



BAKERIES
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LOTUS BAKERIES: HALF-YEARLY REPORT 2007

- **Current operating result (REBIT) doubled**
- **7% internal growth of Lotus and Peijnenburg brands**
- **Successful introductions of gingerbread in Belgium and “Koffieleutjes” in the Netherlands**

1. Results 2007

Income statement (in EUR thousands)	30/06/07	30/06/06	Change %
Turnover	106,475	76,025	+ 40.1
Depreciation	(4,798)	(3,924)	+ 22.3
Current operating result (REBIT)	12,782	6,435	+ 98.6
Non-current operating result	(627)	(143)	- 338.5
Operating result (EBIT) (1)	12,155	6,293	+ 93.2
Financial result	(2,247)	(392)	- 473.2
Result before taxes	9,908	5,901	+ 67.9
Taxes	(167)	(1,943)	- 91.4
Result after taxes	9,741	3,958	+ 146.1
Share in results of equity-consolidated enterprises	154	138	+ 11.6
Net result	9,895	4,096	+ 141.6
Net result: minority interest	22	37	- 40.5
Net result: Group share	9,873	4,059	+ 143.2
Self-financing (in EUR thousands)			
Current operating cash flow (REBITDA) (2)	17,674	10,333	+ 71.0
Net cash flow (3)	13,139	8,520	+ 54.2
Investments (4)	2,354	5,756	- 59.1
Balance sheet (in EUR thousands)			
Balance sheet total	195,336	179,393	+ 8.9
Equity	59,042	49,494	+ 19.3
Net financial debts (5)	56,579	79,095	- 28.5
Key figures per share (in EUR)			
Current operating result (REBIT)	16.62	8.23	+ 101.9
Current operating cash flow (REBITDA) (2)	22.98	13.22	+ 73.8
Net result: Group share	12.84	5.19	+ 147.4
Weighted average number of shares	769,166	781,849	- 1.6
<p>(1) EBIT is defined as current operating result + non-current operating result (2) Current operating cash flow is defined as current operating result + depreciation + provisions and amounts written off (3) Net cash flow is defined as net result + all non-cash costs + all non-cash income items (4) Investments in intangible and tangible fixed assets (5) Net financial debts are defined as financial debts - cash investments - liquid assets - own shares</p>			

2. Explanation

2.1 General

As the results of Koninklijke Peijnenburg are consolidated only from 1 July 2006 onwards, the half-yearly results for 2006 do not include those of Koninklijke Peijnenburg.

Apart from this press release, additional figures, including the balance sheet, income statement and cash flow statement as prescribed by IAS 34, can be found on our website.

2.2 Turnover

Turnover in the first half of 2007 rose by more than 40 %. Obviously the most of this significant growth is explained by the fact that Koninklijke Peijnenburg's turnover was not yet included in the first half of 2006. It is important, however, to note the 7% "pure" internal sales growth of Lotus and Peijnenburg brand products, on a like-for-like basis, during the first half of this year. This growth is due mainly to strong sales of caramelized biscuits, of gingerbread in the Netherlands and of waffles in France. Turnover of private label products fell slightly.

In May 2007 our caramelized biscuits were introduced onto the Dutch retail market under the Peijnenburg "Koffieleutjes" brand name. In Belgium various gingerbread concepts were launched in June. Initial results from both introductions are positive.

2.3 Operating result

The **current operating result (REBIT)** doubled from EUR 6.4 million in the first half of 2006 to EUR 12.8 million in the first half of 2007, increasing also from 8.5% to 12.0% of turnover.

Current operating cash flow (REBITDA) reached 16.6 % of turnover, up from just 13.6 % in the same period in 2006. The main explanation for this increased ratio, apart from the strong margins at Koninklijke Peijnenburg, is the growth of sales under the Lotus and Peijnenburg brands.

The **non-current operating result** was kEUR 627. These costs stem mainly from a reorganization in Enkhuizen.

2.4 Financial result

Net financial debts fell by EUR 22.5 million over the 12 months to 30 June 2007. The significant debt reduction is due to the higher profitability and also the relatively limited investments in tangible assets during the first half of 2007.

The **financial result** amounted to EUR -2.2 million, up almost EUR 2 million on 2006. This is explained by the external financing of the acquisition of Koninklijke Peijnenburg and by the writing down to market prices, under IFRS rules, of the financial instruments used to hedge the interest rates on this financing. This latter accounting requirement negatively impacts pre-tax results by almost EUR 0.9 million.

2.5 Taxes

Tax charge during the first half of 2007 amounted to EUR 167,000.

At the end of 2007 the tax rate in the Netherlands was lowered from 29.6% to 25.5%. As a consequence the deferred tax liabilities on the "purchase price allocation" need to be reduced by more than EUR 2.3 million. This reduction in deferred tax liabilities runs via the income statement and explains the low tax charge in the first half of 2007.

2.6 Global result

Net profit rose by 142% to EUR 9.9 million as against EUR 4.1 million in the first half of 2006. The main reasons for this significant increase, apart from the inclusion of Koninklijke Peijnenburg in the consolidation scope, are the strong increase in operating results, where we can point to the doubling of REBIT, and the reduction in deferred taxes.

Net cash flow rose by 54.2 % from EUR 8.5 million in the first half of 2006 to EUR 13.1 million in the same period in 2007.

3. Cooperation with McVities

For a number of years, Lotus Bakeries has produced a number of products for the McVities Cake Company, which is a part of United Biscuits. Much of this production consists of the Jaffa Cake Bar, which is produced in the Oostakker plant. Having recently acquired a production line from a bankruptcy, McVities has decided that in future it will produce these Jaffa Cake Bars itself. Lotus Bakeries will continue to produce the products for McVities until at least the end of March 2008. On an annual basis the production of Jaffa Cake bars represents a turnover of around EUR 5.5 million and an EBIT and coverage of fixed costs of approximately EUR 1.5 million.

4. Prospects

The integration of Koninklijke Peijnenburg is proceeding to plan. After the closing of the Lotus Bakeries Netherlands sales office, all administrative services have been centralized at Peijnenburg's head office in Geldrop (NL). In this way the commercial and administrative organizations of Lotus Bakeries Netherlands and Koninklijke Peijnenburg have been integrated at Geldrop. In 2008 the Peijnenburg organization will also be switching to the same ERP platform as the Group.

As already mentioned, investment levels will be higher in the second half of 2007 than in the first.

Lotus Bakeries expects sales to move just past EUR 200 million in 2007, with the further growth of sales under the Lotus and Peijnenburg brands partly offset by a continuing fall in sales under distribution brands.

It is not impossible that profit margins will fall slightly in the second half of 2007 compared with the second half of 2006 for the following reasons:

- Recent months have seen sharp rises in the cost of various basic raw materials like flour, fats, chocolate, syrups and packaging. These have required Lotus Bakeries to announce a significant price increase, which will become effective only in the course of the 4th quarter.

- The introduction of Lotus gingerbread in Belgium will be supported by a major TV campaign running from the end of August to December 2007.

5. Financial calendar

Financial analysts' meeting (conference call):	3 September 2007
Announcement annual results 2007:	13 February 2008
Financial analysts' meeting:	14 February 2008
Ordinary General Meeting:	9 May 2008
Dividend payable from:	19 May 2008
Announcement of 2008 half-year results:	27 August 2008

Statutory auditor's report

We have reviewed the condensed consolidated balance sheet of Lotus Bakeries NV and its subsidiaries ("the Group") as of 30 June 2007 and the related condensed consolidated statement of income, condensed cash flows and changes in shareholders' equity for the six-month period then ended. These half-yearly condensed consolidated financial statements, which show a balance-sheet total of EUR (000) 195,336 and a profit of the Group for the period of EUR (000) 9,873, were prepared under the responsibility of the management of Lotus Bakeries NV, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

In accordance with International Standard on Review Engagements 2400, we planned and performed our review to obtain moderate assurance about whether the consolidated interim financial information was free of material misstatement. Our review was limited primarily to inquiries of company personnel and to analytical procedures applied to financial data, and thus provided less assurance than an audit. We did not perform an audit and, accordingly, we did not express an audit opinion. However, based on our review, nothing came to our attention that caused us to believe that the condensed consolidated interim financial statements had not been properly prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

We have also read the financial accounting data presented in tabular form under point 1 of the press release concerning the half-year ended 30 June 2007 and confirm that such data are consistent with the half-yearly condensed consolidated financial statements from which they are derived and which were the subject of our review as described above.

Brussels, 30 August 2007

PricewaterhouseCoopers Bedrijfsrevisoren bvba, represented by

Lieven Adams
Bedrijfsrevisor

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Lotus Bakeries in a nutshell

Lotus Bakeries focuses on authentic specialities from the biscuit and cake world: caramelised biscuits, gingerbread, waffles, frangipane, Madeleine, Breton butter specialities, Enkhuizer biscuits, battenbergs, etc. Lotus Bakeries, with headquarters in Belgium, is a dynamic, internationally oriented enterprise with production facilities in Belgium, the Netherlands and France. It has sales organizations in Belgium, the Netherlands, France, Germany/Austria, UK, Switzerland, the Czech Republic, the United States of America, and Singapore. With 1159 employees, Lotus Bakeries produces and sells high-quality, tasty products under the Lotus and Peijnenburg brand names. By maintaining a healthy balance between tradition and innovation, Lotus Bakeries indulges consumers with a unique range of products.

The shares of Lotus Bakeries are listed on Euronext Brussels.

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Further information on Lotus Bakeries can be found on the **website:**

www.lotusbakeries.com