

Annual report 2023

La Lorraine Bakery Group

2023 At a glance

Baking a
better world
together



La Lorraine
BAKERY GROUP



'I am proud of our very strong performance in 2023 and a solid kick-off of our next 5 years strategy, bringing together ambitious growth & sustainability goals into one new purposeful mission 'baking a better world together'.

Guido Vanherpe
Group CEO



The past years have been a roller-coaster in terms of external events hitting us, with covid, war in Ukraine, energy crisis and hyperinflation, yet at LLBG we came out of it stronger. In 2023 we got in less stormy weather, but nevertheless the year started again with some strong emotions: the earthquake in Turkey – one of LLBG’s strategic markets - that touched us all very deeply, as well as a big fire at the factory of our Joint Venture partner in Italy.

In 2023 we successfully kicked off our new 5-year strategy, setting course for an ambitious 2027 growth plan, while also fully embedding sustainability, expressed by our new purposeful mission ‘Baking a better world together’.

We delivered upon our growth ambition set for 2023, supported by our product leadership strategy, with strong product innovations and commercial partnerships, resulting in a revenue of 1,360 million Euro and a healthy REBITDA of 189 million Euro.

Due to very high inflation, sales margins took a serious hit in 2022 and in 2023, we managed to recover to historical levels. As a result of the pricing correction, sales volumes were lagging behind.

For the second year in a row we invested an impressive CAPEX budget of 184 million Euro in new capacity in Belgium, Romania, Czech Republic, Greece & Italy, all aimed at accelerating our growth.

In 2023 we further strengthened our footprint in Europe, with the go-live of our joint-venture Backunion in Germany as well as with Kristiana Gourmet in Norway.

In line with our mantra to not only become a bigger, but above all a better company, we progressed well on our strategic pillars enabling further growth: we created a disruptive new approach towards a complex portfolio of Digital Transformation Programs, we scoped our new People & Organization Strategy and were successfully ramping up our very ambitious Sustainability Program, including signing the Science-Based Targets initiative (SBTi) & receiving the Ecovadis silver award recognition.

This is what our 5000 employees proudly get up for every day: baking a better world together!

2023 key figures

REBITDA:
189 M EUR

EBIT:
93 M EUR

CAPEX:
184 M EUR

Revenue:
1,360 M EUR

55% Western Europe
45% Central/Eastern Europe
& Turkey/Middle East



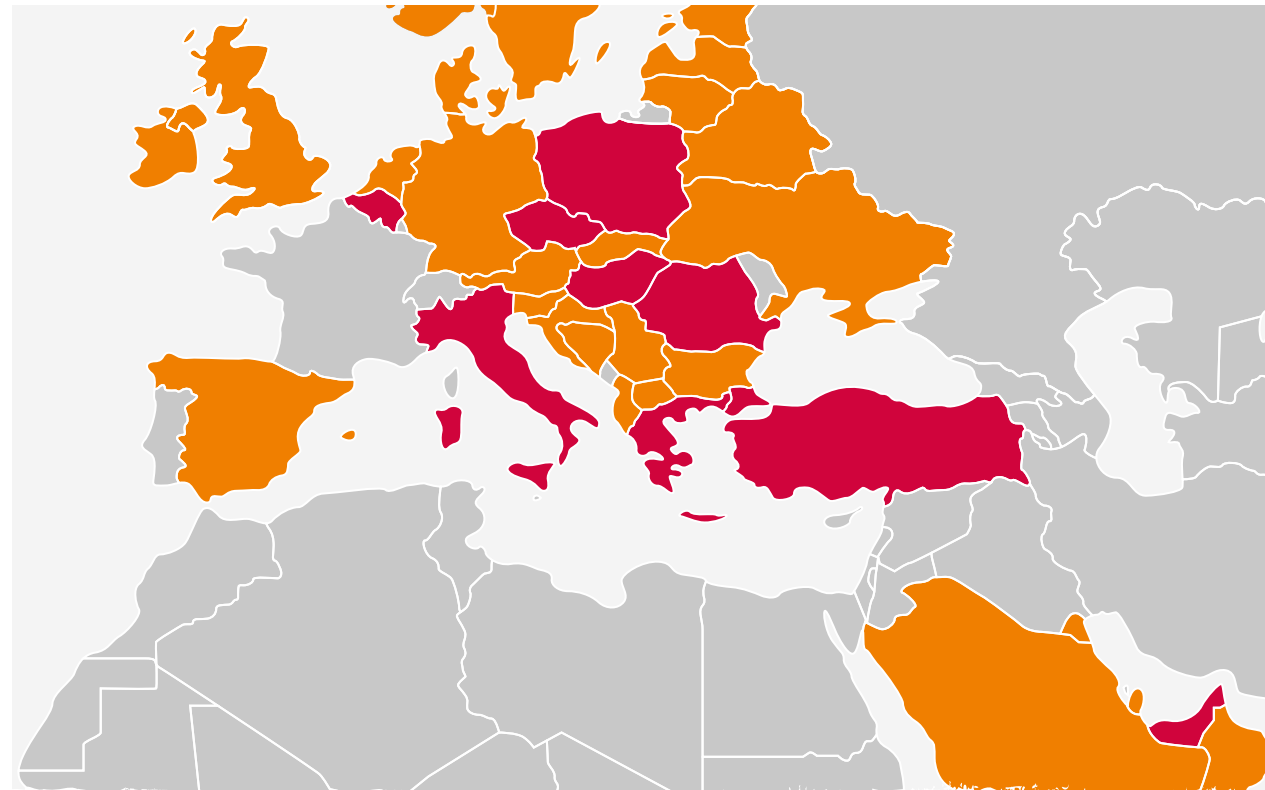
Milling revenue
(excl. intercompany sales):
150 M EUR



Bakery revenue:
1,210 M EUR

Retail
70%

Foodservice
30%



Production country ●

Sales & marketing ●



100%
**family
owned**



5 000
passionate
employees



85 years
of experience



1
flour mill



1,36 billion
EUR revenue



17
state-of-the-art
bakery plants



presence in
+ 35
countries



450
Panos, Deliway
& La Lorraine stores



-30%
vs 2022
scope 1 & 2 carbon emissions

2023 highlights

Challenging events at the start of the year

- LLBG solidarity fund supporting our Turkish colleagues after the devastating earthquake
- Fire in the bakery plant of our Italian JV partner SPA Bakery



Product leadership – innovations of the last 3 years represent >25% of sales volumes

- Artisan & Rustic rolls (Hungary & Poland), Sweet brioche rolls (Belgium)
- Artisan bread (Belgium)
- Schiacciata (Italy)
- New flavors for bites & donuts (Czech Republic)
- Artisan swirls (Hungary)
- New tartlet recipes (Belgium)



Panos

Launch BtoB delivery @ work and catering offering; extension e-commerce partnership with Deliveroo, TakeAway & Uber.



Extending our presence

- Germany: Go live of the joint venture Backunion between Gebruders Hack & LLBG.
- Norway: LLBG joined forces with Kristiania Gourmet, a family-owned bakery company in Oslo, specialized in distribution of frozen & fresh bakery products. The new JV called 'Kristiania Gourmet, partner of La Lorraine Bakery Group' will combine both companies' sales & service activities.
- US: Do Not Worry Be Happy donuts crossing the ocean with first deliveries!

Launch of our new **5 year strategy** and **purposeful mission**

Baking a better world together



Creating capacity for growth

- Opening first new production hall in Erpe-Mere bakery site of the future.
- Start-up of the new bakery production halls with JV Partners SPA Bakery in Italy and Bakehellas in Greece.
- New production lines in Romania, Hungary, Poland and Czech Republic.
- Start construction new frozen warehouse in Czech Republic.
- New patisserie ateliers in Belgian Fresh Bakeries Ostend & Alken.



Ramping up our very ambitious **sustainability program**:

Signing Science-Based Targets initiative, receiving the ECOVADIS silver award, Poland on green electricity, new supplier Code of Conduct and first harvest of low carbon wheat!

Fit Together

+1000 colleagues participating in the Fit Together program, with as highlight the Alpe d'Huez cycling event with 200 motivated LLBG colleagues!



Safe Together

Launch of our new '10 golden safety rules' and implementation of a company-wide cyber safe program.

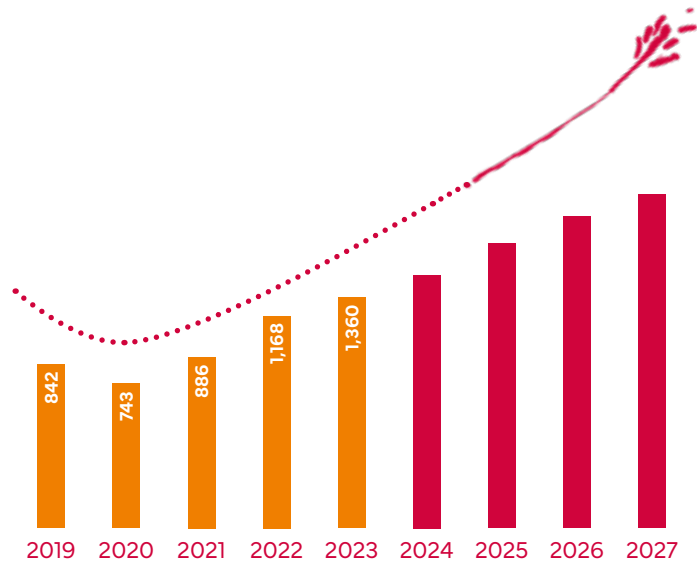


Doing business responsibly

All LLBG employees signed & onboarded on the new LLBG code of conduct.



Our winning strategy



In 2023 we've put strong focus on our strategic enablers for growth:

- we created a disruptive new approach towards our very complex portfolio of **Digital Transformation** Programs
- we launched our new **People & Organization** strategy
- we successfully ramped up our very ambitious **Sustainability program**

Since 2023, our new LLBG Strategy is guiding all business units & support organizations to work in one strategic framework, including our strong foundations (our LLBG values & frontline focused leadership philosophy) and our LLBG aspirational dream for the next 20 to 50 years. By doing so each business unit can stay focused & entrepreneurial, but at the same time, stay connected to one purposeful mission: baking a better world together!

Our 2027 ambition is clear: Grow more than 50% over 5 years, with leading multi-channel presence across Europe & Middle-East, recognised product leadership, a reduced planet footprint and fully engaged people.

We will realize our ambition through our 4 empowered and interconnected business units, by adopting a winning **product leadership** strategy engaging **large-scale production** & go-to-market concepts with respect for **artisan-scale quality**, to bring **innovation, consistency in quality, and differentiation in 'look' & 'taste'** in existing and new markets.

And finally, we want to grow big while remaining a sustainably entrepreneurial company. By living our values the way our founder did and by acting in the spirit of "frontline-focused leadership", we want to keep high focus on LLBG's frontline activities in a customer-passionate way, promoting simplification and stimulating an agile, solution-oriented collaboration culture.



Our values



Entrepreneurial



No-nonsense



Respect for 3P's



Ownership



Shared passion

Rising responsibly

At LLBG, we see it as our responsibility to contribute to the health and wellbeing of future generations. Through the value of respect—for product, planet, and people—sustainability has been one of our key beliefs from the very beginning. Nevertheless, our fast-changing world is motivating us to accelerate our sustainability initiatives. Our future depends on what we do today.

In 2022, we made sustainability an integral part of our next five-year strategy, with clear and bold ambitions for 2027. Our sustainability strategy is built on the respect for our 3 Ps: we believe we can contribute to a better world by creating top-quality products, caring for our planet and investing in our people. We have 10 company-wide projects to deliver our sustainability ambitions, each with measurable targets to track our progress.

More info: [LLBG sustainability report 2023](#)



In 2023 we truly put our strategy into action, taking a strong start and delivering first achievements. Yet, we are conscious that we are only at the beginning of our journey, with huge challenges still ahead.

We believe in sustainability not only because it brings benefits to the world and our stakeholders: we are convinced it is a competitive advantage that will ensure our continued growth for generations to come.

Business success and impact go hand in hand at LLBG: as we become a bigger company, our positive impact on planet and society increases. And as we become more sustainable, our business will grow.

Together, we're rolling up our sleeves for a better and more sustainable world!



Improved Ecovadis rating: we obtained a **silver medal** and are among the

top
14%

of companies in our industry.



Responsible sourcing

Entry into force of LLBG supplier code of conduct, with **>80%** of our spend (raw materials & packaging) already covered



Reporting & carbon roadmap

Reducing our company carbon footprint (scope 1, 2 & 3):

-9%
vs 2022



SCIENCE BASED TARGETS

SBTi commitment, with our carbon reduction targets already developed & submitted for SBTi validation



Wheat & regenerative agriculture

First harvest of regenerative & low-carbon wheat

Starting an exciting collaboration on low-carbon tortillas with **Paulig**



Purpose-led brands

Roll-out of our new brand promise "**baking a better world together**", fully embedding sustainability in our company strategy



Energy transition & reduction

100%

green electricity in Poland: leading to a **45% reduction** of our scope 2 emissions vs 2022

Transformation towards a green car fleet with

+ 100

electric vehicles in 2023



Happy employees

>1,000

colleagues participated in our Fit Together program



Zero food waste

Panos saves more than

10,000 meals a month

Reducing food waste: together with Too Good To Go.



Community

28 graduates

in the first year of our **Atelier La Lorraine** education project in Romania



Circular packaging

97%

of our packaging is recyclable or reusable

90%

of our packaging is paper-based

2023

financial performance

2023 was yet another year of excellent financial performance, built on LLBG's winning product leadership strategy and historic CAPEX investment to add production capacity and accelerate our growth in the next 5 years.

The group achieved
a **REVENUE** of **1,360 M EUR**,
+16% vs 2022

LLBG's REBITDA
amounted to **189 M EUR**
+38% vs 2022

The group ended the year with
PROFIT AFTER TAXES of **51 M EUR**

La Lorraine Bakery Group
activated a very important CAPEX
investment budget of **184 M EUR**



Need of advice
on prices
& availability

NEW A TRUE APRICOT DELIGHT
APRICOT TWIST
La Lorraine
Bakery products

Get your
fresh & crunchy
croissants
today

NEW EVERY CHOCOLATE LOVER'S
DREAM
DORIS

2023 explained

In 2023 LLBG delivered a solid **revenue growth** of +16% vs 2022, driven by its ambitious investment program in new production capacity in Western & Central-Eastern Europe, coming with significant quality upgrades and innovation in all our product categories. We also gradually recovered from the impacts of the inflationary year 2022, in which our margins were put under strong pressure and our Russian business was set on non-active.

The group **REBITDA** amounted to 189 M EUR in 2023, up 38% vs 2022. This growth is explained by the execution of our product leadership valorization strategy, driven by more unique innovations and a more valorizing

product category & customer mix. It also includes the necessary price increases in 2023 allowing us to recover from a historical low REBITDA margin in 2022 and to catch up with our REBITDA margin of 2021: the 2023 REBITDA margin, as percentage of revenue, was 13.9%, compared to 11.7% in 2022 and to 14.0% in 2021.

2023 was another record investment year with a **CAPEX** of 184 M EUR, to create new capacity with state-of-the-art artisan bakery lines as well as top-quality sweet-on-the-go production lines. Most of these investments go to Bakery Frozen with new factory halls, production lines and high-bay warehouses.

The most important projects are in Erpe-Mere, Romania, Czech Republic and with our Joint Venture partners in Greece and Italy. In Bakery Fresh we renewed the patisserie ateliers in Ostend and Alken.





Bakery Frozen continued delivering on its ambition of becoming Europe's bakery product leader, realizing a strong double-digit sales growth in 2023, across all product categories, driven by value growth. All regions, categories and channels contributed to the strong business performance.

This value-driven sales growth is explained by a continued focus on the consistent execution of its product leadership strategy in prioritized categories, bringing the best of bakery to more consumers, markets & channels. Highlights were the start-up of 6 new lines, and innovations such as the new beignets, rose rolls, rustic touch baguettes and loafs.



Bakery Fresh further strengthened its leadership position on the Belgian market in daily fresh bread & patisserie, driven by a top in-store bakery experience of its unique & differentiating products. After a challenging 2022, Bakery Fresh succeeded in recovering its margins thanks to valorization of its differentiating product families and more effective cost control.

Despite the regular strikes in many Delhaize stores in Q1 2023, volumes remained in line with 2022 thanks to dynamic commercial plans. Bakery Fresh further invested in business & product development in tartlets thanks to a new state-of-the-art production line in Ostend.



For the third consecutive year, **Store Concepts** is showing strong growth figures. Sales are now well exceeding the pre-COVID level and Store Concepts grew 2.5x faster than the market in 2023. All channels – Petrol, City, Rail & Air – contribute to this performance, supported by the new Panos branding, investments in advertising, shop remodeling and above all, the launch of delicious new recipes. An innovative offer in BtB and catering was launched. Digital sales are growing rapidly supported by partnerships with Deliveroo, TakeAway & Uber.



Our **Milling** unit had a good year, regaining profitability after a difficult 2022 in which the disruptive cost price increases of wheat, energy & logistics costs were not translated in due time into higher pricing.

The recovered performance of our milling division in 2023 was on the one hand thanks to rectifying its pricing and a very strict risk management through hedging volatile key-materials. The new management team successfully continued to execute the mill's valorization strategy, transitioning to products and innovations with higher added value, such as wholemeal and multigrain flour. The mill also produced first volumes of flour with low-carbon wheat, harvested in pilot projects with farmer cooperatives.

Consolidated financial statements

2023 Balance Sheet

Assets

	in K EUR	2023	2022
Formation expenses		378	473
Intangible assets		4 495	3 016
Goodwill		47 509	38 610
Tangible assets		672 130	578 720
Financial assets		3 753	3 379
Fixed assets		727 886	623 725
Amounts receivable after 1 year		5 654	3 417
Inventories		100 279	95 551
Amounts receivable within 1 year		157 768	164 311
Current investments / cash & banks		71 814	78 266
Deferred charges & accrued income		4 998	7 274
Current assets		340 513	348 820
Total assets		1 068 777	973 018



Equity & Liabilities

	in K EUR	2023	2022
Equity		269 974	252 674
Minority interests		2 403	5 068
Provisions and deferred taxes		15 170	19 495
Amounts payable after 1 year		487 499	451 661
Subordinated retail bond		100 000	100 000
Long-term lease liabilities		4 622	3 206
Bank financial debt		182 419	147 780
Other financial debt		200 458	200 018
Trade debt		0	657
Amounts payable within 1 year		261 165	214 437
Current portion of long term debt		1 823	4 492
Trade payables		190 334	153 988
Taxes, remuneration and social security charges		55 411	44 061
Other amounts payable		13 597	11 896
Accruals and deferred income		32 566	29 683
Liabilities		781 230	695 781
Total equity and liabilities		1 068 777	973 018

Consolidated financial statements

2023 Income Statement

Income Statement

	in K EUR	2023	2022
Revenue		1 359 648	1 168 345
Purchases raw materials, packaging and consumables		-611 435	-577 632
Changes in inventories of finished goods and goods purchased for resale		5 750	10 439
Services and other goods		-375 613	-309 680
Remuneration, social security and pensions		-212 033	-178 151
Other operating Income		27 839	27 525
Other operating expenses		-5 022	-3 723
REBITDA		189 134	137 124
Non recurring operating income/expenses		3	1 644
EBITDA		189 137	138 768
Depreciation, amortization and provisions		-88 561	-68 335
Depreciation of goodwill		- 7 641	-6 188
Operating profit (EBIT)		92 935	64 245
Net financial result		-18 338	-18 345
Profit before taxes		74 596	45 900
Taxes		-23 972	-11 559
Net profit of the year		50 624	34 341



Evolution Key Figures

	in M EUR	2019	2020	2021	2022	2023
Revenue		842.1	743.4	885.5	1168.3	1359.6
EBIT		55.7	23.1	46.3	64.2	92.9
	EBIT %	6.6%	3.1%	5.2%	5.5%	6.8%
REBITDA		116.4	91.5	123.9	137.1	189.1
	REBITDA %	13.8%	12.3%	14.0%	11.7%	13.9%
Profit before taxes		37.4	4.9	32.9	45.9	74.6
Profit after taxes		26.8	3.3	24.9	34.3	50.6
	Profit after taxes %	3.2%	0.4%	2.8%	2.9%	3.7%
Equity		244.8	225.2	232.6	252.7	270.0
Net debt		269.9	259.3	306.8	381.9	422.4
Working capital		74.0	45.7	58.2	61.8	12.3
Total balance		721.0	697.6	761.8	973.0	1068.8
Solvency	%	34.0%	32.3%	30.5%	26.0%	25.3%
Senior net debt/REBITDA		2.32	1.72	1.67	2.06	1.70

2024 outlook

For 2024 we expect another year of continuous revenue growth driven by an ambitious investment program in new production capacity in Western & Central-Eastern Europe. This expansion strategy will come with significant quality upgrades and innovation in all our product categories.

The group REBITDA is expected to further grow in line with volume growth and efficiencies as a result of economies of scale.

Overall, the main challenge remains to timely execute our investment program of about 200 M EUR in 2024, coping with increased risks of geopolitical volatility, increased cost of CAPEX (due to the last 2 years' inflationary effects) and a higher cost of capital.

We are confident that our growth ambition will be successful, thanks to strengthened sales teams and our long term customer relationships valuing the benefits of top-quality products and strong

innovations coming along with our future-oriented investment program.

In 2024 we are 'ready to roll up our sleeves' and are launching our new employer brand, supported by recruitment marketing campaigns to attract new talent for the 400 new jobs we'll be creating to support our growth ambitions.

Finally, we consider our sharpened sustainability strategy as a lever for enlarging our positive impact on our stakeholders and planet: we strongly believe that partnering into mutually beneficial sustainability projects will set the tone for differentiation & joint value-creation. In 2024 we will focus on the full deployment of our energy efficiency & green transition project, further execution of our food waste initiatives and a relentless focus on employee safety. Next, we want to scale up our regenerative agriculture pilots and define our sustainable innovation & purposeful branding strategy.

Ready to
roll up your
sleeves?

Join us at jobs.llbg.com





2024 outlook bakery frozen

In 2024, Bakery Frozen stays true to its product leadership strategy and its mission to bring the best of bakery to our consumers, markets and channels. Our focus remains on offering premium artisan-style breads, sweet-on-the-go, viennoiserie and savory products under the brands of La Lorraine, Panesco, and DoNotWorryBeHappy. To bring consistent high quality and innovation to the market, we are guided by consumer and shopper insights which ensures that our products align with market demands and preferences.

We are expanding our presence and strengthening our capacity to meet growing demand in key markets. Our growth is achieved while prioritizing environmental sustainability. We are firmly committed to sustainability, actively reducing food waste, adopting green energy sources, and enhancing energy efficiency across our full value chain.





2024 outlook bakery fresh

The Bakery Fresh division will further strengthen its Belgian market leader position in daily fresh bread and patisserie by offering a top instore bakery experience of its unique and differentiating products. The strategy consists of attracting more consumers and valorizing on better products in each important product family.

Thanks to new capacity in its bakery plants in Ostend, Ninove & Barchon, strong growth and innovation is expected in the tartlets, soft buns & artisan breads product families.





2024 outlook store concepts

For store concepts, 2024 is the year in which we will scale strongly on our above-the-line investment with a focus on the new Panos branding. In parallel we continue to strengthen the physical footprint in Belgium by refreshing the shop network with our renewed shop design and we are looking forward to opening 10+ new shops including our first Panos shops at Q8 EV locations.

Also, in digital we look to accelerate both in BtB and 3rd party delivery sales, this with the objective to open 60+ new Panos web-shops.





2024 outlook

milling

In 2024, our milling division is expected to produce close to its maximum capacity level which will result in a limited volume growth compared to 2023. Revenue is expected to decline due to decreased wheat & flour price levels. Focus remains on margin protection, given the disruptive effects of climate risks, new fertilizer regulation and collateral impacts of the Ukraine war.

Strategic focus for Paniflower remains on products & innovations with higher added value and on the accelerated transition towards regenerative wheat farming, scaling up pilot projects with farmers.



Baking a better world together





Our purposeful mission

Every day we get up to **bake a better world together.**

We build wide access to more natural, tastier & fresher bakery products, contributing to a well-balanced daily nutrition and consumer delight.

We do it sustainably while growing people to their full potential.

Baking a
better world
together



La Lorraine
BAKERY GROUP

More info

Investors | [La Lorraine Bakery Group \(llbg.com\)](http://LaLorraineBakeryGroup.com)