



REPORT OF THE BOARD OF DIRECTORS

1. ACTIVITIES IN 2008

1. MARKET SITUATION AND SALES RESULTS

GENERAL EVOLUTION OF TURNOVER

Consolidated turnover at Lotus Bakeries rose by 14% in 2008 compared with the year before. In the first half, sales were up by an outstanding 16%. Growth during the second half was also a very good 13%. Internal turnover growth in 2008 was 12%.

Despite the sharp price increase in late 2007, the sales volume of Lotus Bakeries products rose by 8.2% in 2008.

GENERAL MARKET SITUATION

The overall biscuits and cakes market in the broad definition of the term developed unfavourably in volume terms in 2008. In general, volumes per market experienced a negative growth of between 0% and -1%.

In turnover terms, a positive evolution of 3% to 4% was visible in most subsegments and countries.

Price increases and the economic situation, however, led to major shifts from one product to another, with consumers changing their options in many cases. Here Lotus Bakeries outperformed the market in both volume and turnover.



TV commercial Peijnenburg - 'Koffieleutjes' (caramelized biscuits) - 'Happen naar Peijnenburg (mag elke dag)' ['Bite into a Peijnenburg (you can do so every day)']



TV commercial Peijnenburg - 'Hapklaar' (gingerbread) - 'Happen naar Peijnenburg (mag elke dag)' ['Bite into a Peijnenburg (you can do so every day)']

< Launch of caramelized biscuit ice cream under the Lotus brand in March 2009



TV commercial Lotus - gingerbread - 'Want een zwak moment komt altijd ongelegen.'
 'Un petit coup de mou tombe toujours mal.' ['Because weak moments always come when you don't expect them.']

Broadly speaking this is due to:

- 1) The acquisitions of Annas Pepparkakor and López Market;
- 2) The successful introduction of caramelized biscuit spread in Belgium and, later in 2008, in the Netherlands and France;
- 3) Steady growth of Lotus caramelized biscuits on most markets;
- 4) Strong growth of waffles in various countries, including France;
- 5) Strong growth of B2B activities in the United Kingdom.

Dampening this growth were:

- 1) Falling sales of Breton butter products;
- 2) Falling sales of Harry's products.

The following results were posted in 2008:

Belgium

In Belgium, Lotus Bakeries increased its turnover by 14.2% to EUR 86.7 million.

The foremost reason was the successful launch of Lotus caramelized biscuit spread in February 2008. This has proved an incredible success, in terms of sales, volumes and consumer satisfaction. Repeat purchases are particularly high.

The launch received strong PR support after the idea of caramelized biscuit spread first came up in the 'De Bedenkers' programme on Flemish TV Channel One. On top of this, in 2008 Lotus promoted caramelized bis-

cuit spread with a TV spot having 'Lotus. Daar zit liefde in.'/'Lotus. Riche en amour.' ['Lotus. There's real love in it.']. This TV spot strengthens the general positioning of the Lotus brand.

Another reason for the turnover increase in 2008 was the sharp price increases carried out in late 2007. Consumers have stayed loyal to Lotus despite these price rises. In no single market segment have we lost market share.

As in other years, we again supported the sale of Lotus products in 2008 with:

- TV advertising for Lotus gingerbread in the first half of the year;
- Three editions of the Lotus Lekkers magazine, distributed to more than 300,000 families. Lotus Lekkers offers interesting new product news, attractive promotions and information about Lotus and Lotus products.
- Five action waves with promotions and special POS displays (Cosy Time, Breakfast, Enjoy the Summer, Back to School, Santa Claus).
- Updating of the range with three new Lotus products, each with carefully chosen and balanced nutritional values and coupled with two strong 'characters', Mega Mindy and Bumba.
- Redesigned cake packaging, giving the total range even more brand presence and a better and more attractive shelf presentation at points of sale.

Netherlands

On the Dutch market, Lotus Bakeries again achieved strong 9.9% growth.

The main causes were:

- 1) Further growth of the snack concept in gingerbread with the 'Snelle Jelle' products and the launch of the 'Hapklaar' range in the course of 2008.
- 2) Further growth of the 'Koffieleutje' biscuit.
- 3) Successful launch of Lotus caramelized biscuit spread on the Dutch market, supported by the Lotus TV spot.
- 4) Continued TV support of the Peijnenburg brand.
- 5) Powerful promotional activities at points of sale, aided by excellent cooperation with our customers.

France

Total turnover of Lotus Bakeries in France rose by 8.7%. In France, two contradictory trends were visible in 2008, on the one hand a fall in butter specialities, and on the other a very strong rise in Lotus caramelized biscuits and in Lotus waffles. Our professional sales and marketing team is boosting the success of our products, which are becoming increasingly popular with French consumers. This includes Lotus caramelized biscuits increasing both volume and market share in a market they share with two major international competitors.

Northern and Eastern Europe

In Northern and Eastern Europe turnover increased in 2008 by 22.1% to EUR 13.2 million. This rise is due primarily to:

- 1) The consolidation of Annas Pepparkakor (in particular sales in Sweden and Finland) from December 2008.
- 2) Strong growth in Germany, Austria and Switzerland for Lotus caramelized biscuits and Lotus waffles.

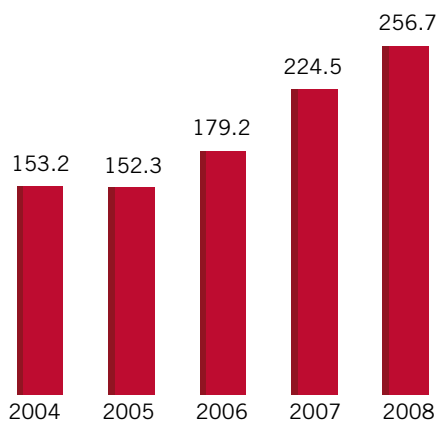
United Kingdom

In the United Kingdom Lotus Bakeries has two customer profiles: first the usual Lotus retail and OOH customers, and second Mc Vities which, despite earlier announcements of termination, continued to buy our products right through 2008, and indeed in increasing quantities. Turnover has risen significantly despite the weakening pound sterling. Lotus caramelized biscuits remain a growing success in the United Kingdom. Consumer loyalty is very strong. At the end of 2008 the new international packaging for Lotus caramelized biscuits came onto the market.

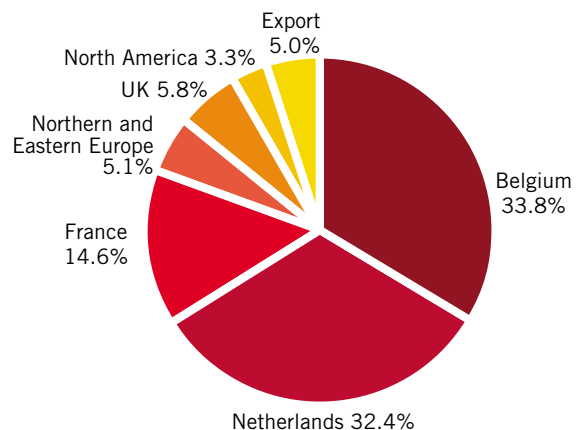
North America

Despite the weak United States dollar, sales in the United States developed favourably. Caramelized biscuits, under the name 'Biscoff', are proving increasingly popular in the United States. Supermarket sales evolved very favourably. Sales through our proprietary catalog sales organization, however, trended downwards, in particular from September 2008 onwards. Retail and catalog sales are undertaken through a joint venture with The Gourmet

Evolution of turnover
in millions of EUR



Geographical turnover distribution



Centre Inc. The Gourmet Centre Inc. is a major specialist in airline catering and also sells Lotus products in the airline sector.

Export

Export sales evolved particularly favourably to EUR 12.9 million, thanks among other things to the acquisition of López Market, which is consolidated from February 2008 onwards. The other export markets also developed very well. Japan, South Korea, Israel, the Balkan countries and Italy are important markets for Lotus Bakeries and grew strongly in 2008.

2. INVESTMENTS AND INDUSTRIAL OPERATIONS

Investments in tangible and intangible fixed assets amounted in 2008 to EUR 10.8 million.

This is significantly higher than last year (2007: EUR 7.3 million) and slightly above the figure for 2006, but less than the EUR 13 million originally budgeted for 2008.

This is explained, among other things, by the conscious choice to stagger the expansion investments at Geldrop and Sintjohannesga over 2008 and 2009 and to schedule the start-up of the extended single pack line in Lembeke for end-February 2009.

2008 saw in particular a further increase in demand for caramelized biscuits, for which the already planned capacity extension (new line and building in Lembeke) came right on time. The start and, in particular, the success of caramelized biscuit spread have required investments in the margarine plant to enable production to keep up with rising demand.

The success of the single packs, which are produced at Sintjohannesga, can be met with the newly installed packaging line.

All plants operate to unambiguously defined and challenging standards in terms of return, quality, hygiene and safety. A number of parameters are measured daily to ensure that every department has timely information for making any necessary adjustments. The plant teams remain highly motivated and focused on the proper operation of the departments and the continuous optimization and/or improvement of production processes.

In order to extend operational excellence and to involve our workforce as far as possible, an exchange platform has been created to enable the various plants to share best-of-class practices.

In the meantime we can state that plant safety has increased, and at Courcelles too we have seen a significant improvement in practically all criteria.

In 2009 we shall be investing further in capacity increases at Lembeke, Geldrop and Tyresö, in the automation projects at Sintjohannesga and a number of other efficiency-increasing investments. The budget for 2009 amounts to around EUR 9.5 million.

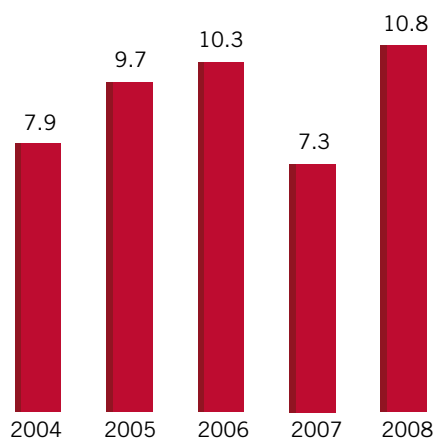
3. QUALITY AND RESEARCH

Quality and Research (Q&R) now function as a single department. This is further improving the interaction between quality management and product improvement.

QUALITY MANAGEMENT

As a branded products company it is essential for Lotus Bakeries that its products be distinctive in terms of quality and customer satisfaction. Effective quality management is therefore a permanent task for every plant and Q&R department group-wide. Inspection and maintenance are two important aspects in ensuring that established quality levels are constantly achieved.

Investments
in millions of EUR



Lotus Bakeries has therefore established a **quality management system** that is applied in all production centres. Clear guidelines are defined in a number of areas:

- **selection criteria for suppliers:** suppliers are approved on the basis of structured supplier audits and of annual performance assessments.
- **specifications and control systems for raw materials and packaging:** in addition to the established specifications, all incoming raw materials and packaging are controlled for product safety on the basis of detailed product safety. Every site has a traceability system linking finished products to the original raw materials.
- **production process descriptions:** complete descriptions of all production processes have been prepared in order to be able to ensure constant quality.
- **finished product quality:** systematic quality control is integrated into various parts of the production process. A central assessment process also exists, with products given quality ratings.
- **quality and customer relations:** customer complaints are systematically followed up. Scenarios have been developed for any serious complaints or crisis situations.
- **hygiene approach:** HACCP plans exist for every product line and production process. Systematic audits are carried out on the basis of hygiene checklists.

The combining of the Lotus and Koninklijke Peijnenburg quality systems continued in 2008 with clear agreements on responsibilities. This remains a major focus of attention in 2009. A clear quality philosophy also exists at Annas Pepparkakor which will be applied in the context of the common quality policy.

In addition to internal auditing of these various aspects, all plants are externally certified to ISO-9001:2000 and/or BRC higher level certificate. We continue to see external certification as very valuable support for the continuous improvement of products and processes.

RESEARCH AND DEVELOPMENT

Lotus Bakeries' corporate strategy is based on the fundamental choice to pursue a **brand policy**. A direct consequence is that consumers need to attach positive value to products for their **specific and distinctive characteristics**.

To achieve this, Lotus works permanently to improve and update all its products and maintain their positive distinction from other products on the market. As part of this policy products are at times fundamentally changed, or totally new products are developed to accommodate changing consumer tastes.

The Group now has **eleven production plants**, with detailed on-site knowledge of the technologies used there. With this know-how and the attendant experience, all factories make a significant contribution to the process of constant improvement and innovation.

The **Research & Development department** is systematically building a knowledge base covering all products, enabling individual factories' know-how and experience to be used throughout the Lotus Bakeries Group. This is already improving process management in each plant. This process and - in particular - product knowledge is being extended by internal research, with external research and training institutions brought in to help where possible. In this way the R&D department plays a key role in all research and improvement projects in the factories.

In both Belgium and the Netherlands we have specialist capacity for developing new products (NPD). A fundamental priority is adapting existing products and developing new products in response to growing market demand for responsible nutrition products (health aspects, nutritional claims).

A similar approach is applied in the technical field. Every factory has employees on site with the necessary knowledge to manage the entire production apparatus.

The **Engineering Services** department is familiar with all the equipment and production processes in the various factories. This broad technical knowledge and experience, supplemented with specific research for particular projects, forms the basis for the major investments and automation projects undertaken in cooperation with the factories concerned and the know-how remains specific to the company.

4. FOOD LAW & NUTRITION

Lotus Bakeries defines its nutritional policies by proactively monitoring food legislation, including active participation in target project groups set up by our professional organizations (in Belgium, the Netherlands, France and at European level). In this way topics like 'food and health', 'labelling' and 'sustainability' go towards defining the output of the Food Law & Nutrition department and maintaining an active concern for these matters in all departments involved.

5. ENVIRONMENT

The activities of Lotus Bakeries impact the environment in two main areas: packaging and factory production processes. In both fields Lotus Bakeries is working continuously to improve its environmental performance.

ENVIRONMENT AND PACKAGING

Lotus Bakeries is constantly looking for ways to limit the quantity of packaging material per product unit, and for materials that meet all safety, reliability and consumer requirements and are at the same time more environmentally friendly.

Responsibility for packaging lies with marketing. In this way environmental objectives play an important role in developing new products and renewing existing ones.

Lotus Bakeries has always been a proponent of practicable solutions – in cooperation between the various players concerned - that integrate packaging waste management into good environmental management. Lotus Bakeries has always played an active role here. In Germany, Belgium, France and the Netherlands companies are required to take back waste packaging. This is undertaken by means of structured cooperation between consumer goods manufacturers, distribution companies and the packaging industry: Duales-System in Germany, Fost Plus in Belgium, Eco-Emballages in France and Eco-verpakking in the Netherlands.

ENVIRONMENT AND PRODUCTION PROCESSES

This field involves very diverse environmental aspects. The environmental effects of our production processes are systematically investigated and, based on the outcomes, appropriate measures taken to reduce or put an end to negative effects.

The basic ideas in this area are societal ones and deeply anchored in Lotus Bakeries' corporate values and objectives. These special measures are, however, to a large extent tied to local regulations. Overall, however, Lotus Bakeries strives to encourage a broad awareness within the Group of the environmental effects of its operating activities. It seeks maximum results in areas like prevention (e.g. waste water), recycling (including paper and cardboard) or responsible destruction (for example incineration of packaging film waste in specialist centres).

6. PERSONNEL AND ORGANIZATION

EVOLUTION OF THE WORKFORCE

The total number of employees increased by 93 during the year to 1,245 at 31/12/2008. The number of full-time employees rose by 98, that of part-time workers fell by 5.

There are 662 employees in Belgium (= +23), 128 in France (= +2), 339 in the Netherlands (= -2), 27 in the United States (unchanged), 10 in Germany (unchanged), 5 in the United Kingdom (= +2), 1 in Switzerland (unchanged), 4 in the Czech Republic (unchanged) and 1 in Singapore (unchanged). 68 new employees have come onto the payroll with the acquisitions of López Market in Spain (= +12) and Annas Pepparkakor (= +39 in Sweden and +17 in Canada).

Joint venture employees are counted 100%.

50% of employees are female, 50% male.

344 employees work part-time, equal to 225 full-time equivalents.

LEADERSHIP @ LOTUS BAKERIES

In 2007 a 'Leadership @ Lotus Bakeries' project was launched in order to meet future challenges with all employees.

The project sets out to clarify the role of our senior and middle management. It is contributing to achieving a single Lotus culture and provides a central model for the various HR areas like talent and performance management.

This leadership model will be extended in 2009 to the new Lotus Bakeries countries in order to integrate HR processes. Developing a common culture remains an HR priority for the coming years.

7. SOCIAL RESPONSIBILITY

Lotus Bakeries is fully aware of its social responsibility and actively pursues its social role.

For many years Lotus Bakeries has supported a wide range of social and cultural projects, activities and organizations. These include donations and support for development projects, cultural sponsoring and financial support for activities in local communities in which the company is active.

Lotus Bakeries has defined policy lines whereby the level of its financial support for local and development projects is tied to its gross profit.

Alongside existing projects Lotus Bakeries also supports the **CFP (Corporate Funding Programme)**. More specifically it is helping the 'Boat to Kinshasa' project, also supported by the Belgian government, which aims to create a central organization for transporting and marketing agricultural and other basic products along Lake Mai-Ndombe and the River Congo to and from Kinshasa. Lotus Bakeries employees have already organized various activities to support this project, with Lotus Bakeries matching the funds raised by its personnel. This amount is doubled a second time by the food industry development fund. A great deal of local progress has already been made in this way. Efforts to support this magnificent project will continue in 2009.

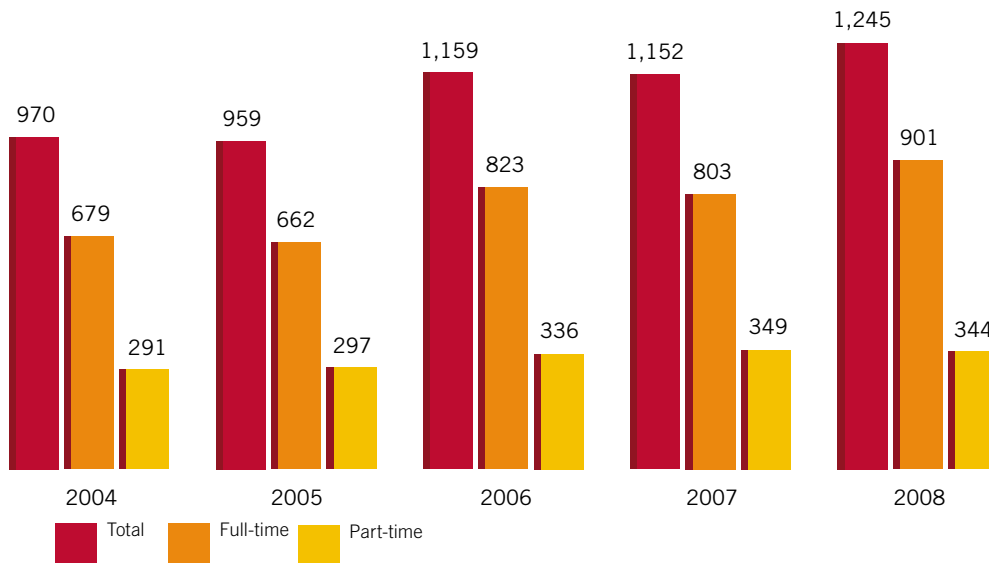
Lotus Bakeries has drawn up a **company code** for all employees. This code outlines the corporate values that make for a positive enterprise culture and describes Lotus Bakeries' responsibilities towards its various stakeholders.

8. EVOLUTION OF COSTS

The sharp rise in raw materials prices seen in the course of 2007 continued at the start of 2008. Only in summer 2008 did we observe a slight fall in butter, flour and sugar prices. After rising considerably in the first half, margarine and energy prices started falling only later in the year. The prices of most packaging materials were on average higher than in 2007.

The rise in personnel costs in 2008 is explained in part by the inclusion in the consolidation scope of the two companies acquired in 2008, López Market S.L. from February 2008 and Annas Pepparkakor Holding AB from December 2008. Thanks to the strong rise in sales, personnel costs fell as a percentage of sales compared with 2007.

Personnel



9. PROFITABILITY

Current operating result (REBIT) grew significantly in absolute terms from EUR 28.7 million to EUR 34.0 million (+ 18.6%). Current operating cash flow (REBITDA) also grew significantly by 17.9% to EUR 45.7 million.

Profitability ratios and sales were slightly higher than the year before. REBIT/sales increased from 12.8% to 13.3%. REBITDA/sales rose from 17.3% to 17.8%.

This increase is due to the strong internal sales growth of 12%, attributable largely to the introduction of caramelized biscuit spread in Belgium, the Netherlands and France, the continuing powerful international growth of caramelized biscuits, of waffles in France and of gingerbread in the Netherlands and Belgium.

The **non-current operating result** of EUR -0.78 million is due primarily to the amortization of amortizable brand names from the Peijnenburg 'purchase price allocation'.

The **financial result** amounted to EUR -6.9 million compared with EUR -3.97 million in 2007. This increase is due almost entirely to the fall in the market-to-market value of the interest rate hedging on the financing of the acquisition of Koninklijke Peijnenburg as required by IFRS. The largely non-cash cost is approximately EUR 2.6 million higher in 2008 than in 2007.

Net result amounts to EUR 20.2 million compared with EUR 20.7 million in 2007. In 2008 the operating result was up strongly compared with the previous financial year. In 2007, however, the net result was flattered by EUR 2.2 million owing to the reduction in deferred tax liabilities. Also the valuation allowances on interest rate hedges were around EUR 2.6 million lower.

Net cash flow rose by 22.9% from EUR 29.7 million in 2007 to EUR 36.5 million in 2008.

10. PRINCIPAL RISKS AND UNCERTAINTIES

The principal market risks to which the Group is exposed are fluctuations in the cost of raw materials and packaging, and in exchange and interest rates.

1. RAW MATERIALS AND PACKAGING COSTS

The risk of negative consequences on financial results of fluctuations in raw materials prices is limited by concluding forward contracts with fixed prices in euro for major volatile raw materials. For other raw materials and for packaging, the Group works where possible with annual contracts.

2. FOREIGN EXCHANGE RISK

Purchases are made predominantly in euro. Most sales are also settled in euro. The main sales transactions involving foreign currencies are in USD and GBP. The exchange risk on these two currencies is largely covered by option contracts. Both purchases and sales of Annas Pepparkakor in Sweden are to a very large extent in SEK. The CZK-denominated receivable from the sale of the Group's shareholding in Lotus-Delta in the Czech Republic is also hedged at a fixed exchange rate.

3. INTEREST RATE RISK

Long-term financial liabilities carry either fixed (kEUR 2,096) or variable (kEUR 59,744) interest rates, the latter based on Euribor rates for periods up to 1 year. At year-end 2008, the interest rate risk on 72% of the variable rate borrowings was hedged with interest rate option contracts. After year-end, including the borrowings for acquiring Annas Pepparkakor, 98% of the variable rate debt is now covered.

4. CREDIT RISK

The Group opts to conclude contracts as far as possible or to work with creditworthy parties or to limit the credit risk by means of securities.

For financial operations, credit and hedging, the Group works only with established financial institutions having credit ratings of A⁻ or higher.

The Group has a diversified international customer portfolio, consisting mainly of large retail, cash & carry and food services customers in various countries. For exports outside Western and Northern Europe, the United States and Canada the Group works on a documentary credit basis or uses credit insurance. The average number of days' customer credit is relatively limited (30 days in 2008). Within the Group, there are strict procedures to accurate-

ly follow up on customers and to handle possible risks as quickly and as efficiently as possible.

5. LIQUIDITY RISK

Given the substantial operating and net cash flow as against the net financial position, the Group's liquidity risk is limited.

6. BALANCE SHEET STRUCTURE

Lotus Bakeries seeks to maintain its balance sheet structure (balance between debts and equity) so as to preserve the desired financial flexibility to be able to carry out its growth strategy.

It strives to maintain a ratio of net financial debt (defined as financial debts - treasury investments - liquid assets - own shares) to current cash flow (REBITDA) at what is considered as a normally healthy level in the financial market. In 2008 it easily met the financial covenants entered into in the context of the external financing.

7. PRODUCT LIABILITY RISKS

The production, packing and sale of food products give rise to product liability risks.

Lotus Bakeries applies the highest product safety standards to the entire production and distribution process, from raw materials through to the distribution of the final product, supported and guaranteed by structured proce-

dures and systematic internal quality audits. External ISO, BRC and other audits take place at regular intervals. The necessary product liability insurance has been subscribed within reasonable limits.

8. PENSION SCHEME RISKS

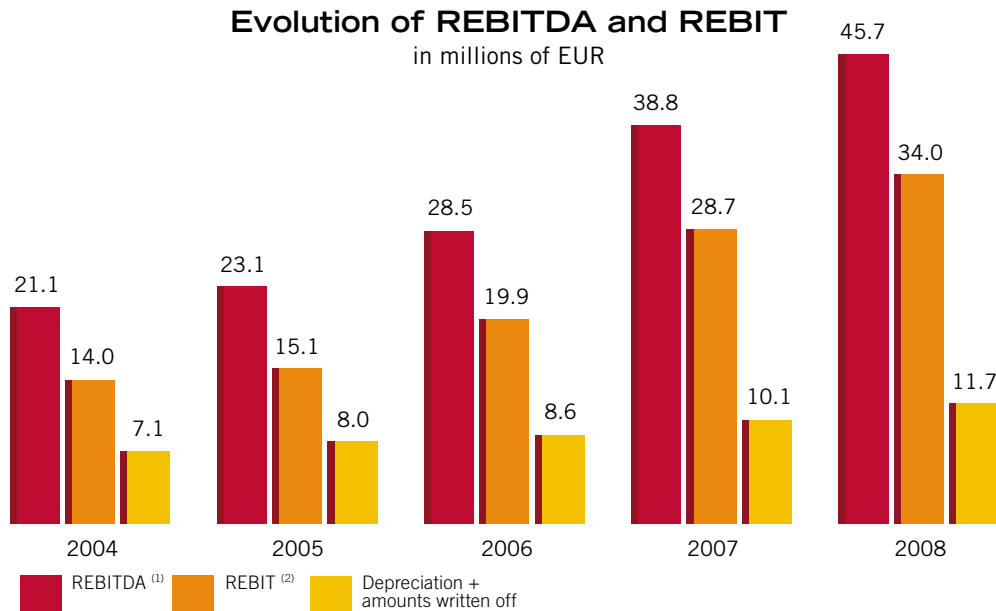
The form of and benefits under pension schemes existing within the Group depend on the conditions and customs in the countries involved.

A major portion of these pension schemes are defined contribution schemes, including in Belgium, France, Sweden, Canada and the United States. These are funded by employer and employee contributions and charged to the income statement of the year in question.

Defined benefit pension schemes exist in the Dutch and German subsidiaries. In the Netherlands a defined benefit pension plan has been concluded with BPF. Since the data for the defined pension calculation (cf. IAS 19) are not available, the plan is included under the defined contribution scheme.

In certain companies provisions also exist for early retirement ('bridge') pensions (Belgium) and pension obligations resulting from legal requirements (France). These are also treated as defined benefit schemes. For these defined benefits schemes the necessary provisions are set up based on the actuarial current value of the future obligations to the employees concerned.

Evolution of REBITDA and REBIT
in millions of EUR



(1) REBITDA is defined as current operating result + depreciations + provisions and amounts written off + non-cash costs valuations option- and warrantplan.
(2) REBIT is defined as current operating result.

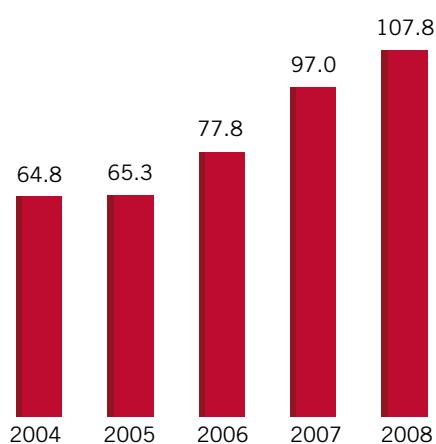
11. FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge the risk of unfavourable movements in exchange and interest rates. No derivatives are used for business purposes. Derivatives are initially valued at cost price and thereafter at real value.

The outstanding contracts do not fulfil the conditions for hedge accounting (cf. IAS 39). The changes in fair value are included in the income statement.

The majority of the interest rate derivatives outstanding at the end of 2007 were terminated during the course of 2008 and replaced with new interest rate swaps with fixed interest rates.

Evolution of added value in millions of EUR



12. SIGNIFICANT EVENTS SINCE 31 DECEMBER 2008

HARRY'S BENELUX

In 1999 Lotus Bakeries and Harry's founded a joint venture, Harry's Benelux NV, to sell prepackaged bread products and morning goods in Belgium. Harry's, which is part of Italy's Barilla Group, produces the products which Lotus Bakeries markets through its sales organization under the Harry's brand.

Lotus Bakeries has decided to sell its 40% share in Harry's Benelux to the Harry's Group. The agreed takeover price, which will be paid to Lotus Bakeries at the end of May 2009, is based on a value of EUR 5.6 million for 100% of Harry's Benelux NV. This divestment will allow Lotus Bakeries Belgium's commercial organization to focus fully on its own Lotus brand products. Total sales in 2008 of Harry's products amounted to EUR 6.5 million. The marketing, sales and logistics of Harry's products in Belgium will be integrated into the Barilla Group, so this turnover will no longer be included in the Lotus Bakeries consolidated accounts from the beginning of 2009.

FINANCIAL RATIOS

	2008	2007	2006	2005	2004
In % of operating income					
Added value	42.0	43.2	43.4	42.9	42.3
REBITDA	17.8	17.3	15.9	15.2	13.8
Net cash flow	14.2	13.2	12.3	12.1	10.7
REBIT	13.3	12.8	11.1	9.9	9.1
Net profit	7.9	9.2	6.4	6.3	5.5
In % of added value					
Personnel expenses	56.8	58.1	61.0	62.1	64.6
Depreciations ⁽¹⁾	9.4	10.0	10.9	12.2	11.9
Taxes	5.9	3.6	5.8	6.9	6.6
Net financial charges ⁽²⁾	6.4	4.1	4.1	1.9	2.1
Net profit	18.7	21.3	14.7	14.7	12.9

(1) Not included depreciations on consolidation differences.

(2) Net financial charges is defined as financial result excluding depreciations on consolidation differences.

COOPERATION WITH MC VITIES

In the 2007 annual report it was already announced that Mc Vities Cake Company, a part of United Biscuits, has decided to manufacture its Jaffa cake bars itself in future. It has now been agreed that Lotus Bakeries will produce these Mc Vities cake bars until August 2009. The production of Mc Vities Jaffa cake bars represents, on an annual basis, a turnover of around EUR 6.5 million and an EBIT and fixed cost coverage of around EUR 1.8 million.

LOTUS BAKERIES UK

Lotus Bakeries UK was founded in 2005 as a joint venture between Lotus Bakeries and Mr. John Bowmer. Lotus Bakeries has used in the beginning of 2009 its call option to acquire John Bowmer's remaining 25% shareholding for £ 300,000. In this way Lotus Bakeries has become the 100% owner of Lotus Bakeries UK.

CORONA-LOTUS INC.

On 19 December 2008 Lotus Bakeries announced that Corona-Lotus Inc. (USA) will become a 100% subsidiary of the Lotus Bakeries Group.

As planned the final closing took place on 1 April 2009 with the remaining 50% of the shares of Corona-Lotus Inc. being transferred to the Lotus Bakeries Group. Following this a long-term agreement was concluded with The Gourmet Center and Lotus Bakeries, under the terms of which, as in the past, The Gourmet Center will continue to sell Lotus caramelized biscuits on an exclusive basis to the airline industry in the United States.



TV commercial - caramelized biscuit spread - 'Lotus. Daar zit liefde in./'Lotus. Riche en amour.' [Lotus. There's real love in it.]

FINANCIAL RATIOS

	2008	2007	2006	2005	2004
Days customer credit	30	27	34	36	39
Solvency ratio (%)	37.7	35.3	27.4	46.1	38.4
Liquidity ratio (Current ratio)	0.9	0.7	0.8	1.0	0.9
Gross sales margin (%)	17.5	17.4	15.6	14.9	13.5
Net cash flow/Net financial debts (%)	90.4	70.3	34.8	204.6	84.2
Net cost-effectiveness of equity (%)	23.5	30.0	20.9	19.8	20.8



Thins since 1929
Swedish quality and tradition

ANNA'S

2. PROSPECTS 2009

The Lotus Bakeries brands were highly successful in 2008. Consumers continue to place a lot of trust in our brands. Lotus Bakeries saw remarkable growth in 2008, including in the second half in which the economic crisis started to bite.

Since late 2008 certain trends have become visible, which we expect to continue and even increase in 2009:

- Consumers are continuing to consume basic food products like biscuits, though with shifts within the assortment. This applies particularly in Western European countries. Consumers are rightly confident in the Lotus Bakeries brands.
- Currency fluctuations affect our products, requiring us or our importers to raise prices sharply. This applies in particular to the GBP (pound sterling) and the KRW (Korean won).
- In certain export countries where imported biscuits are viewed as a luxury, the economic crisis is expected to have a negative effect. This applies to exports to the Middle and Far East.
- US consumers are being more reticent with purchases of non-basic foods, like catalog sales and imported biscuits.
- For a number of years Lotus Biscuits has been producing a number of products for Mc Vities Cake Company, which is part of United Biscuits. Mc Vities now wants to produce Jaffa cake bars itself. Production of Jaffa cake bars by Lotus Bakeries will end in August 2009. This will impact turnover in 2009 and the following years.

- Lotus Bakeries has decided to sell its 40% share in Harry's Benelux to the Harry's Group. The sales of EUR 6.5 million in 2008 will therefore be absent from the 2009 consolidated figures.

- Annas Pepparkakor will be consolidated from December 2008.

All these elements present us with challenges, but none of them are insurmountable. We will be able to focus even better on our core mission. The effect of this will not be immediately calculable, but will make us stronger in the long-term.

There is a firm conviction among management and all employees that as specialists we can even further improve our activities, like more and better communication and stronger impact on consumers. We also want to produce even better products, which is what consumers are entitled to expect from specialists.

At Lotus Bakeries we are constantly working to improve our performance, and will continue to do so. For this reason we are absolutely confident that the fundamentals exist for further sales and profitability growth in the longer term.



Corporate Quality & Research - Food Law & Nutrition

3. RESULTS AND PROPOSAL FOR DIVISION OF PROFITS

CONSOLIDATED

The consolidated net profit of the year 2008 amounted to EUR 20.2 million as compared to EUR 20.7 million last year.

STATUTORY

The results of the year 2008 of the parent company Lotus Bakeries NV are as follows: in EUR

• Profit of the financial year	10,411,600.34
• Transfer from untaxed reserves	40,112.57
• Transfer to untaxed reserves	(159,060.04)
Profit for the year available for appropriation	10,292,652.87

The Board of Directors proposes to appropriate the profit balance as follows:

• Allocation to other reserves	(4,547,001.27)
• Distribution of a gross dividend of 6.80 EUR per share to 803,037 shares ⁽¹⁾	5,460,651.60
• Distribution of emoluments to directors	285,000.00

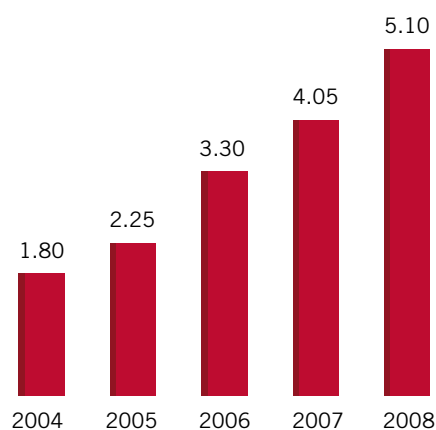
TOTAL **10,292,652.87**

(1) The dividends on the purchased Lotus Bakeries shares will be paid to Lotus Bakeries Group Services NV and, as a consequence, will not be suspended.

In line with legal requirements, the balance presented for the approval of the shareholders has been drawn up based on this distribution.

If the Ordinary General Meeting of shareholders of 8 May 2009 accepts the Board of Directors' proposal, the net dividend per share will amount to EUR 5.10, after deducting a withholding tax of 25%. This net dividend will be payable as from 18 May 2009 on surrender of coupon no. 21 at Bank Degroof, Dexia Bank, Fortis Bank, ING Bank, KBC Bank and Petercam.

Evolution of net dividend per share
in EUR



4. OTHER COMPANY INFORMATION

1. CHANGES IN THE CAPITAL

In the financial year 2008 there were no changes in the company capital.

2. PURCHASE OF OWN SHARES

The Extraordinary General Shareholders' Meeting of 8 May 2008 granted the Board of Directors of Lotus Bakeries NV a mandate to buy and sell, over a period of 18 months, shares or profit certificates of Lotus Bakeries NV in an amount of up to 10% of the issued capital subject to the provisions of the Companies' Code, at a price equal to the average price of the Lotus Bakeries share during the thirty calendar days prior to the date of purchase or sale, less no more than twenty percent in the case of both purchase and sale, and plus no more than ten percent in the case of purchase and twenty percent in the case of sale.

In the course of 2008, 1,256 own shares were purchased, representing a fractional value of EUR 2,400 or 0.16% of issued capital. The total number of shares purchased held in portfolio at the end of the financial year is 39,607, representing a fractional value of EUR 73,950 or 4.93% of issued capital.

All stock market transactions were executed in accordance with the various mandates granted by the Extraordinary General Meetings of Shareholders to the Board of Directors.

3. SHARE OPTIONS AS PER 31 DECEMBER 2008

In the context of the Lotus Bakeries share option scheme there were no new share options issued in 2008. Per 31 December 2008 the total number of unexercised share options was 34,911.

Year of issue of options	Number of allocated options	Number of options exercised	Total of available options
1999	4,590	4,590	-
2000	5,560	5,560	-
2001	5,120	4,971	149
2002	3,727	3,441	286
2003	4,635	4,635	-
2004	7,043	3,867	3,176
2005	8,300	-	8,300
2006	9,950	-	9,950
2007	13,050	-	13,050
TOTAL	61,975	27,064	34,911

4. ISSUE OF WARRANTS

The principal conditions governing the warrants issued in 2007 and the exercise of the same and the most important consequences of the lifting of the pre-emption right of existing shareholders are mentioned in part 2 in note 25 to the consolidated financial statements.

5. LEGAL CONFLICTS OF INTEREST

No situations of conflict of interest covered by articles 523 and 524 of the Companies Code occurred in 2008.

6. ANNOUNCEMENTS IN THE FRAMEWORK OF ARTICLE 34 OF THE ROYAL DECREE OF 14 NOVEMBER 2007 - PROTECTIVE CONSTRUCTIONS

1. The Board of Directors of Lotus Bakeries NV is authorized by the General Meeting of Shareholders, in the event of a public takeover bid on the shares of the company, and by application of the authorized capital, to increase the capital of the company under the conditions of article 607 of the Companies Code. This authorisation is granted for a period of three years from 5 June 2007 and is renewable.
2. By resolution of the Extraordinary General Meeting of Shareholders of 12 May 2006 the Board of Directors is authorized, in accordance with the provisions of article 620 of the Companies Code, to acquire shares in the company for the account of the same, whenever such acquisition is necessary to prevent the company from suffering serious and imminent disadvantage. This authorization is granted for a period of three years from 2 June 2006 and is renewable.

7. COMMUNICATION IN THE FRAMEWORK OF ARTICLE 74§7 OF THE LAW OF 1 APRIL 2007 ON PUBLIC TAKEOVER BIDS

On 19 February 2008 Lotus Bakeries NV has received a communication in the context of article 74§7 of the law of 1 April 2007 on public takeover bids.

This communication shows that on 1 September 2007 Bisinvest NV held 470,175 voting shares in Lotus Bakeries, corresponding to a participation of 58.55%, and that Stichting Administratiekantoor van aandelen Bisinvest en Lotus Bakeries held 81,549 voting shares in Lotus Bakeries, corresponding to a participation of 10.16%. These two associated companies together held on 1 September 2007 551,724 voting shares in Lotus Bakeries, corresponding to a participation of 68.70%.