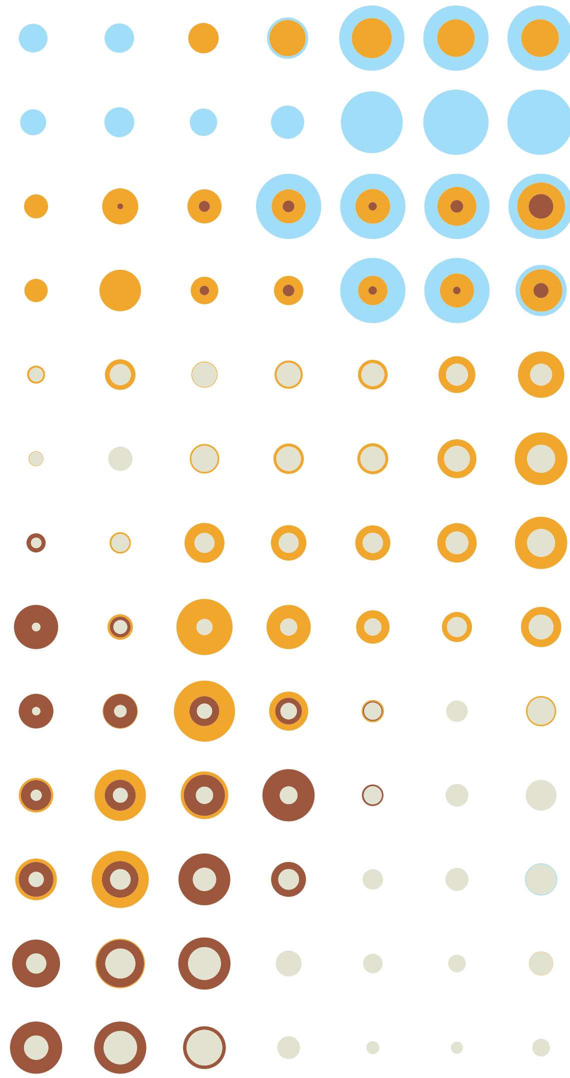
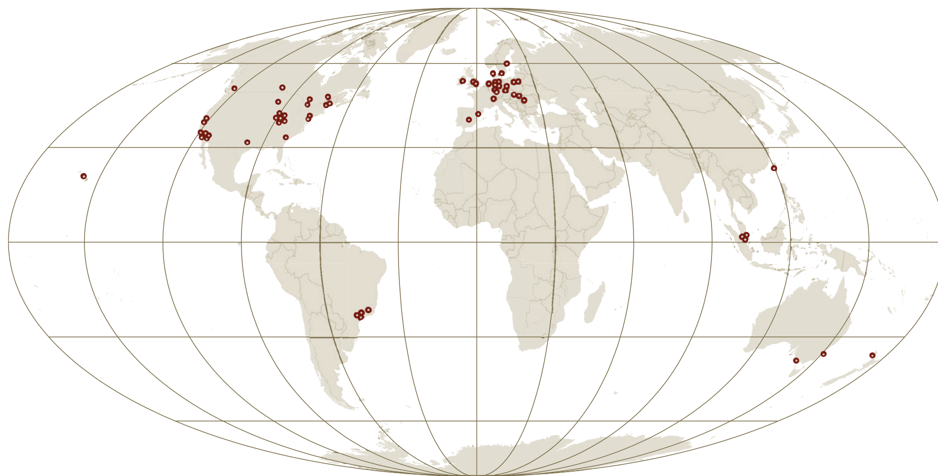


2016

Annual Report and Accounts

ARYZTA

Passion for good food



WELCOME TO ARYZTA AG

ARYZTA AG ('ARYZTA') is an international food business with a leadership position in speciality bakery. ARYZTA is based in Zurich, Switzerland, with operations in North America, Europe, Asia, Australia, New Zealand and South America. ARYZTA has a primary listing on the SIX Swiss Exchange and a secondary listing on the ISE Irish Exchange (SIX: ARYN, ISE: YZA).

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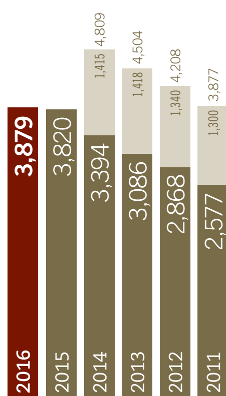
Annual Report and Accounts 2016

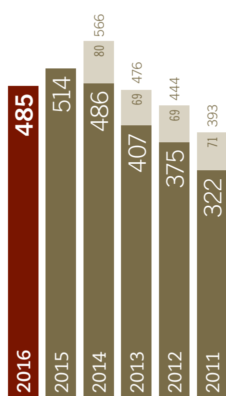
Financial Highlights

Group

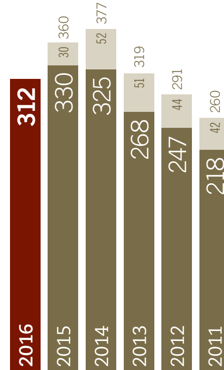
Revenue
in EUR m



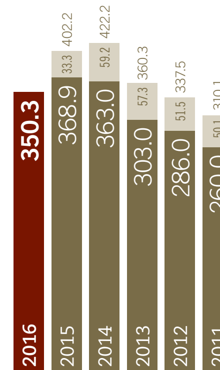
EBITA[1]
in EUR m



Underlying net profit
in EUR m

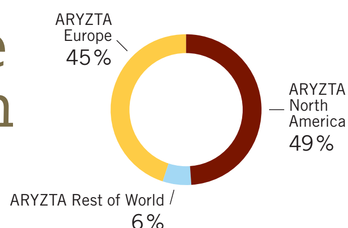


Underlying fully diluted EPS
in EUR cent

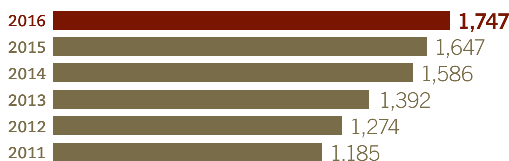


continuing operations *discontinued operations*

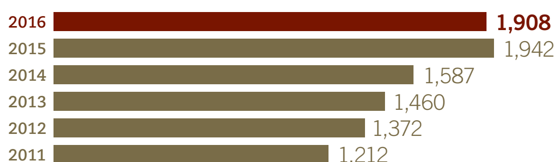
Revenue €3.88 bn



Revenue – ARYZTA Europe
in EUR million

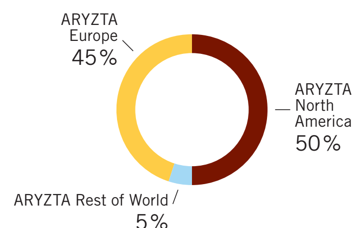


Revenue – ARYZTA North America
in EUR million

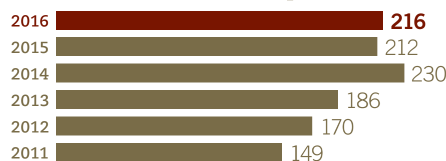


Revenue – ARYZTA Rest of World
in EUR million

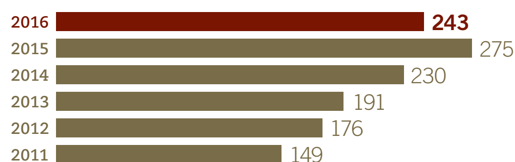
EBITA €485 m



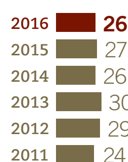
EBITA – ARYZTA Europe
in EUR million



EBITA – ARYZTA North America
in EUR million



EBITA – ARYZTA Rest of World
in EUR million



1 See glossary on page 23 for definitions of financial terms and references used in this document.

Overview

Annual Report and Accounts 2016
Letter to Shareholders

In the financial year 2016, the key successes included strong free cash generation of €267m, the transition to a pure speciality food group, and the successful consolidation and commissioning of new modern capacity to support future growth.

Financial year 2016 also marked a return to positive underlying revenue growth of 0.5%, with strong underlying revenue growth of 4.0% in Europe and 6.2% in the Rest of World, which were offset by a recovering underlying revenue performance of negative 3.1% in North America, as a result of losses arising from long-term contract renewals with a small number of key customers. Acquisitions performed to expectation during the year and currency supported revenue growth by 1.4%.

Overall, revenue from continuing operations increased by 1.5% to €3.9bn, while EBITA from continuing operations decreased 5.7% to €485m and EBITA margins declined by 100 bps to 12.5%. Half of this margin decline reflects an increased investment in brand marketing, primarily in North America, where the Otis Spunkmeyer and La Brea ranges were extended. The remainder of the margin decline related to the negative operating leverage from the long-term contract renewals. While these revenue losses adversely impacted FY 2016, resulting in an overall 5.0% decline in underlying fully diluted EPS from continuing operations to 350.3c, the successful finalisation of new long-term contracts brings revenue stability and a solid foundation for future growth.

During FY 2016, we transitioned into a pure food business, focused on frozen speciality food, by exiting our investment in Origin Enterprises, which we first listed in 2007. Since that time, Origin returned over €1 billion to its founding shareholder. When I reflect on my period as Chairman, I am very proud of how this business transformed to establish a relevance opposite primary food producers.

During August 2015, we also re-invested €451m to acquire a 49% shareholding in Picard, with a call option to acquire the balance in FY19, FY20 or FY21. As the lines are blurring between previously delineated food channels, ARYZTA must continuously evolve, and Picard has the potential to enhance ARYZTA's relevance to customers and consumers, with its unique and innovative business. Picard performed well in terms of revenue and EBITDA growth since our investment, and generated €40.5m of free cash.

During the year, the Group also successfully commissioned its €150m investment in additional bakery capacity and capabilities in Germany and consolidated older, less efficient capacity onto the same site. These capital investments, combined with the subdued operating performance, negatively impacted ROIC, which declined by 40bps to 10.5%.

Proposed dividend

At the Annual General Meeting on 13 December 2016, shareholders will be invited to approve a proposed dividend of CHF 0.5731 (€0.5255) per share. If approved, the dividend will be paid to shareholders on 1 February 2017. A dividend of CHF 0.6555 per share was paid during the year, as approved by shareholders at the Annual General Meeting on 8 December 2015.

Letter to Shareholders (continued)

Board membership

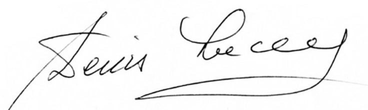
At the 2015 AGM, held on 8 December 2015, the shareholders approved the re-election of myself, Mr. Denis Lucey as Chairman of the Board of Directors, together with the re-election of Mr. Charles Adair, Ms. Annette Flynn, Mr. Shaun B. Higgins, Mr. Owen Killian, Mr. Andrew Morgan, Mr. Wolfgang Werlé and the election of Mr. Dan Flinter. Mr. Patrick McEniff, CFO/COO and Mr. John Yamin, CEO Americas, did not present themselves for re-election to the Board, as the Board transitioned to more demonstrably independent governance. In addition, Mr. J Brian Davy, retired at the 2015 AGM.

The Board of ARYZTA AG now consists of one executive director and seven non-executive directors. The biographies of individual Board members and the Secretary to the Board are available on pages 33 to 36 in the Corporate Governance report.

At the 2016 AGM, to be held on 13 December 2016, the Board will propose the re-election of all current Board members other than Shaun B. Higgins and myself. Mr Gary McGann will be proposed as the new Chairman and Prof. Dr. Rolf Watter will be proposed as a new member of the Board. I want to welcome my successor and wholeheartedly recommend Gary McGann and Rolf Watter to you as very experienced, shareholder-friendly leaders, whose reputations are impeccable and whose values align with those of ARYZTA.

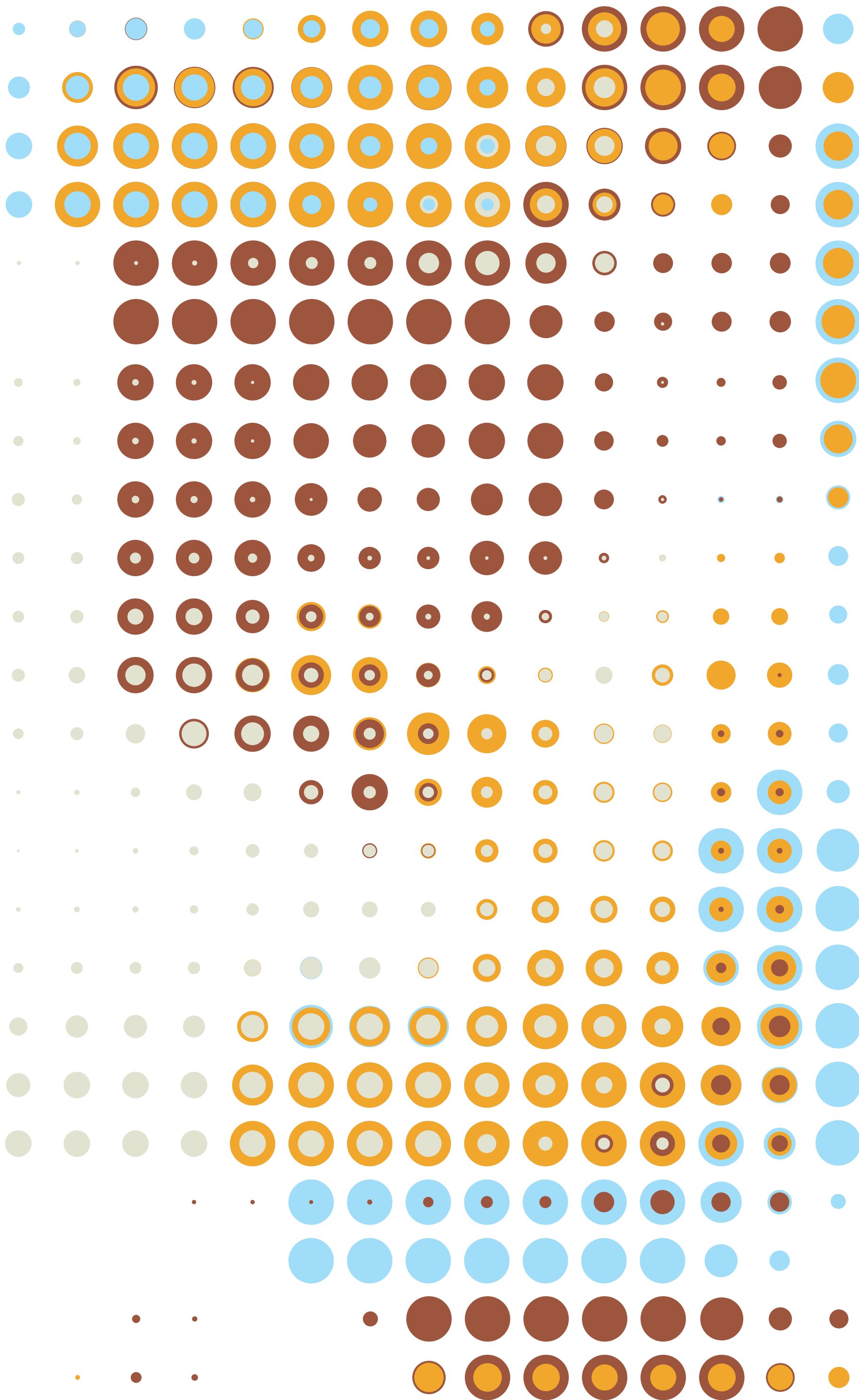
I thank my fellow and past directors for their courtesy and support during my time as Chairman. I thank you as shareholders who have encouraged, challenged and supported us throughout the period. I thank the nearly 20,000 people who turn up every day and bring their passionate expertise to our bakeries, our logistics centres and all parts of our organisation. In particular, I thank our customers for whom we exist and without whose support we would have no business.

ARYZTA, with its passion for good food, is in great hands, and I wish Gary and ARYZTA great success.



Denis Lucey
Chairman, Board of Directors

3 October 2016

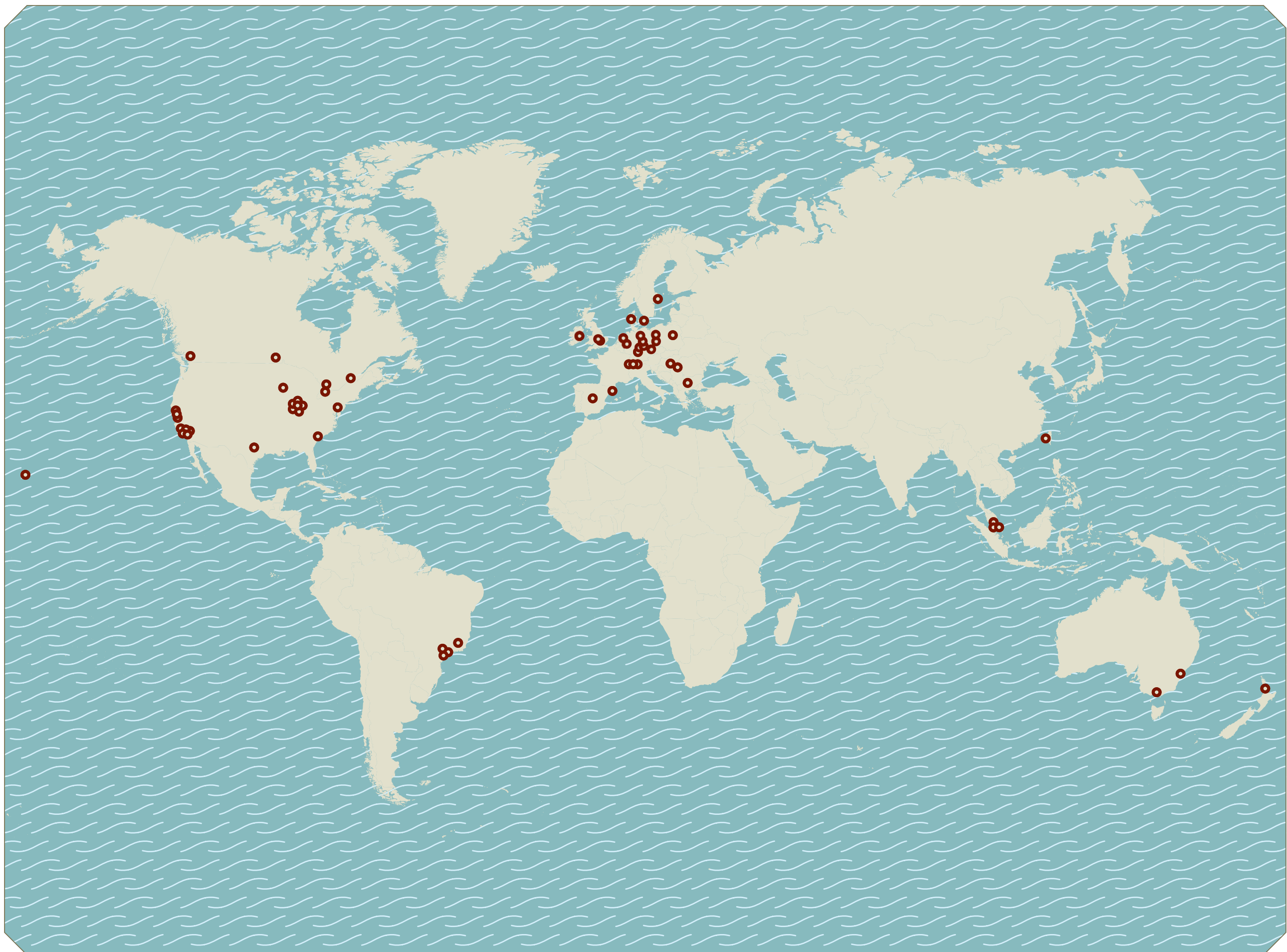


Annual Report and Accounts 2016

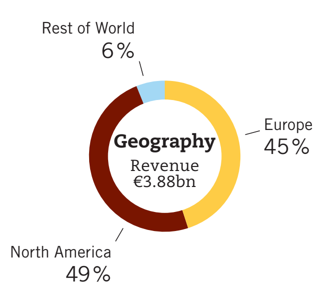
Business Overview

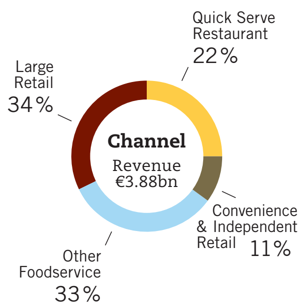
About ARYZTA

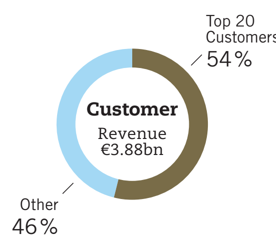
ARYZTA Group

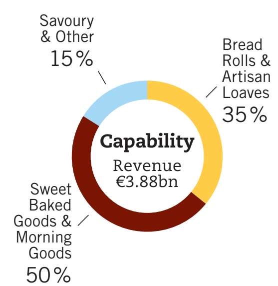


Revenue €3.88 bn	EBITDA €610 m	EBITA €485m	57 Bakeries	29 Countries





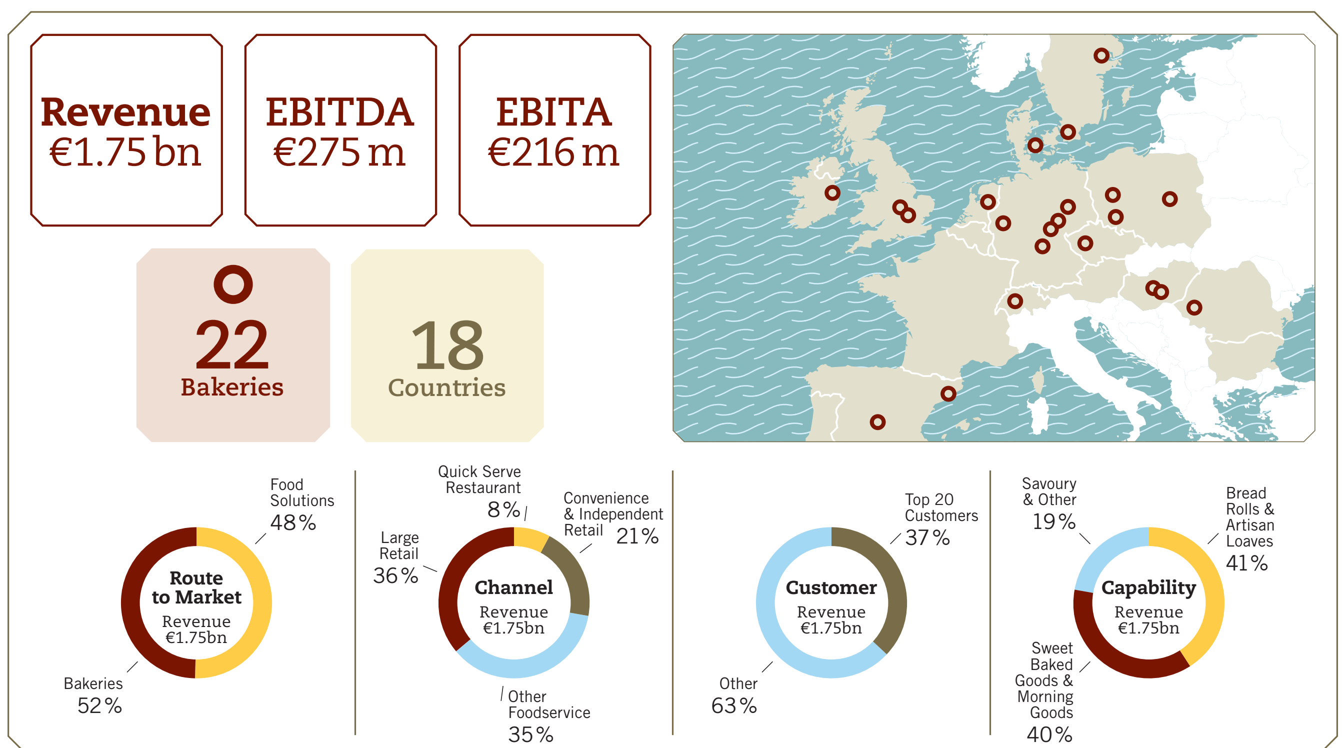




Business Overview
Markets

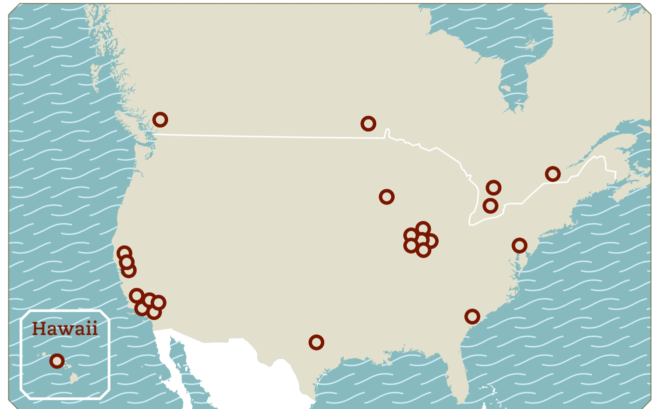
Reporting Segments

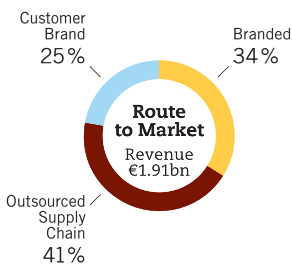
ARYZTA Europe

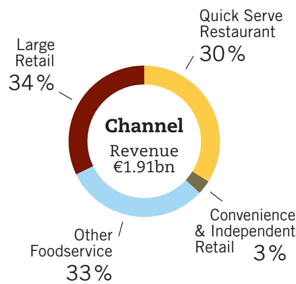


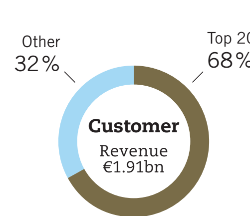
Business Overview
Markets (continued)

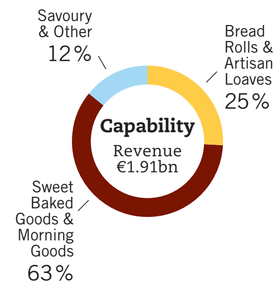
ARYZTA North America



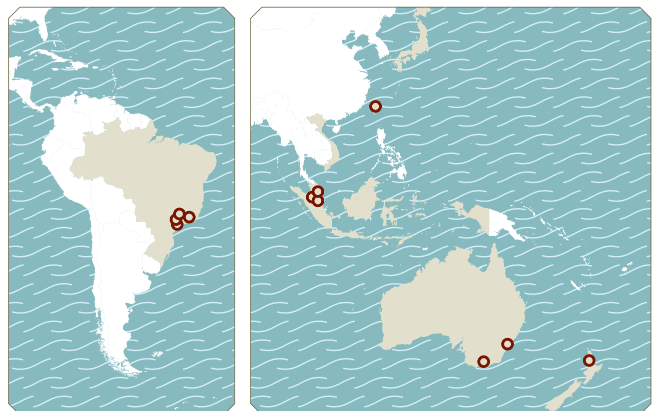


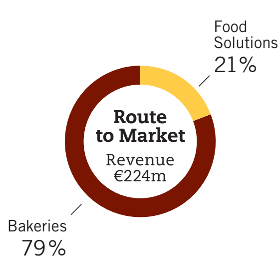


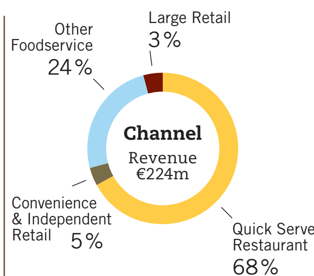


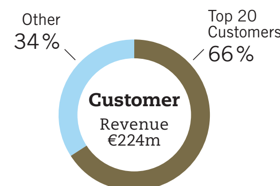


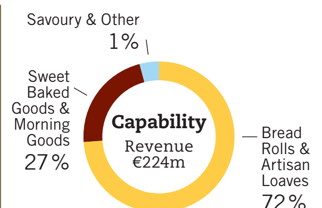
ARYZTA Rest of World

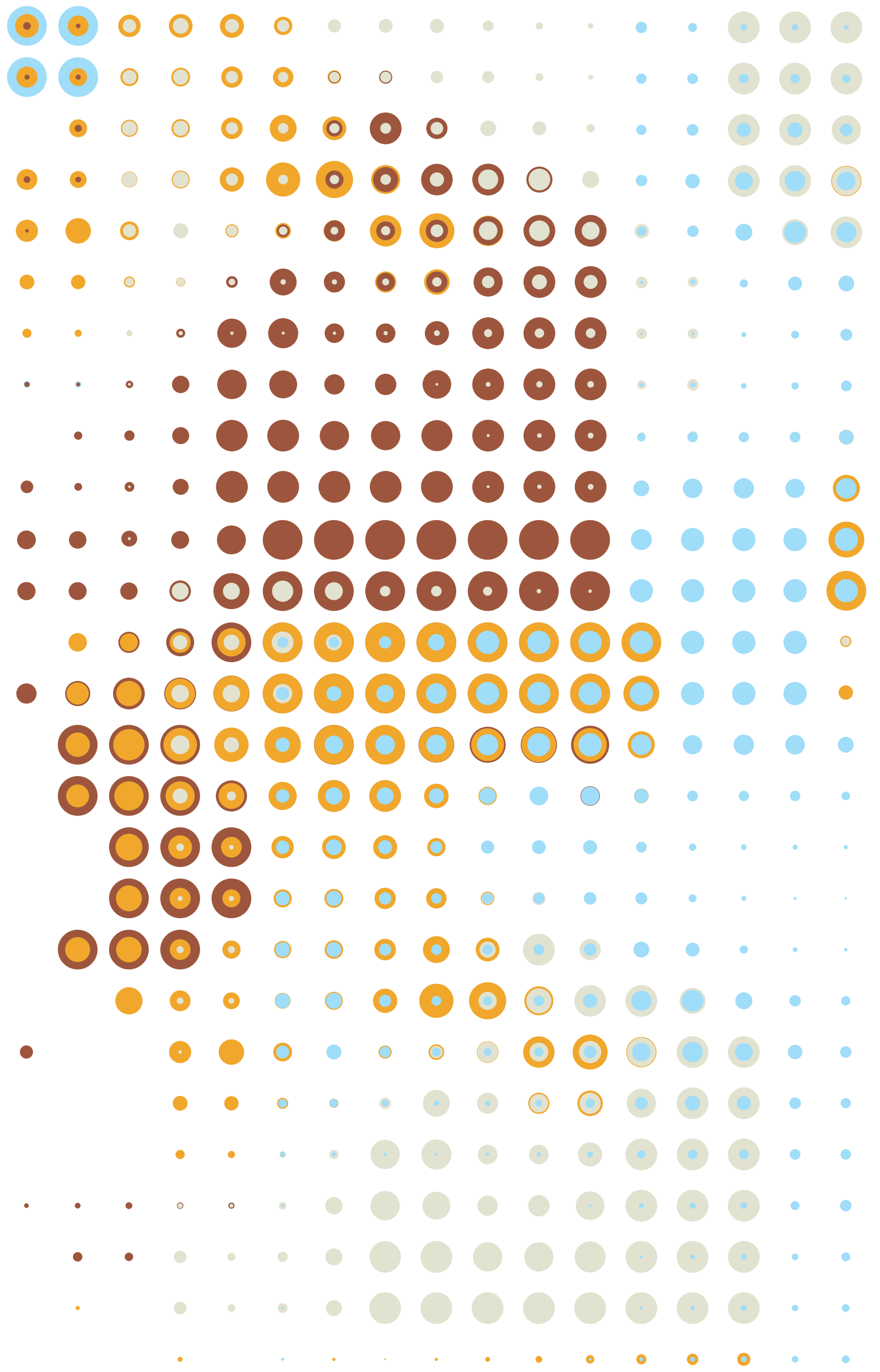












Annual Report and Accounts 2016
Financial and Business Review

1 ARYZTA Group – Underlying Income Statement

in EUR `000	July 2016	July 2015	% Change
Group revenue	3,878,871	3,820,231	1.5%
EBITA[1]	484,867	513,965	(5.7)%
EBITA margin	12.5%	13.5%	(100) bps
Joint ventures, net of tax	15,682	(1,210)	–
EBITA including joint ventures	500,549	512,755	(2.4)%
Finance cost, net	(103,180)	(83,390)	–
Hybrid instrument accrued dividend	(31,882)	(30,673)	–
Pre-tax profits	365,487	398,692	–
Income tax	(51,169)	(64,035)	–
Non-controlling interests	(2,776)	(4,669)	–
Underlying net profit – continuing operations	311,542	329,988	(5.6)%
Underlying net profit – discontinued operations[2]	–	29,735	(100.0)%
Underlying net profit – total[3]	**311,542**	**359,723**	**(13.4)%**
Underlying fully diluted EPS (cent) – total[4]	**350.3**	**402.2**	**(12.9)%**
Underlying net profit – continuing operations[3]	**311,542**	**329,988**	**(5.6)%**
Underlying fully diluted EPS (cent) – continuing operations[4]	**350.3**	**368.9**	**(5.0)%**

1 See glossary in section 22 for definitions of financial terms and references used in the financial and business review.

2 Following the reduction in the Group's investment in Origin during March 2015, the Group's proportion of Origin's results have been presented separately as discontinued operations.

3 See bridge from underlying net profit to reported net profit, as included on page 24.

4 The 31 July 2016 weighted average number of ordinary shares used to calculate underlying earnings per share is 88,929,096 (2015: 89,441,152).

Financial and Business Review (continued)

2 ARYZTA Group – Underlying revenue growth

in EUR million	Europe	North America	Rest of World	Total Group
Group revenue	1,747.1	1,908.1	223.7	3,878.9
Underlying growth	4.0%	(3.1)%	6.2%	0.5%
Acquisitions, net	1.9%	(2.4)%	–	(0.4)%
Currency	0.2%	3.7%	(9.5)%	1.4%
Revenue growth	**6.1%**	**(1.8)%**	**(3.3)%**	**1.5%**

Underlying Volume & Price / Mix Trend

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016
Europe					
Volume %	2.1%	2.7%	3.3%	3.1%	2.8%
Price / Mix %	3.4%	1.1%	0.6%	(0.1)%	1.2%
Underlying growth %	**5.5%**	**3.8%**	**3.9%**	**3.0%**	**4.0%**
North America					
Volume %	(9.4)%	(6.5)%	(4.2)%	(1.2)%	(5.3)%
Price / Mix %	3.8%	4.1%	1.9%	(0.9)%	2.2%
Underlying growth %	**(5.6)%**	**(2.4)%**	**(2.3)%**	**(2.1)%**	**(3.1)%**
Underlying growth excluding contract renewals %	**(1.2)%**	**2.6%**	**4.7%**	**2.9%**	**2.2%**
Rest of World					
Volume %	(3.7)%	(0.8)%	3.7%	0.1%	(0.2)%
Price / Mix %	5.9%	6.5%	3.8%	9.3%	6.4%
Underlying growth %	**2.2%**	**5.7%**	**7.5%**	**9.4%**	**6.2%**
Total Group					
Volume %	(4.0)%	(2.1)%	(0.3)%	0.8%	(1.5)%
Price / Mix %	3.6%	2.9%	1.2%	0.0%	2.0%
Underlying growth %	**(0.4)%**	**0.8%**	**0.9%**	**0.8%**	**0.5%**
Underlying growth excluding contract renewals %	**2.4%**	**3.4%**	**4.4%**	**3.4%**	**3.4%**

Financial and Business Review (continued)

3 ARYZTA Group – Segmental EBITA

in EUR `000	July 2016	July 2015	% Change	EBITA Margin 2016	EBITA Margin 2015	% Change
Europe	215,777	212,031	1.8%	12.4%	12.9%	(50) bps
North America	243,292	275,108	(11.6)%	12.8%	14.2%	(140) bps
Rest of World	25,798	26,826	(3.8)%	11.5%	11.6%	(10) bps
Total Group EBITA	**484,867**	**513,965**	**(5.7)%**	**12.5%**	**13.5%**	**(100) bps**

4 Our business

ARYZTA's business is speciality food, with a primary focus on speciality baking, a niche segment of the overall bakery market. Speciality bakery consists of freshly prepared food, giving the best value, variety, taste and convenience to consumers at the point of sale. ARYZTA's customer channels consist of a mix of large retail, convenience and independent retail, Quick Serve Restaurants ('QSR') and other foodservice categories.

Total revenue from continuing operations increased by 1.5% to €3.9bn during the year ended 31 July 2016, mainly due to a favourable currency impact of 1.4%, primarily related to the strengthening of the US Dollar.

Overall underlying revenues increased during the year by 0.5%, reflecting strong underlying growth in Europe of 4.0%, offset by a (3.1)% decline in underlying revenues in North America, due entirely to the impact of long-term contract renewals. Excluding the impact of these long-term contract renewals, underlying revenue growth for the Group would have been 3.4%.

Group EBITA from continuing operations decreased (5.7)% to €484.9m and Group EBITA margins declined by (100) bps to 12.5%. Approximately half of this EBITA margin decline relates to increased investments in marketing of the Group's brands, including La Brea Bakery, Otis Spunkmeyer, Cuisine de France, Hiestand and Fornetti, in order to drive future sales of these higher margin consumer-facing sales. The remainder of the decline primarily relates to the production inefficiencies and negative operating leverage caused by the volume reductions resulting from the North American long-term contract renewals.

As previously indicated, all long-term contracts have now been signed, which significantly increases revenue stability going forward.

5 ARYZTA Europe

ARYZTA Europe has leading market positions in the speciality bakery markets in Germany, Switzerland, France, Ireland, the UK, the Netherlands, Hungary, Poland, Denmark, Spain, Sweden, Romania, Czechia and other European countries. ARYZTA Europe's business continues to benefit from growth in In-Store Bakery, driven primarily by growth in the discounter channel, and is well positioned for improved performance.

ARYZTA Europe performed strongly during the year, with revenue growth of 6.1% to €1,747.1m, of which underlying revenue increased by 4.0%. In addition, acquisitions, net of disposals, contributed 1.9% and there was also a favourable currency impact of 0.2%.

Financial and Business Review (continued)

Europe EBITA increased by 1.8% to €215.8m and EBITA margins decreased by (50) bps to 12.4%.

The multi-year investment in additional bakery capacity in Germany was substantially completed during the year, enabling the consolidation of older less efficient capacity into a single highly-automated site by year-end. However, the level of change required during this transition period impacted production efficiencies and new product development, leading to reduced underlying revenue growth and operating leverage during Q4.

There was a good recovery in the ARYZTA Food Solutions businesses in Ireland and the UK during the year. The business performance in France suffered from a significant reduction in tourism, especially in Paris, due to heightened security concerns. In Switzerland, the strong Swiss franc continues to impact pricing strategies, in order to preserve market competitiveness.

ARYZTA Europe completed the divestment of Fresca in France and the acquisition of La Rousse Foods in Ireland during the year. These transactions reflect the ARYZTA Food Solutions strategy to focus on premium, higher-margin business. The recent European acquisitions of Fornetti and La Rousse performed well during the year, fully delivering their acquisition business plans.

During the year, ARYZTA Europe invested €91.1m in capital expansion, primarily related to extending capabilities and centralising production in Germany.

ARYZTA Europe also incurred €5.0m of non-cash asset write-downs of various manufacturing, distribution and administration assets and €57.1m of cash non-recurring costs, primarily related to severance and staff-related costs incurred as a direct result of bakery consolidation in Germany and de-layering of management functions across the region.

6 ARYZTA North America

ARYZTA North America is a leading player in the speciality bakery markets in the United States and Canada. ARYZTA has three routes to market; outsourced supply chain manufacturing, customer own brand manufacturing and ARYZTA brand manufacturing. ARYZTA's key consumer brands in North America are La Brea Bakery and Otis Spunkmeyer.

ARYZTA North America revenues declined by (1.8)% to €1.9bn. Underlying revenue declined by (3.1)% during the year. The disposal of a non-core, fillings and mixes business resulted in a further decline of (2.4)%, while favourable currency movements supported revenues by 3.7% during the year.

The ARYZTA North America decline in underlying revenues is entirely related to the impact of long-term contract renewals, as highlighted in previous announcements. Excluding the impact of these customers, underlying revenue growth in ARYZTA North America would have been 2.2%, reflecting the success of the innovation driven pipeline of new food items, cross-selling and an overall extension of the customer base.

Financial and Business Review (continued)

ARYZTA North America EBITA declined by (11.6)% to €243.3m, while EBITA margins declined (140) bps to 12.8%. These declines reflect the increased investment in consumer facing brands to support the nationwide roll-out of Otis Spunkmeyer. It also reflects the decreased operating leverage created by the decline in underlying revenues during the period.

During the year, ARYZTA North America invested an additional €39.8m to expand and modernise existing capabilities, primarily in the premium artisan bakery segment.

ARYZTA North America also incurred €9.7m of asset write-downs and €24.5m cash non-recurring costs due to continued optimisation and efficiency programmes.

7 ARYZTA Rest of World

ARYZTA's operations in the Rest of World primarily includes businesses in Brazil, Australia, New Zealand, Japan, Malaysia and Singapore. While accounting for less than 6% of the total Group's business, these locations provide attractive future growth opportunities.

ARYZTA Rest of World revenues declined by (3.3)% to €223.7m, entirely due to unfavourable currency movements of (9.5)%, primarily from the weakening of the Brazilian Real. Underlying revenue growth across the region was strong at 6.2%, driven by improved product mix and customer channel diversification.

ARYZTA Rest of World EBITA declined by (3.8)% to €25.8m, entirely due to unfavourable currency movements. Local currency EBITA grew relatively in-line with revenues, as EBITA margins declined by only (10) bps to 11.5%.

8 Joint ventures

During August 2015, the Group invested €450.7m in a 49% interest in Picard, which operates an asset-light business-to-consumer platform, focused on premium speciality food. Picard is located primarily in France, but also has some international franchises.

While the Group retains the right to exercise a call option to acquire the remaining outstanding interest in Picard between FY 2019 and FY 2021, Picard remains separately managed and has separately funded debt structures, which are non-recourse to ARYZTA.

As ARYZTA is entitled to jointly approve key business decisions, including approval of proposed members of Picard management and the annual operating budget, the Group's interest in Picard has been presented as a joint venture.

Financial and Business Review (continued)

During January 2015, the Group exchanged assets with a fair value of GBP 24.0m (€30.6m) for a 50% interest in Signature Flatbreads, a pioneering flatbread producer in the UK and India, producing an innovative range of authentic Indian breads, as well as high quality international flatbreads, tortillas, pizza bases and pitas.

As ARYZTA is entitled to jointly approve key business decisions, the Group's interest in Signature Flatbreads has been presented as a joint venture.

These joint venture investments, totalling €491.4m as of 31 July 2016, are financed entirely through the hybrid funding perpetual instruments, totalling €793.5m as of 31 July 2016.

Joint ventures had combined revenues of €1,403m during the ARYZTA year ended 31 July 2016 and delivered an underlying contribution to ARYZTA, after interest and tax, of €15.7m. Both joint ventures performed well, growing revenues and margins, while generating strong internal cash flows.

ARYZTA's share of Picard net profit was €13.6m reflecting 11 months of contributions. Pro forma 12 month revenue growth to July 2016 was 0.7% to €1.4 billion, while pro forma 12 month EBITDA growth to July 2016 was 6.3% to €198.8m. Picard incurred an effective tax rate of 60%, which significantly reduced its net profit contribution. Picard generated €40.5m of free cash during the period.

ARYZTA's share of Signature Flatbreads net profit was €2.1m. Following a successful refinancing, Signature repaid €21.5m of its outstanding vendor loan note to ARYZTA, during the year.

in EUR '000	Picard 2016	Signature 2016	**Total July 2016**	Total July 2015
Revenue	1,287,900	115,087	**1,402,987**	55,502
EBITDA	186,743	11,108	**197,851**	(27)
Depreciation	(27,405)	(4,805)	**(32,210)**	(2,227)
EBITA	159,338	6,303	**165,641**	(2,254)
EBITA margin	12.4%	5.5%	**11.8%**	(4.1)%
Finance costs, net	(88,746)	(1,169)	**(89,915)**	(444)
Pre-tax profits/(losses)	70,592	5,134	**75,726**	(2,698)
Income tax	(42,592)	(1,024)	**(43,616)**	278
Joint venture underlying net profit/(loss)	28,000	4,110	**32,110**	(2,420)
ARYZTA's share of underlying net profit	**13,627**	**2,055**	**15,682**	(1,210)

Financial and Business Review (continued)

9 Net acquisition, disposal and restructuring-related costs

During the year ended 31 July 2016, the Group incurred the following amounts related to integration, rationalisation and restructuring:

in EUR `000	Non-cash 2016	Cash 2016	Total 2016	Total 2015
Net gain/(loss) on disposal of businesses	993	–	**993**	(45,685)
Asset write-downs	(14,787)	–	**(14,787)**	(146,289)
Acquisition-related costs	–	(2,330)	**(2,330)**	(9,982)
Severance and other staff-related costs	–	(65,447)	**(65,447)**	(48,642)
Contractual obligations	–	(6,738)	**(6,738)**	(2,087)
Advisory and other costs	–	(8,805)	**(8,805)**	(27,265)
Net acquisition, disposal and restructuring-related costs	**(13,794)**	**(83,320)**	**(97,114)**	**(279,950)**

Continuing operations – non-cash

During the year ended 31 July 2016, the Group disposed of two businesses, which historically generated approximately €100,000,000 in annual revenues. As the €42,060,000 proceeds received, net of associated transaction costs, exceeded the €41,067,000 carrying value of the net assets disposed, a net gain on disposal of €993,000 has been reflected in the financial statements.

The Group incurred €14,787,000 (2015: €146,289,000) of asset write-downs during the year, primarily related to the write-down of various distribution, manufacturing and administration assets within the ARYZTA Europe and ARYZTA North America segments. These write-downs arose as a result of the closure or reduction in activities in these locations and are the direct result of the Group's recent integration and rationalisation programme investments, which have replaced obsolete assets, optimised the distribution network and streamlined administrative functions.

Continuing operations – cash

The Group also incurred €83,320,000 (2015: €87,976,000) of costs, primarily related to severance and other staff-related costs incurred as a result of the asset closures above, de-layering of management and administrative functions, and further costs associated with the continued integration of acquired businesses into the Group's bakery and distribution network.

As these non-cash gains and losses are added back to net assets, and the cash costs are deducted from EBITA, when calculating ROIC for management compensation purposes, these items had no impact on management compensation during the year ended 31 July 2016.

The Group expects these net acquisition, disposal and restructuring-related costs to decrease significantly going forward, compared to recent periods of the multi-year restructuring programme that was aimed at integrating over 30 separately acquired autonomous business units, replacing obsolete assets, optimising the distribution network and streamlining administrative functions.

Financial and Business Review (continued)

10 Discontinued operations – Origin

During March 2015, ARYZTA announced the completion of its offering of 49 million ordinary shares of Origin for €8.25 per share, which raised net proceeds for ARYZTA of €398,108,000. At the time of the placing, the deemed fair value of the Group's remaining 29.0% interest in Origin was also valued at €8.25 per share, resulting in a value of €299,329,000. As the total deemed consideration exceeded the Group's €145,678,000 share of the disposed net assets and cash balances of Origin, the Group recognised a gain on disposal of discontinued operations of €551,759,000.

Following the March 2015 placing, the Group's remaining 29.0% interest in Origin was determined to be an associate held-for-sale, recorded at fair value, less costs to sell. Based on the unadjusted quoted price of €7.62 as of 31 July 2015 less estimated costs to sell, a fair value adjustment of €28,459,000 was recorded during the prior year to reduce the carrying value to €270,870,000 as of 31 July 2015, resulting in a total net gain in relation to the disposal of Origin of €523,300,000 during the year ended 31 July 2015.

in EUR '000	**July 2015**
Cash received, net of transaction costs	398,108
Net cash disposed	(25,133)
Cash received, net of cash disposed	372,975
Fair value of retained 29% interest	299,329
Total consideration	672,304
ARYZTA's share of Origin net assets disposed	(120,545)
Gain on disposal of discontinued operations	551,759
Fair value adjustment to associate held-for-sale	(28,459)
Net gain on disposal of discontinued operations	**523,300**

During September 2015, ARYZTA announced the completion of its offering of its remaining 36.3 million ordinary shares of Origin for €6.30 per share, which raised net proceeds for ARYZTA of €225,101,000. As the fair value of the 29.0% investment in associate held-for-sale at 31 July 2015 was €270,870,000, this resulted in a net loss on disposal in the current year of €45,769,000. This divestment simplifies the reporting structure and transforms ARYZTA into a business fully focused on speciality food.

in EUR `000	**July 2016**
Underlying contribution associate held-for-sale	48
Cash received, net of transaction costs	225,101
Carrying value of 29% interest disposed	(270,870)
Net loss on disposal of associate held-for-sale	**(45,721)**

Financial and Business Review (continued)

As Origin previously represented a significant component and a separately reported segment of the Group, Origin's results have been separately presented as discontinued operations, in both the current and prior years, as shown below:

in EUR `000	July 2016	July 2015
Revenue	194,721	1,458,098
EBITA	146	78,895
EBITA margin	0.1%	5.4%
Associates and JV, net of tax	881	14,076
EBITA incl. associates and JV	1,027	92,971
Finance cost, net	(1,015)	(4,810)
Pre-tax profits	12	88,161
Income tax	154	(12,690)
Total underlying net profit	166	75,471
Non-ARYZTA portion of discontinued operations	(118)	(45,736)
Underlying contribution associate held-for-sale	(48)	–
Underlying net profit – discontinued operations	**–**	**29,735**

11 Cash generation

in EUR `000	July 2016	July 2015
EBIT	308,626	345,943
Amortisation	176,241	168,022
EBITA	484,867	513,965
Depreciation	124,773	124,306
EBITDA	609,640	638,271
Working capital movement	40,586	(63,319)
Working capital movement from debtor securitisation[1]	54,258	104,077
Maintenance capital expenditure	(80,004)	(80,725)
Segmental operating free cash generation	**624,480**	**598,304**
Investment capital expenditure[2]	(132,901)	(329,412)
Acquisition and restructuring-related cash flows	(81,702)	(101,266)
Segmental operating free cash generation, after investment capital expenditure and integration costs	**409,877**	**167,626**
Dividends received from Origin	–	17,056
Hybrid dividend	(31,788)	(39,107)
Interest and income tax	(113,972)	(117,947)
Other[3]	2,615	(6,200)
Cash flow generated from activities	**266,732**	**21,428**

1 Total debtor balances securitised as of 31 July 2016 is €208m.

2 Includes expenditure on intangible assets.

3 Other cash generated from activities comprises primarily cash received from government grants, net of related amortisation.

Financial and Business Review (continued)

12 Net debt and investment activity

in EUR `000	FY 2016	FY 2015
Group opening net debt as at 1 August	**(1,725,103)**	**(1,642,079)**
Cash flow generated from activities	266,732	21,428
Disposal of businesses, net of cash and finance leases	42,060	22,728
Proceeds from disposal of Origin, net of cash disposed	225,101	398,108
Investment in joint venture	(450,732)	–
Net debt cost of acquisitions	(26,917)	(149,822)
Collection of receivables from joint ventures	21,509	–
Contingent consideration paid	(46,916)	(9,240)
Hybrid instrument proceeds	–	69,334
Dividends paid	(57,313)	(69,364)
Foreign exchange movement[1]	36,038	(363,792)
Other[2]	(4,076)	(2,404)
Group closing net debt as at 31 July	**(1,719,617)**	**(1,725,103)**

1 Foreign exchange movement for the year ended 31 July 2016 primarily attributable to the fluctuation in the GBP to euro rate from July 2015 (0.7091) to July 2016 (0.8399). Foreign exchange movement for the year ended 31 July 2015 is primarily attributable to the fluctuation in the US Dollar to euro rate from July 2014 (1.3430) to July 2015 (1.1109) and in the Swiss Franc to euro rate from July 2014 (1.2169) to July 2015 (1.0635).

2 Other comprises primarily amortisation of upfront financing costs.

As of 31 July 2016, the Group's financing facilities, related capitalised upfront borrowing costs, finance leases, overdrafts and cash balances outstanding were as follows:

Debt Funding as at 31 July 2016	Principal	Outstanding in EUR '000
Syndicated Bank Loan	EUR 100m	(100,000)
Syndicated Bank Loan	USD 550m	(492,744)
Syndicated Bank Loan	CAD 80m	(54,936)
Syndicated Bank Loan	GBP 80m	(95,247)
Syndicated Bank Loan	CHF 270m	(248,740)
Private Placements	USD 1,300m	(1,164,666)
Private Placements	EUR 50m	(50,000)
Gross term debt		**(2,206,333)**
Upfront borrowing costs		20,020
Term debt, net of upfront borrowing costs		**(2,186,313)**
Finance leases		(2,277)
Cash and cash equivalents, net of overdrafts		468,973
Net debt		**(1,719,617)**

As of 31 July 2016, the Group's interest cover including hybrid interest was 4.50x (2015: 5.76x). The weighted average maturity of the Group gross term debt was 4.39 years (2015: 4.98 years). The weighted average interest cost of Group debt financing facilities (including overdrafts) is 4.49% (2015: 3.84%).

ARYZTA intends to maintain an investment grade position in the range of 2x – 3x Net debt: EBITDA on its syndicated bank loan. The Group's key financial ratio is as follows:

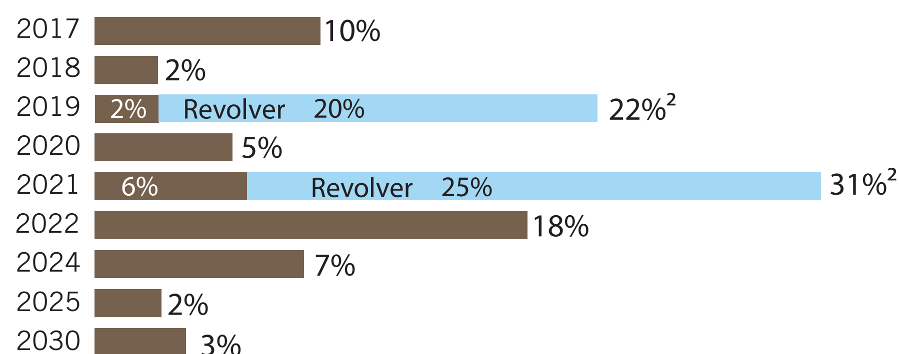
	July 2016	July 2015
Net Debt: EBITDA[1] (syndicated bank loan)	2.90x	2.54x

1 Calculated based on the terms of the Group Syndicated Bank Loan Revolving Credit Facility.

Financial and Business Review (continued)

Gross Term Debt Maturity Profile[1]

Financial Year



1 The term debt maturity profile is set out as at 31 July 2016. Gross term debt at 31 July 2016 is €2,206.3m. Net debt at 31 July 2016 is €1,719.6m, which also includes overdrafts and finance leases, and is net of cash and related capitalised upfront borrowing costs.

2 Incorporating the drawn amount on the Revolving Credit Facility of €991.7 m as at 31 July 2016, which represents 45 % of the gross term debt.

13 Hybrid funding

Perpetual Callable Subordinated Instruments as at 31 July 2016		
Hybrid Funding – first call date April 2018	CHF 400m	(319,442)
Hybrid Funding – first call date March 2019	EUR 250m	(245,335)
Hybrid Funding – first call date April 2020	CHF 190m	(155,679)
Hybrid funding at historical cost, net of associated costs		**(720,456)**
Hybrid funding fair value adjustment to year-end exchange rates		(73,087)
Hybrid funding at 31 July 2016 exchange rates		**(793,543)**

14 Foreign currency

The principal euro foreign exchange currency rates used by the Group for the preparation of these Financial Statements are as follows:

Currency	Average 2016	Average 2015	% Change	Closing 2016	Closing 2015	% Change
CHF	1.0905	1.1191	2.5%	1.0855	1.0635	(2.1)%
USD	1.1106	1.1799	5.9%	1.1162	1.1109	(0.5)%
CAD	1.4748	1.4009	(5.3)%	1.4562	1.4446	(0.8)%
GBP	0.7602	0.7547	(0.7)%	0.8399	0.7091	(18.4)%

Financial and Business Review (continued)

15 ARYZTA Group Return on invested capital

in EUR million	Europe	North America	Rest of World	Total Group
2016				
Group share net assets[1]	1,903	2,488	198	4,589
EBITA[1]	215	243	26	484
ROIC	11.3%	9.8%	13.0%	10.5%
2015				
Group share net assets[1]	1,963	2,602	204	4,769
EBITA[1]	220	275	27	522
ROIC	11.2%	10.6%	13.2%	10.9%

1 See glossary in section 22 for definitions of financial terms and references used.

2 Group WACC on a pre-tax basis is currently 8.0% (2015: 7.4%).

16 Net assets, goodwill and intangibles

Group Balance Sheet in EUR `000	Total Group 2016	Total Group 2015
Property, plant and equipment	1,594,885	1,543,263
Investment properties	24,787	25,916
Goodwill and intangible assets	3,617,194	3,797,269
Deferred tax on acquired intangibles	(210,635)	(246,116)
Working capital	(361,307)	(218,669)
Other segmental liabilities	(76,109)	(132,849)
Segmental net assets	4,588,815	4,768,814
Joint ventures and related receivables	495,402	60,711
Associate held-for-sale	–	270,870
Net debt	(1,719,617)	(1,725,103)
Deferred tax, net	(113,823)	(95,423)
Income tax	(49,118)	(45,813)
Derivative financial instruments	(13,888)	(12,113)
Net assets	**3,187,771**	**3,221,943**

17 Proposed dividend

At the Annual General Meeting on 13 December 2016, shareholders will be invited to approve a proposed dividend of CHF 0.5731 (€0.5255) per share. If approved, the dividend will be paid to shareholders on 1 February 2017. A dividend of CHF 0.6555 per share was paid during the year, as approved by shareholders at the Annual General Meeting on 8 December 2015.

Financial and Business Review (continued)

18 Subsequent Events

During August 2016, the Group exercised its option to increase its Revolving Credit Facility ('RCF') by CHF 150m, to a total available capacity of CHF 1,550m (€1,428m). As of 31 July 2016 the balance outstanding on this facility was €991.7m.

During August 2016, the Group signed a new €1,000m Term Loan Facility, which matures in February 2018, with similar financial terms as the RCF.

During September 2016, the Group utilised the available capacity of the RCF, Term Loan Facility and existing cash resources to redeem all of its outstanding Private Placements, which totalled €1,215m as of 31 July 2016, for a total redemption cost of €1,410m, including the principal balance, early redemption costs of €169m, accrued interest, associated unamortised borrowing costs and other related fees.

These transactions are expected to result in a significant reduction in the Group's weighted average interest cost.

19 Outlook

During FY17 ARYZTA expects to generate free cash in a range of €225–€275m, excluding Private Placement early redemption costs, and deliver underlying fully diluted EPS in-line with consensus of 358 cent.

20 Principal risks and uncertainties

The Board and senior management have invested significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Board considers the risks and uncertainties disclosed on page 59 to continue to reflect the principal risks and uncertainties of the Group.

21 Forward looking statement

This report contains forward looking statements, which reflect management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

Financial and Business Review (continued)

22 Glossary of financial terms and references

'Joint ventures, net' – presented as profit from joint ventures, net of taxes and interest, before non-ERP amortisation and the impact of associated non-recurring items.

'EBITA' – presented as earnings before interest, taxation, non-ERP related intangible amortisation; before net acquisition, disposal and restructuring-related costs and related tax credits.

'EBITDA' – presented as earnings before interest, taxation, depreciation and amortisation; before net acquisitions, disposal and restructuring-related costs and related tax credits.

'ERP' – Enterprise Resource Planning intangible assets include the Group SAP system.

'Hybrid instrument' – presented as Perpetual Callable Subordinated Instrument in the Financial Statements.

'Segmental Net Assets' – Based on segmental net assets, which excludes joint ventures, all bank debt, cash and cash equivalents and tax balances, with the exception of deferred tax liabilities associated with non-ERP intangible assets, as those deferred tax liabilities represent a notional non-cash tax impact directly linked to segmental intangible assets recorded as part of a business combination, rather than an actual cash tax obligation.

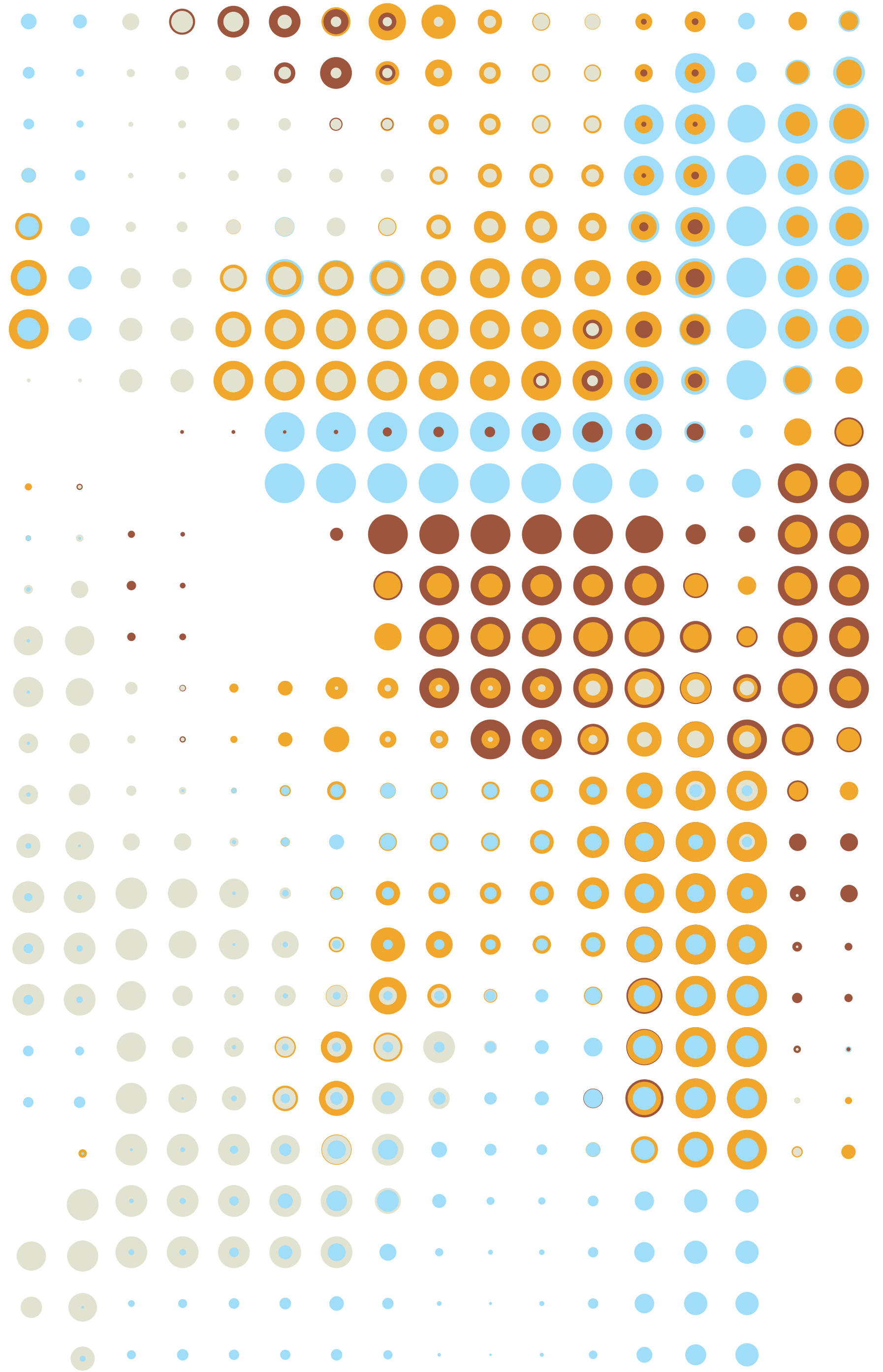
'ROIC' – Return On Invested Capital is calculated on a consistent basis year over year using a pro-forma trailing twelve months segmental EBITA ('TTM EBITA') reflecting the full twelve month contribution from acquisitions and full twelve month deductions from disposals, divided by the respective Segmental Net Assets, as of the end of each respective period.

'Underlying net profit' – presented as reported net profit, adjusted to include the Hybrid instrument accrued dividend as a finance cost; before non-ERP related intangible amortisation; before net acquisition, disposal and restructuring-related costs and before any non-controlling interest allocation of those adjustments, net of related income tax impacts.

The Group utilises the underlying net profit measure to enable comparability of the results from period to period, without the impact of transactions that do not relate to the underlying business. It is also the Group's policy to declare dividends based on underlying fully diluted earnings per share, as this provides a more consistent basis for returning dividends to shareholders.

Bridge to Group Consolidated Income Statement
for the financial year ended 31 July 2016

in EUR `000	ARYZTA Group 2016	ARYZTA Group 2015
Underlying net profit – continuing operations	**311,542**	329,988
Intangible amortisation	**(176,241)**	(168,022)
Tax on amortisation	**36,715**	35,104
Share of joint venture intangible amortisation and restructuring related costs, net of tax	**(3,966)**	(310)
Hybrid instrument accrued dividend	**31,882**	30,673
Net acquisition, disposal and restructuring-related costs	**(97,114)**	(279,950)
Tax on net acquisition, disposal and restructuring-related costs	**9,911**	47,881
Reported net profit/(loss) – continuing operations	**112,729**	(4,636)
Underlying net profit – discontinued operations	**–**	29,735
Underlying contribution associate held-for-sale	**48**	(17,296)
Intangible amortisation, non-recurring and other	**–**	(6,343)
Profit for the year – discontinued operations	**48**	6,096
(Loss)/gain on disposal of discontinued operations	**(45,769)**	523,300
Reported net profit – discontinued operations	**(45,721)**	529,396
Reported net profit attributable to equity shareholders	**67,008**	524,760



Annual Report and Accounts 2016

Corporate Governance Report

Preliminary remarks

ARYZTA is committed to best practice in corporate governance.

The primary corporate governance instruments adopted by ARYZTA (namely the Articles of Association, Organisational Regulations and Terms of Reference for the Committees of the Board) are available on the Company website at www.aryzta.com/about-aryzta/corporate-governance. While recognising the importance of these formal instruments, good corporate governance requires a commitment to, and the practice of, values that guide the Group in serving the needs of its stakeholders, be they shareholders, customers, consumers, suppliers, employees and other interested parties.

ARYZTA Board

ARYZTA is committed to continually reviewing its corporate governance framework with a view to related developments.

The Board's policy is that, excluding the Chairman, a majority of its membership shall consist of independent non-executive directors, as determined in accordance with the Swiss Code of Best Practice for Corporate Governance.

At the ARYZTA 2015 Annual General Meeting ('AGM'), one new independent non-executive director, Dan Flinter, was appointed by the shareholders, two executive directors, Patrick McEniff and John Yamin, retired from the Board without seeking re-election, as did non-executive director, Brian Davy. Accordingly, since 8 December 2015, the Board has comprised the Chairman, the Chief Executive Officer and six non-executive directors each of whom is considered by the Board to be independent in character and judgement.

The Group utilises leading international search firms to advise and assist the Board in its on-going renewal programme. The aim of this programme is to ensure that ARYZTA is served by a Board whose members possess the right mix of skills, experience and talent, and who share ARYZTA's values.

This year, the Board retained an independent professional services firm to undertake a strategic board competencies review. The purpose of the review was to consider the composition of the Board in the light of the strategic and operational agenda facing ARYZTA over the medium term, identifying critical experiences and capabilities. This work was particularly significant this year, having regard to the 30 October 2015 announcement by the Chairman, Denis Lucey, that a new candidate would be proposed by the Board at the 2016 AGM and that Mr. Lucey would retire as Chairman at that time.

In financial year 2016, the Board established a new Governance and Nomination Committee. This new committee managed the engagement with the independent professional services firm, undertaking the strategic board competencies review. In addition, the committee oversaw the adoption of updated (a) Organizational Regulations for the Board and (b) Terms of references for (i) the Audit Committee (ii) Remuneration Committee and (iii) Governance and Nomination Committee, all of which are published on the ARYZTA website.

Corporate Governance Report (continued)

In addition, the Governance and Nomination Committee oversaw the adoption by ARYZTA of a revised Code of Practice for Director's Dealings in Company Securities and Person's Discharging Managerial Responsibilities (PDMRs). These instruments reflect the impact of regulatory changes on ARYZTA and governance best practice developments, including requiring pre-clearance and reporting of any future securities pledges by Directors or PDMRs.

By virtue of the Swiss Ordinance against Excessive Compensation at Listed Companies (the 'Ordinance'), since the ARYZTA 2014 AGM, the General Meeting has the following non-transferable powers:

- Annual election of all directors
- Election of the Chairman of the Board
- Election of the members of the Remuneration Committee
- Election of the independent proxy

Additionally, since the ARYZTA 2015 AGM, the General Meeting votes on the compensation of the Board and Executive Management on a prospective basis.

Compensation Report

At the 2015 Annual General Meeting, the shareholders ratified the 2015 Compensation Report through a separate advisory vote, and in line with the Ordinance, shareholders approved the maximum aggregate amount of remuneration of the Board of Directors (for the period up to the 2016 AGM) and Executive Management (for the financial year ending 31 July 2017).

ARYZTA Corporate Governance Report format

The ARYZTA Corporate Governance Report follows the SIX Swiss Exchange Directive on Information Relating to Corporate Governance and takes into account the Swiss Code of Best Practice for Corporate Governance.

The ARYZTA Group consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') and the requirements of Swiss law. The ARYZTA AG Company financial statements are prepared in accordance with the requirements of Swiss Law and the Company's Articles of Association. Where necessary, the financial statement disclosures have been extended to comply with the requirements of the SIX Swiss Exchange Directive on Information Relating to Corporate Governance.

In this report, the terms 'ARYZTA' and the 'Company' refer to ARYZTA AG, whereas the 'Group' and the 'ARYZTA Group' refer to ARYZTA AG and its subsidiaries. The 'Board' refers to the Board of Directors of the Company.

To avoid duplication in some sections, cross-references are made to the 2016 Financial Statements (comprising the Group consolidated financial statements and Company financial statements of ARYZTA AG), as well as to the Articles of Association of ARYZTA AG (available on the Company website at www.aryzta.com/about-aryzta/corporate-governance).

Corporate Governance Report (continued)

1 Group structure and shareholders

1.1 Group structure

The Group is structured conventionally. The ARYZTA General Meeting is the supreme corporate body and the Board is accountable and reports to the shareholders, by whom it is elected. The Board, while entrusted with the ultimate direction of ARYZTA, as well as the supervision and control of management, has delegated responsibility for the day-to-day management of the Group, to the extent allowed under Swiss law, through the Chief Executive Officer ('CEO'), to Executive Management. The Group's management and organisational structure corresponds to its segmental reporting lines: ARYZTA Europe, ARYZTA North America and ARYZTA Rest of World.

Each segment's management team is responsible for the day-to-day activities of their segment and reports to Executive Management, which in turn reports through the CEO to the Board.

1.1.1 Listed companies of the ARYZTA Group

ARYZTA AG

Name and domicile:	ARYZTA AG, 8001 Zurich, Switzerland
Primary listing:	SIX Swiss Exchange, Zurich, Switzerland
Swiss Security number:	4 323 836
ISIN:	CH0043238366
Cedel / Euroclear common code:	037252298
Secondary listing:	ISE Irish Exchange, Dublin, Ireland
SEDOL Code:	B39VJ74
Swiss Stock Exchange symbol:	ARYN
Irish Stock Exchange symbol:	YZA

Stock market capitalisation as of 31 July 2016:
CHF 3,235,248,309 or €3,027,109,563 based on 88,758,527 registered shares outstanding (i.e. disregarding 3,052,007 treasury shares) and closing prices of CHF 36.45 or €34.105 per share.

Stock market capitalisation as of 31 July 2015:
CHF 4,355,380,920 or €4,127,271,505 based on 88,758,527 registered shares outstanding (i.e. disregarding 3,052,007 treasury shares) and closing prices of CHF 49.07 or €46.50 per share.

1.1.2 Non-listed companies of the ARYZTA Group

Details of the significant subsidiaries and associated companies of ARYZTA (being their company names, domicile, share capital, and the Company's participation therein) are set out in note 35 of the 2016 ARYZTA Group consolidated financial statements on page 142.

Corporate Governance Report (continued)

1.2 Significant shareholders

As at 31 July 2016, the Company has been notified of the following shareholdings or voting rights, which amount to 3% or more of the Company's issued ordinary share capital:

	Number of shares 2016	**Number of shares % 2016**	Number of shares 2015	Number of shares % 2015
Causeway Capital Management LLC	**6,881,741**	**7.50%**	–	–
MassMutual	**5,597,654**	**6.10%**	5,450,713	5.94%
BlackRock Inc.	**4,531,319**	**4.94%**	4,874,919	5.31%
ARYZTA Treasury shares	**3,052,007**	**3.32%**	3,052,007	3.32%
Norges Bank	**2,858,242**	**3.11%**	–	–

Any significant shareholder notifications during the year, and since 31 July 2016, are available from the Group's website at:
www.aryzta.com/investor-centre/shareholder-notifications.

1.3 Cross-shareholdings

The ARYZTA Group has no interest in any other company exceeding five percent of voting rights of that other company, where that other company has an interest in the ARYZTA Group exceeding five percent of the voting rights in ARYZTA.

2 Capital structure

2.1 Capital

The registered share capital of the Company, as at 31 July 2016, amounts to CHF 1,836,210.68 and is divided into 91,810,534 registered shares with a par value of CHF 0.02 per share. The share capital is fully paid-up.

2.2 Authorised and conditional capital

ARYZTA has no conditional share capital.

Pursuant to Article 5 of the Articles of Association (governing Authorised Share Capital for General Purposes), the amount by which the share capital of the Company may be increased for general purposes may not exceed CHF 183,621.06 (through the issue of up to 9,181,053 registered shares). Authority for this purpose expires on 7 December 2017.

The Board has the power to determine the issue price, the period of entitlement to dividends and the type of consideration or the contribution in kind for such an issue. The Board may withdraw the pre-emptive rights and allocate them to third parties in the event of the use of those shares: (1) for acquisitions, subject to a maximum of 9,181,053 registered shares; (2) to broaden the shareholder constituency, subject to a maximum of 4,590,526 registered shares; or (3) or for the purposes of employee participation, subject to a maximum of 3,060,351 registered shares. For further details, refer to Article 5 of the Articles of Association, which is available on the Company website at www.aryzta.com/about-aryzta/corporate-governance.

Corporate Governance Report (continued)

2.3 Changes in capital

Trading in ARYZTA shares on the SIX Swiss Exchange and the Irish Stock Exchange commenced in August 2008.

The subsequent changes in share capital, treasury shares and the allocation of treasury shares to awards granted in connection with the ARYZTA Long-Term Incentive Plans (Matching Plan and Option Equivalent Plan) are as follows:

	Nominal value CHF	Shares in issue	Shares outstanding	Treasury shares	Matching Plan Allocation	Option Plan Allocation	Unallocated Treasury shares
Issuance of shares on formation	0.02	78,940,460	78,940,460	–	–	–	–
Issuance of shares to subsidiary	0.02	2,240,000	–	2,240,000	–	–	2,240,000
Treasury share disposal		–	5,641	(5,641)	–	–	(5,641)
Granting of LTIP awards		–	–	–	1,035,000	–	(1,035,000)
As of 31 July 2009		**81,180,460**	**78,946,101**	**2,234,359**	**1,035,000**	**–**	**1,199,359**
Issuance of shares	0.02	3,864,335	3,864,335	–	–	–	–
Forfeitures of LTIP awards		–	–	–	(60,000)	–	60,000
Granting of LTIP awards		–	–	–	–	1,200,000	(1,200,000)
As of 31 July 2010		**85,044,795**	**82,810,436**	**2,234,359**	**975,000**	**1,200,000**	**59,359**
As of 31 July 2011		**85,044,795**	**82,810,436**	**2,234,359**	**975,000**	**1,200,000**	**59,359**
Vesting of LTIP awards		–	975,000	(975,000)	(975,000)	–	–
Issuance of shares	0.02	2,513,500	–	2,513,500	–	–	2,513,500
Granting of LTIP awards		–	–	–	944,250	1,569,250	(2,513,500)
Forfeitures of LTIP awards		–	–	–	(194,250)	(259,250)	453,500
Issuance of shares	0.02	4,252,239	4,252,239	–	–	–	–
As of 31 July 2012		**91,810,534**	**88,037,675**	**3,772,859**	**750,000**	**2,510,000**	**512,859**
Granting of LTIP awards		–	–	–	222,750	222,750	(445,500)
Exercise of LTIP awards		–	81,915	(81,915)	–	(370,000)	288,085
Forfeitures of LTIP awards		–	–	–	(246,750)	(123,250)	370,000
As of 31 July 2013		**91,810,534**	**88,119,590**	**3,690,944**	**726,000**	**2,239,500**	**725,444**
Exercise of LTIP awards		–	55,182	(55,182)	–	(115,000)	59,818
Forfeitures of LTIP awards		–	–	–	(3,000)	(29,000)	32,000
As of 31 July 2014		**91,810,534**	**88,174,772**	**3,635,762**	**723,000**	**2,095,500**	**817,262**
Vesting of LTIP awards		–	327,052	(327,052)	(327,052)	–	–
Exercise of LTIP awards		–	256,703	(256,703)	–	(501,000)	244,297
Granting of LTIP awards		–	–	–	–	980,000	(980,000)
Forfeitures of LTIP awards		–	–	–	(395,948)	–	395,948
As of 31 July 2015		**91,810,534**	**88,758,527**	**3,052,007**	**–**	**2,574,500**	**477,507**
Granting of LTIP awards		–	–	–	–	2,624,500	(2,624,500)
Forfeitures of LTIP awards		–	–	–	–	(315,500)	315,500
As of 31 July 2016		**91,810,534**	**88,758,527**	**3,052,007**	**–**	**4,883,500**	**(1,831,493)**

Corporate Governance Report (continued)

Of the 91,810,534 registered shares, 88,758,527 are outstanding and 3,052,007 are classified as treasury shares. While the treasury shares are less than the total 4,883,500 Option Plan awards outstanding, treasury shares continue to exceed the 1,589,500 Option Plan Awards vested and eligible for exercise as of 31 July 2016.

2.4 Shares and participation certificates

ARYZTA's capital is composed of registered shares only. As at 31 July 2016, ARYZTA has 91,810,534 fully paid-up, registered shares (including 3,052,007 treasury shares) with a nominal value of CHF 0.02 each. Each share entered in the share register with voting rights entitles the holder to one vote at the General Meeting and all shares have equal dividend rights. ARYZTA has not issued any participation certificates[1].

2.5 Profit-sharing certificates

ARYZTA has not issued any profit-sharing certificates[1].

2.6 Restrictions on transferability and nominee registrations

Article 7 of the Articles of Association deals with the Shareholders' Register and Restrictions on Transferability, and is available on the Company website at www.aryzta.com/about-aryzta/corporate-governance.

2.6.1 Limitations on transferability

Pursuant to Article 7 b) of the Articles of Association, persons acquiring registered shares are, on application, entered in the share register without limitation as shareholders with voting power, provided they comply with the disclosure requirement stipulated by the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) of 24 March 1995 and expressly declare that they have acquired the shares in their own name and for their own account.

2.6.2 Exceptions granted in the year under review

As part of the establishment of ARYZTA, former holders of IAWS Group plc shares and options received ARYZTA registered shares, delivered initially in the form of Capita Depository Interests and since replaced by CREST[2] Depository Interests ('CDIs')[3].

A CDI represents an entitlement to an ARYZTA registered share. CDI holders are not the legal owners of the shares represented by the CDIs. They are not in a position to directly enforce or exercise rights like a shareholder. However, CDI holders do maintain an interest in the shares represented by the CDIs.

To facilitate voting by CDI holders, the Company has entered arrangements with Euroclear UK and Ireland to enable, by way of exception, registration of CREST International Nominees Limited ('CREST') in the share register as nominee with voting rights for the number of registered shares corresponding to the number of CDIs on the CDI register. There were no other exceptions to the provisions of section 2.6.1 above granted in the year under review.

1 Participation and profit-sharing certificates are instruments which have similar features to shares, but may differ with regard to their entitlement to dividend payments, voting rights, preferential rights to company assets or other similar rights.

2 The CREST system, operated by Euroclear UK and Ireland, is the system for the holding and settlement of transactions in uncertificated (UK, Irish and Channel Island) securities.

3 ARYZTA shares are held in trust by Euroclear UK and Ireland for the benefit of CREST members who have been issued with dematerialised interests representing entitlements to ARYZTA registered shares in the form of CDIs.

Corporate Governance Report (continued)

CDI holders who wish to be in a position to directly enforce or exercise their rights must have their interests entered in the share register in accordance with Article 7 of the Articles of Association and effectively hold their shares through a member of the Swiss SIS Settlement System.

2.6.3 Admissibility of nominee registrations

Pursuant to Article 7 c) of the Articles of Association, nominee shareholders are entered in the share register with voting rights without further inquiry up to a maximum of 1.5% of the outstanding share capital available at the time. Above this 1.5% limit, registered shares held by nominees are entered in the share register with voting rights only if the nominee in question (at the application for registration or thereafter upon request by the Company) discloses the names, addresses and shareholdings of the persons for whose account the nominee holds 0.3% or more of the outstanding share capital available at that time, and provided that the disclosure requirement stipulated by the Stock Exchange Act is complied with. The Board has the right to conclude agreements with nominees concerning their disclosure requirements.

Pursuant to Article 7 d) of the Articles of Association, the limit of registration in Article 7 c) of the Articles of Association described above also applies to the subscription for, or acquisition of, registered shares by exercising option or convertible rights arising from registered or bearer securities issued by the Company, as well as by means of purchasing pre-emptive rights arising from either registered or bearer shares.

Pursuant to Article 7 e) of the Articles of Association, legal entities, or partnerships, or other associations or joint ownership arrangements, which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships that act in concert with intent to evade the entry restriction, are considered as one shareholder or nominee.

2.6.4 Procedure and conditions for cancelling statutory privileges

Pursuant to Article 7 f) of the Articles of Association, the Company may in special cases approve exceptions to the regulations described in section 2.6.3 above. After due consultation with the person concerned, the Company is further authorised to delete entries in the share register as a shareholder with voting rights, with retroactive effect, if they were effected on the basis of false information, or if the respective person does not provide the information pursuant to Article 7 c) described in section 2.6.3 above.

2.7 Convertible bonds, warrants and options

As of 31 July 2016, ARYZTA has not issued any convertible bonds or warrants.

As of 31 July 2016, a total of 4,883,500 Option Equivalent Plan awards granted to executives and senior management remain outstanding, subject to fulfilment of predefined vesting conditions in connection with the ARYZTA Long Term Incentive Plan.

Please refer to the Compensation Report on pages 49 to 56 of this Annual Report for further information pertaining to the vesting of Long Term Incentive Plan awards granted as an element of Executive Management compensation.

Corporate Governance Report (continued)

3 Board of Directors

3.1 Members of the Board of Directors

At 31 July 2016, the Board of ARYZTA consists of one executive director and seven non-executive directors, each of whom is considered by the Board to be independent in character and judgement. Moreover, none of the non-executive directors are party to relationships or circumstances with ARYZTA which, in the Board of Directors' opinion, are likely to affect their judgement. All interests linked to each individual director in this section correspond to the nationality of that director, unless otherwise stated.

Denis Lucey (1937, Irish)
Chairman (since August 2008), and non-executive member
Diploma in Dairy Science from University College Cork
Denis Lucey has a background in the agricultural co-operative movement in Ireland. In 1982, he was appointed Chief Executive Officer of Mitchelstown Co-Operative Agricultural Society Limited, a position he held until the merger of that co-operative with the Ballyclough Co-Operative Creamery Limited in 1990 and the formation of Dairygold Co-Operative Society Limited. He served as Chief Executive Officer of Dairygold Co-Operative Society Limited until March 2003. He joined the Board of IAWS Group plc as a non-executive director in September 2000, and was elected Chairman of the Board in 2005. He has served as Chairman of ARYZTA since its admission to trading on the SIX Swiss Exchange and the Irish Stock Exchange in August of 2008.

Charles Adair (1951, American)
Non-executive member
Bachelor of Arts in Biology from North Park College and a Master of Science from Michigan State University in Resource Economics
Charles Adair was Vice-Chairman of BMO Capital Markets, a full-service investment bank headquartered in Toronto, Canada, until his retirement in 2016. He began his career in the agricultural commodity trading and transportation industries in the U.S. and joined BMO Capital Markets in 1984 in Chicago. He was a leader in the formation of BMO's initial U.S. investment banking effort, as one of the senior members of the Chicago investment banking platform in 1995. In addition, he started BMO's Food & Agribusiness Mergers & Acquisitions practice from Chicago. He has over 36 years of experience in the food and agribusiness industries. He became a member of the ARYZTA Board of Directors in December 2010.

Corporate Governance Report (continued)

Dan Flinter (1950, Irish)
Non-executive member
MA in Economics from University College Dublin, Ireland
Dan Flinter is a former CEO of Enterprise Ireland and a former Executive Director of IDA Ireland. He is Chairman of the Boards of PM Group Holdings Ltd and The Irish Times Ltd. He is a board member of Dairygold Co-Operative Society, where he chairs the Remuneration Committee. He is Chairman of the Board of VCIM and the Centre for Effective Services and a member of the Board of the Institute of Directors, Ireland. He is also a former Chairman of the Governing Authority of Maynooth University. He became a member of the ARYZTA Board of Directors in December 2015.

Annette Flynn (1966, Irish)
Non-executive member
Bachelor of Commerce from University College Cork, Ireland, Fellow of Chartered Certified Accountants; Chartered Director
Annette Flynn has held various senior roles in UDG Healthcare plc, including Managing Director of the Packaging & Specialty division and Head of Group Strategy. Prior to joining UDG Healthcare, Annette held senior positions with Kerry Group plc working in their Irish, UK and US operations. She is a non-executive director of Canada Life International Assurance (Ireland) DAC, where she chairs the Risk Committee and is also a member of the Audit Committee. She is a board member of Dairygold Co-Operative Society, where she chairs the Audit Committee. She was formerly an executive and, subsequently, non-executive Director of UDG Healthcare plc and a non-executive director of Grafton Group plc. She is a Fellow of Chartered Certified Accountants and a Chartered Director accredited by the Institute of Directors UK. She became a member of the ARYZTA Board of Directors in December 2014.

Shaun B. Higgins (1950, American)
Non-executive member
Bachelor of Business Administration, Public Accounting, Pace University, New York; Advanced Management Program from INSEAD, in addition to executive programs at Harvard, Columbia, Duke and IMD
Shaun B. Higgins has 30 years' experience in the beverage industry and five years in public accounting. He has served in both the Chief Operating Officer and Chief Financial Officer roles. Shaun has held a number of senior level positions in the Coca-Cola system, including President and Chief Operating officer of Coca-Cola Canada, Chief Strategist and Planning Officer and Chief Financial Officer of Coca-Cola Enterprises. Prior to retiring, Shaun was the President of Coca-Cola Enterprises Europe. Before joining the Coca-Cola system, he was the Chief Financial Officer of Joyce Beverages Inc., the largest Seven-Up bottler in the United States. He is a member of the Advisory Board of Carmine Labriola Contracting Corp., and an operating partner of Marvin Traub Associates. He serves as an executive coach to senior level corporate leaders, and is a beverage industry consultant. He is a Certified Public Accountant and a Fellow of the National Association of Corporate Directors. He became a member of the ARYZTA Board of Directors in December 2011.

Corporate Governance Report (continued)

Owen Killian (1953, Irish)
Chief Executive Officer ('CEO') and executive member
Bachelor of Agricultural Science from University College Dublin
Owen Killian is CEO of ARYZTA and has been since its admission to trading in 2008. He was previously CEO of IAWS Group plc since 2003. Prior to this, he held several executive positions within IAWS Group plc, since it was listed in 1988. He also served as the Chairman of the Origin Board of Directors from 2007 to October 2015.

Andrew Morgan (1956, English)
Non-executive member
Bachelor of Arts from the University of Manchester
Andrew Morgan has more than 25 years' experience with Diageo Plc, including, most recently, seven years as President Diageo Europe. Diageo is the world's leading premium drinks business and a FTSE top 10 company. Mr Morgan also spent eight years with the Gillette Company in a number of sales and marketing roles. He has held a succession of marketing, strategy and general management positions with Diageo and has lived in London, Athens, Madrid and Barcelona, as well as managing emerging markets in Latin America, Asia and Africa. He is a member of Council at the University of Leicester and is investing chairman of two start-up companies in the consumer goods sector. He is a former President of AIM, the European Consumer Goods association and served two terms on the Global Advisory Board of British Airways. He became a member of the ARYZTA Board of Directors in December 2013.

Wolfgang Werlé (1948, Swiss and German)
Non-executive member
Wolfgang Werlé has held several positions within the Food and Beverage and Services industries including President and CEO of Gate Gourmet International from 1992 to 1995 and as President and CEO of SAir Relations from 1996 to 2001, both within the Swissair/SAir-Group. From 2001 to 2008, he served as CEO and Delegate of the Board of Hiestand International and from 2007 to 2008 as Chairman of Hiestand Holding AG. He also served as a member of the Board of Directors of ARYZTA from August 2008 to December 2008. He also served on the Board of Schweizerische Post/Swiss Post Services from 2002 to 2010 and as a member of the Board of Directors of Grand Resort Bad Ragaz since 2005 and of Cat Holding AG since 2012. He re-joined the ARYZTA Board of Directors in December 2012.

Corporate Governance Report (continued)

Pat Morrissey (1965, Irish)
Secretary to the Board
Group General Counsel, Company Secretary and Chief Administrative Officer ('CAO')
Bachelor of Civil Law (UCD, NUI); Solicitor, Law Society of Ireland
From 1988 to 1998, Pat Morrissey spent his career with Irish law firm LK Shields, where he was admitted as a partner in 1995. In 2000, he joined IAWS Group plc as General Counsel and was appointed General Counsel and Company Secretary in 2005. He has served as Group General Counsel and Company Secretary of ARYZTA since its establishment and effective August 2013 was appointed CAO of ARYZTA. He also served as Company Secretary of Origin Enterprises from 2007 to October 2015.

Corporate Governance Report (continued)

3.2 Other activities and functions

None of the non-executive members of the Board of Directors has fulfilled any operational management functions for companies of the ARYZTA Group in the three years immediately preceding the period. There were no related-party transactions between the ARYZTA Group and Board members during the year ended 31 July 2016 (2015: none).

During the year ended 31 July 2016, the Group paid broker related fees totalling €686,000 (2015: €2,521,000) to J & E Davy, primarily in connection with its placing of Origin shares. J. Brian Davy, a member of the ARYZTA Board of Directors until December 2015, also served as Chairman of J & E Davy, up to his retirement from that board in March 2015. These fees were based on arm's length negotiations and were consistent with costs paid to other providers for similar services.

3.3 Elections and terms of office

The General Meeting has the competence to appoint and remove the members of the Board. By virtue of the Ordinance, as from the ARYZTA 2014 AGM, all directors are subject to annual election by the General Meeting.

3.4 Internal organizational structure

3.4.1 Allocation of tasks within the Board of Directors

The Board has adopted Organizational Regulations that define the essential roles and responsibilities of the Board, the Chairman, the Committees of the Board and Executive Management. By virtue of the Ordinance, as from the ARYZTA 2014 AGM, the office of Chairman and the members of the Remuneration Committee are subject to annual election by the General Meeting. Membership of the Audit Committee, the Governance and Nomination Committee and the respective Chairs thereof, are determined annually by the Board, following the Annual General Meeting, in accordance with the Organizational Regulations, which are available on the ARYZTA website at www.aryzta.com/about-aryzta/corporate-governance.

3.4.2 Tasks and areas of responsibility for each Committee of the Board of Directors

ARYZTA has an Audit Committee, a Governance and Nomination Committee and a Remuneration Committee. The powers and responsibilities of each Committee are set out in their respective Terms of Reference, as approved by the Board and which are available on the ARYZTA website at www.aryzta.com/about-aryzta/corporate-governance.

Corporate Governance Report (continued)

As of 31 July 2016, these Committees are comprised as follows:

	Governance and Nomination Committee	Audit Committee	Remuneration Committee
Denis Lucey (Chairman)	X		X
Charles Adair			X[1]
Dan Flinter	X[1]		
Annette Flynn		X[1]	
Shaun B. Higgins	X		X
Owen Killian (CEO)			
Andrew Morgan		X	
Wolfgang Werlé		X	

X denotes that the Board Member is on the applicable Committee.

1 denotes the Board Member who chairs the applicable Committee.

Audit Committee

From 1 August 2015 until the Annual General Meeting on 8 December 2015, the Audit Committee was comprised of four non-executive directors, namely Shaun B. Higgins (Chairman), Annette Flynn, Andrew Morgan and Wolfgang Werlé. From 8 December 2015 through to 31 July 2016, the Audit Committee was comprised of three non-executive directors, namely Annette Flynn (Chair), Andrew Morgan and Wolfgang Werlé. Each of these directors is considered by the Board to be independent in judgement and character. In the 2016 financial year, the Audit Committee met five times and the average duration of the meetings was approximately three hours.

The Audit Committee's role includes reviewing the Group consolidated financial statements and Company financial statements, the interim and full-year results and the significant financial reporting judgements contained therein. The Audit Committee also reviews the Group's internal controls, and the scope and effectiveness of the Group's Internal Audit function. The Head of Internal Audit has access to the Audit Committee at all times and they, as well as the CFO/COO, regularly attend meetings of the Audit Committee by invitation.

In financial year 2016, the Audit Committee, operating under its Terms of Reference, discharged its responsibilities by reviewing:

- the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's reports thereon;
- the appropriateness of the Group's accounting policies;
- the audit and non-audit fees payable to the Group's external auditor;
- the external auditor's plan for the audit of the Group's accounts, which included key areas of extended scope work, key risks to the accounts, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit;
- the Group's financial controls and risk systems;
- the Internal Audit function's terms of reference, resources, its work programme and reports on its work during the year; and
- the arrangements by which staff may, in confidence, raise concerns about possible fraud.

Corporate Governance Report (continued)

Nomination and Remuneration Committee
As of 31 July 2015, the Nomination and Remuneration Committee comprised three non-executive directors namely J. Brian Davy (Chairman), the Company Chairman, Denis Lucey and Charles Adair. Each of these directors is considered by the Board to be independent in judgement and character. In financial year 2016, the Nomination and Remuneration Committee met two times and the average duration of the meetings was approximately two hours.

The Nomination and Remuneration Committee was responsible for determining the remuneration of the executive and non-executive members of the Board, for nominating for the approval of the Board and ultimately the shareholders, candidates to fill Board vacancies and for the continuous review of senior management succession plans.

Remuneration Committee
At the 8 December 2015 AGM, the committee was reconstituted. Shareholders elected the new Remuneration Committee, comprising Charles Adair (Chairman), Company Chairman Denis Lucey and Shaun B. Higgins. The newly constituted Remuneration Committee met two times in financial year 2016 and the average duration of the meetings was approximately two hours.

The Remuneration Committee is responsible for determining the remuneration of the members of the Board and the CEO, and for approving the remuneration of other members of senior management, upon the recommendation of the CEO. The Group's remuneration policy for executive and non-executive directors and details of directors' remuneration are contained in the Compensation Report on pages 49 to 56 of this Annual Report, in accordance with the Swiss Code of Obligations and the SIX Directive on Information Relating to Corporate Governance.

Governance and Nomination Committee
The Governance and Nomination Committee was established immediately following the 8 December 2015 AGM. This newly established Governance and Nomination Committee comprised three non-executive directors, namely Dan Flinter (Chairman), Company Chairman Denis Lucey and Shaun B. Higgins. Each of these directors is considered by the Board to be independent in judgement and character. In financial year 2016, the Governance and Nomination Committee met three times and the average duration of the meeting was approximately two hours.

The Governance and Nomination Committee is responsible for nominating for approval of the Board, and ultimately, the shareholders candidates to fill Board vacancies and for the continuous review of senior management succession plans. In addition, the committee is charged with monitoring the Company's compliance with corporate governance best practices and with applicable legal, regulatory and listing requirements and recommending to the Board such changes or actions, as deemed necessary.

3.4.3 Work methods of the Board and its Committees
Five Board meetings were held during the financial year 2016. The average duration of regular Board meetings was approximately five hours. At each meeting, the Chairs of the Committees reported to the Board on their activities, as necessary. Details of the work methods of the Committees are set out in Section 3.4.2.

Corporate Governance Report (continued)

Board of Directors

	Eligible to attend	Attended
Denis Lucey (Chairman)	5	5
Charles Adair	5	5
J. Brian Davy	2	2
Dan Flinter	3	3
Annette Flynn	5	5
Shaun B. Higgins	5	5
Owen Killian	5	5
Patrick McEniff	2	2
Andrew Morgan	5	5
Wolfgang Werlé	5	5
John Yamin	2	1

Audit Committee

	Eligible to attend	Attended
Annette Flynn (Chair, from 8 December 2015)	5	5
Shaun B. Higgins (Chair, until 8 December 2015)	3	3
Andrew Morgan	5	5
Wolfgang Werlé	5	5

Nomination and Remuneration Committee

	Eligible to attend	Attended
Brian J Davy (Chair)	2	2
Charles Adair	2	2
Denis Lucey	2	2

Governance and Nomination Committee

	Eligible to attend	Attended
Dan Flinter (Chair)	3	3
Shaun B. Higgins	3	3
Denis Lucey	3	3

Remuneration Committee

	Eligible to attend	Attended
Charles Adair (Chair)	2	2
Shaun B. Higgins	2	2
Denis Lucey	2	2

3.5 Definition of areas of responsibility

The Board of Directors is the ultimate governing body. It has the power and competencies afforded by Swiss law (art. 716a of the Swiss Code of Obligation (CO)) including in particular:

1) to approve the strategic objectives, annual budget and capital allocations;
2) to appoint and remove executive management; and
3) to act as the ultimate supervisory authority.

Corporate Governance Report (continued)

The following fall within the exclusive competency of the Board of Directors:

- To ultimately direct the Company and issue the necessary directives;
- To determine the organisation;
- To organise the accounting, the internal control system, the financial control and the financial planning system, as well as perform a risk assessment;
- To appoint and remove the persons entrusted with the management and the representation of the Company and to grant signatory power;
- To ultimately supervise the persons entrusted with the management, in particular with respect to compliance with the law and with the Articles of Association, regulations and directives;
- To prepare the business report, as well as the General Meeting and to implement its resolutions;
- To inform the judge in the event of over-indebtedness;
- To pass resolutions regarding the subsequent payment of capital with respect to non-fully paid-up shares;
- To pass resolutions confirming increases in share capital and the amendments to the Articles of Association entailed thereby;
- To examine compliance with the legal requirements regarding the appointment, election and the professional qualifications of the external auditors; and
- To execute the agreements pursuant to art. 12, 36 and 70 of Swiss merger law.

The Board has delegated responsibility for the day-to-day management of the Group, through the CEO, to Executive Management, to the extent allowed by Swiss law.

3.6 Information and control instruments pertaining to Group Executive Management

Group Executive Management report in a regular and structured manner to the Board of Directors. The CEO and CFO/COO report to the Board on a systematic basis. At each Board Meeting, the CEO informs the Board of the status of current business operations, significant developments and major business transactions. Likewise, the CFO/COO reports on financial performance across the Group and key financial figures and parameters. In addition, executives within the Group regularly deliver presentations to the Board. The Board approves the formal Risk Assessment, as well as the design, implementation and maintenance of the Internal Control System.

The ARYZTA Internal Audit function reports directly to the Audit Committee and to the Group General Counsel, Company Secretary and CAO. Internal Audit may audit all Group activities and regularly meets with Group Executive Management. Internal Audit discusses audit plans with the Audit Committee on at least an annual basis, but may discuss them more frequently should circumstances require.

The external auditors, PricewaterhouseCoopers AG (the Auditors of the ARYZTA Group consolidated financial statements and the Company financial statements), conduct their audits in compliance with the auditing standards referenced in their respective opinions.

Corporate Governance Report (continued)

4 Group Executive Management

4.1 Group Executive Management FY 2016 and FY 2015

For financial year 2015, Group Executive Management consisted of Owen Killian (Group CEO), Patrick McEniff (Group CFO/COO), John Yamin (CEO of the Americas) and Pat Morrissey (Group General Counsel, Company Secretary and CAO). For financial year 2016, Group Executive Management comprised the same four individuals, as well as Hilliard Lombard, until his resignation, announced on 26 November 2015 and effective 31 January 2016.

No member of the Group Executive Management holds management contracts for any company outside the ARYZTA Group.

Owen Killian (1953, Irish)
Chief Executive Officer ('CEO') and executive member
Bachelor of Agricultural Science from University College Dublin
Owen Killian is CEO of ARYZTA and has been since its admission to trading in 2008. He was previously CEO of IAWS Group plc since 2003. Prior to this, he held several executive positions within IAWS Group plc, since it was listed in 1988. He also served as the Chairman of the Origin Board of Directors from 2007 to October 2015.

Patrick McEniff (1967, Irish)
Chief Financial Officer ('CFO'), Chief Operations Officer ('COO')
Fellow of the Chartered Institute of Management Accountants; Master of Business Administration from Dublin City University
Patrick McEniff joined IAWS Group plc after its listing on the Irish Stock Exchange in 1989 and has fulfilled various senior management roles, focused on finance and systems development. In 2004, he was appointed to the board of IAWS Group plc as its Group Finance Director. In 2008, upon the formation of ARYZTA, he was also appointed as CFO and member of the Board of Directors and in 2012 was also appointed as COO of the Group. He served as a member of the ARYZTA Board of Directors from 2008 to December 2015 and as a member of the Origin Board of Directors from 2007 to October 2015.

Corporate Governance Report (continued)

John Yamin (1956, American)
CEO of the Americas
Bachelor of Science from Skidmore College, NY
John Yamin has over 30 years of experience working in the food service industry across North America. He held various executive positions at Starbucks Coffee Company and Caravali Coffee, Inc. from 1994 to 2002. From 1980 to 1994, he held executive management roles at Marriott Corporation, ARAMARK Services and Louise's Trattoria, Inc. In 2002, he joined La Brea Bakery, Inc. as Senior Vice president of Brand Development, which culminated into the Chief Executive Officer role in 2003. He is a fellowship member of the Culinary Institute of America. He served as a member of the ARYZTA Board of Directors from December 2013 to December 2015.

Pat Morrissey (1965, Irish)
Secretary to the Board
Group General Counsel, Company Secretary and Chief Administrative Officer ('CAO')
Bachelor of Civil Law (UCD, NUI); Solicitor, Law Society of Ireland
From 1988 to 1998, Pat Morrissey spent his career with Irish law firm LK Shields, where he was admitted as a partner in 1995. In 2000, he joined IAWS Group plc as General Counsel and was appointed General Counsel and Company Secretary in 2005. He has served as Group General Counsel and Company Secretary of ARYZTA since its establishment and effective August 2013 was appointed CAO of ARYZTA. He also served as Company Secretary of Origin Enterprises from 2007 to October 2015.

Corporate Governance Report (continued)

5 Compensation, shareholdings and loans

Please refer to note 10 of the ARYZTA AG Company financial statements on pages 152 to 153 for details of Board members' shareholdings and to the Compensation Report on pages 49 to 56 for disclosures pertaining to compensation, as well as the content and method of determining the compensation and share-ownership programmes.

No loans or advances were made by the ARYZTA Group to members of the Board of Directors or to Executive Management during the financial year, or were outstanding at 31 July 2016 (2015: none).

6 Shareholders' participation

6.1 Voting rights

Each ARYZTA share registered as a share conferring a voting right entitles the holder to one vote at a General Meeting. Proxies are entitled to attend shareholders' meetings and exercise all rights of the represented shareholders at such meetings.

As indicated previously in paragraph 2.6.2, ARYZTA pursues arrangements with Euroclear UK and Ireland to enable investors whose interests in ARYZTA are represented by CDIs to exercise their voting rights. CDI holders who wish to be in a position to directly enforce or exercise their rights must have their interests entered in the share register in accordance with Article 7 of the Articles of Association and effectively hold their shares through a member of the Swiss SIS Settlement System.

6.2 Statutory quorums

Pursuant to Article 15 of the Articles of Association, resolutions at the General Meeting calling for a quorum of at least two-thirds of the votes represented are required for:

- The cases listed in art. 704 para. 1 CO and in art. 18 and 64 Merger Act;
- The easement or abolition of the restriction of the transferability of registered shares;
- The conversion of bearer shares into registered shares; and
- Any change to the provisions of article 15 of the Articles of Association.

6.3 Convocation of General Meeting of the shareholders

General Meetings are convened by the Board of Directors and, if need be, by the Auditors. Notice of the General Meeting is given by publication in the Swiss Official Gazette of Commerce and on the Group's homepage (www.aryzta.com) at least 20 days before the date of the meeting. The notice must state, inter alia, the day, time and place of the Meeting and the agenda.

6.4 Agenda

The Board states the items on the agenda. One or more registered shareholders who jointly represent at least ten percent of the share capital of the Company registered in the Commercial Register may request items to be included in the agenda. Such requests must be in writing, specifying the items and the proposals, and be submitted to the Chairman at least 45 days before the date of the General Meeting.

Corporate Governance Report (continued)

6.5 Entry in the share register
The relevant date to determine the shareholders' right to participate in the General Meeting, on the basis of the registrations appearing in the share register, is set by the Board in the invitation to the General Meeting.

7 Change of control and defence measures

7.1 Obligation to make an offer
ARYZTA does not have a provision on opting out or opting up in the Articles of Association. Thus, the provisions regarding the legally prescribed threshold of 33 1/3 % of the voting rights for making a public takeover offer set out in Article 32 of the Swiss Stock Exchange Act are applicable.

7.2 Change of control clauses
Benefits under the ARYZTA LTIP vest upon a change of control by reference to the fair value of the LTIP instruments. The final determination of such fair value falls to be made by the Board of Directors (acting through the Remuneration Committee thereof) on the basis of independent, external, professional advice. Otherwise, the agreements and plans benefiting the members of the Board or the Group Executive Management are unaffected by a change of control. Further details regarding the benefits under the ARYZTA LTIP are set out in the Compensation Report on pages 49 to 56 of this Annual Report.

8 Auditors

8.1 Duration of the mandate and term of office of the lead auditor
Following a formal tender process, PricewaterhouseCoopers AG, Zurich, was elected as statutory auditor and Group auditor in December 2009. The term of office is one year. Patrick Balkanyi has been the lead auditor since PricewaterhouseCoopers AG's appointment in 2009. At the 2015 AGM, PricewaterhouseCoopers AG, Zurich, was re-elected as statutory auditor and Group auditor for the 2016 financial year.

8.2 Audit fees
The total audit and audit-related fees charged by the Group auditors in financial year 2016 amounted to €2,362,000.

The total audit and audit-related fees charged by the Group auditors in the financial year 2015 amounted to €2,738,000.

8.3 Additional fees
The Group's policy is to manage its relationship with the Group's external auditor to ensure their independence is maintained. In order to achieve this, the Board has determined limits on the type and scale of non-audit work that can be provided by the auditor.

Contracts to the auditor for other non-audit work are deemed to be pre-approved by the Audit Committee, up to an aggregate limit of 100% of the audit fee for the current year. This is subject to the requirement that all contracts for specific pieces of non-audit work with fees exceeding €250,000 be awarded on the basis of competitive tendering. Where the awarding of a contract for non-audit work to the auditor is to be made that is likely to increase total fees for non-audit work above this aggregate limit, the Group CFO notifies the Chair of the Audit Committee in advance of such a contract being awarded.

Corporate Governance Report (continued)

Fees for additional services rendered by the auditors to the ARYZTA Group in financial year 2016 totalled €1,778,000 (2015: €1,894,000). A significant portion of these fees related to tax return preparation or review in over 20 countries, covering more than 100 legal entities.

Auditor's remuneration

in EUR `000	**2016**	2015
Auditor's remuneration for audit and audit-related services	**2,362**	2,738
Auditor's remuneration for tax compliance and related services	**1,164**	854
Auditor's remuneration for tax consulting services	**614**	970
Auditor's remuneration for advisory services	**–**	70
	4,140	4,632

Total other fees/Audit and audit-related services	**75%**	69%
Tax consulting or advisory services/Audit and audit-related services	**26%**	38%

8.4 Information tools pertaining to the external audit

PricewaterhouseCoopers presents to the Audit Committee a detailed report on the results of the 2016 Group consolidated and Company financial statement audits, the findings on significant financial accounting and reporting issues, as well as the findings on the Group's internal control system ('ICS').

In financial year 2016, both PricewaterhouseCoopers and the Group Head of Internal Audit participated in all five Audit Committee meetings. Other members of the Group Executive Management attended the meetings as invited. In addition, the Group Head of Internal Audit regularly met with the Chair of the Audit Committee for interim updates.

On an annual basis, the Board of Directors reviews the selection of the auditors, in order to propose their appointment to the Annual General Meeting of ARYZTA. The Audit Committee assesses the effectiveness of the work of the auditors in accordance with Swiss law. The lead auditor rotates every seven years in accordance with Swiss law.

During meetings of the Audit Committee, audit and non-audit-related fees to be charged by PricewaterhouseCoopers during the year, are reviewed to mitigate the risk of any potential impairment to PricewaterhouseCoopers' independence. PricewaterhouseCoopers monitors its independence throughout the year and confirms its independence to the Audit Committee annually.

Corporate Governance Report (continued)

9 Investor Communications Policy

Guiding principles

ARYZTA is committed to pursuing an open and consistent communication policy with shareholders, potential investors and other interested parties. The objective is to ensure that the perception of those parties about the historical record, current performance and future prospects of ARYZTA is in line with management's assessment of the current situation at ARYZTA. The guiding principles of this policy are that ARYZTA gives equal treatment to shareholders in equal situations, that any price-sensitive information is published in a timely fashion and that the information is provided in a format that is as complete, simple, transparent and consistent as possible.

Methodology

ARYZTA publishes its first-quarter trading update, half-year results, third-quarter trading update and full-year results (including the Annual Report) on the occasion of its quarterly announcement cycle (see details on page 158). These quarterly announcements are each accompanied by a news release. Additionally, a presentation and conference call, which is broadcast live on the internet (webcast) and which anyone can choose to access, whether a shareholder or not, are held on a half-yearly basis, or as deemed necessary by the Board. These webcasts can be replayed at any time on the ARYZTA website (www.aryzta.com). An automatic alerting service is also provided through the website. This ensures that interested parties can sign-up to be automatically alerted to results and events announcements published on the website. ARYZTA also ensures that news releases are distributed to major wire and news services. These news releases are also made available in the News & Media section of the website immediately after release to the SIX Swiss Exchange and ISE Irish Exchange (www.aryzta.com/news-media). In this way, the Group utilises its website and ancillary communications infrastructure to ensure a rapid and equitable distribution of information for all interested parties.

ARYZTA's Investor Relations programme for institutional investors is carried out in line with the quarterly announcement cycle, with management time allocated accordingly and not on an ad-hoc basis. ARYZTA has appointed a dedicated communications officer to focus on the management of the communication process with investors and the media, and to support ARYZTA's efforts to strike a balance between the needs of managing a business and regular transparent communication with investors. ARYZTA's policy regarding investor meetings (i.e. Group meetings, one-to-one meetings and conference calls) is that these will not be held on an ad-hoc basis. These will be organised following quarterly announcements, save as mentioned below. Investors wishing to meet the Group subsequent to such quarterly announcements should e-mail the Group's Communications Officer (see details on page 158). These investor communications focus either on recently announced financial results, recent corporate activity or the longer-term strategy of the Group. They do not serve the purpose of disclosing new information that might encourage an investment decision.

The Group accepts invitations to investor conferences. Attendance at conferences by the Group will be on a planned and agreed basis in advance of its quarterly announcement cycle. The Group also communicates with analysts and stockbrokers who follow ARYZTA to facilitate third-party research on the Group. ARYZTA assumes no responsibility for any statements, expectations, or recommendations made by analysts and stockbrokers. The Group will communicate to investors at the time of any potentially price-sensitive event, such as significant acquisitions and divestments, agreements and alliances using the methods outlined above.

Corporate Governance Report (continued)

Investor relations contact details

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Key dates to December 2017

Announcement of the 2016 annual results	26 September 2016
Issue of the 2016 annual report	3 October 2016
Capital Markets Day	6 October 2016
First-quarter trading update	28 November 2016
Annual General Meeting 2016	13 December 2016
Payment of dividend	1 February 2017
Announcement of half-year results 2017	13 March 2017
Third-quarter trading update	30 May 2017
Announcement of the 2016 annual results	25 September 2017
Issue of the 2017 annual report	2 October 2017
First-quarter trading update	27 November 2017
Annual General Meeting 2017	6 December 2017

Annual Report and Accounts 2016
Compensation Report

Introduction

ARYZTA's overriding long-term goal is to achieve sustainable, profitable growth and deliver enhanced shareholder value. ARYZTA pursues this objective in a competitive and changing environment. ARYZTA's success is intrinsically connected with its ability to attract, retain and motivate good people.

ARYZTA's remuneration tools, in particular the short-term performance related bonus and the ARYZTA Long-Term Incentive Plan ('LTIP'), are key instruments in this regard. These remuneration tools are designed to focus management on the delivery of ARYZTA's key corporate goals, over the short-term and the long-term, as set by the Board and communicated to the market through ARYZTA's investor relations activities.

As in prior years, the Board will submit this Compensation Report to a separate advisory vote of the shareholders at the ARYZTA 2016 Annual General Meeting ('AGM').

Additionally, in compliance with the Articles of Association, shareholders at the 2016 AGM will be asked to approve the maximum aggregate amount of remuneration of:

- the Board of Directors for the period until the next AGM (i.e. the 2017 AGM); and
- Executive Management for the following financial year – (i.e. the financial year ending 31 July 2018).

Compensation Process

Role of the Remuneration Committee of the Board ('RemCo')

As in prior years, for the financial year ending 31 July 2016 ('FY 2016') the RemCo was responsible for:

- determining the remuneration of executive and non-executive members of the Board; and
- approving the remuneration of other members of senior management, upon the recommendation of the CEO.

The RemCo reviews the various elements of remuneration on an annual basis to ensure that executives are remunerated in line with the level of their authority and responsibility within the Group. The RemCo reports to the Board at the next Board meeting following each meeting of the RemCo. In addition, all RemCo papers (e.g., agenda, minutes, presentations, etc.) are available to all members of the Board. The CEO attends meetings of the RemCo by invitation only.

Compensation Report (continued)

Shareholder Approval
At our 2015 AGM, shareholders ratified the FY 2015 Compensation Report in a separate advisory vote and approved, with strong majorities, the Board's proposals for maximum possible remuneration for the Board and Group Executive Management.

In FY 2016, ARYZTA took independent external professional advice from an independent, internationally respected, compensation consulting firm and engaged with market participants regarding ARYZTA's compensation practices. The expert consulting firm was commissioned to:

- benchmark Executive Management compensation;
- make recommendations regarding the ARYZTA LTIP; and
- benchmark non-executive director compensation.

The expert consulting firm reported that Executive Management target total direct compensation, comprising (a) base salary, (b) target bonus and (c) grant date fair value long-term incentive, is positioned within the competitive range (+/– 15%) of the ARYZTA Peer Group[1] median. Regarding the ARYZTA LTIP, the expert consulting firm recommended that ARYZTA:

- utilise not just performance-based share options, but also performance-based shares;
- adopt Total Shareholder Return ('TSR'), relative to the ARYZTA Peer Group TSR, as an additional metric to complement the EPS Growth Condition (with the two metrics being weighted on a 50:50 basis);
- maintain a three-year performance period, but replace the two-year holding period with a two-year malus claw-back obligation; and
- make grants annually to drive continuous level of retention.

The Board has accepted these recommendations. The expert consulting firm also reported that ARYZTA non-executive director compensation is consistent with European headquartered companies.

Employment Contracts
Employment contracts for Executive Management, with maximum notice periods of 12 months and a cap on post-contractual competition restrictions of one year, were introduced in FY 2015 and remain unchanged in FY 2016.

1 The ARYZTA Peer Group for this purpose means Associated British Foods Plc, Campbell Soup Company, ConAgra Foods Inc., Cranswick Plc, Flowers Foods Inc., Glanbia Plc, Greencore Group Plc., Greggs Plc, Hershey Company, J&J Snack Foods Corp., JM Smucker Company, Kerry Group Plc, Chocoladefabriken Lindt & Sprungli AG, Mondelez International Inc., Treehouse Foods Inc.

Compensation Report (continued)

Compensation to members of the Board of Directors – FY 2016

For FY 2016, consistent with the shareholder approval, non-executive board members were paid a yearly fee (CHF 88,000), reflecting the time commitment and responsibilities of the role. Additional compensation for non-executive directors for service on a Board Committee was CHF 8,000 and CHF 16,000 for the Chair thereof.

Non-executive Board members were not eligible for performance-related payments and did not participate in the LTIP.

Executive directors received no additional compensation for their role as a board member.

The following table reflects the direct payments received by Board members during the years ended 31 July 2016 and 2015. Fluctuations in amounts received are reflective of the changing roles and responsibilities held by the individual directors, during each respective year.

Audited in CHF `000	**Direct payments year ended 31 July 2016**	Direct payments year ended 31 July 2015
Denis Lucey	**323**	323
Charles Adair	**100**	96
Hugh Cooney[1]	**–**	40
J Brian Davy[2]	**43**	104
Dan Flinter[2]	**69**	–
Annette Flynn[1]	**100**	64
Shaun B. Higgins	**104**	104
Owen Killian	**–**	–
Patrick McEniff[2]	**–**	–
Andrew Morgan	**96**	96
Götz-Michael Müller[1]	**–**	22
Wolfgang Werlé	**96**	96
John Yamin[2]	**–**	–
Total	**931**	945

1 The terms of office as Members of the Board of Directors of H. Cooney and G-M. Müller expired on 2 December 2014 and on that date A. Flynn was elected to the Board.

2 The terms of office as Members of the Board of Directors of J.B. Davy, P. McEniff and J. Yamin expired on 8 December 2015 and on that date D. Flinter was elected to the Board.

Governance

Compensation Report (continued)

Compensation to members of Executive Management

As per pages 42 to 43 of the Corporate Governance Report, for financial year 2015, Group Executive Management consisted of Owen Killian (Group CEO), Patrick McEniff (Group CFO / COO), John Yamin (CEO of the Americas) and Pat Morrissey (Group General Counsel, Company Secretary and CAO). For financial year 2016, Group Executive Management comprised the same four individuals, as well as Hilliard Lombard, until his resignation, announced on 26 November 2015 and effective 31 January 2016.

The elements of the remuneration package for Executive Management for financial years 2016 and 2015 comprised:

– basic salary and benefits (including benefits-in-kind and pension contributions);
– short-term performance-related bonus (measured by reference to performance in the financial year); and
– long-term incentives (LTIP).

The highest total compensation in financial year 2016 was earned by Owen Killian, and his total remuneration is disclosed separately in the following table.

Audited in CHF `000	**Total Executive Management 2016**	**Owen Killian 2016**	Total Executive Management 2015	Owen Killian 2015
Basic salaries	**4,077**	**1,277**	3,551	1,277
Benefits in kind	**205**	**83**	189	83
Pension contributions	**489**	**192**	441	192
Performance-related bonus	**3,058**[1]	**958**[1]	–	–
Non-compete compensation and pension	**545**	**–**	–	–
Long-term incentives (LTIP)[2]	**–**	**–**	986	305
Total compensation	**8,374**	**2,510**	5,167	1,857
Average total compensation per member	**1,675**		1,292	

1 The performance-related bonus earned by Owen Killian in FY 2016 has been withheld pending resumption of growth in underlying fully diluted earnings per share.

2 ARYZTA The FY 2015 Executive Management LTIP compensation expense relates entirely to 2012 LTIP awards, which vested in September 2015. No compensation expense has been recognized to date for LTIP awards granted in September 2014, as the performance criteria for those awards requires that Underlying EPS in FY 2017 would exceed 500 cent per share, which is currently considered remote. Additionally, no compensation expense has been recognized to date for LTIP awards made in FY 2016, as the required minimum performance targets have not yet been achieved.

The compensation to members of Executive Management, during financial years 2016 and 2015, includes compensation for their roles as members of the Board or Company Secretary of ARYZTA and, in the case of Owen Killian, Patrick McEniff and Pat Morrissey, for their service as officers of Origin Enterprises plc (respectively, Chairman, non-executive director and Company Secretary) until October 2015.

No severance and / or termination payments were made to any member of Executive Management during financial years 2016 and 2015. Hilliard Lombard, who departed the Group to pursue other interests effective 31 January 2016, was paid no more than his contractual entitlements.

No loans or advances were made by the ARYZTA Group to members of the Board of Directors or to Executive Management during the financial year, or were outstanding at 31 July 2016 (2015: none).

Compensation Report (continued)

Executive Management basic salary and benefits

For financial year 2016, the basic salary of Executive Management was reviewed by the RemCo with regard to personal performance and corporate goals. For financial year 2016, when reviewing Executive Management's remuneration, the applicable weighting of each component was at the discretion of the RemCo. Employment-related benefits consist principally of a car allowance and pension. Pension benefits are determined solely in relation to basic salary. For financial year 2017 and future years, the shareholders have the authority to set the maximum remuneration for Executive Management.

Executive Management short-term performance-related bonus

For financial year 2016, the short-term performance-related bonus targets for Executive Management were set at 100% of basic salary, with the potential amounts earned being capped at 150% of basic salary. The short-term performance-related bonus targets were determined 50% by reference to incremental gains in ROIC and the remaining 50% being measured by reference to the achievement of free cash generation targets.

The incremental gain in ROIC is calculated on a constant currency basis, by comparing the FY 2016 ROIC to FY 2015 ROIC. Any asset impairments or non-recurring charges recorded in FY 2016 are reversed for the purposes of the comparison, so ensuring that Executive Management do not benefit therefrom. Likewise, the net assets and historical annual EBITA levels of any acquisitions (disposals) made in FY 2016 are added to (subtracted from) the FY 2015 ROIC base, for the purposes of the comparison.

Executive Management have the potential to earn a percentage of their set target bonus, based on the incremental gain in ROIC. For example, if an ROIC increase of 80 bps were achieved, Executive Management would earn 80% of their relevant individual bonus targets. As there was no incremental increase in ROIC in FY 2016, no amount of short-term bonus was earned by Executive Management regarding this element.

The remaining 50% of the short-term performance-related bonus target for Executive Management was based on free cash generation as follows:

Free cash generation achieved	% of base salary earned as short-term performance-related bonus
€250m or more	75% of base salary
€225m	50% of base salary
€200m	25% of base salary
Less than €200m	0% of base salary
Between €200m-€250m	+1% of base salary earned for every €1m of cash generation

As free cash generation of €267m was achieved in FY 2016, 75% of base salary was earned by Executive Management as their short-term performance-related bonus.

Compensation Report (continued)

Executive Management Long-term Incentive Plan (LTIP)

While the LTIP has been particularly associated with EPS growth, EPS growth is not an isolated end in itself. The underlying goal is to drive the development of an international business capable of sustainable growth and the delivery of significant value for shareholders. This is supported through adherence to prudent capital discipline.

Benefits under the LTIP vest upon a change of control by reference to the fair value of the LTIP instruments. The final determination of such fair value falls to be made by the Board of Directors (acting through the RemCo) on the basis of independent, external, professional advice. Otherwise, the agreements and plans benefiting the members of the Board or the Group Executive Management are unaffected by a change of control.

The long-term incentive remuneration of Executive Management consists of both Matching Plan and Option Equivalent Plan awards.

The Matching Plan

Executive Management were granted no awards under the Matching Plan during FY 2016 or FY 2015 as the last awards made under the Matching Plan were made during FY 2013. No awards under the matching plan remain outstanding as of 31 July 2016.

The Option Equivalent Plan

Vesting of awards under the Option Equivalent Plan is conditional on compound annual growth in underlying fully diluted EPS in three consecutive accounting periods exceeding the compound growth in the Eurozone Core Consumer Price Index, plus 5%, on an annualised basis.

Awards under the Option Equivalent Plan are also subject to additional conditions, including notably:

(a) the requirement to remain in service throughout the performance period;
(b) the requirement that the ARYZTA's reported ROIC over the expected performance period is not less than its weighted average cost of capital for awards granted before financial year 2016 and not less than 120% of its weighted average cost of capital for awards granted thereafter; and
(c) the requirement that annual dividends to shareholders are at least 15% of the underlying EPS during the performance period.

ROIC is reported to investors in conjunction with the announcement of annual and half-year results and is presented on a Group and segmental basis. As presented on page 21, the ROIC reported for the year ended 31 July 2016 was 10.5% (2015: 10.9%).

WACC is determined as a blend of the Group's deemed cost of capital and deemed cost of debt, with each of these components weighted on the basis of the Group's debt to equity ratio. WACC is measured annually by an external specialist using standard calculation methodology and is reported to investors in conjunction with the announcement of yearly and half-yearly results. For the year ended 31 July 2016, the pre-tax WACC was 8.0% (2015: 7.4%).

Compensation Report (continued)

The Option Equivalent Plan awards granted in the years before financial year 2016 can be exercised as of the time the performance conditions described above have been met, but no longer than ten years after grant date. Awards granted during financial year 2016, which meet the conditions for vesting after the initial three year performance period, are subject to additional conditions, including notably an additional two year holding period before they can be exercised.

Cost of the LTIP

The cost of the Matching Plan and the Option Equivalent Plan can be considered in accounting and dilutive terms.

LTIP – accounting cost

Awards under the LTIP are equity-settled share-based payments, as defined in IFRS 2, 'Share-based Payment'. The total cost recognised in relation to share-based payments for the financial years 2016 and 2015 is detailed in note 8 of the Group Consolidated Financial Statements on page 98.

LTIP – 10%/ten year dilutive control rule

No more than 10% of share capital may be allocated for issue over its ten year life. No awards may be made under the current LTIP after 31 July 2019.

The vesting and net exercise of (1) all Option Equivalent Plan awards outstanding (based on the closing share price of CHF 36.45 on 31 July 2016), plus (2) the impact of any LTIP awards that have already been exercised, would result in a dilution of 2.1% of total shares outstanding (or 0.26% annualised) in the period since 2008.

LTIP – 3%/three year dilutive control rule

No more than 3.0% of share capital may be allocated for issue over any 3 year period. Based on the closing share price of CHF 36.45 on 31 July 2016, no dilution arises in respect of awards granted in the last three years.

Compensation Report (continued)

Executive Management Option Equivalent Plan Allocation

Executive Management were granted 1,130,000 Option Equivalent Awards under the Option Equivalent Plan during FY 2016, as detailed below. As shown in the table on page 52, no expense was recognised for these awards in FY 2016. The following table details awards outstanding under the Option Equivalent Plan in favour of Executive Management:

	Options carried forward 1 August 2015	Granted during the year[1]	Forfeited during the year[2]	**Closing position 31 July 2016**	Of which Vesting criteria have been fulfilled[3]
Executive Management					
Owen Killian	1,160,000	410,000	–	**1,570,000**	750,000
Patrick McEniff	910,000	300,000	–	**1,210,000**	610,000
Pat Morrissey	220,000	120,000	–	**340,000**	100,000
John Yamin	150,000	150,000	–	**300,000**	–
Hilliard Lombard[2]	–	150,000	(150,000)	**–**	–
Total	**2,440,000**	**1,130,000**	**(150,000)**	**3,420,000**	1,460,000

1 During the period ended 31 July 2016, an additional 1,130,000 Option Equivalent Plan awards were granted to Executive Management, at a weighted average exercise price of CHF 44.98.

2 During September 2015, the Board of Directors approved that Hilliard Lombard become a member of Executive Management. Effective January 2016, Hilliard Lombard resigned from Executive Management.

3 The weighted average exercise price of all Option Equivalent Plan awards that remain outstanding and for which the vesting conditions have been met is CHF 39.34.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the compensation report 2016

We have audited the information marked as 'audited' in the accompanying compensation report of ARYZTA AG for the year ended 31 July 2016 (from page 49 to 56 in the printed report).

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual compensation packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

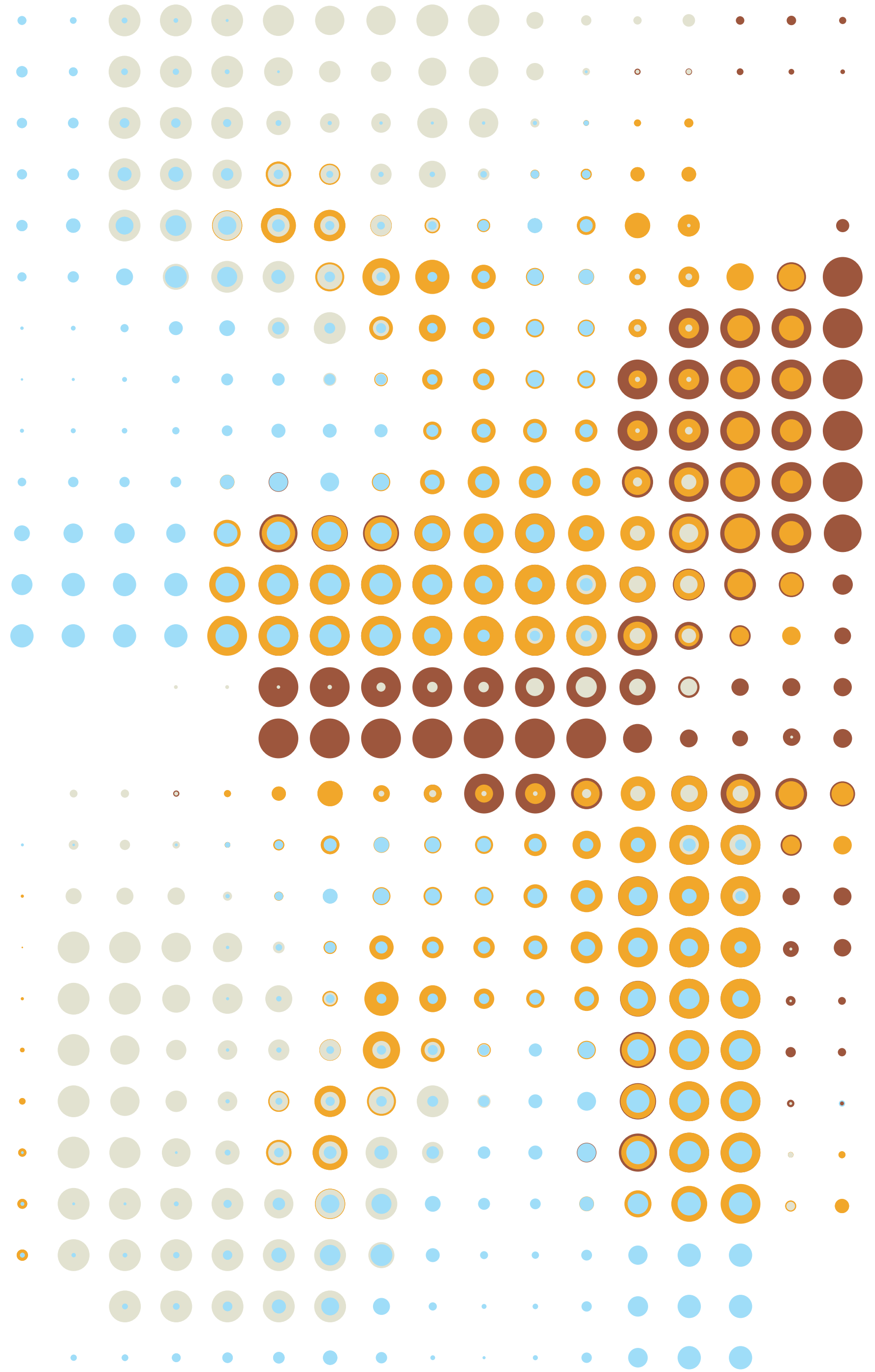
Opinion
In our opinion, the compensation report of ARYZTA AG for the year ended 31 July 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Patrick Balkanyi
Audit expert
Auditor in charge

Carrie Rohner

Zurich, 3 October 2016



Annual Report and Accounts 2016

Group Risk Statement

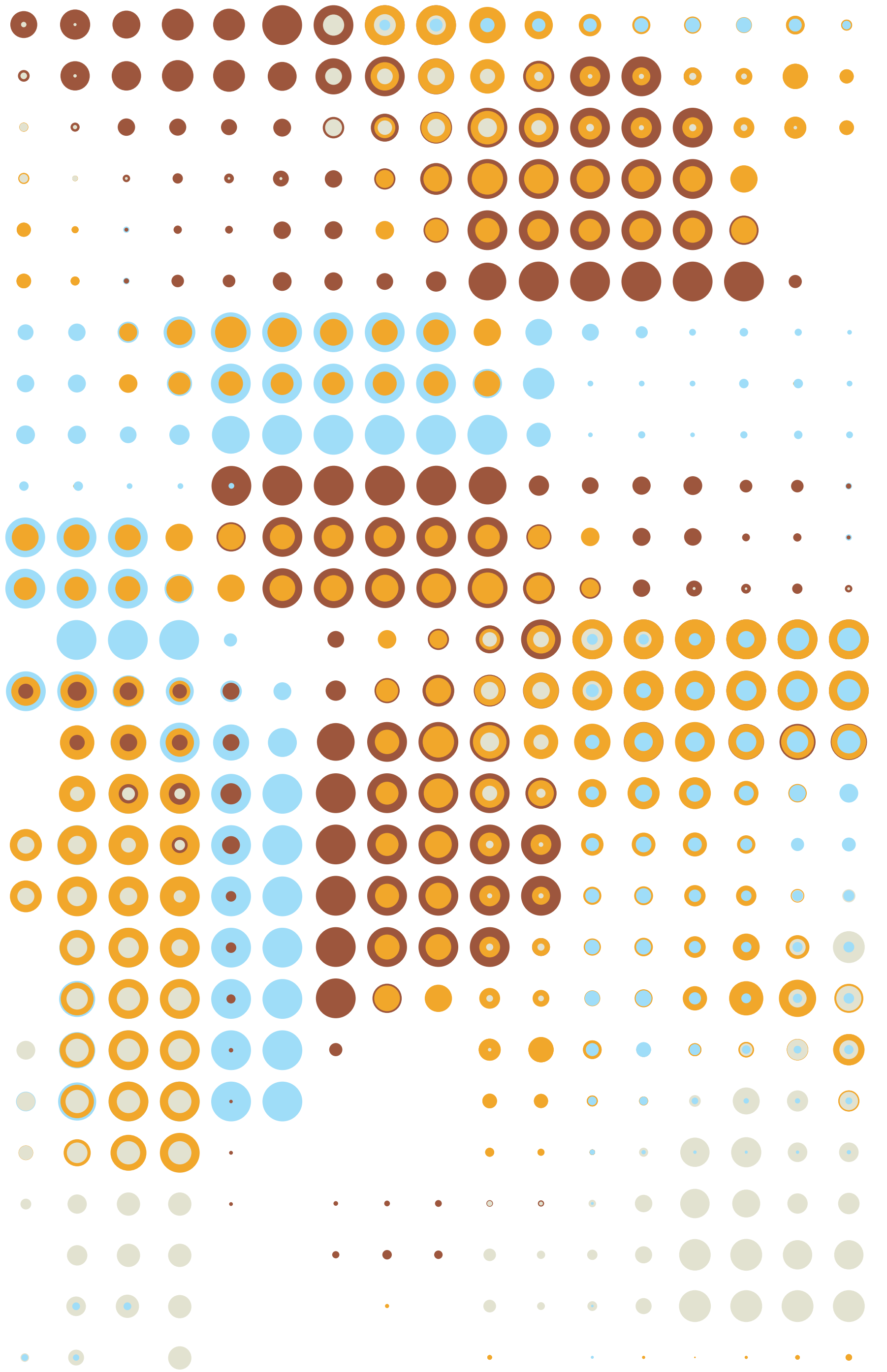
Principal Risks and Uncertainties

The Board and senior management continue to invest significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Group has formal risk assessment processes in place through which risks are identified and associated mitigating controls are evaluated. These processes are driven by local management, who are best placed to identify the significant ongoing and emerging risks facing the business. The outputs of these risk assessment processes are subject to various levels of review by Group management and Internal Audit, and a consolidated Risk Map denoting the potential frequency, severity and velocity of identified risks is reviewed by the Board of Directors on an annual basis. Risks identified, and associated mitigating controls, are also subject to audit as part of various operational, financial, health and safety audit programmes.

The key risks facing the Group include the following: [1]

- As an international group with substantial operations and interests outside the Eurozone, ARYZTA is subject to the risk of adverse movements in foreign currency exchange rates.
- The Group faces business risks associated with cash, receivables and other financial instruments.
- Operational risks facing the Group include product contamination and general food scares, which could impact relevant products or production and distribution processes.
- Changing dietary trends and the increased emphasis on health and wellness among consumers present both opportunities and risks for the Group.
- The Group faces increasing compliance requirements in areas such as health and safety, emissions and effluent control.
- The loss of a significant manufacturing/operational site through natural catastrophe or act of vandalism could have a material impact on the Group.
- A significant failure in the accounting, planning or internal financial controls and related systems could result in a material error or fraud.
- A significant IT or security system failure could adversely impact operations.
- Fluctuations in energy, commodities and other production inputs could materially impact the profitability of the Group.
- The Group faces the risk of a decrease in consumer spending.
- The Group faces the risk of impairment of its goodwill, brands and intangibles.
- Having grown both organically and through acquisitions, the Group faces risks and challenges associated with managing growth and ensuring that processes around acquiring and integrating new businesses are robust.
- The Group faces risks associated with the potential loss of key management personnel.
- Were the Group to breach a financing covenant, it may be required to renegotiate its financing facilities at less favourable terms resulting in higher financing costs, and/or be unable to finance operations.
- The loss of a significant supplier could adversely impact ongoing operations.
- As the Group operates in a competitive industry, it is subject to the risk of the loss of a significant customer.
- The implementation of a Group-wide ERP system requires substantial investment and ongoing monitoring.

1 These risks are not listed in order of importance.



Annual Report and Accounts 2016
Our Responsibility

Our Approach
ARYZTA is committed to operating as a financially successful and socially responsible business for the long-term. This requires balancing the organisation's financial strategy and leveraging the Group's global resources to improve environmental, economic and social outcomes. The Group has established the ARYZTA Cares initiative, aimed at promoting active employee, customer and supplier engagement in pursuit of our corporate responsibility goals.

The key elements of this programme, as summarised below, include:

- Environmental Practices
- Food and Marketplace
- People and Workplace
- Sustainable Sourcing
- Community Engagement

Additional information on each of these areas is also available on our website at: http://www.aryzta.com/our-responsibilities

Environmental Practices
ARYZTA is aware that the earth's ecosystems are fragile and that environmental conservation is critical to the continued well-being of the planet, its natural resources and its citizens. In order to monitor the Group's impact on the environment, key bakery production metrics have been established for monitoring electricity consumption, gas consumption, waste water intensity and overall carbon emissions, which are reported to executive management and the Board of Directors on a regular basis.

These metrics are used not only to assess the efficiency of our individual bakeries and to identify potential cost savings opportunities, but are also included as the primary inputs in determining the Group's CO_2 emissions per metric tonne of food sold, which is the key environmental performance indicator used for measuring the success of our ARYZTA Cares initiative.

This CO_2 metric is calculated based on various bakery and distribution activity inputs and applying a relevant Green House Gas emission factor to assess the estimated global warming potential of activities directly related to ARYZTA's business. These CO_2 metrics and the related calculations are verified annually by an independent third party and are published separately on our website, along with other key environmental initiatives of the Group.

Our Responsibility (continued)

Food and Marketplace

ARYZTA's commitment to supply chain excellence includes strict supplier standards, comprehensive facility expectations and detailed adherence to customer specifications.

To ensure our food is produced with the highest level of food safety, the Group's raw material suppliers generally must:

- have a recognised Global Food Safety Initiative (GFSI) accreditation
- ensure raw materials are fully traceable back to suppliers
- subject their operations to a risk assessment process in accordance with the ARYZTA Supplier Code of Conduct and Manufacturing Code of Practice
- submit their operations to annual ethical data exchange audits

ARYZTA's food processing facilities operate under comprehensive Hazard Analysis and Critical Control Point (HACCP) systems based on Codex Alimentarius Principles, Good Manufacturing Practice (GMP) and in compliance with applicable food laws and regulations. All relevant internal food safety and quality systems are also certified by independent third-parties.

ARYZTA is committed to our Food Safety, Quality Assurance and Responsible Marketing programmes and has partnered with iCiX to establish effective and efficient ways to manage these programmes. ARYZTA contributes to various voluntary initiatives on food and product safety by actively engaging with industry associations including the British Retail Consortium, International Featured Standards (IFS-Food and IFS-Logistics), American Institute of Baking (AIB) and the US Food and Drug Administration.

Our products are produced to the exacting specifications of our major international food customers, as well as for the unique expectations of our independent local customers. Excellence within this wide array of supply chain expectations is achieved through partnering with our customers, suppliers and partners and through detailed internal training programmes, to ensure quality control standards are adhered to throughout the entire supply chain process.

People and Workplace

ARYZTA recognises that its continued success is dependent on the quality, commitment and responsible behaviour of its people. ARYZTA values diversity and treats all individuals with respect.

The health and safety of our people is of paramount importance to ARYZTA. The Group pursues comprehensive safety management procedures, including policy manuals, verification of regulatory compliance, risk assessments, individual site action plans, safety audits, training programmes, formal accident investigations and the provision of occupational health services.

In order to attract and retain the most talented workforce possible, the Group provides equal opportunities in recruitment, selection, promotion, employee development, succession planning, training and compensation, solely on the basis of merit and business needs and does not discriminate.

Our Responsibility (continued)

The Group has implemented a global Employee Code of Conduct, which establishes policies and expectations of employee behaviour, ethics, anti-bribery and corruption, political involvement and collective bargaining. ARYZTA fully complies with applicable national and local laws and industry standards on working hours and workplace environment.

The Group has established a 24/7 hotline with Expo-link (0800 563823) where employees, customers and suppliers can confidentially communicate any concerns through an independent service.

The Group has implemented 'My ARYZTA Connection', a human resources information system used for confidentially retaining and updating employee information, in order to streamline administration and enhance utilisation of employee data on a secure and confidential basis.

Sustainable Sourcing

ARYZTA partners with our key suppliers to establish long-term sustainable sources of raw materials that address the social, ethical, economic, safety, quality, and environmental aspects of product sourcing.

The Group sources only UEP-certified eggs in North America. In Europe, our procurement team recently partnered with wheat farmers to encourage sustainable agricultural practices, including optimising the amount of fertiliser and pesticides used. We also strive to source Fairtrade ingredients and utilise diversity suppliers in sourcing our products.

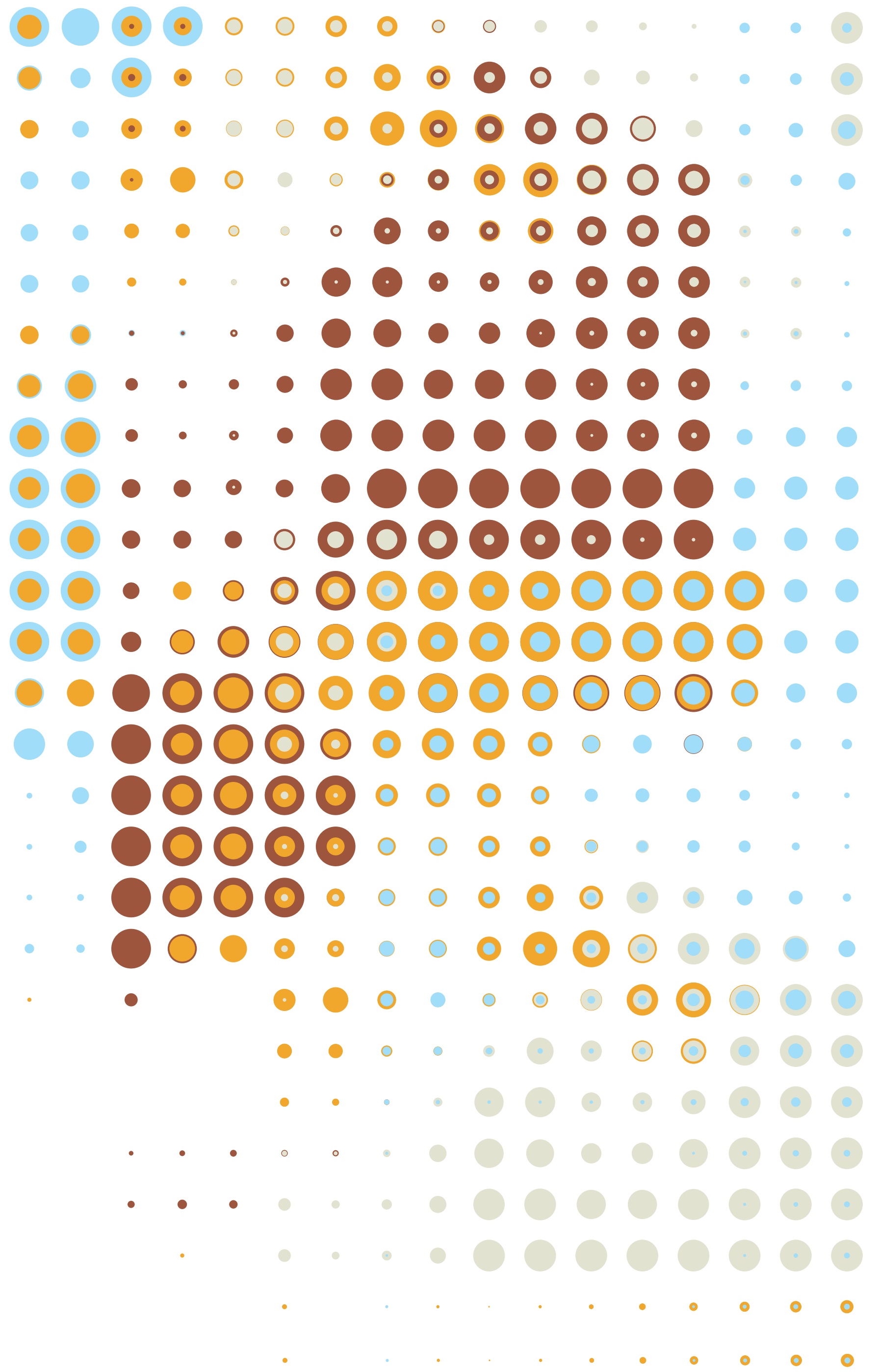
In order to support the long-term development of sustainable palm oil solutions, ARYZTA is a global member of the Roundtable on Sustainable Palm Oil (RSPO) and participates in three of the available solutions: Book and Claim (GreenPalm certificates), Mass Balance, and Segregated Supply.

In addition to meeting the stringent sourcing requirements of our international food customers, ARYZTA has established a Global Supplier Code of Conduct and actively audits suppliers utilising internal and external resources to ensure suppliers are compliant with workplace standards, business practices and all local laws and regulations.

Community Engagement

The Group understands its responsibilities as an important member of the communities in which it operates and encourages its business units to play an active role within them. In addition to providing employment opportunities, the Group aims to make positive contributions to its community by building relationships and earning a positive reputation as a good employer, neighbour and corporate citizen.

The Group believes that donations are the business of the shareholder and ARYZTA has established protocols for philanthropic activities. Employees are also encouraged to contribute their time and talents to causes that are important to them individually. In addition, ARYZTA routinely supports philanthropic activities of our key customers.



Annual Report and Accounts 2016

Group Consolidated and Company Financial Statements 2016

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Group Consolidated Financial Statements, presented in euro and prepared in accordance with IFRS and the requirements of Swiss law

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Statement of Directors' Responsibilities
for the year ended 31 July 2016

Company law requires the directors to prepare Group consolidated and Company financial statements for each financial year. The directors are required to prepare the Group consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') and the requirements of Swiss law and to prepare the Company financial statements in accordance with Swiss law and the Company's Articles of Association.

This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of the Group consolidated and Company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing each of the Group consolidated and Company financial statements, the directors are required to:

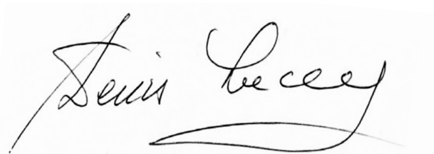
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper books of account that present, with reasonable accuracy at any time, the financial position of the Group and Company and enable them to ensure that its financial statements comply with IFRS, the requirements of Swiss law and the Company's Articles of Association.

They are also responsible for taking such steps as are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

On behalf of the Board



Denis Lucey
Chairman, Board of Directors

Owen Killian
CEO, Member of the Board of Directors

22 September 2016

Group Consolidated Income Statement
for the year ended 31 July 2016

in EUR `000	Notes	2016	2015
Continuing Operations			
Revenue	1	**3,878,871**	3,820,231
Cost of sales		**(2,654,228)**	(2,709,763)
Distribution expenses		**(414,410)**	(407,658)
Gross profit		**810,233**	702,810
Selling expenses		**(188,656)**	(167,646)
Administration expenses		**(410,065)**	(469,171)
Operating profit	1	**211,512**	65,993
Share of profit/(loss) after tax of joint ventures	15	**11,716**	(1,520)
Profit before financing income, financing costs and income tax expense		**223,228**	64,473
Financing income	4	**3,526**	2,137
Financing costs	4	**(106,706)**	(85,527)
Profit/(loss) before income tax		**120,048**	(18,917)
Income tax (expense)/credit	9	**(4,543)**	18,950
Profit for the year from continuing operations		**115,505**	33
Discontinued operations			
(Loss)/profit for the year from discontinued operations	2	**(45,721)**	532,246
Profit for the year		**69,784**	532,279
Attributable as follows:			
Equity shareholders – continuing operations		**112,729**	(4,636)
Equity shareholders – discontinued operations		**(45,721)**	529,396
Equity shareholders – total		**67,008**	524,760
Non-controlling interests – continuing operations		**2,776**	4,669
Non-controlling interests – discontinued operations		**–**	2,850
Non-controlling interests – total	27	**2,776**	7,519
Profit for the year		**69,784**	532,279

Basic earnings per share	Notes	2016 euro cent	2015 euro cent
From continuing operations	11	**91.1**	(39.8)
From discontinued operations	11	**(51.5)**	597.1
		39.6	557.3

Diluted earnings per share	Notes	2016 euro cent	2015 euro cent
From continuing operations	11	**90.9**	(39.8)
From discontinued operations	11	**(51.4)**	597.1
		39.5	557.3

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Comprehensive Income
for the year ended 31 July 2016

in EUR `000	Notes	2016	2015
Profit for the year		**69,784**	532,279
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation effects			
– Foreign currency net investments		**(49,548)**	370,741
– Foreign currency borrowings	21	**36,027**	(359,872)
– Taxation effect of foreign exchange translation movements	9	**198**	5,265
– Foreign exchange translation effects related to discontinued operations		**–**	9,286
Cash flow hedges			
– Effective portion of changes in fair value of cash flow hedges		**5,747**	(12,391)
– Fair value of cash flow hedges transferred to income statement		**(7,380)**	4,936
– Deferred tax effect of cash flow hedges	9	**376**	599
– Cash flow hedges gain related to discontinued operations, net of tax		**–**	3,352
Share of joint ventures' other comprehensive income	15	**304**	–
Total of items that may be reclassified subsequently to profit or loss		**(14,276)**	21,916
Items that will not be reclassified to profit or loss:			
Defined benefit plans			
– Actuarial loss on Group defined benefit pension plans	25	**(462)**	(6,882)
– Deferred tax effect of actuarial loss/(gain)	9	**(23)**	1,216
– Discontinued operations loss on defined benefit plans, net of tax		**–**	(17,789)
Total of items that will not be reclassified to profit or loss		**(485)**	(23,455)
Total other comprehensive loss		**(14,761)**	(1,539)
Total comprehensive income for the year		**55,023**	530,740
Attributable as follows:			
Equity shareholders		**53,757**	522,888
Non-controlling interests	27	**1,266**	7,852
Total comprehensive income for the year		**55,023**	530,740

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet
as at 31 July 2016

in EUR `000	Notes	2016	2015
Assets			
Non-current assets			
Property, plant and equipment	12	**1,594,885**	1,543,263
Investment properties	13	**24,787**	25,916
Goodwill and intangible assets	14	**3,617,194**	3,797,269
Investments in joint ventures	15	**491,446**	32,067
Receivables from joint ventures	17	**3,956**	28,644
Deferred income tax assets	24	**133,176**	105,579
Total non-current assets		**5,865,444**	5,532,738
Current assets			
Inventory	16	**248,719**	259,855
Trade and other receivables	17	**168,595**	264,036
Derivative financial instruments	22	**669**	653
Cash and cash equivalents	20	**647,724**	316,867
Total current assets		**1,065,707**	841,411
Associate held-for-sale	2	**–**	270,870
Total assets		**6,931,151**	6,645,019

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet (continued) as at 31 July 2016

in EUR `000	Notes	2016	2015
Equity			
Called up share capital	26	**1,172**	1,172
Share premium		**774,040**	774,040
Retained earnings and other reserves		**2,397,460**	2,428,295
Total equity attributable to equity shareholders		**3,172,672**	3,203,507
Non-controlling interests	27	**15,099**	18,436
Total equity		**3,187,771**	3,221,943
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	21	**1,963,709**	1,937,176
Employee benefits	25	**13,470**	15,274
Deferred income from government grants	23	**23,945**	16,998
Other payables	18	**37,678**	51,917
Deferred income tax liabilities	24	**457,634**	447,118
Derivative financial instruments	22	**4,618**	5,401
Total non-current liabilities		**2,501,054**	2,473,884
Current liabilities			
Interest-bearing loans and borrowings	21	**403,632**	104,794
Trade and other payables	18	**778,621**	742,560
Income tax payable		**49,118**	45,813
Derivative financial instruments	22	**9,939**	7,365
Contingent consideration	19	**1,016**	48,660
Total current liabilities		**1,242,326**	949,192
Total liabilities		**3,743,380**	3,423,076
Total equity and liabilities		**6,931,151**	6,645,019

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity

for the year ended 31 July 2016

31 July 2016 in EUR `000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Share-based payment reserve	Foreign currency trans-lation reserve	Retained earnings	Total share-holders equity	Non-controlling interests	Total
At 1 August 2015	**1,172**	**774,040**	**(47)**	**720,456**	**(10,264)**	**–**	**(5,153)**	**1,723,303**	**3,203,507**	**18,436**	**3,221,943**
Profit for the year	–	–	–	–	–	–	–	67,008	67,008	2,776	69,784
Other comprehensive (loss)/income	–	–	–	–	(1,257)	–	(12,961)	967	(13,251)	(1,510)	(14,761)
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(1,257)**	**–**	**(12,961)**	**67,975**	**53,757**	**1,266**	**55,023**
Equity dividends (note 10)	–	–	–	–	–	–	–	(52,710)	(52,710)	–	(52,710)
Dividends to non-controlling interests (note 27)	–	–	–	–	–	–	–	–	–	(4,603)	(4,603)
Dividends accrued on perpetual callable subordinated instruments (note 26)	–	–	–	–	–	–	–	(31,882)	(31,882)	–	(31,882)
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(84,592)**	**(84,592)**	**(4,603)**	**(89,195)**
At 31 July 2016	**1,172**	**774,040**	**(47)**	**720,456**	**(11,521)**	**–**	**(18,114)**	**1,706,686**	**3,172,672**	**15,099**	**3,187,771**

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity (continued)
for the year ended 31 July 2016

31 July 2015 in EUR `000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Revalua-tion reserve	Share-based payment reserve	Foreign currency trans-lation reserve	Retained earnings	Total share-holders equity	Non-controlling interests	Total
At 1 August 2014	**1,172**	**773,735**	**(55)**	**604,446**	**(3,616)**	**13,322**	**19,454**	**(29,045)**	**1,324,292**	**2,703,705**	**87,752**	**2,791,457**
Profit for the year	–	–	–	–	–	–	–	–	524,760	524,760	7,519	532,279
Other comprehensive (loss)/income	–	–	–	–	(4,571)	–	–	20,487	(17,788)	(1,872)	333	(1,539)
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(4,571)**	**–**	**–**	**20,487**	**506,972**	**522,888**	**7,852**	**530,740**
Issue of perpetual callable subordinated instruments	–	–	–	401,014	–	–	–	–	–	401,014	–	401,014
Redemption of perpetual callable subordinated instrument	–	–	–	(285,004)	–	–	–	–	(46,676)	(331,680)	–	(331,680)
Release of treasury shares due to exercise of LTIP	–	305	8	–	–	–	–	–	–	313	–	313
Share-based payments	–	–	–	–	–	–	1,705	–	–	1,705	–	1,705
Transfer of share-based payment reserve to retained earnings	–	–	–	–	–	–	(19,919)	–	19,919	–	–	–
Equity dividends	–	–	–	–	–	–	–	–	(65,034)	(65,034)	–	(65,034)
Dividends to non-controlling interests (note 27)	–	–	–	–	–	–	–	–	–	–	(12,307)	(12,307)
Dividend accrued on perpetual callable subordinated instrument (note 26)	–	–	–	–	–	–	–	–	(30,673)	(30,673)	–	(30,673)
Total contributions by and distributions to owners	**–**	**305**	**8**	**116,010**	**–**	**–**	**(18,214)**	**–**	**(122,464)**	**(24,355)**	**(12,307)**	**(36,662)**
Disposal of Origin	–	–	–	–	(2,077)	(13,322)	(1,240)	3,405	14,562	1,328	(64,727)	(63,399)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	(59)	(59)	(134)	(193)
Total transactions with owners recognised directly in equity	**–**	**305**	**8**	**116,010**	**(2,077)**	**(13,322)**	**(19,454)**	**3,405**	**(107,961)**	**(23,086)**	**(77,168)**	**(100,254)**
At 31 July 2015	**1,172**	**774,040**	**(47)**	**720,456**	**(10,264)**	**–**	**–**	**(5,153)**	**1,723,303**	**3,203,507**	**18,436**	**3,221,943**

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
for the year ended 31 July 2016

in EUR `000	Notes	2016	2015
Cash flows from operating activities			
Profit for the year from continuing operations		**115,505**	33
Income tax expense/(credit)	9	**4,543**	(18,950)
Financing income	4	**(3,526)**	(2,137)
Financing costs	4	**106,706**	85,527
Share of (profit)/loss after tax of joint ventures	15	**(11,716)**	1,520
Net (gain)/loss on disposal of businesses	3	**(993)**	45,685
Asset write-downs	3	**14,787**	146,289
Other restructuring-related payments less than / (in excess of) current year costs		**1,618**	(14,650)
Depreciation of property, plant and equipment	1	**112,030**	114,519
Amortisation of intangible assets	1	**188,984**	177,809
Recognition of deferred income from government grants	23	**(3,098)**	(4,107)
Share-based payments	8	**–**	1,705
Other		**(4,332)**	(2,437)
Cash flows from operating activities before changes in working capital		**520,508**	530,806
Increase in inventory		**(16,223)**	(25,627)
Decrease in trade and other receivables		**80,902**	67,594
Increase/(decrease) in trade and other payables		**30,165**	(1,209)
Cash generated from operating activities		**615,352**	571,564
Interest paid		**(98,934)**	(88,831)
Interest received		**3,331**	1,666
Income tax paid		**(18,369)**	(30,782)
Net cash flows from operating activities – continuing operations		**501,380**	453,617
Net cash flows from operating activities – discontinued operations		**–**	(171,068)
Net cash flows from operating activities		**501,380**	282,549

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
(continued)
for the year ended 31 July 2016

in EUR `000	Notes	2016	2015
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1,030**	1,120
Purchase of property, plant and equipment			
– maintenance capital expenditure		**(81,034)**	(80,725)
– investment capital expenditure		**(102,985)**	(269,290)
Grants received	23	**10,045**	193
Investment in joint venture	15	**(450,732)**	–
Acquisition of businesses, net of cash acquired	29	**(26,447)**	(148,530)
Proceeds from disposal of Origin, net of cash disposed	2	**225,101**	372,975
Disposal of businesses, net of cash disposed	3	**42,060**	22,642
Purchase of intangible assets		**(29,916)**	(60,122)
Net receipts from joint ventures		**21,509**	–
Contingent consideration paid	19	**(46,916)**	(9,240)
Investing cash flows from discontinued operations		**–**	(4,224)
Net cash flows from investing activities		**(438,285)**	(175,201)
Cash flows from financing activities			
Issue of perpetual callable subordinated instrument	26	**–**	401,014
Repayment of perpetual callable subordinated instrument	26	**–**	(331,680)
Gross drawdown of loan capital	21	**290,887**	–
Gross repayment of loan capital	21	**(43,903)**	(337,668)
Capital element of finance lease liabilities	21	**(26)**	(60)
Dividends paid on perpetual callable subordinated instruments		**(31,788)**	(39,107)
Repurchase of non-controlling interests		**–**	(193)
Dividends paid to non-controlling interests	27	**(4,603)**	(4,330)
Dividends paid to equity shareholders		**(52,710)**	(65,034)
Financing cash flows from discontinued operations		**–**	79,485
Net cash flows from financing activities		**157,857**	(297,573)
Net increase in cash and cash equivalents		**220,952**	(190,225)
Translation adjustment		**(12)**	(549)
Net cash and cash equivalents at start of year		**248,033**	438,807
Net cash and cash equivalents at end of year	20	**468,973**	248,033

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Statement of Accounting Policies
for the year ended 31 July 2016

Organisation

ARYZTA AG (the 'Company') is domiciled and incorporated in Zurich, Switzerland. The consolidated financial statements for the year ended 31 July 2016 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as the 'Group'), and show the Group's interest in joint ventures using the equity method of accounting.

The Group consolidated financial statements and the ARYZTA AG Company financial statements were preliminarily authorised for issue by the directors on 22 September 2016. Final approval of these financial statements was granted by the directors on 30 September 2016, subject to approval by the shareholders at the General Meeting on 13 December 2016.

Statement of compliance

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and the requirements of Swiss law. These policies have been consistently applied to all years presented, unless otherwise stated.

In the preparation of these Group consolidated financial statements, the Group has applied all standards that were required for accounting periods beginning on or before 1 August 2015. There are no new standards and interpretations issued by the IASB or the IFRS Interpretations Committee, which are effective for the first time in the current financial year.

The following new standards and interpretations, issued by the IASB or the IFRS Interpretations Committee, have not yet become effective. The Group has not applied early adoption in relation to any of them.

Standard/Interpretation	Effective date	Planned implementation by ARYZTA (reporting year to 31 July)
Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	2017
Amendments to IAS 1 – Disclosure initiative	1 January 2016	2017
Improvements to IFRSs (2012-2014)	1 January 2016	2017
Amendments to IAS 7 – Disclosure initiative	1 January 2017	2018
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	2018
IFRS 9 – Financial Instruments	1 January 2018	2019
IFRS 15 – Revenue from Contracts with Customers	1 January 2018	2019
Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions	1 January 2018	2019
IFRS 16 – Leases	1 January 2019	2020

The Group has undertaken an initial assessment of the potential impact of the new standards, amendments and improvements listed above that become effective during the year ending 31 July 2017. Based on this initial assessment, the Group does not currently believe that the adoption of these standards, amendments and interpretations will have a significant impact on the consolidated results or financial position of the Group.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

Basis of preparation

The Group consolidated financial statements are prepared on a historical cost basis, except that assets held-for-sale, investment properties, derivative financial instruments and certain financial liabilities are stated at fair value through profit or loss or other comprehensive income.

The Group consolidated financial statements are presented in euro, rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions in the application of the Group's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Further information on areas involving a higher degree of judgement and accounting estimates is set out in note 34.

Income statement presentation

In accordance with IAS 1, 'Presentation of Financial Statements', the Group Consolidated Income Statement is presented by function of expense.

Management has also identified certain acquisition, disposal and restructuring-related costs within each functional area that do not relate to the underlying business of the Group. Due to the relative size or nature of these items, in order to enable comparability of the Group's underlying results from period to period, these items have been presented as separate components of operating profit within note 3 and have been excluded from the calculation of underlying net profit in note 11.

Additionally, to enable a more comprehensive understanding of the Group's financial performance, the Group Consolidated Income Statement by nature of cost, through operating profit, is set out in note 5.

Reclassifications and adjustments

Following the reduction in the Group's ownership interest in Origin Enterprises plc ('Origin') from 68.1% to 29.0% in March 2015, and the classification of the remaining investment in Origin as an associate held-for-sale, the corresponding amounts included in the 31 July 2015 Group Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Consolidated Cash Flow Statement related to Origin have been presented as a single Discontinued Operations amount within these statements and the related notes, in accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations'.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

Certain other amounts in the 31 July 2015 Group consolidated financial statement notes have been reclassified or adjusted to conform to the 31 July 2016 presentation. These other reclassifications or adjustments were made for presentation purposes and have no effect on total revenues, expenses, profit for the year, total assets, total liabilities, equity or cash flow classifications as previously reported.

Basis of consolidation

The Group consolidated financial statements reflect the consolidation of the results, the assets and the liabilities of the parent undertaking, and all of its subsidiaries, together with the Group's share of the profits/losses of associates and joint ventures.

Subsidiary undertakings

Subsidiary undertakings are those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount, plus proceeds received, recognised in profit or loss. The fair value of the retained interest is then utilised as the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, with the Group's investment including goodwill identified on acquisition.

Joint arrangements

Under IFRS 11, 'Joint Arrangements', investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them all to be joint ventures. Joint ventures are accounted for using the equity method of accounting, with the Group's investment including goodwill identified on acquisition.

Equity method

Under the equity method, investments are initially recognised at cost, with the carrying amount increased or decreased thereafter to recognise the Group's share of the profits or losses and movements in other comprehensive income after the date of the acquisition.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

When the Group's share of losses equals or exceeds its interest in the associate or joint venture, which includes any interests that, in substance, form part of the Group's net investment, the Group does not recognise further losses, unless it has incurred a legal or constructive obligation to do so.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the Group's financial statements, only to the extent of the unrelated investor's interests. Unrealised losses are eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

If the ownership interest is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss, where appropriate. Dilution gains and losses arising on investments in associates or joint ventures are recognised in the income statement.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount adjacent to share of profit after tax of associates or joint ventures in the income statement.

Where necessary, accounting policies of associates and joint ventures have been changed to ensure consistency with the policies adopted by the Group.

Non-current assets held for sale
Non-current assets are classified as assets held for sale or related to discontinuing operations when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value, less costs to sell.

Transactions eliminated on consolidation
Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the Group consolidated financial statements. Unrealised gains and income and expenses arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that they do not provide evidence of impairment.

Revenue recognition
Revenue represents the fair value of the sale of goods and services supplied to third parties, after deducting trade discounts and volume rebates, and is exclusive of sales tax. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Financing income is recognised on an accrual basis, taking into consideration the sums lent and the actual interest rate applied.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

Segmental reporting

Management has determined the operating segments based on the reports regularly reviewed by the Group's Chief Operating Decision Maker (CEO) in making strategic decisions, allocating resources and assessing performance.

As reflected in those reports, the continuing operations of the Group are primarily organised into three operating segments, ARYZTA Europe, ARYZTA North America, ARYZTA Rest of World. The Group's principal geographies are Europe, North America and Rest of World.

Origin was consolidated up until the placing of 49 million shares in March 2015, which reduced ARYZTA's holding from 68.1% to 29.0%. Thereafter, Origin was accounted for as an associate held-for-sale, until the remaining holding of 29.0% was disposed in September 2015.

ARYZTA Europe has leading market positions in the European speciality bakery market. In Europe, ARYZTA has a mixture of business-to-business and consumer brands and a diversified customer base within the foodservice, large retail and convenience or independent retail channels.

ARYZTA North America has leading positions in the speciality bakery market in the United States and Canada. It has a mixture of business-to-business and consumer brands and a diversified customer base within the QSR, large retail and other foodservice channels.

ARYZTA Rest of World consists of businesses in Australia, Asia, New Zealand and South America, primarily partnering with international QSR and other foodservice customers.

Segment assets and liabilities consist of property, plant and equipment, goodwill and intangible assets and other assets and liabilities that can be reasonably allocated to the reported segment. Unallocated assets and liabilities principally include joint ventures, current and deferred income tax assets and liabilities, together with financial assets and liabilities and associate held-for-sale. Share of results of joint ventures, net finance costs and income tax are managed on a centralised basis. Therefore, these items are not allocated between operating segments for the purpose of presenting information to the Chief Operating Decision Maker.

Employee benefits

Pension obligations

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement, as the related employee service is received. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan, by estimating the amount of future benefit employees have earned in return for their service in the current and prior periods. The future benefit is discounted to determine the present value of the obligation and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

The defined benefit calculations are performed by a qualified actuary using the projected unit credit method on an annual basis. Re-measurement gains and losses arising

Group Statement of Accounting Policies (continued) for the year ended 31 July 2016

from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in the Group Consolidated Statement of Comprehensive Income, net of related taxes. Current and past service costs are recognised as employment costs in the income statement. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets, and is recognised in financing costs/income in the income statement.

Share-based compensation

As defined in IFRS 2, 'Share-based Payment', the cost of equity instruments granted is recognised at fair value, with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the equity instrument. The fair value of the equity instruments granted is measured using the Black-Scholes valuation model, taking into account the terms and conditions under which the equity instruments were granted. The Group's equity-settled share-based compensation plans are subject to a non-market vesting condition; therefore, the amount recognised is adjusted annually to reflect the current estimate of achieving these conditions and the number of equity instruments expected to eventually vest.

Termination benefits

The Group recognises termination benefits when it has a formal plan to terminate the employment of current employees, which has been approved at the appropriate levels of the organisation and when the entity is demonstrably committed to a termination through announcement of the plan to those affected. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Income tax expense

Income tax expense on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case the related tax is also recognised directly in equity or in other comprehensive income, respectively. Current income tax is the expected tax payable on the taxable income for the period, using tax rates and laws that have been enacted or substantially enacted at the balance sheet date, in the respective countries where the Group and its subsidiaries operate and generate taxable income.

Deferred income tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. If the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, does not affect accounting or taxable profit or loss, it is not recognised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recovered. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Foreign currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the 'functional currency'). The consolidated financial statements are presented in euro, the Group's presentation currency, rounded to the nearest thousand, unless otherwise stated.

Transactions in currencies other than the functional currency of each respective entity are converted to the relevant functional currency using the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to the relevant functional currency using the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on conversion into the local functional currency are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euro at the foreign exchange rates at the balance sheet date. Income and expenses of foreign operations are translated to euro at the average exchange rates for the year, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions. Foreign exchange differences arising on translation of the net assets of a foreign operation are recognised in other comprehensive income, as a change in the foreign currency translation reserve.

Exchange gains or losses on long-term intra-group loans and on foreign currency borrowings used to finance or provide a hedge against Group equity investments in non-euro denominated operations are included in other comprehensive income, as a change in the foreign currency translation reserve, to the extent that they are neither planned nor expected to be repaid in the foreseeable future, or are expected to provide an effective hedge of the net investment. Any differences that have arisen since transition to IFRS are recognised in the foreign currency translation reserve and are recycled through the Group Consolidated Income Statement on the repayment of the intra-group loan, or on disposal of the related business.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

The principal euro foreign exchange currency rates used by the Group for the preparation of these consolidated financial statements are as follows:

Currency	Average 2016	Average 2015	% Change	Closing 2016	Closing 2015	% Change
CHF	1.0905	1.1191	2.5%	1.0855	1.0635	(2.1)%
USD	1.1106	1.1799	5.9%	1.1162	1.1109	(0.5)%
CAD	1.4748	1.4009	(5.3)%	1.4562	1.4446	(0.8)%
GBP	0.7602	0.7547	(0.7)%	0.8399	0.7091	(18.4)%

Dividends
Dividends are recognised in the period in which they are approved by the Company's shareholders.

Property, plant and equipment
Property, plant and equipment is stated at historical cost, less accumulated depreciation and impairment losses. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditures, including repairs and maintenance costs, are recognised in the income statement as an expense as incurred.

Interest on specific and general borrowings used to finance construction costs of property, plant and equipment is capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Depreciation is calculated to write off the cost, less estimated residual value, of property, plant and equipment, other than freehold land and assets under construction, on a straight-line basis, by reference to the following estimated useful lives:

Buildings	25 to 50	years
Plant and machinery	3 to 20	years
Motor vehicles	3 to 7.5	years

The residual value of assets, if significant, and the useful life of assets is reassessed annually. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are recognised on the completion of sale. Gains and losses on disposals are determined by comparing the proceeds received, net of related selling costs, with the carrying amount of the asset and are included in operating profit.

Investment properties
Investment property, principally comprised of land and buildings, is held for capital appreciation and is stated at fair value. The fair value is based on market value, being the estimated amount for which a property could be exchanged in an arm's length transaction. Any gain or loss arising from a change in fair value is recognised in the Group Consolidated Income Statement. When property is transferred to investment property following a change in use, any difference arising at the date of transfer between

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

the carrying amount of the property immediately prior to transfer and its fair value is recognised in equity if it is a gain. Upon disposal of the property, the gain would be transferred to retained earnings. Any loss arising in this manner, unless it represents the reversal of a previously recognised gain, would be recognised immediately in the Group Consolidated Income Statement.

Leased assets

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

The corresponding rental obligations, net of finance charges, are included in interest-bearing loans and borrowings. The interest element of the payments is charged to the income statement over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. For disclosure purposes, the fair value of finance leases is based on the present value of future cash flows, discounted at appropriate current market rates.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term.

Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. The cost of each acquisition is measured as the aggregate of the fair value of the consideration transferred, as at the acquisition date, and the fair value of any non-controlling interest in the acquiree.

The consideration transferred includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where any part of the consideration for a business combination is contingent, the fair value of that component is determined by discounting the estimated amounts payable to their present value at the acquisition date. The discount is unwound as a finance charge in the Group Consolidated Income Statement over the life of the obligation. Subsequent changes to the estimated amounts payable for contingent consideration are recognised as a gain or loss in the Group Consolidated Income Statement.

Where a business combination is achieved in stages, the Group's previously held interest in the acquiree is re-measured to fair value at the acquisition date and included within the consideration, with any gain or loss recognised in the Group Consolidated Income Statement.

Goodwill is initially recognised at cost, being the difference between the cost of the acquisition over the fair value of the net identifiable assets and liabilities assumed. Following initial recognition, goodwill is stated at cost, less any accumulated impairment losses.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2016

When the initial accounting for a business combination is only provisionally determined at the end of the financial year in which the combination occurs, any adjustments to the provisional values allocated to the identifiable assets and liabilities are made within a period of no more than one year from the acquisition date.

Acquisition costs arising in connection with a business combination are expensed as incurred.

Intangible assets

Intangible assets acquired as part of a business combination are initially recognised at fair value being their deemed cost as at the date of acquisition. These generally include brand and customer-related intangible assets.

Computer software that is not an integral part of an item of computer hardware is also classified as an intangible asset. Where intangible assets are separately acquired, they are capitalised at cost. Cost comprises purchase price and other applicable directly attributable costs. Directly attributable costs that are capitalised as part of the ERP and computer-related intangibles include the employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalised, if the product or process is technically and commercially feasible, the attributable expenditure can be reliably measured, and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour or an appropriate proportion of overheads. Capitalised development expenditure is stated at cost, less accumulated amortisation and impairment losses. Other development expenditure is recognised in the income statement as an expense as incurred.

Intangible assets with finite lives are amortised over the period of their expected useful lives in equal annual instalments, generally as follows:

Customer relationships	5 to 25 years
Brands	10 to 25 years
Computer-related intangibles	3 to 5 years
ERP-related intangibles	12 years
Patents and other	3 to 15 years

Subsequent to initial recognition, the expected useful lives and related amortisation of finite life intangible assets are reviewed at least at each financial year-end and, if the expected economic benefits of the asset are different from previous estimates, amortisation is adjusted accordingly. Intangible assets are stated at cost, less accumulated amortisation and any impairment losses incurred.

There are no intangible assets with an indefinite useful life.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

Impairment of non-financial assets

The carrying amounts of the Group's assets, other than inventories (which are carried at the lower of cost and net realisable value), deferred tax assets (which are recognised based on recoverability) and those financial instruments carried at fair value are reviewed to determine whether there is an indication of impairment when an event or transaction indicates that there may be and at least at each reporting date. If any such indication exists, an impairment test is carried out and, if necessary, the asset is written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and an asset's value-in-use. The Group tests goodwill for impairment annually, during the last quarter of the financial year, or more frequently if events or changes in circumstances indicate a potential impairment.

An impairment loss is recognised whenever the carrying amount of an asset, or its cash-generating unit, exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement as an expense. Goodwill is allocated to the various cash-generating units for the purposes of impairment testing. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. An impairment loss for goodwill is not subsequently reversed. An impairment loss for other assets may be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventory

Inventory is stated at the lower of cost, on a first-in, first-out basis, and net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing the products to their present location and condition. Net realisable value is the estimated selling price of inventory on hand, less all further costs to completion and all costs expected to be incurred in marketing, distribution and selling.

Cash and cash equivalents

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents in the balance sheet comprise cash at bank and on hand, call deposits and other short-term highly liquid investments with original maturities of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Group Consolidated Cash Flow Statement.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

Share capital

Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity, net of tax, as a deduction from the proceeds.

If any Group company purchases ARYZTA AG's equity share capital, those shares are accounted for as treasury shares in the consolidated financial statements of the Group. Consideration paid for treasury shares, including any directly attributable incremental cost, net of tax, is deducted from equity attributable to the shareholders of the Company, until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

Financial assets and liabilities

Trade and other receivables

Trade and other receivables (excluding prepayments) are initially measured at fair value and are thereafter measured at amortised cost, using the effective interest method, less any provision for impairment. A provision for impairment is recognised in administration expenses when there is objective evidence that the Group will not be able to collect all amounts due, according to the original terms of the receivables. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Where risks associated with trade receivables are transferred out of the Group under receivables purchase arrangements, such receivables are derecognised from the balance sheet, except to the extent of the Group's continued involvement or exposure.

Short-term bank deposits

Short-term bank deposits with an original maturity of three months or less, which do not meet the definition of cash and cash equivalents, are classified as other receivables within current assets and are stated at amortised cost in the balance sheet.

Trade and other payables

Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method. Trade and other payables are classified as current liabilities, if payment is due within one year or less, otherwise, they are presented as non-current liabilities.

Derivatives

Derivatives, including forward currency contracts, interest rate swaps and commodity futures contracts are used to manage the Group's exposure to foreign currency risk, interest rate risk and commodity price risk. These derivatives are generally designated as cash flow hedges in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement'.

Derivative financial instruments are initially recorded at fair value on the date the contract is entered into and are subsequently re-measured to fair value, as of each reporting date, using quoted market values. The gain or loss arising on re-measurement is recognised in the income statement, except where the instrument is a designated hedging instrument.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

Cash flow hedges
Subject to the satisfaction of certain criteria relating to the documentation of the risk, objectives and strategy for the hedging transaction and the ongoing measurement of its effectiveness, cash flow hedges are accounted for under hedge accounting rules. In such cases, any unrealised gain or loss arising on the effective portion of the derivative instrument is recognised in other comprehensive income, as part of the cash flow hedge reserve. Unrealised gains or losses on any ineffective portion are recognised in the income statement. When the hedged transaction occurs the related gains or losses in the cash flow hedge reserve are transferred to the income statement.

Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of or sold.

Interest-bearing loans and borrowings
Interest-bearing borrowings are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are capitalised as transaction costs of the loan, to the extent that it is probable that some or all of the facility will be drawn down, and are amortised over the period of the facility to which the fees relate.

For interest-bearing loans and borrowings with a contractual re-pricing date of less than six months, the nominal amount is considered to approximate fair value for disclosure purposes. For loans with a re-pricing date of greater than six months, the fair value is calculated based on the expected future principal and interest cash flows, discounted at appropriate current market interest rates.

Other equity reserve
Perpetual callable subordinated instruments are recognised within other equity reserves, net of attributable transaction costs. These amounts are maintained within other equity reserves at historical cost, until such time that management and the Board of Directors have approved the settlement of such amounts. Any difference between the amount paid upon settlement of instruments without a maturity date and the historical cost is recognised directly within retained earnings. Dividends associated with these instruments are recognised directly within retained earnings.

Government grants
Grants that compensate the Group for the cost of an asset are shown as deferred income in the balance sheet and are recognised in the income statement in instalments on a basis consistent with the depreciation policy of the relevant assets. Other grants are credited to the income statement to offset the associated expenditure.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the outflow can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests, which do not result in a loss of control, as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired in the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is then the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the Group Consolidated Financial Statements
for the year ended 31 July 2016

1 Segment information

1.1 Analysis by business segment

I) Segment revenue and result	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		Total Continuing Operations	
in EUR `000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment revenue[1]	**1,747,045**	1,646,635	**1,908,147**	1,942,342	**223,679**	231,254	**3,878,871**	3,820,231
Operating profit/(loss)[2]	**70,443**	(40,881)	**124,954**	96,077	**16,115**	10,797	**211,512**	65,993
Share of profit/(loss) after tax of joint ventures							**11,716**	(1,520)
Financing income[3]							**3,526**	2,137
Financing costs[3]							**(106,706)**	(85,527)
Profit/(loss) before income tax expense as reported in Group Consolidated Income Statement							**120,048**	(18,917)

1 Revenues from external customers attributed to the Group's country of domicile, Switzerland, are 7.0% (2015: 6.8%) of total Group revenues. Revenues from external customers attributed to material foreign countries are United States 40.0% (2015: 40.2%), Germany 15.0% (2015: 15.1%) and Canada 9.2% (2015: 10.6%). For the purposes of this analysis, customer revenues are allocated based on the geographic location of the vendor. As is common in this industry, the Group has a large number of customers, and there is no single customer with a share of revenue greater than 10% of total Group revenue. There were no significant intercompany revenues between business segments.

2 Certain central executive and support costs have been allocated against the operating results of each business segment.

3 Joint ventures, finance income/(costs) and income tax expense are managed on a centralised basis. Therefore, these items are not allocated between business segments for the purposes of presenting information to the Chief Operating Decision Maker.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

II) Segment assets	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		Total Continuing Operations	
in EUR `000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment assets	**2,411,081**	2,513,401	**2,967,117**	3,107,704	**275,982**	269,234	**5,654,180**	5,890,339

Reconciliation to total assets as reported in the Group Consolidated Balance Sheet	**2016**	2015
Investments in joint ventures and related financial assets	**495,402**	60,711
Associate held-for-sale	–	270,870
Derivative financial instruments	**669**	653
Cash and cash equivalents	**647,724**	316,867
Deferred income tax assets	**133,176**	105,579
Total assets as reported in Group Consolidated Balance Sheet	**6,931,151**	6,645,019

III) Segment liabilities	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		Total Continuing Operations	
in EUR `000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment liabilities	**508,256**	550,965	**479,005**	505,284	**78,104**	65,276	**1,065,365**	1,121,525

Reconciliation to total liabilities as reported in Group Consolidated Balance Sheet	**2016**	2015
Interest-bearing loans and borrowings	**2,367,341**	2,041,970
Derivative financial instruments	**14,557**	12,766
Current and deferred income tax liabilities	**296,117**	246,815
Total liabilities as reported in Group Consolidated Balance Sheet	**3,743,380**	3,423,076

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

IV) Other segment information	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		Total Continuing Operations	
in EUR `000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Depreciation	**50,143**	57,368	**53,276**	47,547	**8,611**	9,604	**112,030**	114,519
ERP amortisation	**9,179**	5,330	**3,564**	4,457	**–**	–	**12,743**	9,787
Amortisation of other intangible assets	**78,192**	82,550	**90,114**	79,101	**7,935**	6,371	**176,241**	168,022
Capital expenditure								
– Property, plant and equipment	**108,420**	180,113	**64,976**	153,204	**10,916**	10,963	**184,312**	344,280
– Intangibles	**14,273**	39,577	**16,364**	21,328	**65**	316	**30,702**	61,221
Total capital expenditure	**122,693**	219,690	**81,340**	174,532	**10,981**	11,279	**215,014**	405,501

1.2 Segmental non-current assets

	Europe		North America		Rest of World		Total Continuing Operations	
in EUR `000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
IFRS 8 non-current assets[1]	**2,750,410**	2,343,064	**2,737,659**	2,837,326	**244,199**	246,769	**5,732,268**	5,427,159

1 Non-current assets as reported under IFRS 8, 'Operating Segments', include all non-current assets as presented in the Group Consolidated Balance Sheet, with the exception of deferred taxes and derivative financial instruments. Non-current assets attributed to the Group's country of domicile, Switzerland, are 5.9% of total Group non-current assets (2015: 6.6%). Non-current assets attributed to material foreign countries are: United States 35.9% (2015: 39.3%), Germany 13.9% (2015: 14.1%) and Canada 11.8% (2015: 12.9%).

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

2 Discontinued operations

During March 2015, ARYZTA announced the completion of its offering of 49 million ordinary shares of Origin for €8.25 per share, which raised net proceeds for ARYZTA of €398,108,000. At the time of the placing, the deemed fair value of the Group's remaining 29.0% interest in Origin was also valued at €8.25 per share, resulting in a value of €299,329,000. As the total deemed consideration exceeded the Group's €145,678,000 share of the disposed net assets and cash balances of Origin, the Group recognised a gain on disposal of discontinued operations of €551,759,000.

In accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', as Origin previously represented a significant component and separately reported segment of the Group, Origin's results have been separately presented in the Group Financial Statements as Discontinued Operations, in both the current and prior years.

A calculation of the March 2015 gain on disposal is shown below:

in EUR `000	Origin
Net assets of discontinued operation disposed	
Property, plant and equipment (note 12)	96,394
Investment properties (note 13)	7,575
Goodwill and intangible assets (note 14)	160,495
Investment in associates and joint venture (note 15)	62,370
Inventory	220,157
Trade and other receivables	396,520
Trade and other payables	(458,284)
Interest bearing loans and borrowings	(248,774)
Derivative financial liabilities, net	(748)
Employee benefits (note 25)	(24,240)
Deferred income tax liabilities	(10,355)
Income tax payable	(17,166)
Total net assets disposed	183,944
Other comprehensive income recycled on disposal of discontinued operations	1,328
Non-controlling interests disposed as part of discontinued operations (note 27)	(64,727)
ARYZTA's share of Origin net assets disposed	**120,545**
Consideration	
Cash received, net of transaction costs	398,108
Net cash disposed	(25,133)
Cash received, net of cash disposed	372,975
Fair value of retained 29% interest	299,329
Total consideration	**672,304**
Gain on disposal of discontinued operations	551,759
Fair value adjustment to associate held-for-sale	(28,459)
Net gain on disposal of discontinued operations	**523,300**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Following the March 2015 placing, the Group's remaining 29.0% interest in Origin was determined to be an associate held-for-sale, recorded at fair value, less costs to sell. Based on the unadjusted quoted price of €7.62 as of 31 July 2015, less estimated costs to sell, a fair value adjustment of €28,459,000 was recorded during the prior year to reduce the carrying value to €270,870,000 as of 31 July 2015, resulting in a total net gain in relation to the disposal of Origin of €523,300,000 during the year ended 31 July 2015.

During September 2015, ARYZTA announced the completion of its offering of its remaining 36.3 million ordinary shares of Origin for €6.30 per share, which raised net proceeds for ARYZTA of €225,101,000. As the fair value of the 29.0% investment in associate held-for-sale at 31 July 2015 was €270,870,000, this resulted in a net loss on disposal in the current year of €45,769,000. This divestment simplifies the reporting structure and transforms ARYZTA into a business fully focused on speciality food.

Analysis of the result of discontinued operations in both years, including the loss recognised on the disposal of the associate held-for-sale, is as follows:

in EUR `000	**2016**	2015
Revenue	–	829,518
Cost of sales	–	(719,381)
Distribution expenses	–	(18,196)
Gross profit	–	91,941
Selling expenses	–	(32,124)
Administration expenses	–	(52,572)
Operating profit	–	7,245
Share of profit after tax of associates and joint ventures	–	6,026
Profit before financing income, financing costs and income tax expense	–	13,271
Financing income	–	1,951
Financing costs	–	(5,542)
Profit before income tax	–	9,680
Income tax expense	–	(734)
Profit after tax from discontinued operations	–	8,946
Gain on disposal of discontinued operations	–	551,759
Fair value adjustment to associate held-for-sale	–	(28,459)
Underlying contribution associate held-for-sale	**48**	–
Cash received, net of transaction costs	**225,101**	–
Carrying value of 29% interest disposed	**(270,870)**	–
(Loss)/profit for the year from discontinued operations	**(45,721)**	532,246
Attributable as follows:		
Equity shareholders – discontinued operations	**(45,721)**	529,396
Non-controlling interests – discontinued operations	–	2,850
(Loss)/profit for the year from discontinued operations	**(45,721)**	532,246

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

3 Net acquisition, disposal and restructuring-related costs

In accordance with IAS 1, 'Presentation of Financial Statements', the Group Consolidated Income Statement is presented by function of expense.

Management has also identified certain acquisition, disposal and restructuring-related costs within each functional area that do not relate to the underlying business of the Group. Due to the relative size and nature of these items, they have been presented as separate components of operating profit below, in order to enable comparability of the Group's underlying results and performance from period to period, and have been excluded from the calculation of underlying net profit in note 11.

in EUR `000	IFRS Income Statement 2016	Net acquisition, disposal, restructuring-related costs 2016	Intangible amortisation 2016	Financial Business Review 2016	IFRS Income Statement 2015	Net acquisition, disposal, restructuring-related costs 2015	Intangible amortisation 2015	Financial Business Review 2015
Revenue	**3,878,871**	–	–	**3,878,871**	**3,820,231**	–	–	**3,820,231**
Cost of sales	**(2,654,228)**	32,484	–	**(2,621,744)**	**(2,709,763)**	129,974	–	**(2,579,789)**
Distribution expenses	**(414,410)**	3,983	–	**(410,427)**	**(407,658)**	7,706	–	**(399,952)**
Gross profit	**810,233**	36,467	–	**846,700**	**702,810**	137,680	–	**840,490**
Selling expenses	**(188,656)**	5,040	–	**(183,616)**	**(167,646)**	5,545	–	**(162,101)**
Administration expenses	**(410,065)**	55,607	176,241	**(178,217)**	**(469,171)**	136,725	168,022	**(164,424)**
Operating profit of continuing operations	**211,512**	97,114	176,241	**484,867**	**65,993**	279,950	168,022	**513,965**
Joint Ventures	**11,716**	804	3,162	**15,682**	**(1,520)**	–	310	**(1,210)**
Profit of continuing operations before financing income, financing costs and income tax expense	**223,228**	97,918	179,403	**500,549**	**64,473**	279,950	168,332	**512,755**

in EUR `000	Notes	ARYZTA Europe 2016	ARYZTA Europe 2015	ARYZTA North America 2016	ARYZTA North America 2015	ARYZTA Rest of World 2016	ARYZTA Rest of World 2015	Total Continuing Operations 2016	Total Continuing Operations 2015
Net gain/(loss) on disposal of businesses	3.1	**(4,987)**	(45,685)	**5,980**	–	**–**	–	**993**	(45,685)
Asset write-downs	3.2	**(5,040)**	(72,395)	**(9,747)**	(68,544)	**–**	(5,350)	**(14,787)**	(146,289)
Total net gain/(loss) on disposal of businesses and asset write-downs		**(10,027)**	(118,080)	**(3,767)**	(68,544)	**–**	(5,350)	**(13,794)**	(191,974)
Acquisition-related costs		**(2,330)**	(9,467)	**–**	(515)	**–**	–	**(2,330)**	(9,982)
Severance and other staff-related costs		**(48,314)**	(28,367)	**(15,614)**	(18,916)	**(1,519)**	(1,359)	**(65,447)**	(48,642)
Contractual obligations		**(1,402)**	(586)	**(5,305)**	(1,285)	**(31)**	(216)	**(6,738)**	(2,087)
Advisory and other costs		**(5,069)**	(13,862)	**(3,538)**	(10,670)	**(198)**	(2,733)	**(8,805)**	(27,265)
Total acquisition and restructuring-related costs	3.3	**(57,115)**	(52,282)	**(24,457)**	(31,386)	**(1,748)**	(4,308)	**(83,320)**	(87,976)
Total acquisition, disposal and restructuring-related costs		**(67,142)**	(170,362)	**(28,224)**	(99,930)	**(1,748)**	(9,658)	**(97,114)**	(279,950)

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

As these non-cash gains and losses are added back to net assets, and the cash costs are deducted from EBITA, when calculating ROIC for management compensation purposes, these items had no impact on management compensation during the year ended 31 July 2016.

3.1 Net gain/(loss) on disposal of businesses

During the year, the Group disposed of two businesses, which historically generated approximately €100,000,000 in total annual revenues. As the €42,060,000 proceeds received, net of associated transaction costs, exceeded the €41,067,000 carrying value of the net assets disposed (including €20,573,000 of goodwill), a net gain on disposal of €993,000 has been reflected in the financial statements during the year ended 31 July 2016.

During January 2015, the Group agreed to exchange certain assets, which historically generated approximately €100,000,000 in annual revenues, for a 50% interest in Signature Flatbreads. As the €53,106,000 total fair value of the Group's 50% interest and the Vendor Loan Note receivable from the joint venture, were less than the €66,659,000 carrying value of the net assets exchanged and related costs incurred, the transaction resulted in a loss on disposal in the amount of €13,789,000, including foreign exchange losses of €236,000.

During April 2015, the Group agreed to sell its 100% interest in Carroll Cuisine, which historically generated approximately €45,000,000 in annual revenues, for cash consideration of €37,276,000. As the proceeds received exceeded the €12,970,000 carrying value of the net assets disposed and associated costs incurred, the transaction resulted in a gain on disposal of €24,306,000.

As a result of the two disposals above, the Group also wrote-off a proportionate amount of goodwill within the UK and Ireland Cash Generating Unit in the amount of €56,202,000. The total of the above transactions and the associated write-down of Goodwill resulted in a net loss on disposal of businesses within continuing operations of €45,685,000 during the year ended 31 July 2015.

3.2 Asset write-downs

The Group incurred €14,787,000 (2015: €146,289,000) of asset write-downs during the year, primarily related to the write-down of various distribution, manufacturing, and administration assets within the ARYZTA Europe and ARYZTA North America segments. These asset write-downs arise following the closure of and/or reduction in activities in these locations. The reductions are the direct result of the Group's recent integration and rationalisation programme investments, which have replaced obsolete assets, optimised the distribution network and streamlined administrative functions.

3.3 Acquisition and restructuring-related costs

During the year ended 2016, the Group completed its joint venture investment in Picard (note 15), as well as a bolt-on acquisition in Ireland (note 29). During the years ended 2016 and 2015, progress continued on integrating recent acquisitions and aligning the operational processes of those businesses to the Group's existing network.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

As a result of these investments, the Group has recognised costs, including, providing for amounts as required by IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', in the Group Consolidated Income Statement as follows:

Acquisition-related costs
During the year ended 31 July 2016, the Group incurred acquisition-related costs such as share purchase tax, due diligence and other professional services fees totalling €2,330,000 (2015: €9,982,000). These costs primarily related to activities associated with the Group's acquisition of La Rousse Foods, a supplier of fresh, frozen and ambient goods to various restaurants, hotels and caterers in Ireland. It also includes the finalisation of the Group's joint venture interest investment in Picard.

The costs incurred during the year ended 31 July 2015 primarily related to activities associated with the Group's various acquisitions, as well as the Group's investments in the Picard and Signature joint ventures.

Severance and other staff-related costs
The Group incurred and provided for €65,447,000 (2015: €48,642,000) in severance and other staff-related costs during the year. These related primarily to costs associated with employees whose service was discontinued following certain rationalisation decisions across the various business locations of the Group, primarily in Europe.

Contractual obligations
The operational decisions made as a result of the Group's integration and rationalisation projects triggered early termination penalties and resulted in certain long-term operational contracts becoming onerous. The Group incurred total costs of €6,738,000 (2015: €2,087,000) during the year to either exit or provide for such onerous contractual obligations.

Advisory costs and other costs
During the year ended 31 July 2016, the Group incurred €8,805,000 (2015: €27,265,000) in advisory and other costs related directly to the rationalisation of certain bakery assets, integration of the supply chain and distribution functions of recently acquired businesses into the Group's network, and costs associated with centralisation of certain functions.

4 Financing income and costs

in EUR `000	**2016**	2015
Total financing income recognised in Group Consolidated Income Statement	**3,526**	2,137
Financing costs		
Interest cost on bank loans and overdrafts	**(106,475)**	(85,433)
Interest cost under finance leases	**(98)**	(13)
Defined benefit plan: net interest cost on plan liabilities (note 25)	**(133)**	(81)
Total financing costs recognised in Group Consolidated Income Statement	**(106,706)**	(85,527)
Recognised directly in other comprehensive income		
Effective portion of changes in fair value of interest rate swaps[1]	**615**	(6,042)

1 No unrealised gains or losses on any ineffective portion of derivatives have been recognised in the income statement.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

5 Other information

Group Consolidated Income statement by nature of cost through to operating profit

in EUR `000	2016	2015
Revenue	3,878,871	3,820,231
Raw materials and consumables used	(1,809,609)	(1,782,313)
Employment costs (note 7)	(788,491)	(752,818)
Distribution costs	(209,841)	(211,157)
Amortisation of intangible assets (note 1)	(188,984)	(177,809)
Depreciation of property, plant and equipment (note 1)	(112,030)	(114,519)
Light, heat and power	(80,803)	(83,241)
Storage, rent and rates	(77,961)	(72,073)
Operating lease rentals	(69,122)	(61,557)
Recognition of deferred income from government grants (note 23)	3,098	4,107
Net gain/(loss) on disposal of businesses (note 3)	993	(45,685)
Asset write-downs (note 3)	(14,787)	(146,289)
Acquisition-related costs (note 3)	(2,330)	(9,982)
Other restructuring-related costs (note 3)	(15,543)	(29,352)
Other direct and indirect costs	(301,949)	(271,550)
Operating profit from continuing operations	**211,512**	65,993

Group revenue categories

Group revenue relates primarily to sale of products.

6 Directors' compensation

Please refer to the ARYZTA AG Compensation Report on pages 49 to 56 for details on the compensation process and compensation for the year of Directors and Group Executive Management.

7 Employment

Average number of persons employed by the Group during the year	2016	2015
Production	14,668	13,926
Sales and distribution	3,627	3,317
Management and administration	1,562	1,557
Average number of persons employed – continuing operations	**19,857**	18,800

Aggregate employment costs of the Group – continuing operations

in EUR `000	2016	2015
Wages and salaries	634,844	616,347
Social welfare costs	71,819	68,585
Severance and other staff related costs (note 3)	65,447	48,642
Defined contribution plans (note 25)	13,202	14,557
Defined benefit plans – current service cost (note 25)	4,435	3,618
Defined benefit plans – past service gain (note 25)	(1,256)	(636)
Share-based payments (note 8)	–	1,705
Employment costs – continuing operations	**788,491**	752,818

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

8 Share-based payments

The Group has outstanding grants of equity-based incentives under the ARYZTA Option Equivalent Plan LTIP. All grants under the ARYZTA Matching Plan LTIP outstanding as of 31 July 2014, were either exercised or forfeited during the year ended 31 July 2015.

The total cost reported in the Group consolidated financial statements in relation to equity settled share-based payments is Nil (2015: €1,705,000).

The analysis of movements within the LTIP plans is as follows:

8.1 ARYZTA Matching Plan LTIP

Matching Plan awards	Weighted conversion price 2016 in CHF	Number of equity entitlements 2016	Weighted conversion price 2015 in CHF	Number of equity entitlements 2015
Outstanding at beginning of the year	–	–	0.02	723,000
Exercised during the year	–	–	0.02	(327,052)
Forfeited during the year	–	–	0.02	(395,948)
Outstanding at the end of the year	–	–	–	–
Vested at end of the year	–	–	–	–

The performance conditions associated with 327,052 Matching Plan awards (173,359 of which were held by Executive Management) were fulfilled during the year ended 31 July 2014 and these awards were exercised during the year ended 31 July 2015. As the performance criteria for the remaining awards outstanding under the Matching Plan were not met, they were forfeited, as they were no longer capable of vesting.

No new equity entitlements were awarded under the Matching Plan during the years ended 31 July 2016 or 31 July 2015.

8.2 ARYZTA Option Equivalent Plan LTIP

Option Equivalent Plan awards	Weighted conversion price 2016 in CHF	Number of equity entitlements 2016	Weighted conversion price 2015 in CHF	Number of equity entitlements 2015
Outstanding at beginning of the year	**55.21**	**2,574,500**	39.59	2,095,500
Granted during the year	**44.58**	**2,624,500**	81.00	980,000
Exercised during the year	–	–	40.57	(501,000)
Forfeited during the year	**44.48**	**(315,500)**	–	–
Outstanding at the end of the year	**50.19**	**4,883,500**	55.21	2,574,500
Vested at end of the year	**39.34**	**1,589,500**	39.36	1,594,500

Option Equivalent Plan awards outstanding by conversion price	Conversion price in CHF	Number of equity entitlements	Actual remaining life (years)
Issued during financial year 2010	37.23	**550,000**	**3.1**
Issued during financial year 2012	39.95	**962,500**	**5.2**
Issued during financial year 2013	46.70	**77,000**	**6.3**
Issued during financial year 2015	81.00	**980,000**	**8.2**
Issued during financial year 2016	44.62	**2,314,000**	**9.3**
As of 31 July 2016	50.19	**4,883,500**	**7.5**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

The equity instruments granted under the ARYZTA Option Equivalent Plan LTIP are equity-settled share-based payments as defined in IFRS 2, 'Share-based Payment'. The Group has no legal or constructive obligation to repurchase or settle the Option Equivalent awards in cash.

Vesting of the awards under the Option Equivalent Plan is conditional on compound annual growth in underlying fully diluted EPS (including the associated cost of any awards expected to vest) in three consecutive accounting periods exceeding the compound growth in the Euro-zone Core Consumer Price Index, plus 5%, on an annualised basis.

Awards under the Option Equivalent Plan are subject to additional conditions, including notably:

(a) the requirement to remain in service throughout the performance period;
(b) the requirement that the ARYZTA's reported ROIC over the expected performance period is not less than its weighted average cost of capital for awards granted before financial year 2016, and not less than 120% of its weighted average cost of capital for awards granted thereafter; and
(c) the requirement that annual dividends to shareholders are at least 15% of the underlying EPS during the performance period.

The Option Equivalent Plan awards granted in the years before financial year 2015 can be exercised as of the time the performance conditions described above have been met, but no longer than ten years after grant date. Awards granted during financial year 2015, which meet the conditions for vesting after the initial three year performance period, are subject to additional conditions, including notably an additional two year holding period before they can be exercised.

The weighted average fair value assigned to share option equivalents granted under the ARYZTA Option Equivalent Plan LTIP during the year ended 31 July 2016 was CHF 6.80, which was determined using the Black-Scholes valuation model. The significant inputs into the model were the price of the shares as at the grant date, an expected option life of 5.0 years, expected share price volatility of 23.11%, the weighted average exercise price of CHF 44.58 or €40.88, the expected dividend yield of 1.5% and the risk-free rate of (0.54)%.

No Option Equivalent Plan awards were exercised during the year ended 31 July 2016.

The weighted average exercise price of all 1,589,500 Option Equivalent Plan awards that remain outstanding and for which the vesting conditions have been met is CHF 39.34.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

9 Income tax expense

Income tax expense/(credit)

in EUR `000	2016	2015
Current tax charge	**22,657**	32,111
Deferred tax credit (note 24)	**(18,114)**	(51,061)
Income tax expense/(credit) – continuing operations	**4,543**	(18,950)

Reconciliation of average effective tax rate to applicable tax rate

in EUR `000	2016	2015
Profit/(loss) before tax	**120,048**	(18,917)
Less share of (profit)/loss after tax of joint ventures	**(11,716)**	1,520
Profit/(loss) before tax and before share of (profit)/loss of JVs	**108,332**	(17,397)
Income tax on profit/(loss) for the year at 21.2% (2015: 21.2%)[1]	**22,966**	(3,688)
Expenses/(income) not deductible/(taxable) for tax purposes	**(11,164)**	3,596
Income subject to lower rates of tax	**(5,168)**	(17,734)
Recognition of previously unrecognised deferred taxes	**–**	(2,691)
Change in estimates and other prior year adjustments:		
– Current tax	**(1,491)**	1,517
– Deferred tax	**(600)**	50
Income tax expense/(credit) – continuing operations	**4,543**	(18,950)

Current and deferred tax movements recognised directly in other comprehensive income – continuing operations

in EUR `000	2016	2015
Relating to foreign exchange translation effects	**(198)**	(5,265)
Relating to cash flow hedges	**(376)**	(599)
Relating to Group employee benefit plans actuarial gains/(losses) (note 25)	**23**	(1,216)
Tax recognised directly in other comprehensive income	**(551)**	(7,080)

1 21.2% is the standard rate of income tax applicable to trading profits in Zurich, Switzerland.

10 Proposed dividend

At the Annual General Meeting on 13 December 2016, shareholders will be invited to approve a proposed dividend of CHF 0.5731 (€0.5255) per share. If approved, the dividend will be paid to shareholders on 1 February 2017. A dividend of CHF 0.6555 per share was paid during the year, as approved by shareholders at the Annual General Meeting on 8 December 2015.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

11 Earnings per share

Basic earnings per share	2016 in EUR '000	2015 in EUR '000
Profit/(loss) attributable to equity shareholders – continuing operations	**112,729**	(4,636)
(Loss)/profit attributable to equity shareholders – discontinued operations	**(45,721)**	529,396
Profit attributable to equity shareholders – total	**67,008**	524,760
Profit/(loss) attributable to equity shareholders – continuing operations	**112,729**	(4,636)
Perpetual callable subordinated instrument accrued dividend	**(31,882)**	(30,673)
Profit/(loss) used to determine basic EPS – continuing operations	**80,847**	(35,309)
(Loss)/profit used to determine basic EPS – discontinued operations	**(45,721)**	529,396
Profit used to determine basic EPS – total	**35,126**	494,087
Weighted average number of ordinary shares	'000	'000
Ordinary shares outstanding at 1 August[1]	**88,759**	88,175
Effect of exercise of equity instruments during the year	**–**	481
Weighted average number of ordinary shares used to determine basic earnings per share	**88,759**	88,656
Basic earnings/(loss) per share from continuing operations	**91.1 cent**	(39.8) cent
Basic (loss)/earnings per share from discontinued operations	**(51.5) cent**	597.1 cent
Basic earnings per share	**39.6 cent**	557.3 cent

Diluted earnings per share	2016 in EUR '000	2015 in EUR '000
Profit/(loss) used to determine diluted EPS – continuing operations	**80,847**	(35,309)
(Loss)/profit used to determine basic EPS – discontinued operations	**(45,721)**	529,396
Effect on non-controlling interests share of reported profits, due to dilutive impact of Origin management equity entitlements	**–**	(27)
(Loss)/profit used to determine diluted EPS – discontinued operations	**(45,721)**	529,369
Profit used to determine diluted EPS – total	**35,126**	494,060
Weighted average number of ordinary shares (diluted)	'000	'000
Weighted average number of ordinary shares used to determine basic earnings per share	**88,759**	88,656
Effect of equity-based incentives with a dilutive impact[2]	**170**	–
Weighted average number of ordinary shares used to determine diluted earnings per share	**88,929**	88,656
Diluted earnings/(loss) per share from continuing operations	**90.9 cent**	(39.8) cent
Diluted (loss)/earnings per share from discontinued operations	**(51.4) cent**	597.1 cent
Diluted earnings per share	**39.5 cent**	557.3 cent

1 Issued share capital excludes treasury shares as detailed in note 26.

2 In accordance with IAS 33, 'Earnings Per Share', potential ordinary shares are treated as dilutive only when their conversion would decrease profit per share or increase loss per share from continuing operations. As the impact related to the conversion of equity-based incentives would decrease the loss per share for the year ended 31 July 2015, no dilutive effect was given to outstanding equity based incentives during that period.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

In addition to the basic and diluted earnings per share measures required by IAS 33, 'Earnings Per Share', as calculated above, the Group also presents an underlying fully diluted earnings per share measure, in accordance with IAS 33 paragraph 73. This additional measure enables comparability of the Group's underlying results from period to period, without the impact of transactions that do not relate to the underlying business. It is also the Group's policy to declare dividends based on underlying fully diluted earnings per share, as this provides a more consistent basis for returning dividends to shareholders.

As shown below, for purposes of calculating this measure, the Group adjusts reported net profit by the following items and their related tax impacts:
- includes the perpetual callable subordinated instrument accrued dividend as a finance cost, as already included in the calculation of basic and diluted EPS;
- excludes intangible amortisation, except ERP intangible amortisation;
- excludes net acquisition, disposal and restructuring-related costs; and
- adjusts for the impact of dilutive instruments on non-controlling interests' share of adjusted profits.

Underlying fully diluted earnings per share	2016 in EUR '000	2015 in EUR '000
Profit/(loss) used to determine basic EPS – continuing operations	**80,847**	(35,309)
Amortisation of non-ERP intangible assets (note 1)	**176,241**	168,022
Tax on amortisation of non-ERP intangible assets (note 24)	**(36,715)**	(35,104)
Share of joint venture intangible amortisation and restructuring-related costs, net of tax (note 15)	**3,966**	310
Net acquisition, disposal and restructuring-related costs (note 3)	**97,114**	279,950
Tax on net acquisition, disposal and restructuring-related costs	**(9,911)**	(47,881)
Underlying net profit – continuing operations	**311,542**	329,988
(Loss)/profit used to determine basic EPS – discontinued operations	**(45,721)**	529,396
Underlying contribution as associate – discontinuing operations	**(48)**	17,296
Amortisation, non-recurring and other – discontinued operations	**–**	6,343
Loss/(gain) on disposal of discontinued operations	**45,769**	(551,759)
Fair value adjustment – discontinuing operations	**–**	28,459
Underlying net profit – discontinued operations	**–**	29,735
Underlying net profit – total	**311,542**	359,723
Weighted average number of ordinary shares used to determine basic earnings per share	**88,759**	88,656
Underlying basic earnings per share – continuing operations	**351.0 cent**	372.2 cent
Underlying basic earnings per share – discontinued operations	**–**	33.6 cent
Underlying basic earnings per share – total	**351.0 cent**	405.8 cent
Weighted average number of ordinary shares used to determine basic earnings per share	**88,759**	88,656
Effect of equity-based incentives with a dilutive impact	**170**	785
Weighted average number of ordinary shares used to determine underlying fully diluted earnings per share	**88,929**	89,441
Underlying fully diluted earnings per share – continuing operations	**350.3 cent**	368.9 cent
Underlying fully diluted earnings per share – discontinued operations	**–**	33.3 cent
Underlying fully diluted earnings per share – total	**350.3 cent**	402.2 cent

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

12 Property, plant and equipment

31 July 2016 in EUR '000	Land and buildings	Plant and Machinery	Motor Vehicles	Assets under construction	Total
Net Book Value At 1 August 2015	**506,321**	**873,735**	**1,768**	**161,439**	**1,543,263**
Additions	6,427	70,253	1,292	106,340	184,312
Transfer from assets under construction	28,027	87,876	1,235	(117,138)	–
Arising on business combination (note 29)	3,860	30	561	–	4,451
Business disposals	(2,878)	(1,988)	–	–	(4,866)
Asset write-downs/disposals, net	(109)	(3,394)	(115)	(1,551)	(5,169)
Depreciation charge for year	(20,343)	(90,695)	(992)	–	(112,030)
Translation adjustments	(6,238)	(6,959)	(34)	(1,845)	(15,076)
Net Book Value At 31 July 2016	**515,067**	**928,858**	**3,715**	**147,245**	**1,594,885**
At 31 July 2016					
Cost	607,165	1,479,247	8,395	147,245	2,242,052
Accumulated depreciation	(92,098)	(550,389)	(4,680)	–	(647,167)
Net Book Value At 31 July 2016	**515,067**	**928,858**	**3,715**	**147,245**	**1,594,885**

31 July 2015 in EUR '000	Land and buildings	Plant and Machinery	Motor Vehicles	Assets under construction	Total
Net Book Value At 1 August 2014	**534,286**	**688,544**	**3,097**	**148,083**	**1,374,010**
Additions	10,398	52,347	532	286,978	350,255
Transfer from assets under construction	31,632	228,310	62	(260,004)	–
Arising on business combination (note 29)	32,960	42,585	1,113	816	77,474
Business disposals	(680)	(43,054)	(1)	(12,448)	(56,183)
Disposals as part of discontinued operations (note 2)	(70,755)	(23,806)	(1,833)	–	(96,394)
Asset write-downs/disposals, net	(26,248)	(29,473)	(181)	(20,181)	(76,083)
Transfer to investment properties (note 13)	(826)	–	–	–	(826)
Depreciation charge for year	(21,460)	(96,137)	(932)	–	(118,529)
Translation adjustments	17,014	54,419	(89)	18,195	89,539
Net Book Value At 31 July 2015	**506,321**	**873,735**	**1,768**	**161,439**	**1,543,263**
At 31 July 2015					
Cost	589,756	1,385,065	7,204	161,439	2,143,464
Accumulated depreciation	(83,435)	(511,330)	(5,436)	–	(600,201)
Net Book Value At 31 July 2015	**506,321**	**873,735**	**1,768**	**161,439**	**1,543,263**

Assets held under finance leases

The net book value in respect of assets held under finance leases and accordingly capitalised in property, plant and equipment is as follows:

in EUR '000	Plant and Machinery	Motor Vehicles	Total
At 31 July 2016	**263**	**2,306**	**2,569**
At 31 July 2015	264	688	952

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

13 Investment properties

in EUR '000	2016	2015
Balance at 1 August	**25,916**	30,716
Development costs	**365**	–
Transfer from property, plant and equipment (note 12)	**–**	826
Disposals as part of discontinued operations (note 2)	**–**	(7,575)
Translation adjustment	**(1,494)**	1,949
Balance at 31 July	**24,787**	25,916

Investment property is principally comprised of properties previously used in operations, which were transferred to investment property upon the determination that the properties would no longer be used in operations, but instead would be held as an investment for capital appreciation. Rental income and operating expenses recognised related to these properties is not significant.

No material fair value adjustments were recorded to investment properties during the years ended 31 July 2016 and 31 July 2015.

14 Goodwill and intangible assets

31 July 2016 in EUR '000	Goodwill	Customer Relationships	Brands	Computer-related	ERP-related intangibles	Patents and other	Total
Net Book Value At 1 August 2015	**2,435,928**	**952,900**	**171,990**	**14,542**	**177,500**	**44,409**	**3,797,269**
Additions	–	–	–	6,766	23,936	–	30,702
Arising on business combination (note 29)	6,918	16,500	2,800	–	–	–	26,218
Business disposals (note 3)	(20,573)	–	–	(62)	–	–	(20,635)
Asset write-downs	–	–	–	(34)	(1,801)	–	(1,835)
Amortisation charge for the year	–	(136,350)	(26,235)	(2,933)	(12,743)	(10,723)	(188,984)
Translation adjustments	(18,602)	(5,854)	(1,457)	845	(346)	(127)	(25,541)
Net Book Value At 31 July 2016	**2,403,671**	**827,196**	**147,098**	**19,124**	**186,546**	**33,559**	**3,617,194**
At 31 July 2016							
Cost	2,403,671	1,496,912	321,446	53,802	213,447	61,290	4,550,568
Accumulated amortisation	–	(669,716)	(174,348)	(34,678)	(26,901)	(27,731)	(933,374)
Net Book Value At 31 July 2016	**2,403,671**	**827,196**	**147,098**	**19,124**	**186,546**	**33,559**	**3,617,194**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

31 July 2015 in EUR '000	Goodwill	Customer Relationships	Brands	Computer-related	ERP-related intangibles	Patents and other	Total
Net Book Value At 1 August 2014	**2,273,382**	**971,897**	**177,116**	**16,042**	**185,792**	**66,368**	**3,690,597**
Additions	–	532	–	5,267	52,514	4,010	62,323
Arising on business combination (note 29)	87,112	47,198	2,878	67	–	5,528	142,783
Business disposals (note 3)	(56,202)	–	–	–	(9,439)	(63)	(65,704)
Disposals as part of discontinued operations (note 2)	(96,124)	(41,769)	(10,056)	(611)	(11,935)	–	(160,495)
Asset write-downs	–	–	–	(3,316)	(36,337)	–	(39,653)
Amortisation charge for the year	–	(116,187)	(19,497)	(4,180)	(9,787)	(34,695)	(184,346)
Translation adjustments	227,760	91,229	21,549	1,273	6,692	3,261	351,764
Net Book Value At 31 July 2015	**2,435,928**	**952,900**	**171,990**	**14,542**	**177,500**	**44,409**	**3,797,269**
At 31 July 2015							
Cost	2,435,928	1,498,014	324,043	49,661	191,670	93,239	4,592,555
Accumulated amortisation	–	(545,114)	(152,053)	(35,119)	(14,170)	(48,830)	(795,286)
Net Book Value At 31 July 2015	**2,435,928**	**952,900**	**171,990**	**14,542**	**177,500**	**44,409**	**3,797,269**

Impairment testing on goodwill

Goodwill acquired through business combinations is allocated at acquisition to the cash-generating units, or groups of cash generating-units, that are expected to benefit from the synergies of the business combination.

The business units shown in the following table represent the lowest level at which goodwill is now monitored for internal management purposes. Accordingly, this is also the level at which the 2016 goodwill impairment testing was performed. The carrying amount of goodwill allocated to the relevant cash-generating units, as well as the key assumptions used in the 2016 impairment testing, are summarised as follows:

in EUR '000	Pre-tax discount rate 2016	Projection period	Terminal growth rate	Carrying Value 2016	Carrying Value 2015
UK, Ireland and Netherlands	**7.8%**	**3 years**	**2%**	**211,409**	210,774
Germany and other[1]	**8.1%**	**3 years**	**2%**	**369,930**	370,393
Switzerland	**6.7%**	**3 years**	**2%**	**244,529**	249,581
France	**8.5%**	**3 years**	**2%**	**85,354**	105,927
ARYZTA Europe				**911,222**	936,675
ARYZTA North America	**8.3%**	**3 years**	**2%**	**1,435,709**	1,443,858
ARYZTA Rest of World	**11.7%**	**3 years**	**3%**	**56,740**	55,395
				2,403,671	2,435,928

1 Other comprise goodwill in a number of cash-generating units which are individually insignificant.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

The Group tests goodwill for impairment annually, during the last quarter of the financial year, or more frequently if changes in circumstances indicate a potential impairment. No impairment losses have been recognised related to the Group's goodwill during the year ended 31 July 2016. During the year ended 31 July 2015, an impairment of €56,202,000 was recorded in the ARYZTA Europe operating segment, as a result of business disposals (note 3).

The recoverable amounts of cash-generating units are based on value-in-use calculations. These calculations use pre-tax cash flow projections based on expected future operating results and related cash flows at the time the impairment test is performed. These projections are based on current operating results of the individual cash-generating units and an assumption regarding future organic growth. For the purposes of the calculation of value-in-use, the cash flows are projected based on current financial budgets, with additional cash flows in subsequent years calculated using a terminal value methodology and discounted using the relevant rate, as disclosed in the table above.

A significant adverse change in the expected future operational results and cash flows may result in the value-in-use being less than the carrying amount of a cash-generating unit and would require that the carrying amount of the cash-generating unit be impaired and stated at the recoverable amount of the business unit. However, based on the results of the impairment testing undertaken, sufficient headroom exists such that any reasonable movement in any of the underlying assumptions would not give rise to an impairment charge. Key assumptions include management's estimates of future profitability, specifically the terminal growth rate and growth estimates for the projection period, as well as the discount rate.

The terminal growth rate within the discounted cash flow model is a significant factor in determining the value-in-use of the cash-generating units. A terminal growth rate is included to take into account the Group's strong financial position, its established history of earnings growth, ongoing cash flow generation and its proven ability to pursue and integrate value-enhancing acquisitions. The terminal growth rates utilised approximated relevant long-term inflation rates within each of the cash-generating units. While the terminal growth rate is a significant factor in the goodwill impairment testing, reducing the terminal growth rate to 0% would not give rise to a material impairment.

The discount rate used is also a significant factor in determining the value-in-use of the cash-generating units. These rates are based on the relevant risk-free rate, adjusted to reflect the risk associated with the respective future cash flows of that cash-generating unit. While the discount rate is a significant factor in the goodwill impairment testing, increasing the discount rate by 1% would not give rise to a material impairment.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

15 Investments in associates and joint ventures

31 July 2016 in EUR '000	Share of associates net assets	Share of joint ventures net assets	Total
At 1 August 2015	–	32,067	32,067
Investment in joint venture	–	450,732	450,732
Share of profit after tax and before intangible amortisation	–	15,682	15,682
Group share of intangible amortisation	–	(3,162)	(3,162)
Group share of restructuring-related costs	–	(804)	(804)
Gains through other comprehensive income	–	304	304
Translation adjustments	–	(3,373)	(3,373)
At 31 July 2016	**–**	**491,446**	**491,446**

31 July 2015 in EUR '000	Share of associates net assets	Share of joint ventures net assets	Total
At 1 August 2014	41,323	13,588	54,911
Investment in joint ventures	–	30,577	30,577
Share of losses, after tax and before intangible amortisation	–	(1,210)	(1,210)
Group share of intangible amortisation	–	(310)	(310)
Movements in investment in associates and JV in discontinued operations	4,326	3,133	7,459
Disposals as part of discontinued operations (note 2)	(45,649)	(16,721)	(62,370)
Translation adjustments	–	3,010	3,010
At 31 July 2015	**–**	**32,067**	**32,067**

During August 2015, the Group acquired a 49% interest in Picard, which operates an asset light business-to-consumer platform focused on premium speciality food. Picard is located primarily in France, but also has some international franchises outside of France.

While ARYZTA holds only a minority shareholding and voting rights in Picard, the Group is entitled to jointly approve key business decisions, including approval of proposed members of Picard management and the annual operating budget, which are considered relevant activities. Therefore, the Group's interest in Picard has been presented as a joint venture.

The Group also retains the right to exercise a call option to acquire the remaining outstanding interest in Picard between FY2019 and FY2021, Picard remains separately managed and has separately funded debt structures, which are non-recourse to ARYZTA.

During January 2015, the Group exchanged assets with a fair value of GBP 24,000,000 (€30,577,000) for a 50% interest in Signature Flatbreads, a pioneering flatbread producer in the UK and India, producing an innovative range of authentic Indian breads, as well as high quality international flatbreads, tortillas, pizza bases and pitas. As ARYZTA is entitled to jointly approve key business decisions, the Group's interest in Signature Flatbreads has been presented as a joint venture.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

The Group also received a vendor loan note receivable from Signature Flatbreads, with an initial balance of GBP 17,683,000 (€22,529,000), of which GBP 17,700,000 (€21,509,000) was repaid during the year ended 31 July 2016.

The amounts included in these Group consolidated financial statements in respect of the current year post-acquisition profits or losses of joint ventures are taken from their latest financial statements, prepared up to their respective year-ends, together with management accounts for the intervening periods to the Group's year-end. Both Picard and Signature International Foods India Private Ltd have a year-end of 31 March, while Signature Flatbreads (UK) Ltd has a year-end of 31 May.

The assets, liabilities and overall investments in joint ventures are as follows:

31 July 2016 in EUR '000	Picard	Signature	Total	ARYZTA portion
Cash and cash equivalents	122,594	3,769	126,363	61,551
Other current assets	122,413	22,859	145,272	71,008
Total current assets	**245,007**	**26,628**	**271,635**	**132,559**
Total non-current assets	**1,901,773**	**61,663**	**1,963,436**	**956,424**
Trade and other payables	(230,334)	(19,954)	(250,288)	(122,081)
Other current liabilities	(62,241)	(461)	(62,702)	(30,523)
Total current liabilities	**(292,575)**	**(20,415)**	**(312,990)**	**(152,604)**
Total non-current liabilities	**(1,690,737)**	**(23,968)**	**(1,714,705)**	**(834,866)**
Balance at 31 July 2016	**163,468**	**43,908**	**207,376**	**101,513**
Goodwill				389,933
Investment in joint ventures				**491,446**

The share of revenues and results of joint ventures are as follows:

31 July 2016 in EUR '000	Picard	Signature	Total	ARYZTA's share thereof
Revenue	1,287,900	115,087	**1,402,987**	
EBITDA	186,743	11,108	**197,851**	
Depreciation	(27,405)	(4,805)	**(32,210)**	
EBITA	159,338	6,303	**165,641**	
Finance costs, net	(88,746)	(1,169)	**(89,915)**	
Pre-tax profits	70,592	5,134	**75,726**	
Income tax	(42,592)	(1,024)	**(43,616)**	
Joint venture underlying net profit	**28,000**	**4,110**	**32,110**	**15,682**
Intangible amortisation, net of deferred taxes	(4,326)	(2,113)	**(6,439)**	**(3,162)**
Restructuring-related costs	(1,652)	–	**(1,652)**	**(804)**
Profit after tax	**22,022**	**1,997**	**24,019**	**11,716**
Gains through other comprehensive income	626	–	**626**	**304**
Total other comprehensive income	**22,648**	**1,997**	**24,645**	**12,020**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

16 Inventory

in EUR '000	2016	2015
Raw materials	**53,475**	56,380
Finished goods	**177,009**	186,520
Packaging and other	**18,235**	16,955
Balance at 31 July	**248,719**	259,855

A total expense of €17,461,000 (2015: €15,169,000) was recognised in the Group Consolidated Income Statement arising from write-down of inventory.

17 Trade and other receivables

in EUR '000	2016	2015
Non-current		
Loan notes due from joint venture (note 31)	**3,956**	28,644
Current		
Trade receivables, net	**99,607**	185,777
Amounts due from related parties (note 31)	**187**	789
VAT recoverable	**20,581**	22,123
Prepayments and accrued income	**24,992**	25,947
Other receivables	**23,228**	29,400
Balance at 31 July	**168,595**	264,036

18 Trade and other payables

in EUR '000	2016	2015
Non-current		
Other payables	**37,678**	36,732
Forward purchase obligation (note 22)	**–**	15,185
Balance at 31 July	**37,678**	51,917
Current		
Trade payables	**382,560**	372,135
Amounts due to related parties (note 31)	**333**	191
Accruals and other payables[1]	**358,618**	352,159
Employee-related tax and social welfare	**11,716**	9,128
VAT payable	**10,516**	8,947
Forward purchase obligation (note 22)	**14,878**	–
Balance at 31 July	**778,621**	742,560

1 Accruals and other payables consist primarily of balances due for goods and services received not yet invoiced and for staff compensation.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

19 Contingent consideration

Contingent consideration comprises the net present value of amounts expected to be payable arising on business combinations. Residual deferred and contingent consideration is due entirely within five years of the related acquisition and is payable subject to the passage of time or achievement of earnings or revenue-based targets, respectively.

in EUR '000	2016	2015
Balance at 1 August	**48,660**	15,254
Arising on business combination (note 29)	**572**	42,366
Payments of contingent consideration	**(46,916)**	(9,240)
Released to income statement	**(1,140)**	–
Translation adjustment	**(160)**	280
Balance at 31 July	**1,016**	48,660

20 Cash and cash equivalents

In accordance with IAS 7, 'Statement of Cash Flows', cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments, which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are included within current interest-bearing loans and borrowings in the Group Consolidated Balance Sheet.

The cash and cash equivalents included in the Group Consolidated Cash Flow Statement are analysed as follows:

in EUR '000	2016	2015
Cash at bank and on hand	**647,724**	316,867
Bank overdrafts	**(178,751)**	(68,834)
Included in the Group Consolidated Cash Flow Statement	**468,973**	248,033

Cash at bank and on hand earns interest at floating rates based on daily deposit bank rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

21 Interest-bearing loans and borrowings

Details of the Group's interest bearing loans and borrowings are outlined below.

The bank and private placement borrowings of the Group share security via a security assignment agreement.

in EUR `000	2016	2015
Included in non-current liabilities		
Loans	**1,962,339**	1,935,828
Finance leases	**1,370**	1,348
Non-current interest-bearing loans and borrowings	**1,963,709**	1,937,176
Included in current liabilities		
Loans	**223,974**	35,883
Bank overdrafts (note 20)	**178,751**	68,834
Total bank loans and overdrafts	**402,725**	104,717
Finance leases	**907**	77
Current interest-bearing loans and borrowings	**403,632**	104,794
Total bank loans and overdrafts	**2,365,064**	2,040,545
Total finance leases	**2,277**	1,425
Total interest-bearing loans and borrowings	**2,367,341**	2,041,970

Analysis of net debt in EUR `000	1 August 2015	Cash flows	Arising on business combination / disposal	Non-cash movements	Translation adjustment	31 July 2016
Cash	316,867	319,991	15,613	–	(4,747)	647,724
Overdrafts	(68,834)	(114,652)	–	–	4,735	(178,751)
Cash and cash equivalents	**248,033**	**205,339**	**15,613**	**–**	**(12)**	**468,973**
Loans	(1,971,711)	(246,984)	–	(3,645)	36,027	(2,186,313)
Finance leases	(1,425)	26	(470)	(431)	23	(2,277)
Net debt	**(1,725,103)**	**(41,619)**	**15,143**	**(4,076)**	**36,038**	**(1,719,617)**

During March 2016, the Group agreed new terms for its revolving credit facility, which reduced the Group's revolving credit facility capacity from CHF 1,977m to CHF 1,400m. The facility has a maturity in March 2019 for CHF 500m and March 2021 for the remaining CHF 900m, with an option to extend the entire facility to March 2021. The new facility has substantially unchanged financial covenants.

Also see changes to the Group's interest-bearing loans and borrowings subsequent to year-end, as included in note 32.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

The terms of outstanding loans are as follows:

2016	Currency	Calendar year of maturity	Nominal Value in EUR'000	Carrying amount in EUR'000
Senior secured revolving working capital facility	Various	2019	438,327	433,638
Senior secured revolving working capital facility	Various	2021	553,340	544,901
Private placement 2014				
Series A	USD	2020	89,590	88,954
Series B	USD	2022	223,974	222,381
Series C	USD	2024	125,426	124,534
Series D	EUR	2024	25,000	24,822
Private placement 2010				
Series C	USD	2018	53,754	53,361
Series D	USD	2021	134,385	133,403
Series E	USD	2022	89,590	88,935
Series F	EUR	2020	25,000	24,817
Private placement 2009				
Series A	USD	2021	71,671	71,119
Series B	USD	2024	35,836	35,560
Series C	USD	2029	71,671	71,119
Private placement 2007				
Series B	USD	2017	223,974	223,974
Series C	USD	2019	44,795	44,795
Total outstanding loans at 31 July 2016			**2,206,333**	**2,186,313**

2015	Currency	Calendar year of maturity	Nominal Value in EUR'000	Carrying amount in EUR'000
Senior secured revolving working capital facility	Various	2019	730,493	720,865
Private placement 2014				
Series A	USD	2020	90,017	89,377
Series B	USD	2022	225,043	223,442
Series C	USD	2024	126,024	125,127
Series D	EUR	2024	25,000	24,822
Private placement 2010				
Series B	USD	2016	36,007	35,883
Series C	USD	2018	54,010	53,825
Series D	USD	2021	135,026	134,563
Series E	USD	2022	90,017	89,709
Series F	EUR	2020	25,000	24,914
Private placement 2009				
Series A	USD	2021	72,014	71,653
Series B	USD	2024	36,007	35,826
Series C	USD	2029	72,013	71,653
Private placement 2007				
Series B	USD	2017	225,042	225,043
Series C	USD	2019	45,009	45,009
Total outstanding loans at 31 July 2015			**1,986,722**	**1,971,711**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

The weighted average effective interest rate in respect of the Group's interest-bearing loans was as follows:

	31 July 2016	31 July 2015
Total bank loans	**4.5%**	3.8%

The pre-tax weighted average cost of capital associated with the Group's financing structures was 8.0% (2015: 7.4%).

Repayment schedule – loans and overdrafts (nominal values) in EUR `000	2016	2015
Less than one year	**402,725**	104,841
Between one and five years	**1,339,191**	1,169,571
After five years	**643,168**	781,144
	2,385,084	2,055,556

Repayment schedule – finance leases in EUR `000	Minimum lease payments 2016	Interest 2016	Present value of payments 2016	Minimum lease payments 2015	Interest 2015	Present value of payments 2015
Less than one year	**966**	**59**	**907**	134	57	77
Between one and five years	**1,412**	**42**	**1,370**	1,358	10	1,348
After five years	**–**	**–**	**–**	–	–	–
	2,378	**101**	**2,277**	1,492	67	1,425

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

22 Financial instruments and financial risk

The fair values of financial assets, liabilities, investment property and assets held-for-sale, together with the carrying amounts shown in the balance sheet, are as follows:

in EUR `000	Fair value hierarchy	Fair Value through income statement 2016	Hedge instruments 2016	Loans and receivables 2016	Liabilities at amortised cost 2016	Total carrying amount 2016	Fair value 2016
Trade and other receivables (excluding prepayments)		–	–	126,978	–	126,978	126,978
Cash and cash equivalents		–	–	647,724	–	647,724	647,724
Derivative financial assets	*Level 2*	–	669	–	–	669	669
Investment properties	*Level 3*	24,787	–	–	–	24,787	24,787
Total financial assets		**24,787**	**669**	**774,702**	**–**	**800,158**	**800,158**
Trade and other payables (excluding non-financial liabilities)		–	–	–	(779,189)	(779,189)	(779,189)
Bank overdrafts		–	–	–	(178,751)	(178,751)	(178,751)
Bank borrowings		–	–	–	(2,186,313)	(2,186,313)	(2,380,949)
Finance lease liabilities		–	–	–	(2,277)	(2,277)	(2,277)
Derivative financial liabilities	*Level 2*	–	(14,557)	–	–	(14,557)	(14,557)
Forward purchase obligation	*Level 3*	(14,878)	–	–	–	(14,878)	(14,878)
Contingent consideration	*Level 3*	(1,016)	–	–	–	(1,016)	(1,016)
Total financial liabilities		**(15,894)**	**(14,557)**	**–**	**(3,146,530)**	**(3,176,981)**	**(3,371,617)**

in EUR `000	Fair value hierarchy	Fair Value through income statement 2015	Hedge instruments 2015	Loans and receivables 2015	Liabilities at amortised cost 2015	Total carrying amount 2015	Fair value 2015
Trade and other receivables (excluding prepayments)		–	–	244,610	–	244,610	244,610
Cash and cash equivalents		–	–	316,867	–	316,867	316,867
Derivative financial assets	*Level 2*	–	653	–	–	653	653
Investment properties	*Level 3*	25,916	–	–	–	25,916	25,916
Associate held-for-sale	*Level 1*	270,870	–	–	–	270,870	270,870
Total financial assets		**296,786**	**653**	**561,477**	**–**	**858,916**	**858,916**
Trade and other payables (excluding non-financial liabilities)		–	–	–	(761,217)	(761,217)	(761,217)
Bank overdrafts		–	–	–	(68,834)	(68,834)	(68,834)
Bank borrowings		–	–	–	(1,971,711)	(1,971,711)	(2,096,779)
Finance lease liabilities		–	–	–	(1,425)	(1,425)	(1,425)
Derivative financial liabilities	*Level 2*	–	(12,766)	–	–	(12,766)	(12,766)
Forward purchase obligation	*Level 3*	(15,185)	–	–	–	(15,185)	(15,185)
Contingent consideration	*Level 3*	(48,660)	–	–	–	(48,660)	(48,660)
Total financial liabilities		**(63,845)**	**(12,766)**	**–**	**(2,803,187)**	**(2,879,798)**	**(3,004,866)**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Estimation of fair values
Set out below are the major methods and assumptions used in estimating the fair values of the financial assets and liabilities disclosed in the preceding tables.

Fair value hierarchy
The tables at the beginning of this note summarise the financial instruments carried at fair value, by valuation method. Fair value classification levels have been assigned to the Group's financial instruments carried at fair value. The different levels assigned are defined as follows:

Level 1: Prices quoted in active markets
Level 2: Valuation techniques based on observable market data
Level 3: Valuation techniques based on unobservable inputs

Trade and other receivables/payables
All trade and other receivables or payables, other than the forward purchase obligation, are carried at amortised cost, less any impairment provision. For any trade and other receivables or payables with a remaining life of less than six months or demand balances, the carrying value, less impairment provision where appropriate, is deemed to reflect fair value.

Cash and cash equivalents, including short-term bank deposits
For short-term bank deposits and cash and cash equivalents, all of which have an original and remaining maturity of less than three months, the nominal amount is deemed to reflect fair value.

Derivatives (forward currency contracts and interest rate swaps)
Forward currency contracts are marked to market using quoted forward exchange rates at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Investment property
Investment property, principally comprised of land and buildings, is held for capital appreciation. Investment property is stated at fair value through the income statement. The fair value is based on market value, being the estimated amount for which a property could be exchanged in an arm's length transaction. As the fair value is based on inputs not observable within the market, it has been classified as a Level 3 asset.

Associate held-for-sale
The Group's 29% investment in Origin was classified as an associate held-for-sale as of 31 July 2015 because its carrying amount was to be recovered principally through a sale transaction. This is stated at fair value, less costs to sell. As the fair value is determined by reference to prices quoted in an active market, it was classified as a Level 1 financial asset.

Interest-bearing loans and borrowings
For interest-bearing loans and borrowings with a contractual re-pricing date of less than six months, the nominal amount is considered to approximate fair value for disclosure purposes. For loans with a re-pricing date of greater than six months, the fair value is

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

calculated based on the expected future principal and interest cash flows, discounted at appropriate current market interest rates.

Finance lease liabilities
Fair value is based on the present value of future cash flows discounted at implicit interest rates.

Forward purchase obligation
The liability related to the HiCoPain forward purchase contract (notes 18 and 26) is carried at fair value through profit and loss. In accordance with the terms of that agreement, the fair value of this financial instrument is based on the estimated net book value of HiCoPain AG upon the final exit of the non-controlling interest shareholder. As the fair value of this obligation is based on inputs not observable within the market, it has been classified as a Level 3 financial liability.

Contingent consideration
Where any part of the consideration for a business combination is deferred or contingent, the fair value of that component is determined by discounting the estimated amounts payable to their present value at the acquisition date. The discount is unwound as a finance charge in the Group Consolidated Income Statement over the life of the obligation. Subsequent changes to the estimated amounts payable for contingent consideration are recognised as a gain or loss in the Group Consolidated Income Statement. As the fair value of this obligation is based on inputs not observable within the market, it has been classified as a Level 3 financial liability.

Movement in level 3 financial liabilities

in EUR `000	**2016**	2015
Balance at 1 August	**63,845**	44,885
Arising on business combination (note 29)	**572**	42,366
Disposals as part of discontinued operations	**–**	(16,360)
Payments of contingent consideration (note 19)	**(46,916)**	(9,240)
Amounts recognised in profit and loss (note 19)	**(1,140)**	–
Translation adjustments	**(467)**	2,194
Balance at 31 July	**15,894**	63,845

Notes to the Group Consolidated Financial Statements (continued)
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Risk exposures

Group risk management

Risk management is a fundamental element of the Group's business practice at all levels and encompasses different types of risks. This overall Group risk management process includes the performance of a risk assessment that is described in more detail in note 33. Financial risk management specifically is described in further detail below.

Financial risk management

The Group's international operations expose it to different financial risks that include:

- credit risks;
- liquidity risks;
- foreign exchange rate risks;
- interest rate risks; and
- commodity price risks.

The Group has a risk management programme in place, which seeks to limit the impact of these risks on the financial performance of the Group. The Board has determined the policies for managing these risks. It is the policy of the Board to manage these risks in a non-speculative manner.

Credit risk

Exposure to credit risk

Credit risk arises from credit issued to customers on outstanding receivables and outstanding transactions, as well as cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions.

Cash and short-term bank deposits

Cash and short-term bank deposits are invested with institutions with the highest short-term credit rating, with limits on amounts held with individual banks or institutions at any one time. Management does not expect any losses from non-performance by these counterparties.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk by dependence on individual customers or geographies.

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables based on experience, customer's track record and historic default rates. Individual risk limits are generally set by customer, and risk is only accepted above such limits in defined circumstances. The utilisation of credit limits is regularly monitored. Impairment provisions are used to record impairment losses, unless the Group is satisfied that no recovery of the amount owed is possible. At that point the amount is considered irrecoverable and is written off directly against the trade receivable.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The Group also manages credit risk through the use of a receivables purchase arrangement with a financial institution. Under the terms of this non-recourse agreement, the Group has transferred credit risk and control of certain trade receivables, amounting to €226,256,000 (2015: €176,574,000). The Group has continued to recognise an asset of €17,797,000 (2015: €17,948,000), representing the maximum extent of its continuing involvement or exposure.

The carrying amount of financial assets, net of impairment provisions, represents the Group's maximum credit exposure. The maximum exposure to credit risk at year-end was as follows:

in EUR `000	**Carrying amount 2016**	Carrying amount 2015
Cash and cash equivalents	**647,724**	316,867
Trade and other receivables	**126,978**	244,610
Derivative financial assets	**669**	653
	775,371	562,130

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

in EUR `000	**Carrying amount 2016**	Carrying amount 2015
Europe	**69,260**	127,813
North America	**6,483**	34,002
Rest of World	**23,864**	23,962
	99,607	185,777

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

The aging of trade receivables at the reporting date was as follows:

in EUR `000	Gross 2016	Provision for impairment 2016	Gross 2015	Provision for impairment 2015
Not past due	**42,312**	**417**	124,196	412
Past due 0–30 days	**47,282**	**195**	49,678	411
Past due 31–120 days	**11,202**	**1,596**	8,285	524
Past due more than 121 days	**8,049**	**7,030**	10,121	5,156
	108,845	**9,238**	192,280	6,503

The Group payment terms are typically 0–60 days. With the exception of the long-term vendor loan note due from a joint venture, all other receivables are due in less than six months. Other than the receivables provided for in the impairment above, receivables are deemed to be fully recoverable.

The analysis of movement in impairment provisions in respect of trade receivables was as follows:

in EUR `000	2016	2015
Balance at 1 August	**6,503**	18,163
Arising on business combination	**439**	1,308
Business disposals	**–**	(1,550)
Disposals as part of discontinued operations	**–**	(11,121)
Provided/(utilised) during the year	**2,481**	(593)
Translation adjustment	**(185)**	296
Balance at 31 July	**9,238**	6,503

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's objective is to maintain a balance between flexibility and continuity of funding. The Group's policy is that generally not more than 40% of total bank borrowing facilities should mature in any twelve-month period. At 31 July 2016, 17% of the Group's total borrowings will mature within the next 12 months.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

The following are the contractual maturities of financial liabilities, including estimated interest payments:

2016 in EUR `000	Carrying amount	Contractual cash flows	6 mths or less	6–12 mths	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Fixed rate bank loans	(1,207,774)	(1,525,328)	(30,182)	(254,156)	(100,992)	(417,958)	(722,040)
Variable rate bank loans	(978,539)	(1,051,889)	(6,570)	(6,570)	(13,140)	(1,025,609)	–
Finance lease liabilities	(2,277)	(2,378)	(518)	(448)	(961)	(451)	–
Bank overdrafts	(178,751)	(178,751)	(178,751)	–	–	–	–
Trade and other payables	(779,189)	(779,189)	(707,649)	(33,862)	(4,369)	(10,284)	(23,025)
Forward purchase obligation	(14,878)	(14,878)	(14,878)	–	–	–	–
Derivative financial instruments							
Interest rate swaps used for hedging	(8,642)	(8,642)	(2,012)	(2,012)	(2,921)	(1,697)	–
Currency forward contracts used for hedging							
– Inflows	–	326,789	316,414	10,375	–	–	–
– Outflows	(5,915)	(332,704)	(321,758)	(10,946)	–	–	–
	(3,175,965)	**(3,566,970)**	**(945,904)**	**(297,619)**	**(122,383)**	**(1,455,999)**	**(745,065)**

2015 in EUR `000	Carrying amount	Contractual cash flows	6 mths or less	6–12 mths	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Fixed rate bank loans	(1,250,846)	(1,630,568)	(31,124)	(67,131)	(285,685)	(348,305)	(898,323)
Variable rate bank loans	(720,865)	(776,672)	(6,445)	(6,444)	(12,887)	(750,896)	–
Finance lease liabilities	(1,425)	(1,492)	(36)	(98)	(1,333)	(25)	–
Bank overdrafts	(68,834)	(68,834)	(68,834)	–	–	–	–
Trade and other payables	(761,217)	(761,217)	(696,374)	(28,111)	(4,821)	(7,093)	(24,818)
Forward purchase obligation	(15,185)	(15,185)	–	–	(15,185)	–	–
Derivative financial instruments							
Interest rate swaps used for hedging	(9,258)	(9,258)	(1,928)	(1,929)	(2,631)	(2,770)	–
Currency forward contracts used for hedging							
– Inflows		204,840	174,837	30,003	–	–	–
– Outflows	(3,508)	(208,348)	(178,147)	(30,201)	–	–	–
	(2,831,138)	**(3,266,734)**	**(808,051)**	**(103,911)**	**(322,542)**	**(1,109,089)**	**(923,141)**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Accounting for derivatives and hedging activities
The fair value of derivative financial assets and liabilities at the balance sheet date is set out in the following table:

in EUR `000	Assets 2016	Liabilities 2016	Assets 2015	Liabilities 2015
Cash flow hedges				
Currency forward contracts	**669**	**(5,915)**	653	(3,508)
Interest rate swaps	**–**	**(8,642)**	–	(9,258)
At 31 July	**669**	**(14,557)**	653	(12,766)

Cash flow hedges
Cash flow hedges are those of highly probable forecasted future income or expenses. In order to qualify for hedge accounting, the Group is required to document the relationship between the item being hedged and the hedging instrument and demonstrate, at inception, that the hedge relationship will be highly effective on an ongoing basis. The hedge relationship must be tested for effectiveness on subsequent reporting dates.

There is no significant difference between the timing of the cash flows and the income statement effect of cash flow hedges.

Market risk
Market risk is the risk that changes in market prices and indices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments.

Foreign exchange risk
In addition to the Group's operations carried out in eurozone economies, it has significant operations in the UK, Switzerland and North America. As a result, the Group Consolidated Balance Sheet is exposed to currency fluctuations including, in particular, Sterling, US dollar, Canadian dollar and Swiss franc movements. The Group manages its balance sheet having regard to the currency exposures arising from its assets being denominated in a wide range of currencies.

Net investment hedges
As part of its approach towards mitigating its exposure to foreign currency risk, the Group will, when required, fund foreign currency assets in the currency of the related assets.

These relationships are typically designated by the Group as net investment hedges of foreign currency exposures on net investments in foreign operations using the borrowings as the hedging instrument. These hedge designations allow the Group to mitigate the risk of foreign currency exposures on the carrying amount of net assets in foreign operations in its Group consolidated financial statements.

The borrowings designated in net investment hedge relationships are measured at fair value, with the effective portion of the change in value of the borrowings being recognised directly through other comprehensive income in the foreign currency translation reserve. Any ineffectiveness arising on such hedging relationships is recognised immediately in the income statement.

Notes to the Group Consolidated Financial Statements (continued)
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Currency swaps

The Group also hedges a portion of its transactional currency exposure through the use of currency swaps. Transactional exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Group uses forward currency contracts to eliminate the currency exposures on certain foreign currency purchases. The forward currency contracts must be in the same currency and match the settlement terms of the hedged item.

The following table details the Group's exposure to transactional foreign currency risk at 31 July 2016:

2016 in EUR `000	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	9,214	1,387	1,086	6,764	7,884	4,232	30,567
Other receivables	187	91	98	–	233	20	629
Cash and cash equivalents	5,146	5,327	46	83	15,389	509	26,500
Trade payables	(3,453)	(26,852)	(4,874)	(102)	(24,672)	(3,744)	(63,697)
Other payables	(1,021)	(5,319)	(544)	(23)	(2,766)	(5)	(9,678)
Derivative financial instruments	(1,765)	(10,380)	(318)	–	(1,267)	(18)	(13,748)
At 31 July 2016	**8,308**	**(35,746)**	**(4,506)**	**6,722**	**(5,199)**	**994**	**(29,427)**

The following table details the Group's exposure to transactional foreign currency risk at 31 July 2015:

2015 in EUR `000	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	8,520	6,753	1,424	6,764	9,494	2,720	35,675
Other receivables	–	2	–	–	3,444	88	3,534
Cash and cash equivalents	306	4,601	45	1,849	9,940	594	17,335
Trade payables	(8,534)	(23,674)	(491)	(1,090)	(28,339)	(3,468)	(65,596)
Other payables	(623)	(165)	–	(339)	(1,017)	–	(2,144)
Derivative financial instruments	(264)	(8,322)	(88)	–	(2,295)	9	(10,960)
At 31 July 2015	**(595)**	**(20,805)**	**890**	**7,184**	**(8,773)**	**(57)**	**(22,156)**

Notes to the Group Consolidated Financial Statements (continued)
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Currency sensitivity analysis

A 10% strengthening or weakening of the foreign currencies below against the euro at 31 July would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as in the prior year.

2016 in EUR `000	10% strengthening income statement	10% strengthening equity	10% weakening income statement	10% weakening equity
GBP	(916)	11,255	1,119	(13,756)
USD	2,306	48,159	(2,818)	(58,861)
CAD	381	7,036	(465)	(8,600)
CHF	(611)	–	747	–
At 31 July 2016	1,160	66,450	(1,417)	(81,217)

2015 in EUR `000	10% strengthening income statement	10% strengthening equity	10% weakening income statement	10% weakening equity
GBP	30	14,720	(37)	(17,991)
USD	1,135	35,375	(1,387)	(43,236)
CAD	(89)	11,473	109	(14,022)
CHF	(653)	–	798	–
At 31 July 2015	423	61,568	(517)	(75,249)

The impact on equity from changing exchange rates results principally from foreign currency loans designated as net investment hedges. This impact would be offset by the revaluation of the hedged net assets, which would also be recorded in equity.

Interest rate risk

The Group's debt bears both variable and fixed rates of interest as per the original contracts. Fixed rate debt is achieved through the issuance of fixed rate debt or the use of interest rate swaps. At 31 July, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

in EUR `000	**Carrying amount 2016**	Carrying amount 2015
Fixed rate instruments		
Bank borrowings	**(1,207,774)**	(1,250,846)
Finance lease liabilities	**(2,277)**	(1,425)
	(1,210,051)	(1,252,271)
Variable rate instruments		
Cash and cash equivalents	**647,724**	316,867
Bank overdrafts	**(178,751)**	(68,834)
Bank borrowings	**(978,539)**	(720,865)
Total interest-bearing financial instruments	**(1,719,617)**	(1,725,103)

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Cash flow sensitivity analysis for variable rate liabilities

A change of 50 bps in interest rates at the reporting date would have had the effect as shown below on the Group Consolidated Income Statement and equity. This analysis assumes that all other variables, in particular interest earned on cash and cash equivalents and foreign currency exchange rates, remain constant. The analysis is performed on the same basis as in the prior year.

2016 in EUR `000	Principal amount	Impact of 50 bp increase on income statement	Impact of 50 bp increase on equity
Bank overdrafts	(178,751)	(894)	–
Variable rate bank borrowings	(978,539)	(4,893)	–
Interest rate swaps	508,359	–	2,542
Cash flow sensitivity, net	**(648,931)**	**(5,787)**	**2,542**

2015 in EUR `000	Principal amount	Impact of 50 bp increase on income statement	Impact of 50 bp increase on equity
Bank overdrafts	(68,834)	(344)	–
Variable rate bank borrowings	(720,865)	(3,604)	–
Interest rate swaps	510,068	–	2,550
Cash flow sensitivity, net	**(279,631)**	**(3,948)**	**2,550**

Commodity price risk

The Group purchases and sells certain commodities for the purposes of receipt or delivery and uses derivative contracts to protect itself from movements in prices other than exchange differences. These contracts are classified as 'own use' contracts, as they were entered into and continue to be held for the purpose of the receipt or delivery of the non-financial item, in accordance with the business unit's expected purchase, sale or usage requirements. 'Own use' contracts are outside the scope of IAS 39, 'Financial Instruments: Recognition and Measurement', and are accounted for on an accrual basis. Where a commodity contract is not entered into, or does not continue to be held to meet the Group's own purchase, sale or usage requirements, it is treated as a derivative financial instrument, and the recognition and measurement requirements of IAS 39 are applied.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

23 Deferred income from government grants

in EUR `000	**2016**	2015
At 1 August	**16,998**	21,261
Received during the year	**10,045**	193
Arising on business disposals	**–**	(373)
Recognised in Group Consolidated Income Statement	**(3,098)**	(4,107)
Translation adjustment	**–**	24
At 31 July	**23,945**	16,998

24 Deferred income tax

The deductible and taxable temporary differences at the balance sheet date, in respect of which deferred income tax has been recognised, are analysed as follows:

in EUR `000	**2016**	2015
Deferred income tax assets (deductible temporary differences)		
Property, plant and equipment and ERP	**8,856**	11,427
Employee compensation	**4,682**	4,725
Pension related	**4,967**	5,161
Financing related	**1,341**	1,165
Tax loss carry-forwards and tax credits	**92,429**	71,856
Other	**20,901**	11,245
	133,176	105,579
Deferred income tax liabilities (taxable temporary differences)		
Property, plant and equipment and ERP	**(123,049)**	(103,530)
Intangible assets	**(210,635)**	(246,116)
Pension related	**(1,086)**	(432)
Financing related	**(3,962)**	(11,269)
Unremitted earnings	**(78,826)**	(75,293)
Other	**(40,076)**	(10,478)
	(457,634)	(447,118)

Unrecognised deferred income taxes

The deductible temporary differences, as well as the unused tax losses and tax credits, for which no deferred tax assets are recognised expire as follows:

in EUR `000	**2016**	2015
Within one year	**–**	–
Between one and five years	**3,187**	676
After five years	**23,348**	19,974
Total unrecognised tax losses	**26,535**	20,650

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Deferred income tax liabilities of €8,560,000 (2015: €15,745,000) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as the timing of the reversal of these temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Movements in net deferred tax assets/(liabilities), during the year, were as follows:

2016 in EUR `000	Property, plant and equipment and ERP	Employee compensation	Pension related	Financing related	Tax losses, credits and unremitted earnings	Other	**Sub-Total**	Intangible assets	**Total**
At 1 August 2015	(92,103)	4,725	4,729	(10,104)	(3,437)	767	**(95,423)**	(246,116)	**(341,539)**
Recognised in Group Consolidated Income Statement	(23,672)	(20)	(822)	6,979	16,889	(17,955)	**(18,601)**	36,715	**18,114**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	(23)	376	–	198	**551**	–	**551**
Arising on business combination (note 29)	–	–	–	–	–	–	**–**	(2,413)	**(2,413)**
Translation adjustments and other	1,582	(23)	(3)	128	151	(2,185)	**(350)**	1,179	**829**
At 31 July 2016	(114,193)	4,682	3,881	(2,621)	13,603	(19,175)	**(113,823)**	(210,635)	**(324,458)**

2015 in EUR `000	Property, plant and equipment and ERP	Employee compensation	Pension related	Financing related	Tax losses, credits and unremitted earnings	Other	**Sub-Total**	Intangible assets	**Total**
At 1 August 2014	(88,853)	4,091	1,611	(11,132)	(13,133)	5,314	**(102,102)**	(246,717)	**(348,819)**
Recognised in Group Consolidated Income Statement	9,969	2	1,908	(310)	12,274	(7,886)	**15,957**	35,104	**51,061**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	1,216	2,914	–	2,950	**7,080**	–	**7,080**
Arising on business combination (note 29)	(4,642)	–	–	–	–	–	**(4,642)**	(12,869)	**(17,511)**
Translation adjustments and other	(8,577)	632	(6)	(1,576)	(2,578)	389	**(11,716)**	(21,634)	**(33,350)**
At 31 July 2015	(92,103)	4,725	4,729	(10,104)	(3,437)	767	**(95,423)**	(246,116)	**(341,539)**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

25 Employee benefits

The Group operates a number of defined benefit and defined contribution pension plans in various jurisdictions. The majority of plans are externally funded with plan assets held in corresponding separate trustee-administered funds, governed by local regulations and practice in each country.

The trustees of the various pension funds are required by law to act in the best interests of the plan participants and are responsible for investment strategy and plan administration. The level of benefits available to members depends on length of service and either their average salary over their period of employment, their salary in the final years leading up to retirement or in some cases historical salaries, depending on the rules of the individual plan.

Long-term employee benefits included in the Group Consolidated Balance Sheet comprises the following:

in EUR `000	**2016**	2015
Total deficit in defined benefit plans	**11,387**	13,487
Other[1]	**2,083**	1,787
Total	**13,470**	15,274

1 Other includes provisions to meet unfunded pension fund deficiencies in a variety of insignificant subsidiaries.

The valuations of the defined benefit schemes used for the purposes of the following disclosures are those of the most recent actuarial reviews carried out at 31 May 2016 by an independent, qualified actuary. The valuations have been performed using the projected unit method.

Employee benefit plan risks

The employee benefit plans expose the Group to a number of risks, the most significant of which are:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The plans hold a significant proportion of equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk. The allocation to equities is monitored to ensure it remains appropriate given the long-term objectives of the plans.

Changes in bond yields

An increase in corporate bond yields will decrease the value placed on liabilities of the plans, although this will be partially offset by a decrease in the value of the bond holdings within the plans.

Inflation risk

In certain plans the benefit obligations are linked to inflation, with the result that higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Life expectancy
In the event that members live longer than assumed, a further deficit will emerge.

The Group ensures that the investment positions are managed with an asset-liability matching ('ALM') framework that has been developed to achieve long-term investments that are in line with the obligations under the pension plans. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

Financial assumptions
The main assumptions used were determined based on management experience and expectations in each country, as well as actuarial advice based on published statistics.

An average of these assumptions across all plans were as follows:

	2016	2015
Rate of increase in salaries	**1.78%**	1.78%
Rate of increases in pensions in payment and deferred benefits	**0.00%**	0.00%
Discount rate on plan liabilities	**0.19%**	1.04%

The mortality assumptions imply the following life expectancies, in years, of an active member on retiring at age 65, 20 years from now:

	2016	2015
Male	**24.2**	23.2
Female	**26.2**	25.7

The mortality assumptions imply the following life expectancies, in years, of an active member, aged 65, retiring now:

	2016	2015
Male	**22.3**	21.5
Female	**24.3**	24.0

Notes to the Group Consolidated Financial Statements (continued)
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The sensitivity of the defined benefit obligation to changes in the principal financial actuarial assumptions is set out below. The present value of the defined benefit obligation has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognised in the Group Consolidated Balance Sheet. The impact on the defined benefit obligation as at 31 July 2016 is on the basis that only one principal financial actuarial assumption is changed, with all other assumptions remaining unchanged.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Assumption	**Change in Assumption**	Impact on plan liabilities
Discount rate	**Increase / decrease 0.15%**	Decrease / increase by 1.9%
Salary growth rate	**Increase / decrease 0.50%**	Increase / decrease by 1.0%

Net pension liability
in EUR `000

	2016	2015
Fair value of plan assets:		
Equities	**16,727**	18,617
Bonds	**27,322**	26,979
Property	**13,537**	14,155
Other	**2,464**	7,075
Total fair value of assets	**60,050**	66,826
Present value of plan liabilities	**(71,437)**	(80,313)
Deficit in the plans	**(11,387)**	(13,487)
Related deferred tax asset (note 24)	**3,881**	4,729
Net pension liability	**(7,506)**	(8,758)

Movement in the fair value of plan assets
in EUR `000

	2016	2015
Fair value of plan assets at 1 August	**66,826**	131,374
Interest income	**641**	1,004
Employer contributions	**3,113**	3,079
Employee contributions	**2,657**	2,612
Benefit payments made	**(3,567)**	(417)
Plan settlements	**(6,540)**	(1,287)
Actuarial return on plan assets (excluding interest income)	**(695)**	2,982
Movements in discontinued operations	**–**	6,960
Disposals as part of discontinued operations	**–**	(87,310)
Translation adjustments	**(2,385)**	7,829
Fair value of plan assets at 31 July	**60,050**	66,826

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Movement in the present value of plan obligations in EUR `000	2016	2015
Present value of plan obligations at 1 August	(80,313)	(142,259)
Current service cost	(4,435)	(3,618)
Past service gain	1,256	636
Settlement gain	2,049	–
Interest expense on plan obligations	(774)	(1,085)
Employee contributions	(2,657)	(2,612)
Benefit payments made	3,567	417
Plan settlements	6,540	1,287
Actuarial changes in demographic and financial assumptions	(3,748)	(6,393)
Actuarial experience adjustments	3,981	(3,471)
Arising on disposal of business	503	–
Movements in discontinued operations	–	(26,007)
Disposals as part of discontinued operations	–	111,550
Translation adjustments	2,594	(8,758)
Present value of plan obligations at 31 July	**(71,437)**	(80,313)

Movement in net liability recognised in the Group Consolidated Balance Sheet in EUR `000	2016	2015
Net liability in plans at 1 August	(13,487)	(10,885)
Current service cost	(4,435)	(3,618)
Past service gain	1,256	636
Settlement gain	2,049	–
Employer contributions	3,113	3,079
Net interest expense	(133)	(81)
Actuarial loss on Group defined benefit pension plans	(462)	(6,882)
Arising on disposal of business	503	–
Movements in discontinued operations	–	(19,047)
Disposals as part of discontinued operations (note 2)	–	24,240
Translation adjustments	209	(929)
Net liability in plans at 31 July	**(11,387)**	(13,487)

The estimated contributions expected to be paid during the year ending 31 July 2017 in respect of the Group's defined benefit plans are €3,985,650.

Analysis of defined benefit expense recognised in the Group Consolidated Income Statement in EUR `000	2016	2015
Current service cost	4,435	3,618
Past service gain	(1,256)	(636)
Settlement gain	(2,049)	–
Non-financing expense recognised in Group Consolidated Income Statement	1,130	2,982
Included in financing costs, net	133	81
Net charge to Group Consolidated Income Statement	**1,263**	3,063

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Additionally, a charge of €13,202,000 (2015: €14,557,000) was recorded in the Group Consolidated Income Statement in respect of the Group's defined contribution plans within continuing operations.

Defined benefit pension expense recognised in Group Consolidated Statement of Comprehensive Income

in EUR `000	2016	2015
Return on plan assets (excluding interest income)	**(695)**	2,982
Experience gains/(losses) on plan liabilities	**3,981**	(3,471)
Changes in demographic and financial assumptions	**(3,748)**	(6,393)
Actuarial loss	**(462)**	(6,882)
Deferred tax effect of actuarial loss (note 9)	**(23)**	1,216
Actuarial loss recognised in Group Consolidated Statement of Comprehensive Income	**(485)**	(5,666)

History of experience gains and losses:	2016	2015
Difference between expected and actual return on plan assets and losses:		
– Amount (in €`000)	**(695)**	2,982
– % of Plan assets	**(1.16)%**	4.46%
Experience gains/(losses) on plan obligations:		
– Amount (in €`000)	**3,981**	(3,471)
– % of Plan obligations	**5.57%**	(4.32) %
Total actuarial losses recognised in Group Consolidated Statement of Comprehensive Income:		
– Amount (in €`000)	**(462)**	(6,882)
– % of Plan obligations	**(0.65)%**	(8.57) %

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

26 Shareholders equity

Registered shares of CHF 0.02 each – authorised, issued and fully paid	**2016** \`000	**2016** in EUR \`000	2015 \`000	2015 in EUR \`000
At 1 August	**91,811**	**1,172**	91,811	1,172
Issue of registered shares (CHF 0.02)	**–**	**–**	–	–
At 31 July	**91,811**	**1,172**	91,811	1,172

At the Annual General Meeting on 8 December 2015, the shareholders approved the resolution to modify Article 5 of the Articles of Association (Authorised capital for general purposes). Pursuant to these modifications, the Board of Directors is now authorised to increase the share capital at any time until 7 December 2017, by an amount not exceeding CHF 183,621.06, through the issue of up to a maximum of 9,181,053 fully paid-up registered shares with a nominal value of CHF 0.02 each.

Furthermore, the Board of Directors was authorised to exclude the subscription rights of the shareholders and to allocate them to third parties if the shares are used for the following purposes:

(1) acquisition of companies, parts of companies or equity holdings or for new investment projects or for financing of such transactions (maximum of 9,181,053 fully paid-up registered shares),
(2) broadening the shareholder constituency (maximum of 4,590,526 fully paid-up registered shares), or
(3) for the purpose of the participation of employees (maximum of 3,060,351 fully paid-up registered shares).

Treasury shares of CHF 0.02 each – authorised, called up and fully paid	**2016** \`000	**2016** in EUR \`000	2015 \`000	2015 in EUR \`000
At 1 August	**3,052**	**47**	3,636	55
Release of treasury shares upon vesting and exercise of equity entitlements	**–**	**–**	(584)	(8)
At 31 July	**3,052**	**47**	3,052	47

There were no options exercised or other treasury share transactions during the year ended 31 July 2016.

During the year ended 31 July 2015, 501,000 vested Option Equivalent Plan awards were exercised, in exchange for 256,703 shares. The weighted average share price at the time of these exercises was CHF 79.98 per share.

The performance conditions associated with 327,052 Matching Plan awards were fulfilled during the year ended 31 July 2014. Therefore, these awards were approved as vested by the Nomination and Remuneration Committee and were subsequently exercised by management during the year ended 31 July 2015.

Notes to the Group Consolidated Financial Statements (continued)
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Other equity reserve
In October 2010, the Group raised CHF 400,000,000 through the issuance of a perpetual Callable Subordinated Instrument ('Hybrid Instrument'), which was recognised at a carrying value of €285,004,000 within equity, net of transaction costs. This Hybrid Instrument offered a coupon of 5.0% and had no maturity date, with an initial call date by ARYZTA in October 2014. In October 2014, the Group repaid the CHF 400,000,000 (€331,680,000) Hybrid Instrument, in line with the initial call date.

In April 2013, the Group raised CHF 400,000,000 through the issuance of an additional Hybrid Instrument, which was recognised at a carrying value of €319,442,000 within equity, net of transaction costs of €4,865,000. This Hybrid Instrument offers a coupon of 4.0% and has no maturity date, with an initial call date by ARYZTA in April 2018. In the event that the call option is not exercised, the coupon would be 605 bps, plus the 3-month CHF LIBOR.

In October 2014, the Group raised CHF 190,000,000 through the issuance of an additional Hybrid Instrument. This Hybrid Instrument offers a coupon of 3.5% and has no maturity date, with an initial call date by ARYZTA in April 2020. In the event that the call option is not exercised, the coupon would be 421 bps, plus the 3-month CHF LIBOR.

In November 2014, the Group raised €250,000,000 through the issuance of an additional Hybrid Instrument. This Hybrid Instrument offers a coupon of 4.5% and has no maturity date, with an initial call date by ARYZTA in March 2019. In the event that the call option is not exercised, the coupon would be 677 bps, plus the 5 year swap rate.

The two Hybrid instruments issued during the year ended 31 July 2015 were recognised at a combined value of €401,014,000 within equity, net of related transaction costs of €6,534,000.

Other equity reserve

in EUR `000	**2016**	2015
At 1 August	**720,456**	604,446
Redemption of perpetual callable subordinated instrument	**–**	(285,004)
Issuance of hybrid instruments, net of transaction costs	**–**	401,014
At 31 July	**720,456**	720,456

The total coupon recognised for these Hybrid instruments during the year ended 31 July 2016 was €31,882,000 (2015: €30,673,000).

Cash flow hedge reserve
The cash flow hedge reserve comprises of the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

Share-based payment reserve
This reserve comprises amounts credited to reserves in connection with equity awards, less the amount related to any such awards that become vested.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign exchange differences, since the date of the Group's transition to IFRS, arising from translation of the net assets of the Group's non-euro-denominated functional currency operations into euro, the Group's presentation currency.

Transaction with non-controlling interest
During March 2012, the Group entered into an agreement to acquire the remaining 40% interest in HiCoPain AG. Based on this agreement, the non-controlling interest shareholder continues to participate in the risk and rewards of the business until the final exit date, which is expected to occur during financial year 2017. At that time, consideration based on the net book value of HiCoPain AG, will be paid to the non-controlling interest shareholder.

Total estimated future consideration and related costs to be paid in connection with this transaction of CHF 17,349,000 (€14,412,000) were recorded as a reduction in retained earnings of the Group at the time of the agreement. As of 31 July 2016, the remaining estimated liability is €14,878,000 (2015: €15,185,000). Upon payment of the consideration and final exit of the minority shareholder, the carrying value of the related non-controlling interest will then be eliminated directly as an increase in retained earnings.

Capital management
The capital managed by the Group consists of total equity of €3,187,771,000 (2015: €3,221,943,000). The Group has set the following goals for the management of its capital:

- To maintain prudent net debt (as set out in note 21 of these Group consolidated financial statements) to EBITDA[1] and interest cover (EBITDA[1] to interest) ratios to support a prudent capital base and ensure a long-term sustainable business.
- To achieve a return for investors in excess of the Group's weighted average cost of capital.
- To apply a dividend policy which takes into account the Group's financial performance and position, the Group's future outlook and other relevant factors including tax and other legal considerations.

Net debt amounted to €1,719,617,000 at 31 July 2016 (2015: €1,725,103,000).

The Group employs two ratio targets to monitor its financing covenants:

- The Group's net debt to EBITDA[1] ratio is below 3.5 times – the ratio was 2.90 times at 31 July 2016 (2015: 2.54 times).
- The Group's interest cover (EBITDA[1] to interest including hybrid) is above 4 times – the ratio was 4.50 times at 31 July 2016 (2015: 5.76 times).

These ratios are reported to the Board of Directors at regular intervals through internal financial reporting.

The proposed pay-out ratio to shareholders for the Group's financial year to 31 July 2016 is 15% of fully diluted underlying earnings per share. The pay-out will be in the form of a dividend. The pay-out ratio and form of pay-out proposed by the Board will be reviewed on an annual basis and is subject to the decision of the Annual General Meeting of the shareholders.

1 Calculated based on the terms of the Group Syndicated Bank Loan Revolving Credit Facility.

Notes to the Group Consolidated Financial Statements (continued)
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27 Non-controlling interests

in EUR `000	2016	2015
Balance at 1 August	**18,436**	87,752
Share of profit for the year	**2,776**	7,519
Share of other comprehensive income	**(1,510)**	333
Dividends paid to non-controlling interests – continuing operations	**(4,603)**	(4,330)
Dividends paid to non-controlling interests – discontinued operations	–	(7,977)
Acquisition of non-controlling interests	–	(134)
Disposal as part of discontinued operations (note 2)	–	(64,727)
Balance at 31 July	**15,099**	18,436

Transactions with non-controlling interests

During financial year 2015, the Group completed an offering of 49 million ordinary shares in Origin on 25 March 2015, thereby reducing the Group's holding from 68.1% to 29.0%. Thereafter, the related non-controlling interests balance of €64,727,000 was de-recognised and Origin was presented as an associate asset held-for-sale.

28 Commitments

28.1 Commitments under operating leases

Non-cancellable operating lease rentals are payable as set out below. These amounts represent minimum future lease payments, in aggregate, that the Group is required to make under existing lease agreements.

in EUR `000	2016	2015
Operating lease commitments payable:		
Within one year	**58,713**	54,256
In two to five years	**167,938**	155,322
After more than five years	**116,221**	120,699
Total	**342,872**	330,277

28.2 Capital commitments

Capital expenditure contracted for at the end of the year, but not yet incurred, is as follows:

in EUR `000	2016	2015
Property, plant and equipment	**9,473**	37,293
Intangible assets	**1,237**	6,487
Total	**10,710**	43,780

28.3 Other commitments

The bank and private placement borrowings of the Group share security via a security assignment agreement. In addition to this, the private placement borrowings of the Group are secured by guarantees from ARYZTA AG and upstream guarantees from various companies within the Group.

Notes to the Group Consolidated Financial Statements (continued)
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29 Business combinations

29.1 Acquisitions in financial year 2016

During the year ended 31 July 2016, the Group completed the 100% acquisition of La Rousse Foods, a supplier of fresh, frozen and ambient goods to various restaurants, hotels and caterers across Ireland.

The details of the net assets acquired and goodwill arising from this business combination are set out below. The goodwill arising on this business combination is attributable to the skills and talent of the in-place work-force and the synergies expected to be achieved from integrating the acquired operations into the Group's existing businesses.

in EUR `000	Provisional fair values
Provisional fair value of net assets acquired:	
Property, plant and equipment (note 12)	4,451
Intangible assets (note 14)	19,300
Inventory	2,068
Trade and other receivables	5,641
Trade and other payables	(7,884)
Finance leases (note 21)	(470)
Deferred tax (note 24)	(2,413)
Income tax payable	(592)
Net assets acquired	**20,101**
Goodwill arising on acquisitions (note 14)	6,918
Consideration	**27,019**
Satisfied by:	
Cash consideration	26,772
Cash acquired	(325)
Net cash consideration	**26,447**
Contingent consideration	572
Total consideration	**27,019**

The net cash outflow on these acquisitions during the year is disclosed in the Group Consolidated Cash Flow Statement as follows:

in EUR `000	Total
Cash flows from investing activities	
Cash consideration	26,772
Cash acquired	(325)
Net cash consideration within investment activities	**26,447**
Finance leases acquired within net debt	470
Net debt consideration	**26,917**

Acquisition-related costs of €2,330,000 related to the Group's acquisition and joint venture investment related activities were charged to the Group Consolidated Income Statement during the year ended 31 July 2016, as included in note 3, net acquisition disposal and restructuring-related costs.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

The impact of this business combination during the year on the Group Consolidated Income Statement is set out in the following table:

in EUR '000	Total
Revenue	35,720
Profit for the year	1,769

No material difference exists between the consolidated revenue and profit reported and the consolidated revenue and profit that would have been reported if this acquisition had occurred on 1 August 2015. In making this determination, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same if the acquisition had occurred on 1 August 2015.

The identified intangibles associated with this acquisition primarily includes the fair value of customer relationships. The income approach method was the basis for the fair value of these intangibles.

The fair values presented in this note are based on provisional valuations due to the complexity of the transaction.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

29.2 Acquisitions in financial year 2015

During the year ended 31 July 2015, the Group completed the 100% acquisition of two businesses in the ARYZTA Europe segment.

The details of the net assets acquired and goodwill arising from these business combinations are set out below. The goodwill arising on these business combinations is attributable to the skills and talent of the in-place work-force and the synergies expected to be achieved from integrating the acquired operations into the Group's existing businesses.

in EUR `000	Final fair values
Final fair value of net assets acquired:	
Property, plant and equipment (note 12)	77,474
Intangible assets (note 14)	55,671
Inventory	7,703
Trade and other receivables	15,926
Trade and other payables	(31,515)
Finance leases	(1,292)
Deferred tax (note 24)	(17,511)
Income tax payable	(2,672)
Net assets acquired	**103,784**
Goodwill arising on acquisitions (note 14)	87,112
Consideration	**190,896**
Satisfied by:	
Cash consideration	155,713
Cash acquired	(7,183)
Net cash consideration	**148,530**
Contingent consideration	42,366
Total consideration	**190,896**

The net cash outflow on acquisitions during the prior year was disclosed in the Group Consolidated Cash Flow Statement as follows:

in EUR '000	Total
Cash flows from investing activities	
Cash consideration	155,713
Cash acquired	(7,183)
Net cash consideration within investment activities	**148,530**
Finance leases acquired within net debt	1,292
Net debt consideration	**149,822**

Costs of €9,982,000 related to the Group's acquisition and joint venture investment related activities were charged to the Group Consolidated Income Statement during the year ended 31 July 2015, as included in note 3.

For the identification and estimation of the fair value of the intangibles acquired as part of these acquisitions, ARYZTA was assisted by an independent non-audit appraisal firm. The identified intangibles acquired primarily related to customer relationships, which were valued using the income approach method.

Notes to the Group Consolidated Financial Statements (continued)
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30 Contingent liabilities

The Group is subject to litigation risks and legal claims that arise in the ordinary course of business, for which the outcomes are not yet known. These claims are not currently expected to give rise to any material significant future cost or contingencies.

31 Related party transactions

In the normal course of business, the Group undertakes transactions with its joint ventures and other related parties. A summary of transactions with these related parties is as follows:

in EUR `000	2016	2015
Purchase of goods	**(136)**	(64)
Provision of services	**3,008**	578
Receiving of services	**(686)**	(2,521)

Purchase of goods and provision of services relate primarily to transactions with joint ventures during the year.

Services received during the year ended 31 July 2016 related to broker fees paid totalling €686,000 (2015: €2,521,000) to J & E Davy, primarily in connection with its placing of Origin shares. J. Brian Davy, a member of the ARYZTA Board of Directors until December 2015, also served as Chairman of J & E Davy, up to his retirement from that board in March 2015. These fees were based on arm's length negotiations and were consistent with costs paid to other providers for similar services.

The trading balances owing to the Group from related parties were €187,000 (2015: €789,000) and the trading balances owing from the Group to these related parties were €333,000 (2015: €191,000).

Non-current other receivables comprises €3,956,000 (2015: €28,644,000), which relates to a vendor loan note made to Signature Flatbreads (UK) Ltd, a joint venture undertaking. The coupon rate on the vendor loan note is 5.84% compounding. Unless previously repaid, redeemed or repurchased, the vendor loan note will be repaid in full in March 2020.

Compensation of key management

For the purposes of the disclosure requirements of IAS 24, 'Related Party Disclosures', the term 'key management personnel' (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group) comprises the Board of Directors and the Group Executive Management, which manage the business and affairs of the Group. A summary of the compensation to key management is as follows:

in EUR `000	2016	2015
Short-term employee benefits	**4,780**	4,187
Post-employment benefits	**448**	394
Performance-related bonus	**2,804**	–
Non-compete compensation and pension	**500**	–
Long-term incentives (LTIP)	**–**	881
Total key management compensation	**8,532**	5,462

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Further detailed disclosure in relation to the compensation entitlements of the Board of Directors and Executive Management is provided in the Compensation Report on pages 49 to 56.

32 Post balance sheet events – after 31 July 2016

During August 2016, the Group exercised its option to increase its Revolving Credit Facility ('RCF') by CHF 150m, to a total available capacity of CHF 1,550m (€1,428m). As of 31 July 2016 the balance outstanding on this facility was €991.7m.

During August 2016, the Group signed a new €1,000m Term Loan Facility, which matures in February 2018, with similar financial terms as the RCF.

During September 2016, the Group utilised the available capacity of the RCF, Term Loan Facility and existing cash resources to redeem all of its outstanding Private Placements, which totalled €1,215m as of 31 July 2016, for a total redemption cost of €1,410m, including the principal balance, early redemption costs of €169m, accrued interest, associated unamortised borrowing costs and other related fees.

These transactions are expected to result in a significant reduction in the Group's weighted average interest cost.

33 Risk assessment

The Board and senior management continue to invest significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Group has formal risk assessment processes in place through which risks are identified and associated mitigating controls are evaluated. These processes are driven by local management, who are best placed to identify the significant ongoing and emerging risks facing the business. The outputs of these risk assessment processes are subject to various levels of review by Group management and Internal Audit, and a consolidated Risk Map denoting the potential frequency, severity and velocity of identified risks is reviewed by the Board of Directors on an annual basis. Risks identified, and associated mitigating controls, are also subject to audit as part of various operational, financial, health and safety audit programmes.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

34 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Group consolidated financial statements are described below:

Note	Name
Note 8	Share-based payments
Note 14 & 29	Goodwill, intangible assets and business combinations
Notes 9 & 24	Income tax expense and deferred income tax

The Group has share-based incentive awards outstanding under various incentive plans. Estimating the value of these awards and the period over which this value is recognised as an expense requires various management estimates and assumptions, as set out in note 8.

Accounting for business combinations is complex in nature, requiring various estimates including: the fair value of assets acquired/liabilities assumed, the identification and valuation of intangible assets received, the estimated contingent consideration to be transferred and the allocation of the excess purchase price to the resulting goodwill, as set out in note 29. Furthermore, testing of assets for impairment, particularly goodwill, involves determination of the cash-generating units, estimating the respective future cash flows and applying the appropriate discount rates, in order to determine an estimated recoverable value of those cash-generating units, as set out in note 14.

Income tax expense, as set out in note 9, and deferred taxes, as set out in note 24, are subject to management estimate. The Group Consolidated Balance Sheet includes deferred taxes relating to temporary differences, which are based on forecasts of the corresponding entity's taxable income and reversal of these temporary differences, forecasted over a period of several years. As actual results may differ from these forecasts, these deferred taxes may need to be adjusted accordingly.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

35 Significant subsidiaries and joint ventures

A list of all of the Group's significant subsidiary and joint venture undertakings, as at 31 July 2016 and 2015, are provided in the table below. For the purposes of this note, a significant subsidiary is one that has third-party revenues equal to, or in excess of, 2% of total Group revenue and/or consolidated Group assets equal to, or in excess of, 2% of total Group assets. A significant joint venture is one in which the Group's share of profits after tax is equal to, or in excess of, 2% of total Group operating profit and/or the carrying value of the investment is equal to, or in excess of, 2% of total Group assets.

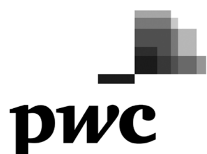
Name	Nature of business	Currency	Share capital millions	Group % share 2016	Group % share 2015	Registered office
(a) Significant subsidiaries – Europe						
ARYZTA Bakeries Ireland	Food manufacturing and distribution	EUR	1.016	100	100	1
ARYZTA Technology Ireland	Asset management company	EUR	0.000	100	100	1
Delice de France Limited	Food distribution	GBP	0.250	100	100	2
France Distribution SAS	Food distribution	EUR	0.108	100	100	3
ARYZTA Food Solutions Schweiz AG	Food distribution	CHF	3.500	100	100	4
ARYZTA Bakeries Deutschland GmbH	Food manufacturing and distribution	EUR	3.072	100	100	5
Hiestand & Suhr Handels und Logistik GmbH	Food distribution	EUR	0.025	100	100	6
Pré Pain B.V.	Food manufacturing and distribution	EUR	0.018	100	100	7
(b) Significant subsidiaries – North America						
ARYZTA LLC	Food manufacturing and distribution	USD	705.000	100	100	8
ARYZTA Limited	Food manufacturing and distribution	CAD	255.818	100	100	9
ARYZTA Canada Co.	Food manufacturing and distribution	CAD	113.400	100	100	10
(c) Significant subsidiaries – Rest of World						
ARYZTA Australia Pty Limited	Food manufacturing and distribution	AUD	17.000	100	100	11
(d) Significant joint venture						
Lion/Polaris Lux Holdco S.à.r.l. (Picard)	Food distribution	EUR	0.100	49	–	12

Registered Offices:

1. Grangecastle Business Park, New Nangor Road, Clondalkin, Dublin 22, Ireland.
2. 149 Brent Road, Southall, Middlesex UB2 5LJ, England.
3. ZAC de Bel Air, 14–16 Avenue Joseph Paxton, Ferrières en Brie, 77164, France.
4. Ifangstrasse 9–11, 8952 Schlieren-Zurich, Switzerland.
5. Industriestraße 4, 06295 Lutherstadt Eisleben, Germany.
6. Konrad Goldmann Strasse 5 b, 79100 Freiburg im Breisgau, Germany.
7. Kleibultweg 94, Oldenzaal, 7575 BX, the Netherlands.
8. 6080 Center Drive, Suite 900, Los Angeles, CA 90045, United States of America.
9. 58 Carluke Road West, Ancaster, Ontario L9G 3L1, Canada.
10. 1100-1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2, Canada.
11. 14 Homepride Avenue, Liverpool, NSW 2170, Australia.
12. 7, Rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg.

The country of registration is also the principal location of activities in each case.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2016



As statutory auditor, we have audited the Group consolidated financial statements of ARYZTA AG, which comprise the Group Consolidated Income Statement, Group Consolidated Statement of Comprehensive Income, Group Consolidated Balance Sheet, Group Consolidated Statement of Changes in Equity, Group Consolidated Cash Flow Statement, Group Statement of Accounting Policies and Notes to the Group Consolidated Financial Statements (pages 67 to 142), for the year ended 31 July 2016.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the Group consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of Group consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these Group consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Group consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Group consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Group consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the Group consolidated financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the Group consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2016 (continued)

Opinion
In our opinion, the Group consolidated financial statements for the year ended 31 July 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of Group consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the Group consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Patrick Balkanyi
Audit expert
Auditor in charge

Carrie Rohner

Zurich, 3 October 2016

Company Income Statement
for the year ended 31 July 2016

in CHF `000	2016	2015
Revenues from licences and management fees from Group companies	**9,189**	7,524
Dividend income from Group companies	**126,581**	252,705
Personnel expenses	**(4,800)**	(4,770)
Other operating expenses to Group companies	**(4,955)**	(8,158)
Other operating expenses	**(5,505)**	(13,058)
Depreciation and amortisation	**(225)**	(284)
Operating profit	**120,285**	233,959
Financial income from Group companies	**52,908**	50,782
Financial expenses	**(64,919)**	(79,455)
Profit before income tax expense	**108,274**	205,286
Income tax expense	**(271)**	(2,826)
Profit for the year	**108,003**	202,460

Company Balance Sheet
as at 31 July 2016

in CHF `000	2016	2015
Assets		
Current assets		
Cash and cash equivalents	**2,666**	1,859
Other current receivables		
– from third parties	**1,536**	3,968
– from Group companies	**83**	611
Total current assets	**4,285**	6,438
Long-term assets		
Financial assets		
– loans to Group companies	**2,326,789**	2,256,179
Investments		
– investments in Group companies	**2,114,367**	2,102,203
Property, plant and equipment	**2,000**	2,123
Total long-term assets	**4,443,156**	4,360,505
Total assets	**4,447,441**	4,366,943

Company Balance Sheet (continued)
as at 31 July 2016

in CHF `000	2016	2015
Liabilities		
Short-term liabilities		
Trade payable		
– to third parties	**863**	106
Short-term interest bearing liabilities		
– to third parties	**193,829**	1,029,439
Other short-term liabilities		
– to third parties	**178,472**	118,088
– to Group companies	**563,010**	67,377
Accrued expenses	**18,474**	8,921
Total short-term liabilities	**954,648**	1,223,931
Long-term liabilities		
Long-term interest-bearing liabilities		
– to third parties	**1,666,839**	1,366,879
Liabilities to Group companies	**278,522**	278,522
Total long-term liabilities	**1,945,361**	1,645,401
Total liabilities	**2,900,009**	2,869,332
Equity		
Share capital	**1,836**	1,836
Legal reserves from capital contribution	**1,079,391**	1,137,573
Legal reserves for own shares from capital contribution	**117,871**	117,871
Retained earnings	**348,334**	240,331
Total equity	**1,547,432**	1,497,611
Total equity and liabilities	**4,447,441**	4,366,943

Notes to the Company Financial Statements

1 Basis of presentation

The financial statements of ARYZTA AG, with a registered address of Talacker 41, 8001 Zurich, have been prepared in accordance with the new requirements of Swiss law effective for accounting periods beginning 1 August 2015.

The Company's accounting period for the year is from 1 August 2015 to 31 July 2016. Certain amounts in the Company's 31 July 2015 financial statements and related notes have been reclassified or adjusted to conform to the 31 July 2016 presentation. These reclassifications or adjustments were made for presentation purposes and have no effect on profit for the year, total assets, total liabilities or equity as previously reported.

2 Accounting policies

Financial Assets
Financial assets are valued at acquisition cost, less adjustments for foreign currency movements and any other impairment of value.

Investments
Investments are initially recognised at cost. These investments are assessed annually and adjusted to their recoverable amount, where necessary.

Foreign currency translation
Assets and liabilities in currencies other than Swiss francs are translated to Swiss francs using year-end rates of exchange. Income and expenses denominated in foreign currencies are recognised in Swiss francs at the applicable rate of exchange on the date of the transactions.

Dividends
Dividend income resulting from financial investments is recorded upon approval of the dividend distribution.

Revenue from licences and management fees
Revenues from licences and management fees from Group companies are recognised in the period in which they fall due.

Treasury shares
Treasury shares are recognised at acquisition cost and include shares held directly or by any ARYZTA AG Group company.

3 Full-time equivalents

The number of full-time equivalents in ARYZTA AG is not greater than 50. Please refer to page 97 of the Group Consolidated Financial Statements to view the Group's full-time equivalents.

Notes to the Company Financial Statements (continued)

4 Loans, guarantees and pledges in favour of third parties

The Company has the following outstanding bonds, which are included within interest bearing loans and borrowings.

	2016 in CHF '000	2015 in CHF '000	**Interest Rate**	**Maturity**
Hybrid Instrument 2013	**400,000**	400,000	4.00%	No specified maturity date
Hybrid Instrument 2014	**190,000**	190,000	3.50%	No specified maturity date

In October 2014, the Company issued a CHF 190m perpetual callable subordinated instrument ('Hybrid Instrument') with a 3.5% coupon. This Hybrid Instrument is undated, with an initial call date in April 2020.

The short-term portion of the Company's interest-bearing loans and borrowings relates primarily to amounts drawn by the Company against positive cash balances of other entities within the Group's overall cash pooling arrangement. These cash pooling overdrafts are repayable on demand and form an integral part of the Group's cash and debt management structure.

The Company is party to cross guarantees on ARYZTA Group borrowings. The Company has also guaranteed the liabilities of subsidiaries within the ARYZTA Group. The Company treats these guarantees as a contingent liability, until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

5 Details of investments

The Company holds direct investments in the following entities, all of which are intermediate holding companies or intercompany financing entities within the ARYZTA Group.

		Share capital millions		**Percentage**	
Company (Domicile)		**2016**	2015	**2016**	2015
ARYZTA Holdings Asia Pacific BV (Amsterdam, NL)	EUR	**0.020**	0.020	**100**	100
ARYZTA Holdings Germany AG (Zurich, CH)	CHF	**0.100**	0.100	**100**	100
ARYZTA Holdings Ireland Limited (St Helier, JE)	EUR	**–**	–	**100**	100
ARYZTA Finance II AG (Cham, CH)	EUR	**0.087**	0.087	**100**	100
Hiestand Beteiligungsholding GmbH & Co. KG (Schweinfurt, DE)[1]	EUR	**0.026**	0.026	**100**	100
ARYZTA Food Europe AG (Zurich, CH)	CHF	**6.450**	6.450	**100**	100
Summerbake GmbH (Klotze, DE)	EUR	**0.025**	0.025	**100**	100

1 The amount disclosed represents limited liability capital.

Notes to the Company Financial Statements
(continued)

6 Share capital

	Year ended 31 July 2016 `000	**Year ended 31 July 2016** in CHF`000	Year ended 31 July 2015 `000	Year ended 31 July 2015 in CHF`000
Shares of CHF 0.02 each – authorised, issued and fully paid				
As at 1 August	**91,811**	**1,836**	91,811	1,836
Issued during the period	**–**	**–**	–	–
As at 31 July	**91,811**	**1,836**	91,811	1,836

	Year ended 31 July 2016 `000	**Year ended 31 July 2016** in CHF`000	Year ended 31 July 2015 `000	Year ended 31 July 2015 in CHF`000
Shares of CHF 0.02 each				
Conditional capital	**–**	**–**	–	–
Authorised capital	**9,181**	**184**	9,181	184

At the Annual General Meeting on 8 December 2015, the shareholders approved the resolution to modify Article 5 of the Articles of Association (Authorised capital for general purposes). Pursuant to these modifications, the Board of Directors is now authorised to increase the share capital at any time until 7 December 2017, by an amount not exceeding CHF 183,621.06, through the issue of up to a maximum of 9,181,053 fully paid-up registered shares with a nominal value of CHF 0.02 each.

Furthermore, the Board of Directors was authorised to exclude the subscription rights of the shareholders and to allocate them to third parties, if the shares are used for the following purposes:

(1) acquisition of companies, parts of companies or equity holdings or for new investment projects or for financing of such transactions (maximum of 9,181,053 fully paid-up registered shares),
(2) broadening the shareholder constituency (maximum of 4,590,526 fully paid-up registered shares), or
(3) for the purpose of the participation of employees (maximum of 3,060,351 fully paid-up registered shares).

The registered share capital of the Company as at 31 July 2016, amounts to CHF 1,836,210.68, and is divided into 91,810,534 registered shares with a par value of CHF 0.02 per share, of which 88,758,527 are outstanding and 3,052,007 are classified as treasury shares.

Shareholders are entitled to dividends as declared and approved. The ARYZTA shares rank pari passu in all respects with each other.

Notes to the Company Financial Statements (continued)

7 Treasury shares owned by the Company or one of its subsidiaries

	Year ended 31 July 2016 `000	Year ended 31 July 2016 in CHF`000	Year ended 31 July 2015 `000	Year ended 31 July 2015 in CHF`000
As at 1 August	**3,052**	**117,871**	3,636	137,503
Release of treasury shares upon exercise of LTIP shares	–	–	(584)	(19,632)
As at 31 July	**3,052**	**117,871**	3,052	117,871

There were no options exercised or other treasury share transactions during the year ended 31 July 2016.

During the year ended 31 July 2015, 501,000 vested Option Equivalent Plan awards were exercised, in exchange for 256,703 shares. The weighted average share price at the time of these exercises was CHF 79.98 per share.

The performance conditions associated with 327,052 Matching Plan awards were fulfilled during the year ended 31 July 2014. Therefore, these awards were approved as vested by the Nomination and Remuneration Committee and were subsequently exercised by management during the period ended 31 July 2015.

The shares issued as part of these exercises were issued out of shares previously held in treasury by ARYZTA Grange Company, a wholly-owned subsidiary within the ARYZTA Group.

8 Participations

As at 31 July 2016, the Company has been notified of the following shareholdings or voting rights, which amount to 3% or more of the Company's issued ordinary share capital:

	Number of shares 2016	Number of shares % 2016	Number of shares 2015	Number of shares % 2015
Causeway Capital Management LLC	**6,881,741**	**7.50%**	–	–
MassMutual	**5,597,654**	**6.10%**	5,450,713	5.94%
BlackRock Inc.	**4,531,319**	**4.94%**	4,874,919	5.31%
ARYZTA Treasury shares	**3,052,007**	**3.32%**	3,052,007	3.32%
Norges Bank	**2,858,242**	**3.11%**	–	–

Any significant shareholder notifications during the year, and since 31 July 2016, are available on the Group's website at:
www.aryzta.com/investor-centre/shareholder-notifications

9 Pension fund liability

The pension fund liability was CHF 20,069 at 31 July 2016 (2015: CHF 18,847).

Notes to the Company Financial Statements (continued)

10 Non-executive Directors and Executive Management share interests

Please refer to the ARYZTA AG Compensation Report on pages 49 to 56 for details on the compensation process and compensation for the year of Non-executive Directors and Group Executive Management.

Non-executive Directors' and Executive Management's share interests

The Directors and Company Secretary had no interests, other than those shown below, in the ordinary shares in, or loan stock of, the Company or other Group undertakings.

Beneficial interests at 31 July were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of shares 2016	No. of shares 2015
Non-executive Directors		
Denis Lucey	**4,250**	4,250
Charles Adair	**5,000**	3,000
J Brian Davy[1]	**N/A**	58,186
Dan Flinter[1]	**1,200**	N/A
Annette Flynn[2]	**1,000**	1,000
Shaun B. Higgins	**2,500**	2,500
Andrew Morgan	**–**	–
Wolfgang Werlé	**2,336**	2,336
Executive Management		
Owen Killian	**216,530**	633,816
Patrick McEniff	**558,347**	553,347
Pat Morrissey	**131,922**	131,922
John Yamin	**47,171**	47,171
Total	**970,256**	1,437,528

1 Effective 8 December 2015 J.B. Davy resigned from the Board and D. Flinter was elected to the Board.

2 Effective 2 December 2014 A. Flynn was elected to the Board.

There have been no changes in the interests as shown above between 31 July 2016 and 30 September 2016.

No loans or advances were made to members of the Board of Directors or to Executive Management during the financial year, or were outstanding at 31 July 2016 (2015: none).

Notes to the Company Financial Statements (continued)

Executive Management's interests in equity instruments

Details of the interests of Owen Killian, Patrick McEniff, Pat Morrissey and John Yamin in share entitlements under the Option Equivalent Plan are set out below.

	Options carried forward 1 August 2015	Granted during the year[1]	Forfeited during the year[2]	**Closing position 31 July 2016**	Of which Vesting criteria have been fulfilled[3]
Executive Management					
Owen Killian	1,160,000	410,000	–	**1,570,000**	750,000
Patrick McEniff	910,000	300,000	–	**1,210,000**	610,000
Pat Morrissey	220,000	120,000	–	**340,000**	100,000
John Yamin	150,000	150,000	–	**300,000**	–
Hilliard Lombard[2]	–	150,000	(150,000)	**–**	–
Total	**2,440,000**	**1,130,000**	**(150,000)**	**3,420,000**	1,460,000

1 During the period ended 31 July 2016, an additional 1,130,000 Option Equivalent Plan awards were granted to Executive Management, at a weighted average exercise price of CHF 44.98.

2 During September 2015, the Board of Directors approved that Hilliard Lombard become a member of Executive Management. Effective January 2016, Hilliard Lombard resigned from Executive Management.

3 The weighted average exercise price of all Option Equivalent Plan awards that remain outstanding and for which the vesting conditions have been met is CHF 39.34.

11 Post balance sheet events – after 31 July 2016

During August 2016, the Company exercised its option to increase its Revolving Credit Facility ('RCF') by CHF 150m, to a total available capacity of CHF 1,550m (€1,428m). As of 31 July 2016 the balance outstanding on this facility was CHF 1,076.4m (€991.7m).

During August 2016, the Company signed a new CHF 1,085m (€1,000m) Term Loan Facility, which matures in February 2018, with similar financial terms as the RCF.

During September 2016, the ARYZTA Group utilised the available capacity of the RCF, Term Loan Facility and existing cash resources of the Company and other wholly-owned subsidiaries to redeem all of the Group's outstanding Private Placements, which totalled CHF 1,319m (€1,215m) as of 31 July 2016. These Private Placements had been held by IAWS Finance PP, a wholly-owned subsidiary within the ARYZTA Group.

These transactions are expected to result in a significant reduction in the ARYZTA Group weighted average interest cost.

Company Appropriation of Available Earnings

Appropriation of available earnings

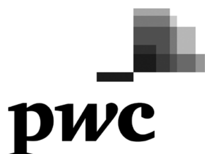
The Board of Directors will propose to the Annual General Meeting of Shareholders the following appropriation of earnings:

in CHF `000	**2016**	2015
Balance of retained earnings carried forward	**240,331**	37,871
Net profit for the year	**108,003**	202,460
Closing balance of retained earnings	**348,334**	240,331
Dividend payment from retained earnings	**–**	–
Balance of retained earnings to be carried forward	**348,334**	240,331

Proposed release and distribution of legal reserves from capital contribution in the amount of[1]	**50,868**	58,182

1 Proposed release and distribution of legal reserves from capital contribution represents an estimated amount. This will be adjusted to take account of actual currency translation rates at the date of payment and of any new shares entitled to dividend, which are issued subsequent to 31 July and prior to dividend ex-date.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2016



As statutory auditor, we have audited the accompanying financial statements of ARYZTA AG (the 'Company'), which comprise the Company Income Statement, Company Balance Sheet and Notes to the Company Financial Statements (pages 145 to 153), for the year ended 31 July 2016.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 July 2016 comply with Swiss law and the Company's Articles of Association.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2016 (continued)

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

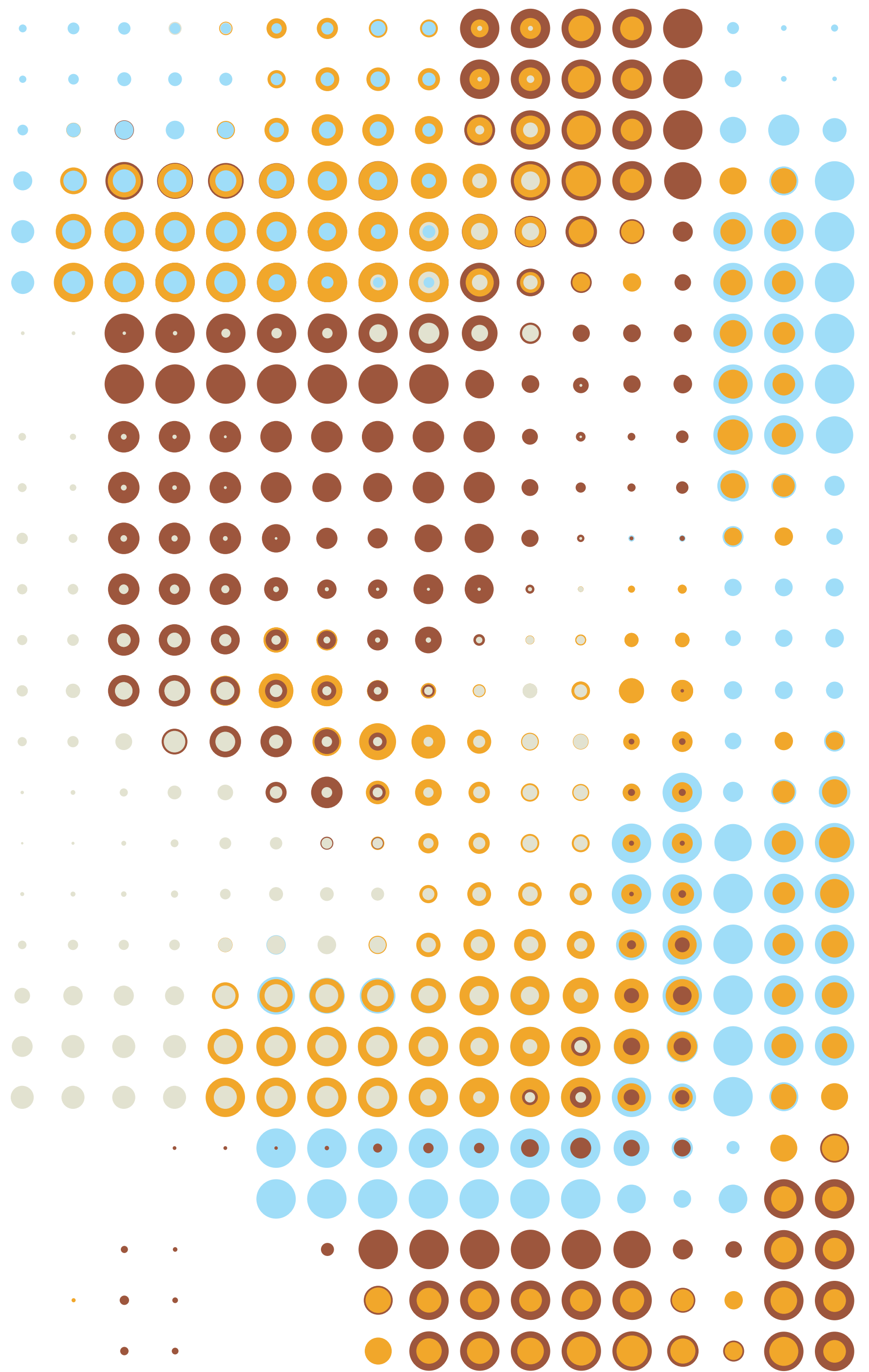
We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's Articles of Association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Patrick Balkanyi
Audit expert
Auditor in charge

Carrie Rohner

Zurich, 3 October 2016



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Key dates to December 2017

Announcement of the 2016 annual results	26 September 2016
Issue of the 2016 annual report	3 October 2016
Capital Markets Day	6 October 2016
First-quarter trading update	28 November 2016
Annual General Meeting 2016	13 December 2016
Payment of dividend	1 February 2017
Announcement of half-year results 2017	13 March 2017
Third-quarter trading update	30 May 2017
Announcement of the 2016 annual results	25 September 2017
Issue of the 2017 annual report	2 October 2017
First-quarter trading update	27 November 2017
Annual General Meeting 2017	6 December 2017

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