recurring operating charges	-	1,039
III. Operating profit	8,559	6,071
IV. Financial income	31,371	9,608
A. Income from financial fixed assets	30,004	7,962
C. Other financial income	1,367	1,646
V. Financial charges	(3,576)	(3,501)
A. Interest and other debt charges	3,568	3,345
C. Other financial charges	8	156
IX. Profit for the year before taxes	36,354	12,178
X. Income taxes	(1,474)	(724)
A. Income taxes	1,474	724
B. Adjustment of income taxes and write-back of tax provisions		-
XI. Profit for the year	34,880	11,454
XIII. Profit for the year available for appropriation	34,880	11,454

Appropriation of the result

IN THOUSANDS OF EUR	2019	2018
A. Profit to be appropriated	34,880	11,454
1. Profit for the year available for appropriation	34,880	11,454
B. Withdrawals from capital and reserves	-	12,461
2. From reserves	-	12,461
C. Transfer to capital and reserves	(8,518)	(1)
2. To legal reserve	-	1
3. To other reserves	8,518	-
F. Distribution of profit	(26,362)	(23,914)
1. Dividends	26,112	23,664
2. Directors' entitlements	250	250

Extract from the notes

VIII. Statement of capital	2019	2018	2019	
	IN THOUSANDS OF EUR	IN THOUSANDS OF EUR	NUMBER OF SHARES	
A. Capital				
1. Issued capital				
At the end of the preceding year	3,590	3,584		
At the end of the year	3,591	3,590		
2. Structure of the capital				
2.1. Different categories of shares				
Ordinary shares	3,591	3,590	816,013	
2.2. Registered shares and dematerialised shares				
Registered			470,003	
Dematerialised			346,010	
C. Teasury shares held by:				
The company itself	15,866	11,406	9,681	
lts subsidiaries	-	-	-	
E. Amounts of authorised capital, not issued	942	943		

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. BV
- Biscuiterie Willems BV

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

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NOTES

REGISTERED OFFICE

Lotus Bakeries NV Gentstraat 1 B-9971 Lembeke T + 32 9 376 26 11

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www.lotusbakeries.com

Register of legal persons of Ghent, Enterprise number 0401,030,860

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