THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. When considering what action you should take you are recommended to obtain advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who, if you are taking such advice in Ireland, should be authorised or exempted under the Investment Intermediaries Act 1995 of Ireland (as amended) or the European Communities (Markets in Financial Instruments) Regulations 2007 of Ireland (as amended) and if you are taking such advice in the United Kingdom, should be authorised pursuant to the Financial Services and Markets Act 2000 of the United Kingdom.

ARYZTA AG

(a stock corporation under Swiss law, under registration number CH-020.3.032.251-9)

Listing of up to 78,940,460 ARYZTA Shares with a nominal value of CHF0.02 each on the main segment of the SWX Swiss Exchange and Introduction to the Official List of the Irish Stock Exchange and to trading on its regulated market

ARYZTA AG and the Directors, whose names are set out on page 13 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus for which they are responsible is in accordance with the facts and no material factor has been omitted.

Application has been made to the Irish Financial Services Regulatory Authority ("**Financial Regulator**"), as competent authority under Directive 2003/71/EC (the "Prospectus Directive"), for this Prospectus to be approved. Such approval relates only to ARYZTA Shares which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any member state of the EEA. The Financial Regulator only approves this document as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

Application has been made to the Admission Board of the SWX Swiss Exchange ("**SWX**") for all of the ARYZTA Shares in issue, and resolved to be issued, on the Effective Date together with the 7,894,046 ARYZTA Shares that are part of the conditional share capital to be admitted to listing on the main segment of the SWX. It is expected that admission will become effective and that trading in the ARYZTA Shares will commence on SWX at 9.00 am (Zurich Time) on 22 August 2008 under the symbol "ARYN".

Application will be made to the Irish Stock Exchange for all of the ARYZTA Shares in issue, and resolved to be issued, on the Effective Date to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market. It is expected that admission will become effective and that trading in the ARYZTA Shares is expected to commence on the Irish Stock Exchange at 8.00 a.m. (Dublin time) on 22 August 2008 under the symbol "YZA".

Application has been made for the ARYZTA Shares to be accepted for clearance through SIS SegaInterSettle AG ("**SIS**") with effect from admission. ARYZTA Shares will be registered shares with a nominal value of CHF0.02 each and the shares will be fully paid up at Admission. In addition, it is intended that delivery will be made in book entry form through SIS. ARYZTA Shares will not be issued in certificated form and will not be available for individual physical delivery.

The language of this prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

The distribution of this Prospectus and the offer, sale and/or issue of ARYZTA Shares in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy, or subscribe for, any ARYZTA Shares, to any person, in any jurisdiction, to whom, or in which jurisdiction, such offer or solicitation would be unlawful. Save as determined by the Company at its sole discretion and pursuant to applicable laws, this Prospectus is not for distribution in, into, or from Canada, Australia, Japan or any other jurisdiction which in, into, or from which, it would be unlawful to offer, solicit an offer, sell or deliver ARYZTA Shares ("**Restricted Jurisdiction**" and each a "**Restricted Jurisdiction**") and ARYZTA Shares may not be offered, sold, delivered or transferred, directly or indirectly, in, into, or from, any Restricted Jurisdiction or to or for the account of any other national, resident or citizen of any Restricted Jurisdiction.

Securities may not be offered or sold in the United States unless they are registered under the US Securities Act or are exempt from such registration. The ARYZTA Shares will not be registered under the US Securities Act and will be issued to IAWS Shareholders in the United States pursuant to the Scheme in reliance on the exemption from registration provided by Section 3(a)(10) of that Act and to Hiestand Shareholders in the United States pursuant to the Hiestand Merger Agreement in reliance on the exemption from registration provided by Rule 802 under that Act. In addition, the ARYZTA Shares have not been and will not be registered under the securities laws of any state of the United States, and will be issued in the United States in reliance on available exemptions from such state law registration requirements. In particular, US persons should note the matters set out in paragraph 11 of Part 5 (Information on the Merger) of this Prospectus. Neither the SEC nor any US state securities commission has reviewed or approved this document, the Scheme, the Hiestand Merger Agreement or the issue of ARYZTA Shares, and any representation to the contrary is a criminal offence in the United States.

Certain terms used in this Prospectus, including certain business related terms, are defined or explained in Part 10 (Definitions) and Part 11 (Glossary).

This Prospectus should be read in its entirety, in particular, your attention is drawn to Part 2 (Risk Factors).

The date of this Prospectus is 11 July 2008

Davy, which is authorised and regulated by the Financial Regulator, is acting as financial adviser exclusively to the Company, and as sponsor exclusively to the Company, and no one else in connection with the Merger and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Davy nor for providing advice in connection with the Merger, Admission, the content of this Prospectus or any matter or arrangement referred to herein.

Credit Suisse, which is regulated by the Swiss Federal Banking Commission, is acting as financial adviser exclusively to the Company, and as listing agent exclusively to the Company, and no one else in connection with the Merger and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Credit Suisse nor for providing advice in connection with the Merger, Admission, the content of this Prospectus or any matter or arrangement referred to herein.

ARYZTA AG of Othmarstrasse 8, 8008 Zurich, Switzerland, assumes responsibility for the completeness and accuracy of this Prospectus pursuant to Section 4 of Scheme A of Annex 1 of the SWX Listing Rules. This Prospectus also constitutes a Listing Prospectus under the SWX Listing Rules. ARYZTA confirms that, to the best of its knowledge and belief, the information contained in this Prospectus is correct and no material factor has been omitted. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by Davy or the Company. Neither the delivery of this Prospectus nor any exchange of shares, sale, purchase or subscription made on the basis hereof shall, under any circumstances, create any implication that there has been no significant change in the affairs of the Company since the date hereof or that the information herein is correct as of any time subsequent to its date. The contents of this Prospectus should not be construed as legal, business or tax advice. You should consult your own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

None of ARYZTA, the Directors of ARYZTA or their respective representatives is making any representation to any person regarding the legality of an investment by any person under appropriate investment or similar laws. You should consult with your own advisers as to the legal, tax, business, financial and related aspects or any proposed acquisition of ARYZTA Shares.

Copies of this Prospectus are available free of charge in Switzerland from Credit Suisse, Zurich, Dept. VAIE 65 (tel: +41 44 333 43 85, fax: +41 44 333 23 88, email: equity.prospectus@credit-suisse.com).

This document has been made available to the public in Ireland in accordance with Part 8 of the Prospectus Regulations by the same being made available, free of charge and in printed form, at the registered office of IAWS at 151 Thomas Street, Dublin 8, at the offices of Davy, Davy House, 49 Dawson Street, Dublin 2, and at the offices of Matheson Ormsby Prentice, 70 Sir John Rogerson's Quay, Dublin 2, in Ireland. This Prospectus is also being made available to persons in Ireland and Switzerland at www.iaws.com.

This Prospectus contains trade names, trade marks, logos, product names, service names and brands which are proprietary to ARYZTA or, as the case may be, to the Enlarged Group.

NOTICE TO US INVESTORS

The Acquisition relates to the shares of an Irish company and is proposed to be made by means of a scheme of arrangement provided for under Irish company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules under the US Exchange Act. Accordingly, the Acquisition is subject to the disclosure requirements and practices applicable in Ireland to schemes of arrangement, which differ from the disclosure requirements of the US tender offer rules.

The Hiestand Merger relates to the shares of a Swiss company and is proposed to be made by means of a statutory merger under Swiss law. Accordingly, the Hiestand Merger is subject to the disclosure requirements and practices applicable in Switzerland to statutory mergers, which differ from the disclosure requirements of the United States.

Financial information included in this document has been prepared, unless specifically stated otherwise, in accordance with accounting standards applicable in Ireland or Switzerland and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

It may be difficult for investors to enforce their rights and any claim they may have arising under the federal securities laws, since ARYZTA is a Swiss incorporated and domiciled company, and some or all of its officers and directors are residents of countries other than the United States. Investors may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. It may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY

DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Prospectus, including those in Part 2 (Risk Factors), Part 4 (Information on the Enlarged Group), Part 7 (Operating and Financial Review relating to IAWS) and Part 8 (Operating and Financial Review relating to Hiestand) of this Prospectus constitute "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "forecasts", "plans", "prepares", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Enlarged Group or the industry in which it operates, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. In particular, certain statements in this Prospectus relating to future financial results, plans and expectations regarding the Enlarged Group's business, growth and profitability, as well as the general economic conditions to which the Enlarged Group is exposed, are forward-looking in nature and may be affected by factors including certain risk factors. These risk factors are set out in Part 2 (Risk Factors).

It is strongly recommended that investors read Part 2 (Risk Factors), Part 4 (Information on the Enlarged Group), Part 7 (Operating and Financial Review relating to IAWS) and Part 8 (Operating and Financial Review relating to Hiestand) of this Prospectus for a more complete discussion of the factors which could affect the Enlarged Group's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Prospectus may not occur. Due to such uncertainties and risks, you should not place undue reliance on such forward-looking statements, which speak only as at the date of this Prospectus. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, unanticipated events, new information or otherwise occurring after the date of this Prospectus except as required by law or by any appropriate regulatory authority.

INTERPRETATION

Certain terms used in this Prospectus, including certain business related terms, are defined or explained in Part 10 (Definitions) and Part 11 (Glossary).

All times referred to in this Prospectus are referenced to Dublin time or Zurich Time as stated.

BASES AND ASSUMPTIONS

Unless otherwise stated herein, the bases and assumptions used in this Prospectus are that:

- Completion has occurred.
- Admission occurs on 22 August 2008.

NO INCORPORATION OF WEBSITE INFORMATION

The contents of the Enlarged Group's websites or any other website referred to in this Prospectus do not form part of this Prospectus.

ROUNDING

Percentages in certain tables in this Prospectus have been rounded and accordingly may not add up to 100 per cent. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data.

INDUSTRY AND MARKET DATA

This Prospectus includes information about markets in which the Enlarged Group competes, including market share, market growth and industry data, as well as information on the Enlarged Group's competitive position and the competitive position of third parties, which were obtained by the Enlarged Group from industry publications and surveys and internal Enlarged Group surveys. Third party industry data, market and statistical and other information was, in addition, obtained from the following sources:

- market research reports produced by GIRA Consultancy and Research
- market research reports produced by Euromonitor International

The Company confirms that the information in this Prospectus obtained from third party sources has been accurately reproduced. So far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such sources generally state that their information is obtained from sources they believe reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of assumptions. The Company believes that the market information in this Prospectus provides fair and adequate estimates of its addressable markets and fairly reflects its position within these markets, but has not independently verified this data or determined the reasonableness of such assumptions.

This Prospectus contains certain market information and other statements regarding the industry in which the Enlarged Group operates and the Enlarged Group's position relative to its competitors. To the extent that no source is given for information contained in the Prospectus, or is identified as being the Director's belief, such information is based on the following: (i) information obtained from trade and business organisations and associations and other contacts within the industries in which it competes, as well as information published by its competitors and (ii) the Directors' business experience, experience in the industry and experience of the local markets in which the Enlarged Group operates. However, the Directors' estimates have not been verified by Davy or any independent expert, and the Company cannot guarantee that a third party using different methods to assemble, analyse or compute market data would obtain or generate the same results. In addition, competitors may define their markets and their own relative positions in these markets in a different manner than the Enlarged Group does.

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PART 1

SUMMARY

The following summary should be read as an introduction to the more detailed information contained elsewhere in this Prospectus. Any decision by a prospective investor to invest in the ARYZTA Shares should be based on consideration of this Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, a plaintiff investor may, under the relevant national legislation of member states of the EEA which have implemented the relevant provisions of the Prospectus Directive, be required to bear the costs of translating this Prospectus before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for the summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this Prospectus.

1 INTRODUCTION

On 9 June 2008, the IAWS Board and the Hiestand Board announced that they had agreed the terms of a recommended merger of IAWS and Hiestand to create an international value-added bakery and convenience food company to be called ARYZTA. The structure of the Merger is summarised in paragraph 7 of this Part 1. A more detailed description of the Merger is set out in Part 5 (Information on the Merger) of this Prospectus. It is expected that, subject only to Admission, the Merger will become unconditional and occur on 21 August 2008, being the Effective Date.

Application has been made for the ARYZTA Shares in issue, and resolved to be issued, on the Effective Date together with 7,894,046 ARYZTA Shares that are part of the conditional share capital, to be listed on the main segment (*Hauptsegment*) of the SWX. It is expected that admission to the SWX will become effective and that trading in the ARYZTA Shares will commence on SWX at 9.00 a.m. (Zurich Time) on 22 August 2008.

Application will be made for ARYZTA Shares in issue, and resolved to be issued, on the Effective Date to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market. It is expected that admission to the Irish Stock Exchange will become effective and that trading in the ARYZTA Shares will commence on the Irish Stock Exchange at 8.00 a.m. (Dublin time) on 22 August 2008.

Immediately following the completion of the Merger, IAWS Shareholders will hold approximately 91.3 per cent. of the ARYZTA Shares and Hiestand Shareholders (excluding for these purposes the shareholding of IAWS, or any subsidiary of IAWS, in Hiestand) will hold approximately 8.7 per cent. of the ARYZTA Shares (calculated on a Fully Diluted Basis).

2 OVERVIEW OF THE ENLARGED GROUP

The Merger is a combination of two value-added bakery and convenience food businesses operating in different markets. The Enlarged Group will be a leading international value-added bakery and convenience food group and will benefit from a portfolio of brands, a diverse geographic spread and an experienced management team with a proven track record.

Both IAWS and Hiestand have a track record of growth in the value-added bakery and convenience food segment in two largely separate geographies. ARYZTA will be a leading international food business focused on this segment with geographic reach extending across North America, Europe and Asia. The Board believes the existing businesses of the Enlarged Group constitute an excellent platform for future organic growth and strategic consolidation opportunities.

The businesses of the Enlarged Group have approximately 200,000 customers worldwide serviced through different retail and food service channels.

Origin Enterprises plc ("Origin"), a quoted subsidiary, operates in the agri-nutrition and ambient food sectors. IAWS is the majority shareholder in Origin and consolidates its results.

The unaudited *pro forma* condensed income statement for the 12 month period to 31 July 2007, as presented in Part 12 (Index to Financial Information) indicates that for that period the Enlarged Group had:

- *pro forma* revenue of €2.3 billion (CHF3.8 billion);
- EBITA of €213 million (CHF343 million); and

- net income of €145 million (CHF233 million).[1]

3 SUMMARY HISTORICAL FINANCIAL INFORMATION

IAWS Group

The summary financial information below has been extracted without material adjustment from the financial information set out in Part 12 (Index to Financial Information) of this Prospectus. The financial information presented below is rounded to the nearest thousand euro, except for diluted earnings per share, which is presented in euro.

	Six months ended 31 January 2008 € (000's)	*Year ended 31 July 2007 € (000's)*	*Year ended 31 July 2006 € (000's)*	*Year ended 31 July 2005 € (000's)*
Revenue	1,127,473	1,907,619	1,557,305	1,408,174
Operating profit	72,968	153,253	106,062	102,551
Profit before tax	69,218	149,810	117,786	111,771
Profit for the period	58,956	123,473	99,129	94,636
Diluted earnings per share (€)	43.18 cent	96.04 cent	77.77 cent	74.87 cent
Fixed assets	1,600,690	1,490,345	810,310	754,964
Current assets	613,593	464,890	370,805	309,500
Total assets less current liabilities	1,707,799	1,498,526	857,688	745,306
Net assets	801,189	766,728	480,736	383,355

Hiestand Group

The summary financial information below has been extracted without material adjustment from the financial information set out in Part 12 (Index to Financial Information) of this Prospectus. The information presented below is rounded to the nearest thousand Swiss Francs, except for earnings per share, which is presented in Swiss Francs.

	Year ended 31 December 2007 CHF (000's)	*Year ended 31 December 2006 CHF (000's)*	*Year ended 31 December 2005 CHF (000's)*
Net sales	740,627	516,099	449,592
Operating profit	67,254	52,251	45,711
Profit before tax	58,250	49,245	42,461
Profit for the year	48,279	36,754	31,956
Earnings per share (CHF)	85.00	64.77	59.39
Fixed assets	488,158	464,372	258,005
Current assets	169,745	154,380	100,789
Total assets less current liabilities	501,272	487,096	281,129
Net assets	319,890	270,486	234,788

1 Source: Unaudited *pro forma* condensed financial information set out on pages F-248 to F-250 of this document. Fx rate 1 = 1.61 Swiss Francs.

4 COMPETITIVE STRENGTHS

The Company believes that the following are the Enlarged Group's key competitive strengths:

- Strategically positioned in a high growth segment of the bakery market.
- Significant proprietary technology and intellectual property.
- A focus on product and concept innovation and on continuously adapting its products to meet changing consumer tastes.
- A flexible manufacturing and distribution model which allows the Enlarged Group to quickly adapt its product offering to changes in customer tastes.
- Geographical reach extending across North America, Europe, Asia and Australia which will create opportunities for cross selling of products and concepts between markets.
- A logistics network which delivers food products to more than 140,000 DSD customers through over 900 routes.
- Significant channel and product diversification such that the Enlarged Group is not dependent on any single distribution channel or market segment.
- The combination of Hiestand and IAWS creates an international player of scale within the value-added bakery segment.

5 OBJECTIVES AND STRATEGY

ARYZTA will focus on creating value for its shareholders through the development of its value-added baked goods businesses and its investment in Origin.

ARYZTA's primary strategic objectives following the Merger will be:

- To build on the excellent track record of IAWS and Hiestand from a position of enhanced scale and geographic reach to deliver significant value for shareholders, employees, customers, suppliers and business partners.
- To focus on innovative product development.
- To deliver synergies from the Merger.
- A doubling of the earnings base of ARYZTA within 5 years.

Following completion of the Merger, ARYZTA will have a strong balance sheet which the Directors believe will facilitate future consolidation opportunities.

6 BOARD AND MANAGEMENT

The Board will initially comprise 15 directors, made up of 12 Non-Executive Directors and 3 Executive Directors. The Non-Executive Directors will be the existing members of the IAWS Board, the existing non-executive members of the Hiestand Board and Lyndon Lea of Lion Capital.

The Board will be chaired by Denis Lucey (current Chairman of IAWS) acting as Non-Executive Chairman with Wolfgang Werlé (current Chairman of Hiestand) acting as Non-Executive Deputy Chairman. The Executive Directors will comprise Owen Killian as Chief Executive Officer, Patrick McEniff as Chief Financial Officer and Hugo Kane as Chief Operating Officer.

7 SUMMARY OF THE MERGER

IAWS' relationship with Hiestand began in 2003 when IAWS acquired a 22 per cent. shareholding in Hiestand. In 2004, the then CEO of IAWS joined the Hiestand Board. This shareholding was increased to 32 per cent. in the financial year 2006. On 7 June 2008, IAWS entered into an agreement to purchase Lion Capital's 32 per cent. shareholding in Hiestand which would bring IAWS' total shareholding in Hiestand to 64 per cent. once completed. On 9 June 2008, the IAWS Board and the Hiestand Board announced the proposed merger of IAWS and Hiestand with a view to creating the global leader in value-added baked goods. Following the Merger, ARYZTA will be the holding company of the Enlarged Group.

The Merger is being unanimously recommended by the IAWS Board and the Hiestand Board. It is proposed that the Merger will be effected through the acquisition by ARYZTA of IAWS (by means of the Scheme) and, simultaneously with completion of the Scheme, the absorption into ARYZTA of Hiestand by means of a statutory merger under Swiss law pursuant to the Hiestand Merger Agreement.

Under the terms of the Scheme, the IAWS Shares will be cancelled and, on the Effective Date, IAWS Shareholders will receive 1 ARYZTA Share for every 2 IAWS Shares held by them at that time. The total number of ARYZTA Shares issued to IAWS Shareholders on Completion will constitute 91.3 per cent. of the entire issued share capital of ARYZTA (calculated on a Fully Diluted Basis). The Scheme Document, setting out the details of the Scheme, was despatched to IAWS Shareholders on 1 July 2007.

No fractions of ARYZTA Shares will be issued but all fractions of ARYZTA Shares to which IAWS Shareholders would otherwise be entitled shall be aggregated and sold in the market after the Effective Date and the net proceeds of such sale shall be paid in cash (in euro) to the relevant IAWS Shareholders in accordance with what would have otherwise been their respective fractional entitlement.

Under the Hiestand Merger Agreement, the Hiestand Shareholders (excluding IAWS) shall receive 36 ARYZTA Shares for each Hiestand Share held by them immediately prior to Completion. The total number of ARYZTA Shares issued to Hiestand Shareholders on Completion will constitute 8.7 per cent. of the entire issued share capital of ARYZTA (calculated on a Fully Diluted Basis).

It is not intended that ARYZTA Shares would be issued in respect of the Hiestand Shares held by IAWS Group.

Hiestand together with IAWS and the Company entered into a Business Combination Agreement on 7 June 2008 under which the parties agreed to implement the Merger by means of the Scheme and the Hiestand Merger. Pursuant to the terms of the Business Combination Agreement, the Hiestand Merger Agreement was executed in compliance with Swiss Merger Law.

The Merger is conditional upon, amongst other matters, Admission, the approval of the Scheme by IAWS Shareholders, sanction of the Scheme by the Court, the approval of the Hiestand Merger by Hiestand Shareholders and certain anti-trust/competition approvals in Poland, Germany and Ireland.

8 CURRENT TRADING

IAWS

Set out below is an extract from the interim management statement for the 9 month period ended 26 April 2008 published by IAWS on 28 May 2008:

"Underlying Revenue

	Food Europe	*Food North America*	*Total Food*	*Origin*	*Group*
Group Revenue (€'000)	524.7	347.3	872.0	1,052.5	1,924.6
Revenue Increase	10.9%	30.5%	17.9%	52.6%	34.7%
Currency	3.2%	12.3%	6.5%	2.9%	4.8%
Acquisitions	(3.6%)	(30.9%)	(13.4%)	(27.6%)	(20.3%)
Underlying Growth	10.5%	11.9%	11.0%	27.9%	19.2%

Highlights

- *Group revenue of €1.9 billion, an increase of 34.7 per cent.*
- *Underlying IAWS Group revenue growth, excluding the impact of acquisitions and foreign exchange movements, of 19.2 per cent.*
- *All business segments contributed to operating performance*
- *Operating profit margin maintained throughout the Group*

Operating Performance

IAWS Group revenues increased by 34.7 per cent. to €1.9 billion over the period. IAWS Group's underlying revenue growth, which excludes the impact of acquisitions and foreign exchange movements, was 19.2 per cent. The Lifestyle Foods business saw a continuation of the robust rate of underlying revenue growth that was reported in the Interim Results announcement, with growth of 11.0 per cent. over the period. Notably, both Food Europe and Food North America contributed to this very strong performance, with Food Europe posting 10.5 per cent. underlying revenue growth and Food North America delivering 11.9 per cent. underlying revenue growth. Meanwhile Origin posted underlying revenue growth of 27.9 per cent. for the period.

Operating profit margin has been maintained throughout the group in the period.

The construction of the Group's new world class bakery and innovation centre at Grangecastle continues to plan with €135.1 million spent on the facility as at 26 April 2008.

Outlook

The Lifestyle Foods business will continue to focus on driving consumer footfall for its customers through its 'always fresh' and convenient food offerings. The Lifestyle Foods value-added bakery business model is more cost efficient for its customers than traditional bakery models. This gives the business a competitive edge in the current inflationary environment. The Group's consistent track record of strong operating performance and cash flow generation leaves IAWS well positioned to fuel future growth in this dynamic market place. The Group is confident that it can achieve the markets adjusted earnings[2] expectation for its financial year ended 31 July 2008.''

The assumptions underlying these expectations are set out in paragraph 7.2 of Part 4 (Information on the Enlarged Group) and reported on by KPMG in Part I, Section B of Part 12 (Index to Financial Information).

As of the date of this document, trading remains in line with IAWS management's expectations and previous indications, and the IAWS Board is confident of the underlying financial and trading prospects for the IAWS Group for 2008.

Hiestand

Set out below is an extract from the management press release on first quarter results for 2008 published by Hiestand on 18 April 2008:

''Hiestand maintained the strong pace of organic growth in the first quarter of 2008. With an increase in sales of 12.8 per cent. to CHF185.1 million (compared with CHF164.7 million in the same period of the previous year), growth was even stronger than that of the first quarter of 2007 (12.3 per cent.). Currency effects influenced the sales figures to only a minimal extent of -0.4 per cent. The increase in turnover of 13.1 per cent. in the European segment was significantly above that of the previous year (12.3 per cent.), while development of the Asian markets was slower at an improvement of 5.1 per cent. (previous year: 11.6 per cent.). Hiestand believes that the reason for that development lies in the streamlining of the range of products and customers in Japan from which Hiestand anticipates a positive effect on profitability in the Asian business. Hiestand remains optimistic that the targeted organic growth of 8 to 10 per cent. in sales will be achieved in the current financial year.''

As of the date of this document and based on the development of sales since beginning of the year, the Hiestand Board believes the achievement of the disclosed financial goals for fiscal 2008 of growing sales by more than 10 per cent., remains achievable.

9 DIVIDEND POLICY

Consistent with the Enlarged Group's strategy, the Company intends to follow a dividend policy which balances delivering returns to shareholders with the need to retain sufficient funds for investment in growth opportunities. ARYZTA intends to maintain a dividend payment ratio similar to IAWS historic policy.

ARYZTA intends to declare its first dividend in respect of the financial year ended 31 July 2009. ARYZTA dividends will be declared in Swiss Francs and paid in Euro and Swiss Francs. Dividends paid on the ARYZTA Shares are subject to Swiss withholding tax. No dividends have been declared and paid on ARYZTA Shares since incorporation.

Hiestand Group has paid the following dividends per registered share for each of the financial years: 2007: CHF22; 2006: CHF18; 2005: CHF15.

IAWS Group has paid the following dividends per ordinary share: for each of the financial years: 2007: 15.31 cent; 2006: 13.49 cent; 2005: 11.89 cent.

10 LISTING AND ADMISSION TO TRADING

Application will be made for the ARYZTA Shares in issue, and resolved to be issued, on the Effective Date together with 7,894,046 ARYZTA Shares that are part of the conditional share capital to be listed on the main segment (*Hauptsegment*) of the SWX. It is expected that admission to the

2 Before intangible amortisation and exceptional items

SWX will become effective and that trading will commence on SWX at 9.00 a.m. (Zurich time) on 22 August 2008.

Application has been made to the Irish Stock Exchange for the ARYZTA Shares in issue, and resolved to be issued, to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market. It is expected that admission to the Irish Stock Exchange will become effective and that trading in the ARYZTA Shares will commence on the Irish Stock Exchange at 8.00 a.m. (Dublin time) on 22 August 2008.

Delisting of IAWS and Hiestand

Prior to the Effective Date, IAWS intends to apply to the Irish Stock Exchange and the London Stock Exchange for the listing of IAWS Shares to be cancelled. Upon registration of the Hiestand Merger in the Commercial Register of the Canton of Zurich, Switzerland, which is anticipated to take place on the Effective Date, Hiestand shall be delisted from the main segment of the SWX.

11 RISK FACTORS

A number of factors could materially and adversely affect the Enlarged Group's business, results of operations, financial condition, prospects and/or the Company's share price. Such factors are described in full in Part 2 (Risk Factors) of this document. Investors should carefully review the risks set out in Part 2 together with all the other information set out in this Prospectus.

PART 2

RISK FACTORS

All the information set out in this Prospectus should be carefully considered, together with the risks described below. If any of the following risks actually materialise, the Enlarged Group's business, financial condition, prospects and share price could be materially and adversely affected and Shareholders may lose all or part of their investment. The risks described below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. The risks described below are given as at the date of this Prospectus. Further risks which are not presently known to the Directors at the date of this Prospectus, or that the Directors currently deem immaterial, may also have an effect on the Enlarged Group's business. The Directors consider the following risks, which are set out in alphabetical order, to be the most significant for Shareholders, but the risks listed do not necessarily comprise all those associated with an investment in ARYZTA.

1 RISKS RELATING TO THE ENLARGED GROUP

Acquisition risk

Part of the Enlarged Group's strategy may involve expanding its business through acquisitions of other businesses. Acquisitions will require the integration of new operations into the Enlarged Group's business. The Enlarged Group faces risks and challenges associated with managing growth, and ensuring that processes around acquiring and integrating new businesses are robust. If the Enlarged Group fails to integrate its acquisitions successfully, it could have a material adverse effect on its business, financial condition and operating results.

In addition, the Enlarged Group's acquisition strategy will involve numerous risks, including the potential inability to identify appropriate acquisition opportunities, and/or failure to conduct appropriate due diligence on their operations, possible failures of acquisitions to be profitable or to generate anticipated cash flows, the entry into markets and geographic areas where the Enlarged Group has limited or no experience, diversion of management's time and resources from core operations and potential difficulties in integrating operations and systems with those of acquired companies. While every effort will be made to ensure that any acquisition opportunities that are identified are appropriate for the Enlarged Group, if any of these individual risks, or a combination of them, materialises, this could have a material adverse effect on the Enlarged Group's financial condition or profitability.

Commodity price risk

The raw materials used in the Enlarged Group's business are largely commodities such as fuel, wheat, cocoa, sugar, oil and fats. These experience price volatility caused by external conditions (such as severe and prolonged weather conditions and natural disasters), commodity market fluctuations, currency fluctuations and changes in the EU Common Agricultural Policy and in governmental or EU attitudes towards agricultural programmes. Competitors can be affected differently by these factors.

The Enlarged Group purchases and sells certain commodities for its own use and may use derivative contracts to protect itself from movements in price caused other than by exchange differences. The Enlarged Group may be unable to increase its prices to offset increased costs of key raw materials, such as wheat, without suffering a reduction in volume, turnover and operating profits.

The cost of energy has risen significantly in recent years, due principally to the rise in the cost of oil. If the cost of energy was to remain at the current high levels or if it rose further and the Enlarged Group was unable to implement measures to mitigate costs relating to energy consumption or pass its costs onto customers, its operating profits might be materially adversely affected.

Competition

The Enlarged Group faces significant competition, both actual and potential, from existing competitors and other companies with large capital resources who may commence activities in competition with the Enlarged Group. Competition is based on, amongst other things, the range, price and quality of products and services offered, distribution capability and reputation. There can be no assurance that the Enlarged Group will be able to compete effectively against existing competitors or future new entrants.

The European and North American food industry is highly competitive. The Enlarged Group's competitors have varying abilities to withstand changes in market conditions. Some of the Enlarged Group's competitors are small, family-owned companies and some are multinational organisations with greater financial resources than the Enlarged Group. The Enlarged Group's ability to compete effectively will require continuous efforts in sales and marketing of existing products, development of new products and cost rationalisation.

The Enlarged Group also faces competition from food manufacturers that produce products that fall into different product categories from those marketed by it, but which are substitutable for its products.

If the Enlarged Group does not compete effectively, its business, results of operations and financial condition could be materially adversely affected.

Consumer demands

Consumer demand in the markets in which the Enlarged Group operates depends upon a range of factors outside the Enlarged Group's control, including demographic factors, consumer preferences and discretionary consumer spending (which is in turn influenced by factors such as general economic conditions, the availability of disposable income and general levels of consumer confidence). A decline in consumer demand or changes in consumer preference in the markets in which the Enlarged Group operates could substantially reduce the Enlarged Group's revenue and profitability and this may have a material adverse effect on its business, financial condition and operating results.

Consumer trends

There are a number of trends in consumer preferences which may impact on the Enlarged Group and the industry as a whole. These include changing consumer dietary trends, the availability of substitute products and an increasing preference for fresh and organic foods. In addition, concerns as to the nutritional value of certain foods may increasingly result in food manufacturers being encouraged to manufacture products with reduced levels of salt, sugar and fat in the ingredients used.

The Enlarged Group's success is dependent on anticipating changes in consumer preferences and on successful new product and process development and product relaunches in response to such changes. The Enlarged Group aims to introduce products or new or improved production processes on a timely basis in order to counteract obsolescence and decreases in sales of existing products. While the Enlarged Group devotes significant focus to the development of new products and to the research, development and technology process functions of its business, it may not be successful in developing new products or its new products may not be commercially successful. The Enlarged Group's future results and its ability to maintain or improve its competitive position will depend on its capacity to gauge the direction of its key markets and upon its ability to successfully identify, develop, manufacture, market and sell new or improved products in these changing markets.

Dependence on distribution channels

The Enlarged Group utilises third parties in respect of the distribution of certain products in various markets. Certain of the Enlarged Group's operations may be interrupted or otherwise adversely affected by delays in the distribution of these products by such third party distributors. If the Enlarged Group is forced to change a distributor, there is no guarantee that this would not interrupt supply continuity or result in additional costs.

Dependence on key management personnel

The performance and results of the Enlarged Group's business depends on the efforts and abilities of its executive team, senior management and other key personnel. Although it is believed that key employees could be replaced in an orderly fashion should the need arise, the loss of any of the executive team, senior management, or key personnel could lead to an adverse effect on the Enlarged Group's businesses, operating results and financial condition. The Enlarged Group has not taken out key man insurance for any of its employees because the Directors believe that the cost of obtaining key man insurance is disproportionate to its usefulness.

Dependence on suppliers/outsourcing

The Enlarged Group purchases a substantial proportion of the packaging, utilities and raw materials necessary to produce its products from third party suppliers. The Enlarged Group's operations may

be interrupted or otherwise adversely affected by delays in the supply of these utilities, products or materials from such third parties, or the failure to meet product specifications or any change in the terms on which they are available. The Enlarged Group's operations are also affected by the prices of packaging, utilities and raw materials necessary in producing its products. The prices of such materials have been subject to fluctuations in the past and may be subject to fluctuations in the future. Any increases in the prices of packaging, utilities and raw materials could have a material adverse effect on the Enlarged Group's profits. The Enlarged Group has also outsourced the preparation and/or manufacture and/or warehousing of a number of its products. If the Enlarged Group is forced to change a supplier, manufacturer or provider of warehouse facilities, there is no guarantee that this would not interrupt supply continuity or result in additional costs.

Exchange rate and interest rate risks

Exchange rate risk arises principally where the Enlarged Group's revenue and expenditure are transacted in different currencies or assets and liabilities are denominated in currencies other than the euro. The Enlarged Group's principal exposure to exchange rate fluctuations is in relation to the euro/sterling, euro/US dollar, euro/CHF, sterling/CHF and euro/Canadian dollar. Accordingly, the Enlarged Group's business, financial condition and results of operations may be adversely affected by such fluctuations in exchange rates.

Interest rate risk arises from the extent to which the Enlarged Group holds interest rate-sensitive assets or is exposed to interest rate-sensitive liabilities. Increases in interest rates may therefore have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

Fire

The Enlarged Group operates 23 manufacturing sites and 111 DSD facilities. The number of the Enlarged Group's sites indicates that there is a statistical risk that one or more of the Enlarged Group's sites may suffer damage from fire, particularly given the flammable nature of flour and the baking activities carried out at several of the Enlarged Group's manufacturing sites. While the Enlarged Group believes that satisfactory procedures have been implemented on these sites to minimise this risk and that its insurance is adequate, there can be no assurance that such insurance will continue to be available on acceptable terms or that the amount of any particular fire claim will not exceed the amount of, or not be covered under, its insurance coverage. Further, there is a risk that damage to one of the Enlarged Group's sites caused by fire could result in business interruption or a material adverse effect on the day-to-day operation of the Enlarged Group's business or maintenance of the Enlarged Group's supply chain.

Gearing

Any investments or acquisitions that the Enlarged Group may make in the future may involve borrowing funds. Although the use of gearing may increase the return on those investments, it creates higher potential for loss, which could result in the Enlarged Group's financial condition being materially adversely affected.

Information technology

The Enlarged Group is reliant on its information technology systems for the provision of information regarding all aspects of its business in particular the level and type of stock held within the factories. Interruptions to the Enlarged Group's information technology systems could be caused by a number of factors including damage or interruption from fire, loss of power, unauthorised tampering, industrial action or an act of nature. Disaster recovery back up plans have been prepared by the Enlarged Group and are in place, but there can be no certainty that such plans will be effective in the event they need to be activated for a prolonged period of time. The failure of these stock management systems would restrict the ability of the Enlarged Group to comply with its obligations towards its customers which could have a material adverse effect on the Enlarged Group's business.

Litigation

The Enlarged Group operates in businesses where there is a risk of litigation. There can be no way of knowing the potential impact of any future litigation on the performance of the Enlarged Group.

Operational risk

Operational risks include those which could result from a potential breakdown in individual facilities (whether operated by, or on behalf of, the Enlarged Group) or the Enlarged Group's ability to control its human, physical and operating resources, as well as the risk associated with product contamination and general food scares affecting relevant products.

A further operational risk to the Enlarged Group is the risk of failure to address increasing compliance requirements particularly in the areas of health and safety, emissions and effluent control. The potential financial or reputational loss arising from failures in internal controls, flaws or malfunctions in computer systems, and poor product design or delivery, all fall within this category.

The Enlarged Group is also dependent on third parties for certain aspects of its business and operations. Failure by those third parties to maintain critical services or supplies could lead to disruption of those businesses and operations, which could adversely affect the Enlarged Group's results.

Product contamination

The packaging, marketing, distribution and sale of food products entails an inherent risk of contamination or deterioration, which could potentially lead to product liability, product recall and resultant adverse publicity. Such products may contain contaminants that could, in certain cases, cause illness, injury or death to consumers. Even an inadvertent shipment of contaminated products may lead to an increased risk of exposure to product liability claims. While the Enlarged Group has implemented procedures on its production facilities which are designed to minimise this risk, there can be no assurance that product liability claims will not be asserted against the Enlarged Group in the future or that it will not be obligated to undertake significant product recalls. If a material product liability claim is successful, the Enlarged Group's insurance may not be adequate to cover all liabilities it may incur, and the Enlarged Group may not be able to continue to maintain such insurance, or obtain comparable insurance at a reasonable cost, if at all. If the Enlarged Group does not have adequate insurance or contractual indemnification available, product liability claims relating to defective products could have a material adverse effect on the Enlarged Group's ability to market successfully its products and on its business, financial condition and operating results.

Even if a product liability claim is not successful or is not fully pursued, the negative publicity surrounding any alleged contamination or deterioration of the products sold by the Enlarged Group could have a material adverse effect on the Enlarged Group's goodwill, brand, image and profitability.

Regulation

The Enlarged Group's businesses are subject to extensive regulation. Such regulation controls matters such as traceability, distribution, health and safety and the environment.

As a manufacturer of products intended for human consumption, the Enlarged Group is subject to extensive legislation and regulation in Ireland, the United States, Switzerland, Asia and the European Union (i) with respect to its products, concerning their composition, manufacturing, storage, handling, packaging, labeling, advertising and product safety; (ii) with respect to its employees, concerning the health, safety and working conditions of employees and employee pension schemes; and (iii) generally, with respect to competitive and marketplace conduct. Existing legislation and modification to existing legislation and/or regulation and the introduction of new legislative and regulatory initiatives may affect operations and the conduct of the Enlarged Group's businesses, and the cost of complying with such legislation or modified and/or new legislation or regulation or the effects of such legislation or modified and/or new legislation or regulation may have an adverse effect on the results of the Enlarged Group's operations.

The Enlarged Group's past and present business operations and ownership and operation of property are subject to a broad range of environmental laws and regulations in the jurisdictions in which it operates. These laws and regulations impose increasingly stringent environmental protection standards on it and affect, amongst other things, air emissions, waste water discharges, the use and handling of hazardous materials, noise levels, waste disposal practices and environmental clean-up. As a result, the Enlarged Group may be exposed to substantial environmental costs and liabilities, including liabilities associated with divested assets and past activities. In addition, future developments such as changes in laws or environmental conditions may increase environmental costs and liabilities and could have an adverse effect on the results of its operations.

Trademarks and other proprietary rights

The Enlarged Group's success depends, in part, on its ability to protect current and future products through securing, enforcing and defending its intellectual property rights. The Enlarged Group relies on a combination of trademarks, copyright, trade secrets and contractual restrictions to establish and protect intellectual property rights relating to its products. These proprietary rights and contractual restrictions provide only limited protection, the extent of which varies among the countries in which the Enlarged Group operates.

There can be no assurance that third parties, including parties to whom the Enlarged Group discloses proprietary knowledge, information and know-how, will not attempt to misappropriate or challenge the Enlarged Group's right to such knowledge, information or know-how. Even if the Enlarged Group discovers evidence of infringement or misappropriation of its proprietary knowledge, its recourse may be limited or could require it to pursue litigation, which could involve substantial legal fees, costs and expenses and diversion of management's attention from the operation of the business.

Trading risks

The trading performance of the Enlarged Group may be affected by a number of factors outside its control, including:

- Changes in consumer preference or behaviour.
- Increased operating costs.
- Increases in government taxes and levies.
- Labour shortages or other adverse labour market conditions.
- Additional health and safety regulation.
- General economic conditions in its key markets of Ireland, the United Kingdom, continental Europe, Canada, the United States and Asia.

These factors may affect the Enlarged Group by, among other things, reducing demand as potential consumers switch to other products, which could have a material adverse effect on the results of its operations.

2 RISKS RELATING TO THE MERGER

Advantages from the Merger may not materialize

The success of the Merger depends on the ability of the Enlarged Group to effectively combine the businesses of IAWS and Hiestand, which will involve operational complexities.

There can also be no assurance, that post-Completion, the combination of the businesses of IAWS and Hiestand will achieve the anticipated synergies and benefits.

The potential benefits of the Merger can only be fully realised through a successful integration of the businesses and there is a risk that if the implementation of the integration plan does not proceed as contemplated, the anticipated synergies may not be realised, or they may not be realised according to the timescale contemplated. In addition, details of proposed synergies may need to be the subject of discussion and consultation with trade unions, employee representatives and European and local works councils as appropriate.

Failure to successfully combine the businesses of IAWS and Hiestand would have an adverse impact on the Enlarged Group's business, financial condition and results of operations.

Implementation of the Merger

Completion is conditional upon, among other things, approval of the Scheme by the IAWS Shareholders, sanction of the Scheme by the Court, approval of the Hiestand Merger by the Hiestand Shareholders and certain anti-trust/competition clearances. Any such approval, sanction or clearance may be refused or, in the case of the anti-trust/competition clearances, the relevant authority may seek to make its clearance subject to compliance by IAWS and Hiestand with onerous conditions. These conditions, if accepted, could have the effect, among other things, of imposing significant additional costs on the Enlarged Group, limiting the Enlarged Group's revenues, or imposing other operating restrictions upon the business of the Enlarged Group.

3 RISKS RELATING TO THE ENLARGED GROUP'S SHARES

Share price fluctuations and market conditions

The price at which the ARYZTA Shares are quoted and the price at which investors may realise their investment in ARYZTA Shares will be influenced by a large number of factors, some specific to the Enlarged Group and its operations and some which may affect the quoted food sector or quoted companies generally and which are outside the Enlarged Group's control. These factors include the performance of the Enlarged Group, large purchases or sales of the ARYZTA Shares, legislative changes in the food industry, general economic, political or regulatory conditions, changes in market sentiment towards ARYZTA, quoted food companies, or quoted companies generally or changes in applicable taxation regimes. The Enlarged Group's results may fall below the expectations of securities analysts and investors as a result of these or other factors. In addition, stock markets from time to time suffer significant price and volume fluctuations which could affect the market price of ARYZTA Shares, but which are unrelated to ARYZTA's operating performance. Any of these events could result in a decline in the market price of ARYZTA's Shares.

4 CHANGE IN DOMICILE

ARYZTA is a Swiss incorporated and domiciled company subject to Swiss law. The laws of Switzerland differ from those of Ireland with respect to the level and nature of protections offered to a shareholder. The interpretation of the Articles of Association will be governed by Swiss law. IAWS Shareholders should consult with their tax advisors regarding any change in tax treatment by virtue of holding shares, and potentially receiving dividends, in a Swiss incorporated and domiciled company.

PART 3

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

The following will be the directors of ARYZTA with effect from Admission:

Directors

Denis Lucey*	(Non-Executive Chairman)
Wolfgang Werlé	(Non-Executive Deputy Chairman)
Owen Killian*	(Chief Executive Officer)
Patrick McEniff*	(Chief Financial Officer)
Hugo Kane	(Chief Operating Officer)
Albert Abderhalden	(Non-Executive Director)
Denis Buckley	(Non-Executive Director)
Beatrice Dardis	(Non-Executive Director)
J. Brian Davy	(Non-Executive Director)
Noreen Hynes	(Non-Executive Director)
Lyndon Lea	(Non-Executive Director)
William G. Murphy	(Non-Executive Director)
Hans Sigrist	(Non-Executive Director)
Paul N. Wilkinson	(Non-Executive Director)
Dr. J. Maurice Zufferey	(Non-Executive Director)
Company Secretary	Pat Morrissey
Registered Office	ARYZTA AG Othmarstrasse 8 8008 Zurich Switzerland
Irish Sponsor	Davy Davy House 49 Dawson Street Dublin 2 Ireland
Legal Advisers to the Company as to Irish law	Matheson Ormsby Prentice Sir John Rogerson's Quay Dublin 2 Ireland
Legal Advisers to the Company as to Swiss law	Niederer Kraft & Frey AG Bahnhofstrasse 13 8001 Zurich Switzerland
Auditor to IAWS and Reporting Accountant to the Company	KPMG Chartered Accountants 1 Stokes Place St Stephen's Green Dublin 2 Ireland
Swiss Listing Agent	Credit Suisse Paradeplatz 8 8001 Zurich Switzerland

* Current directors of ARYZTA together with Philipp Haas and Dr. Andreas Casutt. Philipp Haas and Dr. Andreas Casutt will retire immediately prior to Admission.

Paying Agent (*Hauptzahlstelle*)	Credit Suisse Paradeplatz 8 8001 Zurich Switzerland
Notices	Notices by the Company to its shareholders are validly made by publication in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt). Notices required under the SWX Listing Rules will be announced via the electronic media and, if required, published in Swiss newspapers in German and French, which are expected to be the Neue Zürcher Zeitung and Le Temps. Notices required under the Listing Rules of the Irish Stock Exchange will be announced through a Regulatory Information Service (being one of the services set out in Schedule 12 of Appendix 2 of the Listing Rules).
Depository	Capita IRG Trustees Ltd The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
Auditor to the Company	KPMG AG Badenerstrasse 172 CH-8004 Zurich Switzerland
Auditor to Hiestand	KPMG AG Badenerstrasse 172 CH-8004 Zurich Switzerland
Bare Trustee	Capita Trust Company Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
Corporate Nominee	Capita IRG Trustees Ltd The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	*Time and/or Date*[1, 2]
Latest time for lodging BLUE Forms of Proxy for the Court Meeting[3]	11.00 am on 22 July 2008
Latest time for lodging WHITE Forms of Proxy for the IAWS EGM	11.30 am on 22 July 2008
Voting Record Time	6.00 pm on 22 July 2008
Court Meeting	11.00 am on 24 July 2008
IAWS EGM[4]	11.30 am on 24 July 2008
Court Hearing (petitions to sanction the Scheme and to confirm the Reduction of Capital)	15 August 2008
Hiestand EGM	19 August 2008
Last day for dealings in, and for registration of transfers of, IAWS Shares and Hiestand Shares	20 August 2008
Cancellation of listing of IAWS Shares	20 August 2008
Trading in Hiestand Shares suspended	20 August 2008
Delisting date of Hiestand Shares	21 August 2008
Effective Date of the Scheme and completion of the Merger	**21 August 2008**
Expected date of Admission of, and commencement of dealings in, ARYZTA Shares	**22 August 2008**
Crediting of ARYZTA Shares/ARYZTA Depository Interests to SIS/ CREST accounts	22 August 2008

1. Unless otherwise stated, all references in this document to times are to Dublin time.
2. These times and dates (other than the dates of the Court Meeting and IAWS EGM) are indicative only and will depend, among other things, on the satisfaction or waiver of the Conditions and the date upon which the Court sanctions the Scheme and confirms the Reduction of Capital and, in the case of the IAWS EGM, the time that the preceding Court Meeting is concluded or adjourned.
3. If the BLUE Form of Proxy for the Court Meeting is not returned by this time, a BLUE Form of Proxy may be handed to the chairman of the Court Meeting before the start of the meeting and will still be valid.
4. To commence at 11.30 am or immediately after the conclusion or adjournment of the Court Meeting.

PART 4

INFORMATION ON THE ENLARGED GROUP

1 BACKGROUND TO AND REASONS FOR THE MERGER

IAWS' relationship with Hiestand began in 2003 when IAWS acquired a 22 per cent. shareholding in Hiestand. In 2004, the then CEO of IAWS joined the Hiestand Board. This shareholding was increased to 32 per cent. in the financial year 2006.

On 7 June 2008, IAWS entered into an agreement to purchase Lion Capital's 32 per cent. shareholding in Hiestand which would bring IAWS' total shareholding in Hiestand to 64 per cent. once completed. On 9 June 2008, the IAWS Board and the Hiestand Board announced the proposed merger of IAWS and Hiestand with a view to creating the global leader in value-added baked goods. Following the Merger, ARYZTA, a newly incorporated Swiss company, will be the holding company of the Enlarged Group. ARYZTA will be listed on the main segment of the SWX and the Official List of the Irish Stock Exchange.

Both IAWS and Hiestand have a track record of growth in the value-added bakery and convenience food segment in two largely separate geographies and following the Merger, ARYZTA will be an international leader in this segment. The Board believes the existing businesses of the Enlarged Group constitute an excellent platform for future organic growth and strategic consolidation opportunities.

The Board has identified the following specific reasons for the Merger:

- IAWS and Hiestand are complementary businesses operating in the value-added bakery segment with a focus on innovative product development.
- IAWS operates in North America, the UK, Ireland and France while Hiestand's main operations are in Switzerland, Germany, Austria, Poland and Asia (principally Malaysia, Japan and Turkey). The Board believes that these complementary markets will offer significant cross selling opportunities by the sale of IAWS products in markets in which Hiestand currently operates and similarly by the sale of Hiestand products in markets in which IAWS currently operates.
- IAWS and Hiestand deliver products to an extensive network of customers in foodservice and retail channels.
- IAWS and Hiestand have proprietary intellectual property and extensive direct store delivery infrastructure.
- IAWS and Hiestand have a shared corporate culture that emphasises people and process, customer focus and consumer relevance. Management of both groups are well known to each other having developed a relationship over 5 years, which dates back to the acquisition of a strategic shareholding by IAWS in Hiestand. The Merger is the culmination of this relationship.

2 COMPETITIVE STRENGTHS

The Board believes that the following are the Enlarged Group's key competitive strengths:

- Strategically positioned in a high growth segment

Structural changes in the bakery market are benefiting the value-added segment in which the Enlarged Group operates at the expense of the traditional bakery segment. The value-added bakery model offers superior efficiencies to the traditional model at a number of levels. It is space efficient: value-added products are not produced on-site (save for the final 20 per cent. bake-off) meaning customers save space which would otherwise be devoted to baking the product. It is labour efficient: customers need not retain skilled employees to perform the baking of the product. It is commodity efficient: bulk, off-site production of value-added products carries a higher conversion rate of ingredients to final product. Value-added products produce less waste because customers can bake-off small batches of the product throughout the day, matching supply to demand, rather than running the risk of baking an excessive amount of a perishable product at the beginning of the day.

- Proprietary technology and intellectual property

  The Enlarged Group will have the benefit of significant investments made by IAWS in its proprietary manufacturing technology, including a €200m investment at the Grangecastle facility in Dublin, and its developed state-of-the-art manufacturing processes. The Enlarged Group will have 23 manufacturing and innovation facilities located throughout the geographic locations in which it operates.

- Innovation

  The Enlarged Group is focused on driving end-consumer footfall for its customers (both in the retail sector and the foodservice sector) through product and concept innovation and through the provision of a diverse and differentiated food offering. The Enlarged Group has an extensive product range, which is continuously being adapted to meet changing tastes among consumers. The Enlarged Group intends to maintain this focus on product and concept innovation by continuing to invest annually in research and development.

- Customer focus

  The Enlarged Group operates a flexible manufacturing and distribution model and is able to quickly adapt its product offering to changes in customer tastes. It is also able to offer products that are tailored to particular regional tastes. In retail, the business works with its customers to provide value-added concepts through focusing on space profitability and differentiated offerings that satisfy consumers' continuous demand for high quality, appealing, and convenient products. In foodservice, the Enlarged Group works with its customers to maximise their profitability through focusing on menus, reducing staff costs, baking time and product waste.

- Geographic reach

  The Enlarged Group operates across four continents which are North America, Europe, Asia and Australia. This offers numerous opportunities for cross selling of products and concepts between markets. The Directors believe that the extended geographic footprint of the Enlarged Group improves its position vis-à-vis large-scale international customers who increasingly seek to source product from a single supplier across the various geographies in which they operate. It is anticipated that geographic diversification will also lead to a higher quality, more stable earnings profile, with cyclical fluctuations across economies smoothed at an aggregate level.

- Logistics

  The Enlarged Group delivers food products to more than 140,000 DSD customers through over 900 routes. Through central distribution, the Enlarged Group is capable of reaching approximately 200,000 customers in different retail and foodservice channels. These distribution networks help to minimise the Enlarged Group's customers' storage requirements.

- Training

  The distribution network is complemented by a high quality after-sales offering. The Enlarged Group has dedicated baking academies for training its customers' staff on execution of the bake-off and product presentation. This training infrastructure carries mutual benefits for the Enlarged Group and its customers. Improved product execution and presentation drive higher revenue and footfall for the customer. This added value together with the personal contact that is central to the training process, helps to cement the Enlarged Group's customer relationships.

- Channel and product diversification

  The Enlarged Group has a significant presence in both the foodservice and retail markets. It is not dependent on any single distribution channel or market segment. Within retail, it delivers to customers across major supermarket chains, local bakeries and convenience stores. Within foodservice, it delivers to customers across white table cloth, upmarket, casual and quick service restaurants in the foodservice market. The Enlarged Group will not be reliant on any one significant retail or foodservice customer.

- Scale

  The combination of Hiestand and IAWS creates an international player of scale within the value-added bakery segment. With its increased scale the Enlarged Group expects to be able to realise material procurement efficiencies, as well as benefit from incremental revenue opportunities arising, in particular, from its ability to track large-scale international customers

across the geographies in which they operate. The Enlarged Group is well positioned as a large-scale, vertically integrated manufacturer and distributor of value-added bakery products to exploit the growth opportunities presented by these structural advantages.

3 OBJECTIVES AND STRATEGY

ARYZTA will focus on creating value for its shareholders through the development of its value-added baked goods businesses and its investment in Origin.

ARYZTA's primary strategic objectives following the Merger will be:

- To build on the excellent track record of IAWS and Hiestand from a position of enhanced scale and geographic reach to deliver significant value for shareholders, employees, customers, suppliers and business partners.
- To focus on innovative product development.
- To deliver synergies from the Merger.
- A doubling of the earnings base of ARYZTA within 5 years.

Following completion of the Merger, ARYZTA will have a strong balance sheet which the Directors believe will facilitate future consolidation opportunities. IAWS has successfully renegotiated certain of its existing financing facilities and the IAWS Board expects that, following Completion, the Enlarged Group will have the following financing facilities available to it:

- €795 million Revolving Credit Facility;
- USD450 million Guaranteed Senior Note Facility; and
- €450 million Origin Facility.

4 BUSINESS OVERVIEW

The Enlarged Group will be a leading international value-added bakery and convenience food group which, on a combined basis in the year ended 31 July 2007, operated in 4 different continents and served more than 200,000 customers.

The Enlarged Group will be comprised of two distinct business segments:

- Lifestyle Foods; and
- The business operated by Origin, a quoted agri-nutrition and food company.

Lifestyle Foods

The Lifestyle Foods business focuses on niche high quality growth segments of the value-added bakery and convenience food market. Lifestyle Foods is made up of the following two segments:

- Food North America (comprising the operations of IAWS based in the USA and Canada); and
- Food Europe and Food Asia (comprising the European operations of IAWS and the European and Asian operations of Hiestand).

A further description of each of these segments is set out below.

Food North America

IAWS operates three businesses in the North American market: Otis Spunkmeyer, La Brea Bakery and Cuisine de France Inc. Otis Spunkmeyer is a manufacturer, marketer, and distributor of branded fresh baked and sweet baked goods with a national customer base in the foodservice and retail channels. La Brea bakery is an artisan baker with substantial baking facilities in New Jersey and California. Cuisine de France Inc. supplies a number of convenience chains, independent supermarkets, produce markets, and delicatessens in Chicago and surrounding states with a full range of par-baked breads and frozen pre-proofed/ready-to-bake confectionery products. Food North America has 2,459 employees, 53 DSD points and eight manufacturing facilities. These extensive infrastructure and production capabilities service over 300 DSD routes and over 70,000 DSD customers.

Both La Brea Bakery and Otis Spunkmeyer have category leadership within the artisan segment of the non sweet baked goods market and the freshly baked cookies segment of the US value-added bakery market, respectively.

IAWS has made a substantial investment in developing its North American Lifestyle Foods business in the value-added bakery market through acquisition and capital investment in recent years. This has created an operation with modern bakery assets, strong brands and national reach. The North American business has a presence in both the foodservice and retail markets.

IAWS also has a joint venture with Tim Hortons, the largest quick service restaurant chain in Canada specialising in always-fresh coffee, baked goods and home-style lunches. The joint venture supplies the Tim Horton's estate and the Food North America business with bakery products from its world class facility in Ontario, Canada.

Food Europe and Food Asia

Food Europe comprises the IAWS Lifestyle Foods businesses in Ireland, the UK and France and the Hiestand business in Switzerland, Germany, Austria and Poland. Food Asia comprises Hiestand's asian operations.

The IAWS Lifestyle Foods business in Europe includes the following brands:

- Cuisine de France – a supplier of traditional French breads, pastries and also a wide range of continental-style breads, confectionery and hot savoury items. Cuisine de France provides a complete bake-off solution, primarily to the retail industry.
- Delice de France – a supplier of continental breads, viennoiserie, savoury and confectionery products, including hospitality goods, primarily to the foodservice and catering industry.
- Coup de Pates – a developer and distributor of bakery products to the bakery, craft and food service sectors in France.
- Carroll Cuisine – a supplier of chilled hams, sandwich fillings, ready meals and specialty products to both the foodservice and retail markets in Ireland.
- Pierres – a supplier of hot food to the retail and foodservice markets in Ireland.

The IAWS Lifestyle Foods business in Europe has an extensive product range in the value-added bakery market. It has 2,514 employees, 23 DSD points and 4 manufacturing facilities. These extensive infrastructure and production capabilities service over 300 DSD routes and over 50,000 DSD customers.

IAWS has invested in food infrastructure production facilities which it expects will underpin the business model of the Enlarged Group and future growth. IAWS has committed to invest €200 million from current capital resources in a facility in Grangecastle, Dublin. The investment will deliver:

- A new national distribution centre for Ireland.
- A world class manufacturing facility.
- A centre of excellence for research and development in product and concept innovation.

As of 30 April 2008, approximately €135 million of the committed budget for Grangecastle had already been spent. The commissioning of the facility will commence at the end of the current financial year of IAWS and the benefits from this investment are expected to be delivered from 2009 onwards.

Hiestand

The Hiestand Group operates in two main geographical markets: Europe, the core of the group includes operations in Switzerland, Germany, Austria and Poland, and Asia, comprising Malaysia, Japan and Turkey. In the financial year 2007, Hiestand recorded sales of CHF740.6 million. Hiestand has 11 manufacturing facilities, 3,200 employees and over 300 DSD serving 20,000 customers.

The Hiestand Group operates in the following main business segments:

Frozen bakery products

The frozen bakery product segment includes the production and sale of frozen bakery products to customers in both Europe and Asia. These products are sold in all Hiestand jurisdictions at various convenience levels.

The frozen bakery products business is core to Hiestand, generating CHF674.2 million or 91 per cent. of total sales in 2007. Germany and Switzerland are the two core markets, with Hiestand being a market leader in both countries.

In addition to its other key markets of Poland, Austria, Malaysia, Japan and Turkey, Hiestand exports frozen products to more than 40 countries all over the world. The main export markets are, among others, Denmark, UK, Ireland, Czech Republic, Italy, Australia and Singapore.

Hiestand's strategy in the area of frozen bakery products is to manage the whole value chain (procurement, wholesale activities, production, logistics and distribution, sales and offering additional services). Hiestand has a high level of competence in production of frozen bakery products and the distribution of such products to customer points of sales. In all key markets except for Japan, Hiestand operates through its wholly owned logistics fleet. In addition to premium products and logistics services, Hiestand offers its customers unique services such as employee training and other advisory services.

Chilled bakery products

In addition to the Hiestand Group's range of frozen products, a subsidiary, Fricopan also produces chilled products for a key account customer in Germany. Hiestand has also developed the technical competence to produce and sell MDP products. Both chilled and MDP products are sold in the retail market directly to end consumers. These products are sold in Europe only and primarily in Germany. Sales of these products amounted to CHF36.7 million, representing 5 per cent. of Hiestand sales in 2007.

Fresh bakery products

The fresh bakery product segment includes the production and sale of fresh bakery products to selected customers. Freshly baked products are only sold in the Zurich and Warsaw markets (and their immediate hinterlands). This service is offered to customers with limited space for baking and storage. The growth potential for fresh bakery products is limited as products can only be distributed to customers in close proximity to the factories. Approximately CHF14.8 million or 2 per cent. of sales were generated by this business segment in 2007.

Retail

The retail segment consists of sales by Hiestand's own baking shops and its retail outlets in Poland.

Further information on the businesses and operations of Hiestand is included in Part 8 of this document.

Origin

IAWS is the major shareholder in Origin with a holding of 71.4 per cent. Origin was created by IAWS with a dedicated management team to focus on and maximise the potential of the original core agri-nutrition and ambient food businesses of IAWS. In June 2007 Origin was floated on the IEX market of the Irish Stock Exchange and the AIM market of the London Stock Exchange raising approximately €100 million to finance its future plans and development.

Origin is a leading agri-nutrition and ambient food company. The agri-nutrition division, through its manufacturing and distribution operations in Ireland and the United Kingdom, has leading market positions in the supply of feed ingredients, crop nutrition and specialist marine proteins. Origin's ambient food division comprises sales, marketing, distribution and manufacturing activities in Ireland and has leadership positions in several ambient food categories.

Agri-Nutrition Division

Agri-nutrition comprises two principal activities, namely agri-inputs (animal feed ingredients and agricultural fertiliser) and marine proteins, with operations in Ireland, the UK and Poland.

The animal feed ingredients business is engaged in the sourcing, shipping, handling and distribution of grain and feed ingredients for the Irish animal feed and flour milling industries. The agricultural fertiliser business is involved in the importation, storage, blending, packing, wholesaling and retailing of fertilisers to co-ops, merchants, agents and farmers in Ireland, the UK and Poland. During 2008, Origin acquired Masstock a leading provider of specialty agronomy services directly to arable and grassland farm enterprises in the UK and Poland.

The marine proteins business involves the manufacture, distribution and retail of fishmeal and fish oil, which are key raw material ingredients of fish feed. In January 2008, Origin announced it had entered exploratory discussions with Austevoll Seafood ASA with a view to combining their respective fishmeal and fish oil operations in Europe. These discussions are ongoing with final agreement subject to confirmatory due diligence, mutually acceptable legal documentation, respective board approvals and receipt of relevant consents.

Ambient Food Division

Origin's food business owns three of Ireland's leading food brands, namely Shamrock, Roma and Odlums. Shamrock Foods is a leading ambient food company operating in the Irish retail grocery sector. Roma has a strong market position within the Italian food ingredient category and Odlums is Ireland's major flour miller and leading flour brand.

5 INTEGRATION AND SYNERGIES

The Board believes that the combination of IAWS and Hiestand will deliver significant value to shareholders in ARYZTA. Since IAWS took a strategic shareholding in Hiestand and appointed a representative to its board, the management of both groups have worked together on a number of initiatives and are familiar with each other. Consequently the Board considers the integration risk relating to the Merger to be low.

Synergies are expected to flow from a number of areas. The Merger will combine the intellectual property and know-how of both businesses. The Enlarged Group will benefit from access to the technology, innovation and distribution networks of both IAWS and Hiestand. There are expected to be significant cross selling opportunities for the two groups' respective products and concepts over the increased geographic spread of the Enlarged Group. ARYZTA will benefit from a more global customer focus, delivering consumer insights as well as the opportunity to leverage its brands into different territories. The Board also expects there to be scope for more efficient capacity utilisation at the Enlarged Group's production facilities.

The Board expects that the Merger will be integrated very quickly post Completion. Management of IAWS and Hiestand (with the exception of Martin Zwyssig, Hiestand Chief Financial Officer) are all remaining with the Enlarged Group. Hiestand will operate as a subsidiary of ARYZTA with its own operational management team. The Merger will not result in any material change in the conditions of employment of IAWS' employees. There is no current intention to alter the composition of the existing management and employee structure of IAWS in any material way or to reduce the overall employment levels in the Enlarged Group in any material way. Cost savings are expected to accrue from such areas as active taxation management and combining head office functions.

ARYZTA will operate research & development facilities in each of its major territories focused on developing products, concepts and innovations that can be employed throughout the Enlarged Group.

The Directors believe the strategic direction around ARYZTA together with its increased scale and financial capability is expected to drive consolidation in the industry.

6 DIVIDEND POLICY

Consistent with the Enlarged Group's strategy, ARYZTA intends to follow a dividend policy which balances delivering returns to shareholders with the need to retain sufficient funds for investment in growth opportunities. ARYZTA intends to maintain a dividend payment ratio similar to IAWS' historic policy.

The dividend policy will take into account the level of peer group dividends, the profitability and cash flows of ARYZTA and the desirability of providing shareholders with dividend payments increasing progressively over time. The ARYZTA Shares will be entitled to dividends paid, if any, for the first time for the fiscal year ending 31 July 2009. Dividends paid on the ARYZTA Shares are subject to Swiss withholding tax (see Part 9, paragraph 12.5.1 "Withholding Tax").

The declaration of future dividend payments will depend on ARYZTA's performance, financial position, future prospects and other relevant factors, including tax and other legal considerations.

No dividends have been declared and paid on ARYZTA Shares since incorporation.

Hiestand Group has paid the following dividends per registered share for each of the financial years: 2007: CHF22; 2006: CHF18; 2005: CHF15.

IAWS Group has paid the following dividends per ordinary share for each of the financial years: 2007: 15.31 cent; 2006: 13.49 cent; 2005: 11.89 cent.

7 CURRENT TRADING AND PROSPECTS

7.1 Current trading

IAWS

Set out below is an extract from the interim management statement for the 9 month period ended 26 April 2008 published by IAWS on 28 May 2008.

"Underlying Revenue

	Food Europe	*Food North America*	*Total Food*	*Origin*	*Group*
Group Revenue (€'000)	524.7	347.3	872.0	1,052.5	1,924.6
Revenue Increase	10.9%	30.5%	17.9%	52.6%	34.7%
Currency	3.2%	12.3%	6.5%	2.9%	4.8%
Acquisitions	(3.6%)	(30.9%)	(13.4%)	(27.6%)	(20.3%)
Underlying Growth	10.5%	11.9%	11.0%	27.9%	19.2%

Highlights

- *Group revenue of €1.9 billion, an increase of 34.7 per cent*
- *Underlying Group revenue growth, excluding the impact of acquisitions and foreign exchange movements, of 19.2 per cent*
- *All business segments contributed to operating performance*
- *Operating profit margin maintained throughout the Group*

Operating Performance

Group revenues increased by 34.7 per cent to €1.9 billion over the period. Group underlying revenue growth, which excludes the impact of acquisitions and foreign exchange movements, was 19.2 per cent. The Lifestyle Foods business saw a continuation of the robust rate of underlying revenue growth that was reported in the Interim Results announcement, with growth of 11.0 per cent over the period. Notably, both Food Europe and Food North America contributed to this very strong performance, with Food Europe posting 10.5 per cent growth and Food North America delivering 11.9 per cent underlying revenue growth. Meanwhile Origin posted underlying revenue growth of 27.9 per cent for the period.

Operating profit margin has been maintained throughout the group in the period.

The construction of the Group's new world class bakery and innovation centre at Grangecastle continues to plan with €135.1m spent on the facility as at 26 April 2008.

Outlook

The Lifestyle Foods business will continue to focus on driving consumer footfall for its customers through its 'always fresh' and convenient food offerings. The Lifestyle Foods value-added bakery business model is more cost efficient for its customers than traditional bakery models. This gives the business a competitive edge in the current inflationary environment. The Group's consistent track record of strong operating performance and cash flow generation leaves IAWS well positioned to fuel future growth in this dynamic market place. The Group is confident that it can achieve the markets adjusted earnings[3] expectation for its financial year ended 31 July 2008."

The assumptions underlying these expectations are set out in paragraph 7.2 of this Part 4 and reported on by KPMG in Part 1, Section B of Part 12 (Index to Financial Information).

As at the date of this document, trading remains in line with IAWS management's expectations and previous indications, and the IAWS Board is confident of the underlying financial and trading prospects for IAWS Group for 2008.

Hiestand

Set out below is an extract from the management press release on first quarter results for 2008 published by Hiestand on 18 April 2008:

3 Before intangible amortisation and exceptional items

"Hiestand maintained the strong pace of organic growth in the first quarter of 2008. With an increase in sales of 12.8 per cent. to CHF185.1 million (compared with CHF164.7 million in the same period of the previous year), growth was even stronger than that of the first quarter of 2007 (12.3 per cent.). Currency effects influenced the sales figures to only a minimal extent of -0.4 per cent. The increase in turnover of 13.1 per cent. in the European segment was significantly above that of the previous year (12.3 per cent.), while development of the Asian markets was slower at an improvement of 5.1 per cent. (previous year: 11.6 per cent.). Hiestand believes that the reason for that development lies in the streamlining of the range of products and customers in Japan from which Hiestand anticipates a positive effect on profitability in the Asian business. Hiestand remains optimistic that the targeted organic growth of 8 – 10 per cent. in sales will be achieved in the current financial year."

As of the date of this document and based on the development of sales since the beginning of current financial year, the Hiestand Board believes the achievement of the disclosed financial goals for 2008, i.e. growing sales by more than 10 per cent., remains achievable.

7.2 Profit Forecast

7.2.1 Profit forecast by IAWS for the year ended 31 July 2008

IAWS published an interim management statement on 28 May 2008, which included the following wording:

"The Group is confident that it can achieve the markets adjusted earnings[4] expectation for its financial year ended 31 July 2008".

The above statement represents a profit forecast.

For clarification, "adjusted earnings" is IAWS Group profit for the financial year attributable to equity shareholders adjusted for:

- intangible amortisation and related deferred tax;
- exceptional items, net of tax; and
- the effect on minority interest share of profits due to the dilutive effect of Origin equity entitlements.

At the time the directors of IAWS understood market expectations of IAWS Group adjusted earnings to be in the range of €135 million to €138.5 million, based on research published by five brokers covering IAWS.

The directors of IAWS have considered this statement and believe that IAWS Group will achieve adjusted earnings for the year ended 31 July 2008 of not less than €138.5 million.

7.2.2 Basis of preparation

The profit forecast is based on the unaudited consolidated interim results as at and for the 6 month period ended 31 January 2008, the unaudited management accounts for the 3 month period ended 30 April 2008 which formed the basis of the interim management statement, and a forecast for the 3 month period ended 31 July 2008.

The profit forecast has been prepared on a basis consistent with the accounting policies adopted by IAWS in the preparation of its audited consolidated financial statements as at and for the year ended 31 July 2007 set out in Part 12 (Index to Financial Information) of this document.

7.2.3 Principal assumptions

The Directors have prepared the profit forecast on the basis of the following assumptions, all of which are outside the control or influence of the Directors:

- There will be no material change in the ownership of and control of IAWS prior to 31 July 2008.
- There will be no material change to IAWS' customer's obligations or their ability or willingness to meet their obligations to IAWS from that currently anticipated by the Directors.
- There will be no material change in current trading conditions.

4 Before intangible amortisation and exceptional items.

- There will be no material change in legislation or regulatory requirements impacting IAWS' operations or its accounting policies.
- There will not be any changes in general trading and economic conditions in the countries in which IAWS operates or trades which would materially affect IAWS' business.
- There will be no business interruptions that materially affect IAWS, its major suppliers or its major customers by reason of technological faults, natural disasters, industrial disruption, civil disturbance or government action.
- There will be no material change to the competitive environment leading to an adverse impact on consumer preferences or the capacity of the business to penetrate new markets.

Part I, Section B of Part 12 (Index to Financial Information) of this Prospectus contains an accountant's report by KPMG in respect of this profit forecast.

8 CAPITAL RESOURCES

ARYZTA will be financed through three principal facilities: (i) a new 5 year committed bank facility which will provide €795 million of funding in the form of cash advances, letters of credit and bank guarantees, (ii) a Senior Note Facility which provides a total of USD450 million in term debt to the Enlarged Group with various maturities and (iii) a €450 million Origin facility that will provide funding in the form of term debt, cash advances, letters of credit and bank guarantees. A summary of the terms of the bank facilities referred to in (i), (ii) and (iii) above is set out in paragraph 16.4 of Part 9 (Additional Information) of this Prospectus.

9 INTELLECTUAL PROPERTY AND RESEARCH AND DEVELOPMENT

The Enlarged Group has rights (trademarks or licences) to various brands, the principal of which are:

- Otis Spunkmeyer
- La Brea
- Cuisine de France
- Delice de France
- Carroll Cuisine
- Coup de Pates
- Hiestand
- Fricopan
- Bake & more
- Back & Friends
- Suhr

The Enlarged Group has developed know-how over a number of years in respect of the design and commissioning of production facilities. The Enlarged Group has certain patents in respect of certain production equipment. However, the Enlarged Group is not dependent on such patents.

Through its extensive laboratory and testing facilities, the Enlarged Group pursues ongoing research and development programmes directed towards the development of new value-added products to ensure customer and consumer requirements are being anticipated and met on a continuing basis. IAWS has spent in excess of €17 million, cumulatively, over the 3 year period ended 31 July 2007 on research and development. Hiestand has spent in excess of CHF5 million, cumulatively, over the 3 year period ended 31 December 2007 on research and development.

10 EMPLOYEES

The following table shows the number of employees at the end of each of the last 3 financial years for which audited financial information has been published for IAWS and Hiestand as at 31 May 2008 (being the latest date practicable prior to the publication of this Prospectus). The number of temporary staff employed by the Enlarged Group is not significant.

	Geographic location	*Activity*	*2005*	*2006*	*2007*	*2008*[1]
IAWS	North America	Lifestyle Foods	1,009	1,140	2,368	2,459
	Europe	Lifestyle Foods	2,506	2,037	2,163	2,514
Origin	Ireland, UK, Poland	Agri-nutrition & ambient foods	—	617	609	1,267
			3,515	3,794	5,140	6,240
Hiestand	Europe, Australasia	Lifestyle foods	1,918	2,997	3,197	3,233
Enlarged Group			5,433	6,791	8,337	9,473

(1) as of 31 May 2008

11 PROPERTIES

Through its subsidiary companies, the Enlarged Group holds freehold or leasehold interests in premises used for manufacturing, warehousing, wholesaling, retailing or administration in Ireland, the UK, France, Poland, Switzerland, Germany, Austria, Malaysia, Japan, Turkey and North America. The Enlarged Group also holds a number of investment properties through its subsidiary Origin.

The table below identifies the Enlarged Group's principal properties as at 31 May 2008:

Location	*Nature of activities*
Freehold	
Germany	
Kolpingstrasse 1-3, 97447 Gerolzhofen	Production
Albert-Einstein-Strasse, 97447 Gerolzhofen	Administration
Auf der Haid 1, 79236 Vogtsburg- Achkarren	Distribution, Administration
Neuferchauer Weg 7, 38486 Immekath	Production, Administration
Nobelstrasse 66, 12057 Berlin	Production, Administration
Ireland	
Ballymount Road, Dublin 12	Distribution
Malaysia	
Lot 2, Jalan P10/14 Seksyen 10, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	Administration, Production
Switzerland	
Ifangstrasse 9 – 11, 8952 Schlieren	Administration, Distribution
Industriestrasse 19, 8952 Schlieren	Factory Outlet
Industriestrasse 21, 5242 Lupfig	Distribution, Administration
United Kingdom	
Delice House, 149 Brent Road, Southall, Middlesex	Distribution
Leasehold	
Ireland	
Grangecastle Business Park, Clondalkin, Dublin 22	Production, Administration, Distribution, and Research and Development
Belgard Square, Tallaght, Dublin 24	Production and Distribution
France	
Bld de Beaubourg, Emerainville 77313, Marne la Vallée, Cedex 02	Distribution

Location	*Nature of activities*
Switzerland	
Industriestrasse 15, 5242 Lupfig	Production
Industriepark, 6252 Dagmersellen	Production, Administration
United States of America	
6315 East Stassney Lane, Suite 100, Austin, TX 78744	Production and Distribution
167 Overland Drive, West Columbia, SC 29172	Production and Distribution
11 Technology Drive, Swedesboro, New Jersey	Production and Distribution
15963 Strathern St, Van Nuys, CA	Production and Distribution
14390 Catalina St, San Leandro, CA 94577	Production, Distribution and Administration

Investment Properties

Ireland

Cork Docklands, Cork

The Board believes that the Enlarged Group's facilities meet its present needs and that the properties are generally well maintained and are suitable for their intended use. The Board also believes that the Enlarged Group generally has sufficient capacity to satisfy demand in the foreseeable future. The Board is not aware of any environmental issues or other constraints that would materially constrain the intended use of the Enlarged Group's facilities.

12 HISTORY

ARYZTA

ARYZTA was incorporated on 4 April 2008 for the purpose of the Merger.

IAWS

IAWS was floated on the Irish Stock Exchange and the London Stock Exchange in 1988. During the following decade it continued to develop its food and agri-nutrition businesses. In the financial years 1998 and 1999 IAWS Group purchased Cuisine de France (Ireland) and Delice de France (UK), respectively. These acquisitions were significant steps in the development of a core Lifestyle Foods business within IAWS Group.

In 2001, IAWS Group purchased La Brea Bakery in the US and further expanded its North American operations by forming a bakery joint venture with Tim Horton's, a coffee and bakery goods chain in Canada. In the financial year 2005, IAWS Group purchased Groupe Hubert, a French food company. In 2007 it acquired Otis Spunkmeyer, a leading brand in the US sweet baked goods market. Between 2003 and 2006, IAWS Group accumulated a 32 per cent. stake in Hiestand.

In October 2006, IAWS created Origin to develop a specialist focus around the core non Lifestyle Foods businesses of IAWS Group. Origin subsequently completed an initial public offering of approximately 25 per cent. of its share capital in June 2007.

Hiestand

Hiestand's history dates back to 1967 when Alfred Hiestand opened a bakery specialising in the supply of fresh bakery products to the catering trade. In 1997 Hiestand was floated on the main segment (*Hauptsegment*) of the SWX. From 1988 Hiestand has been developing its national and international business.

In 2005 HiCoPain, a joint venture between Hiestand (60 per cent.) and Coop (40 per cent.) started production in Switzerland. In 2006, Hiestand acquired Fricopan. Fricopan operates in Germany mainly as a supplier of the retail grocery channel.

13 RULE 9 WAIVER

Following Completion and Admission, ARYZTA will directly control Origin. Under Rule 9 of the Irish Takeover Rules, if a person acquires an interest in shares which, taken together with shares in which he and persons acting in concert with him are already interested, carry 30 per cent. or more of the voting rights of a company subject to the Irish Takeover Rules, then that person must normally make a general offer for all the remaining shares in the company. In this case, the Irish Takeover Panel has agreed to waive the obligation which would otherwise arise for ARYZTA to make an offer for Origin.

14 NO INTERRUPTION IN BUSINESS

During the past 3 years neither IAWS nor Hiestand has experienced any material interruption in their respective business operations.

PART 5

INFORMATION ON THE MERGER

1 INTRODUCTION

On 9 June 2008, the IAWS Board announced that it had entered into a share purchase agreement with Lion Capital to acquire 170,000 Hiestand Shares bringing the IAWS holding in Hiestand to 64 per cent of the issued share capital. On the same date, the IAWS Board and the Hiestand Board announced that they had agreed the terms of a recommended merger of ARYZTA, IAWS and Hiestand.

On announcement, the Merger was subject to (amongst other things) the satisfaction of certain conditions. The implementation of the Merger remains subject to the satisfaction of the conditions referred to in paragraph 6 of this Part 5.

2 STRUCTURE OF THE MERGER

It is intended that the Merger, which is being unanimously recommended by the IAWS Board and the Hiestand Board, will be effected through the acquisition by ARYZTA of IAWS (by means of the Scheme) and, simultaneously with completion of the Scheme, the absorption of Hiestand into ARYZTA by means of a statutory merger under Swiss law.

On 7 June 2008, IAWS, ARYZTA and Hiestand entered into the Business Combination Agreement to provide for matters relating to the implementation of the Merger. Hiestand and ARYZTA have entered into the Hiestand Merger Agreement providing for the implementation of the Hiestand Merger, conditional on, among other things, the approval of the Hiestand Shareholders at the Hiestand EGM. Under the terms of the Hiestand Merger, Hiestand Shareholders (other than IAWS and/or any subsidiary of IAWS) will receive 36 ARYZTA Shares for each Hiestand Share held by them. Under the terms of the Scheme, the IAWS Shares will be cancelled and, on the Effective Date, IAWS Shareholders will receive one ARYZTA Share for every two IAWS Shares held by them at that time.

A consequence of the completion of the acquisition of the Hiestand shares held by Lion Capital is that IAWS will become obliged under the Swiss takeover rules to make a public takeover offer to acquire all of the outstanding Hiestand Shares not owned by IAWS Group. In this regard IAWS and ARYZTA have announced their intention to submit a public exchange offer on the same terms as the Hiestand Merger. The exchange offer will lapse upon the Hiestand Merger becoming effective but will proceed if the Scheme is not approved and the Merger does not proceed.

A consequence of the Merger is that ARYZTA will directly control Origin. This change in control could, pursuant to Rule 9 of the Irish Takeover Rules, trigger an obligation upon ARYZTA to make a mandatory offer for the entire issued share capital of Origin unless the Panel grants a waiver in respect of that obligation. The Panel has however granted a waiver in respect of ARYZTA's obligations under Rule 9 in this regard and consequently no such offer will be made.

The total number of ARYZTA Shares issued to IAWS Shareholders (other than Lion Capital) on Completion of the Merger will constitute approximately 83.3 per cent. of the issued share capital of ARYZTA on Completion (on a Fully Diluted Basis). The total number of ARYZTA Shares issued to Hiestand Shareholders (other than IAWS and any subsidiary of IAWS) will constitute 8.7 per cent. of the entire issued share capital of ARYZTA on Completion (on a Fully Diluted Basis). It is not proposed that ARYZTA Shares will be issued in respect of the Hiestand Shares held by IAWS or any subsidiary of IAWS.

The ARYZTA Shares to be issued to Hiestand Shareholders and IAWS Shareholders on Completion will be issued credited as fully paid, will rank equally with the existing ARYZTA Shares and will be entitled to all dividends and other distributions declared or paid by ARYZTA by reference to a record date on or after the date of Admission.

3 IAWS SCHEME OF ARRANGEMENT

The purpose of the Scheme is to provide for ARYZTA to become the owner of the entire issued share capital of IAWS. This is to be achieved by the cancellation of the Scheme Shares held by IAWS Shareholders and the issuing of ARYZTA Shares to IAWS Shareholders.

The Scheme Document, setting out the details of the Scheme, was despatched to IAWS Shareholders on 1 July 2007. For the Scheme to become effective, a special resolution implementing the Scheme must be passed by IAWS Shareholders at the IAWS EGM and the Scheme must be approved by IAWS Shareholders at the Court Meeting by a majority in number of those IAWS Shareholders present and voting, either in person or by proxy, at the Court Meeting, representing 75 per cent. or more in value of all IAWS Shares held by such IAWS Shareholders. Under the terms of the Scheme, the IAWS Shares will be cancelled and, on the Effective Date, IAWS Shareholders will receive one ARYZTA Share for every two IAWS Shares held by them at that time.

The Reduction of Capital will be implemented under the Scheme. The issued (but not authorised) share capital of IAWS will be reduced by cancelling and extinguishing the Scheme Shares. The Reduction of Capital will require the confirmation of the Court and, if so confirmed, will result in IAWS' profit and loss account being credited with an amount equal to the aggregate nominal value of the Scheme Shares. The reserve will be capitalised in favour of ARYZTA by way of an issue of new IAWS Shares to ARYZTA, in exchange for the issue of the ARYZTA Shares.

No fractions of ARYZTA Shares will be issued but all fractions of ARYZTA Shares to which IAWS Shareholders would otherwise be entitled shall be aggregated and sold in the market after the Effective Date and the net proceeds of such sale shall be paid in cash (in euro) to the relevant IAWS Shareholders in accordance with what would have otherwise been their respective fractional entitlement.

The Scheme also requires the sanction of the Court as well as satisfaction or waiver of the other conditions to the Scheme.

On the Effective Date, the Scheme will be binding on all IAWS Shareholders irrespective of whether or not they attend or vote in favour of the Scheme at the Court Meeting or at the IAWS EGM.

4 THE HIESTAND MERGER AGREEMENT

Under the Hiestand Merger Agreement, ARYZTA acting as the acquiring company shall absorb Hiestand acting as transferring company. Hiestand's Shareholders shall receive ARYZTA Shares contemporaneously with the completion of the Scheme and Admission. The value of the ARYZTA Shares to be issued to Hiestand Shareholders will comply with the minimum price requirements under the SESTA and its implementing ordinances.

During the thirty day period prior to the Hiestand EGM, the Hiestand Shareholders shall be entitled to review the Hiestand Merger Agreement, the merger report jointly prepared by the Hiestand Board and the Board, the merger review prepared by KPMG AG and the financial statements of Hiestand for the last 3 years preceding the Merger. These documents are made available for the purposes of providing all necessary information to Hiestand Shareholders under Swiss law.

The Hiestand Shareholders must approve the Hiestand Merger Agreement by a resolution at the Hiestand EGM passed by at least two thirds of the votes cast at the Hiestand EGM representing a majority of the par value of the Hiestand Shares held by the Hiestand Shareholders at the Hiestand EGM.

During the thirty day period prior to the ARYZTA EGM, the ARYZTA Shareholders shall be entitled to review the Hiestand Merger Agreement, the merger report jointly prepared by the Hiestand Board and the ARYZTA Board, the merger review prepared by KPMG AG and the financial statements of Hiestand for the last 3 years preceding the Merger. These documents are made available for the purposes of providing all necessary information to ARYZTA Shareholders under Swiss law.

The ARYZTA Shareholders must approve the Hiestand Merger Agreement by a resolution at the ARYZTA EGM, passed by at least two thirds of the votes cast at ARYZTA EGM representing a majority of the par value of ARYZTA Shares held by the ARYZTA Shareholders at the ARYZTA EGM.

At the date of ARYZTA EGM, the only ARYZTA Shareholder will be IAWS.

Under the terms of the Hiestand Merger, the Hiestand Shares will be cancelled and on the date of Admission, Hiestand Shareholders (other than IAWS) will receive 36 ARYZTA Shares for each Hiestand Share.

5 LION CAPITAL

Under the Lion SPA, IAWS agreed to acquire 170,000 Hiestand Shares from Lion Capital, representing approximately 32 per cent. of the issued share capital of Hiestand in exchange for 12,700,000 IAWS Shares and cash of €30 million. Completion of the acquisition is conditional only on certain anti-trust clearances being obtained. Completion of the acquisition will give rise to a mandatory obligation on the part of IAWS to make an offer to acquire the Hiestand Shares not owned by it or any of its subsidiaries. IAWS would be obliged to offer Hiestand Shareholders the same value for their Hiestand Shares as those Hiestand Shareholders would be entitled to receive for their Hiestand Shares under the Hiestand Merger. Pursuant to a decision of the Swiss Takeover Board dated 6 June 2008, the obligation to make such a mandatory offer will cease to apply if the Hiestand Merger becomes effective and IAWS will not be obliged to make such a mandatory offer as long as it can be implemented by way of the Merger, provided the Merger becomes effective by October 31, 2008. If the Merger does not become effective by 31 October 2008, IAWS and ARYZTA will be required to proceed with the mandatory offer in accordance with Swiss takeover law.

6 CONDITIONS TO THE IMPLEMENTATION OF THE MERGER

In summary, the implementation of the Merger is conditional upon:

(a) the approval of the Scheme by a majority in number representing 75 per cent. or more in value of the IAWS Shareholders present and voting, either in person or by proxy, at the Court Meeting;

(b) the IAWS Resolution being duly passed by the requisite majority of IAWS Shareholders at the IAWS EGM;

(c) the approval of the Hiestand Merger Agreement by Hiestand Shareholders representing at least $66^2/_3$ per cent. of the votes represented at the Hiestand EGM and a majority of the par value of the Hiestand Shares represented at the Hiestand EGM;

(d) the approval of the Hiestand Merger Agreement by the ARYZTA Shareholder consisting of at least $66^2/_3$ per cent. of the votes represented at the ARYZTA EGM and a majority of the par value of the ARYZTA Shares represented at the ARYZTA EGM (IAWS being the only such shareholder at that time);

(e) Admission; and

(f) certain anti-trust/competition clearances in Poland, Germany and Ireland being obtained.

7 MERGER RESOLUTIONS AND TIMING

The Court Meeting and the IAWS EGM are scheduled to take place on 24 July 2008. The Hiestand Shareholders Meeting is scheduled to take place on 19 August 2008.

The Hiestand Merger will become effective on the registration of the Hiestand Merger in the Commercial Register of the Canton of Zurich, Switzerland. The Scheme will become effective on the relevant order of the Court being filed with the Irish Companies Registration Office.

Upon the Scheme and Hiestand Merger becoming effective, the IAWS and Hiestand Shares will be cancelled and ARYZTA Shares will be issued to IAWS Shareholders and Hiestand Shareholders.

The Merger is expected to become effective on or about 21 August 2008.

8 SHARE SCHEMES

The Board has established the ARYZTA Incentive Scheme. The principle features of the scheme are summarised in paragraph 10 of Part 9 (Additional Information) of this Prospectus and are available for inspection at the dates, times and locations described in paragraph 28 of Part 9 (Additional Information) of this Prospectus.

9 ANTI-TRUST/COMPETITION FILINGS

Applications for anti-trust/competition clearances have been filed as of the date of this document in Poland, Germany and Ireland, and clearance has already been received in Germany. Such clearances are a condition precedent to the completion of the Merger.

10 LISTING AND ADMISSION TO TRADING

Admission

Application has been made for the ARYZTA Shares in issue, and resolved to be issued, on the Effective Date, together with 7,894,046 ARYZTA Shares that are part of ARYZTA's conditional share capital, to be listed on the main segment (*Hauptsegment*) of the SWX. It is expected that admission to the SWX will become effective and that trading in the ARYZTA Shares will commence on the SWX at 9.00 a.m. (Zurich time) on 22 August 2008.

Application has also been made for the ARYZTA Shares in issue, and resolved to be issued, on the Effective Date to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market for listed securities. It is expected that admission to the Irish Stock Exchange will become effective and that trading in the ARYZTA Shares will commence on the Irish Stock Exchange at 8.00 a.m. (Dublin time) on 22 August 2008.

Delisting of IAWS

Prior to the Effective Date, IAWS intends to apply to the Irish Stock Exchange and the London Stock Exchange for the listing of IAWS Shares to be cancelled. This is expected to take place on the Effective Date.

Delisting of Hiestand

Upon registration of the Hiestand Merger in the Commercial Register of the Canton of Zurich, Switzerland, which is anticipated to take place on the Effective Date, Hiestand shall be delisted from the main segment of the SWX.

Listing of ARYZTA

Application has been filed with the SWX so that the new merged entity ARYZTA be listed on the 22 August 2008.

The SWX and ISE Ticker Symbols, the Swiss Security Number (*Valorennummer*), International Security Identification Number (ISIN) and Common Code are as follows:

SWX Ticker Symbol:	ARYN
ISE Ticker Symbol:	YZA
Swiss Security Number (*Valorennummer*):	4 323 836
International Security Identification Number (ISIN):	CH 004 323836 6
Common Code:	037252298

Form of ARYZTA Shares

It is intended that the ARYZTA Shares are registered shares with a nominal value of CHF0.02 each and that the ARYZTA Shares will be fully paid-up. In addition, it is intended that delivery will be made in book-entry form through SIS. ARYZTA Shares will not be issued in certificated form and will not be available for individual physical delivery (*aufgehobener Titeldruck*). Shareholders may, however, at any time demand that ARYZTA issue a confirmation of such shareholder's shareholding.

The ARYZTA Shares rank *pari passu* in all respects with each other, including in respect of entitlements to dividends, entitlements to a share of the liquidation proceeds in the case of liquidation of the Company, and pre-emptive rights.

Settlement and Depository Interests

For information on the procedure for settlement and Depository Interests, please refer to paragraph 23 of Part 9 (Additional Information).

11 OVERSEAS SHAREHOLDERS

The distribution of this Prospectus and the offer, sale and/or issue of ARYZTA Shares in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy, or subscribe for, any ARYZTA Shares, to any person, in any jurisdiction, to whom, or in which jurisdiction, such offer or solicitation would be unlawful. Save as determined by the Company at its sole discretion and pursuant to applicable laws, this Prospectus is not for distribution in, into, or from, any Restricted Jurisdiction and ARYZTA Shares may not be

offered, sold, delivered or transferred, directly or indirectly, in, into, or from, any Restricted Jurisdiction or to or for the account of any other national, resident or citizen of any Restricted Jurisdiction.

United States

The ARYZTA Shares will not be registered under the US Securities Act and will be issued to IAWS Shareholders in the United States pursuant to the Scheme only in reliance on the exemption from registration provided by Section 3(a)(10) of that Act. For the purposes of qualifying for this exemption, ARYZTA will advise the Court that it will rely on the Section 3(a)(10) exemption based on the Court's sanctioning of the Scheme, which will be relied upon by ARYZTA as an approval of the Scheme following a hearing on its fairness at which hearing all such IAWS Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such IAWS Shareholders.

The ARYZTA Shares will be issued to Hiestand Shareholders in the United States pursuant to the Hiestand Merger Agreement in reliance on the exemption from registration provided by Rule 802 under the US Securities Act.

The ARYZTA Shares will not be registered under the securities laws of any state of the United States, and will be issued in the United States pursuant to the Scheme only in reliance on available exemptions from such state law registration.

Neither the SEC nor any US state securities commission has approved or disapproved the ARYZTA Shares or passed an opinion upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Acquisition relates to the shares of an Irish company and is proposed to be made by means of a scheme of arrangement provided for under Irish company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules under the US Exchange Act. Accordingly, the Acquisition is subject to the disclosure requirements and practices applicable in Ireland to schemes of arrangement, which differ from the disclosure requirements of the US tender offer rules.

The Hiestand Merger relates to the shares of a Swiss company and is proposed to be made by means of a statutory merger under Swiss law. Accordingly, the Hiestand Merger is subject to the disclosure requirements and practices applicable in Switzerland to statutory mergers, which differ from the disclosure requirements of the United States.

Financial information included in this document has been prepared, unless specifically stated otherwise, in accordance with accounting standards applicable in Ireland or Switzerland and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

It may be difficult for investors to enforce their rights and any claim they may have arisen under the federal securities laws, since ARYZTA is a Swiss incorporated and domiciled company, and some or all of its officers and directors are residents of countries other than the United States. Investors may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. It may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

IAWS Shareholders who are citizens or residents of the United States should consult their own legal and tax advisers with respect to legal and tax consequences of the Scheme in their particular circumstances.

Hiestand Shareholders who are citizens or residents of the United States should consult their own legal and tax advisers with respect to legal and tax consequences of the Merger in their particular circumstances.

Canada

The ARYZTA Shares issued to or for the benefit of any resident of Canada pursuant to the Scheme and the Hiestand Merger will not be qualified for sale under the securities law of any province or territory of Canada and may be subject to resale restrictions.

IAWS Shareholders who are citizens or residents of Canada should consult their own legal and tax advisers with respect to legal and tax consequences of the Scheme in their particular circumstances.

Hiestand Shareholders who are citizens or residents of Canada should consult their own legal and tax advisers with respect to legal and tax consequences of the Hiestand Merger in their particular circumstances.

Other Jurisdictions

The implications of the Scheme and Hiestand Merger in Restricted Jurisdictions may be affected by the laws of relevant jurisdictions. Any person outside Ireland, the United Kingdom, the United States or Switzerland, who is resident in, or who has a registered address in, or is a citizen of, another jurisdiction and who is to receive ARYZTA Shares pursuant to the Scheme and/or the Hiestand Merger should consult his or her professional advisers and satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction in connection with the Scheme or the Hiestand Merger, including obtaining any requisite governmental or other consents, observing any requisite formalities and paying any issue, transfer or other taxes due in such jurisdiction. Neither the Company nor its advisers assumes any responsibility for any violation by any persons of such laws. Such persons should also consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme and the Hiestand Merger in their particular circumstances.

This document has been prepared for the purposes of complying with Irish and Swiss law, the Prospectus Directive, the Prospectus Regulations and the Listing Rules, and the information disclosed may not be the same as that which could have been disclosed if this Prospectus had been prepared in accordance with the laws of jurisdictions outside Ireland or Switzerland.

PART 6

DIRECTORS AND CORPORATE GOVERNANCE

1 DIRECTORS

On Admission, the Board will be constituted as follows:

Name	*Age*	*Position at Completion*	*Date appointed*
Denis Lucey*	70	Non – Executive chairman	9 June 2008
Wolfgang Werlé	60	Non – Executive deputy chairman	At Admission
Owen Killian*	54	Chief Executive Officer	9 June 2008
Patrick McEniff*	40	Chief Financial Officer	9 June 2008
Hugo Kane	49	Chief Operating Officer	At Admission
Albert Abderhalden	65	Non – Executive director	At Admission
Denis Buckley	62	Non – Executive director	At Admission
Beatrice Dardis	62	Non – Executive director	At Admission
J. Brian Davy	66	Non – Executive director	At Admission
Noreen Hynes	55	Non – Executive director	At Admission
Lyndon Lea	39	Non – Executive director	At Admission
William G. Murphy	63	Non – Executive director	At Admission
Hans Sigrist	68	Non – Executive director	At Admission
Paul N. Wilkinson	63	Non – Executive director	At Admission
Maurice Zufferey	50	Non – Executive director	At Admission

Business address: Othmarstrasse 8, 8008 Zurich, Switzerland. The members of the Board may be contacted at the business address of ARYZTA.

Other than the matters reserved for the shareholders' meeting in accordance with mandatory provisions of Swiss law, the Board is entrusted with the ultimate direction of the Company and supervision of management. In accordance with the Articles of Association and the organisational regulations (*Organisationsreglement*) to be adopted by the Board on or prior to Admission, the Board will (save as otherwise required by law), at Admission, have delegated the operational management of the Company to the Executive Directors.

ARYZTA's management team is highly experienced, with senior executives having many years experience in the food sector. The Board of ARYZTA will consist of 3 Executive Directors and 11 Non-Executive Directors. The management expertise and experience of each of the Directors is set out below:

Denis Lucey – Non-Executive chairman

Denis Lucey was appointed Chairman of IAWS Group in 2005. Prior to that appointment he was the longest serving IAWS non-executive director. He was Chief Executive of Dairygold Co-operative Society Limited and was a director of a number of unlisted companies.

Wolfgang Werlé – Non-Executive deputy chairman

Wolfgang Werlé has been a member of the Hiestand Board since 1997. Wolfgang Werlé was the Chief Executive Officer and a delegate of the Hiestand Group from 2001 until May 2007. Prior to this he was Chief Executive Officer of Gate Gourmet until 1996 and a member of the SAirGroup Group Executive Committee from 1996 until 2001. From 1997 to September 2001 he was the Chairman and Chief Executive Officer of SAirRelations. Wolfgang has a degree in business management from the University of Applied Sciences Frankfurt.

Owen Killian – Chief Executive

Owen Killian was appointed Chief Executive Officer of IAWS Group in 2003. He has held senior executive positions with IAWS Group since its flotation in 1988, having joined IAWS in 1977. He is also a non-executive director and Chairman of Origin Enterprises plc.

Patrick McEniff – Chief Financial Officer

Patrick McEniff FCMA MBA was appointed to the IAWS Board in 2004. He has been with IAWS Group since 1989, in several senior positions, most recently Finance Director of the Lifestyle Foods business. He is also a non-executive director of Origin Enterprises plc. As Chief Financial Officer of the Enlarged Group, he will have responsibility for the financial affairs of the Company.

Hugo Kane – Chief Operating Officer

Hugo Kane was appointed to the IAWS Board in 2004. He joined Cuisine de France in 1993 as Operations Director and was appointed Managing Director of that division in 2001. He became Head of Food in 2004 and has been at the forefront of the development of the IAWS Lifestyle Foods business. He was appointed Chief Operating Officer of the IAWS Group in September 2007.

Albert Abderhalden – Non-Executive Director

Albert Abderhalden joined Hiestand in 1972. He was Managing Director of Hiestand Schweiz AG between 1984 and 1999. During this period he was Chief Financial Officer of Hiestand Group between 1994 and 1998. Between 1997 and 2003 he served as Vice-Chairman of the Hiestand Board and then between 2003 and May 2007 as the full-time Chairman of the Hiestand Board. He is currently a non-executive director of Hiestand.

Denis Buckley – Non-Executive Director

Denis Buckley is Chairman of Kerry Group plc and One51 plc, a director of several unlisted companies and former Chairman of Kerry Co-operative Creameries Limited.

Beatrice Dardis – Non-Executive Director

Beatrice Dardis M.A. has a background in agri-business and is a director of several unlisted companies. She joined the IAWS Board in 2002.

J. Brian Davy – Non-Executive Director

J. Brian Davy is Chairman of Davy, Ireland's leading provider of stockbroking, wealth management and financial advisory services. Brian graduated from UCD with a B.Comm and has spent his entire working career in building up the business and executive team of Davy. He is a former director of the Irish Stock Exchange and Arnotts plc. He is a member of the Executive Committee of the National Maternity Hospital Holles Street and is a director of several unlisted companies.

Noreen Hynes – Non-Executive Director

Noreen Hynes B.Comm. FCA, AITI, MNAEA is the Managing Director of Aquarius Properties Abroad and previously held senior management positions with Irish Distillers, Coal Distributors and ICL. She is also a former member of the Council and former Chairman of the Audit Committee of the Institute of Chartered Accountants in Ireland.

William G. Murphy – Non-Executive Director

William G. Murphy B.Comm is a director of Glanbia plc and a former deputy managing director of Glanbia plc. He is also a director of a number of unlisted companies.

Lyndon Lea – Non-Executive Director

Lyndon Lea is a Partner of Lion Capital and is responsible for the management of the Firm. Prior to founding Lion Capital, Lyndon was a Partner of Hicks, Muse, Tate & Furst where he co-founded its European operations in 1998. He led Hicks Muse's European operations from 2000 and, in 2004, was appointed to the 3-person global management committee. Prior to joining Hicks Muse, Lyndon served at Glenisla, the European affiliate of Kohlberg Kravis Roberts & Co. He was previously an investment banker with Schroders in London and Goldman Sachs in New York. Lyndon received his BA from the University of Western Ontario, Canada. Lyndon currently serves on the boards of Harry Winston Diamond Corporation and Yell Group plc, as well as several private company boards including Vaasan & Vaasan and Weetabix.

Hans Sigrist – Non-Executive Director

Hans Sigrist has been a member of the Hiestand Board since 1997. Hans Sigrist was Managing Director of Würth Schweiz AG from 1974 to 2004. Since 1981 Hans has been a member of the Board of Management of Würth Group International and from 1983 to date he has been the Chairman of the board of directors of Würth Schweiz AG.

Paul Wilkinson – Non-Executive Director

Paul N. Wilkinson M.A. (Oxon) has served on the IAWS Board since 2003. He previously held senior management positions with Unilever plc, Grand Metropolitan plc and RHM plc. He is a director of Thorntons plc and a number of unlisted companies.

Dr J. Maurice Zufferey – Non-Executive Director

Dr J. Maurice Zufferey has been a member of the Hiestand Board since 2001 Maurice was a banking manager and executive at UBS from 1987 to 1998. He was the CEO of Ecole Hôtelière de Lausanne from 1998 to 2001. From 2001 to date he has been working in the role of an executive search consultant at Spencer Stuart, where he is a partner in charge of recruitment and assessment for financial services, board and CFO practices.

2 COMPENSATION

2.1 IAWS

In the year ended 31 July 2007, the aggregate total remuneration (including contingent or deferred compensation but excluding, for the avoidance of doubt, share and option incentive arrangements) and including benefits-in-kind of €97,000 (under any description whatsoever) paid by IAWS Group to those IAWS Group directors who have agreed to become directors of ARYZTA was €4,773,000. The remuneration of such directors was as follows:

	Basic salary €'000	*Performance bonus €'000*	*BIK €'000*	*Pension contributions €'000*	*EIRP cost €'000*	*Total 2007 €'000*
Executive Directors						
O. Killian	760	500	27	87	234	1,608
P. McEniff	297	797	34	41	125	1,294
H. Kane	297	797	24	48	125	1,291
	1,354	2,094	85	176	484	4,193
Non-Executive Directors						
D. Lucey						200
D. Buckley						60
J.B. Davy						70
B. Dardis						55
W.G. Murphy						55
N. Hynes						70
P.N. Wilkinson						70
						4,773

* Current directors of ARYZTA together with Philipp Haas and Dr Andreas Casutt. Philipp Haas and Dr Andreas Casutt will retire immediately prior to Admission.

2.2 Hiestand

In the year ended 31 December 2007, the total compensation (as disclosed in Note 2.31 to the consolidated financial statements relating to Hiestand for the two years ended 31 December 2007 on page F-180) paid by Hiestand to those Hiestand Group directors who have agreed to become directors of ARYZTA was CHF1,919,000. The total compensation paid to such directors, relating to their functions as directors in 2007, was as follows:

	Fixed compensation CHF'000	*Variable compensation CHF'000*	*Share based payments CHF'000*	*Non cash benefits CHF'000*	*Pension contributions CHF'000*	*Total 2007 CHF'000*
Executive Directors						
Wolfgang Werlé	292	—	2	7	90	391
Non-Executive Directors						
Dr J. Maurice Zufferey	70	40	2	1	13	126
Albert Abderhalden	589	373	2	2	189	1,155
Hans Sigrist	70	41	2	—	9	122
Owen Killian	70	40	2	—	13	125
	1,091	494	10	10	314	1,919

2.3 Shares and options

The members of the Board are expected on, or shortly, following Admission (assuming the exercise of all options or similar rights held by them), to own 1,809,940 ARYZTA Shares representing 2.293 per cent. of the voting rights of the Company.

3 SWX SWISS EXCHANGE/CORPORATE GOVERNANCE

3.1 General Information

The ARYZTA Shares are expected to be listed on the main segment (*Hauptsegment*) of the SWX and will accordingly be subject to the regulations and listing rules of the SWX. The SWX is a stock exchange subject to the SESTA and is supervised by the Swiss Federal Banking Commission ("SFBC"). A listing by an issuer on the main segment of the SWX requires, *inter alia* and in principal, that (i) the issuer have operating and financial records for a period of at least 3 years, (ii) the issuer's capital resources amount to at least CHF25 million, (iii) the total market value of the issuer's initial public offering amounts to a minimum of CHF25 million, and (iv) 25 per cent. of the issuer's outstanding share capital be in public hands.

The SWX was founded in 1993 as the successor to the local stock exchanges of Zurich, Basel and Geneva. Trading in foreign equities and derivatives began in December 1995. In August 1996, the SWX introduced full electronic trading in Swiss equities, derivatives and bonds.

3.2 Corporate Governance Directive and Management Transactions Directive

The SWX Directive on Information Relating to Corporate Governance of 17 April 2002, as amended, applies to issuers listed on the SWX and relates to annual reports prepared for fiscal years beginning 1 January 2002 or thereafter. The Corporate Governance Directive requires issuers to disclose important information on top-level management and control processes (or to give specific reasons why such information is not disclosed).

The SWX Directive on the Disclosure of Management Transactions of 7 January 2005 (the "Management Transaction Directive") entered into force on 1 July 2005 and applies to all issuers whose equity securities are listed on the SWX and whose registered office is in Switzerland. Under the Management Transaction Directive, issuers are required to report transactions conducted by members of their board of directors and senior management in the company's own equity securities, including the exercise of conversion and share acquisition rights, as well as transactions in financial instruments whose price is influenced primarily by the company's own equity securities. These rules distinguish between the disclosure by the members of the board of directors and senior management to the issuer and the subsequent notification by the issuer to the SWX. To the extent the value of the transactions concluded by an individual during a given calendar month collectively exceed CHF100,000, the issuer has an obligation to notify the SWX of these transactions within two trading days. If all transactions concluded by an individual during a given calendar month do not collectively exceed

CHF100,000, the issuer must fulfil its obligation to notify by means of an overall notification sorted by transaction per individual and submitted to the SWX no later than four trading days following the end of the given calendar month. Management transactions which, in total, do not exceed the threshold of CHF100,000 per person are not published by the SWX. If the threshold of CHF100,000 per person is exceeded during a calendar month, the SWX publishes the person's function (executive or non-executive member of the board of directors or member of senior management) but not its name. The publication is made on the SWX website on the same trading day as notification is received from an issuer and is accessible by a remote access mechanism for a period of one year.

The Company intends to comply with the Swiss Code of Best Practice for Corporate Governance. The Swiss Code substantially mirrors the Combined Code on Corporate Governance issued by the Financial Reporting Council.

3.3 The Board and Committees

Powers

The Board will have the powers and competencies afforded by Swiss law (art. 716a of the CO), in particular:

(i) to approve the strategic objectives, annual budget and capital allocations of ARYZTA;

(ii) to appoint and remove the Chief Executive Officer of ARYZTA;

(iii) to act as the ultimate supervisory authority of ARYZTA; and

(iv) to approve appointments proposed by the Chief Executive Officer.

Under CO, the Board's non-transferable and inalienable duties include the duty to ultimately direct the Company and to issue necessary directives; to determine the Company's organisation; to organize the Company's accounting system, financial controls and financial planning; to appoint, recall and ultimately supervise the persons entrusted with the management and representation of the Company; the responsibility for the preparation of the Company's annual report and shareholders' meetings; the carrying out of Shareholders' resolutions; and the formal reporting of any over-indebtedness (*Überschuldung*) of the Company.

Composition

The composition of the Board will be reviewed following Admission with a view to reducing its size. It is intended that there would be a minimum number of 6 and a maximum of 12 non-executive directors at any time.

The Board's policy is that at least half of its membership, excluding the Chairman, shall consist of independent directors (as determined in accordance with the Swiss Code of Best Practice for Corporate Governance criteria). In addition it is intended that not less than 4 non-executive directors shall be Irish resident and not less than 2 non-executive directors shall be Swiss resident.

Initial appointments shall be for a one year term, ending at the first annual General Meeting of ARYZTA. Thereafter the term of office shall correspond to the maximum term legally allowed but shall not exceed 3 years. The Board shall determine the first term of office of each Director in such a way that, each year, an equal number of Directors shall be newly elected or re-elected at the annual general meeting of ARYZTA and in such manner that all members will have been subject to re-election after a period of 3 years.

The Board expects to meet at least six times in each calendar year and may meet at other times as required. Each Director will have 1 vote. To validly pass a resolution, six members of the Board must be present at the meeting. No quorum is required for a resolution implementing capital increases (*Feststellungsbeschlüsse*) and the amendments of the Articles of Association in connection with the capital increases pursuant to art. 651a, 652g and 653g of the CO.

The office's of Chairman, Deputy Chairman, together with membership of the various subcommittees of the Board and the chair thereof, shall be determined annually by the Board following each annual General Meeting of ARYZTA.

There will be a maximum of 15 Directors on the Board, of whom 5 are currently appointed.

As detailed below, the Board has established Nomination, Remuneration and Audit Committees with formally delegated duties and responsibilities with written terms of reference.

Following Completion becoming effective the members of each committee will be as follows:

	Chairman	*Members*
Remuneration Committee	J.B. Davy	W. Werlé D. Buckley D. Lucey
Nomination Committee	D. Lucey	W. Werlé J.B. Davy
Audit Committee	N. Hynes	W.G. Murphy P. Wilkinson M. Zufferey

From time to time, additional committees may be set up by the Board to consider specific issues when the need arises.

3.4 Conflict of Interests

Each Director is required to disclose to the Board any interest that the Director has in any proceedings of the Board and the Director shall not vote at a meeting of the Board or a committee of the Board on any resolution concerning any contracts, arrangements or other proposals in which he or she has an interest.

3.5 Nomination Committee

The Nomination Committee will be responsible for recommending to the Board persons to be co-opted as Directors and for the review of senior management succession plans.

The Nomination Committee shall comprise not less than 3 members, the majority of whom shall be independent non-executive directors (including for this purpose, the Chairman of the Board, if independent on appointment).

The principal duties of the Nomination Committee include the following:

- to be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise as well as putting in place plans for succession, in particular with respect to the Chairman of the Board and the Chief Executive Officer of the Company;
- to review regularly the Board structure, size and composition, to make recommendations to the Board of adjustments that are deemed necessary, in order to ensure an adequate size and a well-balanced composition of the Board and that a majority of the Board is independent and to make determinations regarding independence of members of the Board;
- to conduct an annual performance evaluation of the Chairman and Deputy Chairman of the Company, with respect to their performance of those roles, and all Directors with respect to the performance of their roles as directors;
- to make recommendations to the Board concerning any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provision of law and his or her service contract;
- to identify and recommend the Directors who are to be put forward for retirement by rotation;
- to ensure the development of guidelines for selecting candidates for election or re-election to the Board, or to fill vacancies on the Board;
- to make available its terms of reference to all Shareholders and review annually those terms of reference and its own effectiveness and recommend any necessary changes to the Board.

3.6 Remuneration Committee

The Remuneration Committee will approve ARYZTA's policy on executive remuneration packages.

The Board will establish a Remuneration Committee which will comprise not less than 3 members, the majority of whom shall be independent non-Executive Directors (including for this purpose, the Chairman of the Board, if independent on appointment).

The principal duties of the Remuneration Committee include the following:

- to consider and determine, based on their performance and such other factors as the Remuneration Committee shall deem appropriate, all elements of the remuneration of the members of the Board and the Chief Executive Officer, namely:
  - base salary (the Remuneration Committee shall also consider the pension consequences of basic salary increases);
  - bonuses and performance-related payments (including profit-sharing schemes);
  - discretionary payments;
  - pension contributions;
  - benefits in kind; and
  - share options and their equivalents;
- to approve the remuneration of other members of the senior management of the ARYZTA group;
- to be exclusively responsible for establishing the selection criteria and for selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee and considering any other connection that they may have with the Company;
- to consider any other matters as may be requested by the Board; and
- to make available its terms of reference to all Shareholders and review annually those terms of reference and its own effectiveness and recommend any necessary changes to the Board.

3.7 Audit Committee

The Audit Committee shall comprise not less than 3 members all of whom shall be independent non-executive directors of the Company.

The Audit Committee shall assist the Board in fulfilling its oversight responsibilities as they relate to the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the external auditor's qualifications, and the performance of the Company's internal control system and the external auditor.

The Audit Committee shall assess the performance of the Company's financial reporting process and system of internal control and provide for ongoing communication between the external auditor, the executive management and the Board concerning the Company's financial position and affairs.

The principal duties of the Audit Committee include the following:

- to consider the appointment, resignation or dismissal of the external auditor and in particular to evaluate external auditors who meet the preconditions of special professional qualifications according to applicable law and regulations;
- to discuss with the external auditor the nature and scope of the audit (including any significant ventures, investments or operations which are not subject to audit);
- to make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, satisfying itself that there are no relationships between the external auditor and the Company (other than in the ordinary course of business) and taking into consideration relevant professional and regulatory requirements;
- to consider communications from the external auditors on statutory and regulatory audit planning and findings and on material weaknesses in accounting and internal control systems that came to the external auditor's attention;

- to agree with the Board a policy on the employment of former employees of the external auditor and to monitor the implementation of this policy;
- to review, prior to its consideration by the Board, the external auditor's report to the directors and management's response;
- to review the Company's internal financial controls and risk management systems and the Company's annual statement on internal control systems;
- to monitor and review the effectiveness of the Company's Internal Audit function and discuss the plans of audit with the Internal Audit function;
- to review and approve the appointment and removal of the Head of the Internal Audit function;
- to discuss the results of the annual audit with the external auditor and the Internal Audit function, and supervise and ensure the co-operation of the external auditor and the Internal Audit function;
- to consider other topics, as required by the Board, such as the Company's policies for preventing or detecting fraud, its code of corporate conduct/business ethics, or the policies for ensuring that the Company complies with relevant regulatory and legal requirements; and
- to make available its terms of reference to all Shareholders and review annually those terms of reference and its own effectiveness and recommend any necessary changes to the Board.

4 MODEL CODE

Upon Completion, ARYZTA will adopt a code of securities dealings in relation to the securities of ARYZTA (including the ARYZTA Shares) which is based on, and is at least as rigorous as, the Model Code as published in the Listing Rules. The code adopted will apply to the Directors and employees of the Company.

The code imposes restrictions on dealing in the securities of a listed company beyond those imposed by law. Its purpose is to ensure that persons discharging managerial responsibilities do not abuse, and do not place themselves under suspicion of abusing, inside information that they may be thought to have, especially in periods up to an announcement of the Company's results.

PART 7

OPERATING AND FINANCIAL REVIEW RELATING TO IAWS

The consolidated financial information on IAWS Group in this Part 7 has been extracted without material adjustment from IAWS' consolidated financial statements which have been prepared in accordance with IFRS as adopted by the EU for the 3 years ended 31 July 2005, 2006 and 2007, and for the interim period ended 31 January 2008 as presented in Part I, Sections A, C and D of Part 12 (Index to Financial Information) of this Prospectus.

1 GENERAL

IAWS is an international lifestyle foods company with operations in North America and Europe. The Lifestyle Foods business focuses on niche high quality growth segments of the bakery and convenience food markets.

IAWS Group is the majority shareholder in Origin which is a market leader in the agri-nutrition sector in Ireland and the UK and which has leading ambient food and cereal milling businesses in Ireland.

IAWS is listed on the Official List of the Irish Stock Exchange and London Stock Exchange. Origin is listed on the IEX of the Irish Stock Exchange and the AIM market of the London Stock Exchange.

1.1 History

IAWS was floated on the Irish Stock Exchange in 1988. During the following decade it acquired food and agri-nutrition businesses. In the financial years 1998 and 1999 IAWS Group purchased Cuisine de France (Ireland) and Delice de France (UK), respectively. These acquisitions paved the way for a growing Lifestyle Foods business within IAWS Group as a whole.

In 2001, IAWS Group purchased La Brea Bakery in the US and further expanded its North American operations by forming a bakery joint venture with Tim Horton's, a coffee and bakery goods chain in Canada. In the financial year 2005, IAWS Group purchased Groupe Hubert, a French food company. In 2007 IAWS Group acquired Otis Spunkmeyer, a leading brand in the US sweet baked goods market. Between 2003 and 2006, IAWS Group accumulated a 32 per cent. stake in Hiestand.

In October 2006, IAWS Group created Origin to develop a specialist focus around the core agri-nutrition and non Lifestyle Foods businesses. Origin subsequently completed an initial public offering of approximately 25 per cent. of its share capital in June 2007.

1.2 Overview of Group Operations

Introduction

In 2007, IAWS Group had three reporting segments – Food Europe, Food North America and Origin. The results for 2006 have been restated in line with these segments. Prior to this period IAWS Group was split into Food and Agri Business.

Food Europe

Food Europe comprises the Lifestyle Foods businesses in Ireland, the UK and France. The Lifestyle Foods business has an extensive product range in the value-added bakery market. In Europe the Lifestyle Foods business has 2,514 employees, 23 DSD points and four manufacturing facilities. This extensive infrastructure and production capability services over 300 DSD routes and over 50,000 DSD customers.

IAWS has committed to invest €200 million from current capital resources in a facility in Grangecastle, Dublin. The investment will deliver:

- a new national distribution centre for Ireland;
- a world class manufacturing facility; and
- a centre of excellence for research and development in product and concept innovation.

As of 30 April 2008 approximately €135 million of the committed investment had already been spent. The commissioning of the facility will commence at the end of the current financial year and the benefits from this investment are expected to be delivered from 2009 onwards.

Cuisine de France

Cuisine de France supplies the customer with traditional French breads, pastries and also a wide range of continental-style breads, confectionery and hot savoury items. Cuisine de France provides a complete bake-off solution primarily to the retail industry.

Carroll Cuisine

Carroll Cuisine is one of the leading suppliers of chilled hams, sandwich fillings, ready meals and speciality products to both the foodservice and retail markets in Ireland.

Pierre's

Pierre's is an established market leading brand providing hot food to the retail and foodservice markets in Ireland.

Delice de France

Delice de France supplies quality continental breads, viennoiserie, savoury and confectionery products, including hospitality goods, primarily to the foodservice and catering industry in the UK.

Coup de Pates

Coup de Pates is the principal brand of Groupe Hubert, a leading developer and distributor of bakery products to the bakery, craft and foodservice sectors in France.

Food North America

IAWS has made substantial investment in developing its Lifestyle Foods business in the North American market through acquisition and capital investment in recent years. The acquisition of La Brea Bakery in 2001 enabled IAWS Group to grow category leadership in artisan bread while the Otis Spunkmeyer acquisition gave category leadership in sweet baked goods. Revenues in the US have now reached an annualized USD600 million or 5 per cent. of the USD12 billion value-added bakery market. In North America, the Lifestyle Foods business has 2,459 employees, 53 DSD points and eight manufacturing facilities. This infrastructure and production capability services over 300 DSD routes and over 70,000 DSD customers.

Otis Spunkmeyer

Otis Spunkmeyer is a premium fresh baked goods brand in its US market categories. The Otis brand has strong recognition and awareness across a national customer base in the foodservice and retail channels.

La Brea Bakery

La Brea Bakery offers a wide assortment of artisan breads ranging from baguettes and loaves to sandwich and dinner rolls.

Tim Horton's – 50 per cent. Joint Venture

IAWS has a joint venture with Tim Hortons, the largest quick service restaurant chain in Canada specialising in always fresh coffee, baked goods, and home-style lunches. The joint venture supplies the Tim Horton's estate and Cuisine de France with bakery products from its world class facility in Ontario, Canada.

Origin Enterprises plc

IAWS is the major shareholder in Origin holding 71.4 per cent. of the issued share capital. Origin was created by IAWS with a dedicated management team to focus on and maximise the potential of the original core agri-nutrition and ambient food businesses of IAWS. In June 2007 Origin was floated on the IEX market of the Irish stock Exchange and the AIM market of the London Stock Exchange raising €100 million to finance its future plans and development.

Origin is a leading agri-nutrition and ambient food company. The agri-nutrition division, through its manufacturing and distribution operations in Ireland and the United Kingdom, has market leading positions in the supply of feed ingredients, crop nutrition and specialist marine proteins. Origin's food business comprising sales, marketing, distribution and manufacturing activities in Ireland, and has leadership positions in ambient food categories.

Agri-Nutrition Division

Agri-nutrition comprises two principal activities, namely agri-inputs (animal feed ingredients and agricultural fertiliser) and marine proteins. This division has operations in Ireland, the UK and Poland.

The animal feed ingredients business is engaged in the sourcing, shipping, handling and distribution of grain and feed ingredients for the Irish animal feed and flour milling industries. The agricultural fertiliser business is involved in the importation, storage, blending, packing, wholesaling and retailing of fertilisers to co-ops, merchants, agents and farmers in Ireland, the UK and Poland. During 2008, Origin acquired Masstock, a leading provider of specialty agronomy services directly to arable and grassland farm enterprises in the UK and Poland.

The marine proteins business involves the manufacture, distribution and retail of fishmeal and fish oil, which are key raw material ingredients of fish feed. In January 2008, Origin announced it had entered exploratory discussions with Austevoll Seafood ASA with a view to combining their respective fishmeal and fish oil operations in Europe. These discussions are ongoing with final agreement subject to confirmatory due diligence, mutually acceptable legal documentation, respective board approvals and receipt of relevant consents.

Food Division

Origin's Food Division owns three of Ireland's leading food brands, Shamrock, Roma and Odlums. Shamrock Foods is a leading ambient food company operating in the Irish retail grocery sector. Roma has a strong market position within the Italian food ingredient category and Odlums is Ireland's major flour miller and leading flour brand.

1.3 Principal factors affecting the results from operations

The following factors, in addition to general economic and market conditions and government policy, legislation or regulation, have had and are likely to continue to have a material effect on IAWS' results of operations and financial condition. Investors should also read Part 2 (Risk Factors) of this Prospectus for a discussion of the risks and uncertainties which the business faces and Part 4 (Information on the Enlarged Group). Part 12 (Index to Financial Information) of this Prospectus also contains information on the nature of IAWS' operations.

- **Food consumption patterns**

The results of IAWS Group are affected by changing consumer dynamics.

There is a growing trend of polarisation of the market in relation to customer behaviour towards baked goods. Consumers are demanding a variety of fresh, premium quality breads which form part of a healthy, balanced lifestyle whilst still also demanding indulgence food purchases often bought depending on characteristics such as sight and smell. Over time, consumer tastes have become more sophisticated and there is an increasing demand for innovative, premium products. Food service providers and retailers are continuously adapting and require convenient formats which are cost, time and waste efficient while still allowing the provision of a differentiated product offering.

Time is becoming an increasingly important factor in food consumption patterns with many time poor workers opting for food-to-go products. This is leading to investment by convenience stores and supermarkets in in-store bakeries offering a large variety of baked products.

The Group addresses changing trends through a continued focus upon research, development and investment in product innovation to ensure that changing customer and consumer requirements are being met on a continuous basis.

- **Market trends**

There are a number of trends in consumer preferences which may impact on IAWS' results from operations. These include changing consumer dietary trends, the availability of substitute products and increasing preference for fresh and organic foods. The Group's success is dependent on anticipating changes in consumer preferences and delivering a quality solution to the consumer as well as successful new product and process development.

- **Raw materials and supplies**

The food business uses a wide range of raw materials in manufacturing its products primarily wheat, energy, cocoa beans, sugar and other sweeteners, dairy products (including milk), and fruit and nuts. The prices of raw materials are subject to fluctuation and in recent years prices

have been rising rapidly. The Group faces the challenge of managing these cost increases and the related challenge of passing on price increases to customers. IAWS has successfully maintained profitability to date despite these pressures on its business.

1.4 Investment activity

For information on the significant items of investment made in the past 3 financial years, refer to Note 31 to the consolidated information relating to IAWS for the two years ended 31 July 2007 on page F-65 and to Note 30 to the consolidated information relating to IAWS for the two years ended 31 July 2006 on page F-113, both in Part 12 of this Prospectus.

In the period since 31 July 2007, Origin completed the acquisition of the 50 per cent. interest in the Odlum Group not already owned for a consideration of €35 million plus the assumption of related bank debt in Odlums of approximately €22 million. In the period since 31 July 2007, Origin also completed the acquisition of Masstock Group Holdings Limited for initial consideration of Stg£26.3 million and deferred consideration of up to Stg£10 million based on the achievement of profit targets over the period to July 2012.

IAWS has no currently approved expenditure for future acquisitions.

1.5 Consolidated results of Operations - IAWS

Consolidated results of operations of IAWS for the year ended 31 July 2007, compared to the year ended 31 July 2006

	Pre-exceptional 2007 €'000	*Exceptional 2007 €'000*	*Total 2007 €'000*	*Pre-exceptional 2006 €'000*	*Exceptional 2006 €'000*	*Total 2006 €'000*
Revenue	1,907,619	—	1,907,619	1,557,305	—	1,557,305
Cost of sales	(1,416,507)	—	(1,416,507)	(1,204,238)	—	(1,204,238)
Gross profit	491,112	—	491,112	353,067	—	353,067
Operating costs, net	(344,664)	22,732	(321,932)	(241,252)	1,347	(239,905)
Operating profit before amortisation of intangible assets	146,448	22,732	169,180	111,815	1,347	113,162
Amortisation of intangible assets	(15,927)	—	(15,927)	(7,100)	—	(7,100)
Operating profit	130,521	22,732	153,253	104,715	1,347	106,062
Share of profit of associates and joint venture	26,656	—	26,656	25,653	—	25,653
Profit before financing costs	157,177	22,732	179,909	130,368	1,347	131,715
Financing income	6,609	—	6,609	4,964	—	4,964
Financing costs	(36,708)	—	(36,708)	(18,893)	—	(18,893)
Profit before tax	127,078	22,732	149,810	116,439	1,347	117,786
Income tax expense	(17,514)	(8,823)	(26,337)	(17,800)	(857)	(18,657)
Profit for the financial year	109,564	13,909	123,473	98,639	490	99,129

Revenue

Group revenue was €1.9 billion in 2007 compared to €1.6 billion in 2006, an increase of 22.5 per cent. This increase was driven by underlying growth of 9.7 per cent., acquired growth of 14.1 per cent. and negative currency impacts of 1.3 per cent. The Lifestyle Foods business achieved revenues of €1.0 billion in 2007 compared to €740.4 million in 2006, an increase of 37.5 per cent. Origin reported revenue of €889.4 million in 2007 compared to €816.9 million in 2006 an increase of 8.9 per cent.

Food North America operates in both the food service and retail segments of the US value-added bakery market. Each segment represents approximately half of the total market in sales value. The business reported revenue of €369.1 million in 2007 compared to €139.1 million in 2006, an increase of 165.4 per cent. The main driver of the increase is the inclusion of 9 months

of revenue (€220.1 million) from Otis Spunkmeyer ("Otis"). Underlying growth in the business continued at a high rate with revenues increasing by 15.2 per cent. to €149.0 million after allowing for foreign currency fluctuations. Food North America's growth is driven by growing brand awareness as well as innovative product development reacting to changing lifestyle trends. Ongoing capital investment in production infrastructure and capabilities provides a platform for growth in the business.

Food Europe which comprises the Lifestyle Foods businesses in Ireland, the UK and France has an extensive product range in Western Europe's value-added bakery market. The business reported revenue of €649.1 million in 2007 compared to €601.4 million in 2006, an increase of 7.9 per cent. This reflects underlying revenue growth of 7.3 per cent. after allowing for currency fluctuations of the sterling pound against the euro. The business' focus on, and investment in, concept and product development and the successful development of new products are the primary drivers of the growth.

Origin reported revenue of €889.4 million in 2007 compared to €816.9 million in 2006, an increase of 8.9 per cent. The increase in revenue is primarily attributable to the performance of Origin's Agri-Nutrition business. Increasing worldwide demand for food and the development of new applications for traditional food crops are driving the value of primary producer output. This has resulted in higher demand for the key protein, energy and nutrient ingredients supplied by Origin.

Cost of sales / Gross profit

Cost of sales increased from €1.2 billion in 2006 to €1.4 billion in 2007, an increase of 17.6 per cent. Gross profit increased from €353.1 million (22.7 per cent. margin) in 2006 to €491.1 million in 2007 (25.7 per cent. margin).

The cost of sales increases are primarily due to rising commodity, fuel and utility costs prices which continue to be a challenge across IAWS Group. All have experienced significant price inflation in recent years. In Lifestyle Foods these increased costs have primarily been mitigated through increased selling prices and as a result have not impacted IAWS Group's gross margin in 2007 compared to 2006. The impact of these increased costs was absorbed by increased volumes and effective production management. Investment in infrastructure and the experience of a proven management team also assisted IAWS Group in addressing cost increases.

The increase in the gross margin between 2006 and 2007 is largely attributable to the consolidation of Otis for 9 months of 2007. Otis reported stronger than average gross margins compared to the other Lifestyle Foods businesses and, consequently, margins in 2007 grew to 25.7 per cent.

Operating Profit[7]

Group operating profit reported was €146.4 million in 2007 compared to €111.8 million in 2006, an increase of 31.0 per cent. The Lifestyle Foods business achieved operating profits of €108.3 million in 2007 compared to €77.1 million in 2006, an increase of 40.4 per cent. Origin reported operating profits of €38.1 million in 2007 compared to €34.7 million in 2006 an increase of 9.9 per cent.

Food North America reported operating profits of €41.7 million in 2007 compared to €16.6 million in 2006, an increase of €25.1 million (151.0 per cent.). This is primarily attributable to the first time consolidation of 9 months results of Otis in 2007 which contributed €22.1 million of operating profit to the business. The existing La Brea Bakery business reported operating profits of €19.6 million in 2007 compared to €16.6 million in 2006, an increase of €3.0 million (17.8 per cent.). This is driven by increased sales and a largely fixed cost base following significant investment in prior years.

Food Europe reported operating profits of €66.6 million in 2007 compared to €60.5 million in 2006, an increase of €6.1 million (10.1 per cent.) which was driven by increased sales which are in turn driven by the group's focus on product and concept innovation.

Origin's increased operating profits were broadly in line with revenue growth.

[7] Operating profit is stated here before intangible amortisation and exceptional items

Amortisation of intangible assets

Amortisation of intangible assets reported in 2007 was €15.9 million compared to €7.1 million in 2006, an increase of €8.8 million (124.3 per cent.). This is due primarily to the first time amortisation in 2007 of customer and brand related intangibles acquired with Otis.

Share of profit of associates and joint venture

Food North America has a 50 per cent. bakery joint venture with Tim Hortons. Food Europe has a 32 per cent. holding in Hiestand Holdings AG. Origin holds a 50 per cent. stake in each of the Odlum Group and John Thompson & Sons Limited. Share of profit of associates and joint venture increased from €25.7 million to €26.7 million in 2007 primarily driven by a €1 million increase in earnings in the joint venture with Tim Horton's.

Exceptional items

Exceptional items (pre-tax) totaled €22.7 million for the year; this was primarily comprised of a gain on the dilution of Origin Enterprises (€44 million), defined benefit pension scheme exit costs (€16 million) and loss on the termination of operations within Origin and the termination of certain warehousing and distribution operations in the Lifestyle Foods business (€5 million).

Finance Costs

Finance costs (net) increased by 116.1 per cent. from €13.9 million in 2006 to €30.1 million in 2007 largely due to the €442.4 million drawdown on the acquisition of Otis Spunkmeyer.

1.6 Consolidated Results of Operations – IAWS

Consolidated results of operations of IAWS Group for the year ended 31 July 2006, compared to the year ended 31 July 2005

	Pre-exceptional 2006 €'000	*Exceptional 2006 €'000*	*Total 2006 €'000*	*Pre-exceptional 2005 €'000*	*Exceptional 2005 €'000*	*Total 2005 €'000*
Revenue	1,557,305	—	1,557,305	1,408,174	—	1,408,174
Cost of sales	(1,204,238)	—	(1,204,238)	(1,110,506)	—	(1,110,506)
Gross profit	353,067	—	353,067	297,668	—	297,668
Operating costs, net	(241,252)	1,347	(239,905)	(199,120)	8,627	(190,493)
Operating profit before amortisation of intangible assets	111,815	1,347	113,162	98,548	8,627	107,175
Amortisation of intangible assets	(7,100)	—	(7,100)	(4,624)	—	(4,624)
Operating profit	104,715	1,347	106,062	93,924	8,627	102,551
Share of profit of associates and joint venture	25,653	—	25,653	21,520	—	21,520
Profit before financing costs	130,368	1,347	131,715	115,444	8,627	124,071
Financing income	4,964	—	4,964	3,818	—	3,818
Financing costs	(18,893)	—	(18,893)	(16,118)	—	(16,118)
Profit before tax	116,439	1,347	117,786	103,144	8,627	111,771
Income tax expense	(17,800)	(857)	(18,657)	(15,772)	(1,363)	(17,135)
Profit for the financial year	98,639	490	99,129	87,372	7,264	94,636

Revenue

Group revenue was €1.6 billion in 2006 compared to €1.4 billion in 2005, an increase of 10.6 per cent. This increase was driven by underlying growth of 6.7 per cent., acquired growth of 3.2 per cent. and positive currency impacts of 0.7 per cent. The Lifestyle Foods business reported revenues of €740.4 million in 2006 compared to €618.9 million in 2005, an increase of 19.6 per cent. The Group's agri-business reported revenue of €816.9 million in 2006 compared to €789.2 million in 2005 an increase of 3.4 per cent.

Food Europe recorded revenue of €601.4 million in 2006 compared to €513.1 million in 2005, an increase of 17.2 per cent. This reflects underlying revenue growth of 7.6 per cent. after allowing for the effect of acquisitions and foreign currency fluctuations. The business benefited from the inclusion of a full 12 months of results from Groupe Hubert in 2006 compared to only 8 months in 2006. Underlying sales growth was driven by the successful development of new products. The continued strong performance of the Irish economy also helped generate increased demand from more customers for convenience foods.

Food North America, consisting of La Brea Bakery, supplied both the foodservice and retail markets. The business reported revenue of €139.1 million in 2006 compared to €105.6 million in 2005, an increase of 31.4 per cent. Underlying growth in the business was 26.1 per cent. after allowing for foreign currency fluctuations. Food North America's growth was driven by increased sales resulting from growing brand awareness as well as innovative product development based on lifestyle trends. The business continued to build a nation-wide sales force in 2006. During the year, La Brea Bakery also completed a €50 million investment programme, funded from existing group facilities, which increased manufacturing capacity at its New Jersey plant to satisfy increased growth in demand.

Origin reported revenue of €816.9 million in 2006 compared to €789.2 million in 2005, an increase of 3.5 per cent., reflecting underlying revenue growth of 3.5 per cent. after allowing for the impact of currency fluctuations.

Cost of sales / Gross profit

Cost of sales increased from €1.1 billion in 2005 to €1.2 billion in 2006, an increase of 8.4 per cent. attributable to the factors below. Gross profit increased from €297.7 million (21.1 per cent. margin) in 2005 to €353.1 million in 2006 (22.7 per cent. margin). Underlying gross margin did not fluctuate significantly in 2006 compared to 2005.

The cost of sales increases are primarily due to rising commodity, fuel and utility costs prices which continue to be a challenge across IAWS Group. All have experienced significant price inflation in recent years. In Lifestyle Foods these increased costs have primarily been mitigated through increased selling prices and as a result have not impacted IAWS Group's gross margin in 2006 compared to 2005. The impact of these increased costs was absorbed by increased volumes and effective production management. Also IAWS Group further managed its exposure to these rising costs through increased volumes and efficiency in the manufacturing process.

Operating Profit[8]

Group operating profit reported was €111.8 million in 2006 compared to €98.5 million in 2005, an increase of 13.5 per cent. The Lifestyle Foods business achieved operating profits of €77.1 million in 2006 compared to €65.1 million in 2005, an increase of 18.5 per cent. Origin reported operating profits of €34.7 million in 2006 compared to €33.4 million in 2005 an increase of 3.7 per cent.

Food Europe reported operating profits of €60.5 million in 2006 compared to €52.4 million in 2005, an increase of €8.1 million (15.5 per cent.). The increase mainly reflects the impact of a full 12 months consolidation of the Groupe Hubert results in 2006 compared to only 8 months in 2005 from when the business was acquired.

Food North America reported operating profits of €16.6 million in 2006 compared to €12.7 million in 2005, an increase of €3.9 million (30.7 per cent.). This was driven by revenue growth as well as economies provided by increased volumes and effective production management.

Origin increased operating profits by 3.7 per cent. which was broadly in line with revenue growth.

Amortisation of intangible assets

Amortisation of intangible assets reported in 2006 was €7.1 million compared to €4.6 million in 2005, an increase of €2.5 million (53.5 per cent.). This is due primarily to the first full year of amortisation of customer and brand intangibles acquired with Groupe Hubert in 2006 which were amortised for only 8 months in 2005.

[8] Operating profit is stated here before intangible amortisation and exceptional items

Share of profit of associates and joint venture

Food North America has a 50 per cent. bakery joint venture with Tim Hortons. Food Europe increased its share of Hiestand AG from 22 per cent. to 32 per cent. during the year for a consideration of €35 million. Origin holds a 50 per cent. stake in each of the Odlum Group and John Thompson & Sons Limited. Share of profit of associates and joint ventures increased from €21.5 million in 2005 to €25.7 million in 2006, an increase of 19.2 per cent., primarily due to favourable currency translation of the Tim Horton's results and IAWS Group's increased share of Hiestand.

Exceptional items

Exceptional items totaled €1.3 million for the year relating to profits on the disposal of property, plant and equipment in Food Europe and Food North America.

Finance Costs

Finance costs (net) increased by 13.2 per cent. from €12.3 million in 2005 to €13.9 million in 2006. The increase was due primarily to increased interest on bank loans and overdrafts compared to 2005.

2 BALANCE SHEET DATA

2.1 IAWS Group – Consolidated Balance Sheet as at 31 July 2007

	2007	*2006*
	€'000	*€'000*
ASSETS		
Non current assets		
Property, plant and equipment	356,493	308,388
Investment properties	165,473	—
Goodwill and intangible assets	784,481	334,024
Investments in associates and joint venture	169,005	159,221
Other investments	204	203
Deferred tax assets	14,689	8,474
Total non current assets	1,490,345	810,310
Current assets		
Inventory	137,646	88,539
Trade and other receivables	240,451	206,178
Derivative financial instruments	734	1,532
Cash and cash equivalents	86,059	74,556
Total current assets	464,890	370,805
TOTAL ASSETS	1,955,235	1,181,115

IAWS Group – Consolidated Balance Sheet as at 31 July 2007 (continued)

	2007 *€'000*	*2006* *€'000*
EQUITY		
Called up share capital	38,174	37,856
Share premium	57,001	51,899
Retained earnings and other reserves	620,922	388,071
Total equity attributable to equity shareholders of parent	716,097	477,826
Minority interest	50,631	2,910
TOTAL EQUITY	766,728	480,736
LIABILITIES		
Non current liabilities		
Interest bearing loans and borrowings	527,684	285,945
Employee benefits	8,705	8,876
Deferred government grants	2,929	3,006
Other payables	350	345
Deferred tax liabilities	147,041	49,902
Provisions	45,089	28,878
Total non current liabilities	731,798	376,952
Current liabilities		
Interest bearing borrowings	37,958	5,136
Trade and other payables	383,065	299,570
Corporation tax payable	31,741	13,832
Derivative financial instruments	3,945	747
Provisions	—	4,142
Total current liabilities	456,709	323,427
TOTAL LIABILITIES	1,188,507	700,379
TOTAL EQUITY AND LIABILITIES	1,955,235	1,181,115

Non current assets increased by 84 per cent. from €810 million at 31 July 2006 to €1,490 million at 31 July 2007.

Property, plant and equipment increased by €48.1 million (15.6 per cent.). Significant increases resulting from €101.7 million of additions (principally related to the construction of the new facility at Grangecastle) and the acquisition of Otis (€20.1 million) were offset by transfers to investment properties (€25.0 million), depreciation (€33.5 million), disposals (€6.2 million) and translation movements (€6.8 million).

Investment properties of €165.5 million at 31 July 2007 reflected the transfer of property, plant and equipment to investment property and its subsequent revaluation to market value. Savills Hamilton Osborne King conducted an independent valuation of IAWS Group's investment properties in December 2006 which valued these properties at €165 million. All of these properties are held within Origin.

Goodwill and intangible assets increased by €450.5 million (135 per cent.) to €784.5 million at 31 July 2007 due principally to the acquisition of Otis (€475.6 million) and the purchase of brands and IP (€13.0 million) offset by annual amortization of intangible assets (€15.9 million) and currency translation movements (€23.2 million).

Investments in associates and joint venture increased by €9.8 million (6.1 per cent.) to €169.0 million at 31 July 2007 upon the recognition of IAWS Group's share of profits (€26.7 million) and other reserve movements (€5.2 million) attributable to its associates and joint venture offset by dividends received (€18.0 million) and currency movements (€4.1 million).

Current assets increased from €370.8 million as at 31 July 2006 to €464.9 million as at 31 July 2007, an increase of 25.4 per cent. This was primarily a consequence of an increase in inventory and trade and other receivables on the prior period due to the acquisition of Otis.

Non current liabilities increased from €377.0 million as at 31 July 2006 to €731.8 million as at 31 July 2007, an increase of 94.1 per cent.

Long term ***interest bearing loans and borrowings*** increased by €241.7 million (84.5 per cent.) reflecting the increased draw down of debt used to finance the purchase of Otis. The Group's ***employee benefits*** decreased slightly. This is primarily the result of a large €11.6 million settlement loss recorded relating to the purchase of annuities offset by contributions of €3.6 million and actuarial gains of €9.1 million.

***Deferred tax*, net** (being the sum of deferred tax assets and liabilities) increased from a net liability of €41.4 million to €132.4 million primarily as a result of the deferred tax effect of the acquisition of Otis and the revaluation of investment properties.

Long term ***provisions*** which comprise the net present value of amounts expected to be payable in respect of deferred consideration increased due primarily to additional deferred consideration arising on the acquisition of Otis.

Current liabilities increased from €323 million as at 31 July 2006 to €457 million as at 31 July 2007, an increase of 41.2 per cent.

Short term ***interest bearing loans and borrowings*** increased due to the increased bank overdrafts compared to the prior year which resulted from differences in timing compared to 2006. ***Trade and other payables*** increased primarily due to the acquisition of Otis while ***corporation tax*** liability reflects the accrual on increased profits for the year as well as profits in Otis being subject to a higher rate of corporation tax in the US.

Equity

Principal movements in ***retained earnings and other reserves*** relate to the profit for the financial year, the revaluation reserve created on investment properties as well as actuarial gains on IAWS Group's defined benefit pension schemes.

Minority interest increased during the year as a result of the IPO of Origin.

2.2 IAWS Group – Consolidated Balance Sheet as at 31 July 2006

	2006 *€'000*	*2005* *€'000*
ASSETS		
Non current assets		
Property, plant and equipment	308,388	287,578
Goodwill and intangible assets	334,024	336,028
Investments in associates and joint venture	159,221	116,087
Other investments	203	242
Deferred tax assets	8,474	15,029
Total non current assets	810,310	754,964
Current assets		
Inventory	88,539	88,299
Trade and other receivables	206,178	173,514
Derivative financial instruments	1,532	—
Cash and cash equivalents	74,556	47,687
Total current assets	370,805	309,500
TOTAL ASSETS	1,181,115	1,064,464

IAWS Group – Consolidated Balance Sheet as at 31 July 2006 (continued)

	2006 *€'000*	*2005* *€'000*
EQUITY		
Called up share capital	37,856	37,471
Share premium	51,899	43,745
Retained earnings and other reserves	388,071	298,215
Total equity attributable to equity shareholders of parent	477,826	379,431
Minority interest	2,910	3,924
TOTAL EQUITY	480,736	383,355
LIABILITIES		
Non current liabilities		
Interest bearing loans and borrowings	285,945	237,555
Employee benefits	8,876	36,852
Deferred government grants	3,006	3,359
Other payables	345	450
Deferred tax liabilities	49,902	51,785
Provisions	30,360	31,950
Total non current liabilities	378,434	361,951
Current liabilities		
Interest bearing borrowings	5,136	30,001
Trade and other payables	299,570	273,465
Corporation tax payable	13,832	11,027
Derivative financial instruments	747	—
Provisions	2,660	4,665
Total current liabilities	321,945	319,158
TOTAL LIABILITIES	700,379	681,109
TOTAL EQUITY AND LIABILITIES	1,181,115	1,064,464

Non current assets increased by 7.3 per cent. from €755 million at 31 July 2005 to €810 million at 31 July 2006.

Property, plant and equipment increased by €20.8 million (7.2 per cent.) resulting principally from additions (€53.6 million) consisting mainly of the construction of new plant and equipment in Food North America offset by annual depreciation (€27.6 million), translation movements (€2.3 million) and disposals (€3.4 million).

Goodwill and intangible assets decreased by €2.0 million to €334.0 million due primarily to the acquisition of a small business in Food Europe (€1.9 million) and additions (€5.5 million) offset by annual amortization of intangible assets (€7.1 million) and foreign translation movements (€2.3 million).

Investments in associate and joint venture increased by €43.1 million (37.2 per cent.). This is primarily as a result of the increase in IAWS Group's stake in Hiestand to 32 per cent. from 22 per cent. in 2005 which accounted for €35.1 million of the increase. The increase also results from the recognition of IAWS Group's share of profits (€25.7 million) and other reserve movements (€0.5 million) attributable to its associates and joint venture, currency translation movements (€1.0 million) all offset by dividends received (€19.1 million).

Current assets increased from €309.5 million as at 31 July 2005 to €370.8 million as at 31 July 2006, an increase of 19.8 per cent. This is due principally to an increase of €26.9 million in short term cash balances in 2006 compared to 2005, resulting from timing differences. There was also an increase of €32.7 million in trade and other receivables in 2006 compared to 2005.

Non current liabilities increased from €362.0 million as at 31 July 2005 to €378.4 million as at 31 July 2006, an increase of 4.6 per cent.

Long term ***interest bearing loans and borrowings*** increased by €48.4 million (20.4 per cent.) reflecting the increased draw down of debt used to finance the capital expenditure noted above. The Group's ***employee benefits*** decreased from €36.9 million to €8.9 million reflecting primarily a €23.5 million special employer contribution to fund IAWS Group pension scheme deficit as well as actuarial gains of €4.8 million offset by current service costs of €2.1 million.

Deferred tax, net (being the sum of deferred tax assets and liabilities) increased from a net liability of €36.8 million to €41.4 million primarily as a result of the deferred tax effect of pension movements.

Current liabilities increased from €319.2 million as at 31 July 2005 to €321.9 million as at 31 July 2006, an increase of 0.9 per cent., largely due to a reduction in bank overdrafts offset by an increase in trade and other payables.

Equity

Share capital and premium increased upon the issuance of shares resulting from the exercise of share options issued under IAWS Group's incentive scheme. Principal movements in ***retained earnings and other reserves*** relate to the profit for the financial year as well as actuarial gains on IAWS Group's defined benefit pension schemes.

Minority interest decreased during the year as a result of the acquisition of a previously held minority interest in the Food Europe business (France).

3 CASH FLOW INFORMATION

3.1 IAWS Group – Consolidated Cash Flow Statement for the period ended 31 July 2007

	2007 €'000	*2006* €'000
Cash flows from operating activities		
Profit before tax	149,810	117,786
Financing costs, net	30,099	13,929
Share of profit of associates and joint venture	(26,656)	(25,653)
Exceptional items	(22,732)	(1,347)
Depreciation of property, plant and equipment	33,451	27,631
Amortisation of intangible assets	15,927	7,100
Amortisation of government grants	(79)	(354)
Employee share-based payment charge	6,007	1,550
Foreign exchange gains	(1,836)	(684)
Special pension contribution	—	(23,496)
Operating profit before changes in working capital	183,991	116,462
(Increase) in inventory	(22,740)	(84)
Decrease/(increase) in trade and other receivables	14,241	(32,124)
Increase in trade and other payables	11,814	21,189
Cash generated from operating activities	187,306	105,443
Interest paid	(29,547)	(11,880)
Income tax paid	(9,371)	(11,583)
Net cash inflow from operating activities	148,388	81,980

IAWS Group – Consolidated Cash Flow Statement for the period ended 31 July 2007 (continued)

	2007 €'000	*2006* €'000
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1,912	4,448
Purchase of property, plant and equipment		
– ongoing	(11,710)	(7,910)
– new investments	(89,007)	(67,947)
Proceeds from disposal of business	1,031	—
Acquisition of subsidiaries and businesses, net of cash acquired	(442,449)	(2,644)
Purchase of intangible assets	(12,984)	—
Cash received on dilution of Origin Enterprises plc, net	97,521	—
Insurance proceeds, net	6,118	—
Disposal of other investments	—	655
Dividends received	18,000	19,118
Purchase of minority interest	(857)	(1,366)
Investments in associates and joint venture	—	(35,061)
Deferred consideration and acquisition costs paid	(3,571)	(3,988)
Other	5	(480)
Net cash flow from investing activities	(435,991)	(95,175)
Cash flows from financing activities		
Proceeds from issue of share capital	5,420	8,539
Drawdown of loan capital	277,528	67,144
Capital element of finance lease liabilities	(363)	(20,453)
Equity dividends paid	(18,089)	(16,036)
Receipt from derivative financial instrument	1,343	—
Net cash flow from financing activities	265,839	39,194
Net (decrease)/increase in cash and cash equivalents	(21,764)	25,999
Translation adjustment	470	380
Cash and cash equivalents at start of year	69,798	43,419
Cash and cash equivalents at end of year	48,504	69,798

Net cash inflow from operating activities increased €66.4 million (81 per cent.) from €82.0 million in 2006 to €148.4 million in 2007.

Operating profit before changes in working capital increased by €67.5 million (58 per cent.) from €116.5 million in 2006 to €184.0 million in 2007. This reflects the overall improvement in IAWS Group's operating profit[9] in 2007 compared to 2006 as described in section 1.4 above.

Exceptional items deducted in 2007 to arrive at operating profit before changes in working capital increased in 2007 to €22.7 million compared to €1.4 million in 2006 reflecting increased exceptional gains as described in section 1.4 above.

Non cash depreciation of property, plant and equipment and ***amortisation of intangible assets*** added back to arrive at operating profit before changes in working capital increased to €49.4 million in 2007 compared to €34.7 million in 2006 due primarily to the acquisition of Otis as described in section 1.4 above. The non cash ***employee share based payment charge*** added back to arrive at operating profit before changes in working capital increased to €6.0 million in 2007 compared to €1.6 million in 2006 reflecting primarily the expense associated with grants of equity entitlements under the IAWS Long Term Incentive Plan in 2007.

Special pension contributions were €Nil compared to €23.5 million in 2006 due to the one off contribution to fund the pension scheme deficit in 2006.

Changes in working capital amounted to a cash inflow of €3.3 million in 2007 compared to a cash outflow of €11.0 million in 2006. This is due to an increased cash outlay of €22.7 million on increasing ***inventory*** levels offset by the cash inflow of €36.9 million resulting from increased collection of trade receivables and the later payment of ***trade payables***.

Interest paid was €29.5 million in 2007 compared to €11.9 million in 2006 due in main to increased cash spend on servicing the increased level of debt. ***Income tax*** paid in 2007 was €9.4 million compared to €11.6 million in 2006.

Cash flows from investing activities increased from €95.2 million in 2006 to €436 million in 2007.

Purchase of property, plant and equipment increased from €75.9 million in 2006 to €100.7 million in 2007 reflecting continued capital expenditure on the Grangecastle facility as well the construction of bread lines in Food North America. ***Acquisition of subsidiaries and businesses*** increased significantly from €2.6 million in 2006 to €442.4 million in 2007 due to the acquisition of Otis. ***Purchase of intangible assets*** increased from €Nil in 2006 to €13 million in 2007 as a result of the purchase of brands and intellectual property. In 2007, IAWS Group received €97.5 million (*2006: €Nil*), net on the ***dilution of Origin Enterprises plc*** as well as €6.1 million (*2006: €Nil*) in ***insurance proceeds***. Finally, IAWS Group invested €35.1 million in increasing its stake in Hiestand AG in 2006 with €Nil ***investment in associates and joint venture*** in 2007.

Cashflows from financing activities

The Group generated €265.8 million from financing activities in 2007 compared to €39.2 million in 2006 largely due to increased draw downs of debt used to finance the acquisition of Otis as well as a 12.8 per cent. increase in ***equity dividends paid***.

Net (decrease)/increase in cash and cash equivalents

There was a decrease in cash and cash equivalents from all activities (operating, investing and financing) in 2007 of €21.8 million compared to an increase in cash and cash equivalents from all activities in 2006 of €26 million. Variations in cashflows from operating, investing and financing activities are explained individually above in this paragraph 3.1.

[9] Operating profit is derived from the sum of Profit before tax, Financing costs, net and Share of profit of associates and joint venture on the Cash Flow Statement

3.2 IAWS Group- Consolidated Cash Flow Statement for the period ended 31 July 2006

	2006 €'000	*2005* €'000
Cash flows from operating activities		
Profit before tax	117,786	111,771
Financing costs, net	13,929	12,300
Share of profit of associates and joint venture	(25,653)	(21,520)
Depreciation of property, plant and equipment	27,631	23,932
Amortisation of intangible assets	7,100	4,624
Amortisation of government grants	(354)	(438)
Employee share-based payment charge	1,550	867
Loss/(profit) on termination of operations	572	(8,627)
(Profit)/loss on disposal of non-current assets	(1,919)	454
Foreign exchange (gains)/losses	(684)	728
Special pension contribution	(23,496)	—
Operating profit before changes in working capital	116,462	124,091
(Increase)/decrease in inventory	(84)	4,598
(Increase) in trade and other receivables	(32,124)	(26,229)
Increase in trade and other payables	21,189	18,049
Cash generated from operating activities	105,443	120,509
Interest paid	(11,880)	(12,411)
Income tax paid	(11,583)	(18,771)
Dividends paid to minority interests	—	(205)
Net cash inflow from operating activities	81,980	89,122

IAWS Group – Consolidated Cash Flow Statement for the period ended 31 July 2006 (continued)

	2006 *€'000*	*2005* *€'000*
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	4,448	2,451
Purchase of property, plant and equipment		
– Ongoing	(7,910)	(7,363)
– New investments	(67,947)	(43,931)
Acquisition of subsidiaries and businesses, net of cash acquired	(2,644)	(94,141)
Disposal of subsidiaries and businesses	—	14,743
Disposal of other investments	655	—
Dividends received	19,118	16,223
Purchase of minority interest	(1,366)	—
Investments in associates and joint venture	(35,061)	(3,304)
Deferred consideration and acquisition costs paid	(3,988)	(6,788)
Other	(480)	33
Net cash flow from investing activities	(95,175)	(122,077)
Cash flows from financing activities		
Proceeds from issue of share capital	8,539	6,121
Drawdown of loan capital	67,144	46,409
Capital element of finance lease liabilities	(20,453)	(565)
Equity dividends paid	(16,036)	(14,052)
Net cash flow from financing activities	39,194	37,913
Net increase in cash and cash equivalents	25,999	4,958
Translation adjustment	380	(155)
Cash and cash equivalents at start of year	43,419	38,616
Cash and cash equivalents at end of year	69,798	43,419

Net cash inflow from operating activities decreased €7.1 million (8 per cent.) from €89.1 million in 2005 to €82.0 million in 2006.

Operating profit before changes in working capital decreased by €7.6 million (6.1 per cent.) from €124.1 million in 2005 to €116.5 million in 2006. This reflects the overall improvement in IAWS Group's operating profit[10] in 2007 compared to 2006 as described in section 1.5 above.

Non cash ***depreciation of property, plant and equipment*** and ***amortisation of intangible assets*** added back to arrive at operating profit before changes in working capital increased to €34.7 million in 2006 compared to €28.6 million in 2005 due primarily to increased property, plant and equipment costs and a full year of amortisation of Groupe Hubert intangible assets as described in section 1.5 above. The non cash ***employee share based payment*** charge added back to arrive at operating profit before changes in working capital increased to €1.6 million in 2006 compared to €0.9 million in 2005 reflecting the first full year of expense in 2006 associated with grants of equity entitlements under the Long Term Incentive plan in December 2004 and April 2005.

Loss/(profit) on termination of operations added back in arriving at operating profit before changes in working capital was represented by a loss of €0.6 million in 2006 compared to a profit of €8.6 million in 2005. The 2005 profit related to the disposal of two Origin companies. ***(Profit)/loss on disposal of non-current assets*** added back in arriving at operating profit before changes in working capital in 2006 was represented by a profit of €1.9 million compared to a loss of €0.5 million in 2005, both years resulting from the disposal of property plant and equipment and other investments.

Special pension contributions were €23.5 million in 2006 compared to €Nil in 2005 due to the one off payment to fund the deficit in the defined benefit pension scheme.

Changes in working capital amounted to a cash outflow of €11.0 million in 2006 compared to a cash outflow of €3.6 million in 2005. This was generated as a result of the €4.7 million increased level of cash spent on building up inventory levels and the €2.8 million increased cash outlay spent on financing trade receivables and payables.

Interest paid was €11.9 million in 2006 compared to €12.4 million in 2005. ***Income tax*** paid in 2006 was €11.6 million compared to €18.8 million in 2005.

Cash flows from investing activities decreased from €122.1 million in 2005 to €95.2 million in 2006.

Purchase of property plant and equipment increased from €51.3 million in 2005 to €75.9 million in 2006 reflecting increased capital expenditure in Food North America. ***Acquisition of subsidiaries and businesses*** decreased significantly from €94.1 million in 2005 to €2.6 million in 2006 due to the acquisition of Groupe Hubert in 2005. The Group invested €35.1 million in increasing its stake in Hiestand AG in 2006 with only €3.3 million investment in associates and joint venture in 2005. Finally, ***deferred consideration and acquisition costs paid*** decreased to €4.0 million in 2006 compared to €6.8 million in 2005 due to the timing of deferred consideration payments relating to business combinations made in previous years.

Cash flows from financing activities

The Group generated €39.2 million from financing activities in 2006 compared to €38.0 million in 2005 reflecting increased debt draw downs of €20.7 million offset by the increases in the repayment of finance leases of €19.9 million. There was a 14 per cent. increase in ***equity dividends paid*** in 2006 compared to 2005.

Net increase in cash and cash equivalents

There was an increase in cash and cash equivalents from all activities (operating, investing and financing) in 2006 of €26 million compared to €5.0 million in 2005. Variations in cashflows from operating, investing and financing activities are explained individually above.

[10] Operating profit is derived from the sum of Profit before tax, Financing costs, net and Share of profit of associates and joint venture on the Cash Flow Statement

4 UNAUDITED CONSOLIDATED INTERIM RESULTS TO 31 JANUARY 2008

4.1 Unaudited Consolidated Interim Income Statement

	Six months ended 31 January 2008 €'000 (Unaudited)	*Six months ended 31 January 2007 €'000 (Unaudited)*	*Year ended July 2007 €'000 (Audited)*
Revenue	1,127,473	838,456	1,907,619
Cost of sales	(842,277)	(645,611)	(1,416,507)
Gross profit	285,196	192,845	491,112
Distribution, administration and other expenses	(202,987)	(135,503)	(344,664)
Operating profit before amortisation and exceptional items	82,209	57,342	146,448
Intangible amortisation	(9,241)	(6,757)	(15,927)
Exceptional items	—	—	22,732
Operating profit	72,968	50,585	153,253
Share of profit of associates and joint venture	13,382	12,998	26,656
Profit before financing costs	86,350	63,583	179,909
Financing costs	(17,132)	(14,297)	(30,099)
Profit before tax	69,218	49,286	149,810
Income tax	(10,262)	(6,491)	(26,337)
Profit for the period	58,956	42,795	123,473

Revenue

Group revenue was €1.1 billion in the period ended 31 January 2008 compared to €838 million in 2006, an increase of 34.5 per cent. This growth was driven by underlying growth of 21.9 per cent., acquired growth of 16.0 per cent. and negative currency impacts of 3.4 per cent. Lifestyle Foods achieved revenues of €581.1 million in the reporting period 2008 compared to €463.5 million in 2007, an increase of 25.4 per cent. Origin reported revenue of €546.4 million in 2008 compared to €374.9 million in 2007, an increase of 45.7 per cent.

Food North America reported revenue of €229.6 million in 2008 compared to €145.7 million in 2007, an increase of 57.6 per cent. The main driver of the increase is the inclusion of a full 6 months of revenue from Otis Spunkmeyer ("Otis") in the half year ended 31 January 2008 compared to only 3 months in the equivalent period in 2007. Underlying growth in the business continued to be strong with underlying revenues increasing by 10.0 per cent. after allowing for foreign currency fluctuations and the impact of the Otis acquisition. Food North America's growth is driven by strong brand awareness as well as continued superior product and concept development.

Food Europe recorded revenue of €351.4 million in the half year ended 31 January 2008 compared to €317.8 million in the equivalent period in 2007, an increase of 10.6 per cent. This reflects underlying revenue growth of 10.0 per cent. after allowing for currency fluctuations.

Origin reported revenue of €546.4 million in the half year ended 31 January 2008 compared to €374.9 million in 2006, an increase of 45.7 per cent. The increase reflects underlying revenue growth of 36.8 per cent. as well as growth from acquisitions (the Odlum Group) of 10.8 per cent. offset by currency fluctuations of 1.9 per cent. Increasing worldwide demand for food and the development of new applications for traditional food crops are driving the value of primary producer output. This resulted in higher demand for the key protein, energy and nutrient ingredients supplied by Origin. Increasing commodity costs are also a reason for the growth in revenue.

Cost of sales / Gross profit

Cost of sales increased from €645.6 million in the half year ended 31 January 2007 to €842.3 million in the 2008, an increase of 30.5 per cent. Gross profit increased from €192.8 million (23.0 per cent. margin) in 2007 to €285.2 million in 2008 (25.3 per cent. margin) an increase of 47.9 per cent. from 2007 to 2008.

The Group has been successful in maintaining its margin in an environment of significant cost inflation. The impact of these increased costs has been absorbed by price increases, increased volumes and effective production management as well as investment in infrastructure and the experience of a proven management team.

Underlying gross margin (excluding the impact of the consolidation of Otis for 9 months of 2007) did not fluctuate significantly in 2008 compared to 2007. However, Otis reported stronger than average gross margins compared to other food businesses and, consequently, margins in 2008 grew to 25.3 per cent.

Operating Profit[11]

Group operating profit reported was €82.2 million in the half year ended 2008 compared to €57.3 million in 2007, an increase of 43.4 per cent.

Operating costs, net which are represented by distribution, administration and other expenses increased from €135.5 million in the 6 month period ended 31 January 2007 to €203.0 million in the 6 month period ended 31 January 2008. This was due primarily to the acquisition of Otis Spunkmeyer which contributed a full 6 months of costs compared to only 3 months in the same period in 2007 and Origin's acquisition of Odlums in August 2008 as detailed below.

Lifestyle Foods achieved operating profits of €62.0 million in 2008 compared to €45.5 million in 2007, an increase of 36.2 per cent. Origin reported operating profits of €20.2 million in 2008 compared to €11.9 million in 2007 an increase of 70.7 per cent.

Food North America reported operating profits of €27.2 million in 2008 compared to €14.5 million in 2007, an increase of €12.7 million (87.4 per cent.). This is primarily attributable to the first time consolidation of a full 6 months results of Otis in the half year ended 31 January 2008 compared to only 3 months contribution in 2007.

Food Europe reported operating profits of €34.7 million in 2008 compared to €30.9 million in 2007, an increase of €3.8 million (12.2 per cent.) driven by increased volumes.

Origin's significant increase in operating profits was driven principally by increased fertiliser volumes in the UK due to higher application resulting from a combination of higher cereal prices and increased plantings. Origin's results also incorporate the impact of consolidating 5 months of Odlum's operating profits in the period ended 31 January 2008. Odlums was previously accounted for as an associate before Origin increased its stake in Odlums from 50 per cent. to 100 per cent. in August 2007.

Amortisation of intangible assets

Amortisation of intangible assets reported in 2008 was €9.2 million compared to €6.8 million in 2007, an increase of €2.5 million (36.8 per cent.). This is due primarily to the first full 6 month period of amortisation of customer and brand intangibles acquired with Otis in 2008 which were amortised for only 3 months in 2007. This also reflects the amortisation in 2008 of customer and brand intangibles arising from acquisitions in the 6 month period ended 31 January 2008.

Share of profit of associates and joint venture

The profit contribution from food associates and joint venture grew by 11.3 per cent. to €12.4 million compared with €11.2 million in 2007. The profit contribution from Origin associates fell by 48.2 per cent. to €0.9 million. The 50 per cent. of Odlums, not previously owned, was acquired during the period. Odlums is now a 100 per cent. subsidiary and no longer accounted for as an associate. The increase is due to improved performances from Hiestand and the North American joint venture in the period.

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[11] Operating profit is stated here before intangible amortisation and exceptional items

Finance Costs

Finance costs (net) have increased by 19.8 per cent. from €14.3 million in 2007 to €17.1 million in 2008 largely due to the increased average debt outstanding in the 6 month period ended 31 January 2008. This increase was driven by the acquisition of Otis.

4.2 Unaudited Consolidated Interim Balance Sheet as at 31 January 2008

	31 January 2008 €'000 (Unaudited)	*31 January 2007 €'000 (Unaudited)*	*31 July 2007 €'000 (Audited)*
ASSETS			
Non current assets			
Property, plant and equipment	427,151	349,679	356,493
Investment properties	192,418	—	165,473
Goodwill	529,846	563,226	531,340
Intangible assets	274,585	273,203	253,141
Investments in associates and joint venture	160,399	160,720	169,005
Other investments	201	206	204
Deferred tax assets	16,090	8,713	14,689
Total non current assets	1,600,690	1,355,747	1,490,345
Current assets			
Inventory	194,194	143,137	137,646
Trade and other receivables	280,923	244,077	240,451
Derivative financial instruments	—	1,789	734
Cash and cash equivalents	138,476	107,841	86,059
Total current assets	613,593	496,844	464,890
TOTAL ASSETS	2,214,283	1,852,591	1,955,235

4.2 Unaudited Consolidated Interim Balance Sheet as at 31 January 2008 (continued)

	31 January 2008 €'000 (Unaudited)	*31 January 2007 €'000 (Unaudited)*	*31 July 2007 €'000 (Audited)*
EQUITY			
Called up share capital	39,169	37,941	38,174
Share premium	57,956	54,022	57,001
Retained earnings and other reserves	650,224	437,927	620,922
Total equity attributable to equity shareholders of parent	747,349	529,890	716,097
Minority interest	53,840	2,705	50,631
TOTAL EQUITY	801,189	532,595	766,728
LIABILITIES			
Non current liabilities			
Interest bearing loans and borrowings	680,436	422,112	527,684
Employee benefits	24,023	9,666	8,705
Deferred government grants	4,281	2,919	2,929
Other payables	488	1,181	350
Deferred tax liabilities	148,369	136,125	147,041
Provisions	49,013	46,844	45,089
Total non current liabilities	906,610	618,847	731,798
Current liabilities			
Interest bearing borrowings	40,888	375,039	37,958
Trade and other payables	417,071	304,644	383,065
Corporation tax payable	39,429	20,522	31,741
Derivative financial instruments	4,302	944	3,945
Provisions	4,794	—	—
Total current liabilities	506,484	701,149	456,709
TOTAL LIABILITIES	1,413,094	1,319,996	1,188,507
TOTAL EQUITY AND LIABILITIES	2,214,283	1,852,591	1,955,235

Non current assets increased by 7.4 per cent. from €1.49 billion at 31 July 2007 to €1.6 billion at 31 January 2008.

Property, plant and equipment increased by €70.7 million (19.8 per cent.) from €356.5 million at 31 July 2007 to €427.2 million at 31 January 2008. Significant increases resulting from €70.0 million of additions (principally related to the construction of the new facility at Grangecastle) and €47.3 million of acquisitions were offset by €14.0 million of transfers to investment properties, €16.6 million of depreciation and €15.9 million of adverse translation movements.

Investment properties increased from €165.5 million at 31 July 2007 to €192.4 million at 31 January 2008. The increase is attributable to €14.0 million of transfers from property, plant and equipment and €12.9 million of additions.

Goodwill and intangible assets increased by €20.0 million (2.5 per cent.). The increased goodwill and intangible asset of €68.6 million arising from acquisitions during the period was offset by €9.2 million of amortization of intangible assets and €39.8 million of adverse foreign currency translation movements.

Investments in associate and joint venture decreased from €169.0 million to €160.4 million. The decrease was due primarily to the recognition of IAWS Group's share of profits (€13.4 million) and other reserve movements attributable to its associates and joint venture offset by dividends

received (€8.4 million), adverse foreign currency translation (€3.2 million) and the reduction in the balance due to the Odlum Group becoming a 100 per cent. subsidiary of Origin (€10.5 million).

Current assets have increased from €464.9 million as at 31 July 2007 to €613.6 million as at 31 January 2008, an increase of 32 per cent. This is driven by increases in inventory and accounts receivable which relate primarily to the acquisitions and seasonality within the Origin business.

Non current liabilities increased from €731.8 million as at 31 July 2007 to €906.6 million as at 31 January 2008, an increase of 23.9 per cent.

Long term ***interest bearing loans and borrowings*** increased by €152.8 million (28.9 per cent) reflecting the increased drawdown of debt used principally to fund the acquisition of Odlums and the capital expenditure projects mentioned above. The Group's ***employee benefits liability*** increased from €8.7 million to €24 million principally as result of actuarial losses (€13.7 million) and the acquisition of Odlums (€2.4 million). Finally long term ***provisions*** which comprise the net present value of amounts expected to be payable in respect of deferred consideration increased by €3.9 million due mainly to the recognition of additional deferred consideration resulting from new acquisitions (€10.2 million) offset by payments (€1 million) and transfers to short term provisions of €4.8 million. ***Deferred government grants*** increased by €1.4 million primarily due to new acquisitions.

Deferred tax, net (being the sum of deferred tax assets and deferred tax liabilities) decreased marginally. This reflects, in main, increases in deferred tax liabilities resulting from acquisitions of €9.7 million offset by release of deferred tax liabilities of €4.4 million and adverse currency movements of €5.4 million.

Current liabilities increased from €456.7 million as at 31 July 2007 to €506.5 million as at 31 January 2008, an increase of 11 per cent. This is due in principal to increased ***trade and other payables*** resulting from acquisitions and the financing of working capital due to seasonality in the Origin business. Corporation tax payable increased by €7.7 million due primarily to the accrual of corporation tax on the profits for the period. Provisions becoming payable within 12 months increased by €4.8 million being deferred consideration payable in respect of a recent acquisition.

Equity

Principal movements in ***retained earnings and other reserves*** relate to the profit for the financial period, the revaluation reserve created on investment properties as well actuarial losses on IAWS Group's defined benefit pension schemes.

4.3 Unaudited Consolidated Interim Cash Flow Statement for the period ended 31 January 2008

	Six months ended 31 January 2008	*Six months ended 31 January 2007*	*Year ended 31 July 2007*
	€'000	*€'000*	*€'000*
	(Unaudited)	*(Unaudited)*	*(Audited)*
Cash flows from operating activities			
Profit before tax	69,218	49,286	149,810
Financing costs, net	17,132	14,297	30,099
Share of profits of associates and joint venture	(13,382)	(12,998)	(26,656)
Depreciation of property, plant and equipment	16,617	15,755	33,451
Amortisation of intangible assets	9,241	6,757	15,927
Amortisation of government grants	(82)	(91)	(79)
Employee share-based payment charge	5,827	1,317	6,007
Exceptional items	—	—	(22,732)
Other	—	476	(1,836)
Operating profit before changes in working capital	104,571	74,799	183,991
Increase in inventory	(52,293)	(24,569)	(22,740)
(Increase)/decrease in trade and other receivables	(33,131)	18,863	14,241
Increase/(decrease) in trade and other payables	36,355	(46,983)	11,814
Cash generated from operating activities	55,502	22,110	187,306
Interest paid	(15,799)	(12,710)	(29,547)
Income tax paid	(4,863)	(2,845)	(9,371)
Net cash from operating activities	34,840	6,555	148,388

4.3 Unaudited Consolidated Interim Cash Flow Statement for the period ended 31 January 2008 (continued)

	Six months ended 31 January 2008 €'000 (Unaudited)	*Six months ended 31 January 2007 €'000 (Unaudited)*	*Year ended July 2007 €'000 (Audited)*
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	156	203	1,912
Purchase of property, plant and equipment			
– Ongoing	(7,126)	(5,730)	(11,710)
– New investments	(58,550)	(32,216)	(89,007)
Purchase of investment properties	(12,945)	—	—
Acquisition of subsidiaries, businesses and associates, net of cash acquired	(54,689)	(463,378)	(442,449)
Proceeds from disposal of business	—	—	1,031
Purchase of intangible assets	—	—	(12,984)
Cash received on dilution of Origin Enterprises plc, net	—	—	97,521
Insurance proceeds, net	—	—	6,118
Dividends received	8,377	7,928	18,000
Purchase of minority interest	—	(951)	(857)
Deferred consideration paid	(1,000)	(2,109)	(3,571)
Other	—	—	5
Net cash flow from investing activities	(125,777)	(496,253)	(435,991)
Cash flows from financing activities			
Proceeds from issue of share capital	1,950	2,208	5,420
Drawdown of loan capital	142,819	499,659	277,528
Capital element of finance lease liabilities	(410)	(181)	(363)
Equity dividends paid	—	—	(18,089)
Receipt from derivative financial instrument	—	—	1,343
Net cash flow from financing activities	144,359	501,686	265,839
Net increase/(decrease) in cash and cash equivalents	53,422	11,988	(21,764)
Translation adjustment	(3,927)	1,034	470
Cash and cash equivalents at start of period	48,504	69,798	69,798
Cash and cash equivalents at end of period	97,999	82,820	48,504

Net cash inflow from operating activities increased €28.3 million (431.5 per cent.) from €6.6 million in 2007 to €34.8 million in 2008.

Operating profit before changes in working capital increased by €29.8 million (39.8 per cent.) from €74.8 million in 2007 to €104.6 million in 2008. This reflects the overall improvement in IAWS Group's operating profit[12] in 2007 compared to 2006 as described in section 4.1 above.

[12] Operating profit is derived from the sum of Profit before tax, Financing costs, net and Share of profit of associates and joint venture on the Cash Flow Statement

Non cash depreciation of property, plant and equipment and amortisation of intangible assets added back to arrive at operating profit before changes in working capital increased to €25.9 million in 2008 compared to €22.5 million in 2007 due primarily to increased property, plant and equipment costs, a full period of amortisation of Otis intangible assets and first time amortisation of intangibles acquired in the period as described in section 4.1 above. The non cash ***employee share based payment*** charge added back to arrive at operating profit before changes in working capital increased to €5.8 million in 2008 compared to €1.3 million in 2007 reflecting the increased expense associated with grants of equity entitlements under the IAWS Long Term Incentive plan in the second half of 2007.

Changes in working capital amounted to a cash outflow of €49.1 million in 2008 compared to a cash outflow of €52.7 million in 2007. This was generated as a result of the €27.7 million increased level of cash spent on building up inventory levels, the €52.0 million reduction in cash received from short term receivables offset by €83.3 million reduction in cash outlay from payment of short term payable balances.

Interest paid in 2008 was €15.8 million in 2008 compared to €12.7 million in 2007, due mainly to a full 6 months cash cost of servicing debt used to finance the purchase of Otis, compared to only 3 months in the prior period. ***Income tax*** paid in 2008 was €4.9 million compared to €2.8 million in 2007 due to timing of tax payments in the Food business.

Cash flows from investing activities decreased from €496.3 million in 2007 to €125.8 million in 2008.

Purchase of property, plant and equipment increased from €37.9 million in 2007 to €65.7 million in 2008 reflecting increased capital expenditure relating mainly to the construction of the Grangecastle facility. Purchase of ***investment properties*** increased from €Nil in 2007 to €12.9 million in 2008 due to the acquisition of a freehold on Origin investment properties in 2008. ***Acquisition of subsidiaries and businesses*** decreased significantly from €463.4 million in 2007 to €54.7 million in 2008 due to the increased cost of the acquisition of Otis in 2007 compared to the acquisitions made in 2008 which relate primarily to the acquisition of Odlums.

Cashflows from financing activities

The Group generated €144.4 million from financing activities in 2008 compared to €501.7 million in 2007 reflecting the increased debt draw downs in 2007 used to finance the purchase of Otis.

Net increase in cash and cash equivalents

There was an increase in cash and cash equivalents from all activities (Operating, investing and financing) in 2008 of €53.4 million compared to €12 million in 2007. Variations in cash flows from operating, investing and financing activities are explained individually above.

5 CAPITAL RESOURCES

The Group's primary sources of liquidity are cash flows from operations and borrowings under the Revolving Credit Facilities. The Group's primary uses of cash are acquisitions, capital expenditure and debt service.

Capitalisation and Indebtedness table

The following tables show the capitalisation and indebtedness of IAWS Group as at 31 May 2008 based on unaudited management financial information

Capitalisation table

	€'000s	*€'000s*
Total Current Debt		
Guaranteed	(29,072)	
Secured	—	
Unguaranteed/Unsecured	—	
Total Current Debt	(29,072)	(29,072)
Total Non-current Debt		
Guaranteed	(538,967)	
Secured	(342,393)	
Unguaranteed/Unsecured	—	
Total Non-current Debt	(881,360)	(881,360)
Shareholder Equity		
Share Capital	(39,255)	
Share Premium	(59,295)	
Other Reserves	(2,118)	
Total Shareholders Equity	(100,668)	(100,668)
Total Capitalisation		(1,011,101)

Net indebtedness table

	€'000s	€'000s
Liquidity		
Cash	119,020	
Cash Equivalents	—	
Trading Securities	—	
Total Liquidity	119,020	119,020
Current Financial Receivable		
Current Financial Receivable	—	
Total Current Financial Receivable	—	—
Current Financial Debt		
Bank Loans & Overdrafts	(26,465)	
Other Financial Debt	(2,608)	
Total Current Financial Debt	(29,072)	(29,072)
Net Current Financial Indebtedness		89,948
Non-current Debt		
Non Current Bank Loans	(594,992)	
Private Placement	(286,369)	
Total Non-current Debt	(881,360)	(881,360)
Net Financial Indebtedness		(791,413)

Debt

Summary of Commitments

The following table summarises IAWS Group's contractual obligations, commercial commitments and principal payments as at 31 July 2007.

	Total	*Less than 1 year*	*1-5 years*	*Greater than 5 years*
		(All figures in €'000s)		
Senior Note Private Placement	328,252	—	—	328,252
Revolving Credit Facility (Restricted Group)	113,888	—	113,888	—
Credit Facility (Origin)				
Term Loan Drawing	75,000	—	75,000	—
Revolving Credit Facility	8,000	—	8,000	—
Bank loans and overdrafts	37,916	37,555	361	—
Total Debt before Finance Leases	563,056	37,555	197,249	328,252
Finance Leases	2,585	403	1,737	445
Total Debt including Finance Leases	565,641	37,958	198,986	328,697
Operating Leases	60,446	4,997	28,946	26,503
Total Contractual Obligations*	626,087	42,955	227,932	355,200

Gross debt, net debt and borrowed funds

Gross Debt (defined as Total interest bearing loans and borrowings included in non-current and current liabilities on IAWS Group balance sheet) amounted to €565.6 million as of 31 July 2007, compared to €291.1 million as at 31 July 2006. Cash and Cash equivalents amounted to €86.1 million as at 31 July 2007, compared to €74.6m as at 31 July 2006. Total Net Debt (defined as gross debt less cash and cash equivalents) amounted to €479.5 million at 31 July 2007, compared to €216.5 million as at 31 July 2006. The increase in Gross Debt and Net Debt from the year ended 31 July 2006 to the year ended 31 July 2007 is due primarily to the increased debt facilities and draw downs used for the acquisition of Otis.

Summary of Bank Covenant submissions – Revolving credit facility and senior note private placement

Description	*Covenant*	*FY07 – Full Year '000s*	*FY08 – Interims '000s*
Pro Forma EBITDA[10]		€173,090	€179,764
Net Debt[11]		€407,881	€418,446
Net Debt: EBITDA Ratio	3.50 times	2.36 times	2.33 times
Net Interest Charge		€27,454	€24,531
Interest Cover Ratio	4.00 times	6.30 times	7.33 times

The above terms are as defined in both the Revolving Credit Agreement dated November 2006 and the Note Purchase Agreement (Private Placement) dated June 2007.

* €108,518 of the total contractual obligations are attributable to Origin.

10 Pro forma EBITDA consists of the Lifestyle Food Group's consolidated profit on ordinary activities before interest, taxation and exceptional items, excluding the share of profit of associates and joint venture PLUS depreciation and amortisation of intangible assets PLUS Associated EBITDA (Group's share of North American joint venture EBITDA), all adjusted for the pro forma effect of acquisitions and disposals in the period. Pro forma EBITDA is calculated on a trailing twelve month basis for covenant compliance at interim periods.

11 Net debt is defined as the consolidated financial indebtedness of the Lifestyle Food Group/Origin – i.e. the sum of cash and cash equivalents, current interest bearing borrowings and non current interest bearing borrowings.

Summary of Bank Covenant Submissions – Credit facility (Origin)

Description	*Covenant*	*FY07 – Full Year '000s*	*FY08 – Interims '000s*
Pro Forma EBITDA[13]		€46,314	€59,315
Net Debt / (Cash)[12]		(€3,298)	€49,403
Net Debt: EBITDA Ratio*	3.25 times	(0.07) times	Not tested
Net Interest Charge		€2,645	€8,403
Interest Cover Ratio	3.00 times	17.51 times	7.06 times
Cash Flow		€43,784	€45,187
Cash Flow to Net Interest Charges	2.00 times	16.55 times	5.38 times
Stock and Trade Debtors		€135,045	€235,372
Stock & Trade Debtors to Facility C Drawings	2.00 times	16.88 times	3.18 times

The above terms are as defined in Credit Agreement dated May 2007 as amended in January 2008.

The Group's borrowed funds principally consisted of the following as at 31 July 2007:

- €328.3 million Senior Note Private Placement;
- €113.9 million Revolving Credit Facility;
- €75 million Term Loan – Origin Enterprises;
- €8 million Revolving Credit Facility – Origin Enterprises;
- €37.9 million Bank loans and overdrafts; and
- €2.6 million Finance leases.

The Revolving Credit Facility (Lifestyle Foods Group)

In November 2006 IAWS Group entered into a Revolving Credit Facility Agreement. This facility provides up to €600 million in availability and is due to expire in November 2011. Borrowing under the Facility is available to fund the working capital requirements of IAWS Group, capital expenditures and other general corporate purposes. As at 31 July 2007 €113.9 million was drawn under this facility.

The following table sets out the average interest rates as of 31 July 2007 for each of the currency drawn under the facility.

Description	*Currency*	*Interest Rate*
Swiss Franc Borrowings	CHF	3.08%
Canadian Dollar Borrowings	CAD	4.93%

The Credit Facility (Origin Enterprises)

In May 2007 Origin Enterprises plc entered into a Credit Facilities Agreement. This facility provides up to €350 million in availability and is due to expire in May 2012. Borrowing under the Facilities is available to fund the working capital requirements of IAWS Group, capital expenditures and other general corporate purposes. As at 31 July 2007 €83 million was drawn under the facilities.

* Covenant is tested Annually.

[12] Net debt is defined as the consolidated financial indebtedness of the Lifestyle Food Group/Origin – i.e. the sum of cash and cash equivalents, current interest bearing borrowings and non current interest bearing borrowings.

[13] Pro forma EBITDA consists of the Origin Group consolidated profit on ordinary activities before interest, taxation and exceptional items excluding the share of profit of associates PLUS depreciation and amortisation of intangible assets PLUS non cash share based payments expense. Pro forma EBITDA is calculated on a trailing twelve month basis for covenant compliance at interim periods.

The following table sets out the average interest rates as of 31 July 2007 for each of the currency drawn under the facility.

Description	*Currency*	*Interest Rate*
Facility A – Term Loan	EUR	5.20%
Facility C – Revolving Credit Facility	EUR	4.59%

Senior Note Private Placement (Restricted Group)

In June 2007 IAWS Finance PP Limited completed a USD450 million Guaranteed Senior Note Private Placement. The notes have a weighted average tenor of 9.2 years and Interest Coupon of 5.82 per cent. – payable semi annually in arrears. The proceeds of this facility were used to repay other loan commitments.

Financial and other covenants governing Group debt.

The instruments governing the indebtedness of IAWS Group contain financial covenants that restrict, among other things, the ability of Group to:

- incur additional indebtedness;
- incur Security Interests over any of it's assets;
- enter into certain transactions with affiliates;
- make any material change to the nature of the business;
- sell, transfer or dispose of certain assets of the business; and
- merge, amalgamate or consolidate with any other person or group.

5.1 Off-balance sheet arrangements

IAWS has not used special purpose vehicles or similar financing arrangements on a historical basis. In addition, IAWS has not had and does not have off-balance sheet arrangements with any of its affiliates.

5.2 Quantitative and qualitative disclosures about market risk

The Group has formal risk assessment processes in place through which risks and mitigating controls are evaluated. These processes are driven by business unit management, who are best placed to identify the significant ongoing and emerging risks facing their businesses. The outputs of these risk assessment processes are subject to various levels of review, up to and including Board level. Risks identified and associated mitigating controls are also subject to audit as part of operational, financial and health and safety audit programmes.

The risks identified fall broadly into four categories: strategic/commercial, operational, systems and financial. Some of the most significant strategic/commercial risks facing IAWS Group include the impact of changes in food consumption patterns and the potential impact of competitor activity. In addition IAWS Group faces the challenge of rising commodity and energy costs and the related challenge of passing on price increases to customers. The Group addresses these by focussing on research and development and product innovation to ensure that customer and consumer requirements are being anticipated and met on a continuing basis. The Group also closely monitors emerging changes to regulations or legislation on an ongoing basis. The attainment of the highest levels of product quality and customer service is also core to reducing the impact of these risks.

As a group that has grown both organically and through acquisitions, IAWS faces risks and challenges associated with managing growth, and ensuring that processes around acquiring and integrating new businesses are robust. The management of major capital projects is also a key area of risk for the business. There is substantial experience within Group of managing growth and in successfully integrating acquired businesses. There is also strong project management capability with a track record of success in this area. Financial, commercial and operational due diligence is performed both by external consultants and in-house experts in advance of all new acquisitions. The integration of new acquisitions and the delivery of major project initiatives is carefully managed and controlled.

Operational risks facing IAWS Group include issues associated with product contamination and general food scares affecting relevant products. A further operational risk to IAWS Group, in common with most companies, is the risk of failure to address increasing compliance requirements particularly in the areas of health and safety, emissions and effluent control. These types of risks are mitigated through the establishment of thorough hygiene and health and safety systems, environmental/discharge controls, auditing of supplier facilities and ensuring product traceability.

The loss of a significant manufacturing/operational site through natural catastrophe or act of vandalism represents another risk that could, potentially, have a material impact on IAWS Group. As a result, emphasis is given to ensuring that site security measures at all Group locations are robust. In addition, the Board is satisfied that significant management attention is given to the development of comprehensive operational disaster recovery plans.

Similarly, a significant IT system failure could adversely impact on operations. As a result, IT disaster recovery plans and system backup processes are implemented.

The Group has a track record of attracting and retaining high quality senior management and staff internationally. The Group is cognisant of cultural differences across the markets in which the business operates and has put in place management teams with the skills and local knowledge to trade successfully in IAWS Group's markets. As a result, IAWS Group faces risks associated with the potential loss of key management personnel. The Board addresses these risks through incentivisation and retention initiatives, in addition to robust succession planning.

As an international group with substantial operations and interests outside the euro-zone, IAWS is subject to the risk of adverse movements in foreign currency exchange rates. Exposures are managed through matching foreign currency investments with foreign currency borrowings and through the use of foreign currency hedging contracts.

5.3 Critical accounting policies and estimates

Certain accounting issues require management estimates and judgments for the preparation of financial statements. Details of the accounting policies applicable to the preparation of the audited financial statements of IAWS Group are presented in Part I Section C and Part I Section D of Part 12 (Index to Financial Information). The Group's most significant policies requiring the use of estimates and judgments are listed below:

5.3.1 Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint venture. In respect of acquisitions that have occurred since 1 August 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, i.e. original cost less accumulated amortisation from the date of acquisition up to 31 July 2004, which represents the amount recorded under Irish GAAP. Goodwill is now stated at cost or deemed cost less any accumulated impairment losses. In respect of associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment.

5.3.2 Taxation

Income tax on the profit or loss for the year 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, in which case the related tax is recognised in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates and laws that have been enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability 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 substantively 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 venture, except where the timing of the reversal of the temporary difference is controlled by IAWS 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.

5.3.3 Derivative financial instruments

All derivatives are initially recorded at fair value on the date the contract is entered into and subsequently, at reporting dates remeasured to their fair value. The gain or loss arising on remeasurement is recognised in the income statement except where the instrument is a designated hedging instrument.

Derivative financial instruments are used to manage IAWS Group's exposure to foreign currency risk, interest rate risk and commodity price risk through the use of forward currency contracts, interest rate swaps and futures contracts. These derivatives are generally designated as cash flow hedges in accordance with IAS 39. The Group does not enter into speculative derivative transactions.

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 the cash flow hedging reserve, a separate component of equity. Unrealised gains or losses on any ineffective portion of the derivative are recognised in the income statement. When the hedged transaction occurs the related gains or losses in the hedging reserve are transferred to the income statement.

5.3.4 Impairment

The carrying amounts of IAWS 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, which are 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, except for goodwill and long life intangibles. If any such indication exists, an impairment test is carried out and the asset is written down to its recoverable amount. Goodwill is tested for impairment annually.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. 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, other than in the case of goodwill, is 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.

5.3.5 Provisions

A provision is recognised in the balance sheet when IAWS 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. 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.

5.3.6 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 that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, 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 IAWS Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses are recognised in the statement of recognised income and expense. Current and past service costs, interest on scheme liabilities and expected return on assets are recognised in the income statement.

Equity settled compensation

During the year, IAWS Group established both the "IAWS Long Term Incentive Plan 2006" (the "IAWS Plan") and the "Origin Long Term Incentive Plan 2006" (the "Origin Plan").

The "1997 Share Option Scheme" expired during the year. The Group continues to recognise a share based payments expense in respect of share options granted under the scheme in previous years.

All equity instruments granted under the IAWS Plan, the Origin Plan and the 1997 Share Option Scheme are equity settled share based payments as defined in IFRS 2, *Share-based Payment*. The fair value of equity instruments granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread 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 an approved model, taking into account the terms and conditions under which the equity instruments were granted. The plans and share option scheme are each subject to a non-market vesting condition and, therefore, the amount recognised as an expense is adjusted to reflect the actual number of equity instruments that vest.

Group Executive Incentive and Retention Plan

The Group operates an incentive and retention plan for executives. The plan operates on an individual basis by providing contingent entitlement to a lump sum award referable to reckonable salary. Awards are applied through the purchase of shares in IAWS Group to be held by a trustee for the benefit of individual participants for a 3 to 5 year period. The costs associated with the plan are written off to the income statement on a straight-line basis over the relevant period.

5.3.7 Establishing lives for depreciation purposes of property, plant and equipment

Property, plant and equipment is stated at 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 expenditure including repairs and maintenance costs is recognised in the income statement as an expense as incurred.

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 15 years
Motor vehicles	3 to 7.5 years

The residual value of assets, if significant, and the useful life of assets is reassessed annually.

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 with the carrying amount and are included in operating profit.

5.3.8 Intangible assets

Intangible assets acquired as part of a business combination are valued at their fair value at the date of acquisition. These generally include brand and customer related intangible assets.

Where intangible assets are separately acquired they are capitalised at cost. Intangible assets are amortised over the period of their expected useful lives in equal annual instalments. The expected useful lives of intangible assets range from 12 to 25 years.

Computer software that is not an integral part of an item of computer hardware is also classified as an intangible asset. These intangible assets are stated at cost less accumulated amortisation and impairment losses. Cost comprises purchase price and other directly attributable costs. The expected useful life of computer software is 5 years.

5.3.9 Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

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 ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to euro at the actual rates when the transactions occurred. Foreign exchange differences arising on translation of the net assets of a foreign operation are recognised directly in equity, in a 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 taken to the 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 1 August 2004, the date of transition to IFRS, are recognised in the currency translation reserve and are recycled through the income statement on the repayment of the intra-group loan or on disposal of the related business.

PART 8

OPERATING AND FINANCIAL REVIEW RELATING TO HIESTAND

The consolidated financial information on Hiestand in this Part 8 has been extracted without material adjustment from Hiestand's consolidated financial statements which have been prepared in accordance with IFRS and Swiss Law for the years ended 31 December 2007, 2006 and 2005 as presented in Part II Section A and Part II Section B of Part 12 (Index to Financial Information) of this Prospectus.

1 GENERAL

The Hiestand Group is a leading manufacturer of convenience deep-frozen bakery products. It has subsidiaries in Switzerland, Germany, Austria, Poland, Malaysia, Japan and Turkey.

1.1 History

Hiestand's history dates back to 1967, when Alfred Hiestand opened a bakery specialising in the supply of fresh bakery products to the catering trade. In 1997 Hiestand was floated on the main segment of the SWX. Since 1988 Hiestand has been developing its national and international business.

In 2005 HiCoPain, a joint venture between Hiestand (60 per cent.) and a Coop (40 per cent.) production plant in Switzerland, started production. In 2006, Hiestand acquired Fricopan. Fricopan operates in Germany mainly as a supplier of the retail grocery channel.

1.2 Overview of the Hiestand Group operations

The Hiestand Group operates in two main geographical markets: Europe, which represents the core of the Hiestand Group, and Asia, which provides future opportunities in a developing frozen bakery products market. Europe includes operations in Switzerland, Germany, Austria, Poland and their respective export markets, whereas Asia comprises Turkey, Malaysia and Japan and their respective export markets.

The Hiestand Group operates in the following main business segments:

Frozen Bakery Products

- The frozen bakery product segment includes the production and sale of frozen bakery products to all type of customers, including export customers. The products are sold in various convenience levels.

  The frozen bakery products business is core to Hiestand, generating CHF674.2 million or 91 per cent. of total sales in 2007. Germany and Switzerland are the two core markets, with Hiestand being a market leader in both countries.

  In addition to its other key markets of Poland, Austria, Malaysia, Japan and Turkey, Hiestand exports frozen products to more than 40 countries all over the world. The main export markets are, among others, Denmark, the UK, Ireland, Czech Republic, Italy, Australia and Singapore. Hiestand Malaysia has a close relationship with an Australian distributor, over which Hiestand, under a call option agreement, has the option to acquire a 51 per cent. controlling interest in that distrbutor.

  Hiestand's strategy in the area of frozen bakery products is to manage the whole value chain (procurement, wholesale activities, production, logistics and distribution, selling and offering additional services). Hiestand has a high level of competence in the production of frozen bakery products and the distribution of such products to the point of sales of the customers. In all markets except for Japan, Hiestand operates through its wholly owned logistics fleet. In addition to premium products and logistic services, Hiestand offers its customers unique services such as the training of employees and advisory services in relation to the procurement and financing of baking equipment.

Chilled Bakery Products

- In addition to the Hiestand Group's range of frozen products, a subsidiary, Fricopan also produces chilled products for a key account customer. Hiestand has also developed the know-how to produce and sell MDP products. Both chilled and MDP products are sold in

the retail market directly to end consumers. These types of products are sold in Europe only and primarily in Germany. Sales of chilled products amounted to CHF36.7 million in 2007, representing 5 per cent. of total sales.

Fresh Bakery Products

- The fresh bakery product segment includes the production and sale of fresh bakery products to selected customers. Freshly baked products are only sold in the Zurich and Warsaw markets (and their immediate hinterlands).

  Hiestand regards the selling and distribution of fresh bakery products as an additional service to customers. This service is offered to customers with limited space for baking and storage. The growth potential for fresh bakery products is limited as products can only be distributed to customers in close proximity to the factories. Approximately CHF14.8 million or 2 per cent. of sales were generated by this business segment in 2007.

Retail

- The retail segment consists of sales by Hiestand's own baking shops (one shop in Switzerland and one factory outlet in Germany) and from a Hiestand operated chain of retail outlets in Poland.

1.3 Investment activity

For information on the significant items of investment made in the past 3 financial years, refer to Note 2.3 to the consolidated financial information relating to Hiestand for the two years ended 31 December 2007 on page F-148 and to Note 2.3 to the consolidated financial information relating to Hiestand for the two years ended 31 December 2006 on page F-207, both in Part 12 of this Prospectus.

Hiestand has no currently approved expenditure for future acquisitions.

2 RESULTS OF OPERATIONS

2.1 Hiestand Group

Consolidated results of operations of Hiestand Group for the year ended 31 December 2007, compared to the year ended 31 December 2006

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December

	2007	*2006*
	in CHF thousand	
Net sales	740,627	516,099
Services provided	1,517	1,595
Total revenue	742,144	517,694
Other operating income	11,798	4,214
Changes in inventories of finished goods and work in progress	6,365	(50)
Total income	760,307	521,858
Raw materials and consumables used	(327,755)	(208,585)
Personnel expenses	(179,425)	(128,811)
Depreciation of property, plant and equipment and investment property	(35,255)	(26,722)
Amortisation of intangible assets	(5,944)	(2,602)
Other operating expenses	(144,674)	(102,887)
Earnings before interest and taxes (EBIT)	67,254	52,251
Financial expenses	(19,385)	(12,312)
Financial income	10,381	9,306
Profit before tax	58,250	49,245
Income tax expense	(9,971)	(12,491)
Profit for the year	48,279	36,754

Total revenue

Net sales grew by 43.5 per cent. or CHF224.5 million respectively to CHF740.6 million in the year ended 31 December 2007 The organic growth of the Hiestand companies, without the impact of the acquisition, of Fricopan, accounted for CHF71.8 million, while the currency impact increased sales by another CHF11.4 million. The impact of the acquisition of Fricopan contributed CHF141.3 million in sales. Germany is now Hiestand's largest sales base with total net sales of CHF428.8 million (57.9 per cent. of total sales of Hiestand) followed by Switzerland with total net sales of CHF240.9 million (32.5 per cent. of total sales of Hiestand). In fiscal 2007 the Fricopan companies were consolidated for 12 months compared to 2 months only in fiscal 2006.

European sales grew by CHF223.7 million from CHF490.5 million to CHF714.2 million, composed of organic growth of CHF71.1 million, acquisition related growth of CHF141.3 million and currency effects of CHF11.3 million. In fiscal 2007 the Fricopan companies were consolidated for 12 months compared to 2 months only in fiscal 2006.

Asian sales increased by CHF0.7 million from CHF27.2 million to CHF27.9 million reflecting organic growth of CHF1.9 million offset by a negative currency impact of CHF1.2 million.

The largest customer channel is convenience stores which represented 23.5 per cent. of sales (CHF174.4 million). The largest growth area for Hiestand was retail groceries where revenues increased from CHF11.4 million in 2006 to CHF87.9 million in 2007. This increase was mainly due to the consolidation of the Fricopan companies for a full 12 month period in 2007 compared to only 2 months in 2006. Besides the export business, shown as part of the other channels, the customer channel retail groceries is the core channel of the Fricopan business.

The customer channel 'Others' includes as main channels the export business and the retail chain in Poland as well as the retail stores in Switzerland (Schlieren) and Germany (Immekath). The main export markets are Denmark, the UK, Ireland, Czech Republic, Italy, Australia and Singapore. The above average increase is due primarily to the 12 months consolidation of Fricopan which accounted for CHF53.4 million of the total increase of CHF78.0 million plus the increased sales to IAWS (from CHF5.9 million to CHF12.3 million).

Customer channels for fiscal 2007 and fiscal 2006:

	2007	*2006*
	in CHF thousand	
Foodservice	77,371	73,017
Convenience stores/Petrol stations	174,360	146,508
Bake-off in retail store	148,651	138,225
Bakeries	109,049	82,489
Catering	23,345	22,496
Retail groceries	87,886	11,377
Others	119,965	41,988
Total	740,627	516,100

Source: Unaudited management accounts, unaudited Company data

There was continued growth in all product lines during the year. The largest selling product line was bread rolls which represented 28.3 per cent. of sales (CHF209.9 million), an increase of 110.6 per cent. (CHF110.2 million) on 2006. All product lines saw significant increases with snacks registering the largest increase of 123.5 per cent. The increased growth by these two product groups was mainly due to the inclusion of the Fricopan Group for a full 12 month period in 2007 compared to only 2 months in 2006.

Overview product lines for fiscal 2007 and fiscal 2006:

	2007	*2006*
	in CHF thousand	
Croissants	102,652	79,591
Pretzel Products	29,660	26,380
Sweet Pastry	132,370	117,185
Bread Loaves	128,003	125,715
Bread Rolls	209,883	99,663
Savoury/Snacks	102,896	46,042
Others	35,163	21,524
Total	740,627	516,100

Source: Unaudited management accounts, unaudited Company data

Raw material and consumables used

Raw materials and consumables used include the purchased raw and packaging material as well as the purchase finished products, including the procurement costs. The increase in relation to net sales from 40.4 per cent. in fiscal 2006 to 44.3 per cent. in fiscal 2007 or, in monetary amounts, the above average increase from CHF208.6 million to CHF327.8 million, is due to the consolidation of the Fricopan Group for a full 12 month period. In comparison to Hiestand, Fricopan is a company focused on production and not on controlling the whole value chain including distribution, wholesale activities and selling. Therefore expenses for raw material and consumable used are higher in relation to net sales. The reason for this is that the sales price for a product sold by Fricopan is lower than the sales price of a product sold by Hiestand, because the customer has to bear costs for distribution and marketing in addition to the price it is paying for the product. When buying a product with Hiestand, all these services are included in the sales price. The price increases on the input costs were only relevant for the last 2 months of the fiscal year and therefore the impact of the total input costs in relation to net sales is immaterial.

Other operating expenses

The main cost components of other operating expenses are listed in the table below:

	2007	2006
	in CHF thousand	
Lease expenses	12,188	10,617
Energy & waste disposal	19,905	11,036
Property expenses	184	111
Repair and maintenance expenses	15,607	8,645
Distribution (transportation & storage)	49,279	37,709
Marketing expenses	7,538	6,096
Selling expenses	13,668	11,118
Other*	26,305	17,555
Total other operating expenses	144,674	102,887

* Other operating expenses include, among others, expenses for communication, office material, insurance, audit fees, the costs of the annual general meeting, the annual report and public relations, as well as various consulting expenses.

The increased energy and waste disposal and repair and maintenance expenses is due to the 12 month consolidation of Fricopan. Out of the increase of CHF8.9 million in Energy and waste disposal, CHF7.8 million is directly related to the consolidation of Fricopan. Total repair and maintenance expenses increased by CHF7.0 million with Fricopan accounting for CHF5.7 million. The below average increase of distribution expenses is on the one side due to the 12 month consolidation of Fricopan and on the other side due to efficiency increases and the integration of distribution operations in Switzerland following the acquisition of the TK-Center Birrfeld AG (TKC) in March 2006. The know-how transfer from Hiestand to TKC has lead to increase in efficiency at TKC's distribution operations. All the other cost components and expenses such as lease expenses, marketing expenses, selling expenses and others listed above mainly increased in line with the development of net sales.

EBIT

The better-than-forecast sales gave a major boost to operating results. EBIT has increased by 28.7 per cent. to CHF67.3 million in 2007 compared to 2006.

Europe EBIT increased from CHF67.4 million to CHF84.1 million, an increase of 24.8 per cent while Asia EBIT decreased slightly by 2.7 per cent to CHF1.2 million.

The EBIT margin decreased from 10.1 per cent. to 9.1 per cent. in 2007 due in main to the integration and consolidation of the Fricopan Group. When Fricopan was acquired its margins were considerably lower compared to the margins of Hiestand. The sharp increases in raw materials prices did not negatively impact the group margin as these extra costs were absorbed by price increases to customers. There was also an increase of 30.8 per cent. in relation to distribution costs. Personnel expenses increased by 39.3 per cent., based on 2,955 full time employees compared to 2,777 in 2006.

Finance expense, net

Finance expenses increased by CHF6 million (200 per cent.) due to the increased level of average debt in 2007 resulting from drawdowns used to finance the purchase of Fricopan.

Income tax expense

German tax reforms had a positive impact on income tax expense relating to the recalculation of provisions on deferred taxes. Income tax expense decreased by CHF2.5 million to CHF10 million.

2.2 Hiestand Group

Consolidated results of operations of Hiestand Group for the year ended 31 December 2006, compared to the year ended 31 December 2005

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December

	2006	*2005*
	in CHF thousand	
Net sales	516,099	449,592
Services provided	1,595	1,073
Total revenue	517,694	450,665
Other operating income	4,214	2,932
Changes in inventories of finished goods and work in progress	(50)	1,659
Total income	521,858	455,256
Raw materials and consumables used	(208,585)	(179,844)
Personnel expenses	(128,811)	(106,786)
Depreciation of property, plant and equipment	(26,722)	(24,856)
Amortisation of intangible assets	(2,602)	(1,739)
Other operating expenses	(102,887)	(96,320)
Earnings before interest and taxes (EBIT)	52,251	45,711
Share of results of associates	—	237
Financial expenses	(12,312)	(10,897)
Financial income	9,306	7,410
Profit before tax	49,245	42,461
Income tax expense	(12,491)	(10,505)
Profit for the year	36,754	31,956

Total revenue

Net sales grew by 14.8 per cent. or CHF66.5 million respectively to CHF516.1 million in the year ended 31 December 2006, reflecting organic growth of 9.4 per cent. In absolute values, the organic growth of the Hiestand companies accounted for CHF38.9 million, the currency impact increased sales by CHF3.2 million, and the effect of the acquisition of Fricopan (November and December 2006) was CHF24.4 million.

European sales grew by CHF66.5 million (15.7 per cent.) from CHF424.0 million to CHF490.5 million.

Asian sales increased by CHF0.6 million to CHF27.2 million reflecting growth of 2 per cent. This increase was impacted by the sale of the Singapore operation and negatively by the weakness of the Japanese Yen. Therefore on a like-for-like basis, sales growth was 13.7 per cent.

Gastronomy/Food service made a 14.1 per cent. contribution to total sales in 2006, down 2.7 per cent. on 2005. Convenience stores/services stations contributed 28.4 per cent. of total sales in 2006, up 9.2 per cent. on 2005. Bake-off in Food Stores contributed 26.8 per cent. of total sales in 2006, up 11.8 per cent. on 2005. The highest increase was realised in the channel Others, because of the first time consolidation of the Fricopan companies (2 months included in 2006). Fricopan reported all the sales in this category with the exception of the channel retail groceries. The reason for this was the missing information system. Before the acquisition, the Fricopan companies did not have a definition of customer channels.

The customer channel 'Others' includes as main channels the export business and the retail chain in Poland as well as the retail stores in Switzerland (Schlieren) and Germany (Immekath). The main export markets are Denmark, the UK, Ireland, Czech Republic, Italy, Australia and Singapore. The above average increase is due primarily to the 2 months consolidation of Fricopan which accounted for CHF24.4 million of the total increase of CHF27.8 million.

Customer channels for fiscal 2006 and fiscal 2005:

	2006	*2005*
	in CHF thousand	
Foodservice	73,017	75,035
Convenience stores / Petrol stations	146,508	134,126
Bake-off in retail store	138,225	123,642
Bakeries	82,489	77,789
Catering	22,496	24,889
Retail groceries	11,377	—
Others	41,988	14,112
Catering	516,100	449,593

Source: Unaudited management accounts, unaudited Company data

There was renewed growth in the main product groups. The strongest product group – Bread Rolls – contributed 43.7 per cent. of total sales up 12.9 per cent. on 2005 reflecting the positive impact of the Fricopan acquisition. The Croissants product-line grew by 9.3 per cent. to CHF79.6 million – 15.4 per cent. of total sales were mainly due to newly launched French croissants.

Overview product lines for fiscal 2006 and fiscal 2005:

	2006	*2005*
	in CHF thousand	
Croissants	79,591	72,830
Pretzel Products	26,380	24,960
Sweet Pastry	117,185	102,444
Bread Loaves	125,715	121,767
Bread Rolls	99,663	77,791
Savoury/Snacks	46,042	38,137
Others	21,524	11,664
Total	516,100	449,593

Source: Unaudited management accounts, unaudited Company data

Raw materials and consumables used

Raw material and consumables used includes the purchased raw and packaging material, as well as the purchase of finished products, including procurement costs. In comparison to Hiestand, Fricopan is a company focused on production and not controlling the whole value chain including distribution, wholesale activities and sales. Therefore expenses for raw material and consumables are higher relative to net sales. The reason for this is that the sales price of a Fricopan product is lower than the sales price of a similar Hiestand product because the customer has to bear costs for distribution and marketing in addition to the price it is paying for the actual product. The price that a customer pays Hiestand for a product includes the cost of such additional services. Nevertheless, total expenses for raw materials and consumables did not increase relative to sales because the impact of two months consolidation of the Fricopan companies is immaterial.

Other operating expenses

	2006	2005
	in CHF thousand	
Rental expenses	10,617	9,003
Energy & Waste Disposal	11,036	7,912
Property expenses	111	107
Repair and maintenance expenses	8,645	6,117
Distribution (transportation & storage)	37,709	45,206
Marketing expenses	6,096	4,468
Selling expenses	11,118	9,540
Other operating expenses*	17,555	13,967
Total	102,887	96,320

* Other operating expenses include, among others, expenses for communication, office material, insurance, audit fees, the costs of the annual general meeting, the annual report and public relations, as well as various consulting expenses.

The increase in energy and waste disposal and repair and maintenance expenses is due to the 2 month consolidation of Fricopan in 2006 (acquisition as of 1 November 2006). Out of the increase of CHF3.1 million in Energy & waste disposal, CHF1.3 million is directly related to the consolidation of Fricopan. Repair and maintenance expenses increased by CHF2.5 million of which Fricopan amounted to CHF0.9 million. The decrease of distribution expenses is due to increased efficiency and the integration of distribution operations in Switzerland following the acquisition of the TK-Center Birrfeld AG (TKC) in March 2006. The transfer of know-how from Hiestand to TKC has lead to an increase in efficiency at TKC's distribution operations. All the other cost components and expenses such as lease expenses, marketing expenses, selling expenses and others listed above mainly increased in average with the development of net sales.

EBIT

EBIT increased by CHF6.6 million to CHF52.3 million, an increase of 14.3 per cent. compared to 2005.

Europe EBIT increased from CHF57.4 million to CHF67.4 million, an increase of 17.4 per cent. Asia EBIT decreased by CHF1.4 million from CHF2.7 million to CHF1.3 million, a decrease of 51.9 per cent., largely due to the weaker Japanese Yen and the sale of the Singapore operations.

The EBIT margin for the European segment widened slightly from 13.5 per cent. to 13.8 per cent.

Finance expense, net

Finance expenses decreased from CHF3.5 million in 2005 to CHF3 million in 2006.

Income tax expense

Income tax expense as a percentage of profit before tax was 25 per cent. in both 2005 and 2006.

3 BALANCE SHEET DATA

3.1 Hiestand Group – Balance Sheet as at 31 December 2007

ASSETS

as of 31 December

	2007	*2006*
CURRENT ASSETS	*in CHF thousand*	
Cash and cash equivalents	12,053	26,744
Other current financial assets	2,839	2,736
Trade receivables	86,295	71,704
Current tax assets	3,281	4,340
Other receivables	16,897	10,027
Inventories	41,442	33,472
Assets classified as held for sale	100	221
Prepaid expenses and accrued income	6,838	5,136
Total current assets	169,745	154,380
NON-CURRENT ASSETS		
Property, plant and equipment	247,122	229,290
Investment properties	5,380	2,054
Intangible assets	230,966	228,547
Loans due from third parties	195	234
Other non-current financial assets	2,683	2,650
Employee benefit assets	747	680
Deferred tax assets	1,065	917
Total non-current assets	488,158	464,372
Total assets	657,903	618,752

LIABILITIES AND EQUITY
as of 31 December

CURRENT LIABILITIES	*2007*	*2006*
	in CHF thousand	
Interest-bearing loans and borrowings	48,786	44,089
Trade payables	60,705	49,162
Current tax liabilities	17,049	12,128
Other payables	5,292	5,006
Accrued expenses and deferred income	24,799	21,271
Total current liabilities	156,631	131,656
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	141,933	171,413
Provisions	1,545	1,757
Employee benefit obligations	1,714	1,240
Deferred tax liabilities	36,190	42,200
Total non-current liabilities	181,382	216,610
Total liabilities	338,013	348,266
EQUITY		
Share capital	532	532
Additional paid-in capital	99,863	99,839
Treasury shares	(1,225)	(913)
Retained earnings	208,085	160,289
Total shareholders' equity attributable to equity holders of HIESTAND HOLDING AG	307,255	259,747
Minority interest	12,635	10,739
Total equity	319,890	270,486
Total liabilities and equity	657,903	618,752

Non current assets increased by CHF23.8 million (5.1 per cent.) compared to 31 December 2006.

Property, plant and equipment increased by CHF17.8 million (7.8 per cent.) to CHF247.1 million. The increase was primarily attributable to additions (CHF49.3 million) and foreign currency translation movements offset by annual depreciation. Additions related primarily to the construction of manufacturing lines and the purchase of a frozen warehouse in Germany as well as the purchase of an office building and a frozen warehouse in Switzerland. ***Investment properties*** increased by CHF5.4 million, representing additions related to the purchase of land reserves in Switzerland and Malaysia and a rental property in Switzerland, offset by a transfer to property, plant and equipment in the amount of CHF2.1 million. ***Intangible assets*** increased slightly due to foreign currency translation movements offset by annual amortization. There were no other significant movements in non current assets.

Current assets increased by CHF15.4 million (10 per cent.) compared to 31 December 2006. This reflects lower ***cash*** balances offset by increased ***trade and other receivables*** and ***inventory***. The main reason for the lower cash balance was due to increased cash reserves being held in December 2006 to fund the repayment of a bank loan in early 2007.

Non current liabilities decreased from CHF216.6 million as at 31 December 2006 to CHF181.4 million as at 31 December 2007, a decrease of 16.3 per cent. The decrease relates primarily to repayment of ***interest bearing loans and borrowings*** and reclassifications from long term to short term bank loans. Long term ***deferred tax liabilities*** also decreased by CHF6 million due in main to the reduction of the corporate tax rate in Germany.

Current liabilities increased by CHF25 million (19 per cent.) compared to 31 December 2006. This was primarily a result of increased ***trade payables*** and ***current tax liability***.

Equity

Principal movements related to retained earnings and reflected profit for the year and foreign currency translation movements offset by dividends paid of CHF10.8 million, being a dividend of CHF9.6 million paid to the shareholders of Hiestand and CHF1.2 million paid to the minority shareholder of HiCoPain.

3.2 Hiestand Group – Balance Sheet as at 31 December 2006

ASSETS

as of 31 December

	2006	*2005*
CURRENT ASSETS	*in CHF thousand*	
Cash and cash equivalents	26,744	11,767
Other current financial assets	2,736	2,632
Trade receivables	71,704	49,998
Current tax assets	4,340	93
Other receivables	10,027	6,184
Inventories	33,472	23,094
Assets classified as held for sale	221	14
Prepaid expenses and accrued income	5,136	7,007
Total current assets	154,380	100,789
NON-CURRENT ASSETS		
Property, plant and equipment	229,290	172,202
Investment properties	2,054	—
Intangible assets	228,547	80,370
Investments in associated companies	—	836
Loans due from related parties	—	2,303
Loans due from third parties	234	150
Other non-current financial assets	2,650	865
Employee benefit assets	680	718
Deferred tax assets	917	561
Total non-current assets	464,372	258,005
Total assets	618,752	358,794

LIABILITIES AND EQUITY
as of 31 December

CURRENT LIABILITIES	*2006*	*2005*
	in CHF thousand	
Interest-bearing loans and borrowings	44,089	20,597
Trade payables	49,162	24,138
Current tax liabilities	12,128	10,391
Other payables	5,006	9,138
Accrued expenses and deferred income	21,271	13,401
Total current liabilities	131,656	77,665
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	171,413	28,833
Provisions	1,757	1,862
Employee benefit obligations	1,240	1,082
Deferred tax liabilities	42,200	14,564
Total non-current liabilities	216,610	46,341
Total liabilities	348,266	124,006
EQUITY		
Share capital	532	532
Additional paid-in capital	99,839	99,561
Treasury shares	(913)	(1,030)
Retained earnings	160,289	127,357
Total shareholders' equity	259,747	226,420
Minority interest	10,739	8,368
Total equity	270,486	234,788
Total liabilities and equity	618,752	358,794

Non current assets increased by CHF206.4 million (80 per cent.) compared to 31 December 2005.

Property, plant and equipment increased by CHF57.1 million (33.2 per cent.) to CHF229.3 million. The increase was primarily attributable to the acquisition of Fricopan (CHF56.4 million). Other movements resulting in an increase to the property, plant and equipment include additions (CHF25.2million) and foreign currency translation movements (CHF3.4 million) offset by annual depreciation. Additions in 2006 related primarily to the replacement and expansion of the Hiestand Group's logistics fleet in Germany and Switzerland (in connection with the acquisition of the TK-Center Birrfeld AG ("TKC")) as well as the purchase of warehouse space in Germany. ***Investment properties*** increased due to the acquisition of TKC which owned a land reserve in Switzerland.

Intangible assets increased by CHF148.2 million primarily due to the acquisition of Fricopan Group and foreign currency translation movements offset by annual amortization. There were no other significant movements in non current assets.

Current assets increased by CHF53.6 million (53.2 per cent.) compared to 31 December 2005 due mainly to the acquisition of Fricopan Group.

Non current liabilities increased from CHF46.3 million as at 31 December 2005 to CHF216.6 million as at 31 December 2006, an increase of 367.8 per cent. The increase relates primarily to drawdowns of ***debt*** in order to finance the purchase of the Fricopan Group. Long term ***deferred tax liabilities*** also increased by CHF27.6 million resulting from the increased deferred tax on intangible assets associated with the purchase of the Fricopan Group.

Current liabilities increased from CHF77.7 million to CHF131.7 million (69.5 per cent.) compared to 31 December 2005 primarily as a result of the Fricopan acquisition.

Equity

Principal movements relate to retained earnings and reflect profit for the year and foreign currency translation movements which were offset by dividends paid of CHF8 million.

4 CASH FLOW INFORMATION

4.1 Hiestand Group – Cash Flow Statement for the period ended 31 December 2007

CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December

	2007	*2006*
	in CHF thousand	
Profit before tax	58,250	49,245
Financial expenses, net of realised exchange losses	14,929	10,214
Financial income, net of realised exchange gains	(6,018)	(7,110)
Depreciation of property, plant and equipment and investment properties	35,255	26,722
Amortisation of intangible assets	5,944	2,602
Impairment losses and reversals	—	12
(Gain)/Loss on disposal of property, plant and equipment	(469)	(301)
(Increase)/decrease in trade and other receivables	(21,321)	776
(Increase)/decrease in inventories	(7,451)	(969)
(Increase)/decrease in prepaid expenses and accrued income	(1,498)	2,436
(Increase)/decrease in trade and other payables	11,772	2,749
(Increase)/decrease in accrued expenses and deferred income	3,482	2,797
(Increase)/decrease in provisions and employee benefit liabilities	128	(181)
Income taxes paid	(10,677)	(12,048)
Net cash provided by/(used in) operating activities	82,326	76,944
Proceeds from sale of property, plant and equipment	1,426	1,266
Purchase of property, plant and equipment and investment properties	(51,184)	(25,167)
Purchase of intangible assets	(840)	(1,638)
Acquisition of subsidiary, net of cash acquired	—	(153,058)
Net proceeds from purchases and sales of marketable securities, including derivative financial instruments	(14)	—
Investments in other financial assets (including associates)	(83)	(417)
Interest received	230	177
Dividends received	4	171
Net cash provided by/(used in) investing activities	(50,461)	(178,666)
Repurchase of treasury shares	(333)	(441)
Sale of treasury shares	45	852
Dividends paid	(10,815)	(7,963)
Increase/(decrease) in bank overdrafts	(14,988)	5,553
Increase in interest bearing liabilities	25,390	156,639
Repayment of interest bearing liabilities	(35,255)	(35,013)
Payment of finance lease liabilities	(110)	(98)
Interest paid	(10,711)	(2,954)
Net cash provided by/(used in) financing activities	(46,777)	116,575
Net increase/(decrease) in cash and cash equivalents	(14,912)	14,853
Cash and cash equivalents as of 1 January	26,744	11,767
Effect of exchange rate fluctuations on cash and cash equivalents	221	124
Cash and cash equivalents as of 31 December	12,053	26,744

Net cash provided by operating activities

In the year ended 31 December 2007, net cash provided by operating activities increased by CHF5.4 million (7 per cent.) compared to 2006. This reflects the Hiestand Group's increased profitability. ***Finance expense, depreciation*** and ***amortisation*** in arriving at net cash provided by operating activities all increased compared to FY 2006 due to the acquisition of Fricopan which resulted in increased average debt outstanding as well as an increase in depreciable and amortisable long term assets. Cash generated from ***movements in working capital*** items in 2006 was CHF7.6 million compared to cash used in working capital movements in 2007 of CHF14.9 million.

Net cash used in investing activities decreased from CHF178.7 million in 2006 to CHF50.5 million in 2007. The decrease from year to year relates primarily to Hiestand's acquisition of the Fricopan Group in 2006 for CHF151 million, which was offset by increased capital expenditure in FY 2007.

Net cash provided by/(used in) financing activities

Hiestand generated CHF116.6 million of cash from financing activities in FY 2006 compared to a cash usage from financing activities in FY 2007 of CHF46.8 million. This relates principally to the drawdown of debt in FY 2006 to finance the acquisition of the Fricopan Group.

Net increase/(decrease) in cash and cash equivalents

Hiestand used CHF14.9 million of cash in all activities during 2007 compared to a cash generation in 2006 of CHF14.9 million.

Cash and cash equivalents as of 31 December

The decrease of cash and cash equivalents during 2007 relates principally to a decrease in interest bearing liabilities to be repaid compared to the same period in 2006.

Hiestand Group – Cash Flow Statement for the period ended 31 December 2006

CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December

	2006	*2005*
	in CHF thousand	
Profit before tax	49,245	42,461
Financial expenses, net of realised exchange losses	10,214	8,176
Financial income, net of realised exchange gains	(7,110)	(4,764)
Depreciation of property, plant and equipment	26,722	24,856
Amortisation of intangible assets	2,602	1,739
Impairment losses and reversals	12	—
Shares of results of associates	—	(237)
(Gain)/Loss on disposal of property, plant and equipment	(301)	(125)
(Increase)/decrease in trade and other receivables	776	(2,197)
(Increase)/decrease in inventories	(969)	(2,669)
(Increase)/decrease in prepaid expenses and accrued income	2,436	(2,134)
(Increase)/decrease in trade and other payables	2,749	(2,579)
(Increase)/decrease in accrued expenses and deferred income	2,797	4,508
(Increase)/decrease employee benefit liabilities	179	208
(Increase)/decrease in provisions	(360)	(2,274)
Income taxes paid	(12,048)	(15,784)
Net cash provided by/(used in) operating activities	76,944	49,185
Proceeds from sale of property, plant and equipment	1,266	1,013
Purchase of property, plant and equipment	(25,167)	(25,693)
Purchase of intangible assets	(1,638)	(1,191)
Acquisition of subsidiary, net of cash acquired	(153,058)	—
Disposal of subsidiaries, net of cash disposed of	—	(303)
Net proceeds from purchases and sales of marketable securities, including derivative financial instruments	—	54
Investments in other financial assets (including associates)	(417)	(78)
Interest received	177	229
Dividends received	171	—
Net cash provided by/(used in) investing activities	(178,666)	(25,969)
Repurchase of treasury shares	(441)	(967)
Sale of treasury shares	852	1,292
Dividends paid	(7,963)	(5,232)
Increase/(decrease) in bank overdrafts	5,553	(11,252)
Increase in interest bearing liabilities	156,639	3,233
Repayment of interest bearing liabilities	(35,013)	(20,150)
Payment of finance lease liabilities	(98)	(54)
Interest paid	(2,954)	(3,114)
Net cash provided by/(used in) financing activities	116,575	(36,244)
Net increase/(decrease) in cash and cash equivalents	14,853	(13,028)
Cash and cash equivalents as of 1 January	11,767	24,514
Effect of exchange rate fluctuations on cash and cash equivalents	124	281
Cash and cash equivalents as of 31 December	26,744	11,767

Net cash provided by operating activities increased by CHF27.8 million (56.4 per cent.) compared to 2005. This reflects the group's increased profitability. The acquisition of the Fricopan group was completed in November 2006 and the acquisition therefore only had a 2 month effect on depreciation, amortisation and finance expense in arriving at net cash provided by operating activities. Cash used from ***movements in working capital*** items in 2005 was CHF7.1 million compared to cash provided in working capital movements in 2006 of CHF7.6 million.

Net cash used in investing activities increased from CHF26 million in 2005 to CHF178.7 million in 2006. The increase from year to year relates primarily to Hiestand's acquisition of the Fricopan Group in 2006 for CHF151 million.

Net cash provided by/(used in) financing activities

Hiestand generated CHF116.6 million of cash from financing activities in FY 2006 compared to a cash usage from financing activities in FY 2005 of CHF36.2 million. This movement relates principally to the drawdown of debt in FY 2006 to finance the acquisition of the Fricopan Group.

Net increase/(decrease) in cash and cash equivalents

Hiestand used CHF13 million of cash in all activities during 2005 compared to a cash generation in 2006 of CHF14.9 million.

Cash and cash equivalents as of 31 December

The increase of cash and cash equivalents during 2006 relates principally to an increase in interest bearing liabilities to be repaid for the period.

5 CAPITAL RESOURCES

The Hiestand Group's primary sources of liquidity are cash flows from operations and borrowings under the Credit Facility Agreement (syndicated bank loan). The Hiestand Group's primary uses of cash are capital expenditures for investment in production facilities and the logistic system in order to secure the organic growth, as well as for acquisitions and debt servicing.

Capitalisation and Indebtedness table

Net Financial Indebtedness

Total Current Debt	*As of 31 May 2008 in CHF thousand*
Guaranteed	—
Secured	51,648
Unguaranteed/Unsecured	5,850
	57,498
Total Non-current Debt (Excluding Current Portion of Long Term Debt)	
Guaranteed	—
Secured	137,652
Unguaranteed/Unsecured	5,800
	143,452
Shareholders' Equity	
Legal Reserve	—
Treasury Shares	(1,337)
Paid-in legal reserves (incl. share premium)	117,482
Share Capital	532
Other Reserves	
Capital Conversion Reserve Fund	—
Equity Reserve	191,840
Hedging and Translation Reserve	—
Consolidation Reserve	—
Total Shareholders' Equity before Minorities	308,517
Net Indebtedness as at 31 May 2008 based on unaudited management financial information	509,467
Liquidity	
Cash	15,968
Cash Equivalents	—
Trading Securities	2,706
Total Liquidity	18,674
Current Financial Receivable	
Current Bank Debt	35,498
Current Portion of Non Current Debt	22,000
Other Current Financial Debt	—
Current Financial Debt	57,498
Net Current Financial Indebtedness	38,824
Non Current Bank Loans	137,652
Bonds Issued	—
Other Non Current Loans	5,800
Non Current Financial Indebtedness	143,452
Net Financial Indebtedness	182,275

Debt

On 11 November 2006 Hiestand entered into a Credit Facility Agreement which is due to expire on 31 December 2012. This agreement includes two different facilities, Facility A (max. credit line as of 1 January 2008 was CHF158.0 million, and as of 11 November 2006 it was CHF165.0 million) and Facility B (max. credit line as of 1 January 2008 was CHF80.0 million), and an external basket (max. credit line as of January 1, 2008 was CHF50.0 million). In addition to this there is a shareholder's loan from the minority shareholder of the Joint Venture.

Facilities, external basket and shareholder's loan Joint Venture as of 1 January, 2008

	Total	*Less than 1 year*	*1 – 5 years*	*Greater than 5 years*
		in CHF thousands		
Facility A				
Total credit line	158,000	22,000	136,000	—
Used as of 1 January 2008	158,000	22,000	136,000	0
Facility B				
Total credit line	80,000	—	80,000	—
Used as of 1 January 2008	21,000	21,000	—	—
External basket				
Total credit line	50,000	—	50,000	0
Used as of 1 January 2008	7,156	5,656	1,500	0
*Shareholders' loan Joint Venture**				
Total credit line	13,600	—	—	13,600
Used as of 1 January 2008	5,800	—	—	5,800
TOTAL				
Total credit line	301,600	22,000	266,000	13,600
Used as of 1 January 2008	191,956	48,656	137,500	5,800

* Both shareholders of HiCoPain (HiCoPain is held 60 per cent. by Hiestand and 40 per cent. by Coop. Coop is the largest customer of Hiestand in Switzerland) granted a shareholder's loan to HiCoPain in proportion to their shareholding. Whenever HiCoPain has an excess of cash, HiCoPain is repaying the shareholder's loan to the shareholder's in proportion to their shareholdings and vice versa. January 1 of every business year the interest rate is adjusted to the maximum interest rate for shareholder's loans according to the Swiss tax authorities. The maximum amount HiCoPain is allowed to draw from the 40 per cent. shareholder Coop is CHF13.6 million, the maximum amount HiCoPain is allowed to draw from the 60 per cent. shareholder Hiestand is CHF20.4 million. Whereas the shareholder's loan from Hiestand is eliminated during consolidation, the shareholder's loan from Coop is shown as interest-bearing loan. The facility agreement between Hiestand and the bank syndicate lists this shareholder's loan separate from the granted credit lines.

This Credit Facility Agreement is separated into four parts (facility A, facility B, external basket, shareholder's loan HiCoPain). Facility A was granted originally a total credit line of CHF165.0 million with a defined repayment schedule (end of 2007 CHF7.0 million, thereafter yearly repayments of CHF22.0 million until the end of 2011 and refinancing of the remaining CHF70.0 million at the end of 2012). Facility B grants a total credit line of CHF80.0 million until the end of 2012. The external basket grants additional credit lines of CHF50.0 million.

The defined covenants are:

- Net financial indebtedness / EBITDA of max. 2.5
- EBITDA / net interest payable of min. 6 times
- Total equity of min. CHF220 million
- Total equity / total consolidated assets of min. 35 per cent.

The following table sets out the average interest rates as of December 31, 2007 for each of the currency drawn under one of the facilities, baskets or shareholder's loan.

Description	*Currency*	*Interest rate*
Borrowings Facility Agreement	CHF	3.73%
Borrowings Facility Agreement	JPY	2.11%
Shareholder's loan	CHF	5.00%

6 OFF-BALANCE SHEET ARRANGEMENTS

Hiestand Group has not used special purpose vehicles or similar financing arrangements on an historical basis. In addition, Hiestand Group has not had and does not have off-balance sheet arrangements with any of its affiliates.

7 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Hiestand Group has exposure to the following risks from its use of financial instruments, market risk, credit risk and liquidity risk.

The Board has overall responsibility for the establishment and oversight of the Hiestand Group's risk management framework. The Hiestand Group's risk management policies are established to identify and analyze the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Hiestand Group's activities. The Hiestand Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market risk is risk where changes in market prices, such as foreign exchange rates, interest rates and equity prices affect the Hiestand Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk arises from movements in interest rates which could have effects on the Hiestand Group's net income or financial position. Changes in interest rates may cause variations in interest expenses resulting from interest bearing liabilities.

The Hiestand Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The Hiestand Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Hiestand Group entities, primarily the CHF, but also EUR, PLN, MYR and JPY. The foreign currencies in which these transactions primarily are denominated are CHF, EUR and USD.

In respect of monetary assets and liabilities denominated in foreign currencies, the Hiestand Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. The foreign exchange risks are currently not hedged.

Equity price risk arises from equity securities held for trading purposes and investments classified as available-for-sale. Equity price risk on equity securities held for trading is closely monitored by a Swiss credit institution who actively manages the deposit. The available-for-sale financial assets are monitored by the management on a regular basis. Impairment considerations are either based on market values (if available) or alternatively on valuation models using actual financial statements of the respective companies.

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet their obligations causing a financial loss. Hiestand has no significant concentration of credit risks with respect to trade receivables. Hiestand has a large number of customers, whereby some may temporarily be of greater significance during the year. The exposure to credit risk is monitored by management on a regular basis and with the aid of defined credit limits per customer. The counterparties to transactions in securities and cash are carefully selected financial institutions. Hiestand management does not expect any counterparty to fail to meet its obligations.

Liquidity risk is the risk that the Hiestand Group will not be able to meet its financial obligations as they fall due. The group maintains sufficient reserves of cash and readily realizable marketable

securities to meet its liquidity requirements. Individual group companies are generally responsible for their own cash management. However group wide financing activities and cash planning are coordinated on a group level.

8 CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Certain accounting issues require management estimates and judgments for the preparation of financial statements. Details of the accounting policies applicable to the preparation of the consolidated financial statements of Hiestand are presented in Part II Section A and Part II Section B of Part 12 (Index to Financial Information). The Hiestand Group's most significant policies requiring the use of estimates and judgments are listed below:

8.1 Goodwill

In respect of business combinations that have occurred since 1 January 2004, goodwill represents the difference between the cost of the business combination and the Hiestand Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired.

In respect of business combinations that occurred prior to 1 January 2004, goodwill is included on the basis of its deemed cost, representing the amount recorded under Swiss GAAP FER at the date of transition to IFRS. Positive goodwill is recognized as an asset and measured at cost or deemed cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Negative goodwill arising on an acquisition is recognized directly in the income statement.

8.2 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized based on the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognized on goodwill if it is not deductible for tax purposes, and any temporary differences relating to investments in subsidiaries to the extent that they are controlled by the Hiestand Group and will probably not reverse in the foreseeable future. The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

Income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

8.3 Derivative Financial Instruments

The Hiestand Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Hiestand Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are stated at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged. Gains or losses on derivative financial instruments for which no hedge accounting is applied are recognized in profit or loss immediately.

Hedging Cash Flows

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognized directly in equity. When the forecasted transaction

results in the recognition of a financial asset or financial liability, the cumulative gain or loss is reclassified into profit or loss in the same period during which the asset acquired or liability assumed affects profit or loss. When the forecasted transaction results in the recognition of a non-financial asset or liability, the cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the asset or liability. In any other case, the cumulative gain or loss is removed from equity and recognized in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognized in the income statement immediately.

Hedge of Monetary Assets and Liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognized monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognized in the income statement.

Hedge of a Net Investment and in Foreign Operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognized in equity. The ineffective portion is recognized immediately in profit or loss.

Fair Value Hedges

Where a derivative financial instrument hedges the exposure to changes in the fair value of a recognized asset or liability (other than economical hedges of foreign exchange exposure of recognized monetary assets or liabilities), the hedged item is stated at fair value in respect of the risk being hedged. Gains or losses on remeasurement of both the hedging instrument and the hedged item are recognized in the income statement

8.4 Impairment

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually or more frequently, if there is an indication that they might be impaired. The carrying amount of assets other than goodwill, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement. Impairment losses in respect of goodwill are not reversed. An impairment loss of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

8.5 Provisions

A provision is recognized when the Hiestand Group has a 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. If the effect is material, provisions are determined by discounting the expected future cash flows.

Restructuring

A provision for restructuring is recognized when the Hiestand Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it.

Onerous Contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Hiestand Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

8.6 Employee Benefits

The Hiestand Group sponsors post-employment benefit plans according to the national regulations of the countries in which it operates.

Defined Contribution Plans

Certain of the Hiestand Group's pension schemes are defined contribution plans. Obligations for contributions to these plans are recognized as an expense in the income statement as incurred.

Defined Benefit Plans

The pension plans in Switzerland qualify as defined benefit plans under IAS 19. Hiestand Group's net obligation is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on high quality bonds that have maturity dates approximating the terms of the Hiestand Group's obligations. The calculation is performed on an annual basis by qualified actuaries using the projected credit unit method. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement. Actuarial gains and losses are recognized to the extent that they exceed 10 per cent. of the higher of the defined benefit obligation and the fair value of plan assets. The amount exceeding this corridor is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Where the calculation results in a surplus, a pension asset is recognized only to the extent that it represents economic benefits in the form of refunds or reductions in future contributions.

Long Term Service Benefits

The Hiestand Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods.

8.7 Establishing lives for depreciation purposes of property, plant and equipment

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Land is not depreciated. Leasehold property is depreciated over the shorter of the lease term and its useful life. The estimated useful lives are as follows:

The useful life is reviewed annually.

Buildings	40 years
Building installations	14 years
Plant and production equipment	10 years
Office equipment	8-12 years
IT equipment	3 years
Vehicles	3-5 years

8.8 Intangible assets

Research & Development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in the income statement as an expense is incurred. Expenditure on development activities is capitalized only if the product or process is technically and commercially feasible, if evidence of future use exists and if development costs can be separately determined and reliably measured. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses.

Customer Relations & Trademarks

Customer relationships and trademarks acquired in business combinations are recognized at their fair values at the date of acquisition. Customer relationships are amortized over the expected useful live. Trademarks are tested for impairment annually or more frequent if there is an indication that they might be impaired.

Other Intangible Assets

Other intangible assets with a finite useful life that are acquired by the Hiestand Group are stated at cost less accumulated amortization and impairment losses.

Amortization

Goodwill and other intangible assets with indefinite useful lives are not amortized. Intangible assets with a finite useful life are amortized on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

Patents	5 years
Software	3-5 years
Customer relationships	15-25 years

8.9 Foreign Currency

Transactions in foreign currencies are translated to Swiss francs at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Swiss francs at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Swiss francs at foreign exchange rates ruling at the dates the values were determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Swiss francs at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses as well as cash flows of foreign operations are translated to Swiss francs at average exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation of net assets, income and expenses are recognized directly in equity until a foreign operation is sold. At that point the foreign exchange differences are released to the income statement.

Foreign exchange differences arising from the translation of monetary items that are, in substance, a part of the net investment in a foreign operation are recognized directly in equity. Such exchange differences are recognized in profit or loss on disposal of the net investment or on settlement of the monetary items.

PART 9

ADDITIONAL INFORMATION

1 RESPONSIBILITY

The Company and the Directors, whose names are set out on page 13, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 THE COMPANY

ARYZTA AG is a stock corporation with limited liability (*Aktiengesellschaft*), in accordance with art. 620 et seq. CO. The Company was incorporated on 4 April 2008 (date of registration) and is the ultimate holding company of the Enlarged Group. Details of its subsidiaries are set out in paragraph 11 of this Part 9. Neither the Articles of Association nor operation of law limit the duration of the Company.

The principal legislation under which the Company operates is the CO. The ARYZTA Shares currently issued and outstanding have been created pursuant to the CO.

The registered office of the Company is at Othmarstrasse 8, 8008 Zurich, Switzerland. The registration number is CH-020.3.032.251-9.

ARYZTA's principle purpose, as set out in the Articles of Association, is the acquisition, administration, and disposition of participations in all kind of companies in Switzerland and outside of Switzerland. The Company may open branch offices and subsidiaries in Switzerland and abroad as well as acquire, hold, and sell real estate. The Company may also engage in any commercial, financial or other activities which are related to the purpose of the Company. In particular, the Company may provide loans, guarantees and other kinds of financing and security for related companies and borrow and invest money on the money and capital markets.

3 SHARE CAPITAL AND SHARE CAPITAL CHANGES PRIOR TO LISTING

3.1 Issued Share Capital and previous changes

The Company was founded, by IAWS with a share capital of CHF100,000, divided into 100,000 registered shares with a par value of CHF1.00 each. The share capital was fully paid up.

On 9 June 2008, each registered share was split into 50 registered shares of CHF0.02 nominal value each. The share capital is fully paid up. Accordingly, as of the date hereof, the share capital is CHF100,000, divided into 5,000,000 registered shares with a nominal value of CHF0.02 each, fully paid up.

3.2 Creation of ARYZTA Shares under the Merger

Prior to Admission, on or about 21 August 2008 (assuming the conversion, or exercise, of all IAWS Convertible Securities) the Shareholders are expected, at the ARYZTA EGM, to resolve (1) the increase of ARYZTA's share capital from CHF100,000, by CHF1,441,610.48, to CHF1,541,610.48 through the issue of 72,080,524 ARYZTA Shares, excluding the subscription right of existing Shareholders, for the exchange of all the Scheme Shares (including, for the avoidance of doubt, all new IAWS Shares to be issued to Lion Capital under the Lion SPA) into ARYZTA Shares (contribution in kind) in connection with the Scheme; and (2) the further increase of the share capital upon consummation of the Hiestand Merger from CHF1,541,610.48, by CHF37,198.72, to CHF1,578,809.20 through the issue of 1,859,936 ARYZTA Shares, excluding the subscription right of existing Shareholders, for the exchange of 51,665 existing Hiestand Shares. The remainder of the 138,886 existing Hiestand Shares will be exchanged for 4,999,900 ARYZTA Shares held in treasury. In addition, the ARYZTA Shareholders are expected to adopt the new Articles of Association at the ARYZTA EGM as summarised in paragraph 5 of this Part 9.

It is expected that on or about 21 August 2008, the Board will resolve as to the determination of the completion capital increase resolved by the Shareholders at the ARYZTA EGM and the corresponding amendments of the Articles of Association. It is expected that the capital increase will be registered in the Commercial Register of the Canton of Zurich, Switzerland on or about 21 August 2008.

On or about the close of business of August 21, 2008, the Company will announce the exact number of ARYZTA Shares created in connection with the capital increases and the aggregate share capital of the Company issued, or resolved to be issued. Admission is expected to occur on or about 22 August 2008.

The Company has no participation certificates (*Partizipationsscheine*) or profit sharing certificates (*Genussscheine*) outstanding.

The Company is expected to have authorised share capital (*Genehmigtes Kapital*) and conditional capital (*Bedingtes Kapital*) as described below under paragraph 5.2.1 and 5.2.2.

As of the date hereof, the Company does not hold, directly or indirectly, any ARYZTA Shares.

According to the CO, the Company must obtain the prior approval of Shareholders in order to issue voting or non-voting shares, or to create authorised share capital or conditional share capital to be used for rights to subscribe for or convert into equity securities (which may be connected to debt instruments), in each case, for consideration. Further detail is provided in paragraph 6.1 of this Part 9.

3.3 **Pre-emption on an issue of ARYZTA Shares**

ARYZTA Shares and/or rights of subscription or conversion into ARYZTA Shares must first be offered to the equity shareholders in ARYZTA in proportion to the respective nominal values of their holdings. The Shareholders may, at a General Meeting, resolve by Qualified Majority, to withdraw or restrict such pre-emption rights. However, such pre-emption rights can only be withdrawn or restricted for valid reasons. Valid reasons for the withdrawal or restriction of pre-emption rights include the takeover of an enterprise, or parts thereof, and the acquisition of participations (including the participations of employees) in the Company. No Shareholder may be advantaged or disadvantaged by such withdrawal without valid reason.

3.4 **Form of ARYZTA Shares**

The ARYZTA Shares are registered shares with a nominal value of CHF0.02 each. Application has been made for the ARYZTA Shares to be accepted for clearance and settlement through SIS. As of Admission, delivery of the ARYZTA Shares is expected to be made in book-entry form through the facilities of SIS (*actions dématerialisées/aufgehobener Titeldruck*). No share certificates will be issued and share certificates will not be available for individual physical delivery. However, a Shareholder may, at any time, request the Company to confirm his, her or its shareholding in the Company in written form. Such confirmation is not a negotiable instrument.

3.5 **General Confirmations**

None of the ARYZTA Shares have been marketed or are being made available to the public in whole or in part in conjunction with the application for listing of the ARYZTA Shares. All of the ARYZTA Shares to be issued in connection with the Merger will be allotted to IAWS Shareholders, IAWS Option Holders, IAWS EEPS Participants and Hiestand Shareholders.

Save as disclosed in paragraph 3.1, during the 3 years immediately preceding the date of this Prospectus, there has been no issue of ARYZTA's share capital fully or partly paid for cash or other consideration and no such issues are proposed and no share capital of ARYZTA or any of its subsidiaries is under option or agreed, conditionally or unconditionally, to be put under option.

3.6 **Shares not Representing Capital**

ARYZTA does not have any shares not representing capital.

4 INTERESTS OF MAJOR SHAREHOLDERS

4.1 In so far as it is known to ARYZTA, as at 9 July 2008 (being the latest practicable date before the publication of this Prospectus) the following persons will be, directly or indirectly, interested in 3 per cent. or more of the issued share capital of ARYZTA upon Completion, based on the assumptions that the holdings of IAWS Shareholders in IAWS and the holdings of Hiestand Shareholders in Hiestand as at 9 July 2008 do not change, that the Merger completes, and that on Admission the Company will have issued 78,940,460 ARYZTA Shares, and in so far as is known to the Company, the name of each person who, directly or indirectly, hold or control 3 per cent. or more of the Company's voting rights upon Completion, and the amount of such persons' interest, will be as follows:

Shareholders		Number of ARYZTA Shares	Percentage of Issued Share Capital (%)
Fidelity International Limited	PO Box HM670 Hamilton HMCX Bermuda	8,201,452	10.38
Lion Capital	Lion/Hotel Dutch 1 B.V. Fred Roekestraat 123-1 1076 EE Amsterdam Netherlands	6,350,000	8.04
Capital Group Companies, Inc	333 South Hope Street Los Angeles California USA	3,702,000	4.69
The Growth Fund of America, Inc	333 South Hope Street 55th Floor Los Angeles California 90071 USA	3,087,500	3.91
Standard Life Investments	1 George Street Edinburgh EH2 2LL UK	2,593,313	3.28
Bank of Ireland Nominees Limited*	International Financial Services Centre 1 Harbourmaster Place Dublin 1	15,442,679	19.55

*Bank of Ireland Nominees Limited hold ARYZTA Shares as a custodian on behalf of a number of clients, *inter alia*, Bank of Ireland Asset Management.

4.2 In so far as is known to the Company, there are no arrangements the operation of which may at a date subsequent to the date of this Prospectus, result in a change of control of the Company.

4.3 None of the persons referred to in paragraph 4.1 above have voting rights which differ from those of any other holder of ARYZTA Shares in respect of any ARYZTA Shares held by them.

4.4 As at 9 July 2008 (the latest practicable Business Day prior to the publication of this Prospectus) the Company is not aware of any person who immediately following Completion directly or indirectly, jointly or severally, will own, or could exercise control over, the Company.

4.5 Save as set out in paragraph 4.1 above, the Company is not aware of any person who holds, or will immediately following Completion hold, voting rights (within the meaning of the SESTA), directly or indirectly, in respect of 3 per cent. or more of the issued share capital of the Company.

5 SUMMARY OF ARTICLES OF ASSOCIATION

The Articles of Association are available for inspection at the offices of Matheson Ormsby Prentice, 70 Sir John Rogerson's Quay, Dublin 2, Ireland and at the offices of Niederer Kraft & Frey AG, Bahnhofstrasse 13, 8001 Zurich, Switzerland up to Completion.

5.1 Articles: Purpose

The Articles of Association provide that the principal objects of the Company are the acquisition, administration, and disposition of participations in all kinds of companies in Switzerland and abroad.

The objects of the Company are set out in full in Article 2 of the Articles of Association.

5.2 Articles: Material Provisions

The Articles, which are expected to be adopted by the Shareholders at a General Meeting shortly prior to the Admission, on or about 21 August 2008, are expected to include the following material provisions:

5.2.1 ***Conditional Share Capital for Employee Benefit Plans***

As of Admission, the Company expects to have a conditional share capital, pursuant to which ARYZTA's share capital may be increased by a maximum amount of CHF157,880.92 by issuing up to 7,894,046 ARYZTA Shares under exclusion of Shareholders' pre-emptive rights, if Directors or employees of the Enlarged Group exercise options, or similar rights, granted to them. The pre-emptive rights of Shareholders are excluded.

Article 4 of the Articles is expected to read as follows:

Conditional Share Capital for Employee Benefit Plans

The share capital of the Company shall be increased by an amount not exceeding CHF157,880.92 through the issue from time to time of a maximum of 7,894,046 ARYZTA Shares, payable in full, each with a nominal value of CHF0.02, in connection with the exercise of options, or similar rights, granted to any employee of any member of the Enlarged Group, any Director or other person providing services to any member of the Enlarged Group.

Shareholders' pre-emptive rights are withdrawn with regard to these shares. These new ARYZTA Shares may be issued at a price below the current market price. The Board shall specify the precise conditions of issue including the issue price of the shares. It is anticipated that these shares will, to the extent required, be issued at par to persons who have accepted the Option Proposal and/or the EEPS Proposal.

The acquisition of ARYZTA Shares in connection with employee participation and any further transfers of registered shares shall be subject to the restrictions specified in Article 7 of the Articles of Association.

5.2.2 ***Authorised Share Capital for General Purposes***

The Board is authorised to increase the share capital from time to time and at any time until 21 August 2010 by an amount not exceeding CHF473,642.76 through the issue of up to 23,682,138 fully paid up ARYZTA Shares with a nominal value of CHF0.02 each.

Article 5 of the Articles is expected to read as follows:

Authorised Share Capital for General Purposes

The Board is authorised to increase the share capital from time to time and at any time until 21 August 2010 by an amount not exceeding CHF473,642.76 through the issue of up to 23,682,138 fully paid up ARYZTA Shares with a nominal value of CHF0.02 each.

Increases through firm underwriting or in partial amounts are permitted. The issue price, the period of entitlement to dividends and the type of consideration or the contribution or under-writing in kind shall be determined by the Board. The Board may exclude pre-emptive rights that have not been exercised from the capital increase or may sell such pre-emptive rights at market conditions.

The Board is authorized to withdraw the pre-emptive rights of the Shareholders and to allocate them to third parties in the event of the use of shares for the purpose of; (1) acquisition of companies, parts of an enterprise or investments, for mergers and exchange of investments or in the case of a share placement for the financing of such transactions; (2) broadening the shareholder constituency; or (3) for the purpose of the participation of employees.

The acquisition of ARYZTA Shares out of authorized share capital for general purposes and any further transfers of ARYZTA Shares shall be subject to the restrictions specified in Article 7 of the Articles of Association.

5.2.3 ***Voting Rights***

Under Swiss law, shareholders of a company pass resolutions and elect directors upon the vote of an absolute majority of the votes represented, unless provided otherwise by law or the articles of association. The Articles provide that each ARYZTA Share entitles the holder to one vote at a General Meeting. Voting rights may be exercised only after the Shareholder has been recorded in the share register (*Aktienbuch*) as a shareholder with

voting rights. The voting rights attaching to the ARYZTA Shares may only be exercised by the holder of the ARYZTA Shares recorded in ARYZTA's share register as a shareholder with voting rights.

To be able to exercise voting rights, holders of ARYZTA Shares must apply to the Company for enrolment in the share register as shareholders with voting rights. The Company will record purchasers of ARYZTA Shares in the share register as Shareholders with voting rights upon disclosure of their names and addresses, provided they expressly declare that they have acquired the respective shares in their own name and for their own account and declare that they comply with the disclosure requirements stipulated in Swiss Stock Exchange Act

Persons not expressly declaring themselves to be holding ARYZTA Shares for their own account in the application for the entry in the share register or thereafter upon request by ARYZTA will be considered nominees and are entered in the share register as shareholder with voting rights without further inquiry up to a maximum of 1.5 per cent. of the registered share capital at any time. Above this limit, ARYZTA Shares held by nominees shall at the application for registration in the share register or thereafter upon request by ARYZTA be entered/kept in the share register as shares with voting rights only if the nominee in question discloses names, addresses and shareholdings of the persons for whose account ("beneficial owner") the nominee is holding 0.3 per cent. or more of the Company's outstanding share capital at the relevant time and the disclosure requirements stipulated by the Swiss Stock Exchange Act applicable to such beneficial owners are complied with. In case of non-compliance such ARYZTA Shares will be recorded in the share register as shares without voting rights. The Board of ARYZTA has the right to conclude agreements with nominees concerning their disclosure requirements. In special cases, ARYZTA can grant exceptions to the registration restrictions.

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 legal entities or partnerships which act in concert with intent to evade the entry restrictions for registration as shareholder with voting rights are considered one shareholder or nominee.

In the case of holders of Depository Interests, such holders will be required to disclose to Capita IRG Trustees Limited (as and when requested) the beneficial ownership of such Depository Interests in order to have the corresponding ARYZTA Shares voted at a General Meeting. However, the Board of ARYZTA has confirmed that in respect of the ARYZTA Shares issued under the terms of the Scheme, the disclosure requirements referred to above do not need to be complied with in connection with the implementation of the Scheme and that the corresponding ARYZTA Shares will be recorded in the share register as shares with voting rights. However, going forward if requested by ARYZTA, such disclosure requirements will need to be satisfied. If they are not, the relevant shares will be recorded in the share register as shares without voting rights.

Ordinary resolutions must be approved by at least a majority of the ARYZTA Shares represented at a General Meeting.

A resolution of Shareholders at a General Meeting passed by a Qualified Majority is *inter alia* required for: (1) the cases listed in art. 704 para. 1 CO and in art. 18 and 64 Swiss Merger Law; (2) the easement or abolition of the restriction of the transferability of the ARYZTA Shares; and (3) the conversion of bearer shares into ARYZTA Shares.

As the Articles provide that each ARYZTA Share carries one vote, ARYZTA may, by amendment of its Articles, issue stock with a lesser par value, thereby creating shares with privileged voting rights. The par value of such shares may not be less than 10 per cent. of the par value of the ARYZTA Shares. If shares with privileged voting rights are to be issued and/or pre-emptive rights of Shareholders with respect to the issuance of such shares are to be waived or restricted, the respective resolutions of Shareholders at a General Meeting are subject to a Qualified Majority.

5.2.4 ***General Meetings***

An annual (ordinary) General Meeting must be held within 6 months following the end of a financial year for the purpose of approval of annual financial statements and the annual report. Any General Meeting which is called in addition to the annual (ordinary) General

Meeting is called an "extraordinary" General Meeting. The invitation to the General Meeting, together with the date and agenda and the proposals, must be published in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) twenty days prior to such General Meeting.

Under Swiss law, extraordinary General Meetings may be called by the Board, or, if necessary, by the statutory auditors. The Board may be requested to call an extraordinary General Meeting by one or more shareholders representing together at least 10 per cent. of the share capital or if resolved by an ordinary General Meeting.

5.2.5 ***Transfer of ARYZTA Shares/Restrictions***

A transfer of ARYZTA Shares is effected by a corresponding book entry in the books of a bank or depositary institution following an assignment by the selling Shareholder and notification of such assignment to the Company by the bank or the depositary institution. A transfer of ARYZTA Shares further requires that a person acquiring ARYZTA Shares files a share registration form in order to be registered in the share register as a Shareholder. Until filing such registration, a person acquiring ARYZTA Shares may not vote or participate at a General Meeting.

Transfers of ARYZTA Shares are subject to certain restrictions. See paragraph 5.2.3 (Voting rights).

5.2.6 ***Dividend rights***

The Board may propose or recommend to Shareholders that a dividend be paid, but cannot resolve to pay the dividend itself. Only Shareholders can approve the payment of a dividend under Swiss law. Interim dividends cannot be paid.

Dividends may be paid only if there are sufficient distributable profits from previous years or sufficient free reserves to allow the distribution of a dividend. In accordance with the requirements of Swiss law, the Company is required to retain at least 5 per cent. of the annual net profits as general reserves for so long as these reserves amount to less than 20 per cent. of the paid-in nominal share capital (art. 671 of the CO). Swiss law requires that the declaration of any dividend proposed by the Board be approved at the annual General Meeting by Shareholders holding a majority of the Shares represented at the meeting. In addition, the auditors must confirm that the dividend proposal of the Board conforms to statutory requirements and the Articles of Association (art. 728 of the CO). Dividends are usually due and payable after the shareholders' resolution relating to the allocation of profits has been passed by the shareholders' meeting. Under Swiss law, the statute of limitations with respect to dividend payments is 5 years. Dividends not collected within 5 years after their due date accrue to the Company and will be allocated to general reserves. Dividends and similar payments by Swiss companies to certain persons and organisations are currently restricted pursuant to sanctions imposed by the Swiss government.

5.2.7 ***Dissolution and Liquidation***

The Shareholders in General Meeting may at any time resolve the dissolution and liquidation of the Company in accordance with the provisions of the law and of the Articles of Association. After all debts have been satisfied, the net proceeds shall be distributed among the shareholders in proportion to the amounts paid in respect of ARYZTA Shares.

5.2.8 ***Purchase of own shares***

Swiss law limits the right of a company to purchase and hold its own shares. A company and its subsidiaries may purchase shares only if and to the extent that: (1) the Company has freely distributable reserves in the amount of the aggregate purchase price; and (2) the aggregate nominal value of all shares held by the Company does not exceed 10 per cent. of the Company's share capital (20 per cent. in specific circumstances).

Shares held by a company or its subsidiaries may, in accordance with Swiss law, not be voted at shareholders' meetings, but are entitled to the economic benefits, including dividends, applicable to the shares generally. Furthermore, under Swiss law, upon the purchase of its own shares, a company must create a special reserve on its balance sheet in the amount of the purchase price of the acquired shares. In addition, selective share repurchases are permitted only under certain circumstances. In particular, repurchases of listed shares are subject to certain restrictions promulgated by the Swiss Takeover Board

(the body regulating takeover bids in Switzerland). Within these limitations, as is customary for Swiss companies, ARYZTA may purchase and sell its own shares from time to time in order to meet imbalances of supply and demand, to provide liquidity, and to modulate swings in the market price for shares.

5.2.9 ***Proxies***

Under Swiss law, proxies of shareholders are entitled to attend shareholders' meetings and exercise all rights of the represented shareholders at such meeting. Each of the Company's shareholders may, therefore, authorize another person or an entity which does not need to be a shareholder, a company representative (*Organvertreter*), a specially designated independent shareholder representative (*unabhängiger Stimmrechtsvertreter*) or a depositary representative (*Depotvertreter*) to represent him or her at the shareholders meeting.

5.2.10 ***Demand for a poll at a General Meeting***

One or more registered Shareholders which jointly represent at least 10 per cent. of the share capital of the Company registered in the commercial register may demand that items be put on the agenda. Such demands shall be in writing and shall specify the items and the proposals. They have to be submitted to the chairman at least 45 days before the date of a General Meeting. Additionally, a resolution of the Shareholders at a General Meeting may demand that another General Meeting be held.

5.2.11 ***Disclosure of interests***

CO requires disclosure of the identity of all of shareholders who hold more than 5 per cent. of ARYZTA's voting rights to the extent such shareholders are known or should be known to the Company. Such disclosure must be made once a year in the notes to the financial statements published in the annual report.

The applicable provisions of SESTA require persons having certain kinds of interest in equity securities of a Swiss company listed in whole or in part on a Swiss stock exchange to notify that company and the SWX where the equity securities in question are listed. The obligation to disclose is triggered by a change from below a notifiable percentage to, or above, such percentage, and vice versa. The notifiable percentages are 3, 5, 10, 15, 20, 25, $33^1/_3$, 50 or $66^2/_3$ per cent. of the voting rights, irrespective of whether or not such voting rights may be exercised. Persons acting in concert, due to shareholders' agreements or as members of a group or a family, for example, are also subject to the disclosure obligation. Securities dealers are obliged to disclose their holdings if they are trading shares in their own name and for their own account. A shareholder may also passively reach, exceed or fall below one of the above thresholds due to an increase or a reduction of the share capital. The notification to the Company and the stock exchange must be made no later than four trading days following the day upon which the obligation to notify arises. The Company must then publish the notified share interests within two trading days in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) and in an electronic medium publishing stock market information.

Additionally, under the Transparency Regulations of Ireland, a person will, subject to certain exemptions, be required to notify ARYZTA of the percentage of voting rights in ARYZTA which that person holds, directly or indirectly, if, as a result of an acquisition or disposal of shares in ARYZTA (or other event changing the breakdown of voting rights), the percentage reaches, exceeds or falls below the thresholds of 5 per cent., 10 per cent., 15 per cent., 20 per cent., 30 per cent., 50 per cent. and 75 per cent. of the total voting rights in ARYZTA. This notification must be made as soon as possible but not later than four trading days after the relevant person learns, or is informed, of the relevant transaction. Under the Transparency Rules, the Company must notify a Regulatory Information Service of such disclosure as soon as possible and, in any event, by not later than the end of the third trading day following the receipt the disclosure.

5.3 **Articles: Other Provisions**

In addition to the provisions in the Articles set out above, which relate principally to the ARYZTA Shares, the Articles also include the following provisions:

5.3.1 ***Powers of the Board***

The Board is entrusted with the ultimate direction of the Company as well as the supervision of the management of the Company. It represents the Company and deals with all matters which are not delegated to or reserved for another corporate body of the Company by law or the Articles of Association.

The Board has the following non-transferable and irrevocable duties:

1. To ultimately direct the Company and issue the necessary directives.
2. To determine the organisation and structure of the Company.
3. To organize the accounting, the internal control system (ICS), the financial control, and the financial planning of the Company as well as to perform a risk assessment.
4. To appoint and recall the persons entrusted with the management and representation of the Company and to grant signatory power.
5. To ultimately supervise the persons entrusted with the management of the Company, in particular with respect to compliance with the law and with the Articles of Association and applicable regulations and directives.
6. To prepare the business report, to convene the Annual General Meeting and to implement the latter's resolutions.
7. To inform the judge in the event of over-indebtedness of the Company.
8. To pass resolutions regarding the subsequent payment of capital with respect to non-fully paid-in shares.
9. To pass resolutions confirming increases in share capital and regarding the amendments to the Articles of Association entailed thereby.
10. To examine compliance with the legal requirements regarding the appointment, election and the professional qualifications of the auditors of the Company.
11. To execute the agreements pursuant to art. 12, 36 and 70 of the Swiss Merger Law.

5.3.2 ***Retirement and Re-election of Directors***

The Board shall consist of a minimum of 3 and a maximum of 15 members. The term of office shall correspond to the maximum term legally allowed but shall not exceed three years. The Board shall determine the first term of office of each director in such a way that, each year, an equal number of directors shall be newly elected or re-elected and in such manner that all directors will have been subject to re-election after a period of three years. In this regard, one year shall mean the period between two consecutive ordinary General Meetings. In the event of an increase or a decrease of the number of directors, the Board shall establish a new order of rotation. In this context the term of office of some directors may be less than three years. The term of office of a director shall, subject to prior resignation or removal, expire upon the day of the next ordinary General Meeting. Newly-appointed directors shall complete the term of office of their predecessors.

5.3.3 ***Conflicts***

Swiss law does not have a general provision on conflicts of interest. However, the CO contains a provision which requires directors and senior management of a stock company to safeguard the interests of that company, and, in this connection, imposes a duty of loyalty and care on the company's directors and officers. The directors and officers are personally liable to the company for breach of these provisions. In addition, Swiss law contains a provision under which payments made to a shareholder or a director or any person associated with them other than at arm's length must be repaid to the company if such shareholder or director was acting in bad faith. The corporate governance directive of the SWX also addresses conflict of interest issues. (See SWX Swiss Exchange/Corporate Governance). In addition, Swiss law contains provisions under which the members of the Board and all the persons engaged in the Company's management are liable to the Company, its shareholders and its creditors for damages caused by the intentional or negligent violation of their duties.

Swiss law requires that payments made to a Shareholder which are not at arm's length must be repaid to the Company.

The Company must issue a corporate governance report in which the business activities of the members of the Board have to be disclosed.

5.3.4 ***Borrowing Powers***

The Articles do not restrict the Company's ability to borrow. The decision to borrow funds is taken by or under the direction of the Board, and a shareholders resolution is not required.

6 KEY SHAREHOLDER RIGHTS UNDER SWISS LAW

6.1 *Pre-emption rights*

Under Swiss law and the Articles of Association, any issue of shares by ARYZTA, whether for cash or non-cash consideration, is subject to the prior approval of the Shareholders at a General Meeting. Shareholders have certain pre-emptive rights to subscribe for new issues of ARYZTA Shares, option bonds, convertible bonds, and options in proportion to the nominal value of shares held. A resolution passed by Qualified Majority of the Shareholders at a General Meeting may, however, limit or suspend pre-emptive rights in certain circumstances or delegate the right to limit or suspend the pre-emptive rights to the Board. The Board has been authorized to limit or suspend the pre-emptive rights in certain cases based on the authorised and conditional share capital. Please see paragraphs 5.2.1 and 5.2.2 of this Part 9.

6.2 *Minority Shareholder Rights*

Under Swiss law, each Shareholder is entitled to file an action for damage caused to the Company. The claim of the relevant Shareholder is for loss to the Company. If a Shareholder, based upon the factual and legal situation, had sufficient cause to file an action, the court may, at its discretion, allocate the costs incurred between the plaintiff and the Company to the extent the costs should not be imposed on the defendant.

In addition, the Board and any Shareholder may, within two months after a General Meeting of Shareholders, take legal action to challenge resolutions of the General Meeting which violate the law or the Articles of Association. In particular, resolutions are challengeable which:

1. Withdraw or limit Shareholders' rights thereby violating the law or the Articles of Association.
2. Withdraw or limit Shareholders' rights without proper reason.
3. Discriminate against or disadvantage Shareholders in a manner not justified by the Company's purpose.
4. Withdraw the profit orientation of the Company without the consent of all Shareholders.

A judgment annulling a resolution of the General Meeting is binding both in favour of and against all Shareholders (art. 706 CO).

Pursuant to art. 736 section 4 CO, the Company may be dissolved at the discretion of a court in the event that Shareholders representing together at least 10 per cent. of the share capital of the Company request dissolution for valid reasons.

6.3 *Payment of Dividends*

Under Swiss law, only an ordinary General Meeting of Shareholders may resolve that a distribution should be declared and paid. Consequently, the Company will not pay interim dividends. Dividends may only be paid out of the audited balance sheet profit or out of reserves created for this purpose. Payments out of share capital are not allowed, and interest may not be paid on the share capital. In this respect, the share capital includes share premiums, (i.e., the excess of the consideration for the issue of shares over the aggregate nominal share capital, if any). Prior to the distribution of dividends, 5 per cent of the annual profits must be allocated to the general reserve until the amount of the general reserve has reached 20 per cent of the paid-in nominal share capital. The Articles of Association of a Swiss company can provide for a higher general reserve or for the creation of further reserves setting forth their purpose and use. However, a Swiss company is not obliged to pay a dividend even if such reserves are available. The Board may propose that a dividend be paid out, but can not resolve to pay the dividend itself. Dividends require approval by the shareholders. Once a dividend is approved by the shareholders and payable, it becomes a debt owing to a shareholder.

6.4 ***Acquisition of Minority Shareholdings***

SESTA provides that upon a public takeover offer for the shares of a listed Swiss company, and the offeror having acquired or contracted to acquire more than 98 per cent. of the voting rights in the company, the offeror may, within 3 months of the expiration of the offer, bring a court action against the company with a motion to cancel the outstanding shares (and other equity securities, if any (a squeeze-out)). The remaining shareholders may participate in these proceedings. After such cancellation has been approved, the target company reissues the securities to the offeror against payment of the offer price or exchange of the offered shares and passes on the price paid by the offeror or the shares received from the offeror, as the case may be, to the holders of the cancelled securities.

Pursuant to the Swiss Merger Law, merging companies may provide in the merger contract that only a settlement will be paid to the shareholders of the transferring company (squeeze-out merger). However, if the merger contract only provides for a settlement, the merger resolution of the general meeting of the shareholders requires the consent of at least 90 per cent. of the shareholders having voting rights in the transferring company.

6.5 ***General Meetings***

Under Swiss law, extraordinary General Meetings may be called by the Board, or if necessary, by the statutory auditors. The Board may be requested to call an extraordinary General Meeting by one or more ARYZTA Shareholders representing together at least 10 per cent. of the share capital or if resolved by Shareholders at an ordinary General Meeting.

6.6 ***Shareholders' Register***

Under Swiss law, the Company is obliged to keep a share register of ARYZTA Shares in which the names and addresses and nationality (for legal persons the domicile) of the owners and usufructuaries must be entered. No register has to be kept or does exist with regard to bearer shares. Shareholders must apply for registration in the share register in order to vote and participate at General Meetings. Registration in the share register is subject to certain restrictions: See paragraph 5.2.3 of this Part 9.

6.7 ***Voting Rights***

Under Swiss law, the ARYZTA Shareholders may pass resolutions and elect directors upon the vote of an absolute majority of the votes represented, unless provided otherwise by law or the Articles of Association. The Articles provide that each ARYZYA Share is entitled to one vote at General Meetings.

6.8 ***Shareholder Resolutions***

Under Swiss law, ordinary resolutions must be approved by at least a majority of the shares represented at a meeting. Resolutions regarding extraordinary matters listed in the CO (art. 704) and a company's articles of association require the affirmative vote of at least two-thirds of the votes represented and the absolute majority of the par value of the shares represented. Such extraordinary matters include:

- An alteration of the purpose of the company.
- The creation of shares with increased voting powers.
- The implementation of restrictions on the transfer of ARYZTA Shares and the removal of such restrictions.
- The authorised or conditional increase of the share capital.
- The increase of the share capital out of equity, against contribution in kind, or for the purpose of an acquisition of assets and the granting of special benefits.
- The restriction or suspension of pre-emptive rights.

6.9 ***Information Rights***

The Company's books and correspondence may only be inspected with the express authorisation of the Shareholders at a General Meeting or by resolution of the Board and subject to the safeguarding of business secrets.

At the General Meeting, any Shareholder is entitled to request information from the Board concerning the affairs of the Company. Shareholders may also request the information from the auditors on issues regarding the audit. The Board and the auditors, respectively, are obliged to answer such questions from Shareholders to the extent necessary for the exercise of shareholders' rights and subject to prevailing business secrets or other material interests of the Company.

In addition, if the Shareholders' inspection and information rights prove to be insufficient, each Shareholder may propose at the General Meeting that specific facts be examined by a special commissioner in a special inspection. If the proposal is approved at the General Meeting, the Company or any Shareholder may, within thirty days of the General Meeting, request the court to appoint a special commissioner. If the proposal is rejected at the General Meeting, one or more Shareholders representing at least 10 per cent. of the ARYZTA Shares or ARYZTA Shares having an aggregate nominal value of at least CHF2 million may request the court appoint a special commissioner. The court will issue such order if the petitioners can prima facie show that the Board, any member thereof or an officer of the Company infringed the law or the Articles of Association and damaged the Company or the Shareholders. The costs of the investigation are generally allocated to the Company and only in exceptional cases to the petitioner(s).

Under Swiss law, notice of a General Meeting must be accompanied by: (1) the items on the agenda; and (2) the proposals of the Board or, as relevant, the proposals of the Shareholders who have requested the holding of a General Meeting or the inclusion of an item in the agenda. If the Company proposes to the Shareholders a member of its corporate body as a proxy for a General Meeting, it shall also designate an independent person who might be mandated as a proxy by the Shareholders. No later than 20 days prior to the General Meeting, the annual business report and the auditor's report must be made available for inspection at the Company's domicile. Any Shareholder may request that a copy of these documents be immediately sent to them. Furthermore, any Shareholder has the right to inspect the minutes of General Meetings and resolutions voted on at those meetings.

7 OTHER DIRECTORSHIPS

7.1 In addition to their directorships of the Company, the Directors hold or have held the following directorships, other than of subsidiaries of the Company, and/or are or were members of the following partnerships, within the past 5 years.

Director	*Current Directorships*	*Previous Directorships*
Owen Killian	IAWS Group plc Hiestand Holding AG Origin Enterprises plc CillRyan's Bakery Limited Maidstone Bakeries Inc	James Clow & Co Limited Clarendon Feeds Limited Clarendon Silos Limited DT Russell & Baird (Ireland) Limited McCaughey Russell & Baird Limited CAO Limited John Thompson & Sons Limited BHH Limited North West Silos Limited West Twin Silos Limited
Patrick McEniff	IAWS Group plc Origin Enterprises plc Cillryans's Bakery Limited Maidstone Bakeries Inc	North West Silos Limited
Denis Lucey	IAWS Group plc	Punch Industries Bord Bia – Irish Food Board Irish Dairy Board Limited
Wolfgang Wérlé	Hiestand Holding AG Die Schweizerische Post Nimo Holding AG eventagentur.ch Asserta Asset Management Grand Hotels Bad Ragaz Prohotel Wäscherei AG	First Catering Produktions AG Prohotel Wäscherei AG Hotelplan AG

Director	*Current Directorships*	*Previous Directorships*
Hugo Kane	IAWS Group plc CillRyan's Bakery Limited Maidstone Bakeries Inc	
Albert Abderhalden	Hiestand Holding AG	
Denis Buckley	IAWS Group plc Remedios Limited One51 plc Kerry Group plc Kerry Co-operative Creamery Limited	
Beatrice Dardis	IAWS Group plc Kerbury Developments Limited Muiriosa Foundation	
J. Brian Davy	IAWS Group plc Addanno Limited Ailmount Investments Amber Note BES Management Limited Citywest Investments Limited Cricket Wine Estates Limited Davy Airfinance Investors Trust Limited Davy Corporate Finance Davy Nominees DFL Holdings Limited Dowell International Finance Limited Green Note Holles Street 2000 J&E Davy J&E Davy Holdings Limited Jackson Wine Estates International Limited Keep Growing Limited NewSmith Investment Funds plc Red Note White Note Limited	Airfinance Investors Trust Limited Arnotts plc Davy Futures Limited Errigal Holdings Focus Investments Friends of the National Maternity Hospital Mulroy Investment Services Limited Mulroy Securities Straw Castle Limited The Irish Stock Exchange Limited
Noreen Hynes	IAWS Group plc BG Investment O.O.D Melfort Limited – Irish incorporated entity Melfort Limited – Malta incorporated entity Melfort Management Company Limited Tuzla Development Company Limited	
William G. Murphy	IAWS Group plc Barley Exports Limited D Walsh & Sons Limited D Walsh & Sons Manufacturing Limited Glanbia plc Grassland Fertilisers (Kilkenny) Limited Grassland Fertilisers Kilkenny (Sales) Limited	Barnstorm Theatre Company Limited C.A.H. (Trading) Limited Castlelyons Farms Limited Co-operative Animal Health Limited Cork Malting Company Limited Express Foods Northern Ireland Limited Gain Animal Feeds Limited Glanbia Farms Limited

Director	*Current Directorships*	*Previous Directorships*
	Milk Ventures Limited SOS Kilkenny Limited South East Port Services Limited	Glanbia Feeds Limited Nutribo Limited Obidos Limited P.I.C. (Ireland) Limited Roscrea Farm Store Limited Spacious Trading Limited Tipperary Oils Limited
Hans Sigrist	Hiestand Holding AG Würth Schweiz AG Würth Group Companies Kisling AG	
Paul N. Wilkinson	IAWS Group plc Big Bear Group Limited Fengrain Limited Fuerst Day Lawson Limited Improve Limited Produce World limited Thorntons plc	RHM Limited Sector Skills Development Agency Limited
Maurice Zufferey	Hiestand Holding AG Mövenpick Hotels & Resorts	
Lyndon Lea	G.H Mumm ET CIE – Societe Vinicole de Champagne, Successor Glenisila (UK) Limited Glenilyon Limited Harry Winston Diamond Corporation Harry Winston Inc HMTF Furniture Investments Limited Latimer Acquistions Limited Latimer Group Limited Latimer Holdings Limited Latimer Newco 2 Limited Latimer Newco Limited Latimer Investments Leo Investments LP Lion Capital General Partner II LLP Lion Capital General Partner LLP Lion Capital LLP Lion/Katsu Investments Limited Lion/Rally Carry Eng. 1 LP Lion/Stove Acquisitions Limited Lion/Stove Holdings Limited Lion/Stove Investments Limited Lion/Visor AQCO1 Limited Sapphire European Beverages Limited Yell Group plc	21st Century Group Coininvestors I LP 21st Century Group Partners I LP Aster City Cable Holding (Luxembourg) SA Black Lion Beverages Luxembourg SARL Burton's Foods (Holdings) Limited Burton's Mezzanine Investment Limited Choo Group Finance Limited Choo Group Holdings Limited Consolidated Comminication Directories Inc. Eurotaxglass's Acquisition SA Framleydove Limited General Art Services Limited Glass's Holdings Limited Hicks Muse & Co Partners LP Hicks Muse Latin America & Co Cayman LP Hicks Muse Latain America & Co LP HM 4-EN Coinvestors Cayman LP HM 4-P (1999) Coinvestors LP HM Equity Fund 4-GP Partners CV HM Equity Fund IV-GP Partners (1999) CV HM Oldco Limited HM/Hillsdown GP Partners Limited HM4-EN (1999) co-investors LP HM4-EN co-investors LP HM4-EQ-EN-FOF co-investors Limited HM4-GP (1999) Partners LP HM4-GP Partners Cayman LP HM4-GP Partners LP

Director	Current Directorships	Previous Directorships
		HM4-P Partners Pan America LP HM4-P co-investors Cayman LP HM5 Class B Partners Cayman LP HM5 Class B Partners LP HM5 Class C Partners Cayman LP HM5-P co-investors Cayman LP HM5-P co-investors LP HMEU Partners I LP HMEU Partners I-C LP HMEU 1-P co-investors LP HMLA 1-E co-investors Cayman LP HMLA 1-E co-investors LP HMLA 2 Class B Partners Cayman LP HMLA 2-P co-investors Cayman LP HMLA2 Class B Partners LP HMTF Furniture Group Limited HMTF Furniture Limited HMTF Poultry Limited Lion Capital Carry II LP Lion Capital Fund II SBS LP Lion/Silk Investments No 1. Limited Lion/Silk Investments No 2. Limited McLeod USA Media Group Inc. McLeod USA Publishing Company Mutualplace Property Management Limited National Directory Company NDC Holdings II Inc Premier Ambient Products (UK) Limited Premier Foods plc Runecorp Limited The J Choo Group Limited Yell Holdings Two Limited Yell Limited Yellow Book Group Inc Yellow Book Holdings Inc Yellow Book of New York Inc Yellow Book of Pennsylvania inc Yellow book USA Inc Yellow Book/McLeod Holdings Inc Yellow Pages Limited Yellow Pages Sales Limited YH Limited

7.2 Within the period of 5 years preceding the date of this Prospectus none of the Directors:

7.2.1 has had any convictions in relation to fraudulent offences;

7.2.2 has been associated with any bankruptcy, receivership or liquidation whilst acting in the capacity of a director (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company); or

7.2.3 has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

7.3 None of the Directors has any actual or potential conflicts of interests between their duties to the Company and their private interests or other duties.

7.4 There are no arrangements or understandings with major shareholders, members, suppliers or others pursuant to which any Director was selected.

8 INTERESTS OF DIRECTORS IN SHARE CAPITAL

8.1 As at 9 July 2008 (the latest practicable Business Day prior to the publication of this Prospectus), none of the Directors or their immediate families had any interest in the share capital of ARYZTA (i) which will be required to be notified to ARYZTA pursuant to SESTA or (ii) being interests of a person connected (within the meaning of the Transparency Regulations of Ireland) with a Director which would, if such connected person were a Director, be required to be disclosed under (i) above and the existence of which was known to or could, with reasonable diligence, be ascertained by the Director as at 9 July 2008 (the latest practicable Business Day prior to the publication of the document). The interests which the Directors and their immediate families are expected to have in the share capital of ARYZTA immediately following Completion are set out in the following table:

ARYZTA Shares	*No. of shares*	*% of Issued Share Capital of ARYZTA*
Directors		
Denis Lucey*	1,250	0.002
Wolfgang Werlé	36	0.000
Owen Killian*	661,176	0.838
Patrick McEniff*	375,223	0.475
Hugo Kane	360,978	0.457
Albert Abderhalden	319,788	0.405
Denis Buckley	2,250	0.003
Beatrice Dardis	6,150	0.008
J. Brian Davy	58,186	0.074
Noreen Hynes	1,000	0.001
William G. Murphy	6,171	0.008
Lyndon Lea	—	—
Hans Sigrist	10,836	0.014
Paul N. Wilkinson	6,500	0.008
Maurice Zufferey	396	0.001

9 DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

9.1 ***Executive Directors***

Owen Killian will be the Enlarged Group's Chief Executive Officer, with reporting responsibilities to the Board. His role is to discharge all normal responsibilities of a chief executive officer. Hugo Kane will be the Enlarged Group's Chief Operating Officer, with reporting responsibilities to the Enlarged Group's Chief Executive Officer. His role is to manage the day-to-day operations of the Enlarged Group. Patrick McEniff will be the Enlarged Group's Chief Financial Officer with reporting responsibilities to the Enlarged Group's Chief Executive Officer. His role is to oversee the financial affairs of the Enlarged Group. None of the Executive directors have formal service agreements or letters of appointment. For the financial year ended 31 July 2007, Owen Killian, Patrick McEniff and Hugo Kane received basic salaries of €760,000, €297,000 and €297,000 respectively. The Executive directors' remuneration will be determined annually by the Remuneration Committee.

9.2 ***Non-Executive Directors' Letters of Appointment***

The appointment of each of the Non-Executive Directors is subject to a letter of appointment with the Company which will take effect from the date of Admission. Under the terms of their respective letters of appointment with the Company, the Non-executive Directors each receive a basic fee at the rate of CHF88,000 per financial year.

* Current directors of ARYZTA together with Philipp Haas and Dr. Andreas Casutt. Philipp Haas and Dr. Andreas Casutt will retire immediately prior to Admission.

If a Non-Executive Director performs services which, in the opinion of the Board, are outside the ordinary scope of his duties as a Non-Executive Director (including membership or chairmanship of a Board committee), additional fees will be paid as the compensation committee of the Board determines to be appropriate. All fees will be subject to annual review by the Board. The Company will also reimburse all reasonable expenses incurred.

The Non-Executive Directors are expected to bring independent judgment to bear on issues of strategy, performance, resources, key appointments and standards of conduct relating to the Company and to attend a minimum number of Board meetings per year.

A Non-Executive Director's appointment may be terminated in accordance with the Articles of Association and such termination will be effective without any claim for compensation for loss of office or otherwise.

10 SHARE BASED INCENTIVE SCHEME

ARYZTA Long Term Incentive Plan 2008 ("LTIP")

The LTIP, which has a 10 year life, is intended to provide an overall framework within which a flexible mix of systems may be used by the Company, acting through the Remuneration Committee, to retain and incentivise executives of the Enlarged Group and:

(i) to align their interests with the Shareholders through the promotion and encouragement of share ownership;

(ii) to reward executives for driving the achievement of superior financial targets;

(iii) to assist in the retention of executives over the long term.

The economic cost to the Shareholders of the reward systems operated under LTIP is controlled through, *inter alia*, the overall dilution limit and by the fact that rights generally vest only after accounting for the cost of the initial award. Within the prescribed limits, the Remuneration Committee will control the level of participation by individuals.

Two particular systems are expressly contemplated, namely:

(a) the Option Equivalent Plan (as described below); and

(b) the Matching Plan (as described below).

Within and subject to the overall framework of the LTIP, the Remuneration Committee may modify and/or amend the Option Equivalent Plan and/or the Matching Plan and may adopt such other plans, schemes, sub-plans, sub-schemes, arrangements and/or reward systems (**"Incentive Plans"**) as are appropriate to take account of, *inter alia*, local tax, exchange control or securities law or any other applicable law or regulation. Any such modification or amendment to the Option Equivalent Plan and/or the Matching Plan and any other Incentive Plan which is adopted (i) must be consistent with the purpose of the LTIP, (ii) must not result in the overall or individual limits as to the number of shares in the Company which may be issued pursuant to the LTIP being exceeded, (iii) must apply substantially the same requirements as to the ability of individuals to participate in the LTIP as are set out in the LTIP rules (the "Rules") and (iv) must apply performance criteria equivalent to those set out in the Rules.

Option Equivalent Plan

The benefits which may be provided under the Option Equivalent Plan ("**Benefits"**) may comprise:

(i) options to subscribe for new shares in the Company;

(ii) a right to subscribe for shares in the Company or any subsidiary of the Company carrying the right to be converted by the Company ARYZTA Shares;

(iii) restricted stock, restricted stock units, stock appreciation rights and other analogous rights.

Matching Plan

The benefits which may be provided under the Matching Plan (**"Matching Awards"**) may comprise shares awarded to a participant referable to qualifying interests in shares held by the participant on a ratio of between 1 and 3 awarded shares for each such qualifying interest. Matching Awards may be provided by way of new shares allotted and/or existing shares purchased and/or any of the means referred to with respect to Benefits.

Criteria to be applied

Qualifying employees and executive directors, who shall have at least 3 years service to complete before normal retirement date, may be approved by the Remuneration Committee for the purpose of participation in the LTIP or in any scheme under the LTIP. No Matching Award or Benefit may be made at any time, if, following such event, the number of shares which could be created or allotted pursuant to Matching Awards and Benefits in existence at that time, would exceed 10 per cent. of the shares of the Company in issue at that time. The Remuneration Committee controls the level of participation by individuals in the LTIP by reference to a participant's remuneration.

Benefits under the Option Equivalent Plan and Matching Awards under the Matching Plan may generally not vest earlier than the third financial year end following their provision. Benefits under the Option Equivalent Plan will generally not vest unless the growth in EPS during the performance period exceeds the growth in the Euro Zone Core CPI (or such other index or combination of indices as appears appropriate to the Remuneration Committee) plus 5 per cent. on an annualised basis over such period.

Matching Awards will be made only to the extent that the relevant qualifying interests in shares (which may be represented by contracts for differences) are retained and the following performance conditions are satisfied;

EPS Growth	*Multiple*
15% or more	3
Greater than 12.5% but less than 15%	2
Greater than 10% but less than 12.49%	1
Less than 10%	0

Entitlements based upon the achievement of the performance conditions are also subject to the Company's Return on Invested Capital over the relevant period being not less than the Company's weighted average cost of capital.

The basis for calculating the conversion premium payable by a participant associated with any awards under the Option Equivalent Plan will be fixed by the Company on the issue of such Participant's award but, in any event, will not be less than the average price for dealings in a share for the day preceding the date on which the award was first approved. The basis for calculating the conversion premium, if any, payable by a participant associated with any awards under the Matching Plan will be fixed by the Remuneration Committee on the date the award is first approved. Benefits and Matching Awards will vest upon a change of control.

11 SUBSIDIARIES

11.1 ARYZTA is the holding company of the Enlarged Group.

11.2 ARYZTA's principal subsidiaries and associated undertakings (each of which are considered by ARYZTA to be likely to have a significant effect on the assessment of assets and liabilities, the financial position and/or the profits and losses of the Enlarged Group) will, on Completion, be as follows:

Name	*Country of Incorporation*	*Percentage of shares and voting rights held*
IAWS Group plc	Ireland	100%
Cuisine de France Limited	Ireland	100%
IAWS Management Service Limited	Ireland	100%
IAWS Technology and Global Services Limited	Ireland	100%
Cuisine de France (UK) Limited	United Kingdom	100%
Delice de France, plc	United Kingdom	100%
Groupe Hubert	France	100%
Cuisine de France, Inc	United States of America	100%
La Brea Holdings, Inc	United States of America	100%[13]
Otis Spunkmeyer, Inc	United States of America	100%

[13] The Enlarged Group holds 97 per cent. of the common stock including 100 per cent. of the voting common stock of La Brea Bakery Holdings, Inc.

Name	Country of Incorporation	Percentage of shares and voting rights held
CillRyan's Bakery Limited	Ireland	50%
Origin Enterprises plc	Ireland	71.4%
Hiestand International AG	Switzerland	100%
Hiestand Schweiz AG	Switzerland	100%
TK-Center Birrfeld AG	Switzerland	Indirect 100%
HiCoPain AG	Switzerland	Indirect 60%
Hiestand Deutschland GmbH	Germany	Indirect 100%
Hiestand & Suhr Handels- und Logistik GmbH	Germany	Indirect 100%
Fricopan Back GmbH	Germany	Indirect 100%
Fricopan Back GmbH Immekath	Germany	Indirect 100%
Hiestand Japan Co.,Ltd	Japan	100%
Hiestand Austria GmbH	Austria	100%
Hiestand Polska SP. Z.O.O.	Poland	100%
Hiestand Malaysia SDN BHD	Malaysia	100%
La Nouvelle Boulangerie Backwaren und -technik Vertriebs GmbH	Germany	Indirect 25%
Hiestand Istanbul Dondurulmus Gida Tic. Ltd Sti.	Turkey	Indirect 100%
Hiestand Services AG	Switzerland	100%
Hiestand Beteiligungsholding GmbH & Co. KG	Germany	100%
Frice AG	Germany	Indirect 100%

12 TAXATION

12.1 General

12.2 The statements of Swiss, Irish, and United Kingdom tax laws set out below are based on existing Swiss, Irish, and United Kingdom tax laws, including relevant regulations, administrative rulings and practices in effect on the date of this Prospectus and which may apply to investors who are the beneficial owners of shares. Legislative, administrative or judicial changes may modify the tax consequences described below.

12.3 The statements do not constitute tax advice and are intended only as a general summary.

12.4 It is assumed that Swiss resident investors will only invest in ARYZTA Shares and that ARYZTA DIs will be traded exclusively on the Irish stock exchange.

Prospective purchasers should consult their own tax advisors as to the tax consequences in Switzerland, Ireland, the United Kingdom or other relevant jurisdictions of the purchase, ownership and disposition of the ARYZTA Shares.

12.5 Swiss Taxation

The statements and discussion of certain Swiss taxes set out below are of a general nature and do not relate to persons in the business of buying and selling shares or other securities. The statements are included for general information only and are not exhaustive of all tax considerations that may be relevant to a particular holder of Shares in light of the holder's particular circumstances nor do they address the tax considerations relevant to certain types of holders who may be subject to special treatment under the applicable tax laws. Such statements are not intended to be, and should not be interpreted as, legal or tax advice to any particular holder of Shares, and no representation with respect to the tax consequences to any particular holder is made. Potential investors are therefore urged to consult their tax advisors to determine the special tax consequences of the receipt, ownership and sale or other disposition of Shares.

12.5.1 *Withholding Tax*

Any dividends and similar distributions of profit and reserves made by ARYZTA in respect of the Shares, including stock dividends and the distribution of any liquidation proceeds in excess of the nominal value of the Shares are subject to Swiss Federal Withholding Tax (*Verrechnungssteuer, impôt anticipé)* ("**Withholding Tax**"), imposed on the gross amount at the current rate of 35 per cent. Thus, ARYZTA may only pay out 65 per cent. of the gross amount of any dividends to the shareholder. A portion equal to

35 per cent. of the gross amount of such dividends must be paid to the Swiss Federal Tax Administration. The redemption of Shares by ARYZTA may under certain circumstances (in particular, if the Shares are redeemed for subsequent cancellation) be taxed as a partial liquidation for Withholding Tax purposes with the effect that Withholding Tax at the current rate of 35 per cent. is due on the difference between the redemption price and nominal value of the redeemed Shares.

Swiss resident beneficiaries of taxable dividends and similar distributions in respect of the Shares are generally entitled to full subsequent relief of the Withholding Tax, either through a tax refund or through credit against their income tax liability, if they duly report the underlying income in their tax returns or financial statements used for tax purposes, as the case may be, and if there is no tax avoidance. The same holds true for foreign resident investors who hold Shares through a permanent establishment or a fixed place of business situated in Switzerland, as defined for tax purposes. Other non-Swiss resident beneficiaries of dividends and similar distributions in respect of Shares may be entitled to a partial or full refund of the Withholding Tax in accordance with any applicable double taxation convention between Switzerland and the beneficiary's country of tax residence ("**Tax Treaty**").

The non-Swiss resident recipient of a taxable distribution may be entitled to a full or partial refund of the Withholding Tax, if the country in which the non-Swiss resident resides for tax purposes has entered into a Tax Treaty with Switzerland and the further conditions of such treaty are met. Non-Swiss resident holders should be aware that the procedures for claiming Tax Treaty refunds (and the time frame required for obtaining a refund) might differ from country to country. Non-Swiss resident holders should consult their own tax advisor regarding the tax consequences of the receipt, ownership, purchase, sale or other dispositions of the Shares and the procedure for claiming a refund of the Withholding Tax. If the non-Swiss resident holder holds the Shares through a permanent establishment or fixed place of business situated in Switzerland, as defined for tax purposes, the entitlement to refunds of the Withholding Tax is governed by Swiss domestic law.

12.5.2 ***Income and Profit Tax***

Income Tax for Individuals: An individual who is a Swiss resident for tax purposes, or a non-Swiss resident holding Shares as part of a permanent establishment or a fixed place of business situated in Switzerland, as defined for tax purposes, receiving dividends and similar distributions (including liquidation proceeds and stock dividends) from ARYZTA, has to include these distributions in his or her personal tax return and owes income taxes on the corresponding amounts.

Profit Tax for corporations and co-operatives: Corporations and co-operatives resident in Switzerland or non-Swiss resident entities holding Shares as part of a Swiss permanent establishment, as defined for tax purposes, are required to include all taxable distributions received on the Shares in their profit and loss statement relevant for profit tax purposes; the taxable distribution is generally subject to profit taxes. A Swiss corporation or co-operative, or a non-Swiss corporation or co-operative holding Shares as part of a Swiss permanent establishment as defined for tax purposes may, under certain circumstances, benefit from taxation relief with respect to distributions (*Beteiligungsabzug*), provided such Shares represent at the time of the distribution or at the closing date of the relevant financial statements at least 20 per cent. of the share capital or a fair market value of at least CHF 2 million.

A holder of Shares who is not a resident of Switzerland for tax purposes will not be liable for any Swiss income or profit taxes on dividends and similar distributions in respect of the Shares, unless the Shares are attributable to a permanent establishment or a fixed place of business maintained in Switzerland, as defined for tax purposes, by such non-Swiss resident.

12.5.2.1 Taxes on Capital Gains upon Disposal of Shares

Individuals: Individuals who are resident in Switzerland for tax purposes and hold Shares as part of his or her private assets generally are exempt from Swiss federal, cantonal and communal taxes with respect to capital gains realised upon the sale or other disposal of Shares, unless such individuals are qualified as professional

securities dealers for income tax purposes. Under certain circumstances, Share sale proceeds of a private individual may be recharacterized into taxable dividend income. Upon repurchase of Shares by ARYZTA, the portion of the repurchase price in excess of the nominal amount may under certain circumstances not be classified as tax-exempt capital gain but as taxable income. Capital gains realised by an individual on Shares that are held as part of its business assets are subject to income taxation and social security contributions.

Corporations and co-operatives: Capital gains realised by corporations and co-operatives resident in Switzerland for tax purposes or foreign legal entities holding Shares as part of a Swiss permanent establishment, as defined for tax purposes, are generally subject to ordinary income or profit taxation. A Swiss corporation or co-operative, or non-Swiss corporation or co-operative holding Shares as part of a Swiss permanent establishment as defined for tax purposes may, under certain circumstances, benefit from taxation relief on capital gains realised upon the disposal of Shares (*Beteiligungsabzug*), provided such Shares represent at the time of disposal at least 20 per cent. of the share capital and were held for at least one year.

Non-resident Individuals and Legal Entities: Individuals and legal entities which are not resident in Switzerland for tax purposes and do not hold Shares as part of a Swiss business operation or a Swiss permanent establishment or fixed place of business situated in Switzerland, as defined for tax purposes, are generally not subject to Swiss income or profit taxes on gains realised upon the disposal of the Shares.

12.5.3 ***Net Worth and Capital Taxes***

An individual who is a Swiss resident for tax purposes, or is a non-Swiss resident holding Shares as part of a permanent establishment or fixed place of business situated in Switzerland, as defined for tax purposes, is required to include his or her Shares in his or her wealth that is subject to cantonal and communal net worth tax. No net worth tax is levied at the federal level.

Corporations and co-operatives resident in Switzerland or non-Swiss resident legal entities with a Swiss permanent establishment, as defined for tax purposes, are subject to cantonal and communal capital tax. The cantonal and communal capital tax is levied on the basis of the net equity of corporations and co-operatives. Usually, the acquisition of Shares should not influence the equity of a legal entity and should therefore have only limited influence on their capital tax charge. However, the acquisition of Shares may change the basis for international or inter-cantonal allocation of the taxable equity of the corporations and co-operatives. No capital tax is levied at the federal level.

12.5.4 ***Gift Inheritance Taxes***

The transfer of Shares may be subject to cantonal and/or communal gift or inheritance taxes if the deceased or the donator was resident for tax purposes in a canton levying such taxes.

12.5.5 ***Stamp Duty for Securities Dealing***

The sale of Shares is generally subject to Swiss securities transfer tax if a Swiss bank or another Swiss securities dealer within the meaning of the Swiss securities transfer tax law is involved in the transaction.

The sale of Shares through a non-Swiss bank or other non-Swiss securities dealer may also be subject to the Swiss Federal Securities Transfer Stamp Tax if (i) such non-Swiss bank or securities dealer is a member of the SWX Swiss Exchange, and (ii) the sale takes place on the SWX Swiss Exchange. The following categories of foreign institutional investors that are subject to regulation similar to that imposed by Swiss Federal supervisory authorities are exempt from their portion of the Swiss Federal Securities Transfer Stamp Tax: investment funds, social security institutions, pension funds, life insurance companies and certain non-Swiss quoted companies and their non-Swiss consolidated group companies. In addition, Swiss investment funds as defined in the Swiss Federal Act on Investment Funds are also exempt from the Swiss Federal Securities Transfer Stamp Tax.

12.6 **Irish Taxation**

This summary is an overview of the likely Irish tax consequences of the holding and disposal of Shares. It is intended as a general guide only and is based on current Irish tax legislation and published practice of the Irish Revenue Commissioners as at the date of this document. Both are subject to change, possibly with retroactive effect.

It relates only to prospective purchasers who will be absolutely entitled as beneficial owner of those shares; who will hold them as a capital investment; and, except where otherwise expressly stated, who are tax resident (and, in the case of an individual, ordinarily tax resident, and domiciled) in the Republic of Ireland.

It does not apply to other types of investors such as those who acquire the Shares by reason of their employment, in the course of a trade or as dealers in securities, or through collective investment schemes and insurance companies.

Purchasers of shares are advised to consult with their own tax advisers regarding the tax implications of the acquiring, holding and disposal of Shares because the tax consequences will differ depending on the specific facts and circumstances of each such purchaser.

That shares traded through CREST will be held via ARYZTA DIs should not impact on the Irish tax treatment since the Irish tax code provides for assets held by a nominee to be treated as though they are directly held by the beneficiary for capital gains tax purposes. The income will remain a dividend from ARYZTA and should not lose its characterisation as such by virtue of the nominee arrangement.

12.6.1 ***Taxation of Dividends***

Swiss dividend withholding tax at a rate of 35 per cent. will be levied on any dividends and similar distributions. Under recently passed Swiss legislation, repayments out of "paid in surplus" should be exempt from withholding tax from 1 January 2011. Irish tax resident investors may be entitled to a partial refund of this under the terms of the Irish Switzerland Double Taxation Convention, if applicable, with the excess being creditable against the resulting Irish tax liability, if any, on such dividend income.

Individual Irish tax resident shareholders are subject to Irish income tax on the gross amount of any dividend (i.e. the amount of the dividend received plus any Swiss Withholding Tax withheld by the Company up to the rate provided for by the Ireland/ Switzerland Double Taxation Convention) at their marginal rate of tax. The health levy is also payable on such dividend income received. The rate payable is generally 2 per cent. However, where the annual income exceeds €100,100 a rate of 2.5 per cent. applies to the excess income over €100,100.

Individual Irish tax resident shareholders, may, depending on their circumstances, also be subject to Irish PRSI (Irish Social Security) in respect of their dividend income.

Individuals who are within the charge to Irish tax by virtue only of being ordinarily Irish tax resident should seek advice in relation to the application if any of a double taxation convention between their state of residence and Ireland.

Individuals who are not domiciled in the Republic of Ireland for tax purposes may be taxable on the remittance basis in respect of any dividends receivable from ARYZTA. Such individuals should seek their own tax advice.

Irish tax resident corporate shareholders are generally taxable under Schedule D, Case III on foreign dividend income. The rate at which they will be taxable will depend on the size of their holding and what tax elections they have made. Credit will be available for any Swiss withholding taxes up to the rate provided for by the effective tax treaty, if applicable, and in circumstances where the Irish company owns more than 5 per cent. of the ordinary share capital of ARYZTA credit may also be available for a proportion of the corporation tax paid by the entities within the ARYZTA Group. If an Irish tax resident corporate shareholder is a close company, as defined under Irish legislation, it may, in certain circumstances, be liable to a 20 per cent. Investment income surcharge to the extent that any disposal of the shares would not qualify for participation exemption.

12.6.2 *Disposals of ARYZTA Shares*

The current rate of tax on capital gains is 20 per cent. Liability to Irish tax on capital gains will depend on the individual circumstances of shareholders. Irish tax resident or ordinarily resident shareholders that acquire Shares will be considered, for Irish tax purposes to have a base cost equal to the amount paid for those shares, other than in situations where the shares were acquired on the reconstruction or amalgamation of another company such that, for the purposes of tax on capital gains the transaction was treated as not giving rise to a disposal for tax purposes at that time. In such circumstances the base cost of the shares will be treated as being the base cost of the original shares, and the Shares will be treated, for tax purposes, as having been acquired at the time the original shares were acquired. On subsequent disposals, Shares acquired at an earlier time will generally be deemed, for Irish tax purposes, to be disposed of on a "first in, first out" basis before Shares acquired at a later time.

Irish tax resident or ordinarily resident shareholders that dispose of their Shares will be subject to CGT to the extent that the proceeds realised from such disposals exceed the base cost of the Shares disposed of and any allowable deductions (subject to the availability of any exemptions or reliefs).

Investors who are non-Irish tax resident but are treated as ordinarily Irish tax resident are generally subject to Irish capital gains tax but this will depend on the terms of any applicable Double Taxation Convention between the jurisdiction in which they reside and Ireland. Taxation advice should be sought as to the taxation treatment for such individuals.

Investors who are not domiciled in the Republic of Ireland or the UK for tax purposes are subject to capital gains tax on the remittance basis in respect of gains realised on foreign assets. As ARYZTA is a company registered, and having its seat outside the Republic of Ireland, the shares in ARYZTA should constitute foreign assets and such investors should take their own tax advice.

Investors who are non-resident (and in the case of an individual non ordinarily resident) in Ireland could be subject to Irish Capital Gains Tax in respect of the disposal of shares in ARYZTA only to the extent that such shares are used in or for the purposes of the trade of a branch or agency in Ireland.

12.6.3 *Tax Treatment of Investors who are Temporarily Non-Resident in Ireland*

Specific anti-avoidance rules may apply to shareholders who are temporarily non-resident in Ireland at the time that they dispose of shares and their tax treatment may depend on the location in which they are resident and the terms of the particular effective Double Taxation Convention, if any, with Ireland. Such individuals should consult their own tax advisor.

12.6.4 *Capital Acquisition Tax*

Irish Capital Acquisitions Tax (CAT) comprises principally of Gift Tax and Inheritance Tax which can apply to foreign shares where either the disponer or the disponee is resident or ordinarily resident in Ireland. The person who receives the Gift or Inheritance is primarily liable for CAT.

CAT is levied at a rate of 20 per cent. above certain tax free thresholds. The appropriate tax free threshold is dependent upon: (i) the relationship between the donor and the donee; and (ii) the aggregation of the values of previous gifts and inheritances received by the donee from persons within the same group threshold. Gifts and inheritances passing between spouses are exempt from CAT.

12.6.5 *Stamp Duty*

As ARYZTA is a company incorporated in Switzerland, Irish stamp duty should not arise on the acquisition of any shares unless the transaction in the Shares somehow relates to Irish land, or stocks or the marketable securities of an Irish company.

Swiss securities transfer tax at a rate of 0.3 per cent. could arise on the DIs if they were traded on the Swiss exchange or the trade involved a Swiss securities dealer (see details above under Stamp Duties for Security Dealing).

A tax ruling is being filed requesting that the Swiss Federal Tax Administrator apply a Swiss securities transfer tax at a rate of 0.15 per cent. to such transfers on the basis that the underlying shares are Swiss shares.

12.6.6 ***UK Taxation***

This summary is an overview of the likely UK tax consequences of the holding and disposal of Shares. It is intended as a general guide only and is based on current Irish tax legislation and published practice of HM Revenue & Customs as at the date of this document. Both are subject to change, possibly with retroactive effect.

It relates only to prospective purchasers who will be absolutely entitled as beneficial owner of those shares; who will hold them as a capital investment; and, except where otherwise expressly stated, who are tax resident (and, in the case of an individual, ordinarily tax resident, and domiciled) in the UK.

It does not apply to other types of investors such as those who acquire the shares by reason of their employment, in the course of a trade or as dealers in securities, or through collective investment schemes and insurance companies.

Purchasers of shares are advised to consult with their own tax advisers regarding the tax implications of the acquiring, holding and disposal of Shares because the tax consequences will differ depending on the specific facts and circumstances of each such purchaser.

That shares traded through CREST will be held via ARYZTA DIs should not impact on the UK tax treatment since the UK tax code provides for assets held by a nominee to be treated as though they are directly held by the beneficiary for capital gains tax purposes. The income will remain a dividend from ARYZTA and should not lose its characterisation as such by virtue of the nominee arrangement.

12.6.7 ***Dividends paid by ARYZTA to Shareholders resident in the United Kingdom***

UK shareholders subject to the charge to UK tax will generally be subject to tax in the United Kingdom on dividends received from the Enlarged Group.

UK resident individuals are subject to UK income tax on the gross dividends received from the Enlarged Group at a maximum rate of 32.5 per cent. As the dividends received are from a non-UK Group, the dividend tax credit will not be available. However, HM Revenue and Customs have announced that from 6th April 2008, subject to certain conditions, there will be a non-payable credit of one-ninth of the distribution to UK resident individuals in receipt of dividends from non UK resident companies. This means that a UK resident individual will have income tax to pay at a maximum rate of 32.5 per cent. of the dividend plus the related tax credit (or 25 per cent. of the cash dividend). UK resident individuals will be charged to income tax on the day that the dividend is paid to the individual.

12.6.8 ***Stamp Taxes***

It should not be necessary to pay any UK stamp duty on the transfer of any shares.

No UK stamp duty reserve tax should arise in respect of transfers of Shares within CREST.

12.6.9 ***Capital Gains Tax***

Any capital gain made on a disposal Shares by UK shareholders may, depending on the shareholder's individual circumstances, be liable to tax in the United Kingdom. For a shareholder not within the charge to corporation tax, such as an individual, trustee or personal representative, taper relief (which reduces a chargeable gain depending on the length of time for which an asset is held) may be available to reduce the amount of chargeable gain realised on a subsequent disposal. The availability and extent of taper relief will depend, in part, on the individual circumstances of the shareholder. HM Revenue & Customs have announced that taper relief will be withdrawn for disposal after 5 April 2008 and the rate of capital gains tax will be changed. In addition, individual shareholders who are temporarily non-UK resident may be liable to UK capital gains tax under anti-avoidance legislation.

12.6.10 ***Inheritance Tax***

Shares beneficially owned by an individual may (subject to certain exemptions and reliefs) be subject to inheritance tax on the death of the individual or, in certain circumstances, if the Shares are the subject of a gift by such individuals. As ARYZTA's register will be maintained in Switzerland, Shares should be assets situated in Switzerland for the purposes of UK inheritance tax. Accordingly, UK inheritance tax should not be payable where the individual shareholder is not domiciled in the United Kingdom (nor deemed to be domiciled in the United Kingdom under certain rules relating to long residence or previous domicile).

For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Shareholders should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any Shares through trust arrangements. Shareholders should also seek professional advice in a situation where there is a potential for a double charge to UK inheritance tax and an equivalent tax in another country.

13 WORKING CAPITAL

ARYZTA is of the opinion that, taking account of available facilities and cash resources, the ARYZTA Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of publication of this Prospectus.

14 SIGNIFICANT CHANGE

ARYZTA

There has been no significant change in the financial or trading position of ARYZTA and its subsidiaries since 31 May 2008, being the date to which the financial information on ARYZTA set out in Part III of Part 12 (Index to Financial Information) of this Prospectus has been prepared.

IAWS

There has been no significant change in the financial or trading position of IAWS and its subsidiaries since 31 January 2008, being the date to which IAWS' most recent unaudited interim results set out in Part I Section A of Part 12 (Index to Financial Information) of this Prospectus has been prepared.

Hiestand

There has been no significant change in the financial or trading position of Hiestand and its subsidiaries since 31 December 2007, being the date to which Hiestand's audited results set out in Part II Section A of Part 12 (Index to Financial Information) of this Prospectus has been prepared.

15 LITIGATION

ARYZTA

Save as disclosed below in this paragraph 15 in respect of IAWS and Hiestand, there are no governmental, legal or arbitrational proceedings (including any such proceedings which are pending or threatened of which ARYZTA is aware) during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of ARYZTA or its subsidiaries.

IAWS

In June 2008, two franchisees of the Tim Hortons group initiated proceedings in Canada against Tim Hortons and certain of its affiliates alleging, through a variety of legal claims, generally that the Tim Hortons 'Always Fresh' baking system and expansion of lunch offerings has led to lower franchisee profitability. The plaintiffs are also seeking to have their action certified as a class action on behalf of Tim Hortons Canadian franchisees. IAWS and indirect subsidiaries of Tim Hortons own and operate a bakery facility in Canada through a joint venture that supplies, to the entire Tim Hortons restaurant chain, products prepared through the use of the 'Always Fresh' baking system. Tim Hortons, a company listed on the New York Stock Exchange and Toronto Stock Exchange, has issued a statement describing its view that this legal action is "*frivolous and completely without merit*". It has also stated that it intends to "*vigorously defend itself in this matter*" and that its Franchise Advisory Board, comprised of elected store owners who provide representation for all Tim Hortons

franchisees, informed Tim Hortons that it also views the legal action as "*without* merit" and that such action "*does not reflect the opinion of the vast majority of franchisees*". Neither IAWS nor the joint venture is a defendant in these proceedings.

Save as disclosed above, there are no governmental, legal or arbitrational proceedings (including any such proceedings which are pending or threatened of which IAWS is aware) during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of IAWS or its subsidiaries.

Hiestand

Following the announcement of the Merger, certain Hiestand Shareholders have announced that they intend taking legal action to obtain an improved offer price for the acquisition of their Hiestand Shares under the Hiestand Merger. This action, if taken, would be based on the difference between the consideration received by Lion Capital for its Hiestand Shares pursuant to the Lion SPA and the consideration which Hiestand Shareholders are to receive pursuant to the Hiestand Merger. While such an action is capable of being taken under Swiss law (based on article 105 of the Swiss Merger Act), it could not affect the implementation of the Hiestand Merger. The Hiestand Board has stated that it considers that the action, if taken, would be without merit as the consideration to be received by Hiestand Shareholders pursuant to the Hiestand Merger (36 ARYZTA Shares for every 1 Hiestand Share) has been agreed on the basis of detailed negotiation between IAWS and Hiestand and takes into account the recommendation of the financial advisors to Hiestand. The adequacy of the consideration and the methodology applied in deciding upon it has also been independently affirmed, as is required by Swiss law.

Save as disclosed above, there are no governmental, legal or arbitrational proceedings (including any such proceedings which are pending or threatened of which Hiestand is aware) during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of Hiestand or its subsidiaries.

16 MATERIAL CONTRACTS

The following contracts (not being the contracts entered into in the ordinary course of business) have been entered into by the Company or a member of the Enlarged Group within the two years immediately preceding the date of this Prospectus and are, or may be, material and contain provisions under which the Company or any member of the Enlarged Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Enlarged Group as at the date of this Prospectus.

16.1 **Merger**

The following documents have been entered into in connection with the Merger:

16.1.1 ***Lion SPA***

On 7 June 2008, IAWS entered into a share purchase agreement with Lion Capital pursuant to which IAWS agreed to purchase 170,000 shares of Hiestand from Lion Capital. The consideration for the purchase of the shares under the Lion SPA consists of: (a) the allotment to Lion Capital (or any of its subsidiaries or any of its affiliates designated by Lion Capital) of 12,700,000 IAWS Shares; and (b) the payment to Lion Capital of the sum of €30 million. Completion of the Lion SPA is conditional upon the fulfilment or waiver of certain Polish, German and Irish anti-trust clearances. Pursuant to the Lion SPA, in the event that the Swiss Takeover Board determines that the signing or completion of the Lion SPA means that Lion Capital and/or its beneficial owner on the one hand and IAWS on the other hand are acting in concert and that triggers a mandatory offer or other similar material action by Lion Capital and/or the beneficial owner of Lion Capital in relation to Hiestand under the relevant Swiss takeover legislation, IAWS shall indemnify and reimburse Lion Capital and its beneficial owner on a pound for pound basis for any liability, obligation, loss, cost, damage or other expense suffered by Lion Capital and its beneficial owner arising out of or in connection with such mandatory offer or other similar material action. The maximum liability of IAWS under such indemnity shall be limited to such maximum amount as, in applying the significant transaction class tests set out in the UK Listing Authority's Listing Rules,

would not cause the indemnity to be treated as a transaction of such quantum that would constitute a "Class 1" transaction for the purposes of Chapter 10 of the UK Listing Authority's Listing Rules.

16.1.2 ***Business Combination Agreement***

IAWS, ARYZTA and Hiestand entered into the Business Combination Agreement on 7 June 2008. The Business Combination Agreement provides for various matters relating to the implementation of the Merger and, in particular, provides for the convening of the relevant shareholder meetings of IAWS, ARYZTA and Hiestand, the composition of the Board, the Exchange Ratios to be applied in relation to the Merger and the conditions which are to apply to the Acquisition and to the Hiestand Merger.

The parties have agreed to exchange information which is relevant to the Merger with each other. The Business Combination Agreement also provides that if an event occurs which negatively affects the value of either IAWS or Hiestand by at least 10 per cent. the parties will seek to agree an adjustment to the Exchange Ratios applying for the purposes of the Merger. If agreement is not reached on such adjustment, then shareholders of the entity unaffected by the event will be given an opportunity to vote to withdraw from the Merger. IAWS and Hiestand each agree not to do any of the following acts without the consent of the other:

- issue new shares other than pursuant to pre-existing commitments;
- acquire its own shares or shares of the other party except in the relation to the acquisition by IAWS of the Hiestand Shares of Lion Capital and the issue of shares pursuant to the IAWS Group share schemes;
- acquisitions or divestments with a value exceeding CHF20 million and transactions of unusual strategic importance, other than transactions specifically disclosed by the parties to each other;
- make material changes in employment contracts with senior executives other than in the ordinary course of business;
- pay a dividend or issue bonus shares;
- any act that is not in the ordinary course of business.

16.1.3 ***Hiestand Merger Agreement***

ARYZTA and Hiestand entered into the Hiestand Merger Agreement on 7 June 2008. Under the terms of the Hiestand Merger Agreement, ARYZTA, acting as acquiring company, shall absorb Hiestand, acting as transferring company. Hiestand shareholders, except for IAWS or any subsidiaries or of IAWS holding Hiestand shares, shall receive ARYZTA Shares contemporaneously with the Scheme becoming effective and the listing of ARYZTA on the Irish Stock Exchange and the SWX Swiss Exchange. The value of the ARYZTA Shares to be issued to Hiestand shareholders (other than IAWS or a subsidiary of IAWS) will comply with the minimum price requirement under the Swiss Stock Exchange Act.

The Hiestand Merger Agreement sets out the conditions to which the Hiestand Merger is subject, being;

- Receipt of the relevant antitrust approvals from each of the regulatory authorities in Ireland, Germany and Poland.
- Approval of the Hiestand Merger by at least two thirds of the Hiestand Shareholders present at the Hiestand EGM and by at least two thirds of the ARYZTA Shareholders present at the ARYZTA EGM representing a majority of the par value of the shares held by those shareholders present at the Hiestand EGM and the ARYZTA EGM, respectively.
- Sanction of the Scheme by the Court.
- The passing of certain resolutions by ARYZTA at the ARYZTA EGM in relation to the increase of capital required by ARYZTA to allot the shares required to effect the Merger.
- Admission.

Pursuant to the terms of the Hiestand Merger Agreement, upon the Hiestand Merger becoming effective, Hiestand shares shall be exchanged for ARYZTA Shares so that Hiestand shareholders (other than IAWS or any subsidiary of IAWS) will receive 36 ARYZTA Shares for each Hiestand share held by them. The Hiestand Merger Agreement provides that the Agreement shall terminate if the Hiestand Merger and the Scheme are not completed by 31 October 2008.

16.2 **Otis Spunkmeyer Acquisition**

IAWS effected the Otis Spunkmeyer Acquisition on 13 October 2006. The following documents were entered into in this respect:

16.2.1 ***OSH Merger Agreement***

Otis Spunkmeyer Holdings, Inc. (**OSH**), OSI Holdings Corporation (**OHC**)(an entity controlled by IAWS), OSI Acquisition Corporation (a wholly-owned subsidiary of OHC) (**OSIAC**), IAWS and Code Hennessey & Simmons IV, L.P. (**CHS**) entered into an Agreement and Plan of Merger on 13 October 2006 (**OSH Merger Agreement**) pursuant to which OHC acquired all the issued outstanding shares in OSH in a reverse subsidiary merger transaction. On completion of the merger contemplated by the OSH Merger Agreement on 2 November 2006 (**Completion Date**), OSIAC merged with OSH. OSH succeeded to all assets, liabilities, rights and obligations of OSIAC and OSH. CHS acted as agent and representative of the selling shareholders. Based on a closing enterprise value of OSH of USD561 million, the OSH Merger Agreement provided for a cash consideration for the shares in OSH of USD340 million with a potential for additional payments to stock and option holders contingent on the achievement of agreement performance milestones, up to a maximum of USD25 million. USD25 million of the consideration was placed in an escrow account until 15 September 2007 to secure OHC's indemnification rights under the OSH Merger Agreement.

Under the OSH Merger Agreement, OSH provided customary warranties to OHC and OSIAC, including concerning due incorporation, capacity to enter into the OSH Merger Agreement, capitalisation, subsidiaries, real estate holdings, financial statements, tax, litigation, contractual arrangements, compliance with laws, employee relations benefit plans, ownership of intellectual property, the lack of entitlement of any third party to a brokerage fee in connection with the transaction and environmental matters. OHC provided certain warranties to the selling shareholders and OSH concerning due incorporation, capacity, litigation, non-contravention of the OSH Merger Agreement with existing contracts to which OHC was party and OHC's financing arrangements for the Otis Spunkmeyer Acquisition.

The warranties given by OSH expired on 15 September 2007, save those in relation to due incorporation, capacity, capitalisation, subsidiaries and brokerage fees (**Fundamental Warranties**), which survive indefinitely, and those in relation to tax, which survive until fully performed and satisfied in accordance with the OSH Merger Agreement. The warranties given by OHC expired on September 15, 2007, save those in relation to due incorporation, capacity and brokerage fees, which survive indefinitely.

Each selling shareholder indemnified OHC on a several basis against losses suffered arising out of (i) a breach of the Fundamental Warranties by that selling shareholder; (ii) losses incurred by OHC as a result of shareholder lawsuits or dissenter's rights; (iii) the breach by a selling shareholder of the Seller Covenants (as defined below) and (iv) in the case of fraud. In addition, the selling shareholders severally indemnified OHC against certain potential tax liabilities of OSH and its subsidiaries. Save in the case of fraud, where the liability is unlimited, the limit of each selling shareholder's liability under these indemnities is the net proceeds received by him for his shares in OSH under the OSH Merger Agreement. Each selling shareholder's obligation to indemnify in this respect only applies to the extent that their respective liability has not been duly satisfied out of the escrow account. OHC indemnified CHS and the selling shareholders against all losses incurred arising out of (i) a breach of any warranties given by OHC and (ii) the IP Purchase Agreement (as defined below) (**IP Indemnity**).

The selling shareholders covenanted not to solicit any employees of OSH or any if its subsidiaries (or persons who were employees of such within the period of 6 months prior to the Completion Date) for a period of 5 years from the Completion Date. The selling

shareholders also agreed with effect from the Completion Date not to disclose or use for their own benefit any trade secrets (including product formulae, recipes, know-how, techniques and technical information) of OSH and its subsidiaries (**Seller Covenants**).

IAWS guaranteed the due and punctual performance of OHC's obligations in respect of the IP Indemnity. OHC's liability under its guarantee of the IP Indemnity is limited to the purchase price paid by the purchaser under the IP Purchase Agreement.

16.2.2 ***IP Purchase Agreement***

IAWS Technology & Global Services Limited (**ITGSL**) entered into an Intellectual Property Purchase Agreement with Otis Spunkmeyer, Inc. (**OSI**) on 13 October 2006 (**IP Purchase Agreement**) pursuant to which ITGSL acquired certain intellectual property from OSI including all non-US copyrights, patents and trademarks owned by OSI and certain proprietary rights purchased by OSI under an asset purchase agreement made with Jeffrey McDonald, David Merkel and Merkel McDonald, Inc. dated 22 September 2005 (**Purchased IP**). OSI also granted ITGSL an exclusive licence (**Exclusive Licence**) for use in the world (excluding the USA) over the know-how of OSI including trade secrets, confidential business information, marketing plans, methods, recipes and ingredient lists (**Licensed Know-How**). ITGSL has the right to sublicense or permit the use of this know-how to third parties. The purchase price paid for the Licensed Know-How and the Purchased Assets was equivalent to their fair market value, as determined by an independent appraiser. The Exclusive Licence expires 99 years from the Completion Date. OSI provided certain warranties to ITGSL, including in relation to its title to the Purchased IP and the Licensed Know-How and its non-infringement of any third party's intellectual property rights as a result of its use of the Purchased IP and Licensed Know-How.

16.2.3 ***Management Exchange Agreement***

OHC, OSH, OSIAC and certain shareholders in OSH (**Managers**) entered into a Management Exchange Agreement on 13 October 2006 (**Management Exchange Agreement**). The Management Exchange Agreement provided for the Managers to be entitled to exchange a portion of their shareholding in OSH for interests in shares in OSIAC and an interest in the Instalment Payment Agreement (as defined below). In addition, the Management Exchange Agreement contained covenants from the Managers that from the Completion Date and until the earlier to occur of (i) OSH no longer conducting the business of manufacturing, marketing and distributing cookies, muffins and frozen bread dough and (ii) the second anniversary of the Completion Date, such Managers would not directly or indirectly engage or have an ownership interest (other than de minimis interests in listed companies) in any business which competes with OSH's business.

16.2.4 ***Instalment Payment Agreement***

OSH and the Managers entered into an Instalment Payment Agreement on 2 November 2006 which was amended and restated on 31 January 2008 (**Instalment Payment Agreement**) pursuant to which OSH agreed to make an aggregate cash payment of up to USD25 million (**Target Payment)** conditional upon the achievement specified financial targets by OSH for the fiscal years ended 31 July 2007 to 2011. If a change of control of IAWS or OSH that qualifies as a "change in control event" for the purposes of Section 409A of the U.S. Internal Revenue Code of 1986, as amended. (**Qualifying Change in Control**) occurs prior to payment of the Target Payment, USD20 million of the Target Payment shall be due and payable immediately following the occurrence of the Qualifying Change in Control. In addition, OSH has agreed to make cash payments to the Managers (totalling in aggregate USD1.9 million) on the earlier to occur of (i) 31 October 2010; and (ii) a Qualifying Change in Control.

16.3 **Origin IPO**

The following agreements were entered into by IAWS in connection with the Origin IPO:

16.3.1 ***Shared Services Agreement***

Shared Services Agreement dated 29 May 2007 between IAWS and Origin (Shared Services Agreement), whereby subject to the terms and conditions of the Shared Services Agreement, IAWS agreed to supply services or procure that services be supplied to such

companies within the Origin group as may be specified by Origin. IAWS agreed to provide the relevant services to equivalent standards and exercise the same degree of care as is the case when executing equivalent functions on its own account.

IAWS is entitled to terminate the provision of one or more or all of the services which it is due to provide by delivery of a notice of termination to Origin giving not less than 6 months' notice of withdrawal of such services, given at any time following the expiration of 18 months from the date of the Shares Services Agreement save that, in the case of IT services, the relevant notice period is 18 months (given at any time following the expiration of 18 months from the date of the Shares Services Agreement). Termination may also arise on the occurrence of certain specified insolvency events.

The services to be provided by IAWS to Origin consist of financial reporting, internal audit, treasury services, taxation services, in-house legal and company secretarial services, information technology and the provision of serviced office facilities.

16.3.2 ***Deed of Counter Indemnity***

Deed of Counter Indemnity dated 29 May 2007 between IAWS and Origin (Deed of Counter Indemnity), whereby subject to the provisions of the Deed of Counter Indemnity, Origin, for itself and its group of companies, agreed to indemnify and hold harmless IAWS and its group of companies in respect of all and any obligations by way of guarantee, indemnity or like obligation (and howsoever described) undertaken by IAWS or any IAWS group company for the benefit of and/or at the request or direction of and/or with a view to support or secure or provide comfort in respect of the obligations of one or more of Origin and/or any of its group of companies.

16.3.3 ***Licence Agreement***

Licence Agreement dated 29 May 2007 between IAWS and Origin, (Licence Agreement), whereby subject to the provisions of the Licence Agreement IAWS agreed for itself and any relevant IAWS group company to permit Origin and any relevant Origin group company to continue to use certain IAWS trade marks and brands in connection with their respective businesses, on a royalty free basis, for a period of up to 3 years from the date of the Origin IPO.

16.4 **Financing Arrangements**

16.4.1 ***Facility Agreement***

By a facility agreement dated 13 November 2006 between, amongst others, The Governor and Company of the Bank of Ireland as agent, IAWS Finance Limited (IAWS FL), the members of IAWS Group named therein as borrowers (Borrowers) and guarantors and the financial institutions named therein as lenders (Lenders), the Lenders agreed to make a revolving loan facility in an amount of up to €600,000,000 available to IAWS FL and the other Borrowers to be used to repay certain then existing facilities and for the general corporate and working capital purposes of IAWS Group. The obligations of the Borrowers in respect of the facility are secured by guarantees given by various members of IAWS Group and by a share mortgage over the entire issued share capital of Blixen Limited (a member of IAWS Group). The facility expires on 13 November 2011 but it is intended that it will be replaced by the revolving credit facility (a description of which is provided at paragraph 16.4.2 below) upon completion of the Merger and the re-registration of IAWS as a private company.

16.4.2 ***Revolving Credit Facility***

A €795,000,000 revolving credit facility dated 19 June 2008 was entered into between; (1) ARYZTA AG as the borrower; (2) Bank of America Securities Limited, The Governor and Company of the Bank of Ireland and Ulster Bank Ireland Limited as mandated lead arrangers; (3) BoA Netherlands Cooperatieve U.A., The Governor and Company of the Bank of Ireland, BNP Paribas – Dublin Branch, Barclays Bank Ireland plc, Credit Suisse, Danske Bank A/S trading as National Irish Bank, Rabobank Ireland plc and Ulster Bank Ireland Limited as original lenders; and (4) The Governor and Company of the Bank of Ireland as Facility Agent and Security Agent. The €795,000,000 committed multi-currency facility is available to the group in the form of cash advances and letters of credit to be

used for general corporate and working capital purposes of the group including the refinancing of certain existing facilities. The final maturity date is 5 years from the date of the Agreement

Interest is payable on the aggregate of (i) EURIBOR or LIBOR (as applicable), (ii) Margin (initially set at 0.60 per cent.) and (iii) Mandatory cost (being costs incurred by the Lender to compensate it for compliance with the requirements of any monetary regulatory authority i.e. the European Central Bank). An arrangement fee and participation fee were payable on execution of the facility and a commitment fee is payable on the undrawn and uncancelled amounts of the facility quarterly in arrears.

The agreement contains certain representations, undertakings and events of default normal for facilities of this type.

16.4.3 ***Guarantee Senior Note Facility***

A USD450,000,000 Guaranteed Senior Note Facility dated 13 June 2007 was entered into between (1) IAWS Finance Limited ("IAWS FPP") as the borrower and (2) the Noteholders. The USD450,000,000 facility was made available to the IAWS Group by way of a term loan with various maturity dates and interest rates as outlined in the following table;

Note Reference	*Amount USD (millions)*	*Maturity*	*Coupon Rate*
Series A	USD150m	June 13, 2014	5.72%
Series B	USD250m	June 13, 2017	5.86%
Series C	USD50m	June 13, 2019	5.96%
Summary	**USD450m**	**9.2 yrs**	**5.82%**

The proceeds of the notes were used to repay existing (at that time) financial indebtedness and general corporate purposes. The interest rate on the notes is fixed and interest is payable semi-annually in arrears.

The agreement contains certain representations, undertakings and events of default normal for facilities of this type. The obligations of IAWS FPP in respect of the notes are guaranteed by various members of the IAWS Group.

16.4.4 ***Origin Facility***

A €450,000,000 bank facility dated January 2008 (which is an amending and restating of Facilities Agreement dated May 2007) was entered into between (1) Origin Enterprises Public Limited Company, (2) Ulster Bank Ireland Limited as Mandated Lead Arranger (3) Ulster Bank Ireland Limited, The Governor and Company of the Bank of Ireland, Allied Irish Banks, p.l.c., Danske Bank A/S trading as National Irish Bank and Rabobank Ireland plc as Lenders and (4) Ulster Bank Ireland Limited as Agent and Security Trustee. The €450,000,000 facility is available to Origin Enterprises plc and its subsidiaries in the form of a Term Loan, Cash Advances and Bank Guarantees and can be used to repay certain inter company loans, finance the Masstock acquisition, general corporate purposes and to fund working capital requirements of the Origin Group. The amounts available under each Facility and respective maturity dates are outlined in the following table;

Facility Amount (in € millions)	*Facility Type*	*Maturity Date*	*With extension options exercised*
A – €115m	Committed	3rd May 2012	3rd May 2014
B – €85m	Committed	3rd May 2012	3rd May 2014
C – €100m	Committed	3rd May 2010	Facility A/B Maturity Date
D – €50m	Uncommitted*	3rd May 2012	3rd May 2014
E – €50m	Committed	3rd May 2012	3rd May 2014
F – €50m	Committed	3rd May 2010	3rd May 2012

*drawdown is at the sole discretion of the Lenders

Interest is payable on the aggregate of (i) Margin, (ii) EURIBOR or LIBOR (as applicable) and (iii) Associated cost (being costs incurred by the Lender to compensate it for compliance with the requirements of any monetary regulatory authority i.e. the

European Central Bank). An arrangement fee and participation fee were payable on execution of the facility and a commitment fee is payable on the undrawn and uncancelled amounts of the various facilities quarterly in arrears.

The agreement contains certain representations, undertakings and events of default normal for facilities of this type.

17 RELATED PARTY TRANSACTIONS

ARYZTA

Save as disclosed below, ARYZTA has not entered into any related party transactions during the period from its incorporation and 9 July 2008 (being the latest practicable Business Day prior to the publication of this Prospectus):

- Hiestand Merger Agreement
- Business Combination Agreement

No loans or guarantees to any member of the Board or auditors have been granted as of the date of this Prospectus.

IAWS

Save as disclosed in the financial information set out in Part 12 of this Prospectus (see note 32 to the financial statements for the year ended 31 July 2006 and note 33 to the financial statements for the years ended 31 July 2007) IAWS has not entered into any related party transactions during the financial years ended on 31 July 2005, 2006, 2007. During the period to 9 July 2008 (being the latest period prior to the publication of this Prospectus) IAWS entered into the following related party transactions.

	€'000
Sale of goods	40,844
Purchase of goods	7,328
Provision of services	72
Receipt of services	3,908

The above transactions were conducted at arm's length primarily with associates of the IAWS Group, in the normal course of business.

No loans or guarantees to any member of the Board or auditors have been granted as of the date of this Prospectus.

Hiestand

Save as disclosed herein and in the financial information set out in Part 12 of this Prospectus (see note 2.30 to the financial statements for the year ended 31 December 2005, note 2.30 to the financial statements for the year ended 31 December 2006, and note 2.30 to the financial statements for the years ended 31 December 2007) Hiestand has not entered into any related party transactions during the financial years ended on 31 December 2005, 2006, 2007 and during the period to 9 July 2008 (being the latest period prior to the publication of this Prospectus).

In the reporting period of January 2008 to June 2008, a member of the executive board of Hiestand was granted a loan amounting to CHF12,000. Except for this loan, Hiestand has not granted any other loans to present or former members of the Hiestand Board, or to the group executive committee of Hiestand or any persons related to them, or waived any rights to accounts due from such persons.

18 TAKEOVERS

18.1 Mandatory Tender Offer

Pursuant to the applicable provisions of the SESTA, a person who acquires equity securities of a Swiss listed company, whether directly, indirectly or acting in concert with third parties, which, when added to the shares already held in the company, exceed the threshold of 33 per cent. of the company's voting rights (whether exercisable or not), must make an offer to acquire all of the listed shares of such company.

There is no obligation to make a tender offer under the foregoing rules if the voting rights in questions are acquired as a result of a gift, succession or partition of an estate, a transfer based upon matrimonial property law, or execution proceedings.

18.2 Cancellation of Remaining Equity Securities and Squeeze-out Merger

Under Swiss law, any offeror who has made a tender offer for the shares of a listed Swiss target company, and who, as a result of such offer, holds more than 98 per cent. of the voting rights of the target company, may petition the court to cancel the remaining equity securities. The corresponding petition must be filed against the target company within 3 months after the expiration of the offer period. The remaining shareholders may join in the proceedings. If the court orders cancellation of the remaining equity securities, the target company will reissue the equity securities and deliver such securities to the offeror against performance of the offer for the benefit of the holders of the cancelled equity securities.

The Swiss Merger Law dated 3 October 2003, as amended, allows a squeeze-out of minority shareholders by way of a squeeze-out merger. To the extent that at least 90 per cent. of the shareholders of the target company consent, the target company can be merged into the surviving company and the minority shareholders of the target company can be cashed out or receive another kind of consideration instead of receiving shares in the surviving company (squeeze-out merger). It is unclear and disputed whether the 90 per cent. approval relates to the total number of votes represented by all shares outstanding or to the total number of shareholders entitled to vote.

18.3 Merger Control Legislation

Under the Swiss Cartel Law dated 6 October 1995, as amended, the Competition Commission must be notified of intended combinations of enterprises prior to the consummation of the same, if during the business year preceding the combination (1) the participating enterprises had an aggregate turnover of at least 2 billion Swiss Francs, or a turnover in Switzerland of at least 500 million Swiss Francs each; and (2) at least two of the participating enterprises had a turnover in Switzerland of at least 100 million Swiss Francs each.

19 CONSENTS

KPMG Chartered Accountants whose office is at 1 Stokes Place, St Stephen's Green, Dublin 2, Ireland is a partnership whose partners are members of the Institute of Chartered Accountants in Ireland. KPMG Chartered Accountants has given and has not withdrawn its written consent to the inclusion of its reports set out in Part I Section B, Part III Section A, Part IV Section A and Part IV Section B of Part 12 in the form and context in which they are respectively included and has authorised the contents of its reports.

Davy, which is regulated by the Financial Regulator, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of the references to its name in the form and context in which it appears.

Credit Suisse, which is regulated by the Swiss Federal Banking Commission, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of the references to its name in the form and context in which it appears.

20 MARKET PRICE INFORMATION

The following table depicts the price development of IAWS Shares and Hiestand Shares during the last three calendar years and during the period from 1 January 2008 up to, and including, 9 July 2008 (being the latest practicable date).

	IAWS Shares (€)		*Hiestand Shares (CHF)*	
	High	*Low*	*High*	*Low*
1 Jan 08 – 9 July 08	16.75	12.14	2,830	1,445
1 Jan 07 – 31 Dec 07	19.56	13.95	2,759	1,420
1 Jan 06 – 31 Dec 06	19.55	12.50	1,417	1,005
1 Jan 05 – 31 Dec 05	12.60	11.00	1,132	850

21 LISTING AGENT

In accordance with art. 50 of the SWX Listing Rules, Credit Suisse being recognised as an expert by the Admission Board of the SWX, has filed on behalf of ARYZTA, an application for the listing of the ARYZTA Shares on the SWX.

22 FEES AND EXPENSES

The total third party expenses of, or incidental to, the Merger and Admission payable by the Enlarged Group are estimated to be approximately €30 million (excluding VAT).

23 Settlement and Depository Interests

ARYZTA will apply for the ARYZTA Shares to be settled in SIS with effect from Admission. Temporary documents of title will not be issued.

Issue of Depository Interests representing entitlements

Trades in ARYZTA Shares, because they are Swiss securities, cannot be settled within CREST, the usual UK and Ireland electronic settlement system. Furthermore, opening a shareholding account with a depository financial institution which is a participant in SIS (directly or indirectly via a custodian) and trading the ARYZTA Shares through SIS may involve a number of unfamiliar formalities for certain Irish, UK and other investors. Therefore, in order to facilitate trading of the ARYZTA Shares through CREST, ARYZTA intends that the ARYZTA Shares will initially be delivered, held and settled in CREST by means of the issue of Depository Interests, as described below.

Under the proposed arrangements, Capita IRG Trustees Limited will issue dematerialised depository interests representing entitlements to ARYZTA Shares ("**Depository Interests**" or "**DIs**"). Depository Interests may be held, transferred and settled solely within CREST, but ARYZTA DI holders, in cancelling their Depository Interests, are able to deliver their underlying shares to a depository financial institution which is a participant in the relevant settlement system SIS (directly or indirectly via a custodian). Upon the issue of Depository Interests, IAWS Shareholders who currently hold IAWS Shares in CREST will therefore not be the direct holders of the ARYZTA Shares to which they are entitled as a result of the implementation of the Scheme. The direct holder of such ARYZTA Shares will be Capita IRG Trustees Limited's custodian. However, ownership of Depository Interests will represent each IAWS Shareholder's entitlement to such ARYZTA Shares, as described below.

As described in more detail in the Section headed, "Rights attaching to Depository Interests", a holder of Depository Interests will, at his option, be able to effect the cancellation of his Depository Interests in CREST in order to hold his underlying ARYZTA Shares directly (upon sending an instruction to Capita IRG Trustees Limited to that effect (via the corporate nominee in the case of a holder via the corporate nominee facility described below) and will be entitled to arrange for the transfer of his ARYZTA Shares (as represented by his holding of Depository Interests) into a shareholding account with a depository financial institution which is a participant in SIS (directly or indirectly via a custodian).

The terms and conditions upon which the Depository Interests are issued and held in CREST will be set out in a trust deed poll to be executed by Capita IRG Trustees Limited on or prior to the Effective Date.

Where an IAWS Shareholder holds his IAWS Shares in certificated form at the Scheme Record Time (if for example he does not have access to an account in CREST), ARYZTA will arrange for Capita IRG Trustees Limited to hold Depository Interests (via its nominee) in CREST as a corporate nominee on behalf of such IAWS Shareholder. The terms and conditions of these arrangements will be sent to all IAWS Shareholders who hold IAWS Shares in certificated form not less than 14 days prior to the Effective Date. It will be necessary for an IAWS Shareholder who holds IAWS Shares in certificated form to agree to these terms and conditions prior to the Effective Date in order for Capita IRG Trustees Limited (via its nominee) to hold Depository Interests in CREST on his behalf. Capita IRG Trustees Limited will provide its corporate nominee services to IAWS Shareholders who have so agreed to the terms and conditions of their appointment, further details of which services will be provided to IAWS Shareholders together with the terms and conditions of appointment. IAWS Shareholders located in certain jurisdictions will not be eligible to participate in these corporate nominee arrangements. A list of the jurisdictions from which IAWS Shareholders may participate in these corporate nominee arrangements ("**Eligible Jurisdictions**") will be set out in the terms and conditions of appointment.

In the event that an IAWS Shareholder who holds his IAWS Shares in certificated form does not agree to the terms and conditions of the corporate nominee arrangements prior to the Effective Date (or is not located in an Eligible Jurisdiction), the ARYZTA Shares to which such IAWS Shareholder is entitled under the Scheme will be held by Capita Trust Company Limited in the form of Depository Interests on trust for such IAWS Shareholder. The corporate nominee services to be provided by Capita IRG Trustees Limited as referred to above will not be provided to those IAWS Shareholders who hold Depository Interests under such trust arrangements. The relevant IAWS Shareholder may, however, subsequently direct Capita Trust Company Limited either (i) (if located in an Eligible Jurisdiction) that he wishes to hold entitlement to ARYZTA shares through the corporate nominee facility and agrees to the terms and conditions of such facility, or (ii) that he wishes to arrange for the transfer of his ARYZTA Shares into a shareholding account with a depository financial institution which is a participant in SIS (directly or indirectly via a custodian). However, unless and until such a direction is given, Capita Trust Company Limited will continue to hold Depository Interests on trust for the relevant shareholder.

Normal CREST procedures (including timings) apply in relation to any IAWS Shares that are, or are to be, converted from uncertificated to certificated form (rematerialisation), or from certificated to uncertificated form (dematerialisation), prior to the Effective Date (whether any such conversion arises as a result of a transfer of IAWS Shares or otherwise). Holders of IAWS Shares who are proposing to convert any such IAWS Shares are recommended to ensure that such conversions have been completed prior to the Scheme Record Time.

Settlement

On the Effective Date, ARYZTA shall deliver to Capita IRG Trustees Limited's custodian such ARYZTA Shares as are required to be delivered to give effect to the Scheme, for the persons entitled to such ARYZTA Shares and to be settled as set out below.

As a result, Capita IRG Trustees Limited's custodian will be the first holder of the ARYZTA Shares to which the Scheme Shareholders are entitled. Shortly following the aforementioned steps having been taken, Capita IRG Trustees Limited shall:

- in the case of Scheme Shares which at the Scheme Record Time are in certificated form and provided that the relevant Scheme Shareholder is located in an Eligible Jurisdiction and has agreed to the terms and conditions of such arrangements, issue Depository Interests to Capita IRG Trustees Limited's nominee to be held for such Scheme Shareholders and shall thereupon, as soon as reasonably practicable, and in any event no later than the fourteenth day following the Effective Date, deliver (or procure the delivery on its behalf of) a statement of entitlement detailing the relevant Scheme Shareholder's entitlement to Depository Interests;
- in the case of Scheme Shares which at the Scheme Record Time are in certificated form and where the relevant Scheme Shareholder is not located in an Eligible Jurisdiction and/or has not agreed to the terms and conditions of the corporate nominee arrangements, issue Depository Interests to Capita Trust Company Limited, who will hold such Depository Interests on trust for the relevant Scheme Shareholders. The terms of the trust will be set out in a deed to be executed by Capita Trust Company Limited and the relevant Scheme Shareholder's Depository Interests under the trust will be subject to such terms; and
- in the case of Scheme Shares which at the Scheme Record Time are in uncertificated form in CREST, issue and deliver through CREST (to the stock account in CREST in which each such Scheme Shareholder held Scheme Shares) such Scheme Shareholder's entitlement to Depository Interests as soon as reasonably practicable, and in any event no later than the fourteenth day following the Effective Date.

Rights attaching to Depository Interests

The holders of Depository Interests will have a beneficial entitlement to the ARYZTA Shares to which they are entitled under the Scheme but will not be the direct holders thereof. Accordingly, the holders of Depository Interests will be able to exercise the rights relating to the ARYZTA Shares only via Capita IRG Trustees Limited and not directly against ARYZTA.

ARYZTA intends that, in order to allow the holders of Depository Interests to exercise rights relating to the ARYZTA Shares, prior to the Effective Date it will enter into arrangements pursuant to which it will procure that, with effect from the Effective Date, all holders of Depository Interests (including those held via the corporate nominee facility) will:

- Receive notices, in English, of all shareholders meetings of ARYZTA;
- Be able to give directions as to voting at all shareholders meetings of ARYZTA, provided that the relevant shares have been recorded as shares with voting rights in ARYZTA's share register;
- Have made available to them and will be sent at their request copies of the annual report and accounts of ARYZTA and all of the documents issued by ARYZTA to the holders of ARYZTA Shares (in each case, in English);
- Be treated in the same manner as the holders of ARYZTA Shares in respect of all other rights attaching to ARYZTA Shares, so far as is reasonably practicable taking into account the nature of their rights as holders of Depository Interests,

in each case, so far as possible in accordance with applicable law and regulations.

To the extent permissible under applicable law and regulations and to the extent reasonably practicable, ARYZTA may also make arrangements to allow the holders of Depository Interests (including those held via the corporate nominee facility) to attend shareholder meetings of ARYZTA.

Any amounts in respect of dividends paid by ARYZTA on ARYZTA Shares represented by Depository Interests will be paid by Capita IRG Trustees Limited to the holders of Depository Interests in Euro.

All IAWS Shareholders who hold their shares in certificated form will be sent, prior to the Effective Date, terms and conditions of the corporate nominee arrangements. It will be necessary for IAWS Shareholders who hold their shares in certificated form to agree to these terms and conditions by returning the Form of Acknowledgement to Capita IRG Trustees Limited in advance of the Effective Date in order for the corporate nominee to hold Depository Interests in CREST on their behalf.

24 CLEARING CODES/AUTHORISATIONS

24.1 The SWX and ISE Ticker Symbols, the Swiss Security Number (*Valorennummer*), International Security Identification Number (ISIN) and Common Code are as follows:

SWX Ticker Symbol:	ARYN
ISE Ticker Symbol:	YZA
Swiss Security Number (*Valorennummer*):	4 323 836
International Security Identification Number (ISIN)	CH 004 323836 6
Common Code:	037252298

This Prospectus, as well as the application for listing the ARYZTA Shares, were approved by the Board on 8 July 2008.

25 PAYING AGENT

As long as the ARYZTA Shares are listed on the SWX, ARYZTA will maintain a principal paying agent (*Hauptzahlstelle*) in Switzerland. The principal paying agent for the ARYZTA Shares in Switzerland is Credit Suisse.

26 NOTICES

The Articles of Association provide that notices by the Company to its shareholders shall be made by publication in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*). Notices required under the SWX Listing Rules will be announced via the electronic media and, if required, published in German and French newspapers in Switzerland, which are expected to be the Neue Zürcher Zeitung and Le Temps. Notices required under the Listing Rules of the Irish Stock Exchange will be made via a Regulatory Information Service (being one of the services set out in Schedule 12 of Appendix 2 of the Listing Rules).

27 BUSINESS PROSPECTS

Other than as disclosed in Part 1 (Summary), Part 2 (Risk Factors), Part 4 (Information on the Enlarged Group), Part 7 (Operating and Financial Review Relating to IAWS) and Part 8 (Operating and Financial Review Relating to Hiestand) of this Prospectus, there are no known trends, commitments or events that are reasonably likely to have a material effect on the Enlarged Group's prospects for the current financial year.

28 DOCUMENTS AVAILABLE FOR INSPECTION

28.1 Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Matheson Ormsby Prentice Solicitors, 70 Sir John Rogerson's Quay, Dublin 2 up to Completion:

28.1.1 the Articles of Association;

28.1.2 the reports by KPMG set out in Part 12 (Index to Financial Information) of this Prospectus;

28.1.3 the Accountant's Report by KPMG Chartered Accountants on ARYZTA referred to in Part III Section A of Part 12 (Index to Financial Information) of this Prospectus;

28.1.4 the Accountant's Report by KPMG Chartered Accountants on the unaudited Pro Forma condensed financial information for the 12 months ended 31 July 2007 referred to in Part IV Section A of Part 12 (Index to Financial Information) of this Prospectus;

28.1.5 the Assurance report by KPMG Chartered Accountants on the unaudited Pro Forma condensed financial information for the twelve months ended 31 July 2007 referred to in Part IV Section A of Part 12 (Index to Financial Information) of this Prospectus;

28.1.6 the Accountant's Report by KPMG Chartered Accountants on the unaudited Pro Forma condensed financial information for the 6 month period ended 31 January 2008 referred to in Part IV Section B of Part 12 (Index to Financial Information) of this Prospectus;

28.1.7 the Assurance report by KPMG Chartered Accountants on the unaudited Pro Forma condensed financial information for the six month period ended 31 January 2008 referred to in Part IV Section B of Part 12 (Index to Financial Information) of this Prospectus;

28.1.8 the Accountant's Report by KPMG Chartered Accountants on the Profit Forecast prepared by the directors of IAWS Group referred to in Part I Section B of Part 12 (Index to Financial Information) of this Prospectus;

28.1.9 the historical financial information for IAWS as at and for the 3 years ended 31 July 2005, 2006 and 2007;

28.1.10 the audited historical financial information for Hiestand as at and for the 3 years ended 31 December 2005, 2006 and 2007;

28.1.11 Unaudited consolidated interim results relating to IAWS for the six months ended 31 January 2008;

28.1.12 the consent letters referred to in paragraph 19 above;

28.1.13 the Scheme Document; and

28.1.14 this Prospectus.

Dated: 11 July 2008

PART 10

DEFINITIONS

The following definitions apply throughout this Prospectus unless the context requires otherwise:

"Acquisition"	the recommended acquisition of IAWS by ARYZTA to be implemented by way of the Scheme;
"Act"	the Companies Act 1963 of Ireland;
"Admission"	the admission of ARYZTA Shares to: (1) listing on the main segment of the SWX Swiss Exchange; (2) listing on the Official List of the Irish Stock Exchange and to trading on its regulated market;
"Articles" or **"Articles of Association"**	the articles of association of the Company in effect at the time of Admission;
"ARYZTA" or the **"Company"**	ARYZTA AG, a company incorporated in Switzerland with registered number CH-020.3.032.251-9;
"ARYZTA EGM"	the extraordinary General Meeting to be convened by ARYZTA for the purposes of approving the capital increase required to facilitate the issue of the ARYZTA Shares required to be allotted in connection with the Merger and the resultant amendments to the Articles of Association;
"ARYZTA Group"	in respect of the period from the date of this document to Completion, ARYTZA, and in respect of the period following Completion, the Enlarged Group;
"ARYZTA LTIP"	the ARYZTA Long Term Incentive Plan 2008, more particularly described in paragraph 10 of Part 9 (Additional Information);
"ARYZTA Shareholders" or **"Shareholders"**	the holders of ARYZTA Shares from time to time and each an "ARYZTA Shareholder" or "Shareholder";
"ARYZTA Shares" or **"the Shares"**	the registered shares of CHF0.02 each in the capital of the Company;
"Assumptions"	the bases and assumptions set out on pages 23 and 24 (Bases and Assumptions) of this Prospectus;
"Awards"	awards of convertible shares in the capital of IAWS granted pursuant to the Matching Awards Scheme or the IAWS EEPS;
"Board"	the board of directors of the Company from time to time;
"BIK"	benefits-in-kind;
"Business Day"	a day, other than a Saturday or a Sunday, on which clearing banks are normally open for business in Dublin and Zurich and on which the Irish Stock Exchange and the SWX Swiss Exchange are open for transaction of business;
"Business Combination Agreement"	the business combination agreement relating to the implementation of the Merger entered into between IAWS, Hiestand and ARYZTA on 7 June 2008, as more particularly described in paragraph 16.1.2 of Part 9 (Additional Information);
"CHF" or **"Swiss francs"**	Swiss francs, the lawful currency of Switzerland;
"CHS"	means Code, Hennessey & Simmons IV L.P., a Delaware limited partnership;
"CO"	Swiss Code of Obligations;
"Completion"	completion of the Merger;
"Conditions"	the conditions to implementation of the Merger which are summarised in paragraph 6 of Part 5 (Information on the Merger);

“conditional share capital”	a provision in the articles of association which allows a company to issue up to a defined number of new shares to the holders of options and other convertible instruments whenever the corresponding conversion rights or other entitlements have been exercised. As the shares are issued in single steps over time, SWX allows companies to list the conditional share capital as such (although the shares are not yet issued) so that the new shares whenever created out of conditional capital are deemed listed;
“Court”	the High Court of Ireland;
“Court Hearing”	the hearing by the Court of the petition to sanction the Scheme under Section 201 of the Act and to confirm the associated Reduction of Capital pursuant to Sections 72 and 74 of the Act;
“Court Meeting”	the meeting of Scheme Shareholders convened by order of the Court dated 30 June 2008 pursuant to Section 201 of the Act to be held on 24 July 2008 and to consider, and if thought fit, approve the Scheme (with or without amendment), and any adjournment thereof;
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations), enabling title to securities to be evidenced and transferred in dematerialised form operated by Euroclear UK & Ireland Limited;
“Davy”	J&E Davy, trading as Davy, including its affiliate Davy Corporate Finance and any other affiliates, or any of its subsidiary undertakings;
“Depository interests” or **“DIs”**	has the meaning given to that term in paragraph 23 of Part 9;
“Directors”	the persons who have authorised themselves to be named in this document as directors of the Company, whose names are set out on page 13 of this Prospectus;
“EBITA”	earnings prior to deduction of interest, tax and amortization;
“EBITDA”	earnings prior to deduction of interest, tax, depreciation and amortization;
“EEA”	the European Economic Area, being the 27 member states of the EU plus Iceland, Liechtenstein and Norway;
“EEPS Proposal”	the proposal to be made to IAWS EEPS Participants in connection with the Scheme;
“Effective Date”	the date upon which the Scheme becomes effective in accordance with its terms, which is expected to be 21 August 2008;
“EIRP”	Employee Incentive Retention Plan;
“Enlarged Group”	the group of companies comprising ARYZTA, IAWS, Hiestand, their subsidiaries and subsidiary undertakings following completion of the Merger;
“EPS”	earnings per share;
“EU” or **“European Union”**	the European Union;
“EUR”, “€” or **“euro”**	the single currency of member states of the European Union that have adopted the Euro as their currency in accordance with legislation of the European Union relating to European Economic and Monetary Union;
“Euromonitor”	Euromonitor International, 60-61 Britton Street, London EC1M 5UX, UK;
“Euro Zone Core CPI”	a measure of the average change in prices in the Euro zone over time in a fixed market basket of goods and services typically purchased by consumers;
“Executive Directors”	Owen Killian, Patrick McEniff, Hugo Kane;

"Exchange Ratios"	the ratios which the number of ARYZTA Shares offered to IAWS Shareholders and Hiestand Shareholders bears to the numbers of IAWS Shares and Hiestand Shares held by them respectively;
"Financial Regulator"	the Irish Financial Services Regulatory Authority;
"Financial Regulator's Transparency Rules"	the Financial Regulator's Interim Transparency Rules of June 2007;
"FSMA"	the Financial Services and Markets Act 2000;
"Fully Diluted Basis"	the issued share capital of ARYZTA following Completion assuming the issue of ARYZTA Shares to the IAWS Option Holders and the IAWS EEPS Participants on the basis that the Option Proposal and the EEPS Proposal, respectively are accepted in full;
"General Meeting"	a general meeting (whether ordinary or extraordinary) of the Company;
"GIRA"	GIRA Consultancy and Research, 13 chemin du Levant, 01201 Ferney-Voltaire, France;
"Group Company"	any company forming part of the Enlarged Group;
"Hiestand"	Hiestand Holding AG, a public limited company incorporated in Switzerland with registered number CH-400.3.016.148-8;
"Hiestand Board"	the board of directors of Hiestand;
"Hiestand EGM"	the extraordinary general meeting to be convened by Hiestand for the purposes of approving the Hiestand Merger;
"Hiestand Group"	Hiestand, its subsidiaries and subsidiary undertakings;
"Hiestand Merger"	the proposed absorption of Hiestand by ARYZTA pursuant to the Swiss Merger Act with such merger to be implemented in accordance with the Hiestand Merger Agreement;
"Hiestand Merger Agreement"	the agreement entered into between Hiestand and ARYZTA on 7 June 2008 setting out the terms of the Hiestand Merger, as more particularly described in paragraph 16.1.3 of Part 9 (Additional Information);
"Hiestand Shares"	the registered shares of CHF1.00 each in the capital of Hiestand;
"Hiestand Shareholders"	the holders of the Hiestand Shares including, where the context requires, the holders of beneficial interests in Hiestand Shares;
"IAWS"	IAWS Group plc, a public limited company incorporated in Ireland with registered number 132287;
"IAWS Board"	the board of directors of IAWS;
"IAWS Convertible Securities"	Awards under the IAWS Matching Awards Scheme and the IAWS EEPS and the IAWS Options;
"IAWS EEPS"	a long term incentive plan effected under the employee equity participation benefit provisions of the IAWS LTIP 2006;
"IAWS EEPS Participants"	holders of IAWS Convertible Securities issued under the IAWS EEPS;
"IAWS EGM"	the extraordinary general meeting of IAWS Shareholders convened in connection with the Scheme to be held on 24 July 2008 (and any adjournment thereof), notice of which is set out in appendix 2 of the Scheme Document;
"IAWS Group"	IAWS, its subsidiaries and subsidiary undertakings;
"IAWS LTIP 2006"	a long term incentive plan adopted by resolution passed at the annual general meeting of IAWS on 4 December 2006 and amended by resolution of the remuneration committee of the IAWS Board on 24 July 2007;

"IAWS Matching Awards Scheme"	a long term incentive plan effected under the matching award provisions of the IAWS LTIP 2006;
"IAWS Options"	options to subscribe for IAWS Shares granted pursuant to the 1997 Share Option Plan of IAWS;
"IAWS Option Holders"	holders of IAWS Options;
"IAWS Resolution"	the resolution set out in the notice of the IAWS EGM contained at appendix 2 of the Scheme Document;
"IAWS Shareholders"	holders of IAWS Shares including, where the context requires, holders of beneficial interests in IAWS Shares;
"IAWS Shares"	the ordinary shares of €0.30 each issued in the capital of IAWS;
"Irish Takeover Rules"	the Irish Takeover Panel Act 1997, Takeover Rules 2007 and the Irish Takeover Panel Act 1997, Substantial Acquisition Rules 2007;
"IFRS"	International Financial Reporting Standards;
"Instalment Payment Agreement"	has the meaning ascribed thereto in paragraph 16.2.4 of Part 9 (Additional Information);
"IP Purchase Agreement"	has the meaning ascribed thereto in paragraph 16.2.2 of Part 9 (Additional Information);
"Ireland"	the island of Ireland excluding Northern Ireland, and the word "Irish" shall be construed accordingly;
"Irish GAAP"	generally accepted accounting principles in Ireland;
"Irish Stock Exchange"	the Irish Stock Exchange Limited;
"Irish Takeover Panel" or **"Panel"**	the Irish Takeover Panel, established under the Irish Takeover Panel Act, 1997 of Ireland;
"ISIN"	the International Securities Identification Number;
"La Brea Bakery"	the business operated by La Brea Bakery, Inc, its subsidiaries and subsidiary undertakings;
"Lion Capital"	Lion/Hotel Dutch 1 B.V. a private company incorporated under the laws of the Netherlands;
"Lion SPA"	the share purchase agreement entered into between IAWS and Lion Capital dated 7 June 2008 pursuant to which IAWS, subject to the satisfaction of certain conditions agreed to purchase 170,000 Hiestand Shares from Lion Capital, as more particularly described in paragraph 16.1.1 of Part 9 (Additional Information);
"Listing Rules"	the listing rules issued by the Irish Stock Exchange;
"Management Exchange Agreement"	has the meaning ascribed thereto in paragraph 16.2.3 of Part 9 (Additional Information);
"Merger"	the merger of IAWS and Hiestand to be effected by way of the Acquisition and the Hiestand Merger;
"Non-Executive Directors"	the Directors other than the Executive Directors;
"OHC"	OSI Holdings Corporation, a Delaware corporation;
"Option Proposal"	the proposal to be made to IAWS Option Holders in connection with the Scheme;
"Origin"	Origin Enterprises plc, a public limited company incorporated under the laws of Ireland;
"Origin IPO"	the admission of the ordinary share capital of Origin to trading on the IEX market of the Irish Stock Exchange and the AIM market of the London Stock Exchange, which occurred on 5 June 2007;
"Origin Plan"	has the meaning ascribed thereto in paragraph 5.3.6 of Part 7;
"OSH"	Otis Spunkmeyer Holdings, Inc., a Delaware corporation;

"OSH Merger Agreement"	the Agreement and Plan of Merger entered into by and between OSH, OHC, OSIAC , IAWS and CHS on 13 October 2006, more particularly described in paragraph 16.2.1 of Part 9 (Additional Information) of this Prospectus;
"OSIAC"	means OSI Acquisition Corporation, a Delaware corporation;
"Otis Spunkmeyer"	the business operated by OSH, its subsidiaries and subsidiary undertakings;
"Otis Spunkmeyer Acquisition"	the transactions described in paragraph 16.2 of Part 9 (Additional Information) pursuant to which OHC acquired OSH by way of merger;
"Prospectus" or **"this document"**	this document comprising a Prospectus issued by the Company relating to and approved by and filed with the Financial Regulator in accordance with the Prospectus Directive and the Prospectus Regulations 2005;
"Prospectus Directive"	Directive 2003/71/EC;
"Prospectus Regulations"	the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland;
"Qualified Majority"	a majority of two thirds of the votes represented and the absolute majority of the par value of shares represented at a General Meeting;
"Reduction of Capital"	the proposed reduction of the ordinary share capital of IAWS provided for by the Scheme under Sections 72 and 74 of the Act;
"Regulatory Information Service"	any of the services set out in Schedule 12 of Appendix 2 of the Listing Rules of the Irish Stock Exchange or the Companies Announcements Office of the Irish Stock Exchange;
"Restricted Jurisdiction"	Canada, Australia, Japan or any other jurisdiction which in, into, or into from, it would be unlawful to offer, solicit an offer, sell, or deliver, directly or indirectly, ARYZTA Shares;
"SBFD"	SBFD Holding Company, a corporation incorporated under the laws of Delaware;
"Scheme"	the proposed scheme of arrangement, as described in the Scheme Document, pursuant to Section 201 of the Act and the proposed Reduction of Capital under Sections 72 and 74 of the Act with, or subject to, any modifications, addition or condition approved by the Court and agreed by IAWS and ARYZTA;
"Scheme Document"	the document dated 30 June 2008 sent to IAWS Shareholders which contains, among other things, the explanatory statement, the terms and conditions of the Scheme and the notices convening the Court Meeting and the IAWS EGM;
"Scheme Record Time"	6:00pm on the last Business Day before the Effective Date;
"Scheme Shareholders"	the holders of Scheme Shares;
"Scheme Shares"	the IAWS Shares in issue at the date of the Scheme Document and those (if any); issued after the date of the Scheme Document and before the Scheme Record Time;
"SEC"	the US Securities and Exchange Commission;
"SESTA"	Swiss Federal Act on Stock Exchanges and Securities Trading;
"SIS"	SIS SegaInterSettle AG, enabling title to securities to be evidenced and transferred in dematerialised form;
"subsidiary"	has the meaning given to such term in Section 155 of the Act;
"subsidiary undertaking"	has the meaning given to such expression by Regulation 4 of the European Communities (Companies: Group Accounts) Regulations 1992 (SI 1992 No. 201) of Ireland;
"Switzerland"	the Swiss Confederation;

"Swiss Merger Law" or **"Swiss Merger Act"**	the Swiss Federal Act on Merger, Demerger, Conversion and Transfer of Assets;
"SWX"	the SWX Swiss Exchange AG;
"SWX Listing Rules"	the SWX Swiss Exchange Listing Rules;
"Tarest"	Tarest Limited, a company incorporated under the laws of Ireland;
"Tim Hortons"	Tim Hortons, Inc;
"Trading Day"	any day (other than a Saturday or Sunday) on which the relevant exchange is open for business and ARYZTA Shares may be dealt on it;
"Transparency Regulations of Ireland"	the Transparency (Directive 2004/109/EC) Regulations 2007 of Ireland;
"UK Listing Authority"	the UK Listing Authority, being the Financial Services Authority acting as the competent authority for the purposes of Part VI of the FSMA;
"Uncertificated Securities Regulations"	the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (SI No. 68 of 1996) of Ireland, as amended;
"US" or **"USA"** or **"United States"**	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia;
"US Exchange Act"	the US Securities Exchange Act of 1934, as amended , and the rules and regulations promulgated thereunder;
"US Securities Act"	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder; and
"Voting Record Time"	6.00pm on the day which is two days before the date of the Court Meeting and the IAWS EGM or, if any of such meetings are adjourned, 6:00pm on the second day before the time set for the adjourned meeting.

PART 11

GLOSSARY

The following is a glossary of certain business related terms used in this Prospectus:

Term	*Meaning*
"ambient food"	food which can be stored for long periods at ambient temperature without chilling or refrigeration;
"bake-off"	bread or bakery products, either half-baked or frozen, which require a brief final stage of baking or heating;
"B2B"	business to business;
"DSD"	direct store delivery;
"food service"	those markets such as restaurants and coffee shops where catered food is provided to consumers;
"MDP"	a process where either the atmosphere within a package is removed entirely or the atmosphere is altered;
"par baked"	breads that are partially baked and then frozen before being transported to customers;
"retail market"	those markets such as convenience stores and supermarkets, which provide food products to consumers;
"sweet baked goods"	baked products such as cookies, muffins and pastries; and
"value-added concepts"	additional services offered by ARYZTA to customers e.g., display units, merchandising material and also ovens and training in their use together with a sales support system and 24 hour delivery service.

PART 12

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PART I

FINANCIAL INFORMATION ON IAWS GROUP, PLC

This Part I contains:

- Section A: Unaudited consolidated interim results relating to IAWS for the six months ended 31 January 2008.
- Section B: Accountant's report on a profit forecast for IAWS for the year ending 31 July 2008 for the purposes of the European Union Prospectus Directive.
- Section C: Historical consolidated financial information relating to IAWS for the two years ended 31 July 2007.
- Section D: Historical consolidated financial information relating to IAWS for the two years ended 31 July 2006.

SECTION A

UNAUDITED CONSOLIDATED INTERIM RESULTS RELATING TO IAWS GROUP, PLC FOR THE SIX MONTHS ENDED 31 JANUARY 2008

The financial information presented in this Part I Section A, has been extracted without material adjustment from pages 7 to 20 of the Interim Results Announcement of IAWS Group plc. The financial information has been prepared in accordance with the accounting policies set out in the IAWS Group plc consolidated financial statements for the year ended 31 July 2007 which were prepared in accordance with International Financial Reporting Standards as endorsed by the European Commission. The Interim Results Announcement of IAWS Group plc was published on 10 March 2008.

IAWS Group plc

Consolidated interim income statement
for the six months ended 31 January 2008

	Six months ended 31 January 2008 €'000 (Unaudited)	*Six months ended 31 January 2007 €'000 (Unaudited)*	*Year ended 31 July 2007 €'000 (Audited)*
Revenue	1,127,473	838,456	1,907,619
Cost of sales	(842,277)	(645,611)	(1,416,507)
Gross profit	285,196	192,845	491,112
Distribution, administration and other expenses	(202,987)	(135,503)	(344,664)
Operating profit before amortisation and exceptional items	82,209	57,342	146,448
Intangible amortisation	(9,241)	(6,757)	(15,927)
Exceptional items	—	—	22,732
Operating profit	72,968	50,585	153,253
Share of profit of associates and joint venture	13,382	12,998	26,656
Profit before financing costs	86,350	63,583	179,909
Financing costs	(17,132)	(14,297)	(30,099)
Profit before tax	69,218	49,286	149,810
Income tax	(10,262)	(6,491)	(26,337)
Profit for the period	58,956	42,795	123,473

	Six months ended 31 January 2008 €'000 (Unaudited)	*Six months ended 31 January 2007 €'000 (Unaudited)*	*Year ended 31 July 2007 €'000 (Audited)*
Attributable as follows:			
Equity shareholders	55,658	42,664	122,995
Minority interest	3,298	131	478
	58,956	42,795	123,473
Earnings per share for the period			
Basic – adjusted			
Excluding amortisation and exceptional items	49.08c	37.62c	95.34c
Diluted – adjusted			
Excluding amortisation and exceptional items	48.37c	37.15c	94.17c
Basic			
Including amortisation and exceptional items	43.83c	33.78c	97.22c
Diluted			
Including amortisation and exceptional items	43.18c	33.36c	96.04c
Dividend per ordinary share	8.64c	7.51c	15.31c

Consolidated interim balance sheet
as at 31 January 2008

	31 January 2008 €'000 (Unaudited)	*31 January 2007 €'000 (Unaudited)*	*31 July 2007 €'000 (Audited)*
ASSETS			
Non current assets			
Property, plant and equipment	427,151	349,679	356,493
Investment properties	192,418	—	165,473
Goodwill	529,846	563,226	531,340
Intangible assets	274,585	273,203	253,141
Investments in associates and joint venture	160,399	160,720	169,005
Other investments	201	206	204
Deferred tax assets	16,090	8,713	14,689
Total non current assets	1,600,690	1,355,747	1,490,345
Current assets			
Inventory	194,194	143,137	137,646
Trade and other receivables	280,923	244,077	240,451
Derivative financial instruments	—	1,789	734
Cash and cash equivalents	138,476	107,841	86,059
Total current assets	613,593	496,844	464,890
TOTAL ASSETS	2,214,283	1,852,591	1,955,235

	31 January 2008 €'000 (Unaudited)	*31 January 2007 €'000 (Unaudited)*	*31 July 2007 €'000 (Audited)*
EQUITY			
Called up share capital	39,169	37,941	38,174
Share premium	57,956	54,022	57,001
Retained earnings and other reserves	650,224	437,927	620,922
Total equity attributable to equity shareholders of parent	747,349	529,890	716,097
Minority interest	53,840	2,705	50,631
TOTAL EQUITY	801,189	532,595	766,728
LIABILITIES			
Non current liabilities			
Interest bearing loans and borrowings	680,436	422,112	527,684
Employee benefits	24,023	9,666	8,705
Deferred government grants	4,281	2,919	2,929
Other payables	488	1,181	350
Deferred tax liabilities	148,369	136,125	147,041
Provisions	49,013	46,844	45,089
Total non current liabilities	906,610	618,847	731,798
Current liabilities			
Interest bearing borrowings	40,888	375,039	37,958
Trade and other payables	417,071	304,644	383,065
Corporation tax payable	39,429	20,522	31,741
Derivative financial instruments	4,302	944	3,945
Provisions	4,794	—	—
Total current liabilities	506,484	701,149	456,709
TOTAL LIABILITIES	1,413,094	1,319,996	1,188,507
TOTAL LIABILITIES AND EQUITY	2,214,283	1,852,591	1,955,235

Consolidated interim cash flow statement
for the six months ended 31 January 2008

	Six months ended 31 January 2008 €'000 (Unaudited)	*Six months ended 31 January 2007 €'000 (Unaudited)*	*Year ended 31 July 2007 €'000 (Audited)*
Cash flows from operating activities			
Profit before tax	69,218	49,286	149,810
Financing costs, net	17,132	14,297	30,099
Share of profits of associates and joint venture	(13,382)	(12,998)	(26,656)
Depreciation of property, plant and equipment	16,617	15,755	33,451
Amortisation of intangible assets	9,241	6,757	15,927
Amortisation of government grants	(82)	(91)	(79)
Employee share-based payment charge	5,827	1,317	6,007
Exceptional items	—	—	(22,732)
Other	—	476	(1,836)
Operating profit before changes in working capital	104,571	74,799	183,991
Increase in inventory	(52,293)	(24,569)	(22,740)
(Increase)/decrease in trade and other receivables	(33,131)	18,863	14,241
Increase/(decrease) in trade and other payables	36,355	(46,983)	11,814
Cash generated from operating activities	55,502	22,110	187,306
Interest paid	(15,799)	(12,710)	(29,547)
Income tax paid	(4,863)	(2,845)	(9,371)
Net cash from operating activities	34,840	6,555	148,388

	Six months ended 31 January 2008 €'000 (Unaudited)	Six months ended 31 January 2007 €'000 (Unaudited)	Year ended 31 July 2007 €'000 (Audited)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	156	203	1,912
Purchase of property, plant and equipment			
— Ongoing	(7,126)	(5,730)	(11,710)
— New investments	(58,550)	(32,216)	(89,007)
Purchase of investment properties	(12,945)	—	—
Acquisition of subsidiaries, businesses and associates, net of cash acquired	(54,689)	(463,378)	(442,449)
Proceeds from disposal of business	—	—	1,031
Purchase of intangible assets	—	—	(12,984)
Cash received on dilution of Origin Enterprises plc, net	—	—	97,521
Insurance proceeds, net	—	—	6,118
Dividends received	8,377	7,928	18,000
Purchase of minority interest	—	(951)	(857)
Deferred consideration paid	(1,000)	(2,109)	(3,571)
Other	—	—	5
Net cash flow from investing activities	(125,777)	(496,253)	(435,991)
Cash flows from financing activities			
Proceeds from issue of share capital	1,950	2,208	5,420
Drawdown of loan capital	142,819	499,659	277,528
Capital element of finance lease liabilities	(410)	(181)	(363)
Equity dividends paid	—	—	(18,089)
Receipt from derivative financial instrument	—	—	1,343
Net cash flow from financing activities	144,359	501,686	265,839
Net increase in cash and cash equivalents	53,422	11,988	(21,764)
Translation adjustment	(3,927)	1,034	470
Cash and cash equivalents at start of period	48,504	69,798	69,798
Cash and cash equivalents at end of period	97,999	82,820	48,504

Consolidated interim statement of changes in equity
for the six months ended 31 January 2008

	Six months ended 31 January 2008 €'000 (Unaudited)	*Six months ended 31 January 2007 €'000 (Unaudited)*	*Year ended 31 July 2007 €'000 (Audited)*
At beginning of period	766,728	480,736	480,736
Changes in equity for the period			
Foreign exchange translation adjustment	(36,869)	4,859	(4,063)
Group defined benefit schemes	(13,709)	100	12,594
Deferred tax on defined benefit pension scheme	1,774	240	(1,095)
Losses relating to cash flow hedges	(1,413)	773	(1,952)
Deferred tax effect of cash flow hedges	(171)	—	712
Revaluation of investment properties	—	—	140,129
Deferred tax on revaluation of investment properties	—	—	(25,502)
Profit for the period attributable to equity holders	58,956	42,795	123,473
Net revaluation of previously held interest in associate	18,116	—	—
Share of associates' other reserve movements	—	(97)	1,684
Total recognised income and expense	26,684	48,670	245,980
Total recognised income and expense attributable to minority interests	(3,209)	(131)	(1,047)
Total recognised income and expense attributable to equity shareholders	23,475	48,539	244,933
Issue of shares	1,950	2,208	5,420
Increase in employee share-based payments reserve	5,827	1,317	6,007
Dividends paid	—	—	(18,089)
Total changes in equity attributable to equity shareholders	31,252	52,064	238,271
Movement in minority interest	3,209	(205)	47,721
Total change in equity for the period	34,461	51,859	285,992
At end of period	801,189	532,595	766,728

Notes to the consolidated interim financial information
for the six months ended 31 January 2008

1 International Financial Reporting Standards

Basis of preparation

The interim financial information has been prepared in accordance with the accounting policies set out in the Group's consolidated financial statements for the year ended 31 July 2007 which were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Commission.

The consolidated interim financial information is presented in euro, rounded to the nearest thousand, which is the functional currency of the parent and majority of the Group's operations.

2 Segment information

(a) Segmental revenue and result

	FOOD – EUROPE			*FOOD – NORTH AMERICA*			*ORIGIN*			*TOTAL*		
	6 months ended 31/01/08 €'000	*6 months ended 31/01/07 €'000*	*Year ended 31/07/07 €'000*	*6 months ended 31/01/08 €'000*	*6 months ended 31/01/07 €'000*	*Year ended 31/07/07 €'000*	*6 months ended 31/01/08 €'000*	*6 months ended 31/01/07 €'000*	*Year ended 31/07/07 €'000*	*6 months ended 31/01/08 €'000*	*6 months ended 31/01/07 €'000*	*Year ended 31/07/07 €'000*
Segment revenue	351,447	317,839	649,125	229,614	145,693	369,131	546,412	374,924	889,363	1,127,473	838,456	1,907,619
Profit from operations before amortisation and exceptional items	34,726	30,948	66,576	27,242	14,538	41,745	20,241	11,856	38,127	82,209	57,342	146,448
Intangible amortisation	(3,589)	(3,425)	(6,882)	(4,865)	(2,970)	(8,248)	(787)	(362)	(797)	(9,241)	(6,757)	(15,927)
Exceptional items	—	—	(3,683)	—	—	(2,783)	—	—	1,146	—	—	(5,320)
Exceptional items, unallocated	—	—	—	—	—	—	—	—	—	—	—	28,052
Operating profit	31,137	27,523	56,011	22,377	11,568	30,714	19,454	11,494	38,476	72,968	50,585	153,253
Share of profit of associates and joint venture	4,784	4,012	7,209	7,656	7,166	15,773	942	1,820	3,674	13,382	12,998	26,656
Profit before financing costs	35,921	31,535	63,220	30,033	18,734	46,487	20,396	13,314	42,150	86,350	63,583	179,909

(b) Segmental assets

	FOOD – EUROPE			*FOOD – NORTH AMERICA*			*ORIGIN*			*TOTAL*		
	31/01/08 €'000	*31/01/07 €'000*	*31/07/07 €'000*	*31/01/08 €'000*	*31/01/07 €'000*	*31/07/07 €'000*	*31/01/08 €'000*	*31/01/07 €'000*	*31/07/07 €'000*	*31/01/08 €'000*	*31/01/07 €'000*	*31/07/07 €'000*
Segment assets excluding investments in associates and joint venture	656,333	521,771	565,040	668,001	770,952	715,193	574,783	280,599	404,311	1,899,117	1,573,322	1,684,544
Investments in associates and joint venture	82,428	78,571	77,777	62,481	60,776	64,707	15,490	21,373	26,521	160,399	160,720	169,005
Segment assets	738,761	600,342	642,817	730,482	831,728	779,900	590,273	301,972	430,832	2,059,516	1,734,042	1,853,549
Reconciliation to total assets as reported in Group balance sheet												
Listed investments										201	206	204
Derivative financial instruments										—	1,789	734
Cash and cash equivalents										138,476	107,841	86,059
Deferred tax assets										16,090	8,713	14,689
Total assets as reported in Group balance sheet										2,214,283	1,852,591	1,955,235

(c) Segmental liabilities

	FOOD – EUROPE			*FOOD – NORTH AMERICA*			*ORIGIN*			*TOTAL*		
	31/01/08 €'000	*31/01/07 €'000*	*31/07/07 €'000*	*31/01/08 €'000*	*31/01/07 €'000*	*31/07/07 €'000*	*31/01/08 €'000*	*31/01/07 €'000*	*31/07/07 €'000*	*31/01/08 €'000*	*31/01/07 €'000*	*31/07/07 €'000*
Segment liabilities	213,424	181,184	203,768	106,313	80,489	104,899	179,933	103,581	131,471	499,670	365,254	440,138
Reconciliation to total liabilities as reported in Group balance sheet												
Interest bearing loans and borrowings										721,324	797,151	565,642
Derivative financial instruments										4,302	944	3,945
Income tax and deferred tax liabilities										187,798	156,647	178,782
Total liabilities as reported in Group balance sheet										1,413,094	1,319,996	1,188,507

3 Earnings per share

	6 months ended 31/01/08 €'000	*6 months ended 31/01/07 €'000*	*Year ended 31/07/07 €'000*	*6 months ended 31/01/08 EPS (cent)*	*6 months ended 31/01/07 EPS (cent)*	*Year ended 31/07/07 EPS (cent)*
Basic						
Profit for the financial year	55,658	42,664	122,995	43.83	33.78	97.22
Amortisation of intangible assets	9,241	6,757	15,927	7.28	5.35	12.59
Amortisation of related deferred tax liability	(2,576)	(1,901)	(4,406)	(2.03)	(1.51)	(3.48)
Exceptional items, net of tax	—	—	(13,909)	—	—	(10.99)
Adjusted earnings per share	62,323	47,520	120,607	49.08	37.62	95.34
Diluted						
Profit for the financial year	55,658	42,664	122,995	43.40	33.36	96.06
Dilutive effect of equity entitlements in Origin on profit for the financial year	(282)	—	(31)	(0.22)	—	(0.02)
Diluted earnings per share	55,376	42,664	122,964	43.18	33.36	96.04
Amortisation of intangible assets	9,241	6,757	15,927	7.21	5.28	12.44
Amortisation of related deferred tax liability	(2,576)	(1,901)	(4,406)	(2.01)	(1.49)	(3.44)
Exceptional items, net of tax	—	—	(13,909)	—	—	(10.87)
Additional dilutive effect of equity entitlements in Origin on adjusted profit for the financial year	(17)	—	—	(0.01)	—	—
Adjusted earnings per share	62,024	47,520	120,576	48.37	37.15	94.17

The calculation of earnings per share is based on the weighted average number of shares in issue during the period of 126,995,921 (*31 January 2007: 126,281,140*). The weighted average number of shares used in the calculation of diluted earnings per share is 128,254,223 (*31 January 2007:* 127,901,501).

4 Acquisitions

During the period, Origin completed the acquisition of the remaining 50% interest in the Odlum Group ("Odlums") that it did not previously own. On 1 February 2008, Origin also acquired Masstock Group Holdings Limited, a leading provider of integrated agronomy services in the UK.

During the year, Food Europe also acquired interests in complementary Lifestyle Foods businesses which do not have a material affect on the results of the Group.

5 Dividends

The Board has approved an interim dividend of 8.64c per share, an increase of 15 per cent on the 2007 interim dividend of 7.51c. It will be paid on 21 April 2008 to shareholders on the register on 11 April 2008.

6 Effect of exceptional items

	Six months ended 31 January 2008 €'000	*Six months ended 31 January 2007 €'000*	*Year ended 31 July 2007 €'000*
Adjusted operating profit			
Operating profit before financing	86,350	63,583	179,909
Intangible amortisation	9,241	6,757	15,927
Exceptional items	—	—	(22,732)
Adjusted operating profit before financing and exceptional items	95,591	70,340	173,104
Adjusted profit before tax			
Profit before tax	69,218	49,286	149,810
Intangible amortisation	9,241	6,757	15,927
Exceptional items	—	—	(22,732)
Adjusted profit before tax and exceptional items	78,459	56,043	143,005

7 Analysis of net debt

	31 July 2007 €'000	*Cashflow €'000*	*Arising on Acquisition €'000*	*Amortisation of loan costs €'000*	*Exchange Adjustment €'000*	*31 January 2008 €'000*
Cash	86,059	57,800	—	—	(5,383)	138,476
Overdrafts	(37,555)	(4,378)	—	—	1,456	(40,477)
Cash and cash equivalents	48,504	53,422	—	—	(3,927)	97,999
Loans	(525,502)	(142,819)	(30,772)	(364)	21,738	(677,719)
Finance leases:						
Current	(403)	418	(426)	—	—	(411)
Non-current	(2,182)	(8)	(527)	—	—	(2,717)
Net debt	(479,583)	(88,987)	(31,725)	(364)	17,811	(582,848)

IAWS Group plc

Statement of the directors in respect of the half year interim results

We confirm our responsibility for the half year interim results and that to the best of our knowledge:

- The condensed set of financial statements comprising the consolidated interim income statement, the consolidated interim balance sheet, the consolidated interim cash flow statement, the consolidated interim statement of changes in equity and the related notes have been prepared in accordance with IAS 34, *Interim Financial Reporting* as adopted by the EU;
- The review of operations includes a fair review of the information by:
  - (a) *Regulation 7(2) of the Transparency (Directive 2004/109/EC) Regulations 2007*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) *Regulation 7(3) of the Transparency (Directive 2004/109/EC) Regulations 2007*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Group's auditor has not reviewed these half year interim results.

On behalf of the Board

10 March 2008

Owen Killian
Chief Executive Officer

Patrick McEniff
Chief Financial Officer

SECTION B

ACCOUNTANT'S REPORT ON A PROFIT FORECAST FOR IAWS FOR THE YEAR ENDING 31 JULY 2008 FOR THE PURPOSES OF THE EUROPEAN UNION PROSPECTUS DIRECTIVE

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

The Directors
ARYZTA AG
c/o Interhold AG
Othmarstrasse 8
8008 Zürich
Switzerland

11 July 2008

Dear Sirs

Accountant's report in respect of a profit forecast

We report on the profit forecast comprising the statement by IAWS Group plc ("IAWS") and its subsidiaries (the "IAWS Group") for the year ending 31 July 2008 (the "Profit Forecast"). The Profit Forecast, and the material assumptions upon which it is based, are set out in Part 4 paragraph 7.2 of the prospectus (the "Prospectus") issued by ARYZTA AG (the "Company") dated 11 July 2008.

This report is required by paragraph 13.2 of Annex I of the European Union Prospectus Directive Regulation No. 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that paragraphs and for no other purpose.

Responsibilities

The directors of IAWS are responsible for preparing the Profit Forecast. The directors of the Company are responsible for the Prospectus and are responsible for including the Profit Forecast in the Prospectus in accordance with the requirements of the Prospectus Directive Regulation.

It is our responsibility to form an opinion as required by the Prospectus Directive Regulation as to the proper compilation of the Profit Forecast and to report that opinion to you.

Save for any responsibility arising under paragraph 2(2)(f) of Schedule 1 of the Prospectus (Directive 2003/71/EC) Regulations 2005 (S.I. No 324 of 2005) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of preparation of the Profit Forecast

The Profit Forecast has been prepared on the basis stated in Part 4 paragraph 7.2 of the Prospectus and is based on the unaudited interim financial results for the six month period ended 31 January 2008, the unaudited management accounts for the three months ended 30 April 2008 and a forecast to 31 July 2008. The Profit Forecast is required to be presented on a basis consistent with the accounting policies of the IAWS Group.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board of the United Kingdom and Ireland. Our work included considering whether the Profit Forecast has been accurately computed based upon the disclosed assumptions and

the accounting policies of IAWS Group. Whilst the assumptions upon which the Profit Forecast are based are solely the responsibility of the directors of IAWS, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the directors of IAWS which, in our opinion, are necessary for a proper understanding of the Profit Forecast have not been disclosed and whether any material assumption made by the directors of IAWS appear to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Forecast has been properly compiled on the basis stated.

Since the Profit Forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Profit Forecast and differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion the Profit Forecast has been properly compiled on the basis stated in Part 4 paragraph 7.2 and the basis of accounting used is consistent with the accounting policies of the IAWS Group.

Declaration

For the purposes of paragraph 2(2)(f) of Schedule 1 of the Prospectus (Directive 2003/71/EC) Regulations 2005 (S.I. No 324 of 2005) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG
Chartered Accountants
Dublin, Ireland

SECTION C

HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO IAWS GROUP, PLC FOR THE TWO YEARS ENDED 31 JULY 2007

The financial information presented in this Part I Section C, has been extracted without material adjustment from pages 35 to 93 of the Annual Report and Accounts for 2007 of IAWS Group plc. The financial information has been prepared in accordance with IFRS and their interpretations issued by the International Accounting Standards Board as adopted by the EU. The Annual Report and Accounts of IAWS Group plc were published on 24 September 2007.

Group income statement
for the year ended 31 July 2007

	Notes	*Pre-exceptional 2007 €'000*	*Exceptional 2007 €'000*	*Total 2007 €'000*	*Pre-exceptional 2006 €'000*	*Exceptional 2006 €'000*	*Total 2006 €'000*
Revenue	1	1,907,619	—	1,907,619	1,557,305	—	1,557,305
Cost of sales		(1,416,507)	—	(1,416,507)	(1,204,238)	—	(1,204,238)
Gross profit		491,112	—	491,112	353,067	—	353,067
Operating costs, net	2	(344,664)	22,732	(321,932)	(241,252)	1,347	(239,905)
Operating profit before amortisation of intangible assets	1	146,448	22,732	169,180	111,815	1,347	113,162
Amortisation of intangible assets	14	(15,927)	—	(15,927)	(7,100)	—	(7,100)
Operating profit		130,521	22,732	153,253	104,715	1,347	106,062
Share of profit of associates and joint venture	6	26,656	—	26,656	25,653	—	25,653
Profit before financing costs		157,177	22,732	179,909	130,368	1,347	131,715
Financing income	3	6,609	—	6,609	4,964	—	4,964
Financing costs	3	(36,708)	—	(36,708)	(18,893)	—	(18,893)
Profit before tax		127,078	22,732	149,810	116,439	1,347	117,786
Income tax expense	9	(17,514)	(8,823)	(26,337)	(17,800)	(857)	(18,657)
Profit for the financial year		109,564	13,909	123,473	98,639	490	99,129
Attributable as follows:							
Equity shareholders				122,995			98,798
Minority interest	29			478			331
				123,473			99,129
Basic earnings per share	11			97.22c			78.68c
Diluted earnings per share	11			96.04c			77.77c

Group statement of recognised income and expense for the year ended 31 July 2007

	Notes	*2007 €'000*	*2006 €'000*
Items of income and expense recognised directly in equity			
Foreign exchange translation adjustment		(4,063)	(57)
Share of associates' foreign exchange translation adjustment		1,684	524
Actuarial gain on Group and associate defined benefit pension schemes		12,594	4,811
Deferred tax effect of actuarial gain		(1,095)	(469)
(Losses)/gains relating to cash flow hedges		(1,952)	174
Deferred tax effect of cash flow hedges		712	(40)
Revaluation gains on properties transferred to investment properties		140,129	—
Deferred tax effect of revaluation gains on properties transferred to investment properties		(25,502)	—
Net income recognised directly in equity		122,507	4,943
Profit for the financial year		123,473	99,129
Total recognised income for the year		245,980	104,072
Attributable as follows:			
Equity shareholders	28	244,933	103,720
Minority interest	29	1,047	352
Total recognised income and expense for the year		245,980	104,072

Group balance sheet
as at 31 July 2007

	Notes	*2007* *€'000*	*2006* *€'000*
ASSETS			
Non current assets			
Property, plant and equipment	12	356,493	308,388
Investment properties	13	165,473	—
Goodwill and intangible assets	14	784,481	334,024
Investments in associates and joint venture	15	169,005	159,221
Other investments	16	204	203
Deferred tax assets	25	14,689	8,474
Total non current assets		1,490,345	810,310
Current assets			
Inventory	17	137,646	88,539
Trade and other receivables	18	240,451	206,178
Derivative financial instruments	23	734	1,532
Cash and cash equivalents	21	86,059	74,556
Total current assets		464,890	370,805
TOTAL ASSETS		1,955,235	1,181,115

	Notes	*2007* *€'000*	*2006* *€'000*
EQUITY			
Called up share capital	27	38,174	37,856
Share premium	28	57,001	51,899
Retained earnings and other reserves	28	620,922	388,071
Total equity attributable to equity shareholders of parent		716,097	477,826
Minority interest	29	50,631	2,910
TOTAL EQUITY		766,728	480,736
LIABILITIES			
Non current liabilities			
Interest bearing loans and borrowings	22	527,684	285,945
Employee benefits	26	8,705	8,876
Deferred government grants	24	2,929	3,006
Other payables	19	350	345
Deferred tax liabilities	25	147,041	49,902
Provisions	20	45,089	28,878
Total non current liabilities		731,798	376,952
Current liabilities			
Interest bearing borrowings	22	37,958	5,136
Trade and other payables	19	383,065	299,570
Corporation tax payable		31,741	13,832
Derivative financial instruments	23	3,945	747
Provisions	20	—	4,142
Total current liabilities		456,709	323,427
TOTAL LIABILITIES		1,188,507	700,379
TOTAL EQUITY AND LIABILITIES		1,955,235	1,181,115

Group cash flow statement
for the year ended 31 July 2007

	Notes	*2007* *€'000*	*2006* *€'000*
Cash flows from operating activities			
Profit before tax		149,810	117,786
Financing costs, net		30,099	13,929
Share of profit of associates and joint venture		(26,656)	(25,653)
Exceptional items	2	(22,732)	(1,347)
Depreciation of property, plant and equipment	12	33,451	27,631
Amortisation of intangible assets	14	15,927	7,100
Amortisation of government grants	24	(79)	(354)
Employee share-based payment charge	8	6,007	1,550
Foreign exchange gains		(1,836)	(684)
Special pension contribution	26	—	(23,496)
Operating profit before changes in working capital		183,991	116,462
(Increase) in inventory		(22,740)	(84)
Decrease/(increase) in trade and other receivables		14,241	(32,124)
Increase in trade and other payables		11,814	21,189
Cash generated from operating activities		187,306	105,443
Interest paid		(29,547)	(11,880)
Income tax paid		(9,371)	(11,583)
Net cash inflow from operating activities		148,388	81,980

	Notes	2007 €'000	2006 €'000
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,912	4,448
Purchase of property, plant and equipment			
– ongoing		(11,710)	(7,910)
– new investments		(89,007)	(67,947)
Proceeds from disposal of business		1,031	—
Acquisition of subsidiaries and businesses, net of cash acquired		(442,449)	(2,644)
Purchase of intangible assets		(12,984)	—
Cash received on dilution of Origin Enterprises plc, net		97,521	—
Insurance proceeds, net		6,118	—
Disposal of other investments		—	655
Dividends received		18,000	19,118
Purchase of minority interest		(857)	(1,366)
Investments in associates and joint venture		—	(35,061)
Deferred consideration and acquisition costs paid		(3,571)	(3,988)
Other		5	(480)
Net cash flow from investing activities		(435,991)	(95,175)
Cash flows from financing activities			
Proceeds from issue of share capital		5,420	8,539
Drawdown of loan capital		277,528	67,144
Capital element of finance lease liabilities		(363)	(20,453)
Equity dividends paid		(18,089)	(16,036)
Receipt from derivative financial instrument		1,343	—
Net cash flow from financing activities		265,839	39,194
Net (decrease)/increase in cash and cash equivalents		(21,764)	25,999
Translation adjustment		470	380
Cash and cash equivalents at start of year		69,798	43,419
Cash and cash equivalents at end of year	21	48,504	69,798

Group statement of accounting policies
for the year ended 31 July 2007

IAWS Group plc (the ''Company'') is a company domiciled and incorporated in Ireland. The Group's financial statements for the year ended 31 July 2007 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as the ''Group'') and show the Group's interest in associates and joint venture using the equity method of accounting.

The individual and Group financial statements of the Company were authorised for issue by the directors on 24 September 2007.

Statement of compliance

As required by European Union (EU) law, the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU.

The IFRS adopted by the EU applied by the Group in the preparation of these financial statements are those that were effective at 31 July 2007.

The Group has not applied the following IFRS and International Financial Reporting Interpretations Committee (IFRIC) Interpretations that have been issued but are not yet effective. The directors have formed the opinion that the adoption of these pronouncements will not have a significant effect on the Group financial statements, except for IFRS 7, *Financial Instruments: Disclosures* and Amendment to IAS 1, *Capital disclosures*. Their likely impact is briefly outlined below:

- Amendment to IAS 1, *Capital disclosures* (effective for periods beginning on or after 1 January 2007). This amendment will require additional disclosures regarding the capital structure of the Group;
- IFRS 7, *Financial Instruments: Disclosure* (effective for periods beginning on or after 1 January 2007). This standard updates and extends disclosure requirements of IAS 32 and will require significant additional disclosures relating to risk management policies, processes and financial instruments;
- IFRIC 10, *Interim Financial Reporting and Impairment* (effective for periods beginning on or after 1 November 2006)*;* and
- IFRIC 11, *IFRS 2: Group and Treasury Share Transactions* (effective for periods beginning on or after 1 March 2007).

Basis of preparation

The Group financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: equity investments, investment properties, derivative financial instruments, pension obligations and share based payments. The financial statements are presented in euro, rounded to the nearest thousand, which is the functional currency of the parent and the majority of the Group's operations.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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 of making 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.

The areas involving a high degree of judgement, complexity, or areas where assumptions and estimates are significant to the Group financial statements, relate primarily to accounting for defined benefit pension schemes, financial instruments, share-based payments, provisions, intangible assets, goodwill impairment and deferred tax.

The accounting policies applied in the preparation of the financial statements for the years ended 31 July 2007 and 2006 are set out below and have been applied consistently over both years.

Basis of consolidation

The Group financial statements reflect the consolidation of the results, assets and liabilities of the parent undertaking and all of its subsidiaries, together with the Group's share of profits/losses of associates and joint venture. Where a subsidiary, associate or joint venture is acquired or disposed of during the financial year, the Group financial statements include the attributable results from or to the effective date when control passes.

Subsidiary undertakings

Subsidiary undertakings are those entities over which the Group has the power to control the operating and financial policies so as to obtain economic benefit from their activities. The amounts included in these financial statements in respect of the subsidiaries are taken from their latest financial statements prepared up to the year end. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Associates and joint venture

Associates are those entities in which the Group has a significant influence over, but not control of, the financial and operating policies. Investments in associates are accounted for using the equity method of accounting. Joint ventures are those entities over whose operating and financial policies the Group exercises control jointly, under a contractual agreement, with one or more parties. Investments in joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, the Group's share of the post-acquisition profits or losses of its associates and joint venture is recognised in the income statement. The income statement reflects, in profit before tax, the Group's share of profit after tax of its associates and joint venture in accordance with IAS 28, *Investments in Associates,* and IAS 31, *Interests in Joint Ventures*. The Group's interest in their net assets is included as investments in associates and joint venture in the Group balance sheet at an amount representing the Group's share of the fair value of the identifiable net assets at acquisition plus the Group's share of post acquisition retained income and expenses. The Group's investment in associates and joint venture includes goodwill on acquisition. The amounts included in these financial statements in respect of the post acquisition income and expenses of associates and joint venture 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. Where necessary, the accounting policies of associates and joint venture have been changed to ensure consistency with the policies adopted by the Group.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the Group financial statements. Unrealised gains and income and expenses arising from transactions with associates and joint venture 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

Revenue represents the fair value of the sale of goods and services supplied to third parties, after deducting discounts and exclusive of value added tax. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and returns different from those of other segments.

The Group's primary format for segmental reporting is business segments and the secondary format is geographical segments. The risks and returns of the Group's operations are primarily determined by the different products that the Group sells rather than the geographical location of the Group's operations.

In September 2006, the Group established a new operating company creating a specialist focus around its original core Agri and non Lifestyle Foods businesses. The Group transferred these

operations to a new wholly owned subsidiary, Origin Enterprises plc ("Origin"). Accordingly, the Group has revised, in the current period, its three business segments which form the primary format for segmental reporting. These are now Food Europe, Food North America and Origin. The Group's geographic segments are Europe and North America.

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 current and deferred income tax balances together with financial assets and liabilities.

Research and development

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 and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

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 that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, 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 calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses are recognised in the statement of recognised income and expense. Current and past service costs, interest on scheme liabilities and expected return on assets are recognised in the income statement.

Equity settled compensation

During the year, the Group established both the "IAWS Long Term Incentive Plan 2006" (the "IAWS Plan") and the "Origin Long Term Incentive Plan 2006" (the "Origin Plan").

The "1997 Share Option Scheme" expired during the year. The Group continues to recognise a share based payments expense in respect of share options granted under the scheme in previous years.

All equity instruments granted under the IAWS Plan, the Origin Plan and the 1997 Share Option Scheme are equity settled share based payments as defined in IFRS 2, *Share-based Payment*. The fair value of equity instruments granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread 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 an approved model, taking into account the terms and conditions under which the equity instruments were granted. The plans and share option scheme are each subject to a non-market vesting condition and, therefore, the amount recognised as an expense is adjusted to reflect the actual number of equity instruments that vest.

Group Executive Incentive and Retention Plan

The Group operates an incentive and retention plan for executives. The plan operates on an individual basis by providing contingent entitlement to a lump sum award referable to reckonable salary. Awards are applied through the purchase of shares in the Group to be held by a trustee for the benefit of individual participants for a 3 to 5 year period. The costs associated with the plan are written off to the income statement on a straight-line basis over the relevant period.

Taxation

Income tax on the profit or loss for the year 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, in which case the related tax is recognised in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates and laws that have been enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability 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 substantively 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 venture, except where the timing of the reversal of the 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.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

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 ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to euro at the actual rates when the transactions occurred. Foreign exchange differences arising on translation of the net assets of a foreign operation are recognised directly in equity, in a 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 taken to the 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 1 August 2004, the date of transition to IFRS, are recognised in the currency translation reserve and are recycled through the income statement on the repayment of the intra-group loan or on disposal of the related business.

Dividends

Dividends are recognised in the period in which they are approved by the Company's shareholders, or in the case of an interim dividend, when it has been approved by the Board of Directors and paid.

Property, plant and equipment

Property, plant and equipment is stated at 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 expenditure including repairs and maintenance costs is recognised in the income statement as an expense as incurred.

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 15 years
Motor vehicles	3 to 7.5 years

The residual value of assets, if significant, and the useful life of assets is reassessed annually.

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 with the carrying amount and are included in operating profit.

Investment properties

Investment property, principally comprising land, is held for capital appreciation. Investment property 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 arms length transaction. Any gain or loss arising from a change in fair value is recognised in the income statement. When property is transferred to investment property following a change in use, any difference arising at the date of transfer between 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 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. 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. The asset acquired under the finance lease is depreciated over the shorter of the useful life of the asset or the lease term.

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.

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint venture. In respect of acquisitions that have occurred since 1 August 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, i.e. original cost less accumulated amortisation from the date of acquisition up to 31 July 2004, which represents the amount recorded under Irish GAAP. Goodwill is now stated at cost or deemed cost less any accumulated impairment losses. In respect of associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment.

Intangible assets

Intangible assets acquired as part of a business combination are valued at their fair value at the date of acquisition. These generally include brand and customer related intangible assets.

Where intangible assets are separately acquired they are capitalised at cost. Intangible assets are amortised over the period of their expected useful lives in equal annual instalments. The expected useful lives of intangible assets range from 12 to 25 years.

Computer software that is not an integral part of an item of computer hardware is also classified as an intangible asset. These intangible assets are stated at cost less accumulated amortisation and impairment losses. Cost comprises purchase price and other directly attributable costs. The expected useful life of computer software is 5 years.

Impairment

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, which are 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, except for

goodwill and long life intangibles. If any such indication exists, an impairment test is carried out and the asset is written down to its recoverable amount. Goodwill is tested for impairment annually.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. 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, other than in the case of goodwill, is 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.

Other investments

Other investments are recognised at the fair value of the consideration given inclusive of any acquisition charges arising.

Inventory

Inventory is stated at the lower of cost on a first in, first out basis and net realisable value. Cost includes all expenditure, which has been 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.

Trade and other receivables and payables

Trade and other receivables and payables are stated at cost less impairments, which approximates fair value given the short-dated nature of these assets and liabilities.

Trade receivables are carried at original invoice amount less an allowance for uncollectible debts. Provision is made when there is objective evidence that the Group may not be in a position to collect the associated debts.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and call deposits. 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 statement of cash flows.

Share capital

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

Financial assets and liabilities

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

Equity investments

When market values are available, fair value is determined by reference to the bid market price for such investments without any deduction for transaction costs. When market values are not available, the fair values have been determined based on expected future cash flows at current interest rates and exchange rates.

Short term bank deposits and cash and cash equivalents

For short term bank deposits and cash and cash equivalents with a remaining maturity of less than one year, the nominal amount is considered to approximate fair value.

Trade and other receivables/payables

For receivables and payables with a remaining life of less than one year or demand balances, the nominal amount is considered to approximate fair value. All other receivables and payables are discounted to determine their fair value.

Derivatives

Forward currency contracts and interest rate swaps are marked to market using quoted market values.

Interest bearing loans and borrowings

For interest bearing loans and borrowings with a contractual repricing date of less than six months, the nominal amount is considered to approximate fair value. For loans with a repricing date of greater than one year, the fair value is 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 appropriate current market rates.

Derivative financial instruments

All derivatives are initially recorded at fair value on the date the contract is entered into and subsequently, at reporting dates remeasured to their fair value. The gain or loss arising on remeasurement is recognised in the income statement except where the instrument is a designated hedging instrument.

Derivative financial instruments are used to manage the Group's exposure to foreign currency risk, interest rate risk and commodity price risk through the use of forward currency contracts, interest rate swaps and futures contracts. These derivatives are generally designated as cash flow hedges in accordance with IAS 39. The Group does not enter into speculative derivative transactions.

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 the cash flow hedging reserve, a separate component of equity. Unrealised gains or losses on any ineffective portion of the derivative are recognised in the income statement. When the hedged transaction occurs the related gains or losses in the hedging reserve are transferred to the income statement.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using an effective interest rate method.

Government grants

Grants that compensate the Group for the cost of an asset are shown as deferred income and amortised in the Group income statement by instalments on a basis consistent with the depreciation policy of the relevant assets.

Other grants are credited to the income statement to offset the matching expenditure.

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. 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.

Exceptional items

The Group has adopted an income statement format which seeks to highlight significant items within the Group results for the year. The Group believes that this presentation provides a more informative analysis as it highlights one off items. Such items may include significant restructuring costs, profit or loss on disposal or termination of operations, claims, litigation costs and settlements, pension exit costs, profit or loss on disposal of investments and significant impairment of assets. Judgement is used

by the Group in assessing the particular items, which by virtue of their scale and nature, should be disclosed in the income statement and related notes as exceptional items.

Notes to the Group financial statements
for the year ended 31 July 2007

1 Segment information

(a) Analysis by business segment

(i) Segment revenue and result

	FOOD EUROPE		*FOOD NORTH AMERICA*		*ORIGIN*		*UNALLOCATED**		*TOTAL GROUP.*	
	2007 €'000	*2006 €'000*	*2007 €'000*	*2006 €'000*	*2007 €'000*	*2006 €'000*	*2007 €'000*	*2006 €'000*	*2007 €'000*	*2006 €'000*
Segment revenue	649,125	601,362	369,131	139,072	889,363	816,871	—	—	1,907,619	1,557,305
Operating profit before exceptional items	66,576	60,494	41,745	16,631	38,127	34,690	—	—	146,448	111,815
Exceptional items	(3,683)	—	(2,783)	(228)	1,146	1,575	28,052	—	22,732	1,347
Operating profit before amortisation of intangible assets	62,893	60,494	38,962	16,403	39,273	36,265	28,052	—	169,180	113,162
Amortisation of intangible assets	(6,882)	(6,114)	(8,248)	(264)	(797)	(722)	—	—	(15,927)	(7,100)
Operating profit	56,011	54,380	30,714	16,139	38,476	35,543	28,052	—	153,253	106,062
Share of profit of associates and joint venture	7,209	6,489	15,773	14,793	3,674	4,371	—	—	26,656	25,653
Profit before financing costs	63,220	60,869	46,487	30,932	42,150	39,914	28,052	—	179,909	131,715

* The Group has allocated neither the gain on dilution of Origin Enterprises plc nor pension exit costs to any business segment

(ii) Segment assets

	FOOD EUROPE		FOOD NORTH AMERICA		ORIGIN		TOTAL GROUP	
	2007 €'000	*2006 €'000*	*2007 €'000*	*2006 €'000*	*2007 €'000*	*2006 €'000*	*2007 €'000*	*2006 €'000*
Segment assets excluding investments in associates and joint venture	565,040	517,921	715,193	170,678	404,311	248,530	1,684,544	937,129
Investments in associates and joint venture	77,777	74,024	64,707	65,577	26,521	19,620	169,005	159,221
Segment assets	642,817	591,945	779,900	236,255	430,832	268,150	1,853,549	1,096,350
Reconciliation to total assets as reported in Group balance sheet								
Listed investments							204	203
Derivative financial instruments							734	1,532
Cash and cash equivalents							86,059	74,556
Deferred tax assets							14,689	8,474
Total assets as reported in Group balance sheet							1,955,235	1,181,115

(iii) Segment liabilities

	FOOD EUROPE		*FOOD NORTH AMERICA*		*ORIGIN*		*TOTAL GROUP*	
	2007 €'000	*2006 €'000*	*2007 €'000*	*2006 €'000*	*2007 €'000*	*2006 €'000*	*2007 €'000*	*2006 €'000*
Segment liabilities	203,768	190,846	104,899	23,565	131,471	130,406	440,138	344,817
Reconciliation to total liabilities as reported in Group balance sheet								
Interest bearing loans and borrowings							565,642	291,081
Derivative financial instruments							3,945	747
Income tax and deferred tax liabilities							178,782	63,734
Total liabilities as reported in the Group balance sheet							1,188,507	700,379

(iv) Other segment information

	FOOD EUROPE 2007 €'000	*FOOD EUROPE 2006 €'000*	*FOOD NORTH AMERICA 2007 €'000*	*FOOD NORTH AMERICA 2006 €'000*	*ORIGIN 2007 €'000*	*ORIGIN 2006 €'000*	*TOTAL GROUP 2007 €'000*	*TOTAL GROUP 2006 €'000*
Depreciation	15,422	14,749	10,502	5,532	7,527	7,350	33,451	27,631
Capital expenditure – property, plant and equipment	66,671	17,941	24,835	27,006	10,187	8,645	101,693	53,592
Capital expenditure – computer related intangibles	725	4,625	581	—	29	69	1,335	4,694
Capital expenditure – brand related intangibles	12,984	—	—	—	—	782	12,984	782
Total capital expenditure	80,380	22,566	25,416	27,006	10,216	9,496	116,012	59,068

(b) Analysis by geographical segment

	EUROPE		*NORTH AMERICA*		*TOTAL GROUP*	
	2007	*2006*	*2007*	*2006*	*2007*	*2006*
	€'000	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
Segment revenue	1,538,488	1,418,233	369,131	139,072	1,907,619	1,557,305
Segment assets	1,073,649	860,095	779,900	236,255	1,853,549	1,096,350
Capital expenditure	90,596	32,062	25,416	27,006	116,012	59,068

2 Operating costs

	2007	*2006*
	€'000	*€'000*
Distribution expenses	239,138	152,029
Administration expenses	105,211	89,808
Other operating expense/(income)	315	(585)
Exceptional items	(22,732)	(1,347)
	321,932	239,905
Other operating expense/(income) and exceptional items comprise the following net charges/(credits):		
Other operating expense/(income):		
Capital grants released to income statement	(79)	(354)
Other	394	(231)
	315	(585)
Exceptional items:		
Gain on dilution of Origin Enterprises plc(i)	(44,197)	—
Pension exit costs(ii)	16,145	—
Loss on disposal and termination of operations(iii)	5,162	572
Loss/(gain) on disposal and impairments of property, plant and equipment	1,314	(1,304)
Gain on disposal of other investments	—	(615)
Insurance settlements, other restructuring costs and litigation claim(iv)	(1,156)	—
	(22,732)	(1,347)

(i) Gain on dilution of Origin Enterprises plc

In September 2006, the Group established a new operating company, Origin Enterprises plc ("Origin") and on 3 April 2007, the Group transferred its core Agri and non Lifestyle Foods businesses to Origin. During the year, management purchased ordinary shares in Origin totalling 4.7% of the then allotted share capital. On 5 June 2007, Origin allotted 33.3m shares in an initial public offering. This represented 25% of the enlarged share capital of Origin. The Group recognised a net gain on dilution of Origin of €44.2m being the difference in the proceeds received, net of costs, and the carrying amount of minority interest arising on the initial public offering.

(ii) Pension exit costs

€16.1m of costs were recorded as an exceptional item in the current year in relation to the restructuring of the IAWS Group Defined Benefit Pension Scheme (Note 26).

(iii) Loss on disposal and termination of operations

During the year a loss on disposal of operations was recognised on the disposal of assets in Power Seeds Limited, an Irish based company engaged in the business of seed assembly.

In addition a loss on termination of operations was recognised which consists primarily of provisions and impairments of property, plant and equipment made in respect of the termination of warehousing and distribution operations in the Lifestyle Foods business.

In 2006, the loss on termination of operations consisted primarily of the loss on the disposal of Premier Petfoods Limited.

(iv) Insurance settlement, other restructuring costs and litigation claim

During the year, two facilities operated by the Group suffered fire damage. Contingency plans were implemented and the impact on customers and operations was minimised. The insurance settlement represents the excess of the proceeds over the net book value of the assets destroyed and other restructuring costs incurred. The Group also recorded a charge for a litigation claim during the year.

3 Financing costs

	2007 €'000	2006 €'000
Financing income		
Interest income	(1,048)	(387)
Defined benefit pension obligations: expected return on scheme assets (Note 26)	(5,561)	(4,577)
Total financing (income)	(6,609)	(4,964)
Financing costs		
Interest payable on bank loans and overdrafts	30,480	13,407
Interest payable under finance leases	157	460
Defined benefit pension obligations: interest cost on scheme liabilities (Note 26)	4,733	4,282
Financing charge on deferred consideration	1,338	744
Total financing costs	36,708	18,893
Financing costs, net	30,099	13,929

4 Statutory and other information

Group operating profit was arrived at after charging/(crediting) the following amounts:

	2007 €'000	2006 €'000
Depreciation of property, plant and equipment		
— owned assets	32,987	27,072
— leased assets	464	559
Amortisation of intangible assets	15,927	7,100
Amortisation of government grants	(79)	(354)
Operating lease rentals		
— plant and machinery	2,218	1,526
— other	20,715	12,849
Research and development expenditure	6,483	5,900
Auditor's remuneration for audit services	1,290	974
Auditor's remuneration for non-audit services	1,617	1,197

5 Directors' emoluments and interests

Directors' emoluments and interests are given in the Report on directors' remuneration on pages 17 to 24 inclusive in this Annual Report.

6 Group share of associates and joint venture profit after tax

	Associates		Joint venture	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000
Group share of:				
Revenue	253,132	203,030	51,820	52,900
Profit after tax	10,883	10,860	15,773	14,793

7 Employment

The average number of persons employed by the Group during the year was as follows:

	2007	*2006*
Sales and distribution	2,342	1,702
Production	2,156	1,504
Management and administration	642	588
	5,140	3,794

Aggregate employment costs of the Group are analysed as follows:

	2007	*2006*
	€'000	*€'000*
Wages and salaries	183,935	133,252
Social welfare costs	25,785	21,783
Pension costs (Note 26)		
– defined benefit schemes – statement of recognised income and expense	(9,060)	(4,811)
– defined benefit schemes – income statement*	12,594	1,796
– defined contribution schemes	2,684	2,228
Share-based payment (Note 8)	6,007	1,550
	221,945	155,798

8 Share-based payments

The Group grants equity instruments under the following plans and schemes:

- The 1997 Share Option Scheme
- The Employee Equity Participation Scheme (IAWS Long Term Incentive Plan 2006)
- The Executive Co-Investment Scheme (IAWS Long Term Incentive Plan 2006)
- The Origin Long Term Incentive Plan 2006

The general terms and conditions applicable to the equity instruments granted by IAWS Group plc and its subsidiaries under the above listed plans are addressed in the Report on directors' remuneration and in this note.

The equity instruments granted to the Group's employees under the above plans are equity-settled share-based payments as defined in IFRS 2, *Share-based Payment.* The IFRS requires that a recognised valuation methodology be employed to determine the fair value of equity instruments granted and stipulates that this methodology should be consistent with methodologies used for the pricing of financial instruments. The expense reported in the Group income statement of €6,007,000 (*2006: €1,550,000*) has been arrived at through applying a recognised valuation model.

(a) The 1997 Share Option Scheme

Impact on income statement

The measurement requirements of IFRS 2 have been implemented in respect of share options that were granted after 7 November 2002 that had not vested at the date of transition of the Company to IFRS (1 August 2005). The expense disclosed in the Group income statement relates to options granted in November 2003 and subsequent years.

	2007	*2006*
	€'000	*€'000*
Granted in FY 2004	217	867
Granted in FY 2005	—	—
Granted in FY 2006	2,185	683
	2,402	1,550

Details of options granted under the share option scheme

	2007 Weighted exercise price €	*2007 Number of options*	*2006 Weighted exercise price* €	*2006 Number of options*
Options outstanding at beginning of year	10.82	5,587,500	7.40	4,314,000
Granted during the year[(i)]	—	—	14.16	2,692,500
Lapsed during the year	10.98	(330,500)	7.96	(136,000)
Exercised during the year	7.42	(716,750)	6.67	(1,283,000)
Options outstanding at end of year	11.35	4,540,250	10.82	5,587,500
Exercisable at end of year	7.80	2,004,750	6.93	1,874,500

During the year, employees were not granted any options over the Company's ordinary shares.

In prior year, pursuant to the share option scheme, employees were granted options over 2,692,500 of the Company's ordinary shares. These grants comprised options over 1,320,000 shares and 1,372,500 shares which may be exercised after the expiration of three and five years, respectively, from the dates of grant of those options subject to specified EPS growth targets being achieved. All options granted have a contractual life of ten years.

(i) The weighted average share price on the date options were exercised during the year was €17.78.

Analysis of closing balance – outstanding at the end of the year

	Exercise price	*Number of options 2007*	*Actual remaining life (years) 2007*	*Number of options 2006*	*Actual remaining life (years) 2006*
Options by exercise price					
	€2.92	—	—	70,000	0.75
	€3.20	67,000	0.26	85,000	1.26
	€2.10	82,000	1.18	106,500	2.18
	€4.70	5,000	2.24	5,000	3.24
	€6.70	320,000	2.72	440,000	3.72
	€7.50	182,000	3.25	277,000	4.25
	€7.40	100,000	3.66	100,000	4.66
	€7.95	385,850	4.25	627,000	5.25
	€9.20	126,000	4.71	164,000	5.71
	€9.15	736,900	6.26	1,020,500	7.26
	€11.65	195,000	8.22	195,000	9.22
	€14.36	2,340,500	8.72	2,497,500	9.72
Total outstanding as at 31 July		4,540,250		5,587,500	

Analysis of closing balance – exercisable at end of year

	Exercise price	*Number of options 2007*	*Actual remaining life (years) 2007*	*Number of options 2006*	*Actual remaining life (years) 2006*
Options by exercise price					
	€2.92	—	—	70,000	0.75
	€3.20	67,000	0.26	85,000	1.26
	€2.10	82,000	1.18	106,500	2.18
	€4.70	5,000	2.24	5,000	3.24
	€6.70	320,000	2.72	440,000	3.72
	€7.50	182,000	3.25	277,000	4.25
	€7.40	100,000	3.66	100,000	4.66
	€7.95	385,850	4.25	627,000	5.25
	€9.20	126,000	4.71	164,000	5.71
	€9.15	736,900	6.26	—	7.26
Total exercisable as at 31 July		2,004,750		1,874,500	

The weighted average fair values assigned to options granted under the share option scheme, which were computed in accordance with a binomial valuation methodology, were as follows:

	3 year €	*5 year* €
Granted in FY 2004	2.49	—
Granted in FY 2005	—	—
Granted in FY 2006	2.66	3.69

The fair values of options granted under the share option scheme were determined using the following assumptions:

	FY 2006		*FY 2005*		*FY 2004*	
	3 Year	*5 Year*	*3 Year*	*5 Year*	*3 Year*	*5 Year*
Weighted average exercise price (€)	13.96	14.36	—	—	9.15	—
Risk-free interest rate (%)	3.58	3.82	—	—	2.00	—
Expected dividend payments over the expected life (%)	1.00	1.00	—	—	1.00	—
Expected volatility (%)	17.44	20.80	—	—	27.00	—
Expected life in years	5	7	—	—	7	—

The expected volatility was determined using the IAWS Group plc month-end share prices in respect of the three year period preceding the grant of the share options. Share options are granted at market value at the date of grant. The expected life of the options is the average period from the date of grant to the date of exercise.

Other than the assumptions listed above, no other features of option grants were factored into the determination of fair value.

There were no modifications effected to the share option scheme during the course of 2007 and 2006.

(b) The Employee Equity Participation Scheme ("EEPS")

Under the terms of the EEPS, employees are issued equity entitlements of €0.30 in the Company which will be converted into Ordinary Shares of €0.30 in the Company after the expiration of 3 years. The conversion will only occur upon the receipt of the conversion price from the employee, the happening of specified EPS targets and the employee remaining in employment.

Impact on income statement

	2007 €'000	2006 €'000
Issued in FY 2007	1,161	—
	1,161	—

Details of equity entitlements issued under the EEPS

	2007 Weighted conversion price €	2007 Number of equity entitlements
Outstanding at beginning of year	—	—
Issued during the year[(i)]	17.10	970,000
Outstanding at end of year		970,000
Convertible at end of year	—	—

(i) During the year, employees were issued 970,000 equity entitlements in the Company. All equity entitlements granted have a life of ten years.

Analysis of closing balance – outstanding at the end of the year

	Conversion price	Number of equity entitlements 2007	Actual remaining life (years) 2007
Equity entitlement by conversion price	17.10	970,000	9.62
Total outstanding as at 31 July		970,000	

Analysis of closing balance – convertible to Ordinary Shares at end of the year

No equity entitlements are convertible into Ordinary Shares at the end of the year.

The fair values of equity entitlements issued under the scheme were determined using the following assumptions:

	FY 2007
Weighted average conversion price (€)	17.10
Risk-free interest rate (%)	4
Expected dividend payments over the expected life (%)	1
Expected volatility (%)	17
Expected life in years	5.3

The expected volatility was determined using the IAWS Group plc month-end share prices in respect of the four year period preceding the grant of the equity entitlements. Equity entitlements are issued with a conversion price being the market value at the date of issue.

The expected life of the equity entitlements is the average period from the date of issue to the date of conversion. It was assumed that 20% of vested equity entitlements would be converted each year regardless of share price at conversion. In addition it was assumed that a further 60% of equity entitlements would convert provided that a minimum gain of 25% of the conversion price was achievable.

(c) The Executive Co-Investment Scheme ("ECIS")

Under the terms of the ECIS, employees are issued equity entitlements of €0.30 in the Company which will be converted into Ordinary Shares of €0.30 in the Company after the expiration of 3 years. The conversion will only occur upon the receipt of the conversion price from the employee, the happening of specified EPS targets and the employee remaining in employment.

Impact on income statement

	2007 €'000	*2006 €'000*
Issued in FY 2007	2,239	—
	2,239	—

Details of equity entitlements issued under the ECIS

	2007 Weighted conversion price €	*2007 Number of equity entitlements*
Outstanding at beginning of year	—	—
Issued during the year(i)	0.30	405,000
Outstanding at end of year		405,000
Convertible at end of year	—	—

(i) During the year, employees were granted 405,000 equity entitlements in the Company. All equity entitlements granted have a life of ten years.

Analysis of closing balance – outstanding at the end of the year

	Conversion price	*Number of equity entitlements 2007*	*Actual remaining life (years) 2007*
Equity entitlements by conversion price	0.30	405,000	9.62
Total outstanding as at 31 July		405,000	

Analysis of closing balance – convertible to Ordinary Shares at end of the year

No equity entitlements are convertible into Ordinary Shares at the end of the year.

The weighted average fair value assigned to equity entitlements issued under the ECIS represents the value of an ordinary share adjusted for the lost dividends between date of issue and vesting date.

(d) The Origin Long Term Incentive Plan (the "Origin Plan")

Ordinary Share Awards

Under the terms of the Origin Plan, 4,682,134 Ordinary Shares were issued to senior executives during the year. As the consideration paid for these shares equalled their fair value, no additional share based compensation charge was recorded under IFRS 2, *Share-based Payment*. To retain the Ordinary Shares issued under the terms of the Origin Plan, the senior executives must remain with Origin Enterprises plc for five years and financial targets must be achieved. If the senior executive leaves before the five year period or the financial targets are not achieved, the Ordinary Shares issued under the terms of The Origin Plan may be reacquired by Origin Enterprises plc.

Awards of other Equity Entitlements

Under the terms of the Origin Plan, employees are issued equity entitlements of €0.01 in Origin Enterprises plc which will be converted into Ordinary Shares of €0.01 in the Company after the expiration of 5 years. The conversion will only occur upon the happening of specified EPS targets and the employee remaining in employment.

Impact on income statement

	2007 €'000	*2006 €'000*
Issued in FY 2007	205	—
	205	—

Details of equity entitlements issued under the Origin Plan

	2007 Weighted conversion price €	*2007 Number of equity entitlements*
Outstanding at beginning of year	—	—
Issued during the year(i)	0.01	5,140,770
Outstanding at end of year		5,140,770
Convertible at end of year	—	—

(i) During the year, employees were issued 5,140,770 equity entitlements in the Company.

Analysis of closing balance – outstanding at the end of the year

	Conversion price	*Number of equity entitlements 2007*
Equity entitlements by conversion price	0.01	5,140,770
Total outstanding as at 31 July		5,140,770

Analysis of closing balance – convertible to Ordinary Shares at end of the year

No equity entitlements are convertible into Ordinary Shares at the end of the year.

The weighted average fair value assigned to equity entitlements issued under the Origin Plan was calculated as the fair value of an ordinary share adjusted for the lost dividends between the date of issue and the vesting date.

9 Income tax

	2007 €'000	2006 €'000
Current tax:		
Republic of Ireland:		
Corporation tax on profits for the year at 12.5% (*2006: 12.5%*)	24,109	5,848
Less: manufacturing relief	(706)	(617)
Adjustments in respect of prior years	(521)	112
Double taxation relief	—	(149)
	22,882	5,194
Overseas:		
Current tax on profit for the year	4,775	9,683
Adjustments in respect of prior years	284	(381)
	5,059	9,302
Total current tax charge	27,941	14,496
Deferred tax:		
Origination and reversal of timing differences	(2,343)	4,368
Adjustments in respect of prior years	739	(207)
Total deferred tax charge	(1,604)	4,161
Income tax expense	26,337	18,657

The deferred tax charge for the Group for the year ended 31 July 2007 reflects the impact of the legislated reduction in the UK tax rates from 30% to 28%.

Reconciliation of average effective tax rate to applicable tax rate

	2007 €'000	2006 €'000
Profit before tax	149,810	117,786
Less share of profits of associates and joint venture	(26,656)	(25,653)
	123,154	92,133
Taxation based on Irish corporate rate of 12.5% (*2006: 12.5%*)	15,394	11,517
Expenses not deductible for tax purposes	6,992	1,502
Higher rates of tax on other income	411	1,146
Higher rates of tax on overseas earnings	4,051	5,692
Adjustments in respect of prior years	502	(476)
Manufacturing relief	(706)	(617)
Utilisation of losses forward	(791)	(255)
Other items	484	148
	26,337	18,657
Movement on deferred tax asset/(liability) recognised directly in equity		
Revaluation of property transferred to investment properties	25,502	—
Relating to Group employee benefit schemes	1,095	(469)
Derivative financial instruments	(712)	(40)
	25,885	(509)

10 Dividends

Dividends paid

	2007 €'000	2006 €'000
2007 interim dividend of 7.510 cent per ordinary share, paid on 20 April 2007	9,516	—
2006 final dividend of 6.780 cent per ordinary share, paid on 2 February 2007	8,573	—
2006 interim dividend of 6.710 cent per ordinary share, paid on 21 April 2006	—	8,441
2005 final dividend of 6.052 cent per ordinary share, paid on 3 February 2006	—	7,595
Total dividends paid to equity shareholders	18,089	16,036

Proposed dividends

It is proposed that a final dividend of 7.80 cent (*2006: 6.780 cent)* per ordinary share will be paid to ordinary shareholders after the balance sheet date. These proposed dividends have not been provided for in the Group balance sheet. The final dividend is subject to approval by the Group's shareholders at the Annual General Meeting.

11 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 July 2007 was based on the profit for the financial year attributable to ordinary shareholders of €122,995,000 (*2006: €98,798,000*) and the weighted average number of ordinary shares outstanding during the year of 126,505,312 (*2006: 125,568,177*) calculated as follows:

	2007 €'000	2006 €'000
Profit for financial year attributable to equity shareholders	122,995	98,798
Weighted average number of ordinary shares		
Issued ordinary shares at 1 August	126,188	124,905
Effect of shares issued during the year	317	663
Weighted average number of ordinary shares for the year	126,505	125,568
Basic earnings per share	97.22 cent	78.68 cent

Diluted earnings per share

The calculation of diluted earnings per share at 31 July 2007 was based on diluted profit for the financial year attributable to ordinary shareholders of €122,964,000 (*2006: €98,798,000*) and the weighted average number of ordinary shares (diluted) outstanding during the year ended 31 July 2007 of 128,040,000 (*2006: 127,037,055*) calculated as follows:

	2007 *€'000*	*2006* *€'000*
Profit for financial year attributable to equity shareholders	122,995	98,798
Effect on minority interest share of profits due to dilutive effect of Origin equity entitlements	(31)	—
Diluted profit for financial year attributable to equity shareholders	122,964	98,798
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares used in basic calculation	126,505	125,568
Effect of equity instruments with a dilutive effect	1,535	1,469
Weighted average number of ordinary shares (diluted) for the year	128,040	127,037
Diluted earnings per share	96.04 cent	77.77 cent

Adjusted basic earnings per share

	2007 *'000*	*2006* *'000*
Weighted average number of ordinary shares (basic) at 31 July	126,505	125,568

	2007 *€'000*	*2007* *Per share* *€ cent*	*2006* *€'000*	*2006* *Per share* *€ cent*
Profit for the financial year	122,995	97.22	98,798	78.68
Adjustments:				
Amortisation of intangible assets	15,927	12.59	7,100	5.65
Amortisation of related deferred tax liability	(4,406)	(3.48)	(1,749)	(1.39)
Exceptional items, net of tax	(13,909)	(10.99)	(490)	(0.39)
Adjusted basic earnings per share	120,607	95.34	103,659	82.55

Adjusted fully diluted earnings per share

	2007 *'000*	*2006* *'000*
Weighted average number of ordinary shares (diluted) at 31 July	128,040	127,037

	2007 *€'000*	*2007* *Per share* *€ cent*	*2006* *€'000*	*2006* *Per share* *€ cent*
Diluted profit for financial year attributable to equity shareholders	122,964	96.04	98,798	77.77
Adjustments:				
Amortisation of intangible assets	15,927	12.44	7,100	5.59
Amortisation of related deferred tax liability	(4,406)	(3.44)	(1,749)	(1.38)
Exceptional items, net of tax	(13,909)	(10.87)	(490)	(0.38)
Adjusted fully diluted earnings per share	120,576	94.17	103,659	81.60

12 Property, plant and equipment

31 July 2007

	Land and buildings €'000	*Plant and machinery €'000*	*Motor vehicles €'000*	*Assets under construction €'000*	*Total €'000*
Cost					
At 1 August 2006	178,074	299,953	3,424	2,089	483,540
Additions	7,455	43,465	228	50,545	101,693
Arising on acquisition (Note 31)	—	72,809	783	—	73,592
Disposals	(4,102)	(24,717)	(1,026)	—	(29,845)
Transfers to investment properties (Note 13)	(30,395)	—	—	—	(30,395)
Impairments	—	(23,038)	—	—	(23,038)
Translation adjustments	(169)	(9,621)	(20)	—	(9,810)
At 31 July 2007	150,863	358,851	3,389	52,634	565,737
Accumulated depreciation					
At 1 August 2006	29,834	142,810	2,508	—	175,152
Depreciation charge for year	4,282	28,566	603	—	33,451
Arising on acquisition (Note 31)	—	52,959	526	—	53,485
Disposals	(1,427)	(21,213)	(958)	—	(23,598)
Transfers to investment properties (Note 13)	(5,374)	—	—	—	(5,374)
Impairments	—	(20,831)	—	—	(20,831)
Translation adjustments	(124)	(2,897)	(20)	—	(3,041)
At 31 July 2007	27,191	179,394	2,659	—	209,244
Net book amounts					
At 31 July 2007	123,672	179,457	730	52,634	356,493
At 31 July 2006	148,240	157,143	916	2,089	308,388

Property, plant and equipment is stated at depreciated historic cost.

31 July 2006

	Land and buildings €'000	Plant and machinery €'000	Motor vehicles €'000	Assets under construction €'000	Total €'000
Cost					
At 1 August 2005	180,718	261,653	5,046	—	447,417
Additions	1,261	49,835	407	2,089	53,592
Arising on acquisition	622	12	—	—	634
Disposals	(4,506)	(9,022)	(2,040)	—	(15,568)
Translation adjustments	(21)	(2,525)	11	—	(2,535)
At 31 July 2006	178,074	299,953	3,424	2,089	483,540
Accumulated depreciation					
At 1 August 2005	27,617	128,436	3,786	—	159,839
Depreciation charge for year	4,203	22,889	539	—	27,631
Disposals	(1,931)	(8,364)	(1,829)	—	(12,124)
Translation adjustments	(55)	(151)	12	—	(194)
At 31 July 2006	29,834	142,810	2,508	—	175,152
Net book amounts					
At 31 July 2006	148,240	157,143	916	2,089	308,388
At 31 July 2005	153,101	133,217	1,260	—	287,578

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:

	Buildings €'000	Pland and equipment €'000	Total €'000
At 31 July 2007	4,415	—	4,415
At 31 July 2006	5,001	141	5,142

Future purchase commitments at 31 July 2007 for property, plant and equipment

	2007 €'000	2006 €'000
Contracted but not provided for in the financial statements	134,512	3,420
Authorised by the directors but not contracted for	24,925	3,200
Total	159,437	6,620

13 Investment properties

	2007
	€'000
Balance at beginning of financial year	—
Transfer from property, plant and equipment (Note 12)	25,021
Revaluation	140,129
Other	323
Balance at end of financial year	165,473

Investment properties, principally comprising land located in Ireland, are held for capital appreciation.

During the year, the Group conducted a review of its property portfolio, and transferred four sites with a carrying amount of €25,021,000 to investment properties. The Group determined that these properties have significant development potential and are located in areas destined for future development and regeneration.

An independent valuations expert conducted a valuation of the properties, which valued them at €165 million, resulting in the recognition of revaluation gains and deferred tax amounting to €140,129,000 and €25,502,000, respectively. The valuation was on the basis of market value and complies with the requirements of the Valuation and Appraisal Standards (the Red Book) issued under the auspices of the Society of Chartered Surveyors. Market value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller in an arms length transaction.

14 Goodwill and intangible assets

31 July 2007

		Intangible assets			
	Goodwill	*Customer related*	*Brand*	*Computer realated*	*Total*
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Cost					
At 1 August 2006	258,735	26,585	48,229	18,150	351,699
Arising on acquisition (Note 31)	288,828	115,628	69,422	13,825	487,703
Additions	—	—	12,984	1,335	14,319
Disposals	—	—	—	(791)	(791)
Other	(488)	—	—	(460)	(948)
Translation adjustments	(15,735)	(4,824)	(2,897)	(630)	(24,086)
At 31 July 2007	531,340	137,389	127,738	31,429	827,896
Accumulated amortisation					
At 1 August 2006	—	3,629	5,759	8,287	17,675
Arising on acquisition (Note 31)	—	—	—	11,625	11,625
Amortisation	—	6,741	5,702	3,484	15,927
Disposals	—	—	—	(791)	(791)
Other	—	—	—	(181)	(181)
Translation adjustments	—	(189)	(103)	(548)	(840)
At 31 July 2007	—	10,181	11,358	21,876	43,415
Net book amounts					
At 31 July 2007	531,340	127,208	116,380	9,553	784,481
At 31 July 2006	258,735	22,956	42,470	9,863	334,024

31 July 2006

			Intangible assets		
	Goodwill	*Customer related*	*Brand*	*Computer realated*	*Total*
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Cost					
At 1 August 2005	259,013	26,585	47,447	13,536	346,581
Arising on acquisition	1,862	—	—	—	1,862
Additions	—	—	782	4,694	5,476
Disposals	—	—	—	(48)	(48)
Revision to deferred consideration	124	—	—	—	124
Translation adjustments	(2,264)	—	—	(32)	(2,296)
At 31 July 2006	258,735	26,585	48,229	18,150	351,699
Accumulated amortisation					
At 1 August 2005	—	1,414	2,623	6,516	10,553
Amortisation	—	2,215	3,136	1,749	7,100
Disposals	—	—	—	(29)	(29)
Translation adjustments	—	—	—	51	51
At 31 July 2006	—	3,629	5,759	8,287	17,675
Net book amounts					
At 31 July 2006	258,735	22,956	42,470	9,863	334,024
At 31 July 2005	259,013	25,171	44,824	7,020	336,028

The useful lives of all intangible assets are finite and range from 5 to 25 years depending on the nature of the asset.

Impairment testing on goodwill

No impairment losses have been recognised in respect of the Group's cash generating units in the years ended 31 July 2007 and 2006.

The recoverable amounts of cash generating units are based on value in use calculations. Those calculations use cash flow projections based on expected future operating results and cash flows. The cash flow projections are based on current operating results of the individual cash generating units and a conservative assumption regarding future organic growth. For the purposes of the calculation of value in use, the cash flows are projected over a 5 year period with additional cash flows in subsequent years calculated using a terminal value methodology, unless a shorter period is appropriate to the circumstances of a particular cash generating unit. The cash flows are discounted using appropriate risk adjusted discount rates averaging 8.12% (*2006: 8.37%*), reflecting the risk associated with the individual future cash flows and the risk free rate. Included in investment in joint venture and associates is goodwill with a carrying amount of €42,796,000 (*2006: €44,657,000*). This goodwill is subject to annual impairment testing on a similar basis to the goodwill arising in the Group's subsidiaries. Any adverse change in the expected future operational results and cash flows may result in the value in use being less that the carrying value of a business unit and would require that the carrying value of the business unit be impaired and stated at the greater of the value in use or the recoverable amount of the business unit.

Key assumptions include management's estimates of future profitability, replacement capital expenditure requirements, trade working capital investment needs and tax considerations. The term of the discounted cashflow model is a significant factor in determining the fair value of the cash-generating units. The term has been arrived at taking account of the Group's strong financial position, its established history of earnings growth and cash flow generation and its proven ability to pursue and integrate value enhancing acquisitions.

The carrying amount of goodwill is made up primarily of goodwill attributed to cash generating units within the Food Europe and Food North America businesses. Goodwill of €89.8m has been allocated to Groupe Hubert, a cash generating unit within the Food Europe business. Goodwill of €58m has been allocated to La Brea Bakeries and €288.4m has been allocated to Otis Spunkmeyer Inc., both cash generating units within the Food North America business.

15 Investments in associates and joint venture

31 July 2007

	Associates		*Joint venture*		
	Share of net assets €'000	*Goodwill €'000*	*Share of net assets €'000*	*Goodwill €'000*	*Total €'000*
At 1 August 2006	55,440	38,204	59,124	6,453	159,221
Share of profits after tax	10,883	—	15,773	—	26,656
Dividends received	(1,759)	—	(16,241)	—	(18,000)
Gains/(losses) recognised directly through equity	5,212	—	(28)	—	5,184
Translation adjustments	(1,850)	(1,833)	(345)	(28)	(4,056)
At 31 July 2007	67,926	36,371	58,283	6,425	169,005
31 July 2006					
At 1 August 2006	36,052	14,282	59,496	6,257	116,087
Investments	10,513	24,548	—	—	35,061
Share of profits after tax	10,860	—	14,793	—	25,653
Dividends received	(2,451)	—	(16,667)	—	(19,118)
Gains recognised directly through equity	524	—	—	—	524
Translation adjustments	(58)	(626)	1,502	196	1,014
At 31 July 2006	55,440	38,204	59,124	6,453	159,221

The amounts included in these financial statements in respect of the income and expenses of associates and joint venture 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. Hiestand Holding AG, included within associates, and the joint venture, Cillryan's Bakery Limited, have year ends of 31 December.

The share price of Hiestand Holding AG, which is accounted for using the equity method of accounting, was €1,311 per share at 31 July 2007.

The investment in associates and joint venture (including goodwill) is analysed as follows:

31 July 2007

	Associates *€'000*	*Joint venture* *€'000*	*Total* *€'000*
Non current assets	97,240	49,904	147,144
Current assets	67,616	19,215	86,831
Non current liabilities	(45,245)	(3,760)	(49,005)
Current liabilities	(51,685)	(7,076)	(58,761)
Net assets	67,926	58,283	126,209
Goodwill	36,371	6,425	42,796
At 31 July 2007	104,297	64,708	169,005

31 July 2006

	Associates *€'000*	*Joint venture* *€'000*	*Total* *€'000*
Non current assets	46,555	48,471	95,026
Current assets	53,736	19,564	73,300
Non current liabilities	(23,957)	(4,701)	(28,658)
Current liabilities	(20,894)	(4,210)	(25,104)
Net assets	55,440	59,124	114,564
Goodwill	38,204	6,453	44,657
At 31 July 2006	93,644	65,577	159,221

16 Other investments

	2007 *€'000*	*2006* *€'000*
Balance at 1 August	203	242
Disposal	—	(40)
Translation adjustment	1	1
Balance at 31 July	204	203

17 Inventory

	2007 *€'000*	*2006* *€'000*
Raw materials	37,433	12,035
Finished goods	96,543	73,020
Consumable stores	3,670	3,484
Total inventory at the lower of cost and net realisable value	137,646	88,539

18 Trade and other receivables

	2007 €'000	2006 €'000
Trade receivables	181,144	160,767
Trade receivables due from associates	1,420	1,149
VAT recoverable	8,485	5,451
Other receivables	49,402	38,811
	240,451	206,178

A total expense of €1,365,000 (*2006: €556,000*) was recognised in the income statement arising from impairment of trade receivables.

19 Trade and other payables

	2007 €'000	2006 €'000
Non current		
Other payables	350	345
Current		
Trade payables	171,723	159,280
Trade payables due to associates and joint venture	1,351	975
Accruals and other payables	203,099	133,073
Income tax and social welfare	3,387	3,090
Value added tax	3,505	3,152
	383,065	299,570

Non current payables are due entirely within five years.

20 Provisions

Provisions comprise the net present value of the amounts expected to be payable in respect of deferred consideration. Residual deferred consideration is due entirely within 5 years.

	2007 €'000	2006 €'000
Non current		
Balance at 1 August	28,878	31,632
Arising on acquisition	15,537	—
Discounting charge	1,338	744
Reclassified to current	—	(3,481)
Translation adjustment	(664)	(17)
Balance at 31 July	45,089	28,878
Current		
Balance at 1 August	4,142	4,983
Payment of deferred consideration	(3,571)	(3,988)
Revision to estimate in respect of previous transactions	(571)	(334)
Reclassified from non current	—	3,481
Balance at 31 July	—	4,142

21 Cash and cash equivalents

In accordance with IAS 7, *Cash Flow Statements*, 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 borrowings in the Group balance sheet.

	2007	*2006*
	€'000	*€'000*
Cash at bank and in hand	86,059	74,556
Bank overdrafts (Note 22)	(37,555)	(4,758)
Included in the Group cash flow statement	48,504	69,798

Cash at bank and in 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.

22 Interest bearing loans and borrowings

The Group policy is to fix a substantial proportion of the Group's medium to long term exposure to interest rates. To achieve this objective, the Group enters into interest rate swaps with a view to changing interest receivable or payable on the Group's underlying cash and borrowings from variable to fixed rates. In addition, the Group has also issued fixed rate private debt. The Group policy is to maintain between 40% and 70% of overall Group average annual borrowings at fixed rates of interest.

During the year, the Group completed a US$450 million Guaranteed Senior Note Private Placement (the "Notes") with UK and US institutions. The Notes have a weighted average tenor of 9.2 years and bear a fixed rate of interest of 5.82% which is payable semi-annually.

Interest bearing loans and borrowings were as follows at 31 July:

	2007	*2006*
	€'000	*€'000*
Bank loans and overdrafts	563,057	288,131
Finance leases	2,585	2,950
Interest bearing loans and borrowings	565,642	291,081
Included in current liabilities in the Group balance sheet		
Bank overdrafts (Note 21)	37,555	4,758
Finance leases	403	378
Current interest bearing loans and borrowings	37,958	5,136
Non current interest bearing loans and borrowings	527,684	285,945

There is no significant difference between the book values and fair values of interest bearing loans and borrowings.

Guarantees

All Group borrowings are secured by guarantees from IAWS Group plc and cross guarantees from various companies within the Group. The Group treats these guarantees as insurance contracts and accounts for them as such.

Repayment schedule – loans and overdrafts

	2007 €'000	2006 €'000
Within one year	37,555	4,758
Between one and two years	361	842
Between two and three years	—	—
Between three and four years	—	—
Between four and five years	196,889	282,531
After five years	328,252	—
Loans and overdrafts	563,057	288,131

Repayment schedule – finance leases

	2007 €'000	2006 €'000
Within one year	403	378
Between one and two years	399	376
Between two and three years	422	398
Between three and four years	446	421
Between four and five years	470	445
After five years	445	932
Finance leases	2,585	2,950

Borrowing facilities

Various borrowing facilities are available to the Group. The undrawn committed facilities available as at 31 July 2007 and 31 July 2006, in respect of which all conditions precedent had been met, expire as follows:

	2007 €'000	2006 €'000
Within one year	—	—
Between one and two years	—	—
Between two and five years	699,964	152,469
After five years	—	—
	699,964	152,469

Currency profile of interest bearing loans and borrowings

All of the Group's interest bearing loans are borrowed by Group companies whose functional currency is either euro or US dollar. The carrying amounts of the Group's total interest bearing loans and borrowings are denominated in the following currencies:

	2007 *€'000*	*2006* *€'000*
Euro	114,758	87,305
Sterling	5,350	25,068
US dollar	328,498	94,697
CAD dollar	16,311	24,396
Swiss franc	100,725	59,615
	565,642	291,081

The Group's debt bears both floating and fixed rates of interest per the original contract. Certain floating rate debt has been hedged into fixed rate debt through the use of interest rate swaps as identified below:

	Floating rate debt €'000	*Impact of derivative financial instruments €'000*	*Fixed rate debt €'000*
Hedged interest bearing liabilities denominated in:			
Euro	50,000	(730)	49,270
CAD dollar	16,311	(4)	16,307
	66,311	(734)	65,577
Unhedged interest bearing liabilities			
Bank overdrafts	37,555		
Finance leases	2,585		
Fixed rate loans	328,252		
Variable rate loans	130,939		
Interest bearing liabilities	565,642		

23 Derivative and other financial instruments

Disclosures in accordance with IAS 32 and IAS 39

Risk exposures

The Group's international operations expose it to different financial risks that include foreign exchange rate risks, credit risks, liquidity risks, commodity price risks and interest rate 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.

Foreign exchange risk

In addition to the Group's operations carried out in euro-zone economies, it also has significant operations in the UK and North America. As a result the Group balance sheet is exposed to currency fluctuations including, in particular, sterling and US dollar 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. To this end, where foreign currency assets are funded by borrowing, such borrowing is generally sourced in the currency of the related assets. The Group also hedges a portion of its 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 requires all its operating units to use forward currency contracts to eliminate the currency exposures on certain foreign currency purchases. The forward currency contracts must be in the same currency as the hedged item.

Credit risk

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables.

Interest rate risk

The Group's debt bears both floating and fixed rates of interest per the original contracts. The Group's policy is to maintain between 40% and 70% of overall Group average annual borrowings at fixed rates. This is achieved through the issuing of fixed rate debt or the use of interest rate swaps.

Commodity price risk

The Group purchases and sells certain commodities for its own use and uses derivative contracts to protect itself from movements in price other than exchange differences.

Liquidity risk

The Group's objective is to maintain a balance between flexibility and continuity of funding. The Group's policy is that not more than 40% of total bank borrowing facilities should mature in any proceeding twelve month period. 93% of the Group's total borrowings at the year end will mature between two and twelve years.

Short-term flexibility is achieved through the availability of overdraft facilities totalling €96m. The Group has syndicated loan facilities totalling €950m as well as a US$450m private placement facility.

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:

	2007		*2006*	
	Assets	*Liabilities*	*Assets*	*Liabilities*
	€'000	*€'000*	*€'000*	*€'000*
Cash flow hedges				
Currency forward contracts	—	3,845	—	647
Interest rate swaps	734	—	1,532	—
Not designated as hedges	—	100	—	100
At 31 July 2007	734	3,945	1,532	747

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.

Not designated as hedges

In 2006 the Group entered into an agreement with the Co-Founder of Cuisine de France, Ronan McNamee, under which he has been granted the option to take ownership of a Group subsidiary which currently owns facilities and land at Tallaght. The option cannot be exercised before the year ending 31 July 2009. If the option is exercised, the amount paid to acquire the subsidiary will equate to €48 million plus 50% of the increase in the market value of the land at the date of exercise. As at 31 July 2007, the fair value of the option is not significantly different from its carrying amount.

Effective interest rates

In respect of interest bearing liabilities, the following table sets out the effective interest rates at 31 July:

	2007		*2006*	
	Carrying amount €'000	*Effective interest rate %*	*Carrying amount €'000*	*Effective interest rate %*
Interest bearing borrowings	525,502	5.16	283,373	3.85
Bank overdrafts	37,555	4.87	4,758	4.07
Finance lease liabilities	2,585	5.72	2,950	5.20
At 31 July	565,642	5.14	291,081	3.87

There are no significant differences between the book values and fair values of other financial assets or liabilities.

24 Government grants

	2007 €'000	2006 €'000
At 1 August	3,006	3,359
Translation adjustment	2	1
	3,008	3,360
Released to Group income statement	(79)	(354)
At 31 July	2,929	3,006

25 Deferred tax

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

	2007 €'000	2006 €'000
Deferred tax assets (deductible temporary differences)		
Pension related	1,811	1,844
Financing related	3,156	678
Property, plant and equipment	323	569
Employee compensation	2,405	2,815
Other deductible temporary differences	6,994	2,568
Total	14,689	8,474
Deferred tax liabilities (taxable temporary differences)		
Pension related	(269)	—
Property, plant and equipment	(31,049)	(27,319)
Investment properties	(25,502)	—
Intangible assets	(90,155)	(22,362)
Financing related	—	(128)
Other	(66)	(93)
Total	(147,041)	(49,902)

Movement in temporary differences, during the year, were as follows:

2007

	Property, plant & equipment €'000	*Investment properties €'000*	*Intangible assets €'000*	*Employee comp-ensation €'000*	*Pension related €'000*	*Financing related €'000*	*Other €'000*	*Total €'000*
At 1 August	(26,750)	—	(22,362)	2,815	1,844	550	2,475	(41,428)
Recognised in Group income statement	(4,787)	—	4,092	(2,405)	835	2,101	1,768	1,604
Recognised in Group statement of recognised income and expense	—	(25,502)	—	—	(1,095)	712	—	(25,885)
Arising on acquisition	(731)	—	(74,361)	2,060	—	—	2,756	(70,276)
Foreign exchange and other	1,542	—	2,476	(65)	(42)	(207)	(71)	3,633
At 31 July	(30,726)	(25,502)	(90,155)	2,405	1,542	3,156	6,928	(132,352)

2006

	Property, plant & equipment €'000	*Intangible assets €'000*	*Employee comp-ensation €'000*	*Pension related €'000*	*Financing related €'000*	*Other €'000*	*Total €'000*
At 1 August	(27,464)	(23,451)	2,731	4,868	1,057	5,503	(36,756)
Recognised in Group income statement	646	1,042	90	(2,545)	(377)	(3,017)	(4,161)
Recognised in Group statement of recognised income and expense	—	—	—	(469)	(129)	—	(598)
Foreign exchange and other	68	47	(6)	(10)	(1)	(11)	87
At 31 July	(26,750)	(22,362)	2,815	1,844	550	2,475	(41,428)

26 Retirement benefit obligations

The Group operates a number of pension schemes, comprising three defined benefit schemes and a number of defined contribution schemes, with assets held in separate trustee-administered funds.

As at 31 July 2007, IAWS Group plc is the principal employer of the main IAWS Group Defined Benefit Pension Scheme (the "Scheme"). A number of the Origin Enterprises plc ("Origin") businesses participate in the Scheme. Following the formation of Origin, a plan to restructure the Scheme was approved and was in the final steps of implementation at year end. On completion of the plan, Origin will replace IAWS Group plc as principal employer, at which stage the scheme will only include active members employed by Origin and the current deferred members of the scheme. All non-Origin members will be transferred to a new defined contribution scheme. In addition, during the year, the Trustees purchased annuities for the Scheme's existing pensioners. This extinguished the Group's liability in the Scheme relating to those pensioners.

An amount of €16,145,000 has been recorded in the Group income statement within exceptional items in relation to the above restructuring.

Under IAS 19, *Employee Benefits* the total deficit in the Group's defined benefit scheme, including the main scheme, at 31 July 2007 was €6,459,000 (*2006: €6,566,000*). During the year, the Board approved the funding of the Group pension scheme deficit.

The pension cost expensed in the income statement for the year in respect of the Group's defined benefit schemes was €12,594,000 (*2006: €1,796,000*) and €2,684,000 (*2006: €2,228,000*) in respect of the Group's defined contribution schemes.

Employee benefits included in the Group balance sheet comprises the following:

	2007 €'000	2006 €'000
Deficit in defined benefit schemes	6,459	6,566
Other[(a)]	2,246	2,310
Total	8,705	8,876

(a) In 1989, a provision was made to meet pension fund deficiencies in subsidiaries acquired, mostly relating to unfunded pensions. The residual actuarial deficit of €2.2m is being paid over the remaining lifetime of the pensioners.

The valuations of the defined benefit schemes used for the purposes of the following disclosures are those of the most recent actuarial valuations carried out from 1 March 2004 to 1 January 2006 and updated to 31 July 2007 by an independent, qualified actuary. The valuations have been performed using the projected unit method.

The main assumptions used by the actuary were as follows:

	2007	2006
Rate of increase in salaries	4.01%	4.01%
Rate of increases in pensions in payment and deferred benefits	2.06%	2.06%
Discount rate in scheme liabilities	5.50%	5.00%
Inflation rate	2.06%	2.06%

Assumptions regarding future mortality experience are set based on advice from published statistics and experience. The average life expectancy in years of a pensioner retiring at age 65 is as follows:

	2007	2006
Male	20.2	20.2
Female	23.2	23.2

The expected long term rate of return on the assets of the schemes were:

	2007	2006
Equities	7.75%	7.30%
Bonds	4.40%	3.90%
Property	7.00%	6.70%
Other	3.00%	3.00%

Net pension liability

	2007 €'000	2006 €'000
Market value of scheme assets:		
Equities	39,751	60,811
Bonds	3,354	19,039
Property	6,285	5,345
Other	279	4,132
Total market value of assets	49,669	89,327
Present value of scheme liabilities	(56,128)	(95,893)
Deficit in the schemes	(6,459)	(6,566)
Related deferred tax asset	1,542	1,537
Net pension liability	(4,917)	(5,029)

Movement in the fair value of scheme assets

	2007	*2006*
	€'000	*€'000*
Fair value of assets at 1 August	89,327	67,878
Expected return on scheme assets	5,561	4,577
Employer contributions	3,641	1,466
Special employer contribution	—	23,496
Employee contributions	499	516
Transfers	(580)	(5,087)
Purchase of annuities	(48,981)	—
Benefit payments	(4,789)	(2,214)
Experience adjustment on scheme assets	4,991	(1,305)
Fair value of assets at 31 July	49,669	89,327

Movement in the present value of scheme obligations

	2007	*2006*
	€'000	*€'000*
Value of scheme obligations at 1 August	(95,893)	(102,421)
Current service cost	(1,389)	(2,091)
Past service cost	(401)	—
Interest on scheme obligations	(4,733)	(4,282)
Employee contributions	(499)	(516)
Transfers	580	5,087
Benefit payments	4,789	2,214
Purchase of annuities	48,981	—
Settlement costs relating to the purchase of annuities	(11,632)	—
Experience adjustment on scheme liabilities	(538)	(1,066)
Effect of changes in actuarial assumptions	4,607	7,182
Value of scheme obligations at 31 July	(56,128)	(95,893)

Movement in net liability recognised in the balance sheet

	2007	*2006*
	€'000	*€'000*
Net liability in schemes at 1 August	(6,566)	(34,543)
Current service cost	(1,389)	(2,091)
Past service cost	(401)	—
Contributions	3,641	24,962
Other finance income	828	295
Actuarial gain	9,060	4,811
Settlement costs relating to the purchase of annuities	(11,632)	—
Net liability in schemes at 31 July	(6,459)	(6,566)

Analysis of defined benefit expense recognised in the Group income statement

	2007	*2006*
	€'000	*€'000*
Current service cost	1,389	2,091
Past service cost	401	—
Settlement costs relating to the purchase of annuities	11,632	—
Non financing expense recognised in Group income statement	13,422	2,091
Expected return on scheme assets	(5,561)	(4,577)
Interest cost on scheme liabilities	4,733	4,282
Included in financing costs	(828)	(295)
Net charge to Group income statement	12,594	1,796
Actual return on pension scheme assets	10,552	3,272

Defined benefit pension expense recognised in the Group statement of recognised income and expense

	2007	*2006*
	€'000	*€'000*
Actual return less expected return on scheme assets	4,991	(1,305)
Experience losses on scheme liabilities	(538)	(1,066)
Changes in demographic and financial assumptions	4,607	7,182
Actuarial gain	9,060	4,811
Deferred tax effect of actuarial gain	(1,095)	(469)
Actuarial gain recognised in Statement of recognised income and expense	7,965	4,342

The cumulative gain recognised in the statement of recognised income and expense since the date of transition to IFRS (1 August 2004) is €4,175,000.

History of experience gains and losses:

	2007	2006
Difference between expected and actual return on assets		
– Amount (€'000)	4,991	(1,305)
– % of scheme assets	10.0%	(1.5%)
Experience losses on scheme liabilities		
– Amount (€'000)	(538)	(1,066)
– % of scheme liabilities	(1.0%)	(1.1%)
Total actuarial gain recognised in statement of recognised income and expense		
– Amount (€'000)	9,060	4,811
– % of scheme liabilities	16.1%	5.2%

27 Share capital

	2007	*2007*	*2006*	*2006*
	'000	*€'000*	*'000*	*€'000*
Authorised				
Ordinary shares of 30 cent each (i)	228,000	68,400	228,000	68,400
8.5% cumulative redeemable convertible preference shares of €1.20 each (ii)	—	—	15,000	18,000
Deferred convertible ordinary shares of 30 cent each (iii)	15,000	4,500	—	—
Total	243,000	72,900	243,000	86,400

	2007	*2007*	*2006*	*2006*
	'000	€'000	'000	€'000
Ordinary shares of 30 cent each Allotted, called up and fully paid				
At 1 August	126,188	37,856	124,905	37,471
Issued on exercise of options	717	215	1,283	385
Total	126,905	38,071	126,188	37,856

	2007	*2007*	*2006*	*2006*
	'000	*€'000*	*'000*	*€'000*
Deferred Convertible Ordinary Shares of 30 cent each – Allotted, partially called and paid up				
Issued during the year (iii)	1,375	103	—	—

(i) Ordinary shareholders are entitled to dividends as declared and each ordinary share carries equal voting rights at meetings of the Company.

(ii) During the year, the 8.5% cumulative redeemable convertible preference shares of €1.20 each were cancelled.

(iii) During the year, the authorised share capital of the Company was increased by the creation of 15,000,000 Deferred Convertible Ordinary Shares. The holders of the Deferred Convertible Ordinary Shares are not entitled to dividends and have no voting rights at meetings of the Company.

28 Statement of changes in shareholders' equity

31 July 2007

	Share premium €'000	*Cash flow hedge reserve €'000*	*Reval-uation reserve €'000*	*Share-based payment reserve €'000*	*Other reserves €'000*	*Foreign currency translation reserve €'000*	*Retained earnings €'000*	*Total €'000*
At 1 August 2006	51,899	735	—	3,067	3,198	(630)	381,701	439,970
Foreign exchange translation	—	—	—	—	—	(4,063)	—	(4,063)
Group and associate defined benefit pension schemes	—	—	—	—	—	—	12,594	12,594
Deferred tax on Group defined benefit pension schemes	—	—	—	—	—	—	(1,095)	(1,095)
Gains relating to Group and associate cash flow hedges	—	(1,952)	—	—	—	—	—	(1,952)
Deferred tax relating to cash flow hedges	—	712	—	—	—	—	—	712
Revaluation of investment properties	—	—	140,129	—	—	—	—	140,129
Deferred tax relating to revaluation of investment properties	—	—	(25,502)	—	—	—	—	(25,502)
Profit for the period	—	—	—	—	—	—	123,473	123,473
Issue of ordinary shares	5,102	—	—	—	—	—	—	5,102
Share-based payments	—	—	—	6,007	—	—	—	6,007
Dividends paid	—	—	—	—	—	—	(18,089)	(18,089)
Share of associates' other reserve movements	—	—	-	—	—	1,684	—	1,684
	57,001	(505)	114,627	9,074	3,198	(3,009)	498,584	678,970
Changes in equity attributable to minority interests								(1,047)
Shareholders' equity at 31 July 2007								677,923

31 July 2006

	Share premium €'000	*Cash flow hedge reserve €'000*	*Share-based payment reserve €'000*	*Other reserves €'000*	*Foreign currency translation reserve €'000*	*Retained earnings €'000*	*Total €'000*
At 1 August 2005	43,745	—	1,517	3,198	(1,097)	294,597	341,960
Impact of adoption of IAS 32 and IAS 39	—	711	—	—	—	—	711
Related deferred tax	—	(89)	—	—	—	—	(89)
At 1 August 2005, adjusted	43,745	622	1,517	3,198	(1,097)	294,597	342,582
Foreign exchange translation	—	—	—	—	(57)	—	(57)
Group and associate defined benefit pension schemes	—	—	—	—	—	4,811	4,811
Deferred tax on Group defined benefit schemes	—	—	—	—	—	(469)	(469)
Gains relating to Group and associate cash flow hedges	—	174	—	—	—	—	174
Deferred tax relating to cash flow hedges	—	(40)	—	—	—	—	(40)
Profit for the period	—	—	—	—	—	99,129	99,129
Issue of ordinary shares	8,154	—	—	—	—	—	8,154
Share-based payments	—	—	1,550	—	—	—	1,550
Dividends paid	—	—	—	—	-	(16,036)	(16,036)
Share of associates' other reserve movements	—	—	—	—	524	—	524
At 31 July 2006	51,899	756	3,067	3,198	(630)	382,032	440,322
Changes in equity attributable to minority interests							(352)
Shareholders' equity at 31 July 2006							439,970

Other reserves

These reserves comprise €2,118,000 relating to a capital conversion reserve which arose on the renominalisation of the Group's share capital following the introduction of the euro as well as €1,080,000 of other non-distributable reserves.

Share-based payment reserve

This reserve comprises amounts credited to reserves in connection with equity awards less the effect of any exercises of such awards.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences from 1 August 2004, arising from the translation of the net assets of the Group's non-euro denominated operations, including the translation of the profits of such operations from the average exchange rate for the year to the exchange rate at the balance sheet date, net of hedging.

Revaluation reserve

The revaluation reserve relates to revaluation surpluses arising on revaluations of investment property.

29 Minority interest

	2007	*2006*
	€'000	*€'000*
Balance at 1 August	2,910	3,924
Share of profit after tax for the year	478	331
Share of income recognised directly in equity	569	21
Arising on dilution of Origin	47,043	—
Repurchase of minority interest	(393)	(1,366)
Other	24	—
Balance at 31 July	50,631	2,910

During the years ended 31 July 2007 and 2006, the Group repurchased a minority interest held in a subsidiary of the Food Europe business.

30 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.

	2007	*2006*
	€'000	*€'000*
Operating leases which expire:		
Within one year	4,997	6,908
In two to five years	28,946	9,185
After more than five years	26,503	5,092
Balance at 31 July	60,446	21,185

31 Acquisitions

On 2 November 2006, the Group completed the acquisition of 100% of Otis Spunkmeyer Holdings, Inc. ("Otis"), a leading US specialty baked goods business.

Details of net assets acquired and goodwill arising from the business combination are as follows:

	Acquiree's carrying amount €'000	*Fair value adjustments €'000*	*Provisional fair value €'000*
Net assets acquired:			
Property, plant and equipment	20,860	(753)	20,107
Intangible assets	56,042	131,208	187,250
Inventory	27,886	647	28,533
Trade and other receivables	50,406	(543)	49,863
Trade and other payables	(33,481)	(10,105)	(43,586)
Deferred tax	(18,009)	(52,267)	(70,276)
Derivative liabilities	(766)	—	(766)
Corporation tax	1,047	(238)	809
Net assets acquired			171,934
Goodwill arising on acquisition			288,364
Consideration			460,298
Satisfied by:			
Cash consideration, net			439,546
Bank overdraft acquired			2,903
Deferred purchase consideration			15,537
Accrued acquisition expenses			2,312
			460,298

Post acquisition revenues and operating profit relating to Otis Spunkmeyer amounted to €220,130,000 and €22,147,000, respectively. Goodwill arising on the acquisition of Otis reflects the strategic positioning of the Group in North America.

The Group also acquired holdings in a Food Europe business previously held by third parties. The Group recorded goodwill of €464,000 on the purchase of this minority interest.

32 Contingent liabilities

	2007 €'000	*2006 €'000*
(a) Government grants repayable if grant conditions are not met	3,910	3,910

(b) In order to avail of the exemption under Section 17 of the Companies (Amendment) Act, 1986 the Group has guaranteed the liabilities of certain of its subsidiaries registered in Ireland. Where the Group has entered into financial guarantee contracts to guarantee the indebtedness of such subsidiaries, the Group considers these to be insurance contracts and accounts for them as such. The Group treats the guarantee contract as a contingent liability until such time as it becomes probable that that the Group will be required to make a payment under the guarantee.

(c) The Group and its subsidiaries have given composite guarantee and indemnity to secure obligations of fellow subsidiary undertakings on all sums due: €1,047,000,000 in respect of bank loans, advances and overdrafts, $450,000,000 in respect of the US dollar private placement and €20,000,000 in respect of guarantee and trade finance facilities. The Group considers these to be insurance contracts and accounts for them as such.

33 Related party transactions

In the normal course of business, the Group undertakes arm's length transactions with its associates, joint venture and other related parties. Included in sale of goods below are sales to associates of €71,164,000. A summary of transactions with these related parties during the year are as follows:

	2007	*2006*
	€'000	*€'000*
Sale of goods	72,517	70,969
Purchase of goods	(7,894)	(5,903)
Provision of services	325	596
Receiving of services	(5,091)	(5,013)

The trading balances owing to the Group from related parties were €3,845,000 *(2006: €4,243,000)* and the trading balances owing from the Group to these related parties were €1,949,000 *(2006: €7,769,000)*.

Compensation of key management personnel

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, which manages the business and affairs of the Group. Full disclosure in relation to the compensation entitlements of the Board of Directors is provided in the Report on directors' remuneration set out on pages 27 to 33 of the Annual Report and Accounts of IAWS Group plc published on 24 September 2007.

34 Subsequent events

On 30 August 2007, Origin Enterprises plc completed the acquisition of the 50% interest in the Odlum Group ("Odlums") not already owned for a consideration of €35m plus the assumption of related bank debt in Odlums of approximately €22m. Odlums has been accounted for as an associate for the year ended 31 July 2007. The information required by paragraph 67 of IFRS 3, *Business Combinations* has not been disclosed in this annual report due to the proximity between the date of the completion of the acquisition and the date of approval of the Group financial statements.

35 Significant subsidiaries

A list of all of the Group's principal subsidiary undertakings as at 31 July 2007 is provided on pages 105 to 107 of the Annual Report and Accounts of IAWS Group plc published on 24 September 2007.

36 Approval of consolidated financial statements

These financial statements were approved by the Board on 24 September 2007.

Independent auditor's report to the members of IAWS Group, plc

We have audited the Group and Company financial statements (the "financial statements") of IAWS Group, plc for the year ended 31 July 2007, which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense, the Group Statement of Accounting Policies and the related notes, and the Company Balance Sheet, Company Statement of Accounting Policies and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and EU IFRS, and for preparing the Company financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 34.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you our opinion as to: whether proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the Company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Financial Highlights, the Chairman's Statement, the Review of Business Operations, the Financial Review, the Directors' Report, the Corporate Governance Statement, and the Report on Directors' Remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditor's report to the members of IAWS Group, plc (continued)

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with EU IFRS, of the state of the Group's affairs as at 31 July 2007 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation;
- the Company financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Company's affairs as at 31 July 2007; and
- the Company financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 July 2007 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

KPMG
Chartered Accountants
Registered Auditor
Dublin

24 September 2007

SECTION D

HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO IAWS GROUP, PLC FOR THE TWO YEARS ENDED 31 JULY 2006

The financial information presented in this Part I Section D, has been extracted without material adjustment from pages 45 to 102 of the Annual Report and Accounts for 2006 of IAWS Group plc. The financial information has been prepared in accordance with IFRS and their interpretations issued by the International Accounting Standards Board as adopted by the EU. The Annual Report and Accounts of IAWS Group plc were published on 25 September 2006.

Group income statement
for the year ended 31 July 2006

	Notes	*Pre-exceptional 2006 €'000*	*Exceptional 2006 €'000*	*Total 2006 €'000*	*Pre-exceptional 2005 €'000*	*Exceptional 2005 €'000*	*Total 2005 €'000*
Revenue	1	1,557,305	—	1,557,305	1,408,174	—	1,408,174
Cost of sales		(1,204,238)	—	(1,204,238)	(1,110,506)	—	(1,110,506)
Gross profit		353,067	—	353,067	297,668	—	297,668
Operating costs, net	2	(241,252)	1,347	(239,905)	(199,120)	8,627	(190,493)
Operating profit before amortisation of intangible assets	1	111,815	1,347	113,162	98,548	8,627	107,175
Amortisation of intangible assets	13	(7,100)	—	(7,100)	(4,624)	—	(4,624)
Operating profit		104,715	1,347	106,062	93,924	8,627	102,551
Share of profit of associates and joint venture	6	25,653	—	25,653	21,520	—	21,520
Profit before financing costs		130,368	1,347	131,715	115,444	8,627	124,071
Financing income	3	4,964	—	4,964	3,818	—	3,818
Financing costs	3	(18,893)	—	(18,893)	(16,118)	—	(16,118)
Profit before tax		116,439	1,347	117,786	103,144	8,627	111,771
Income tax expense	9	(17,800)	(857)	(18,657)	(15,772)	(1,363)	(17,135)
Profit for the financial year		98,639	490	99,129	87,372	7,264	94,636
Attributable as follows:							
Equity shareholders				98,798			94,360
Minority interest	28			331			276
				99,129			94,636
Basic earnings per share	11			78.68c			75.86c
Diluted earnings per share	11			77.77c			74.87c

Group statement of recognised income and expense
for the year ended 31 July 2006

	Notes	2006 €'000	2005 €'000
Items of income and expense recognised directly in equity			
Foreign exchange translation adjustment		(57)	(1,097)
Share of associates' foreign exchange translation adjustment		524	—
Actuarial gain/(loss) on Group and associate defined benefit pension schemes		4,811	(10,175)
Deferred tax effect of actuarial (loss)/gain		(469)	1,063
Gains relating to cash flow hedges		153	—
Deferred tax effect of cash flow hedges		(40)	—
Net income/(expense) recognised directly in equity		4,922	(10,209)
Profit for the financial year		99,129	94,636
Total recognised income and expense for the year		104,051	84,427
Attributable as follows:			
Equity shareholders	27	103,699	84,226
Minority interest	28	352	201
Total recognised income and expense for the year		104,051	84,427
Impact of first time adoption of financial instrument standards, IAS 32 and IAS 39			
Cash flow hedges		711	
Deferred tax relating to cash flow hedges		(89)	
		622	

Group balance sheet
as at 31 July 2006

	Notes	*2006* *€'000*	*2005* *€'000*
ASSETS			
Non current assets			
Property, plant and equipment	12	308,388	287,578
Goodwill and intangible assets	13	334,024	336,028
Investments in associates and joint venture	14	159,221	116,087
Other investments	15	203	242
Deferred tax assets	24	8,474	15,029
Total non current assets		810,310	754,964
Current assets			
Inventory	16	88,539	88,299
Trade and other receivables	17	206,178	173,514
Derivative financial instruments	22	1,532	—
Cash and cash equivalents	20	74,556	47,687
Total current assets		370,805	309,500
TOTAL ASSETS		1,181,115	1,064,464

	Notes	2006 €'000	2005 €'000
EQUITY			
Called up share capital	26	37,856	37,471
Share premium	27	51,899	43,745
Retained earnings and other reserves	27	388,071	298,215
Total equity attributable to equity shareholders of parent		477,826	379,431
Minority interest	28	2,910	3,924
TOTAL EQUITY		480,736	383,355
LIABILITIES			
Non current liabilities			
Interest bearing loans and borrowings	21	285,945	237,555
Employee benefits	25	8,876	36,852
Deferred government grants	23	3,006	3,359
Other payables	18	345	450
Deferred tax liabilities	24	49,902	51,785
Provisions	19	30,360	31,950
Total non current liabilities		378,434	361,951
Current liabilities			
Interest bearing borrowings	21	5,136	30,001
Trade and other payables	18	299,570	273,465
Corporation tax payable		13,832	11,027
Derivative financial instruments	22	747	—
Provisions	19	2,660	4,665
Total current liabilities		321,945	319,158
TOTAL LIABILITIES		700,379	681,109
TOTAL EQUITY AND LIABILITIES		1,181,115	1,064,464

Group cash flow statement
for the year ended 31 July 2006

	Notes	*2006* *€'000*	*2005* *€'000*
Cash flows from operating activities			
Profit before tax		117,786	111,771
Financing costs, net		13,929	12,300
Share of profit of associates and joint venture		(25,653)	(21,520)
Depreciation of property, plant and equipment	12	27,631	23,932
Amortisation of intangible assets	13	7,100	4,624
Amortisation of government grants	23	(354)	(438)
Employee share-based payment charge	8	1,550	867
Loss/(profit) on termination of operations	2	572	(8,627)
(Profit)/loss on disposal of non-current assets		(1,919)	454
Foreign exchange (gains)/losses		(684)	728
Special pension contribution	25	(23,496)	—
Operating profit before changes in working capital		116,462	124,091
(Increase)/decrease in inventory		(84)	4,598
(Increase) in trade and other receivables		(32,124)	(26,229)
Increase in trade and other payables		21,189	18,049
Cash generated from operating activities		105,443	120,509
Interest paid		(11,880)	(12,411)
Income tax paid		(11,583)	(18,771)
Dividends paid to minority interests	28	—	(205)
Net cash inflow from operating activities		81,980	89,122
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4,448	2,451
Purchase of property, plant and equipment			
– Ongoing		(7,910)	(7,363)
– New investments		(67,947)	(43,931)
Acquisition of subsidiaries and businesses, net of cash acquired		(2,644)	(94,141)
Disposal of subsidiaries and businesses		—	14,743
Disposal of other investments		655	—
Dividends received		19,118	16,223
Purchase of minority interest		(1,366)	—
Investments in associates and joint venture		(35,061)	(3,304)
Deferred consideration and acquisition costs paid		(3,988)	(6,788)
Other		(480)	33
Net cash flow from investing activities		(95,175)	(122,077)
Cash flows from financing activities			
Proceeds from issue of share capital		8,539	6,121
Drawdown of loan capital		67,144	46,409
Capital element of finance lease liabilities		(20,453)	(565)
Equity dividends paid		(16,036)	(14,052)
Net cash flow from financing activities		39,194	37,913
Net increase in cash and cash equivalents		25,999	4,958
Translation adjustment		380	(155)
Cash and cash equivalents at start of year		43,419	38,616
Cash and cash equivalents at end of year	20	69,798	43,419

Group statement of accounting policies
for the year ended 31 July 2006

IAWS Group plc (the ''Company'') is a company domiciled and incorporated in Ireland. The Group's financial statements for the year ended 31 July 2006 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as ''the Group'') and show the Group's interest in associates and joint venture using the equity method of accounting.

The individual and Group financial statements of the Company were authorised for issue by the directors on 25 September 2006.

Statement of compliance

As required by European Union (EU) law, from 1 August 2005 the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

These are the Group's first financial statements prepared in accordance with IFRS as adopted by the EU and IFRS 1, *First-time Adoption of International Financial Reporting Standards* has been applied.

The IFRSs adopted by the EU as applied by the Group in the preparation of these financial statements are those that were effective at 31 July 2006 together with the early adoption of the Amendment to IAS 19 *Actuarial Gains and Losses, Group Plans and Disclosures*.

The following provides a brief outline of the likely impact on future financial statements of relevant IFRSs adopted by the EU which are not yet effective and have not been early adopted in these financial statements. The directors have formed the opinion that the adoption of these pronouncements will not have a significant effect on the Group financial statements.

- Amendment to IAS 1, *Capital disclosures.*
- Amendment to IAS 21, *The Effects of Changes in Foreign Exchange Rates – Net investment in Foreign Operations.*
- Amendment to IAS 39, *Cash Flow Hedge Accounting of Forecast Intragroup Transactions.*
- Amendment to IAS 39, *The Fair Value Option.*
- Amendments to IAS 39 and IFRS 4, *Financial Guarantee Contracts*.
- IFRS 7, *Financial Instruments: Disclosure.*
- IFRIC 4, *Determining Whether an Arrangement Contains a Lease.*

First time adoption of IFRSs

The Group is required to determine its IFRS accounting policies and apply them retrospectively to establish the opening balance sheet under IFRS at its date of transition.

The date of transition to IFRSs for the Group is 1 August 2004. The transitional impact of the recognition and measurement of IFRS was disclosed in the restatement of 2005 financial information under IFRS, published in November 2005. Where estimates had been made under Irish GAAP, consistent estimates (after adjustments to reflect any difference in accounting policies) have been made on transition to IFRS. Judgements affecting the balance sheet of the Group have not been revisited with the benefit of hindsight.

The Group has taken advantage of the following exemptions as permitted by IFRS 1: *First-time Adoption of International Financial Reporting Standards*.

Business combinations

The Group has elected not to apply the provisions of IFRS 3, *Business Combinations,* retrospectively to business combinations before 1 August 2004. Accordingly, no adjustments have been made for historical business combinations and accumulated amortisation on goodwill arising before 1 August 2004 has not been reversed. The net carrying value of goodwill under Irish GAAP has been designated as the deemed cost of goodwill under IFRS.

Cumulative translation differences

Cumulative translation differences of foreign operations are deemed to be zero at the date of transition.

Financial instruments
The Group has availed of the exemption not to restate comparative amounts for 2005 for the impacts of IAS 32, *Financial Instruments: Disclosure and Presentation,* and IAS 39, *Financial Instruments: Recognition and Measurement*. These are treated as changes in accounting policies and shown as opening adjustments on 1 August 2005 and in the statement of recognised income and expense.

Share based payment
The provisions of IFRS 2, *Share Based Payment,* in respect of share-based payment plans have not been applied to options and awards granted on or before 7 November 2002 which had not vested by 1 January 2005.

The accounting policies applied in the preparation of the financial statements for the year ended 31 July 2006 are set out below. These have been applied consistently with the exception of those accounting policies pertaining to IAS 32 and IAS 39 on financial instruments which in accordance with the transitional provisions of IFRS 1 were not applied in the restatement of the 2005 comparatives presented in these financial statements. Accounting policies affected by IAS 32 and IAS 39 are highlighted and details of the policies applied in the 2005 Group financial statements are also set out below.

Basis of preparation
The Group financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: equity investments, derivative financial instruments, pension obligations and share based payments. The financial statements are presented in euro, rounded to the nearest thousand, which is the functional currency of the parent and the majority of the Group's operations.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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 of making 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.

The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group financial statements, relate primarily to accounting for defined benefit pension schemes, financial instruments, share-based payments, provisions, intangible assets, goodwill impairment and deferred tax.

Basis of consolidation
The Group financial statements reflect the consolidation of the results, assets and liabilities of the parent undertaking and all of its subsidiaries, together with the Group's share of profits/losses of associates and joint venture. Where a subsidiary, associate or joint venture is acquired or disposed of during the financial year, the Group financial statements include the attributable results from or to the effective date when control passes.

Subsidiary undertakings
Subsidiary undertakings are those entities over which the Group has the power to control the operating and financial policies so as to obtain economic benefit from their activities. The amounts included in these financial statements in respect of the subsidiaries are taken from their latest financial statements prepared up to the year end. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Associates and joint venture
Associates are those entities in which the Group has a significant influence over, but not control of, the financial and operating policies. Investments in associates are accounted for using the equity method of accounting. Joint ventures are those entities over whose operating and financial policies the

Group exercises control jointly, under a contractual agreement, with one or more parties. Investments in joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, the Group's share of the post-acquisition profits or losses of its associates and joint venture is recognised in the income statement. The income statement reflects, in profit before tax, the Group's share of profit after tax of its associates and joint venture in accordance with IAS 28, *Investments in Associates,* and IAS 31, *Interests in Joint Ventures*. The Group's interest in their net assets is included as investments in associates and joint venture in the Group balance sheet at an amount representing the Group's share of the fair value of the identifiable net assets at acquisition plus the Group's share of post acquisition retained income and expenses. The Group's investment in associates and joint venture includes goodwill on acquisition. The amounts included in these financial statements in respect of the post acquisition income and expenses of associates and joint venture 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. Where necessary, the accounting policies of associates and joint venture have been changed to ensure consistency with the policies adopted by the Group.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the Group financial statements. Unrealised gains and income and expenses arising from transactions with associates and joint venture 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

Revenue represents the fair value of the sale of goods and services supplied to third parties, after deducting discounts and exclusive of value added tax. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and returns different from those of other segments.

The Group's primary format for segmental reporting is business segments and the secondary format is geographical segments. The risks and returns of the Group's operations are primarily determined by the different products that the Group sells rather than the geographical location of the Group's operations.

The Group has three business segments: Agriculture, Food Europe, and Food North America. The Group's geographical segments are Europe and North America.

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 current and deferred income tax balances together with financial assets and liabilities.

Research and development

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 and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Employee benefits

Pension obligations

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as they fall due. 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 that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, 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 calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses are recognised in the statement of recognised income and expense. Current and past service costs, interest on scheme liabilities and expected return on assets are recognised in the income statement.

Equity settled compensation

The fair value of options granted under the Group's equity settled share option scheme is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an approved binomial model, taking into account the terms and conditions under which the options were granted. The scheme is subject to a non-market vesting condition and, therefore, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Long term incentive plan

The Group operates an incentive and retention plan for executives. The plan operates on an individual basis by providing contingent entitlement to a lump sum award referable to reckonable salary. Awards are applied through the purchase of shares in the Group to be held by a trustee for the benefit of individual participants for a 3 to 5 year period. The costs associated with the plan are written off to the income statement on a straight-line basis over the relevant period.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws that have been enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is provided for any differences that exist between the tax base and the carrying value of intangible assets arising from business combinations but is not provided on non-tax deductible goodwill. The amount of deferred 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 substantively enacted at the balance sheet date. If the deferred 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 tax is provided on temporary differences arising on investments in subsidiaries, associates and joint venture, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred 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 tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

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 ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to euro at the actual rates when the transactions occurred. Foreign exchange differences arising on translation of the net assets of a foreign operation are recognised directly in equity, in a 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 taken to the 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 1 August 2004, the date of transition to IFRS, are recognised in the currency translation reserve and are recycled through the income statement on the repayment of the intra-group loan or on disposal of the related business.

Dividends

Dividends are recognised in the period in which they are approved by the Company's shareholders, or in the case of an interim dividend, when it has been approved by the Board of Directors and paid.

Property, plant and equipment

Property, plant and equipment is stated at 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 expenditure including repairs and maintenance costs is recognised in the income statement as an expense as incurred.

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

Buildings	25 to 50 years
Plant & machinery	3 to 15 years
Motor vehicles	3 to 7.5 years

The residual value of assets, if significant, and the useful life of assets is reassessed annually.

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

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. 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. The asset acquired under the finance lease is depreciated over the shorter of the useful life of the asset or the lease term.

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.

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint venture. In respect of acquisitions that have occurred since 1 August 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, i.e. original cost less accumulated amortisation from the date of acquisition up to 31 July 2004, which represents the amount recorded under Irish GAAP. Goodwill is now stated at cost or deemed cost less any accumulated impairment losses. In respect of associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill which arose on acquisitions prior to 1 August 1998 was eliminated against reserves on acquisition as a matter of accounting policy. In preparing the Group's IFRS balance sheet at 1 August 2004 this goodwill is considered to have been permanently offset against retained earnings and, on any subsequent disposal, will not form part of the gain or loss on the disposal of the business.

Intangible assets

Intangible assets acquired as part of a business combination are valued at their fair value at the date of acquisition. These generally include brand and customer related intangible assets.

Where intangible assets are separately acquired they are capitalised at cost. Intangible assets are amortised over the period of their expected useful lives in equal annual instalments. The expected useful lives of intangible assets ranges from 12 to 20 years.

Computer software that is not an integral part of an item of computer hardware is also classified as an intangible asset. These intangible assets are stated at cost less accumulated amortisation and impairment losses. Cost comprises purchase price and other directly attributable costs. The expected useful life of computer software is 5 years.

Impairment

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, which are 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, except for goodwill and long life intangibles which are reviewed annually. If any such indication exists, an impairment test is carried out and the asset is written down to its recoverable amount.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. 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, other than in the case of goodwill, is 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.

Other investments

Other investments are initially recognised at the fair value of the consideration given inclusive of any acquisition charges arising.

Inventory

Inventory is stated at the lower of cost on a first in, first out basis and net realisable value. Cost includes all expenditure, which has been 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.

Trade and other receivables and payables

Trade and other receivables and payables are stated at cost, which approximates fair value given the short-dated nature of these assets and liabilities.

Trade receivables are carried at original invoice amount less an allowance for potentially uncollectible debts. Provision is made when there is objective evidence that the Group may not be in a position to collect the associated debts.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and call deposits. 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 statement of cash flows.

Financial assets and liabilities

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

Equity investments

When market values are available, fair value is determined by reference to the bid market price for such investments without any deduction for transaction costs. When market values are not available, the fair values have been determined based on expected future cash flows at current interest rates and exchange rates.

Short term bank deposits and cash and cash equivalents

For short term bank deposits and cash and cash equivalents with a remaining maturity of less than one year, the nominal amount is considered to approximate fair value.

Trade and other receivables/payables

For receivables and payables with a remaining life of less than one year or demand balances, the nominal amount is considered to approximate fair value. All other receivables and payables are discounted to determine their fair value.

Derivatives

Forward currency contracts and interest rate swaps are marked to market using quoted market values.

Interest bearing loans and borrowings

For interest bearing loans and borrowings with a contractual repricing date of less than one year, the nominal amount is considered to approximate fair value. For loans with a repricing date of greater than one year, the fair value is 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 appropriate current market rates.

Derivative financial instruments – for the year ended 31 July 2006

All derivatives are initially recorded at fair value on the date the contract is entered into and subsequently, at reporting dates remeasured to their fair value. The gain or loss arising on remeasurement is recognised in the income statement except where the instrument is a designated hedging instrument.

Derivative financial instruments are used to manage the Group's exposure to foreign currency risk, interest rate risk and commodity price risk through the use of forward currency contracts, interest rate swaps and futures contracts. These derivatives are generally designated as cash flow hedges in accordance with IAS 39. The Group does not enter into speculative derivative transactions.

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 the cash flow hedging reserve, a separate component of equity. Unrealised gains or losses on any ineffective portion of the derivative are recognised in the income statement. When the hedged transaction occurs the related gains or losses in the hedging reserve are transferred to the income statement.

Derivative financial instruments – for the year ended 31 July 2005

The Group enters into transactions in the normal course of business using a variety of financial instruments, including spot and forward exchange contracts and interest rate swap agreements, in order to reduce exposure to foreign exchange risk and interest rate fluctuations.

The Group does not hold or issue derivative financial instruments for speculative purposes.

Forward foreign currency contracts

The criteria for forward foreign currency contracts are:

- the instrument must be related to a foreign currency transaction that is probable and whose characteristics have been identified;
- it must involve the same currency or similar currencies as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the Group's operations.

The rates under such contracts are used to record the hedged transaction. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets or liabilities or, where the instrument is used to hedge a committed or probable future transaction, it is deferred until the transaction occurs.

Interest rate swaps

The Group's criteria for interest rate swaps are:

- the instrument must be related to an asset or liability; and
- it must change the nature of the interest rate by converting a variable rate to a fixed rate.

Interest differentials under these swaps are recognised by adjusting net interest payable over the period of the contract.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost.

Government grants

Grants that compensate the Group for the cost of an asset are shown as deferred income and amortised in the Group income statement by instalments on a basis consistent with the depreciation policy of the relevant assets.

Other grants are credited to the income statement to offset the matching expenditure.

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. 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.

1 Segment information

(a) Analysis by business segment

(i) Segment revenue and result

	FOOD EUROPE		*FOOD NORTH AMERICA*		*AGRI*		*ELIMINATIONS **		*TOTAL GROUP*	
	2006 €'000	*2005 €'000*	*2006 €'000*	*2005 €'000*	*2006 €'000*	*2005 €'000*	*2006 €'000*	*2005 €'000*	*2006 €'000*	*2005 €'000*
Segment revenue	836,278	739,350	191,972	152,707	581,955	563,004	(52,900)	(46,887)	1,557,305	1,408,174
Operating profit before exceptional items	71,190	63,052	16,631	12,734	23,994	22,762	—	—	111,815	98,548
Exceptional items	—	—	(228)	—	1,575	8,627	—	—	1,347	8,627
Operating profit before amortisation of intangible assets	71,190	63,052	16,403	12,734	25,569	31,389	—	—	113,162	107,175
Amortisation of intangible assets	(6,612)	(4,429)	(264)	(27)	(224)	(168)	—	—	(7,100)	(4,624)
Operating profit	64,578	58,623	16,139	12,707	25,345	31,221	—	—	106,062	102,551
Share of profit of associates and joint venture	9,155	6,800	14,793	12,598	1,705	2,122	—	—	25,653	21,520
Profit before financing costs	73,733	65,423	30,932	25,305	27,050	33,343	—	—	131,715	124,071

* The eliminations detailed above consist of the joint venture revenues within the Food North America business.

(ii) Segment assets

	FOOD EUROPE		FOOD NORTH AMERICA		AGRI		TOTAL GROUP	
	2006	*2005*	*2006*	*2005*	*2006*	*2005*	*2006*	*2005*
	€'000	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
Segment assets excluding investments in associates and joint venture	567,000	552,341	170,678	159,419	199,451	173,659	937,129	885,419
Investments in associate and joint venture	85,463	40,463	65,577	65,753	8,181	9,871	159,221	116,087
Segment assets	652,463	592,804	236,255	225,172	207,632	183,530	1,096,350	1,001,506
Reconciliation to total assets as reported in Group balance sheet								
Listed investments							203	242
Derivative financial instruments							1,532	—
Cash and cash equivalents							74,556	47,687
Income tax and deferred tax assets							8,474	15,029
Total assets as reported in Group balance sheet							1,181,115	1,064,464

(iii) Segment liabilities

	FOOD EUROPE		*FOOD NORTH AMERICA*		*AGRI*		*TOTAL GROUP*	
	2006 €'000	*2005 €'000*	*2006 €'000*	*2005 €'000*	*2006 €'000*	*2005 €'000*	*2006 €'000*	*2005 €'000*
Segment liabilities	208,455	215,083	23,565	23,421	112,797	112,237	344,817	350,741
Reconciliation to total liabilities as reported in Group balance sheet								
Interest bearing loans and liabilities							291,081	267,556
Derivative financial instruments							747	—
Income tax and deferred tax liabilities							63,734	62,812
Total liabilities as reported in the Group balance sheet							700,379	681,109

(iv) Other segment information

	FOOD EUROPE 2006 €'000	*FOOD EUROPE 2005 €'000*	*FOOD NORTH AMERICA 2006 €'000*	*FOOD NORTH AMERICA 2005 €'000*	*AGRI 2006 €'000*	*AGRI 2005 €'000*	*TOTAL GROUP 2006 €'000*	*TOTAL GROUP 2005 €'000*
Depreciation	15,846	12,537	5,532	4,812	6,253	6,583	27,631	23,932
Capital expenditure – property, plant and equipment	18,041	45,924	27,006	17,306	8,545	8,225	53,592	71,455
Capital expenditure – computer related intangibles	4,586	3,145	—	281	108	415	4,694	3,841
Capital expenditure – brand related intangibles	—	—	—	—	782	—	782	—
Total capital expenditure	22,627	49,069	27,006	17,587	9,435	8,640	59,068	75,296

(b) Analysis by geographical segment

	EUROPE		*NORTH AMERICA*		*TOTAL GROUP*	
	2006	*2005*	*2006*	*2005*	*2006*	*2005*
	€'000	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
Segment revenue	1,418,233	1,302,354	139,072	105,820	1,557,305	1,408,174
Segment assets	860,095	776,334	236,255	225,172	1,096,350	1,001,506
Capital expenditure	32,062	57,709	27,006	17,587	59,068	75,296

2 Operating costs

	2006	*2005*
	€'000	*€'000*
Distribution expenses	152,029	117,132
Administration expenses	89,808	82,694
Other operating income	(585)	(706)
Exceptional items	(1,347)	(8,627)
	239,905	190,493

Other operating income and exceptional items comprise the following net (charges)/credits:

Other operating income:		
Capital grants released to income statement	354	438
Other	231	268
	585	706
Exceptional items:		
Profit on disposal of operations (i)	—	10,001
Loss on termination of operations (ii)	(572)	(1,374)
Profit on disposal of property, plant and equipment (iii)	1,304	—
Profit on disposal of other investments (iv)	615	—
	1,347	8,627

(i) Profit on disposal of operations

In 2005, the profit on disposal of operations represented the profit on the early termination of an agreement with Irish Agricultural Wholesale Society Limited in respect of the disposal of two businesses in the Agri business.

(ii) Loss on termination of operations

In 2006, the loss on termination of operations consists primarily of the loss on the disposal of Premier Petfoods Limited, an Irish based company engaged in the distribution of pet foods.

In 2005, the loss on termination of operations represented the costs of closing two operations within the Agri business.

(iii) Profit on disposal of property, plant and equipment

In 2006, the profit on disposal of property, plant and equipment relates to gains arising on the sale of properties. One of the Group's Agri businesses disposed of property located in Co. Waterford and the Food North America business disposed of a property located in Chicago.

(iv) Profit on disposal of other investments

The profit on disposal of other investments relates to the sale of investments.

3 Financing costs

	2006 €'000	2005 €'000
Financing income		
Interest income	(387)	(117)
Defined benefit pension obligations: expected return on scheme assets	(4,577)	(3,701)
Total financing (income)	(4,964)	(3,818)
Financing costs		
Interest payable on bank loans and overdrafts	13,407	11,143
Interest payable under finance leases	460	158
Defined benefit pension obligations: interest cost on scheme liabilities	4,282	4,150
Financing charge on deferred consideration	744	667
Total financing costs	18,893	16,118
Financing costs, net	13,929	12,300

4 Statutory and other information

Group operating profit was arrived at after charging the following amounts:

	2006 €'000	2005 €'000
Depreciation of property, plant and equipment		
– owned assets	27,072	23,452
– leased assets	559	480
Amortisation of intangible assets	7,100	4,624
Amortisation of government grants	(354)	(438)
Operating lease rentals		
– plant and machinery	1,526	776
– other	12,849	11,627
Research and development expenditure	5,900	4,783
Auditor's remuneration for audit services	974	855
Auditor's remuneration for non-audit services	1,197	360

5 Directors' emoluments and interests

Directors' emoluments and interests are given in the Report on directors' remuneration on pages 16 to 21 inclusive in this Annual Report.

6 Group share of associates and joint venture profit after tax

	Associates		*Joint Venture*	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Group share of:				
Revenue	203,030	183,395	52,900	46,887
Profit after tax	10,860	8,922	14,793	12,598

7 Employment

The average number of persons employed by the Group during the year was as follows:

	2006	*2005*
Sales and distribution	1,702	1,557
Production	1,504	1,443
Management and administration	588	515
	3,794	3,515

Aggregate employment costs of the Group are analysed as follows:

	2006 *€'000*	*2005* *€'000*
Wages and salaries	133,252	116,515
Social welfare costs	21,783	18,452
Pension costs		
– defined benefit schemes – statement of recognised income and expense	(4,811)	7,454
– defined benefit schemes – income statement	1,796	2,021
– defined contribution schemes	2,228	946
Share based payment	1,550	867
	155,798	146,255

8 Share based payments

The Group grants share options under one share option plan, the "1997 Share Option Scheme". Options granted under the scheme are exercisable only when certain earnings per share growth targets are met over a specified 3 or 5 year period.

The Group's employee share options are equity-settled share-based payments as defined in IFRS 2, *Share-based Payment.* The IFRS requires that a recognised valuation methodology be employed to determine the fair value of share options granted and stipulates that this methodology should be consistent with methodologies used for the pricing of financial instruments. The expense reported in the Group income statement of €1,550,000 (*2005: €867,000*) has been arrived at through applying a recognised binomial valuation model.

The general terms and conditions applicable to the share options granted by IAWS Group plc under the 1997 share option scheme are addressed in the Report on Directors' remuneration on page 16 and in this note.

Impact on income statement

In line with the transitional provisions applicable to a first-time adopter of International Financial Reporting Standards, as contained in IFRS 1 and IFRS 2, the Group has elected to implement the measurement requirements of IFRS 2, in respect of share options that were granted after 7 November 2002 that had not vested as at the effective date of the standard (1 August 2005). As a result of these provisions, the expense disclosed in the Group income statement relates to options granted in November 2003 and subsequent years.

	2006 *€'000*	*2005* *€'000*
Granted in FY 2004	867	867
Granted in FY 2005	—	—
Granted in FY 2006	683	—
	1,550	867

Details of options granted under the share option scheme

	2006 Weighted exercise price €	*2006 Number of options*	*2005 Weighted exercise price €*	*2005 Number of options*
Options outstanding at beginning of year	7.40	4,314,000	7.19	5,299,500
Granted during the year (a)	14.16	2,692,500	—	—
Lapsed during the year	7.96	(136,000)	7.73	(6,000)
Exercised during the year	6.67	(1,283,000)	6.25	(979,500)
Options outstanding at end of year	10.82	5,587,500	7.40	4,314,000
Exercisable at end of year	6.93	1,874,500	5.43	1,334,500

The weighted average share price on the date options were exercised during the year was €12.97.

(a) Pursuant to the share option scheme, employees were granted options over a total of 2,692,500 (*2005: Nil)* of the Company's ordinary shares on 21 April 2006 and 19 October 2005. These grants comprised options over 1,320,000 (*2005: Nil*) shares and 1,372,500 (*2005: Nil*) shares which may be exercised after the expiration of three and five years respectively from the dates of grant of those options subject to specified EPS growth targets being achieved. All options granted have a life of ten years.

Analysis of closing balance – outstanding at the end of the year

	Exercise price	*Number of options 2006*	*Actual remaining life (years) 2006*	*Number of options 2005*	*Actual remaining life (years) 2005*
Options by exercise price					
	€1.60	—	—	15,000	0.38
	€2.92	70,000	0.75	110,000	1.75
	€3.20	85,000	1.26	120,000	2.26
	€2.10	106,500	2.18	164,000	3.18
	€4.70	5,000	3.24	15,500	4.24
	€6.70	440,000	3.72	905,000	4.72
	€7.50	277,000	4.25	747,000	5.25
	€7.60	—	4.64	230,000	5.64
	€7.40	100,000	4.66	100,000	5.66
	€7.95	627,000	5.25	685,000	6.25
	€9.20	164,000	5.71	180,000	6.71
	€9.15	1,020,500	7.26	1,042,500	8.26
	€11.65	195,000	9.22	—	—
	€14.36	2,497,500	9.72	—	—
Total outstanding as at 31 July		5,587,500		4,314,000	

Analysis of closing balance – exercisable at end of year

	Exercise price	Number of options 2006	Actual remaining life (years) 2006	Number of options 2005	Actual remaining life (years) 2005
Options by exercise price					
	€1.60	—	—	15,000	—
	€2.92	70,000	0.75	110,000	1.75
	€3.20	85,000	1.26	120,000	2.26
	€2.10	106,500	2.18	164,000	3.18
	€4.70	5,000	3.24	15,500	4.24
	€6.70	440,000	3.72	905,000	4.72
	€7.50	277,000	4.25	—	5.25
	€7.60	—	4.64	—	5.64
	€7.40	100,000	4.66	—	5.66
	€7.95	627,000	5.25	5,000	6.25
	€9.20	164,000	5.71	—	—
Total exercisable as at 31 July		1,874,500		1,334,500	

The weighted average fair values assigned to options granted under the share option scheme, which were computed in accordance with a binomial valuation methodology, were as follows:

	3 year €	5 year €
Granted in FY 2004	2.49	—
Granted in FY 2005	—	—
Granted in FY 2006	2.66	3.69

The fair values of options granted under the share option scheme were determined using the following assumptions:

	FY 2006		FY 2005		FY 2004	
	3 Year	5 Year	3 Year	5 Year	3 Year	5 Year
Weighted average exercise price (€)	13.96	14.36	—	—	9.15	—
Risk-free interest rate (%)	3.58	3.82	—	—	2.00	—
Expected dividend payments over the expected life (%)	1.00	1.00	—	—	1.00	—
Expected volatility (%)	17.44	20.80	—	—	27.00	—
Expected life in years	5	7	—	—	7	—

The expected volatility was determined using the IAWS Group plc month-end share prices in respect of the three year period preceding the grant of the share options. Share options are granted at market value at the date of grant. The expected life of the options is the average period from the date of grant to the date of exercise.

Other than the assumptions listed above, no other features of option grants were factored into the determination of fair value.

There were no modifications effected to the share option scheme during the course of 2006 and 2005.

9 Income tax

	2006	*2005*
	€'000	*€'000*
Current tax:		
Republic of Ireland:		
Corporation tax on profits for the year at 12.5% *(2005: 12.5%)*	5,848	8,200
Less: manufacturing relief	(617)	(562)
Adjustments in respect of prior years	112	140
Double taxation relief	(149)	(855)
	5,194	6,923
Overseas:		
Current tax on profit for the year	9,683	8,148
Adjustments in respect of prior years	(381)	(585)
	9,302	7,563
Total current tax charge	14,496	14,486
Deferred tax:		
Origination and reversal of timing differences	4,368	1,801
Adjustments in respect of prior years	(207)	848
Total deferred tax charge	4,161	2,649
Income tax expense	18,657	17,135

Reconciliation of average effective tax rate to applicable tax rate

	2006	*2005*
	€'000	*€'000*
Profit before tax	117,786	111,771
Less share of profits of associates and joint venture	(25,653)	(21,520)
	92,133	90,251
Taxation based on Irish corporate rate of 12.5% (*2005: 12.5%*)	11,517	11,281
Expenses not deductible for tax purposes	1,502	911
Higher rates of tax on other income	1,146	848
Higher rates of tax on overseas earnings	5,692	3,895
Adjustments to prior years	(476)	403
Manufacturing relief	(617)	(562)
Utilisation of losses forward	(255)	(449)
Other items	148	808
	18,657	17,135

Movement on deferred tax asset/(liability) recognised directly in equity

Relating to Group employee benefit schemes	(469)	1,063
Derivative financial instruments	(40)	—
	(509)	1,063

10 Dividends

Dividends paid

	2006	*2005*
	€'000	*€'000*
2006 interim dividend of 6.710 cent per ordinary share, paid on 21 April 2006	8,441	—
2005 interim dividend of 5.835 cent per ordinary share, paid on 22 April 2005	—	7,308
2005 final dividend of 6.052 cent per ordinary share, paid on 3 February 2006	7,595	—
2004 final dividend of 5.442 cent per ordinary share, paid on 31 January 2005	—	6,744
Total dividends paid to equity shareholders	16,036	14,052

Proposed dividends

It is proposed that a final dividend of 6.780 cent (*2005: 6.052 cent*) per ordinary share will be paid to ordinary shareholders after the balance sheet date. These proposed dividends have not been provided for in the Group balance sheet. The final dividend is subject to approval by the Group's shareholders at the Annual General Meeting.

11 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 July 2006 was based on the profit for the financial year attributable to ordinary shareholders of €98,798,000 (*2005: €94,360,000*) and the weighted average number of ordinary shares outstanding during the year of 125,568,177 (*2005: 124,380,841*) calculated as follows:

	2006	*2005*
	€'000	*€'000*
Profit for financial year attributable to equity shareholders	98,798	94,360
Weighted average number of ordinary shares		
	'000	*'000*
Issued ordinary shares at 1 August	124,905	123,925
Effect of shares issued during the year	663	456
Weighted average number of ordinary shares for the year	125,568	124,381
Basic earnings per share	78.68 cent	75.86 cent

Diluted earnings per share

The calculation of diluted earnings per share at 31 July 2006 was based on profit for the financial year attributable to ordinary shareholders of €98,798,000 (*2005: €94,360,000*) and the weighted average number of ordinary shares outstanding during the year ended 31 July 2006 of 127,037,055 (*2005: 126,026,106*) calculated as follows:

	2006	*2005*
	€'000	*€'000*
Profit for financial year attributable to equity shareholders	98,798	94,360
Weighted average number of ordinary shares (diluted)		
	'000	'000
Weighted average number of ordinary shares used in basic calculation	125,568	124,381
Effect of share options with a dilutive effect	1,469	1,645
Weighted average number of ordinary shares (diluted) for the year	127,037	126,026
Diluted earnings per share	77.77 cent	74.87 cent

Adjusted basic earnings per share

	2006	*2005*
	'000	*'000*
Weighted average number of ordinary shares (basic) at 31 July	125,568	124,381

	2006	*2006*	*2005*	*2005*
		Per share		*Per share*
	€'000	*€ cent*	*€'000*	*€ cent*
Profit for the financial year	98,798	78.68	94,360	75.86
Adjustments:				
Amortisation of intangible assets	7,100	5.65	4,624	3.72
Amortisation of related deferred tax liability	(1,749)	(1.39)	(1,117)	(0.90)
Exceptional items, net of tax	(490)	(0.39)	(7,264)	(5.84)
Adjusted basic earnings per share	103,659	82.55	90,603	72.84

Adjusted diluted earnings per share

	2006 '000	2005 '000
Weighted average number of ordinary shares (diluted) at 31 July	127,037	126,026

	2006 *€'000*	*2006* *Per share* *€ cent*	*2005* *€'000*	*2005* *Per share* *€ cent*
Profit for the financial year	98,798	77.77	94,360	74.87
Adjustments:				
Amortisation of intangible assets	7,100	5.59	4,624	3.67
Amortisation of related deferred tax liability	(1,749)	(1.38)	(1,117)	(0.89)
Exceptional items, net of tax	(490)	(0.38)	(7,264)	(5.76)
Adjusted fully diluted earnings per share	103,659	81.60	90,603	71.89

12 Property, plant and equipment

31 July 2006

	Land and buildings *€'000*	*Plant and machinery* *€'000*	*Motor vehicles* *€'000*	*Total* *€'000*
Cost				
At 1 August 2005	180,718	261,653	5,046	447,417
Additions	1,261	51,924	407	53,592
Arising on acquisition	622	12	—	634
Disposals	(4,506)	(9,022)	(2,040)	(15,568)
Translation adjustments	(21)	(2,525)	11	(2,535)
At 31 July 2006	178,074	302,042	3,424	483,540
Accumulated depreciation				
At 1 August 2005	27,617	128,436	3,786	159,839
Depreciation charge for year	4,203	22,889	539	27,631
Disposals	(1,931)	(8,364)	(1,829)	(12,124)
Translation adjustments	(55)	(151)	12	(194)
At 31 July 2006	29,834	142,810	2,508	175,152
Net book amounts				
At 31 July 2006	148,240	159,232	916	308,388
At 31 July 2005	153,101	133,217	1,260	287,578

31 July 2005

	Land and buildings €'000	*Plant and machinery €'000*	*Motor vehicles €'000*	*Total €'000*
Cost				
At 1 August 2004	152,031	239,232	9,025	400,288
Additions	25,090	45,865	500	71,455
Arising on acquisition	8,592	811	—	9,403
Disposals	(3,166)	(20,813)	(4,326)	(28,305)
Translation adjustments	(1,829)	(3,442)	(153)	(5,424)
At 31 July 2005	180,718	261,653	5,046	447,417
Accumulated depreciation				
At 1 August 2004	25,315	125,051	7,152	157,518
Depreciation charge for year	3,540	19,493	899	23,932
Disposals	(1,014)	(14,276)	(4,140)	(19,430)
Translation adjustments	(224)	(1,832)	(125)	(2,181)
At 31 July 2005	27,617	128,436	3,786	159,839
Net book amounts				
At 31 July 2005	153,101	133,217	1,260	287,578
At 31 July 2004	126,716	114,181	1,873	242,770

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:

	Land and buildings €'000	*Plant and machinery €'000*	*Motor vehicles €'000*	*Total €'000*
At 31 July 2006	5,001	141	—	5,142
At 31 July 2005	25,300	354	—	25,654

During the year, the Group discharged €19,956,000 of obligations under finance leases relating to land and buildings purchased in 2005.

Future purchase commitments at 31 July 2006 for property, plant and equipment

	2006 €'000	*2005 €'000*
Contracted but not provided for in the financial statements	3,420	30,639
Authorised by the directors but not contracted for	3,200	9,347
Total	6,620	39,986

Subsequent to the year-end the directors authorised a capital expenditure project at Grangecastle in Dublin, which is expected to result in approximately €180 million of spend over a three year period.

13 Goodwill and intangible assets

31 July 2006

		Intangible assets			
	Goodwill €'000	*Customer related €'000*	*Brand €'000*	*Computer related €'000*	*Total €'000*
Cost					
At 1 August 2005	264,526	26,585	47,447	13,536	352,094
Arising on acquisition	1,862	—	—	—	1,862
Additions	—	—	782	4,694	5,476
Disposals	—	—	—	(48)	(48)
Revision to deferred consideration	124	—	—	—	124
Translation adjustments	(2,306)	—	—	(32)	(2,338)
At 31 July 2006	264,206	26,585	48,229	18,150	357,170
Accumulated amortisation					
At 1 August 2005	5,513	1,414	2,623	6,516	16,066
Amortisation	—	2,215	3,136	1,749	7,100
Disposals	—	—	—	(29)	(29)
Translation adjustments	(42)	—	—	51	9
At 31 July 2006	5,471	3,629	5,759	8,287	23,146
Net book amounts					
At 31 July 2006	258,735	22,956	42,470	9,863	334,024
At 31 July 2005	259,013	25,171	44,824	7,020	336,028

31 July 2005

	Goodwill €'000	*Intangible assets* Customer related €'000	Brand €'000	Computer related €'000	Total €'000
Cost					
At 1 August 2004	184,015	—	5,710	9,723	199,448
Arising on acquisition	87,931	26,585	41,737	—	156,253
Additions	—	—	—	3,841	3,841
Revision to deferred consideration	(5,216)	—	—	—	(5,216)
Translation adjustments	(2,204)	—	—	(28)	(2,232)
At 31 July 2005	264,526	26,585	47,447	13,536	352,094
Accumulated amortisation					
At 1 August 2004	5,623	—	571	5,358	11,552
Amortisation	—	1,414	2,052	1,158	4,624
Translation adjustments	(110)	—	—	—	(110)
At 31 July 2005	5,513	1,414	2,623	6,516	16,066
Net book amounts					
At 31 July 2005	259,013	25,171	44,824	7,020	336,028
At 31 July 2004	178,392	—	5,139	4,365	187,896

The useful lives of all intangible assets are finite and range from 5 to 20 years dependent on the nature of the asset.

Impairment testing of goodwill

No impairment losses have been recognised by the Group in respect of goodwill in either financial year or as at the transition date to IFRS (1 August 2004).

Impairment testing on goodwill

The recoverable amounts of cash generating units are based on value in use calculations. Those calculations use cash flow projections based on expected future operating results and cash flows. The cash flow projections are based on current operating results of the individual cash generating units and a conservative assumption regarding future organic growth. For the purposes of the calculation of value in use, the cash flows are projected over a 5 year period with additional cash flows in subsequent years calculated using a terminal value methodology, unless a shorter period is appropriate to the circumstances of a particular cash generating unit. The cash flows are discounted using appropriate risk adjusted discount rates averaging 3.9% (*2005: 3.8%*), reflecting the risk associated with the individual future cash flows and the risk free rate. Included in investment in joint venture and associates is goodwill with a carrying amount of €44,657,000 (*2005: €20,539,000*). This goodwill is subject to annual impairment testing on a similar basis to the goodwill arising in the Group's subsidiaries. Any adverse change in the expected future operational results and cash flows may result in the value in use being less that the carrying value of a business unit and would require that the carrying value of the business unit be impaired and stated at the greater of the value in use or the recoverable amount of the business unit.

Key assumptions include management's estimates of future profitability, replacement capital expenditure requirements, trade working capital investment needs and tax considerations. The term of the discounted cashflow model is a significant factor in determining the fair value of the cash-generating units. The term has been arrived at taking account of the Group's strong financial position, its established history of earnings growth and cash flow generation and its proven ability to pursue and integrate value enhancing acquisitions.

The carrying amount of goodwill is made up primarily of goodwill attributed to cash generating units within the Food Europe and Food North America businesses. Goodwill of €89.8 million has been

allocated to Groupe Hubert, a cash generating unit within the Food Europe business and goodwill of €58 million has been allocated to La Brea Bakeries, a cash generating unit within the Food North America business.

14 Investments in associates and joint venture

31 July 2006

	Associates		*Joint venture*		
	Share of net assets €'000	*Goodwill €'000*	*Share of net assets €'000*	*Goodwill €'000*	*Total €'000*
At 1 August 2005	36,052	14,282	59,496	6,257	116,087
Investments	10,513	24,548	—	—	35,061
Share of profits after tax	10,860	—	14,793	—	25,653
Dividends received	(2,451)	—	(16,667)	—	(19,118)
Gains/(losses) recognised directly through equity	524	—	(21)	—	503
Translation adjustments	(58)	(626)	1,523	196	1,035
At 31 July 2006	55,440	38,204	59,124	6,453	159,221
31 July 2005					
At 1 August 2004	34,267	13,024	57,177	5,833	110,301
Investments	—	1,419	942	—	2,361
Share of profits after tax	8,922	—	12,598	—	21,520
Losses recognised directly through equity	(2,721)	—	—	—	(2,721)
Dividends received	(4,461)	—	(16,162)	—	(20,623)
Translation adjustments	45	(161)	4,941	424	5,249
At 31 July 2005	36,052	14,282	59,496	6,257	116,087

The amounts included in these financial statements in respect of the income and expenses of associates and joint venture 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. Hiestand Holding AG, included within associates, and the joint venture, Cillryan's Bakery Limited, have year ends of 31 December.

The share price of Hiestand Holding AG which is accounted for using the equity method of accounting was €833 per share at 31 July 2006.

The investment in associates and joint venture (including goodwill) is analysed as follows:

31 July 2006

	Associates €'000	*Joint venture €'000*	*Total €'000*
Non-current assets	46,555	48,471	95,026
Current assets	53,736	19,564	73,300
Non-current liabilities	(23,957)	(4,701)	(28,658)
Current liabilities	(20,894)	(4,210)	(25,104)
Net assets	55,440	59,124	114,564
Goodwill	38,204	6,453	44,657
	93,644	65,577	159,221

31 July 2005

	Associates €'000	*Joint venture €'000*	*Total €'000*
Non-current assets	34,279	49,706	83,985
Current assets	45,088	17,045	62,133
Non-current liabilities	(32,208)	(2,913)	(35,121)
Current liabilities	(11,107)	(4,342)	(15,449)
Net assets	36,052	59,496	95,548
Goodwill	14,282	6,257	20,539
	50,334	65,753	116,087

15 Other investments

	2006 €'000	*2005 €'000*
Balance at 1 August	242	245
Disposal	(40)	—
Translation adjustment	1	(3)
Balance at 31 July	203	242

16 Inventory

	2006 €'000	*2005 €'000*
Raw materials	12,035	13,994
Finished goods	73,020	69,629
Consumable stores	3,484	4,676
Total inventory at the lower of cost and net realisable value	88,539	88,299

17 Trade and other receivables

	2006	*2005*
	€'000	*€'000*
Trade receivables	160,767	135,220
Trade receivables due from associates	1,149	229
VAT recoverable	5,451	5,469
Other receivables	38,811	32,596
	206,178	173,514

A total expense of €556,000 (*2005: €504,000*) was recognised in the income statement arising from impairment on trade receivables.

18 Trade and other payables

	2006	*2005*
	€'000	*€'000*
Non-current		
Other payables	345	450
Current		
Trade payables	159,280	139,924
Trade payables due to associates and joint venture	975	860
Accruals and other payables	133,073	125,913
Income tax and social welfare	3,090	3,788
Value added tax	3,152	2,980
	299,570	273,465

Non-current payables are due entirely with five years.

19 Provisions

	2006	*2005*
	€'000	*€'000*
Non-current		
Deferred consideration and acquisition costs	30,360	31,950
Current		
Deferred consideration and acquisition costs	2,660	4,665

Provisions comprise the net present value of the amounts expected to be payable in respect of deferred consideration. The decrease during the year in this liability includes the impact of revisions to previous estimates in respect of previous transactions, payments, currency movements and the discounting charge. Deferred consideration amounts are due entirely within five years. Total payments of deferred consideration during the year amounted to €3,988,000 (*2005: €6,788,000*).

20 Cash and cash equivalents

In accordance with IAS 7, *Cash Flow Statements*, 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. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of acquisition. Bank overdrafts are included within current interest bearing borrowings in the Group balance sheet.

	2006	*2005*
	€'000	*€'000*
Cash at bank and in hand	74,556	46,800
Investments (short-term deposits)	—	887
Included in the Group balance sheet	74,556	47,687
Bank overdrafts	(4,758)	(4,268)
Included in the Group cash flow statement	69,798	43,419

Cash at bank and in 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.

21 Interest-bearing loans and borrowings

The Group policy is to fix a substantial proportion of the Group's medium to long term exposure to foreign currencies. To achieve this objective, the Group enters into interest rate swaps with a view to changing interest receivable or payable on the Group's underlying cash and borrowings from variable to fixed rates. The Group policy is to maintain between 40% and 70% of overall Group average annual borrowings at fixed rates of interest, through the use of interest rate swaps.

Interest bearing loans and borrowings were as follows at 31 July:

	2006	*2005*
	€'000	*€'000*
Bank loans and overdrafts	288,131	244,153
Finance leases	2,950	23,403
Interest-bearing loans and borrowings	291,081	267,556
Included in current liabilities in the Group balance sheet		
Loans repayable within one year	—	5,659
Bank overdrafts	4,758	4,268
Finance leases	378	20,074
Current interest-bearing loans and borrowings	5,136	30,001
Non-current interest-bearing loans and borrowings	285,945	237,555

There is no significant difference between the book values and fair values of interest bearing loans and borrowings.

Guarantees

All Group borrowings are secured by guarantees from IAWS Group plc and cross guarantees from various companies within the Group. The Group treats these guarantees as insurance contracts and accounts for them as such.

	2006 €'000	2005 €'000
Repayment schedule – loans and overdrafts		
Within one year	4,758	9,927
Between one and two years	842	510
Between two and three years	—	—
Between three and four years	—	—
Between four and five years	282,531	233,716
After five years	—	—
Loans and overdraft	288,131	244,153
Repayment schedule – finance leases		
Within one year	378	20,074
Between one and two years	376	417
Between two and three years	398	446
Between three and four years	421	468
Between four and five years	445	500
After five years	932	1,498
Finance leases	2,950	23,403

Borrowing facilities

Various borrowing facilities are available to the Group. The undrawn committed facilities available as at 31 July 2006 and 31 July 2005, in respect of which all conditions precedent had been met, expire as follows:

	2006	2005
Within one year	—	—
Between one and two years	—	—
Between two and five years	152,469	141,284
After five years	—	—
	152,469	141,284

Currency profile of interest bearing loans and borrowings

All of the Group's interest bearing loans are borrowed by a Group company which is based in Ireland and whose functional currency is euro. The carrying amounts of the Group's total interest bearing loans and borrowings are denominated in the following currencies:

	2006 €'000	2005 €'000
Euro	87,305	55,866
Sterling	25,068	54,826
US dollar	94,697	92,846
CAD dollar	24,396	39,384
Swiss franc	59,615	24,634
	291,081	267,556

All debt bears floating rate interest per the original contract. Certain floating rate debt has been hedged into fixed rate debt through the use of interest rate swaps as identified below:

	Floating rate debt €'000	*Impact of derivative financial instruments €'000*	*Fixed rate debt €'000*
Hedged interest bearing liabilities denominated in:			
Euro	50,000	(688)	49,312
Sterling	24,927	(4)	24,923
US dollar	33,095	(742)	32,353
CAD dollar	13,889	(98)	13,791
	121,911	(1,532)	120,379
Unhedged interest bearing liabilities			
Bank overdrafts	4,758		
Finance leases	2,950		
Interest bearing loans	161,462		
Interest bearing liabilities	291,081		

22 Derivative and other financial instruments

As set out above, in accordance with the first time adoption exemptions in IFRS 1, *First-time Adoption of International Financial Reporting Standards*, the Group did not apply IAS 32, *Financial Instruments: Presentation and Disclosure* nor IAS 39, *Financial Instruments: Recognition and Measurement* to the 2005 comparatives. These standards have been applied from 1 August 2005. The impact of adoption of these standards on 1 August 2005 is reflected in the Statement of recognised income and expense. The first part of this note sets out the disclosures in accordance with IAS 32 and IAS 39 for the financial year ended 31 July 2006. The later part of the note sets out the disclosures required in accordance with Irish GAAP for the financial year ended 31 July 2005.

(a) Disclosures in accordance with IAS 32 and IAS 39 for 2006

Risk exposures

The Group's multinational operations expose it to different financial risks that include foreign exchange rate risks, credit risks, liquidity risks, commodity price risks and interest rate 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.

Foreign exchange risk

In addition to the Group's operations carried out in euro-zone economies, it also has significant operations in the UK and North America. As a result the Group balance sheet is exposed to currency fluctuations including, in particular, Sterling and US Dollar 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. To this end, where foreign currency assets are funded by borrowing, such borrowing is generally sourced in the currency of the related assets. The Group also hedges a portion of its 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 requires all its operating units to use forward currency contracts to eliminate the currency exposures on certain foreign currency purchases. The forward currency contracts must be in the same currency as the hedged item.

Credit risk

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables.

Interest rate risk

All debt bears floating rate interest per the original contract. The Group's policy is to maintain between 40% and 70% of overall Group average annual borrowings at fixed rates of interest via interest rate swaps.

Commodity price risk

The Group trades in certain commodities for its own use and uses derivative contracts to protect itself from movements in price other than exchange differences.

Liquidity risk

The Group's objective is to maintain a balance between flexibility and continuity of funding. The Group's policy is that not more than 40% of bank borrowings should mature in any twelve month period. 98% of the Group's total borrowings at the year end will mature between two and five years.

Short-term flexibility is achieved through the availability of overdraft facilities totalling €73 million. The Group has a syndicated loan facility totalling €500 million.

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:

	Assets *€'000*	*Liabilities* *€'000*
Cash flow hedges		
Currency forward contracts	—	647
Interest rate swaps	1,532	—
Not designated as hedges	—	100
	1,532	747

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.

Not designated as hedges

The Group is happy to maintain its continuing association and involvement with the Co-Founder of Cuisine de France, Ronan McNamee. Since the acquisition of Cuisine de France, Mr. McNamee has been of considerable assistance to the Group in relation to a number of key projects, including the Group's major expansion into the North American market. During the current financial year, Ronan McNamee has agreed to assist the Group in maximizing the value of its existing facilities and lands at Tallaght, and for this purpose the Group has entered into an option agreement with Mr. McNamee under which he has been granted the option to take ownership of a Group subsidiary which currently owns the facilities and land. The option cannot be exercised before the year ending 31 July 2009. If the option is exercised, the amount paid to acquire the subsidiary will equate to €48 million plus 50% of the increase in the market value of the land at the date of exercise. As at 31 July 2006, the fair value of the option is not significantly different from its carrying amount.

Effective interest rates and contractual repricing analysis

In respect of interest bearing liabilities, the following table sets out the effective interest rates at 31 July 2006:

	Carrying amount €'000	*Effective interest rate %*
Interest bearing borrowings	283,373	3.85
Bank overdrafts	4,758	4.07
Finance lease liabilities	2,950	5.20
	291,081	3.87

There are no significant differences between the book values and fair values of other financial assets or liabilities.

(b) Disclosures in accordance with Irish GAAP

Interest rate profile of financial liabilities

The interest rate profile of the Group as at 31 July 2005 was as follows:

	Euro amount '000	*Foreign currency amount '000*	*Fixed rate financial liability '000*	*Floating rate financial liability '000*	*Weighted average fixed interest rate %*	*Weighted average period of fixed interest (years)*
Currency						
Euro	55,866	55,866	54,983	883	3.37	2.5
Sterling	54,826	37,804	22,789	15,015	5.24	1.0
US dollar	92,846	112,343	50,045	62,298	3.32	1.2
CAD dollar	39,384	58,486	20,000	38,486	3.92	2.0
Swiss franc	24,634	38,435	—	38,435	—	—

All of the Group's interest bearing loans are borrowed by a Group company which is based in Ireland and whose functional currency is the euro.

The floating rate financial liabilities comprise bank borrowings bearing interest at rates fixed in advance for periods ranging from overnight to one year by reference to the relevant Euribor and Libor rates.

During the year, fixed rate borrowings as a proportion of total borrowings remained within the Group policy limits.

Interest rate profile of financial assets

The interest rate profile of financial assets of the Group as at 31 July 2005 was as follows:

	Euro amount '000	*Fixed rate financial assets (foreign currency amount) '000*	*Floating rate financial assets (foreign currency amount) '000*
Currency			
Euro	25,029	887	24,142
Sterling	13,376	—	9,223
US dollar	9,199	—	11,131
Swiss franc	81	—	127
CAD dollar	2	—	3

Fixed and floating rate financial assets are predominantly comprised of cash deposits and other interest earning credit balances. The weighted average fixed rate on cash deposits was 2.48% at the year-end.

Maturity profile financial assets and liabilities

Set out below are the book values of the Group's financial assets and liabilities and the maturity profile of these as at 31 July 2005.

	Book value 2005 €'000
Primary financial instruments	
Borrowings repayable within one year	9,927
Borrowings repayable between one and two years	510
Borrowings repayable between two and five years	233,716
Finance leases repayable within one year	20,074
Finance leases repayable between one and two years	417
Finance leases repayable between two and five years	2,912
	267,556
Cash and short-term deposits	47,687

Hedging activities

The Group enters into forward foreign exchange contracts to manage the currency exposures that arise on purchases and sales denominated in non-base currencies. The Group also uses interest rate swaps to manage its interest rate profile. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. The mark to market value of year-end forward contracts results in unrecognised profits of €230,000. These profits will be recognised in 2006 when the contracts mature. The mark to market value of year end interest rate swaps results in an unrecognised profit of €481,000.

There are no significant differences between the book values and fair values of other financial assets or liabilities.

23 Government grants

	2006	*2005*
	€'000	*€'000*
At 1 August	3,359	4,429
Received	—	28
Eliminated on disposal	—	(656)
Translation adjustment	1	(4)
	3,360	3,797
Released to Group income statement	(354)	(438)
At 31 July	3,006	3,359

24 Deferred tax

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

	2006	*2005*
	€'000	*€'000*
Deferred tax assets (deductible temporary differences)		
Pension related	1,844	4,868
Financing related	678	1,140
Property, plant and equipment	569	787
Employee compensation	2,815	2,731
Other deductible temporary differences	2,568	5,503
Total	8,474	15,029
Deferred tax liabilities (taxable temporary differences)		
Property, plant and equipment	27,319	28,251
Intangible assets	22,362	23,451
Financing related	128	83
Other	93	—
Total	49,902	51,785

Movement in temporary differences, during the year, were as follows:

2006

	Property, plant & equipment €'000	*Intangible assets €'000*	*Employee comp-ensation €'000*	*Pension related €'000*	*Financing related €'000*	*Other €'000*	*Total €'000*
At 1 August	(27,464)	(23,451)	2,731	4,868	1,057	5,503	(36,756)
Recognised in Group income statement	646	1,042	90	(2,545)	(377)	(3,017)	(4,161)
Recognised in Group statement of recognised income and expense	—	—	—	(469)	(129)	—	(598)
Foreign exchange and other	68	47	(6)	(10)	(1)	(11)	87
At 31 July	(26,750)	(22,362)	2,815	1,844	550	2,475	(41,428)

2005

	Property, plant & equipment €'000	*Intangible assets €'000*	*Employee comp-ensation €'000*	*Pension related €'000*	*Financing related €'000*	*Other €'000*	*Total €'000*
At 1 August	(5,651)	—	2,093	—	1,845	(9,955)	(11,668)
Recognised in Group income statement	(21,427)	462	668	3,805	(809)	14,652	(2,649)
Arising on acquisition	(322)	(23,913)	—	—	—	824	(23,411)
Recognised in Group statement of recognised income and expense	—	—	—	1,063	—	—	1,063
Foreign exchange and other	(64)	—	(30)	—	21	(18)	(91)
At 31 July	(27,464)	(23,451)	2,731	4,868	1,057	5,503	(36,756)

25 Retirement benefit obligations

The Group operates a number of pension schemes, comprising both defined benefit schemes (including the multi-employer scheme below) and defined contribution schemes, with assets held in separate trustee administered funds.

Historically the main IAWS Group plc defined benefit pension scheme was a multi-employer scheme providing benefits for certain employees of IAWS Group plc and a number of its subsidiaries (together "the Group") and also for certain employees of the original holding entity, Irish Agricultural Wholesale Society Limited ("Society"). The main IAWS Group plc defined benefit pension scheme, which was closed to new members on 5 September 2002, was wound up on 7 September 2005. This ensured an effective separation of Group assets and liabilities from Society assets and liabilities.

The IAWS Group plc (UK) defined benefit scheme was closed to new members in 1998. The annual service cost in relation to this scheme and the main IAWS Group plc defined benefit scheme, which was closed to new members on 5 September 2002, is expected to increase as the current members approach retirement.

Under IAS 19, *Employee Benefits* the total deficit in the Group's defined benefit schemes, including the main scheme, at 31 July 2006 was €6,566,000 (*2005: €34,543,000*). During the year, the Board approved the funding of the Group pension scheme deficit. Accordingly, the Group made a special contribution of €23.5 million.

The pension cost expensed in the income statement for the year in respect of the Group's defined benefit schemes was €1,796,000 (*2005: €2,021,000*) and €2,228,000 (*2005: €946,000*) in respect of the Group's defined contribution schemes.

Employee benefits included in the Group balance sheet comprises the following:

	2006	*2005*
	€'000	*€'000*
Deficit in defined benefit schemes	6,566	34,543
Other[(a)]	2,310	2,309
Total	8,876	36,852

(a) In 1989, a provision was made to meet pension fund deficiencies in subsidiaries acquired, mostly relating to unfunded pensions. The residual actuarial deficit of €2.3 million is being spread over the remaining lifetime of the pensioners.

The valuations of the defined benefit schemes used for the purposes of the following disclosures are those of the most recent actuarial valuations carried out from 1 January 2001 to 6 April 2004 and updated to 31 July 2006 by an independent, qualified actuary. The valuations have been performed using the projected unit method.

The main assumptions used by the actuary were as follows:

	2006	*2005*
Rate of increase in salaries	4.01%	4.01%
Rate of increases in pensions in payment and deferred benefits	2.06%	2.06%
Discount rate in scheme liabilities	5.00%	4.45%
Inflation rate	2.06%	2.06%

Assumptions regarding future mortality experience are set based on advice from published statistics and experience in both geographic regions. The average life expectancy in years of a pensioner retiring at age 65 is as follows:

	2006	*2005*
Male	20.2	20.2
Female	23.2	23.2

The expected long term rate of return on the assets of the schemes were:

	2006	*2005*
Equities	7.30%	6.72%
Bonds	3.90%	3.29%
Property	6.70%	4.75%
Other	3.00%	3.00%

Net pension liability

	2006 *€'000*	*2005* *€'000*
Market value of scheme assets:		
Equities	60,811	47,891
Bonds	19,039	15,282
Property	5,345	4,019
Other	4,132	686
Total market value of assets	89,327	67,878
Present value of scheme liabilities	(95,893)	(102,421)
Deficit in the schemes	(6,566)	(34,543)
Related deferred tax asset	1,537	4,868
Net pension liability	(5,029)	(29,675)

Movement in the fair value of scheme assets

	2006 *€'000*	*2005* *€'000*
Fair value of assets at 1 August	67,878	57,134
Expected return on scheme assets	4,577	3,701
Employer contributions	1,466	3,774
Special employer contribution	23,496	—
Employee contributions	516	317
Transfers	(5,087)	—
Benefit payments	(2,214)	(2,791)
Experience adjustment on scheme assets	(1,305)	6,246
Impact of acquisitions	—	(503)
Fair value of assets at 31 July	89,327	67,878

Movement in the present value of scheme obligations

	2006 *€'000*	*2005* *€'000*
Value of scheme obligations at 1 August	(102,421)	(85,473)
Current service cost	(2,091)	(1,545)
Past service cost	—	(27)
Interest on scheme obligations	(4,282)	(4,150)
Employee contributions	(516)	(317)
Transfers	5,087	—
Benefit payments	2,214	2,791
Experience adjustment on scheme liabilities	(1,066)	(2,052)
Effect of changes in actuarial assumptions	7,182	(11,648)
Value of scheme obligations at 31 July	(95,893)	(102,421)

Movement in net liability recognised in the balance sheet

	2006 *€'000*	*2005* *€'000*
Net liability in schemes at 1 August	(34,543)	(28,339)
Current service cost	(2,091)	(1,545)
Past service cost	—	(27)
Contributions	24,962	3,774
Other finance income	295	(449)
Actuarial gain / (loss)	4,811	(7,454)
Impact of acquisitions	—	(503)
Net liability in schemes at 31 July	(6,566)	(34,543)

Analysis of defined benefit expense recognised in the Group income statement

	2006 *€'000*	*2005* *€'000*
Current service cost	2,091	1,545
Past service cost	—	27
Total recognised in operating profit	2,091	1,572
Expected return on scheme assets	(4,577)	(3,701)
Interest cost on scheme liabilities	4,282	4,150
Included in financing costs	(295)	449
Net charge to Group income statement	1,796	2,021
Actual return on pension scheme assets	3,272	9,947

Defined benefit pension expense recognised in the Statement of recognised income and expense

	2006 *€'000*	*2005* *€'000*
Actual return less expected return on scheme assets	(1,305)	6,246
Experience gains and losses on scheme liabilities	(1,066)	(2,052)
Changes in demographic and financial assumptions	7,182	(11,648)
Actuarial gain/(loss)	4,811	(7,454)
Deferred tax	(469)	1,063
Actuarial gain/(loss) recognised in Statement of recognised income and expense	4,342	(6,391)

History of experience gains and losses:

	2006	2005
Difference between expected and actual return on assets		
– Amount (€'000)	(1,305)	6,246
– % of scheme assets	(1.5%)	9.2%
Experience losses on scheme liabilities		
– Amount (€'000)	(1,066)	(2,052)
– % of scheme liabilities	(1.1%)	(2.0%)
Total actuarial loss recognised in Statement of Recognised Income and Expense		
– Amount (€'000)	4,811	(7,454)
– % of scheme liabilities	5.2%	(7.3%)

26 Share capital

	2006	*2006*	*2005*	*2005*
	'000	*€'000*	*'000*	*€'000*
Authorised				
Ordinary shares of 30 cent each[(i)]	228,000	68,400	228,000	68,400
8.5% cumulative redeemable convertible preference shares of €1.20 each	15,000	18,000	15,000	18,000
Total	243,000	86,400	243,000	86,400
Allotted, called up and fully paid				
At 1 August	124,905	37,471	123,925	37,177
Issued on exercise of options	1,283	385	980	294
Total (all ordinary shares of 30 cent each)	126,188	37,856	124,905	37,471

(i) Ordinary shareholders are entitled to dividends as declared and each ordinary share carries equal voting rights at meetings of the Company.

27 Statement of changes in shareholders' equity

31 July 2006

	Share premium €'000	*Cash flow hedge reserve*	*Share option reserve €'000*	*Other reserves €'000*	*Foreign currency translation reserve €'000*	*Retained earnings*	*Total €'000*
At 1 August 2005	43,745	—	1,517	3,198	(1,097)	294,597	341,960
Impact of adoption of IAS 32 and IAS 39	—	711	—	—	—	—	711
Related deferred tax	—	(89)	—	—	—	—	(89)
At 1 August 2005, adjusted	43,745	622	1,517	3,198	(1,097)	294,597	342,582
Foreign exchange translation	—	—	—	—	(57)	—	(57)
Group and associate defined benefit pension schemes	—	—	—	—	—	4,811	4,811
Deferred tax on Group defined benefit schemes	—	—	—	—	—	(469)	(469)
Gains relating to cash flow hedges	—	174	—	—	—	—	174
Deferred tax relating to cash flow hedges	—	(40)	—	—	—	—	(40)
Profit for the period attributable to equity holders	—	—	—	—	—	98,798	98,798
Issue of ordinary shares	8,154	—	—	—	—	—	8,154
Share based payments	—	—	1,550	—	—	—	1,550
Dividends paid	—	—	—	—	—	(16,036)	(16,036)
Share of associates other reserve movements	—	(21)	—	—	524	—	503
At 31 July 2006	51,899	735	3,067	3,198	(630)	381,701	439,970

31 July 2005

	Share premium €'000	*Share option reserve €'000*	*Other reserves €'000*	*Foreign currency translation reserve €'000*	*Retained earnings €'000*	*Total €'000*
At 1 August 2004	37,918	650	3,198	—	223,401	265,167
Foreign exchange translation	—	—	—	(1,097)	—	(1,097)
Group and associate defined benefit pension schemes	—	—	—	—	(10,175)	(10,175)
Deferred tax on group defined benefit pension schemes	—	—	—	—	1,063	1,063
Profit for the period attributable to equity holders	—	—	—	—	94,360	94,360
Issue of ordinary shares	5,827	—	—	—	—	5,827
Expensing of employee share options	—	867	—	—	—	867
Dividends paid	—	—	—	—	(14,052)	(14,052)
At 31 July 2005	43,745	1,517	3,198	(1,097)	294,597	341,960

Other reserves

These reserves comprise €2,118,000 relating to a capital conversion reserve which arose on the renominalisation of the Group's share capital following the introduction of the euro as well as €1,080,000 of other non-distributable reserves.

Share option reserve

This reserve comprises amounts credited to reserves in connection with share option grants less the effect of any exercises of such options.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences from 1 August 2004, arising from the translation of the net assets of the Group's non-euro denominated operations, including the translation of the profits of such operations from the average exchange rate for the year to the exchange rate at the balance sheet date, net of hedging.

28 Minority interest

	2006	*2005*
	€'000	*€'000*
Balance at 1 August	3,924	3,270
Share of profit after tax for the year	331	276
Share of foreign exchange translation adjustment	21	(75)
Arising on acquisition	—	528
Repurchase of minority interest	(1,366)	—
Dividends paid	—	(205)
Other	—	130
Balance at 31 July	2,910	3,924

During the year, the Group repurchased a minority interest held in a subsidiary of the Food Europe business.

29 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.

	2006	*2005*
	€'000	*€'000*
Operating leases which expire:		
Within one year	6,908	3,924
In two to five years	9,185	8,050
After more than five years	5,092	3,911
Balance at 31 July	21,185	15,885

30 Acquisitions

During the year, the Food Europe division acquired a small business which did not have a significant effect on the results of the Group.

On 10 December 2004, the Group completed the acquisition of Groupe Hubert, a French food company.

Details of net assets acquired and goodwill arising from the business combination is as follows:

	2005
	€'000
Net assets acquired:	
Property, plant and equipment	9,403
Customer and brand intangible assets	44,410
Other intangible assets	23,913
Inventory	5,431
Trade and other receivables	18,462
Minority interest	(528)
Trade and other payables	(28,354)
Deferred tax	(23,821)
Debt assumed on acquisition	(12,393)
Finance leases acquired	(3,759)
Net assets acquired excluding minority	32,764
Goodwill arising on acquisition	87,931
Consideration	120,695
Satisfied by:	
Cash	104,090
Cash acquired on acquisition	(9,949)
Deferred purchase consideration	26,554
	120,695

Post acquisition revenues and operating profit relating to Groupe Hubert amounted to €82,625,000 and €7,375,000, respectively. Goodwill arising on the acquisition of Groupe Hubert reflects the strategic positioning of the Group in mainland Europe.

31 Contingent liabilities

		2006	2005
		€'000	€'000
(a)	Government grants repayable if grant conditions are not met	3,910	3,910

(b) In order to avail of the exemption under Section 17 of the Companies (Amendment) Act, 1986 the Group has guaranteed the liabilities of certain of its subsidiaries registered in Ireland. Where the Group has entered into financial guarantee contracts to guarantee the indebtedness of such subsidiaries, the Group considers these to be insurance contracts and accounts for them as such. The Group treats the guarantee contract as a contingent liability until such time as it becomes probable that that the Group will be required to make a payment under the guarantee.

(c) The Group and its subsidiaries have given composite guarantee and indemnity to secure obligations of fellow subsidiary undertakings on all sums due: €500,000,000 in respect of bank loans and bank advances and €20,000,000 in respect of guarantee and trade finance facilities. The Group considers these to be insurance contracts and accounts for them as such.

32 Related party transactions

In the normal course of business, the Group undertakes arms-length transactions with its associates, joint venture and other related parties. Included in sale of goods below are sales to associates of €9,619,000. A summary of transactions with these related parties during the year are as follows:

	2006 €'000	2005 €'000
Sale of goods	70,969	61,514
Purchase of goods	(5,903)	(6,660)
Provision of services	596	2,051
Receiving of services	(13)	(1,260)

The trading balances owing to the Group from related parties were €4,243,000 (*2005: €4,161,000*) and the trading balances owing from the Group to these related parties were €7,769,000 (*2005: €3,296,000).*

During the year, the Group invested €35,061,000 in acquiring an additional 10% shareholding in one of its associates, Hiestand Holding AG.

Compensation of key management personnel

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 which manages the business and affairs of the Group. Full disclosure in relation to the compensation entitlements of the Board of Directors is provided in the Report on directors' remuneration set out on pages 16 to 21 of the Annual Report and Accounts of IAWS Group plc published on 25 September 2006.

33 Transition to International Financial Reporting Standards

As stated in the accounting policies, these are the Group's first financial statements prepared in accordance with IFRS.

Impact on Group financial statements

In restating the Group's financial statements, IAWS Group plc, in common with most other listed companies, has availed of the following relevant mandatory and optional exemptions in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards,* and a number of other standards:

- Business combinations before 1 August 2004 have not been restated. Consequently, goodwill at the transition date is carried forward at its net book value and, along with goodwill on subsequent acquisitions, is subject to annual impairment testing. Goodwill was assessed for impairment at the transition date and no impairment charges arose from this exercise. Goodwill on acquisitions prior to 1998, which was set-off against revenue reserves under Irish/UK Generally Accepted Accounting Principles (Irish/UK GAAP) is deemed to be permanently written off under IFRS and not subject to impairment testing or write off on disposal.
- Cumulative currency translation differences have been reset at zero at the transition date. The currency translation reserve mainly comprises the re-translation of the net assets of the Group's non-euro denominated subsidiaries and joint venture net of exchange differences on related borrowings. Going forward, cumulative currency translation differences will be included in the profit or loss on disposal of any subsidiary, joint venture or associate.
- Cumulative actuarial gains or losses on the Group's defined benefit pension schemes have been recognised in full in the transition balance sheet. IAWS Group plc is not applying the corridor approach to recognising actuarial gains or losses.
- IFRS 2, *Share-based Payment* is being applied in respect of share options granted after 7 November 2002.
- The Group is applying IAS 32, *Financial Instruments: Presentation and Disclosure* and IAS 39, *Financial Instruments: Recognition and Measurement* prospectively from 1 August 2005. Consequently, financial instruments are recognised in accordance with Irish/UK Generally

Accepted Accounting Principles (Irish/UK GAAP) in the 2005 comparative information. The fair value of derivatives on 1 August 2005 was adjusted against the opening balance on the hedging reserve.

The Group accounting policies, set out on pages 53 to 59 of the Annual Report and Accounts of IAWS Group plc published on 25 September 2006, have been applied in preparing the financial statements for the years ended 31 July 2005 and 2006 and in the preparation of an opening IFRS balance sheet at 1 August 2004 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its Irish basis of accounting (Irish GAAP).

The key impacts on the Group arising from transition to IFRS can be summarised as follows:

Pensions

IAS 19, *Employee Benefits,* requires that surpluses or deficits under defined benefit pension schemes be recognised on the Group balance sheet. In addition, any operating and financial costs of these schemes, which should be calculated in line with IAS 19 principles, are accounted for in the Group income statement. Under Irish GAAP, the Group provided for its defined benefit plans under SSAP 24, which spread the cost of pensions over the employees' period of service. This cost, which was broadly the same as the annual funding contribution, was charged to the profit and loss account.

IAS 19 allows a number of alternatives in relation to the recognition of actuarial gains and losses. The Group is adopting a policy of the immediate recognition of such gains or losses in full through the Statement of Recognised Income and Expense. This option has been applied upon the early adoption of the Amendment to IAS 19, *Employee Benefits.*

Goodwill and intangible assets

Under IFRS 3, *Business Combinations*, goodwill is no longer amortised, but is subject to annual impairment tests. As a result, goodwill amortisation that was charged in the Group's 2005 interim and full year financial statements, originally prepared under Irish GAAP, has been reversed in the revised IFRS financial information. The Group conducted impairment testing on its goodwill for 2005 and these tests did not identify any impairment charges on transition or in the year.

IFRS 3 also requires companies to determine the fair value of intangible assets acquired as part of any business combination, after the transition date of 1 August 2004, where these are identifiable and can be measured reliably. Such intangible assets can include customer – related intangibles, brand related intangibles, contract based intangibles, technology, patents etc. Intangible assets that are separately identified must be amortised to the income statement over their estimated useful economic lives, except where such lives are infinite.

In accordance with IFRS 3, the Group has reviewed its acquisition of Groupe Hubert, in December 2004, and has identified intangible assets amounting to €44.4m at the date of acquisition. These assets are brand related intangibles (€27.1 m) and customer related intangibles (€17.3m) and are being amortised over fifteen and twelve year periods respectively. The goodwill on this transaction has therefore been reduced to €87.9m, as opposed to €131.8m under Irish GAAP. Under IFRS, deferred tax is recognised in a business combination for any difference between the fair value of an acquired asset and its equivalent tax base. Therefore, based on current interpretation of IFRS 3 and IAS 12, *Income Taxes,* the Group has recognised an incremental deferred tax liability of €23.9m, with a corresponding increase in intangible assets. There is no net effect on the income statement as the increase in the intangible asset amortisation charge each year is offset by the release of an equal deferred tax credit.

The Group has excluded amortisation charges on these intangible assets from its adjusted earnings per share, in the same way that goodwill amortisation was previously excluded in its Irish GAAP financial statements.

In addition, a licence with a carrying value of €5.1m previously included in goodwill, but which meets the definition of a brand related intangible, has been reclassified to intangible assets under IAS 38 and will continue to be amortised over its useful life of 20 years.

Under Irish GAAP, computer software was previously capitalised as a tangible fixed asset. Under IAS 38, *Intangible Assets*, computer software that is not an integral part of an item of computer hardware is capitalised as an intangible asset.

Expensing of share options

Under IFRS 2, *Share-based Payment,* the charge to the income statement is based on the fair value of share options granted to employees, after 7 November 2002, spread on a straight line basis over the vesting period of the options.

Dividend recognition

Under IAS 10, *Events after the Balance Sheet*, dividends declared after the balance sheet date are not recognised in the balance sheet, but are disclosed in the notes to the accounts. Consequently the proposed dividends provided at 1 August 2004 and 31 July 2005 have been reversed.

Accounting for associates and joint venture

Under Irish GAAP the Group's share of profit from its joint venture and associates was split in the profit and loss account between operating profit, interest income/expense and taxation. The joint venture was accounted for under the gross equity method, under which the Group's share of the joint venture turnover was disclosed separately within turnover and the Group's share of gross assets and liabilities was disclosed separately in the balance sheet. The Group has elected to continue to apply equity accounting in relation to its joint venture, rather than proportionate consolidation. However, under IAS 1, *Presentation of Financial Statements,* the Group's share of the profit after tax of entities accounted for under equity accounting rules must be presented as a single figure in the Group's profit before tax line, with no separate analysis of interest or tax charges.

This required presentation does not impact profit attributable to shareholders or earnings per share. Under IFRS, the accounting policies of associates and joint ventures must be consistent with the policies of the Group. As a result, further adjustment is required to reflect IFRS policies in the accounts of the Group's associates and joint venture. This adjustment relates mainly to the adoption of IAS 19 in respect of associates.

Taxation

The main difference in IAS 12, *Income Taxes,* compared to Irish GAAP relates to the basis of accounting for deferred tax. Under IAS 12, deferred tax is based on the concept of temporary differences, which are calculated by comparing the carrying value of each balance sheet item to its tax base.

The main adjustments arising in relation to tax are as follows:

- Recognition of deferred tax assets in relation to the Group's defined benefit pension schemes.
- Recognition of deferred tax liability in relation to intangible assets. This liability is released to the income statement in line with the amortisation of the related intangible assets.
- Deferred tax was not recognised on timing differences arising on gains on the sale of assets, under FRS19, if it was more likely than not that such gains would be rolled over. Deferred tax must be provided on all rolled over gains under IAS 12.
- Deferred tax was not recognised on timing differences arising on the revaluation of assets under FRS 19, whereas this must be recognised under IAS 12.
- The Group's share of the tax charge of its joint venture and associates is netted against the Group's share of profit of these entities rather than included in the total tax charge, when accounted for under IFRS equity accounting rules.
- The tax impact of certain adjustments to the income statement arising from the adoption of other standards under the transition to IFRS.

Detailed reconciliations from Irish GAAP to IFRS of the Group's financial performance, financial position and cash flows are contained in the following pages.

Group transition balance sheet as at 1 August 2004

	Under Irish GAAP €'000	*Pensions €'000*	*Share options €'000*	*Goodwill & intangibles reclass €'000*	*Events after B/S date €'000*	*Other Incl. reclass €'000*	*Restated IFRS €'000*
Assets							
Non current asset							
Property, plant & equipment	247,135	—	—	(4,365)	—	—	242,770
Intangible assets – goodwill	183,531	—	—	(5,139)	—	—	178,392
Intangible assets – other	—	—	—	9,504	—	—	9,504
Investments using equity accounting	116,991	(4,865)	—	—	—	(1,825)	110,301
Investments (available for sale)	245	—	—	—	—	—	245
Deferred tax assets	—	3,904	—	—	—	3,897	7,801
Total non current assets	547,902	(961)	—	—	—	2,072	549,013
Current assets							
Inventory	88,740	—	—	—	—	—	88,740
Trade debtors and other receivables	130,588	—	—	—	—	—	30,588
Current asset investments	—	—	—	—	—	—	—
Cash and cash equivalents	46,508	—	—	—	—	—	46,508
Total current assets	265,836	—	—	—	—	—	265,836
Total assets	813,738	(961)	—	—	—	2,072	814,849
Equity							
Called up share capital	37,177	—	—	—	—	—	37,177
Share premium	37,918	—	—	—	—	—	37,918
Share option reserve	—	—	650	—	—	—	650
Capital conversion reserve fund	2,118	—	—	—	—	—	2,118
Other non distributable reserves	1,080	—	—	—	—	—	1,080
Goodwill write off reserve	(111,206)	—	—	—	—	—	(111,206)
Retained earnings	367,035	(27,099)	(650)	—	6,744	(11,423)	334,607
Total shareholders equity	334,122	(27,099)	—	—	6,744	(11,423)	302,344
Minority interest	3,270	—	—	—	—	—	3,270
Total equity and minority	337,392	(27,099)	—	—	6,744	(11,423)	305,614
Liabilities							
Non current liabilities							
Interest bearing loans and borrowings	174,011	—	—	—	—	–	174,011
Employee benefits	2,326	28,339	—	—	—	—	30,665
Government grants	4,429	—	—	—	—	—	4,429
Other payables	987	—	—	—	—	—	987
Deferred tax liabilities	5,932	—	—	—	—	13,495	19,427
Provisions	16,938	—	—	—	—	—	16,938
Total non current liabilities	204,623	28,339	—	—	—	13,495	246,457
Current liabilities							
Interest bearings borrowings	13,907	—	—	—	—	—	13,907
Trade payables and other payables	237,708	(2,201)	—	—	(6,744)	—	228,763
Corporation tax payable	14,674	—	—	—	—	—	14,674
Provisions	5,434	—	—	—	—	—	5,434
Total current liabilities	271,723	(2,201)	—	—	(6,744)	—	262,778
Total liabilities	476,346	26,138	—	—	(6,744)	13,495	509,235
Total liabilities and equity	813,738	(961)	—	—	—	2,072	814,849

Restatement of Group income statement for the year ended 31 July 2005

	Under Irish GAAP €'000	*Reclass depn to amortisation €'000*	*Pension €'000*	*Share option expense €'000*	*Amortisation €'000*	*Asso/JV presentation €'000*	*Goodwill writeback €'000*	*Reclass €'000*	*Restated IFRS €'000*
Revenue including Group share of joint venture	1,455,061	—	—	—	—	—	—	—	1,455,061
Group revenue	1,408,174	—	—	—	—	—	—	—	1,408,174
Cost of sales	(1,110,506)	—	—	—	—	—	—	—	(1,110,506)
Gross profit	297,668	—	—	—	—	—	—	—	297,668
Distribution, administration and other expenses	(201,064)	1,157	2,108	(867)	—	—	—	(454)	(199,120)
Intangible amortisation	(3,548)	(1,157)	—	—	81	—	—	—	(4,624)
Profit on disposal of operations	8,670	—	—	—	–	—	1,331	—	10,001
Loss on termination of operations	(1,374)	—	—	—	—	—	—	—	(1,374)
Loss on disposal of fixed assets	(454)	—	—	—	—	—	—	454	—
Share of profit of associates & joint venture	27,478	—	—	—	—	(5,958)	—	—	21,520
Profit from operations before financing costs	127,376	—	2,108	(867)	81	(5,958)	1,331	—	124,071
Net financing costs (Group)	(11,851)	—	(449)	—	—	—	—	—	(12,300)
Net financing costs associates and joint venture	(541)	—	—	—	—	541	—	—	—
Profit before tax	114,984	—	1,659	(867)	81	(5,417)	1,331	—	111,771
Income tax	(23,555)	—	(99)	—	462	6,057	—	—	(17,135)
Profit for the year	91,429	—	1,560	(867)	543	640	1,331	—	94,636
Attributable as follows:									
Equity shareholders	91,153	—	1,560	(867)	543	640	1,331	—	94,360
Minority interest	276	—	—	—	—	—	—	—	276
	91,429	—	1,560	(867)	543	640	1,331	—	94,636
Earnings per share									
Basic	73.29								75.86
Fully diluted	72.27								74.87

Restatement of Group balance sheet as at 31 July 2005

	Under Irish GAAP €'000	*Pensions €'000*	*Share options €'000*	*Goodwill & intangibles reclass €'000*	*Amortisation €'000*	*Events after B/S date €'000*	*Associate &JV Adj. €'000*	*Other incl reclasses €'000*	*Restated IFRS €'000*
Assets									
Non current assets									
Property, plant & equipment	294,598	—	—	(7,020)	—	—	—	—	287,578
Intangible assets – goodwill	304,511	503	—	(49,549)	3,548	—	—	—	259,013
Intangible assets-other	—	—	—	80,482	(3,467)	—	—	—	77,015
Investments using equity accounting	124,858	(7,586)	—	—	—	—	640	(1,825)	116,087
Investments (available for sale)	242	—	—	—	—	—	—	—	242
Deferred tax assets	—	4,868	—	—	—	—	—	10,161	15,029
Total non current assets	724,209	(2,215)	—	23,913	81	—	640	8,336	754,964
Current assets									
Inventory	88,299	—	—	—	—	—	—	—	88,299
Trade debtors and other receivables	169,514	—	—	—	—	—	—	—	169,514
Current asset investments	—	—	—	—	—	—	—	4,000	4,000
Cash and cash equivalents	51,687	—	—	—	—	—	—	(4,000)	47,687
Total current assets	309,500	—	—	—	—	—	—	—	309,500
Total assets	1,033,709	(2,215)	—	23,913	81	—	640	8,336	1,064,464
Equity									
Called up share capital	37,471	—	—	—	—	—	—	—	37,471
Share premium	43,745	—	—	—	—	—	—	—	43,745
Share option reserve fund	—	—	1,517	—	—	—	—	—	1,517
Capital conversion reserve fund	2,118	—	—	—	—	—	—	—	2,118
Other non distributable reserves	1,080	—	—	—	—	—	—	—	1,080
Goodwill write off reserve	(109,875)	—	—	—	—	—	—	(1,331)	(111,206)
Foreign currency translation reserve	—	—	—	—	—	—	—	(1,097)	(1,097)
Retained earnings	442,224	(34,651)	(1,517)	—	543	7,559	640	(8,995)	405,803
Total shareholders equity	416,763	(34,651)	—	—	543	7,559	640	(11,423)	379,431
Minority interest	3,924	—	—	—	—	—	—	—	3,924
Total equity and minority	420,687	(34,651)	—	—	543	7,559	640	(11,423)	383,355
Liabilities									
Non current liabilities									
Interest bearing loans and borrowings	237,555	—	—	—	—	—	—	—	237,555
Employee benefits	2,309	34,543	—	—	—	—	—	—	36,852
Government grants	3,359	—	—	—	—	—	—	—	3,359
Other payables	450	—	—	—	—	—	—	—	450
Deferred tax liabilities	8,575	—	—	23,913	(462)	—	—	19,759	51,785
Provisions	31,950	—	—	—	—	—	—	—	31,950
Total non current liabilities	284,198	34,543	—	23,913	(462)	—	—	19,759	361,951
Current liabilities									
Interest bearings borrowings	30,001	—	—	—	—	—	—	—	30,001
Trade payables and other payables	283,131	(2,107)	—	—	—	(7,559)	—	—	273,465
Corporation tax payable	11,027	—	—	—	—	—	—	—	11,027
Provisions	4,665	—	—	—	—	—	—	—	4,665
Total current liabilities	328,824	(2,107)	—	—	—	(7,559)	—	—	319,158
Total liabilities	613,022	32,436	—	23,913	(462)	(7,559)	—	19,759	681,109
Total liabilities and equity	1,033,709	(2,215)	—	23,913	81	—	640	8,336	1,064,464

Restatement of Group cash flow statement as at 31 July 2005

	Under Irish GAAP €'000	Goodwill and intangibles reclass €'000	Pension €'000	Share options €'000	Other reclass €'000	Restated IFRS €'000
Cash flows from operating activities						
Operating profit	93,056	81	2,108	(867)	(454)	93,924
Depreciation of property, plant and equipment	24,651	(1,157)	—	—	—	23,494
Amortisation of intangible assets	3,548	1,076	—	—	—	4,624
Amortisation of government grants	—	—	—	—	—	—
Cost of employee share-based payments	—	—	—	867	—	867
Loss on disposal of property, plant and equipment	—	—	—	—	454	454
Foreign exchange gains	728	—	—	—	—	728
Operating profit before changes in working capital	121,983	—	2,108	—	—	124,091
Increase/(decrease) in inventory	4,598	—	—	—	—	4,598
Increase in trade and other receivables	(26,229)	—	—	—	—	(26,229)
(Decrease)/increase in trade and other payables	20,157	—	(2,108)	—	—	18,049
Cash generated from operating activities	120,509	—	—	—	—	120,509
Interest paid	(12,411)	—	—	—	—	(12,411)
Income tax paid	(18,771)	—	—	—	—	(18,771)
Dividends paid to minorities	(205)	—	—	—	—	(205)
Net cash from operating activities	89,122	—	—	—	—	89,122
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	2,451	—	—	—	—	2,451
Purchase of property plant and equipment						
– Ongoing	(7,363)	—	—	—	—	(7,363)
– New investments	(43,931)	—	—	—	—	(43,931)
Acquisition of subsidiaries, businesses and associates, net of cash acquired	(90,141)	—	—	—	(4,000)	(94,141)
Disposal of subsidiaries and business	14,743	—	—	—	—	14,743
Dividends received	16,223	—	—	—	—	16,223
Investments in and advances to associates and joint venture	(3,304)	—	—	—	—	(3,304)
Deferred consideration paid	(6,788)	—	—	—	—	(6,788)
Other	33	—	—	—	—	33
Net cash flow from investing activities	(118,077)	—	—	—	(4,000)	(122,077)
Cash flows from financing activities						
Proceeds from issue of share capital	6,121	—	—	—	—	6,121
Drawdown of loan capital	46,409	—	—	—	—	46,409
Capital element of finance lease liabilities	(565)	—	—	—	—	(565)
Equity dividends paid	(14,052)	—	—	—	—	(14,052)
Net cash from financing activities	37,913	—	—	—	—	37,913
Net increase/(decrease) in cash and cash equivalents	8,958	—	—	—	(4,000)	4,958
Translation adjustment	(155)	—	—	—	—	(155)
Cash and cash equivalents at 1 August 2004	38,616	—	—	—	—	38,616
Cash and cash equivalents at 31 July 2005	47,419	—	—	—	(4,000)	43,419

34 Approval of financial statements

These financial statements were approved by the Board on 25 September 2006.

Independent auditor's report to the members of IAWS Group, plc

We have audited the Group and Company financial statements (the "financial statements") of IAWS Group, plc for the year ended 31 July 2006, which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense, the Group Statement of Accounting Policies and the related notes, and the Company Balance Sheet, Company Statement of Accounting Policies and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and EU IFRS, and for preparing the Company financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 44.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts 1963 to 2005 and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you our opinion as to: whether proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the Company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Financial Highlights, the Chairman's Statement, the Review of Business Operations, the Financial Review, the Directors' Report, the Corporate Governance Statement, and the Report on Directors' Remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditor's report to the members of IAWS Group, plc
(continued)

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with EU IFRS, of the state of the Group's affairs as at 31 July 2006 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2005 and Article 4 of the IAS Regulation;
- the Company financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Company's affairs as at 31 July 2006; and
- the Company financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2005.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 July 2006 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

KPMG
Chartered Accountants
Registered Auditor

25 September, 2006

PART II

FINANCIAL INFORMATION ON HIESTAND HOLDING AG

This Part II contains:

- Section A: Historical consolidated financial information relating to Hiestand for the two years ended 31 December 2007;
- Section B: Historical consolidated financial information relating to Hiestand for the two years ened 31 December 2006 under IFRS.

SECTION A

HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO HIESTAND HOLDING AG FOR THE TWO YEARS ENDED 31 DECEMBER 2007

The financial information presented in this Part II Section A, has been extracted without material adjustment from pages 58 to 115 of the Annual Report for 2007 of Hiestand Holding AG. The financial information has been prepared in accordance with IFRS, their interpretations issued by the International Accounting Standards Board, and Swiss Law. The Annual Report of Hiestand Holding AG was published on 2 April 2008.

CONSOLIDATED FINANCIAL STATEMENTS OF THE HIESTAND GROUP

Consolidated balance sheet

1.1 CONSOLIDATED BALANCE SHEET
ASSETS

as of 31 December in CHF thousand

	Notes	2007	2006 adjusted*
CURRENT ASSETS			
Cash and cash equivalents	2.6	12 053	26 744
Other current financial assets	2.14	2 839	2 736
Trade receivables	2.7	86 295	71 704
Current tax assets	2.4	3 281	4 340
Other receivables	2.7	16 897	10 027
Inventories	2.8	41 442	33 472
Assets classified as held for sale	2.9	100	221
Prepaid expenses and accrued income		6 838	5 136
Total current assets		**169 745**	**154 380**
NON-CURRENT ASSETS			
Property, plant and equipment	2.11	247 122	229 290*
Investment properties	2.11	5 380	2 054
Intangible assets	2.12	230 966	228 547*
Loans due from third parties		195	234
Other non-current financial assets	2.14	2 683	2 650
Employee benefit assets	2.17	747	680
Deferred tax assets	2.5	1 065	917
Total non-current assets		**488 158**	**464 372***
Total assets		**657 903**	**618 752***

* Refer to Note 2.3

LIABILITIES AND EQUITY

as of 31 December in CHF thousand

	Notes	2007	2006 adjusted*
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	2.16	48 786	44 089
Trade payables	2.15	60 705	49 162
Current tax liabilities	2.4	17 049	12 128
Other payables	2.15	5 292	5 006
Accrued expenses and deferred income		24 799	21 271
Total current liabilities		**156 631**	**131 656**
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	2.16	141 933	171 413
Provisions	2.18	1 545	1 757
Employee benefit obligations	2.17	1 714	1 240
Deferred tax liabilities	2.5	36 190	42 200*
Total non-current liabilities		**181 382**	**216 610***
Total liabilities		**338 013**	**348 266***
EQUITY			
Share capital	2.20	532	532
Additional paid-in capital		99 863	99 839
Treasury shares		(1 225)	(913)
Retained earnings		208 085	160 289*
Total shareholders' equity attributable to equity holders of Hiestand Holding AG		**307 255**	**259 747***
Minority interest		12 635	10 739
Total equity		**319 890**	**270 486***
Total liabilities & equity		**657 903**	**618 752***

* Refer to Note 2.3

Consolidated income statement

1.2 CONSOLIDATED INCOME STATEMENT

for the year ended 31 December in CHF thousand

	Notes	2007	2006 adjusted*
Net sales		740 627	516 099
Services provided		1 517	1 595
Total revenue	2.1	**742 144**	**517 694**
Other operating income	2.23	11 798	4 214
Changes in inventories of finished goods and work in progress		6 365	(50)
Total income		**760 307**	**521 858**
Raw materials and consumables used		(327 755)	(208 585)
Personnel expenses	2.22	(179 425)	(128 811)
Depreciation of property, plant and equipment and investment property	2.11	(35 255)	(26 722)*
Amortisation of intangible assets	2.12	(5 944)	(2 602)
Other operating expenses	2.24	(144 674)	(102 887)
Earnings before interest and taxes (EBIT)		**67 254**	**52 251***
Financial expenses	2.25	(19 385)	(12 312)
Financial income	2.25	10 381	9 306
Profit before tax		**58 250**	**49 245***
Income tax expense	2.4	(9 971)	(12 491)*
Profit for the year		**48 279**	**36 754***

	Notes	2007	2006 adjusted*
Attributable to:			
Equity holders of Hiestand Holding AG		45 123	34 383*
Minority interest		3 156	2 371
Basic earnings per share (in CHF)	2.21	85.00	64.77*
Diluted earnings per share (in CHF)	2.21	85.00	64.77*

* Refer to Note 2.3

Consolidated statement of changes in equity

1.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF thousand

	Notes	Share capital	Additional paid-in capital	Treasury shares
Balance as of 1 January 2006		**532**	**99 561**	**(1 030)**
First-time consolidation TK-Center Birrfeld AG	2.3	–	–	–
Foreign exchange translation differences		–	–	–
Net income recognized directly in equity		–	–	–
Profit for the year, adjusted (see note 2.3)		–	–	–
Total recognized income and expense, adjusted		–	–	–
Repurchase of treasury shares		–	–	(441)
Sale of treasury shares		–	278	558
Dividends paid		–	–	
Balance as of 31 December 2006, adjusted		**532**	**99 839**	**(913)**
Balance as of 1 January 2007		**532**	**99 839**	**(913)**
Foreign exchange translation differences		–	–	–
Net income recognized directly in equity		–	–	–
Profit for the year		–	–	–
Total recognized income and expense		–	–	
Repurchase of treasury shares		–	–	(333)
Sale of treasury shares		–	24	21
Dividends paid		–	–	–
Balance as of 31 December 2007		**532**	**99 863**	**(1 225)**

* Refer to Note 2.3

Translation reserve	Other retained earnings	Total retained earnings	Total shareholders' equity	Minority interest	Total equity
6 853	**120 504**	**127 357**	**226 420**	**8 368**	**234 788**
–	(68)	(68)	(68)	–	(68)
6 580	–	6 580	6 580	–	6 580
6 580	**(68)**	**6 512**	**6 512**	–	**6 512**
	34 383	34 383	34 383	2 371	36 754*
6 580	**34 315**	40 895	**40 895**	2 371	**43 266***
–	–	–	(441)	–	(441)
–	–	–	836	–	836
–	(7 963)	(7 963)	(7 963)	–	(7 963)
13 433	**146 856**	**160 289**	**259 747**	**10 739**	**270 486***
13 433	**146 856**	**160 289**	**259 747**	**10 739**	**270 486**
12 228	–	12 228	12 228	–	12 228
12 228	**–**	**12 228**	**12 228**	**–**	**12 228**
–	45 123	45 123	45 123	3 156	48 279
12 228	**45 123**	**57 351**	**57 351**	**3 156**	**60 507**
–	–	–	(333)	–	(333)
–	–	–	45	–	45
–	(9 555)	(9 555)	(9 555)	(1 260)	(10 815)
25 661	**182 424**	**208 085**	**307 255**	**12 635**	**319 890**

Consolidated statement of cashflows

1.4 CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December in CHF thousand

	Notes	2007	2006 adjusted*
Profit before tax		58 250	49 245*
Financial expenses, net of realized exchange losses		14 929	10 214
Financial income, net of realized exchange gains		(6 018)	(7 110)
Depreciation of property, plant and equipment and investment properties	2.11	35 255	26 722*
Amortisation of intangible assets	2.12	5 944	2 602
Impairment losses and reversals	2.9	–	12
(Gain)/Loss on disposal of property, plant and equipment		(469)	(301)
(Increase)/decrease in trade and other receivables		(21 321)	776
(Increase)/decrease in inventories		(7 451)	(969)
(Increase)/decrease in prepaid expenses and accrued income		(1 498)	2 436
Increase/(decrease) in trade and other payables		11 772	2 749
Increase/(decrease) in accrued expenses and deferred income		3 482	2 797
Increase/(decrease) in provisions and employee benefit liabilities		128	(181)
Income taxes paid		(10 677)	(12 048)
Net cash provided by/(used in) operating activities		**82 326**	**76 944**
Proceeds from sale of property, plant and equipment		1 426	1 266
Purchase of property, plant and equipment and investment properties	2.11	(51 184)	(25 167)
Purchase of intangible assets	2.12	(840)	(1 638)
Acquisition of subsidiary, net of cash acquired	2.3	–	(153 058)
Net proceeds from purchases + sales of marketable securities, incl. derivative financial instruments		(14)	–
Investments in other financial assets (including associates)		(83)	(417)
Interest received		230	177
Dividends received		4	171
Net cash provided by/(used in) investing activities		**(50 461)**	**(178 666)**

for the year ended 31 December in CHF thousand

	Notes	2007	2006 adjusted*
Repurchase of treasury shares		(333)	(441)
Sale of treasury shares		45	852
Dividends paid		(10 815)	(7 963)
Increase/(decrease) in bank overdrafts	2.16	(14 988)	5 553
Increase in interest bearing liabilities	2.16	25 390	156 639
Repayment of interest bearing liabilities		(35 255)	(35 013)
Payment of finance lease liabilities		(110)	(98)
Interest paid		(10 711)	(2 954)
Net cash provided by/(used in) financing activities		**(46 777)**	**116 575**
Net increase/(decrease) in cash and cash equivalents		**(14 912)**	**14 853**
Cash and cash equivalents as of 1 January		**26 744**	**11 767**
Effect of exchange rate fluctuations on cash and cash equivalents		221	124
Cash and cash equivalents as of 31 December		**12 053**	**26 744**

* Refer to Note 2.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies

1.5 SIGNIFICANT ACCOUNTING POLICIES

1.5.0 INTRODUCTION

Hiestand Holding AG (the "Company") is a company domiciled in Lupfig, Switzerland. The consolidated financial statements of the Company for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The consolidated financial statements were authorized for issue by the Board of Directors on 14 March 2008 and are subject to approval by the Annual General Meeting of shareholders on 7 May 2008.

1.5.1 STATEMENT OF COMPLIANCE WITH IFRS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and are in accordance with the Swiss law.

The accounting policies applied are unchanged to the prior year, except as set out below.

Where it has been necessary, comparable figures have been reclassified or amended. Hiestand Holding AG applies the following revised and new standards and interpretations published by the International Accounting Standards Board (IASB) as from 1 January 2007: modifications to IAS 32 – financial instruments: disclosure and presentation and to IAS 39 – financial instruments: recognition and measurement. Adaption of IFRS 7 – financial instruments: disclosures, IFRIC 7 – applying the restatement approach under IAS 29 financial reporting in Hyperinflationary economies, IFRIC 8 – scope of IFRS 2, IFRIC 9 – reassessment of embedded derivatives, IFRIC 10 – interim financial reporting and impairment as well of amendment to IAS 1 – presentation of financial statements: capital disclosure. Hiestand Holding AG has assessed the consequences of those revised and new standards and has found no significant impact to the equity and to the result of the Group.

1.5.2 BASIS OF PREPARATION

The consolidated financial statements are presented in Swiss francs, the functional currency of Hiestand Holding AG. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets available-for-sale as well as financial instruments held for trading or otherwise designated at fair value with unrealized gains and losses recognized in the income statement. Recognized assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The accounting policies set out below have been applied consistently by the Group's reporting entities and to all periods presented in these consolidated financial statements.

1.5.3 BASIS OF CONSOLIDATION

SUBSIDIARIES Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This is usually the case where the Group holds more than 50% of the voting rights of an entity or where it has been granted management of the entity contractually. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The following table shows the significant subsidiaries of the Group:

Company, domicile	Share capital in millions	Percentage held 2007	Percentage held 2006	Method of accounting E/F[1]
Hiestand Holding AG, Lupfig (CH)	CHF 0.532	n/a	n/a	n/a
Hiestand International AG, Schlieren (CH)	CHF 0.200	100.00	100.00	F
Hiestand Schweiz AG, Schlieren (CH)	CHF 3.500	100.00	100.00	F
TK-Center Birrfeld AG, Lupfig (CH)[2]	CHF 1.500	100.00	100.00	F
HiCoPain AG, Dagmersellen (CH)	CHF 20.000	60.00	60.00	F
Hiestand Beteiligungsholding GmbH & Co. KG, Gerolzhofen (DE)[3]	EUR 0.026	100.00	100.00	F
Hiestand Deutschland GmbH, Gerolzhofen (DE)	EUR 0.512	100.00	100.00	F
Hiestand & Suhr Handels- und Logistik GmbH, Vogtsburg-Achkarren (DE)	EUR 0.025	100.00	100.00	F
Fricopan Back GmbH, Berlin (DE)[4]	EUR 1.500	100.00	100.00	F
Fricopan Back GmbH Immekath, Immekath (DE)[4]	EUR 4.000	100.00	100.00	F
Fricopan Middle East FZE, Ras Al Khaimah (UAE)[4]	AED 0.100	100.00	100.00	F
Fricopan UK, Ltd, Romsey, Hampshire (UK)[4]	GBP 0.004	100.00	100.00	F
Hiestand Japan Co., Ltd, Tokio (JP)	JPY 185.000	100.00	100.00	F
Hiestand Austria GmbH, Wiener Neudorf (AT)	EUR 0.036	100.00	100.00	F
Hiestand Polska SP. Z.O.O., Grodzisk Mazowiecki (PL)	PLN 60.637	100.00	100.00	F
Hiestand Malaysia SDN BHD, Bandar Baru Bangi (MY)	MYR 2.400	100.00	100.00	F
La Nouvelle Boulangerie Backwaren und -technik Vertriebs GmbH, Berlin (DE)[5]	EUR 0.026	25.00	25.00	n/a
Hiestand Istanbul Dondurulmus Gida Tic. Ltd Sti., Istanbul (TR)[6]	TRY 0.545	100.00	0.00	F
Hiestand Services AG, Lupfig (CH)[7]	CHF 0.200	100.00	0.00	F

1 E = accounted for using the equity method: F = fully consolidated.
2 The TK-Center Birrfeld AG was acquired to 100% by Hiestand Schweiz AG in the first halfyear 2006, cp. note 2.3.
3 The amount disclosed represents limited liability capital
4 Fricopan Back GmbH, Berlin, Fricopan Back GmbH Immekath, Immekath, Fricopan UK, Ltd as well as Fricopan Middle East PZE acquired as per 1 November 2006, refer to note 2.3.
5 Based on contractual agreements we have no significant influence based on IAS 28.
6 The Hiestand Istanbul Dondurulmus Gida Tic. Ltd Sti. was incorporated on 1 March 2007 as a 100% subsidiary.
7 The Hiestand Services AG was founded on March 7, 2007 as 100% subsidiary.

1.5.3 BASIS OF CONSOLIDATION (CONTINUED)

ASSOCIATES Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. This is generally presumed when the Group owns between 20% and 50% of the voting rights. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. After application of the equity method, the Group assesses whether there is any objective evidence that a net investment in an associate is impaired and recognizes any impairment loss. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

The Group does currently not include any associates.

JOINTLY CONTROLLED ENTITIES Jointly controlled entities are those enterprises over whose activities the Group has joint control, established by contractual agreement. Jointly controlled entities are accounted for using the equity method, from the date that joint control commences until the date that joint control ceases.

The Group does currently not include any jointly controlled entities.

TRANSACTIONS ELIMINATED ON CONSOLIDATION Intragroup balances and transactions, and any unrealized gains arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

1.5.4 FOREIGN CURRENCY

FOREIGN CURRENCY TRANSACTIONS AND BALANCES Transactions in foreign currencies are translated to Swiss francs at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Swiss francs at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Swiss francs at foreign exchange rates ruling at the dates the values were determined.

FINANCIAL STATEMENTS OF FOREIGN OPERATIONS The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Swiss francs at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses as well as cash flows of foreign operations are translated to Swiss francs at average exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation of net assets, income and expenses are recognized directly in equity until a foreign operation is sold. At that point the foreign exchange differences are released to the income statement.

NET INVESTMENT IN A FOREIGN OPERATION Foreign exchange differences arising from the translation of monetary items that are, in substance, a part of the net investment in a foreign operation are recognized directly in equity. Such exchange differences are recognized in profit or loss on disposal of the net investment or on settlement of the monetary items.

Since 1 January 2004 (first time adoption of IFRS) the cumulated foreign exchange differences are treated as described before and recorded seperately in the equity.

Foreign exchange rates	Year end rates 2007	Year end rates 2006	Average rates 2007	Average rates 2006
1 EUR	1.66	1.61	1.64	1.57
100 PLN	46.27	41.94	43.54	40.47
100 JPY	1.00	1.02	1.02	1.08
1 GBP	2.38	2.39	2.43	2.31
100 MYR	34.01	34.57	35.03	34.32
1 USD	1.13	1.22	1.20	1.25
100 TRY	96.89	n/a	92.45	n/a

1.5.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with original maturity dates of up to 90 days, and are stated at nominal value.

1.5.6 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are stated at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged. Gains or losses on derivative financial instruments for which no hedge accounting is applied are recognized in profit or loss immediately.

1.5.7 HEDGING

CASH FLOW HEDGES Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognized directly in equity. When the forecasted transaction results in the recognition of a financial asset or financial liability, the cumulative gain or loss is reclassified into profit or loss in the same period during which the asset acquired or liability assumed affects profit or loss. When the forecasted transaction results in the recognition of a non-financial asset or liability, the cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the asset or liability. In any other case, the cumulative gain or loss is removed from equity and recognized in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognized in the income statement immediately.

HEDGE OF MONETARY ASSETS AND LIABILITIES Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognized monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognized in the income statement.

HEDGE OF A NET INVESTMENT AND IN FOREIGN OPERATION The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognized in equity. The ineffective portion is recognized immediately in profit or loss.

FAIR VALUE HEDGES Where a derivative financial instrument hedges the exposure to changes in the fair value of a recognized asset or liability (other than economical hedges of foreign exchange exposure of recognized monetary assets or liabilities), the hedged item is stated at fair value in respect of the risk being hedged. Gains or losses on remeasurement of both the hedging instrument and the hedged item are recognized in the income statement.

1.5.8 TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at their cost less any accumulated impairment losses.

The allowance accounts in respect of account receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.

The Group establishes an adjustment for doubtful receivables that represents its estimate of expected losses in respect of trade and other receivables. The main components of this adjustment are an individual loss component that relates to individually significant exposures (individual value adjustments), and an overall loss component established for groups of similar assets in respect of losses that have been expected but not yet identified (overall value adjustment). The overall value adjustment is determined based on historical data of payment statistics for similar financial assets.

1.5.9 INVENTORIES

Inventories include raw materials, auxiliary supplies, finished goods and trading goods and are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs. The cost of inventories is assigned by using the weighted average cost formula. Cost includes the cost of materials, direct labor as well as a systematic allocation of fixed and variable production overheads and other costs incurred in bringing the inventories to their present location and condition.

1.5.10 ASSETS CLASSIFIED AS HELD FOR SALE

Immediately before classification as held for sale, the measurements of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with IFRS 5. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are recorded directly in the income statement. The same applies to gains and losses on subsequent revaluations. Assets (or a disposal group) are only classified and measured as held for sale if they are available for sale immediately in its present condition and if the sale is highly probable within one year.

1.5.11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

OWNED ASSETS Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor, an appropriate proportion of production overheads. Where relevant, cost also includes the cost of dismantling and removing the items and restoring the site on which they are located.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation, less subsequent depreciation and any impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

LEASED ASSETS Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance leases are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense.

SUBSEQUENT EXPENDITURE Expenditure incurred to add to or replace a component of an item of property, plant and equipment, including major inspection and overhaul expenditure, is capitalized. All other subsequent costs are recognized in the income statement as an expense as incurred.

1.5.11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (CONTINUED)

DEPRECIATION Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Land is not depreciated. Leasehold property is depreciated over the shorter of the lease term and its useful life. The estimated useful lives are as follow:

Buildings	40 years
Building installations	14 years
Plant and production equipment	10 years
Office equipment	8–12 years
IT equipment	3 years
Vehicles	3–5 years

The useful life is reviewed annually.

INVESTMENT PROPERTIES Investment properties are stated at cost less accumulated depreciation and impairment losses. Land is not depreciated. The estimated useful lives are as follows:

Buildings	40 years
Building installations	14 years

The useful life is reviewed annually.

1.5.12 INTANGIBLE ASSETS

GOODWILL In respect of business combinations that have occurred since 1 January 2004, goodwill represents the difference between the cost of the business combination and the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired.

In respect of business combinations that occurred prior to 1 January 2004, goodwill is included on the basis of its deemed cost, representing the amount recorded under Swiss GAAP FER at the date of transition to IFRS.

Positive goodwill is recognized as an asset and measured at cost or deemed cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Negative goodwill arising on an acquisition is recognized directly in the income statement.

RESEARCH AND DEVELOPMENT Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in the income statement as an expense as incurred.

Expenditure on development activities is capitalized only if the product or process is technically and commercially feasible, if evidence of future use exists and if development costs can be separately determined and reliably measured. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses.

CUSTOMER RELATIONSHIPS AND TRADEMARKS Customer relationships and trademarks acquired in business combinations are recognized at their fair values at the date of acquisition. Customer relationships are amortized over the expected useful live. Trademarks are tested for impairment annually or more frequent if there is an indication that they might be impaired.

OTHER INTANGIBLE ASSETS Other intangible assets with a finite useful life that are acquired by the Group are stated at cost less accumulated amortization and impairment losses.

AMORTIZATION Goodwill and other intangible assets with indefinite useful lives are not amortized. Intangible assets with a finite useful life are amortized on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

Patents	5 years
Software	3–5 years
Customer relationships	15–25 years

1.5.13 FINANCIAL ASSETS

CURRENT FINANCIAL ASSETS Current financial assets include debt and equity instruments held for trading purposes as well as derivative assets. They are stated at fair value, with any resultant gains and losses recognized in the income statement, except for derivative assets that are designated as a cash flow hedge (see "Hedging").

Investments are recognized/derecognized by the Group on the date it commits to purchase/sell the investments (trade date).

LOANS AND OTHER FINANCIAL ASSETS Other financial assets comprise long-term receivables such as rent deposits. Loans and other long-term receivables are stated at amortized cost less impairment losses.

1.5.14 IMPAIRMENT

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually or more frequently, if there is an indication that they might be impaired. The carrying amount of assets other than goodwill, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Impairment losses in respect of goodwill are not reversed. An impairment loss of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

1.5.15 TRADE AND OTHER PAYABLES

Trade and other payables, other than derivative liabilities are stated at amortized cost. Derivative liabilities are stated at fair value, with any resultant gains and losses recognized in the income statement, except for derivative liabilities that are designated as a cash flow hedge (see "Hedging").

1.5.16 INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequently, interest-bearing liabilities are stated at amortized cost using the effective interest rate method.

1.5.17 PROVISIONS

A provision is recognized when the Group has a 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. If the effect is material, provisions are determined by discounting the expected future cash flows.

RESTRUCTURING A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it.

ONEROUS CONTRACTS A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

1.5.18 EMPLOYEE BENEFITS

The Group sponsors post-employment benefit plans according to the national regulations of the countries in which it operates.

DEFINED CONTRIBUTION PLANS Certain of the Group's pension schemes are defined contribution plans. Obligations for contributions to these plans are recognized as an expense in the income statement as incurred.

DEFINED BENEFIT PLANS The pension plans in Switzerland qualify as defined benefit plans under IAS 19. The Group's net obligation is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on high quality bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed on an annual basis by qualified actuaries using the projected credit unit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

Actuarial gains and losses are recognized to the extent that they exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets. The amount exceeding this corridor is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan.

Where the calculation results in a surplus, a pension asset is recognized only to the extent that it represents economic benefits in the form of refunds or reductions in future contributions.

LONG-TERM SERVICE BENEFITS The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods.

1.5.19 TREASURY SHARES

When share capital of Hiestand Holding AG is repurchased, the amount of the consideration paid (acquisition price), including directly attributable costs and current taxes, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from equity. The consideration received when treasury shares are sold is recognized as a change in equity, whereby any amount exceeding or falling short of the original cost is recognized in additional paid-in capital.

1.5.20 REVENUE RECOGNITION

GOODS SOLD AND SERVICES RENDERED Revenue from the sale of goods is recognized net of sales deductions (such as trade discounts and rebates) when the goods are delivered and the significant risks and rewards transferred to the buyer. Commission income from logistical services rendered is recognized in proportion to the stage of their completion at the balance sheet date.

GOVERNMENT GRANTS In certain countries, the Group obtains government grants related to property, plant and equipment or other assets or in the form of refunds for certain expenses.

Grants that compensate the Group's cost of assets are recognized initially as a deduction from the carrying amount of the respective item and subsequently released to the income statement by way of reduced depreciation charges.

Grants for expenses incurred or granted unconditionally are recognized in the income statement when the grant becomes receivable.

1.5.21 FINANCIAL EXPENSES AND FINANCIAL INCOME

Financial expenses and financial income comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income, foreign exchange gains or losses, unrealized gains and losses on certain financial assets and liabilities (including derivatives) stated at fair value, and gains and losses on disposal of financial instruments. All borrowing costs are expensed.

Interest income is recognized in the income statement as it occurs, using the effective interest method. Dividend income is recognized in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date. The interest expense component of finance lease payments is recognized in the income statement using the effective interest method.

1.5.22 INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized based on the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognized on goodwill if it is not deductible for tax purposes, and any temporary differences relating to investments in subsidiaries to the extent that they are controlled by the Group and will probably not reverse in the foreseeable future. The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

Income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

1.5.23 SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical and business segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis (including goodwill). Unallocated items comprise mainly interest-earning assets and related revenue, interest-bearing loans, borrowings and related expenses, income tax, corporate assets and related expenses.

GEOGRAPHICAL SEGMENTS The Group is primarily managed by two geographical markets: Europe, which stands for the core of the Group, and Asia, which represents the future opportunities in a developing frozen bakery products market. Europe includes operations in Switzerland, Germany, Austria, Poland and the respective export markets, whereas Asia comprises Turkey, Malaysia and Japan and the respective export markets.

Geographical segment information is based on the geographical location of assets. As the sales organizations are located in the same geographical region as the customers, revenue by location of assets is identical to revenue by location of customers.

BUSINESS SEGMENTS The Group operates in the following main business segments:

- The frozen bakery product segment includes the production and sale of frozen bakery products to all type of customers, including export customers. The products are sold at various convenience levels such as raw dough, pre-proven, parbaked or after defrosting ready to consume.
- The fresh bakery product segment includes the production and sale of fresh bakery products to selected customers. The products are only sold freshly baked and in the proximity of Zurich and Warsaw.
- The retail segment consists of sales by our own baking shops and from Hiestand operated bake-off stations.

1.5.24 IFRS STANDARDS NOT YET EFFECTIVE

The following new and revised Standards and Interpretations have been issued, but are not yet effective and are not applied early in these consolidated financial statements. Their impact on the consolidated financial statements of Hiestand Group has not yet been systematically analyzed. The expected effects as disclosed in the table below reflect a first assessment by Group management.

Standard/Interpretation		Effective date	Planned application by the Hiestand Group
IFRIC 11 – IFRS 2, Group and Treasury Share Transactions	*	1 March 2007	Reporting year 2008
IFRIC 12 – Service Concession Arrangements	*	1 January 2008	Reporting year 2008
IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	***	1 January 2008	Reporting year 2008
IFRIC 13 – Customer Loyalty Programs	*	1 July 2008	Reporting year 2009
IAS 1 rev. – Presentation of Financial Statements	**	1 January 2009	Reporting year 2009
IAS 23 rev. – Borrowing Costs	*	1 January 2009	Reporting year 2009
IFRS 8 – Operating Segments	**	1 January 2009	Reporting year 2009
IFRS 3 rev. – Business Combinations	***	1 July 2009	Reporting year 2010

* No or no significant impacts are expected on the consolidated financial statements of the Hiestand Group.
** Mainly additional or changes in disclosures are expected in the consolidated financial statements of the Hiestand Group.
*** The impact on the consolidated financial statements of the Hiestand Group can not yet be reliably determined.

Notes

2.1 PRIMARY SEGMENT REPORTING

in CHF thousand

	Europe 2007	Europe 2006	Asia 2007	Asia 2006
Sales to third and related parties	714 203	490 481	27 941	27 213
Sales IC: to other area (intrasegment)	4 317	3 994	–	–
Total revenue	**718 520**	**494 475**	**27 941**	**27 213**
EBITDA	**124 081**	**95 387**	**2 221**	**2 497**
Depreciation	(34 161)	(25 431)	(907)	(1 151)
EBITA	**89 920**	**69 956**	**1 314**	**1 346**
Amortization of intangible assets	(5 848)	(2 510)	(94)	(92)
EBIT	**84 072**	**67 446**	**1 220**	**1 254**
Assets	**657 263**	**587 948**	**17 495**	**16 678**
Intercompany	26 819	23 693	1 197	958
Other assets	630 444	564 255	16 298	15 720
Liabilities	**139 969**	**107 428**	**8 150**	**8 580**
Intercompany	56 752	39 869	4 907	4 923
Other liabilities	83 217	67 559	3 243	3 657
Investments in fixed assets, investment property and intangible assets	50 130	228 961	1 362	944

* Adjusted

Export-sales to countries outside the defined segments are recorded in the segment in which the sales are invoiced. The small volume of these sales does not require a separate segment.

2.2 SECONDARY SEGMENT REPORTING

in CHF thousand

	Frozen 2007	Frozen 2006	Fresh 2007	Fresh 2006
Sales to third parties and related parties	689 389	493 416	40 596	12 579
Assets	631 848	565 972	2 851	2 596
Investments in fixed assets investment property and intangible assets	50 578	228 950	645	203

* Adjusted

Unallocated 2007	Unallocated 2006	Eliminations 2007	Eliminations 2006	Total 2007	Total 2006
–	–	–	–	742 144	517 694
–	–	(4 317)	(3 994)	–	–
–	–	**(4 317)**	**(3 994)**	**742 144**	**517 694**
(12 926)	**(11 373)**	**(4 923)**	**(4 936)**	**108 453**	**81 575**
(187)	(140)	–	–	(35 255)	(26 722)*
(13 113)	**(11 513)**	**(4 923)**	**(4 936)**	**73 198**	**54 853***
(2)	–	–	–	(5 944)	(2 602)
(13 115)	**(11 513)**	**(4 923)**	**(4 936)**	**67 254**	**52 251***
602 005	**669 983**	**(618 860)**	**(655 857)**	**657 903**	**618 752***
590 844	631 206	(618 860)	(655 857)	–	–
11 161	38 777	–	–	657 903	618 752
471 704	**438 150**	**(281 810)**	**(205 892)**	**338 013**	**348 266***
220 151	161 100	(281 810)	(205 892)	–	–
251 553	277 050	–	–	338 013	348 266
532	597	–	–	52 024	230 502

Retail 2007	Retail 2006	Unallocated 2007	Unallocated 2006	Eliminations 2007	Eliminations 2006	Total 2007	Total 2006
12 159	11 699	–	–	–	–	742 144	517 694
12 043	11 407	11 161	38 777	–	–	657 903	618 752*
269	752	532	597	–	–	52 024	230 502

2.3 ACQUISITIONS OF SUBSIDIARIES

in CHF thousand

In 2007 the Group did not acquire any subsidiaries.
In 2006 the Group acquired the following subsidiaries:

	Cash Outflow
Fricopan Group	150 906
TK-Center Birrfeld AG	2 152
Total	**153 058**

Fricopan Group
On 1 November 2006, the Group acquired all interests of Fricopan Back GmbH, Berlin, Fricopan Back GmbH Immekath, Immekath, Fricopan UK LTD and Fricopan Middle East FZE for the amount of TEUR 89 610. During financial 2007 the final computation of the fair value was performed. Because of the short time period between the aquisition date and the balance sheet date as of 31 December 2006 and due to incomplete documentation the fair values of the aquired assets and liabilities could not definitively be determined as of 31 December 2006.

The adjusted closing as of 31 December 2006 and as of 30 June 2007 include the final fair value determination of buildings, equipment and machines. Depreciation and deferred taxes have been adjusted retrospectively accordingly.

The acquisition had the following effect on the Group's assets and liabilities (finally determined):

Acquiree's net assets at the acquisition date	provisorily determined values	Fair Value Adjustments	adjusted Values
Cash and cash equivalents	518	–	518
Current financial assets	2	–	2
Trade receivables	19 711	–	19 711
Current tax assets	889	–	889
Other receivables	4 228	–	4 228
Inventories	9 330	–	9 330
Deferred expenses & accrued income	83	–	83
Property, plant & equipment (PPE)	49 796	(7 010)	42 786
Financial assets (non-current)	1 655	–	1 655
Intangible assets	65 937	–	65 937
Interest-bearing loans and borrowings (current)	(35 838)	–	(35 838)
Trade payables	(14 426)	–	(14 426)
Other liabilities	(1 830)	–	(1 830)
Accrued expenses & deferred income	(3 780)	–	(3 780)
Deferred tax liabilities	(27 379)	2 580	(24 799)
Provisions	(97)	–	(97)
Contingent liabilities	(97)	–	(97)
Total net identifiable assets, liabilities and contingent liabilities	**68 702**	**(4 430)**	**64 272**
Goodwill on acquisition	74 253	4 430	78 683
Total (cost of the combination)	**142 955**	–	**142 955**
Consideration paid in cash	139 081	–	139 081
Costs directly attributable to the combination	3 874	–	3 874
Total cost of the combination	**142 955**	–	**142 955**
Cash acquired	(518)	–	(518)
Redemption of shareholders loan	8 469	–	8 469
Net cash outflow	**150 906**	–	**150 906**

As a result of the adjusted purchase price allocation intangible assets totaling CHF 65.9 million (customer relationships CHF 61.6 million and trademarks CHF 4.3 million), deferred tax liabilities of CHF 24.8 million and contingent liabilities of TCHF 97 were recognized.

The remaining goodwill includes expected synergies from the acquisition, the workforce and potentially other intangible assets that could not be valued separately.

In the year 2006 the subsidiaries contributed an adjusted profit of TCHF 421 to the consolidated profit. If the acquisition date had occurred on 1 January 2006, the estimated consolidated net sales for the year would have been CHF 648 million. An estimated consolidated profit for the same period is impracticable to be determined due to the lack of data.

The balance sheet, the income statement and the statement of cash flows as of 31 December 2006 and as of 30 June 2007 were influenced by the fair value adjustment as follows:

CONSOLIDATED BALANCE SHEET

ASSETS

in CHF thousand

	Values as of 31 December 2006			Values as of 30 June 2007		
	Annual Report 2006	Fair Value Adjustments	Annual Report 2006, adjusted	unaudited Half Year Report 2007	Fair Value Adjustments	unaudited Half Year Report 2007, adjusted
Positions affected by the adjustments						
Property, plant and equipment	236 237	(6 947)	229 290	246 801	(6 656)	240 145
Intangible assets	224 061	4 486	228 547	228 105	4 614	232 719
Total non-current assets	466 833	(2 461)	464 372	482 191	(2 041)	480 150
Total assets	621 213	(2 461)	618 752	661 277	(2 041)	659 236

2.3 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

LIABILITIES AND EQUITY

as of 31 December in CHF thousand

	Values as of 31 December 2006			Values as of 30 June 2007		
	Annual Report 2006	Fair Value Adjustments	Annual Report 2006, adjusted	unaudited Half Year Report 2007	Fair Value Adjustments	unaudited Half Year Report 2007, adjusted
Positions affected by the adjustments						
Deferred tax liabilities	44 756	(2 556)	42 200	46 183	(2 449)	43 734
Total non-current liabilities	219 166	(2 556)	216 610	213 209	(2 449)	210 760
Total liabilities	350 822	(2 556)	348 266	372 786	(2 449)	370 337
Retained earnings	160 194	95	160 289	177 225	407	177 632
Total shareholders' equity attributable to equity holders of Hiestand Holding AG	259 652	95	259 747	276 502	407	276 909
Total equity	270 391	95	270 486	288 491	407	288 898
Total liabilities & equity	621 213	(2 461)	618 752	661 277	(2 042)	659 235

CONSOLIDATED INCOME STATEMENT

as of 31 December in CHF thousand

	for the Year ending 31 December 2006			for the Half Year ending 30 June 2007		
	Annual Report 2006	Fair Value Adjustments	Annual Report 2006, adjusted	unaudited Half Year Report 2007	Fair Value Adjustments	unaudited Half Year Report 2007, adjusted
Positions affected by the adjustments						
Depreciation of property, plant and equipment	(26 876)	154	(26 722)	(16 827)	483	(16 344)
Earnings before interest and taxes (EBIT)	52 097	154	52 251	31 149	483	31 632
Profit before tax	49 091	154	49 245	27 095	483	27 578
Income tax expense	(12 433)	(58)	(12 491)	(8 491)	(178)	(8 669)
Profit for the year	36 658	96	36 754	18 604	305	18 909
Profit attributable to equity holders of Hiestand Holding AG	34 287	96	34 383	16 094	305	16 399
Basic earnings per share (in CHF)	64.59	0.18	64.77	30.32	0.57	30.89
Diluted earnings per share (in CHF)	64.59	0.18	64.77	30.32	0.57	30.89

CONSOLIDATED STATEMENT OF CASH FLOW

in CHF thousand

	for the Year ending 31 December 2006			for the Half Year ending 30 June 2007		
	Annual Report 2006	Fair Value Adjustments	Annual Report 2006, adjusted	unaudited Half Year Report 2007	Fair Value Adjustments	unaudited Half Year Report 2007, adjusted
Positions affected by the adjustments						
Profit before tax	49 091	154	49 245	27 095	483	27 578
Depreciation of property, plant and equipment	26 876	(154)	26 722	16 827	(483)	16 344

2.3 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

in CHF thousand

TK-CENTER BIRRFELD AG On 24 February 2006 Hiestand Schweiz AG acquired 27% of the shares and on 30 March 2006 the remaining 36.5% of the shares of TK-Center Birrfeld AG. After these transactions Hiestand Schweiz AG controls 100% of the company which had been included as an associate company before with 36.5%. Since the date control has been acquired, TK-Center Birrfeld AG is fully consolidated.

The acquisition had the following effect on the Group's assets and liabilities:

Acquiree's net assets at the date control has been acquired:

	Recognized amounts
Cash and cash equivalents	2 696
Trade receivables	1 229
Other receivables	393
Deferred expenses & accrued income	123
Property, plant & equipment	13 602
Investment properties	2 054
Intangible assets	108
Trade payables	(578)
Other liabilities	(642)
Loan from Hiestand	(6 300)
Other interest-bearing loans and borrowings	(10 800)
Accrued expenses & deferred income	(320)
Provisions	(25)
Deferred tax assets	76
Total net identifiable assets, liabilities and contingent liabilities	**1 616**

As mentioned above, Hiestand Schweiz AG acquired the control over the subsidiary in several steps. In terms of a so called "step acquisition" a negative goodwill was determined by comparing the acqusition price with the acquired net assets. Based on the valuations performed, the carrying amounts of property, plant and equipment as well as of inventories approximated their fair values. Apart from that, no fair value adjustments were necessary.

The initial investment of 36.5% had been acquired at the time of foundation of the company in 1992 amounting to TCHF 563. There was no goodwill recognized at that time.

The carrying amount of the investment determined by using the equity method amounted to TCHF 688 as at 24 February 2006. In the course of the first-time consolidation an amount of TCHF 68 representing prior changes to the carrying amount has been charged to equity with no impact on the income statement.

As a result of the acquisition transaction in the first halfyear 2006 a negative goodwill of TCHF 202 has been recognized in the income statement in accordance with IFRS 3.

The net cash outflow of the acquisition amounts to TCHF 2 152 in 2006 and comprises:

Purchase price for 63.5%	(851)
Cash acquired	2 696
Redemption of shareholders' loan	(3 997)
Cash outflow out of the acquisition in 2006	**(2 152)**

In 2006 (since the first-time consolidation) the subsidiary contributed profit of TCHF 591 to the consolidated profit. If the acquisition date had occurred on 1 January 2006, the estimated consolidated net sales would have been CHF 518 million. An estimated consolidated profit for the same period would have increased by about CHF 0.4 million.

2.4 INCOME TAX EXPENSE

in CHF thousand

Recognized in income statement

	2007	2006 adjusted*
Current tax expense		
Current year	16 723	10 853
Adjustments to prior years	98	(358)
Total current tax expense	**16 821**	**10 495**
Deferred tax expense		
Changes in temporary differences (net)	2 234	2 948*
Effect of tax rate changes	(8 329)	–
Effect of unrecognized tax losses carried forward	(795)	(952)
Other effects	40	–
Total deferred tax expense	**(6 850)**	**1 996**
Total income tax expense in income statement	**9 971**	**12 491***

Reconciliation of effective tax rate

	2007	2007	2006 adjusted*	2006 adjusted*
Profit before tax		**58 250**		**49 245***
Income tax based on weighted average local tax rates	29.4%	17 110	25%	12 332*
Effect of tax rate changes (rates decreased)	– 14.3%	(8 329)	0.0%	–
Value adjustments on deferred tax assets (calculated)	2.3%	1 349	0.0%	–
Non-deductible expenses	3.2%	1 839	2.2%	1 068
Tax exempt revenues	– 4.6%	(2 685)	– 2.0%	(975)
Effects from unrecognized tax losses	1.3%	756	0.9%	424
Under/(Over) provided in prior years	0.2%	98	– 0.7%	(358)
Other effects	– 0.3%	(167)	0.0%	–
Total income tax expense in income statement	**17.1%**	**9 971**	**25.4%**	**12 491***

* Adjusted

The increase in the weighted average tax rate mainly stems from the profit contribution mix of the subsidiaries. In 2007 there was a tax rate change which affected the deferred tax balances of the German subsidiaries. The tax rate decrease has no influence to the current income taxes, as the new tax rate will be effective for taxation periods starting 1st January 2008.

The adjustment in current tax expenses relating to prior years resulted from the completion of governmental tax audits.

Current tax recognized directly in equity in 2007 amounts to TCHF 2 (prior year: TCHF 16).

CURRENT TAX ASSETS AND LIABILITIES The current tax asset of TCHF 3 281 (prior year: TCHF 4 340) represents the amount of income taxes recoverable in respect of current and prior year periods that exceeds payments.

The current tax liabilities of TCHF 17 049 (prior year: TCHF 12 128) represent the amount estimated of income tax owing to authorities at the balance sheet date.

2.5 DEFERRED TAX ASSETS AND LIABILITIES

in CHF thousand

Recognized deferred tax assets and liabilities

	Assets 2007	Assets 2006	Liabilities 2007	Liabilities 2006
Trade accounts receivable	–	–	253	209
Inventories	(1 085)	(132)	834	1 000
Prepaid expenses and accrued income	–	–	704	838
Property, plant and equipment	(1 432)	(742)	7 668	7 734*
Intangible assets	(1 316)	(4)	24 852	30 127
Loans due from intercompany	–	–	3 370	2 181
Employee benefit assets	–	–	164	149
Other assets	(3)	(5)	–	54
Employment benefit obligations	(58)	(185)	22	4
Other liabilities	(2 444)	(2 228)	4 716	3 169
Deferred tax asset on tax loss carry forward	(1 120)	(886)	–	–
Total (Assets)/Liabilities	**(7 458)**	**(4 182)**	**42 583**	**45 465***
Set off of Tax	6 393	3 265	(6 393)	(3 265)
Net tax (Assets)/Liabilities	**(1 065)**	**(917)**	**36 190**	**42 200***

* Adjusted

Unrecognized deferred tax assets Deferred tax assets have not been recognized in respect of the following items:

	2007	2006
Unrecognized tax loss carry forward	9 193	8 025
Total	**9 193**	**8 025**

Expiry of losses for which future benefits are not recognized as deferred tax assets

	2007	2006
Balance sheet date + 3 years	16	–
Balance sheet date + 4 years	445	–
Balance sheet date + 5 years	695	1 254
Balance sheet date + 6 years	1 052	–
Balance sheet date + 7 years	630	–
Balance sheet date equals or above 10 years	33 554	30 587
Total	**36 392**	**31 841**

2.6 CASH AND CASH EQUIVALENTS

in CHF thousand

	2007	2006
Bank balances	12 053	26 744
Total cash and cash equivalents	**12 053**	**26 744**

2.7 TRADE AND OTHER RECEIVABLES

in CHF thousand

	2007	2006
Trade receivables due from third parties	83 104	69 875
Trade receivables due from related parties	3 191	1 829
Total other receivables	**86 295**	**71 704**

	2007	2006
Other receivables due from third parties	16 886	9 948
Other receivables due from related parties	11	79
Total other receivables	**16 897**	**10 027**
Total trade and other receivables	**103 192**	**81 731**

Other receivables due from third parties mainly comprise claims for refunds from government institutions.

2.7 TRADE AND OTHER RECEIVABLES (CONTINUED)

in CHF thousand

The following table points out the ageing structure of trade receivables and the related individual value adjustments:

	Gross 2007	Value adjustment 2007	Gross 2006	Value adjustment 2006
Within payment terms	61 868	–	53 367	–
1–30 days overdue	22 279	(316)	10 103	(164)
31–60 days overdue	1 801	(56)	7 008	(202)
61–90 days overdue	742	(205)	1 083	(277)
91–120 days overdue	416	(338)	1 127	(498)
More than 120 days overdue	1 478	(1 374)	1 130	(973)
Total	**88 584**	**(2 289)**	**73 818**	**(2 114)**

Value adjustments have changed as follows:

	2007	2006
Individual value adjustments		
Balance as of 1 January	(1 504)	(1 394)
Increase	(562)	(258)
Decrease	–	(348)
Use	395	518
Foreign exchange differences	(64)	(22)
Balance 31 December	**(1 735)**	**(1 504)**
Overall value adjustments		
Balance as of 1 January	(610)	(481)
Net decrease/(increase)	56	(129)
Balance as of 31 December	**(554)**	**(610)**

Trade receivables within payment terms mainly consists of receivables of long lasting customer relationships. Due to experience, the Hiestand Group does not expect material losses.

In 2007 losses on trade receivables amount to TCHF 665 (prior year: TCHF 412).

For further information relating to the credit management respectively to trade receivables please refer to Note 2.26.

2.8 INVENTORIES

in CHF thousand

	2007	2006
Raw materials and auxiliary supplies	10 864	8 163
Finished goods	24 847	18 851
Trading goods	5 731	6 458
Total inventories	**41 442**	**33 472**

As a result of a high inventory turnover and marginal inventory losses, no significant valuation allowances were recognized (TCHF 214; prior year TCHF 308).

2.9 ASSETS HELD FOR SALE

As at the balance sheet date of 31 December 2007 the Group recorded non-current assets held for sale amounting to TCHF 100 (prior year: TCHF 221). This relates to property, plant and equipment held by the subsidiary Hiestand Schweiz AG. These are mainly assets such as ovens and freezers. The assets are stated at market value before they are sold to customers (primary segment is Europe and secondary segment is frozen products). During 2007 TCHF 221 (prior year: TCHF 8) of assets held for sale were sold.

It is planned to sell these assets at market values, which presumably equals to the net book values. It is planned to sell these assets within the next 12 months. There were no impairment losses recorded in 2007 (prior year: TCHF 12).

2.10 EFFECT OF THE DISPOSAL OF GROUP COMPANIES

DISPOSALS The Group did not dispose any subsidiary during fiscal year 2006 and 2007.

2.11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES
PROPERTY, PLANT AND EQUIPMENT

in CHF thousand

	Land	Buildings	Plant and production equipment	Prepayment and PP&E under construction	Other equipment	Total
Cost						
Balance as of 1 January 2006	**4 268**	**77 947**	**181 686**	**1 115**	**42 188**	**307 204**
Acquisitions through business combinations	2 751	20 057	28 309	2 753	2 518	56 388
Additions	28	2 163	6 646	4 008	12 322	25 167
Transfer/Other	–	835	901	(1 887)	149	(2)
Transfer to non-current assets held for sale	–	–	(33)	–	(221)	(254)
Disposals	–	(182)	(3 083)	–	(2 044)	(5 309)
Translation adjustment	163	2 068	2 779	100	639	5 749
Balance as of 31 December 2006, adjusted	**7 210**	**102 888**	**217 205**	**6 089**	**55 551**	**388 943**
Balance as of 1 January 2007	**7 210**	**102 888**	**217 205**	**6 089**	**55 551**	**388 943**
Additions	75	6 847	20 740	13 419	8 210	49 291
Transfer/Other	2 054	6 408	9 593	(16 822)	821	2 054
Disposals	–	(113)	(3 447)	–	(2 123)	(5 683)
Government Grants	–	(677)	(2 746)	–	(112)	(3 535)
Translation adjustment	316	3 759	4 676	175	969	9 895
Balance as of 31 December 2007	**9 655**	**119 112**	**246 021**	**2 861**	**63 316**	**440 965**
Accumulated depreciation and impairment losses						
Balance as of 1 January 2006	**60**	**18 255**	**91 622**	**–**	**25 065**	**135 002**
Depreciation charge for the year	4	3 810	16 759	–	6 149	26 722
Transfer/Other	–	–	(7)	–	7	–
Transfer to non-current assets held for sale	–	–	(33)	–	–	(33)
Disposals	–	(174)	(2 796)	–	(1 374)	(4 344)
Translation adjustment	–	509	1 498	–	299	2 306
Balance as of 31 December 2006, adjusted	**64**	**22 400**	**107 043**	**–**	**30 146**	**159 653**
Balance as of 1 January 2007	**64**	**22 400**	**107 043**	**–**	**30 146**	**159 653**
Depreciation charge for the year	4	4 570	22 978	–	7 655	35 207
Disposals	-	(102)	(2 938)	–	(1 686)	(4 726)
Translation adjustment	(1)	917	2 284	–	509	3 709
Balance as of 31 December 2007	**67**	**27 785**	**129 367**	**–**	**36 624**	**193 843**
Carrying amounts						
As of 31 December 2006, adjusted	**7 146**	**80 488**	**110 162**	**6 089**	**25 405**	**229 290**
As of 31 December 2007	**9 588**	**91 327**	**116 654**	**2 861**	**26 692**	**247 122**

During 2007 a transfer from investment properties to fixed assets was recognized (refer to "Investment Properties"). During fiscal year 2006 a transfer to software was recognized (see note 2.12).

IMPAIRMENT LOSSES AND SUBSEQUENT REVERSAL There were no impairment losses or reversals during 2007 and 2006.

LEASED PLANT AND MACHINERY The carrying amount of assets held under finance leases amounts to TCHF 173 as of 31 December 2007 (prior year: TCHF 126).

CAPITAL COMMITMENTS As of 31 December 2007 capital commitments amount to TCHF 5 724 (prior year: TCHF 9 592)

FIRE INSURANCE VALUE As of 31 December 2007 the fire insurance value amounts to TCHF 400 277 (prior year: TCHF 347 529)

PLEDGED ASSETS As of 31 December 2007 the book value of pledged assets amounts to TCHF 8 700 (prior year: TCHF 45 394).

2.11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (CONTINUED)

INVESTMENT PROPERTIES

in CHF thousand

	Land	Buildings	Total
Cost			
Balance as of 1 January 2006	–	–	–
Acquisitions through business combinations	2 054	–	2 054
Balance as of 31 December 2006	**2 054**	–	**2 054**
Balance as of 1 January 2007	**2 054**	–	**2 054**
Additions	1 444	3 984	5 428
Transfer/Other	(2 054)	–	(2 054)
Balance as of 31 December 2007	**1 444**	**3 984**	**5 428**
Accumulated depreciation and impairment losses			
Balance as of 1 January 2006	–	–	–
Balance as of 31 December 2006	–	–	–
Balance as of 1 January 2007	–	–	–
Depreciation charge for the year	–	48	48
Balance as of 31 December 2007	–	**48**	**48**
Carrying amounts			
As of 31 December 2006	2 054	–	2 054
As of 31 December 2007	**1 444**	**3 936**	**5 380**

The investment properties relate to a land reserve in Gressy (Switzerland) owned by TK-Center Birrfeld AG, a land reserve owned by Hiestand Malaysia SDN BHD, in Bangi (Malaysia) and to office space in an office building in Schlieren (Switzerland, owned by Hiestand Schweiz AG). The Balance sheet value as at 31 December 2007 amounts to TCHF 5 380 (prior year: TCHF 2 054) representing the fair value of the assets at the time control has been assumed less accumulated depreciation.

During 2007 rental income from investment properties amount to TCHF 134 (prior year: TCHF 0). Expenses in connection with the investment property are immaterial in 2007 and in 2006. The investment property income reflects also the cash-inflow.

2.12 INTANGIBLE ASSETS

in CHF thousand

	Goodwill	Software	Customer relationships	Other intangible assets (finite lives)	Other intangible assets (indefinite lives)	Total
Cost						
Balance as of 1 January 2006	**76 484**	**8 139**	**–**	**1 215**	**–**	**85 838**
Acquisitions through business combinations	78 683	175	61 544	–	4 327	144 729
Additions	–	1 528	–	110	–	1 638
Transfer/Other	–	2	–	–	–	2
Translation adjustment	3 545	96	778	37	55	4 511
Balance as of 31 December 2006, adjusted	**158 712**	**9 940**	**62 322**	**1 362**	**4 382**	**236 718**
Balance as of 1 January 2007	**158 712**	**9 940**	**62 322**	**1 362**	**4 382**	**236 718**
Additions	–	774	–	66	–	840
Translation adjustment	5 833	167	1 901	19	133	8 053
Balance as of 31 December 2007	**164 545**	**10 881**	**64 223**	**1 447**	**4 515**	**245 611**
Amortization and impairment losses						
Balance as of 1 January 2006	**342**	**4 778**	**–**	**348**	**–**	**5 468**
Amortization charge for the year	–	1 806	599	197	–	2 602
Translation adjustment	–	78	14	9	–	101
Balance as of 31 December 2006	**342**	**6 662**	**613**	**554**	**–**	**8 171**
Balance as of 1 January 2007	**342**	**6 662**	**613**	**554**	**–**	**8 171**
Amortization charge for the year	–	1 944	3 767	233	–	5 944
Translation adjustment	415	64	53	(2)	–	530
Balance as of 31 December 2007	**757**	**8 670**	**4 433**	**785**	**–**	**14 645**
Carrying amounts						
As of 31 December 2006, adjusted	**158 370**	**3 278**	**61 709**	**808**	**4 382**	**228 547**
As of 31 December 2007	**163 788**	**2 211**	**59 790**	**662**	**4 515**	**230 966**

The increase in goodwill and other intangible assets in 2006 was due to the acquisition of Fricopan Back GmbH, Berlin, Fricopan Back GmbH Immekath, Immekath, Fricopan UK LTD and Fricopan Middel East FZE.

Other intangible assets with indefinite useful lives are trademarks acquired in the above mentioned business combination.

The useful lives of Trademarks are considered indefinite at this point in time. As a consequence, this assets is no systematically amortized.

2.12 INTANGIBLE ASSETS (CONTINUED)

in CHF thousand

Impairment loss and subsequent reversal There were no impairment losses and reversals during 2007 or 2006.

Allocation of goodwill and intangible assets with indefinite useful lives: The cash generating units (CGU) are defined as follows:

CGU	Goodwill	Other intangible assets (indefinite lives)
Hiestand & Suhr Handels- und Logistik GmbH	72 795	–
Hiestand Polska SP. Z.O.O.	8 884	–
Fricopan Group[1]	82 109	4 515
Total as of 31 December 2007	**163 788**	**4 515**

1 The amount represents the adjusted Goodwill amount

Impairment tests for cash-generating units containing goodwill and intangible assets with indefinite useful lives

HIESTAND & SUHR HANDELS- UND LOGISTIK GMBH AND HIESTAND POLSKA SP.Z.O.O.

GOODWILL The last impairment test was performed as of 31 December 2007 based on the present and expected future performance of the above cash generating units. The future performance is based on the detailed budgets for the years 2008, 2009 and 2010. Thereafter, cash flows were extrapolated using a growth rate of 0%.

These detailed budgets were used for a free cash flow calculation by CGU with a discount rate of 7.8% for Germany and 9.05% for Poland and led to a value in use. This value in use was compared with the actual net assets of the respective CGU.

Based on the impairment tests as of closing date for Hiestand Beteiligungsholding GmbH & CO. KG, Hiestand & Suhr Handles- und Logistik GmbH and Hiestand Polska SP. Z.O.O., the value of all goodwill positions held is confirmed. In the opinion of management, there are no realistically possible changes to the applied assumptions that may result in an impairment loss. This excludes unforeseen circumstances.

FRICOPAN GROUP

GOODWILL A goodwill impairment test was performed as of closing date by comparing the carrying amount of the CGU to its fair value less costs to sell. The fair value was determined based on discounted cash flows for the years 2008–2012, using a discount rate of 7.8% and a growth rate of 1.5% to extrapolate the cash flow projections. The discount rate was determined based on information of comparable listed companies.

Based on the impairment tests, the fair value less costs to sell exceeds the carrying amount by CHF 13.3 millions. The following changes to the applied assumptions would result in the recoverable amount equaling the respective carrying amount:

- Increase in the discount rate of approximately 0.5 percentage points, or
- decrease in the growth rate by approximately 0.5 percentage points, or
- decrease in the EBITDA margin of approximately 0.75 percetage points

TRADEMARKS As per closing date an impairment test was performed for the acquired brands. The fair value was determined based on discounted cash flows for the years 2008–2012, using a discount rate of 7.8%, a licence fee on the brands of 1.5% and a growth rate of 1.5%.

Based on the impairment tests, the fair value exceeds the carrying amount by CHF 1.2 millions. The following changes to the applied assumptions would result in the recoverable amount equaling the respective carrying amount:

- Increase in the discount rate of approximately 6 percentage points, or
- decrease of the licence fee of approximately 0.3 percentage points.

IMPAIRMENT TEST FOR INTANGIBLE ASSETS WITH FINITE LIVES The useful lives of client relationships were reviewed and there are no indications for an impairment.

2.13 INVESTMENTS IN ASSOCIATES

As of 31 December 2007 and 31 December 2006 the Group had no investments in associates.

2.14 OTHER FINANCIAL ASSETS

in CHF thousand

Other non-current financial assets

	2007	2006
Rental deposits	394	380
Customs deposits	340	340
Other	1 949	1 930
Total	**2 683**	**2 650**

Among others the other non-current financial assets include the minority investment of La Nouvelle Boulangerie Backwaren und -technik Vertriebs GmbH, Berlin with a carrying amount of TCHF 1 727 (prior year: TCHF 1 676).

Other current financial assets

	2007	2006
Equity securities held for trading	2 839	2 736
Total	**2 839**	**2 736**

These equity securities are held as cash reserve.

2.15 TRADE AND OTHER PAYABLES

in CHF thousand

Trade payables

	2007	2006
Trade payables (third parties)	60 705	49 162
Total	**60 705**	**49 162**

Other payables

	2007	2006
Other payables (third parties)	5 112	4 697
Other payables (related parties)	14	160
Pension funds	166	149
Total	**5 292**	**5 006**

2.16 INTEREST-BEARING LOANS AND BORROWINGS

in CHF thousand

Non-current liabilities

	2007	2006
Bank liabilities	136 013	156 148
Finance lease liabilities	120	78
Mortgages	–	6 586
Loans from third parties	5 800	8 600
Total	**141 933**	**171 413**

Current liabilities

	2007	2006
Bank liabilities	48 655	32 387
Finance lease liabilities	131	173
Mortgages	–	11 530
Total	**48 786**	**44 089**

Bank loans and bank liabilities

	2007	Interest rate 2007	2006	Interest rate 2006
Fixed advances and investment credits				
Hiestand Holding AG, Lupfig: investment credits	136 013	3.72%	156 148	2.94%
Hiestand Holding AG, Lupfig: short term part of the investment credit and other bank liabilities	47 350	1.985%–3.6%	9 396	1.00%–2.94%
Hiestand Deutschland GmbH, Gerolzhofen	–	–	805	4.22%
Hiestand & Suhr Handels- und Logistik GmbH, Vogtsburg-Achkarren	–	–	982	4.57%
Fricopan Back GmbH, Berlin	73	7.29%	7 123	3.35%–3.55%
Fricopan Back GmbH Immekath, Immekath	1 232	7.29%	14 081	3.80%–6.00%
Total	**184 668**		**188 535**	

The investment credit of the Hiestand Holding AG, Lupfig was raised in light of the acquisition of the Fricopan Group. The variable interest rate is fixed for 1 to 36 months based on LIBOR or SWAP rate plus a margin. The credit contract is valid till 31 December 2012 with a repayment schedule for part of the facilities. The Hiestand Group is subject to various debt covenants in connection with this investment credit (see note 2.26).

MORTGAGE LOANS These mortgage loans were collateralized with mortgage notes on real estate owned by the Hiestand Group. In 2007 the Group changed the financing structure, whereby all mortgage loans were discharged.

In 2006 registered credit lines secured by land totaling TEUR 11 555 encumbered the properties in Gerolzhofen. The secured mortgage loans in favor of Hiestand Deutschland GmbH, Gerolzhofen, amounting to TCHF 10 700. The applicable interest rates varied by contract and ranged between 3.87% and 4%.

In 2006 registered credit lines secured by land totaling TEUR 3 800 encumbered the properties in Vogtsburg-Achkarren. They secured mortgage loans in favor of Hiestand Suhr & Handels- und Logistik GmbH, Vogtsburg-Achkarren, amounting to TCHF 3 195. The applicable interest rate amounted to 3.8%.

In 2006 registered credit lines secured by land and buildings totaling TEUR 3 826 encumbered the properties in Berlin. They secured mortgage loans in favor of Fricopan Back GmbH, Berlin, amounting to TCHF 4 388. The applicable interest rates varied by contract and range between 3.55% and 4.2%.

In 2006 registered credit lines secured by land and buildings totaling TEUR 5 483 encumbered the properties in Immekath. They secured mortgage loans in favor of Fricopan Back GmbH Immekath, Immekath, amounting to TCHF 3 224. The applicable interest rates varied by contract and ranged between 4.5% and 5.6%.

LOANS FROM THIRD PARTIES As of 31 December 2007 the loans from third parties have an interest rate of 5% (prior year: 4.5%).

2.17 EMPLOYEE BENEFITS

in CHF thousand

	2007	2006
Present value of unfunded obligations	(728)	(686)
Present value of funded obligations	(51 339)	(51 330)
Fair value of plan assets	52 541	50 111
Present value of net assets/ (obligations), net	**474**	**(1 905)**
Unrecognized actuarial gains and losses	533	2 776
Unrecognized asset due to asset ceiling	(1 257)	(989)
Recognized asset / (liability) for defined benefit obligations, net	**(250)**	**(118)**
Provision for long-term service benefits	(717)	(442)
Total employee benefits, net	**(967)**	**(560)**
Presented in the balance sheet as follows:		
Employee benefit assets	747	680
Employee benefit obligations	(1 714)	(1 240)
Total employee benefits, net	**(967)**	**(560)**

Recognized employee benefit assets represent prepaid employer contributions to pension plans.

Movements in the present value of the funded defined benefit obligation and in plan assets

	2007	2006
Defined benefit obligation as of 1 January	**51 330**	**38 040**
Acquisitions through business combinations	–	2 968
Current service cost	4 363	3 890
Interest cost	1 648	1 304
Actuarial losses (gains)	(3 920)	1 605
Benefits paid	(2 082)	3 523
Defined benefit obligation as of 31 December	**51 339**	**51 330**
Fair value of plan assets as of 1 January	**50 111**	**37 523**
Acquisitions through business combinations	–	2 950
Expected return	1 403	1 228
Actuarial gains (losses)	(1 675)	913
Contributions	4 784	3 974
Benefits paid	(2 082)	3 523
Fair value of plan assets as of 31 December	**52 541**	**50 111**

in CHF thousand

Movements in the net asset/(liability) for defined benefit obligations recognized in the balance sheet

	2007	2006
Net liability for defined benefit obligations as of 1 January	(118)	(37)
Acquisitions through business combinations	–	(18)
Employer contributions	2 962	2 435
Expense recognized in income statement	(3 094)	(2 498)
Net movement	(132)	(81)
Recognized asset/(liability) for defined benefit obligations as of 31 December, net	**(250)**	**(118)**

Expense recognized in the income statement:

	2007	2006
Current service costs	4 363	3 890
Interest on obligation	1 648	1 304
Expected return on plan assets	(1 404)	(1 228)
Additional expense due to asset ceiling	254	127
(Decrease)/Increase of unfunded obligations (net)	42	(55)
Expense for defined benefit plans, gross	**4 903**	**4 038**
Less employees' contributions	(1 809)	(1 540)
Expense for defined benefit plans, net	**3 094**	**2 498**
Actual return on plan assets	(272)	(2 142)

The expected return on plan assets is based on market expectations for the respective asset categories over the entire life of the related obligation. The difference between the expected and actual return represents an actuarial gain or loss.

The expected payment for employer contributions in the year 2008 is estimated at CHF 3.0 million.

Liability for defined benefit obligations Principle actuarial assumptions at the balance sheet date (expressed as weighted average)

	2007	2006
Discount rate	3.25%	3.00%
Expected return on plan assets	2.75%	2.75%
Future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%

The following table shows the coverage of the benefit obligation and the influence in the deviation of expected and actual return of plan assets for the last three years:

	2007	2006	2005
Present value of funded obligations as of 31 December	(51 339)	(51 330)	(38 039)
Fair value of plan assets as of 31 December	52 541	50 111	37 522
Surplus/(Deficit)	**1 202**	**(1 219)**	**(517)**

Experience adjustments on:

	2007	2006	2005
Plan assets	(1 676)	1 000	179
Plan liabilities	(1 466)	1 605	2 290

2.17 EMPLOYEE BENEFITS (CONTINUED)

in CHF thousand

The plan assets as of 31 December were invested in following asset categories:

	2007	2006	2005
Equity instruments	19%	10%	12%
Debt instruments	38%	44%	64%
Property	16%	18%	7%
Cash and other financial assets, including insurance entitlements	27%	28%	17%
Total	**100%**	**100%**	**100%**

The assets of the pension funds are neither invested in shares of Hiestand Holding AG nor in buildings used by the Hiestand Group.

2.18 PROVISIONS

in CHF thousand

	Litigation	Site restoration	Onerous contracts	Total
Balance as of 1 January 2006	**–**	**553**	**1 309**	**1 862**
Acquisition through business combination	98	25	98	221
Provisions made during the year	–	44	–	44
Provisions used during the year	(96)	–	(245)	(341)
Provisions reversed during the year	–	–	(204)	(204)
Unwind of discounting	–	–	142	142
Foreign exchange effects	–	–	33	33
Balance as of 31 December 2006	**2**	**622**	**1 133**	**1 757**
Balance as of 1 January 2007	**2**	**622**	**1 133**	**1 757**
Provisions made during the year	–	30	–	30
Provisions used during the year	(2)	–	(249)	(251)
Provisions reversed during the year	–	(126)	–	(126)
Unwind of discounting	–	38	62	100
Foreign exchange effects	–	–	35	35
Balance as of 31 December 2007	**–**	**564**	**981**	**1 545**

Onerous contracts relate mainly to a long-term rent contract in Austria which is in place until 2011.

The provision for site restoration was discounted at 8%. The respective asset will be depreciated over the contractual period and it could be earliest realized at the end of the rental contract.

2.19 COMMITMENTS AND CONTINGENT LIABILITIES

Hiestand entered into long-term lease contracts up to 10 years with an optional extension for production sites, which are not owned by the Hiestand Group (see also note 2.27) and into a bid bond for raw material amounting to TCHF 498 (prior year: TCHF 1 287). Hiestand Deutschland GmbH entered into delivery contracts with their raw material suppliers amounting to TCHF 0 (prior year: TCHF 10 137). There are no other material commitments and contingent liabilities.

2.20 EQUITY

in CHF thousand

Share capital

	2007	2006
On issue as of 1 January	532	532
On issue as of 31 December – fully paid	**532**	**532**

The share capital consists of 531 930 registered shares with a par value of CHF 1.– each.

The balance of the treasury shares amounts to 1 155 (prior year: 1 001).

DIVIDENDS The General Meeting has, based on the proposal of the Board of Directors, approved a dividend of CHF 18.-- per registered share in 2007 for the year 2006.

	2007	2006
Dividends paid	9 555	7 963
Total	**9 555**	**7 963**

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS The Board of Directors proposes to the General Meeting the following appropriation of available earnings:

	2007	2006
Available earnings (statutory closing)	89 675	71 545
Payment of a dividend of CHF 22.– per registered share (prior year: CHF 18.–)	11 702	9 575
To be carried forward	77 973	61 971
Total	**89 675**	**71 545**

CAPITAL MANAGEMENT The capital managed consists of the consolidated equity including minorities. In order to maintain a strong equity basis the pillars of capital management are:

- ensuring the financing of organic as well as acquisitive growth
- achieving an adequate return for investors
- complying with equity related covenants, which are determined by the debt providers.

The managed capital is monitored through the two key figures equity ratio and return on equity. These key figures are presented to the Group Executive Committee and the Board of Directors on a monthly basis. According to the internal reporting the equity ratio shows the ratio of consolidated group equity including minorities to total assets and return on equity shows the consolidated profit for the year before minorities as a percentage of consolidated equity including minorities.

	2007	2006
Total equity attributable to the shareholders of Hiestand Holding AG	307 255	259 747
Minority interest	12 635	10 739
Total equity	**319 890**	**270 486**
Total assets	657 903	618 752
Equity ratio	**48.6%**	**43.7%**
Profit for the year	48 279	36 754
Return on equity	**15.1%**	**13.6%**

2.21 EARNINGS PER SHARE

in CHF thousand

BASIC EARNINGS PER SHARE The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of TCHF 45 123 (prior year: TCHF 34 383) and a weighted average number of ordinary shares outstanding during the year of 530 828 (prior year: 530 850), calculated as follows:

Profit attributable to ordinary shareholders

	2007	2006
Profit for the period attributable to the shareholders of Hiestand Holding AG	45 123	34 383
Profit for the period attributable to the shareholders of Hiestand Holding AG	**45 123**	**34 383**

Weighted average number of ordinary shares

in shares	2007	2006
Number of ordinary shares issued as of 1 January	531 930	531 930
Weighted effect of treasury shares	(1 102)	(1 080)
Weighted average number of ordinary shares	**530 828**	**530 850**

DILUTED EARNINGS PER SHARE The diluted earnings per share show the same amounts as the basic earnings per share since there are no dilution effects.

2.22 PERSONNEL EXPENSES

in CHF thousand

	2007	2006
Wages and salaries	149 306	105 922
Compulsory social security contributions	20 609	14 597
Contributions to defined contribution plans	839	726
Expenses for defined benefit plans, net	3 094	2 498
Increase in liability for long term service benefits	272	115
Employee cash bonus program	5 305	4 953
Total	**179 425**	**128 811**

2.23 OTHER OPERATING INCOME

in CHF thousand

	2007	2006
Government grants	1 533	666
Other	10 265	3 548
Total other operating income	**11 798**	**4 214**

This amount includes services which are not directly related with the main activities of the Hiestand Group such as marketing and transport services. Furthermore the income derived from the sales of ovens and freezers for our customers is presented here, whereas the respective expenses are shown in other operating expenses.

2.24 OTHER OPERATING EXPENSES

in CHF thousand

	2007	2006
Lease expenses	12 188	10 617
Energy & waste disposal	19 905	11 036
Property expenses	184	111
Repair and maintenance expenses	15 607	8 645
Distribution (transportation & storage)	49 279	37 709
Marketing expenses	7 538	6 096
Selling expenses	13 668	11 118
Other	26 305	17 555
Total other operating expenses	**144 674**	**102 887**

Other operating expenses include, among others, expenses for communication, office material, insurance, audit fees, the costs of the Annual General Meeting, the annual report and public relations, as well as various consulting expenses.

2.25 NET FINANCING COSTS

in CHF thousand

	2007	2006
Interest Income	230	177
Dividend Income on available-for-sale investments	4	171
Foreign exchange gains	10 131	8 627
Negative Goodwill from acquisitions (see Note 2.3)	–	202
Net gains on financial assets held for trading (incl. Derivatives)	16	129
Financial Income	**10 381**	**9 306**
Interest expense	8 974	2 888
Foreign exchange losses	10 377	9 045
Write off on loans and other receivables	34	379
Financial expenses	**19 385**	**12 312**
Net financing costs	**(9 004)**	**(3 006)**

2.26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

in CHF thousand

Categories of financial instruments
As of 31 December the carrying amounts and fair values per category amount to:

	Carrying amount 2007	Carrying amount 2006	Fair Value 2007	Fair Value 2006
Loans and receivables				
Cash and cash equivalents	12 053	26 744	12 053	26 744
Trade receivables	86 295	71 704	86 295	71 704
Other receivables	6 007	4 493	6 007	4 493
Accrued income	1 135	621	1 135	621
Loans	195	234	195	234
Other non-current financial assets	753	780	753	780
Total loans and receivables	**106 438**	**104 576**	**106 438**	**104 576**
Financial assets measured at fair value through profit or loss				
Other current financial assets	2 839	2 736	2 839	2 736
Total financial assets measured at fair value through profit or loss	**2 839**	**2 736**	**2 839**	**2 736**
Financial assets available-for-sale				
Other non-current financial assets	1 930	1 871	1 930	1 871
Total financial assets available-for-sale	**1 930**	**1 871**	**1 930**	**1 871**
Financial liabilities measured at amortized cost				
Interest-bearing loans and borrowings	190 719	215 502	190 719	215 502
Trade payables	60 705	49 162	60 705	49 162
Other payables	3 240	3 073	3 240	3 073
Accrued expenses	15 748	12 942	15 748	12 942
Total financial liabilities measured at amortized cost	**270 412**	**280 679**	**270 412**	**280 679**

FAIR VALUE The fair value of publicly listed investments is their quoted market price at the balance sheet date. The fair values of other investments not publicly listed are estimated based on discounted future cash flows. For non-derivative financial liabilities, the fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

DERIVATIVE FINANCIAL INSTRUMENTS Hiestand Deutschland GmbH, Gerolzhofen, was party of an interest rate swap contract which expired on 31 March 2006. The contract partner was Deutsche Genossenschaftsbank Bayern, Würzburg. The contract volume amounted to TEUR 575. During the current year, Hiestand Group did not use any derivative financial instruments.

No hedge accounting was applied in 2007 and 2006.

FINANCIAL RISK MANAGEMENT The Group has exposure to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

MARKET RISK Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

INTEREST RATE RISK Interest rate risk arises from movements in interest rates which could have effects on the Group's net income or financial position. Changes in interest rates may cause variations in interest expenses resulting from interest bearing liabilities. The interest rates are currently not hedged.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2007	2006
Fixed rate instruments		
Financial liabilities	(251)	(24 851)
Total fixed rate instruments (net)	**(251)**	**(24 851)**
Variable rate instruments		
Financial assets	12 472	26 803
Financial liabilities	(190 468)	(190 652)
Total variable rate instruments (net)	**(177 996)**	**(163 849)**

FAIR VALUE SENSITIVITY ANALYSIS FOR FIXED RATE INSTRUMENTS The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS A change of 100 basis points (bp) in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown hereafter. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2006.

2.26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

in CHF thousand

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2007				
Cash flow sensitivity (net)	(1 285)	1 285	–	–
31 December 2006				
Cash flow sensitivity (net)	(1 229)	1 229	–	–

FOREIGN EXCHANGE RISK The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the CHF, but also EUR, PLN, MYR and JPY. The foreign currencies in which these transactions primarily are denominated are CHF, EUR and USD.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. The foreign exchange risks are currently not hedged.

The Group's main exposure to foreign currency risk was as follows:

	31 December 2007			31 December 2006		
	CHF	EUR	MYR	CHF	EUR	MYR
Financial Assets	711	22 039	–	644	2 350	–
Financial Liabilities	156 524	3 808	653	100 819	2 905	958
Net exposure	**(155 813)**	**18 231**	**(653)**	**(100 175)**	**(555)**	**(958)**

A change of the reported foreign currency balances due to a change in currency rates of 10% would have increased (decreased) profit or loss and the equity of the Group by the amounts shown in the table hereafter. This analysis assumes that all other variables, in particular interest rates, remain constant. Net investments are included in the sensitivity analysis. The main effects on the income statement and on the equity as of 31 December is as follows:

	31 December 2007			31 December 2006		
	CHF/EUR	CHF/PLN	CHF/MYR	CHF/EUR	CHF/PLN	CHF/MYR
Reasonably possible change +/–	10%	10%	10%	10%	10%	10%
Positive effect on profit and loss	3 746	51	1	46	93	–
Negative effect on profit and loss	(3 746)	(51)	(1)	(46)	(93)	–
Positive effect on equity	5 191	2 246	1 118	4 134	2 159	1 046
Negative effect on equity	(5 191)	(2 246)	(1 118)	(4 134)	(2 159)	(1 046)

EQUITY PRICE RISK Equity price risk arises from equity securities held for trading purposes and investments classified as available-for-sale. Equity price risk on equity securities held for trading is closely monitored by a Swiss credit institution who actively manages the deposit. The available-for-sale financial assets are monitored by the management on a regular basis. Impairment considerations are either based on market values (if available) or alternatively on valuation models using actual financial statements of the respective companies.

The credit institution who manages the deposit of equity securities held for trading assumes the volatility of the portfolio to 6.3%. A 6.3% increase in the respective equity prices would have increased profit by TCHF 134 after tax (prior year: an increase of TCHF 129); an equal change in the opposite direction would have decreased profit by TCHF 134 after tax prior year: a decrease of 129 thousand). Due to materiality reasons no sensitivity analysis was made for available-for-sale investments.

CREDIT RISK Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet their obligations causing a financial loss.

As per reporting date, Hiestand has no significant concentration of credit risks with respect to trade receivables. Hiestand has a large number of customers, whereby some may temporarily be of greater significance during the year. The exposure to credit risk is monitored by management on a regular basis and with the aid of defined credit limits per customer.

The counterparties to transactions in securities and cash are carefully selected financial institutions. Management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date the maximum exposure to credit risk is represented by the carrying amounts of each financial asset in the balance sheet.

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

	Carrying amount	Carrying amount
	2007	**2006**
Switzerland	28 256	27 711
Europe except Switzerland	50 688	37 416
Other regions	7 351	6 577
Total	**86 295**	**71 704**

2.26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(CONTINUED)

in CHF thousand

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount 2007	Carrying amount 2006
Foodservice	11 527	10 331
Catering	1 193	849
Bakeries	10 662	9 244
Convenience Stores/ Petrol Stations	15 856	12 914
Bake-off in Retail Stores	28 986	22 835
Others	18 071	15 531
Total	**86 295**	**71 704**

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 maintains sufficient reserves of cash and readily realizable marketable securities to meet its liquidity requirements. Individual Group companies are generally responsible for their own cash management. However group wide financing activities and cash planning is coordinated on group level. For instance short term investment of cash surpluses and the raising of loans to cover cash deficits is subject to approval from group management.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Between 1–6 months	Between 7–12 months	Between 1–2 years	Between 2–3 years	Between 3–4 years	Between 4–5 years	More than 5 years
31. December 2007									
Interest bearing loans and borrowings	190 719	219 922	30 868	25 379	27 147	25 428	32 090	79 010	–
Trade payables	60 705	60 705	60 672	33	–	–	–	–	–
Other payables	3 240	3 240	3 219	–	18	–	–	–	2
Accrued expenses	15 748	15 748	15 690	8	50	–	–	–	–
Total	**270 412**	**299 615**	**110 449**	**25 420**	**27 215**	**25 428**	**32 090**	**79 010**	**2**
31 December 2006									
Interest bearing loans and borrowings	215 502	253 337	47 244	8 257	29 549	26 260	36 024	25 891	80 113
Trade payables	49 162	49 162	48 921	241	–	–	–	–	–
Other payables	3 073	3 073	3 071	–	–	–	–	–	2
Accrued expenses	12 942	12 942	12 857	10	75	–	–	–	–
Total	**280 679**	**318 514**	**112 093**	**8 508**	**29 624**	**26 260**	**36 024**	**25 891**	**80 115**

DEBT COVENANTS The Group is financed by banks which stipulate in their contracts debt covenant factors of less than 2.5 (level of indebtedness), a net asset ratio of more than 35% with a minimum total equity of CHF 220 Mio. and a interest coverage factor of bigger than 6.0. As of 31 December 2007 and during the entire period of 2007 Hiestand complied with all financial covenants.

PLEDGED FINANCIAL ASSETS An intra-group loan in the amount of CHF 8.7 million (prior year: CHF 12.9 million), embodying net assets of the group, have been pledged as collateral for liabilities due to a business partner.

2.27 OPERATING AND FINANCE LEASES

OPERATING LEASES

in CHF thousand

Leases as lessee Non-cancellable operating lease rentals are payable as follows:

	2007	2006
Less than one year	5 329	4 345
Between one and five years	13 567	12 273
More than five years	10 979	7 975
Total	**29 875**	**24 593**

Lease and sublease expenses recognized in the income statement amounted to TCHF 12 188 as of 31 December 2007 (prior year: TCHF 10 617).

Leases as lessor Non-cancellable operating lease rentals are receivable as follows:

	2007	2006
Less than one year	594	110
Between one and five years	1 233	261
More than five years	–	–
Total	**1 827**	**371**

During 2007 rental income from investment properties recognized in the income statement amounts to TCHF 134 (prior year: TCHF 0).

FINANCE LEASES

in CHF thousand

Leases as lessee Finance lease liabilities are repayable as follows:

	Minimum lease payments 2007	Interest 2007	Principle 2007	Minimum lease payments 2006	Interest 2006	Principle 2006
Less than one year	116	29	87	221	48	173
Between one and five years	192	28	164	86	8	78
Total	**308**	**57**	**251**	**307**	**56**	**251**

These lease contracts relate mainly to car and office equipment agreements.

2.27 OPERATING & FINANCE LEASES (CONTINUED)

in CHF thousand

Leases as lessor The minimum lease receivables under non-cancelable leases are as follows:

	2007	2006
Less than one year	194	199
Between one and five years	363	391
Total	**557**	**590**

These lease contracts relate mainly to oven and freezer agreements.

2.28 ACCOUNTING ESTIMATES AND JUDGMENTS

Management discusses with the audit committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

PROPERTY, PLANT & EQUIPMENT Property, plant & equipment are reviewed whenever there are indications that their carrying amount may no longer be recoverable. Impairment losses resulting from this review are recognized as an expense in the income statement. The main assumptions on which impairment tests are based include growth rates, margins and discount rates. The cash inflows actually generated can differ from discounted expected values. In addition, useful lives can become shorter or assets impaired if the purpose of the respective assets changes. The carrying amounts of property, plant & equipment are set out in Note 2.11.

PENSION ASSUMPTIONS The pension plans in Switzerland qualify as defined benefit plans under IAS 19. The Group's net obligation is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed on an annual basis by qualified actuaries using the projected credit unit method. The calculation is based on estimates and assumptions relating to discount rates, expected return on plan assets and future salary trends. The actuary also use statistical data such as mortality tables and staff turnover rates with a view to determining employee benefit obligations. If this parameters change due to a change in economic and market conditions, the subsequent results can deviate considerably from the actuarial calculations.

The carrying amounts of the plan assets and liabilities in the Balance Sheet are set out in Note 2.17.

INCOME TAX Tax liabilities are measured on the basis of an interpretation of the tax regulations in place in the relevant countries. The adequacy of this interpretation is assessed by the tax authorities in the course of the final assessment or tax audits. This can result in material changes to tax expenses. Furthermore, in order to determine whether tax loss carry forwards may be carried as an asset, it is necessary to critically assess the probability that future taxable profit will be available (see Note 2.4 and 2.5).

INTANGIBLE ASSETS The intagible assets mainly consists of the goodwill from aquisitions and of the capitalized customer relationships from the aquisition of the Fricopan Group. Hiestand performs impairment tests on goodwill yearly or in case of triggering events. Possible impairment losses are recognized in the income statement. The most important estimates within the impairment tests of goodwill are growth factors, the development of future cash flows as well as the discount rate.

The useful lives of customer relationships are also reviewed annually or in case of special events. Possible impairment losses are recognized in the income statement. The most important estimates within the impairment tests of customer relationships are growth rates of the aquired customers and customer groups, the attrition rate (customer attrition), the EBIT margin as well as the discount rate.

The book values of the intangible assets and further information about estimates are disclosed in Note 2.12.

2.29 MONETARY RESTRICTIONS ON FINANCIAL TRANSACTIONS WITH SUBSIDIARIES

For our subsidiary in Malaysia there is a legal obligation to obtain a government approval for repayment of intercompany loans and/or outstanding group fees.

2.30 RELATED PARTIES

in CHF thousand

Related parties are members of the Group Executive Committee, the Board of Directors, associated companies, pension funds and important shareholders as well as companies under their control.

Transactions with key management personnel The key management personnel compensations are as follow:

	2007	2006
Cash compensation	5 998	5 175
Total	**5 998**	**5 175**

Further information about key management compensation is disclosed in Note 2.31.

Transactions with other related parties In 2007 the Group had the following transactions with related parties: Sales amounting to TCHF 12 785 (prior year: TCHF 5 620), cost amounting to TCHF nil (prior year: TCHF 1 057), accounts receivable outstanding amounting to TCHF 3 202 (prior year: TCHF 1 939) and accounts payable TCHF 14 (prior year: TCHF 160).

2.31 COMPENSATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE COMMITTEE

in CHF thousand

Compensation to members of the Board of Directors for the fiscal year 2007

	Fixed compensation	Variable compensation	Share based payments	Non cash benefits	Pension contributions	Total
Wolfgang Werlé	292	0	2	7	90	**391**
Dr. J. Maurice Zufferey	70	40	2	1	13	**126**
Albert Abderhalden	589	373	2	2	189	**1155**
Hans Sigrist	70	41	2	0	9	**122**
Owen Killian	70	40	2	0	13	**125**
Total	**1091**	**494**	**10**	**10**	**314**	**1919**

The total compensation consists of a fixed compensation as well as a variable, performance-related compensation (cash-bonus), as well as non cash and fringe benefits. The cash bonus for the past fiscal year is assigned in April.

Each member of the Board of Directors received one registered share on the event of the IPO's 10 year anniversary.

No compensation was paid to former members of the Board of Directors in connection with earlier activities as an executive body of the company or which are not at arm's length.

Compensation to members of the Group Executive Committee for the fiscal year 2007

	Total Executive Committee	there of Urs Jordi
Fixed compensation in cash	2 303	599
Variable compensation in cash (bonus)	981	191
Non cash benefits	70	10
Share-based payments	15	2
Social security contributions	815	206
Total Compensation to members of the Group Executive Committee in Charge	**4 184**	**1 008**

The highest total compensation in the reporting year was paid to Urs Jordi, Hiestand's CEO. The total compensation paid to the Group Executive Committee consists of a fixed compensation as well as a variable, performance-related compensation (cash-bonus), as well as non cash and fringe benefits. The cash bonus for the past fiscal year is assigned in April. The disclosure is based on cash.

Each member of the Group Executive Committee received a re-. gistered share on the event of the IPO's 10 year anniversary. Amounts which give rise to or increase pension benefits comprise all savings and risk contributions paid by the employee and the employer to the pension fund.

During 2007 Hiestand has not issued any share options and has not granted any such as securities, guarantrrs or mortgages to persons with a duty to disclose.

Wolfgang Werlé (till 31 May 2007), Armin Bieri (as of 1 May 2007), Roger Bless (as of 1 May 2007) and Marcel Brauchli (as of 1 October 2007) are included pro rata.

COMPENSATION PAID TO RELATED PARTIES Related parties are spouses and civil partners, close relatives who are financially dependent on the executive person or live in the same household, other persons who are financially dependent on the executive person and partnerships or corporate enterprises that are controlled by the executive person or over which he exercises a significant influence. Parents, siblings and children are also related persons. No compensation was paid to persons who are related to members of the Board of Directors or the Group Executive Committee which is not at arm's length.

LOANS In the reporting period a member of the Executive Board was granted a loan amounting to TCHF 12. Except this loan Hiestand has not granted any other loans to present or former members of the Board of Directors, the Group Executive Committee or any persons related to them or waived any rights to accounts due from such persons.

Share holdings of the members of the Board of Directors or the Group Executive Committee as of 31 December 2007

	Number of shares	Voting rightsl
Members of the Board of Directors		
Wolfgang Werlé	1	0.00%
Dr. J. Maurice Zufferey	11	0.00%
Albert Abderhalden	15 928	2.99%
Hans Sigrist	401	0.08%
Owen Killian	1	0.00%
Members of the Board of Directors	**16 342**	**3.07%**
Members of the Group Executive Committee		
Urs Jordi	13	0.00%
Roland Straub	15	0.00%
Andrea Stegen	1	0.00%
Armin Bieri	1	0.00%
Roger Bless	10	0.00%
Marcel Brauchli	1	0.00%
Members of the Group Executive Committee	**41**	**0.01%**

The Members of the Board of Directors and of the Group Executive Committee do not hold any options for shares of the company.

2.32 SIGNIFICANT SHAREHOLDERS

SIGNIFICANT SHAREHOLDERS The Group's principle shareholders are Blixen Ltd (IAWS) with 32% shareholdings (prior year: 32%), Focus Capital Investors Master Fund Ltd with 28.5% shareholdings (prior year: 12.2%) and Sarasin Investment Funds with 4.7% shareholdings (prior year: 5.7%).

2.33 SUBSEQUENT EVENTS

In March 2008 the subsidiary Fricopan Middle East FZE, Ras Al Kaihmah was liquidated. The business activities of this subsidiary were already transferred to the subsidiary Fricopan Back GmbH, Berlin during 2007.

No other events have occurred since 1 January 2008 that would either necessitate an adjustment to the carrying amount of assets and liabilities or need to be disclosed here.

REPORT OF THE GROUP AUDITORS

REPORT OF THE GROUP AUDITORS TO THE GENERAL MEETING OF HIESTAND HOLDING AG, LUPFIG

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, statement of changes in equity, cash flow statement and notes on pages 58 to 114) of Hiestand Holding AG for the year ended 31 December 2007.

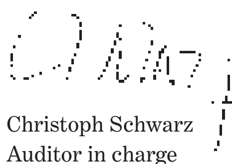
These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements 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.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG Ltd



Christoph Schwarz
Auditor in charge

Heike Schult

Zurich, 14 March 2008

SECTION B

HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO HIESTAND HOLDING AG FOR THE TWO YEARS ENDED 31 DECEMBER 2006

The financial information presented in this Part II Section B, has been extracted without material adjustment from pages 35 to 89 of the Annual Report for 2006 of Hiestand Holding AG. The financial information has been prepared in accordance with IFRS, their interpretations issued by the International Accounting Standards Board, and Swiss Law. The Annual Report of Hiestand Holding AG was published on 11 April 2007.

ASSETS
as of 31 December
in CHF thousand

CURRENT ASSETS	Notes	**2006**	**2005**
Cash and cash equivalents	2.6	26 744	11 767
Other current financial assets	2.14	2 736	2 632
Trade accounts receivable	2.7	71 704	49 998
Current tax assets	2.4	4 340	93
Other receivables	2.7	10 027	6 184
Inventories	2.8	33 472	23 094
Assets classified as held for sale	2.9	221	14
Prepaid expenses and accrued income		5 136	7 007
Total current assets		**154 380**	**100 789**
NON-CURRENT ASSETS			
Property, plant and equipment	2.11	236 237	172 202
Investment property	2.11	2 054	–
Intangible assets	2.12	224 061	80 370
Investments in associated companies	2.13	–	836
Loans due from related parties	2.30	–	2 303
Loans due from third parties		234	150
Other non-current financial assets	2.14	2 650	865
Employee benefit assets	2.17	680	718
Deferred tax assets	2.5	917	561
Total non-current assets		**466 833**	**258 005**
Total assets		**621 213**	**358 794**

LIABILITIES AND EQUITY
as of 31 December
in CHF thousand

CURRENT LIABILITIES	Notes	2006	2005
Interest-bearing loans and borrowings	2.16	44 089	20 597
Trade accounts payable	2.15	49 162	24 138
Current tax liabilities	2.4	12 128	10 391
Other payables	2.15	5 006	9 138
Accrued expenses and deferred income		21 271	13 401
Total current liabilities		**131 656**	**77 665**
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	2.16	171 413	28 833
Provisions	2.18	1 757	1 862
Employee benefit obligations	2.17	1 240	1 082
Deferred tax liabilities	2.5	44 756	14 564
Total non-current liabilities		**219 166**	**46 341**
Total liabilities		**350 822**	**124 006**
EQUITY			
Share capital	2.20	532	532
Additional paid-in capital		99 839	99 561
Treasury shares		(913)	(1 030)
Retained earnings		160 194	127 357
Total shareholders' equity		**259 652**	**226 420**
Minority interest		10 739	8 368
Total equity		**270 391**	**234 788**
Total liabilities & equity		**621 213**	**358 794**

1.2 CONSOLIDATED INCOME STATEMENT

for the year ended 31 December

in CHF thousand	Notes	2006	2005
Net sales		516 099	449 592
Services provided		1 595	1 073
Total revenue	2.1	**517 694**	**450 665**
Other operating income	2.23	4 214	2 932
Changes in inventories of finished goods and work in progress		(50)	1 659
Total income		**521 858**	**455 256**
Raw material and consumables used		(208 585)	(179 844)
Personnel expenses	2.22	(128 811)	(106 786)
Depreciation of property, plant and equipment	2.11	(26 876)	(24 856)
Amortization of intangible assets	2.12	(2 602)	(1 739)
Other operating expenses	2.24	(102 887)	(96 320)
Earnings before interest and taxes (EBIT)		**52 097**	**45 711**
Share of results of associates	2.13	–	237
Financial expenses	2.25	(12 407)	(10 897)
Financial income	2.25	9 401	7 410
Profit before tax		**49 091**	**42 461**
Income tax expense	2.4	(12 433)	(10 505)
Profit for the year		**36 658**	**31 956**
Attributable to:			
Equity holders of the parent company		34 287	31 373
Minority interest		2 371	583
Earnings per share, basic (in CHF)	2.21	64.59	59.39
Earnings per share, diluted (in CHF)	2.21	64.59	59.39

1.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF thousand	Notes	Share capital	Additional paid-in capital	Treasury shares	Translation reserve	Other retained earnings	**Total retained earnings**	**Total shareholders' equity**	Minority interest	**Total equity**
Balance at 1 January 2005		**526**	**96 059**	**(1 495)**	**3 267**	**98 011**	**101 278**	**196 368**	**7 785**	**204 153**
Foreign exchange translation differences		–	–	–	3 586	–	3 586	3 586	–	3 586
Net income recognised directly in equity		**–**	**–**	**–**	**3 586**	**–**	**3 586**	**3 586**	**–**	**3 586**
Profit for the year		–	–	–	–	31 373	31 373	31 373	583	31 956
Total recognised income and expense		**–**	**–**	**–**	**3 586**	**31 373**	**34 959**	**34 959**	**583**	**35 542**
Employee share bonus program 2004: capital increase and repurchase of shares (cash settlement)		6	5 036	(1 394)	–	(3 648)	(3 648)	–	–	–
Transaction costs, net of tax		–	(4)	–	–	–	–	(4)	–	(4)
Repurchase of treasury shares		–	–	(967)	–	–	–	(967)	–	(967)
Sale of treasury shares		–	328	968	–	–	–	1 296	–	1 296
Management share bonus	2.17	–	(1 858)	1 858	–	–	–	–	–	–
Dividends paid		–	–	–	–	(5 232)	(5 232)	(5 232)	–	(5 232)
Balance at 31 December 2005		**532**	**99 561**	**(1 030)**	**6 853**	**120 504**	**127 357**	**226 420**	**8 368**	**234 788**
Balance at 1 January 2006		**532**	**99 561**	**(1 030)**	**6 853**	**120 504**	**127 357**	**226 420**	**8 368**	**234 788**
First-time consolidation TK-Center Birrfeld AG	2.3	–	–	–	–	(68)	(68)	(68)	–	(68)
Foreign exchange translation differences		–	–	–	6 581	–	6 581	6 581	–	6 581
Net income recognized directly in equity		**–**	**–**	**–**	**6 581**	**(68)**	**6 513**	**6 513**	**–**	**6 513**
Profit for the year		–	–	–	–	34 287	34 287	34 287	2 371	36 658
Total recognized income and expense		**–**	**–**	**–**	**6 581**	**34 219**	**40 800**	**40 800**	**2 371**	**43 171**
Repurchase of treasury shares		–	–	(441)	–	–	–	(441)	–	(441)
Sale of treasury shares		–	278	558	–	–	–	836	–	836
Dividends paid		–	–	–	–	(7 963)	(7 963)	(7 963)	–	(7 963)
Balance at 31 December 2006		**532**	**99 839**	**(913)**	**13 434**	**146 760**	**160 194**	**259 652**	**10 739**	**270 391**

1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December

in CHF thousand	Notes	2006	2005
Profit before tax		49 091	42 461
Financial expenses, net of realized exchange losses		10 214	8 176
Financial income, net of realized exchange gains		(7 110)	(4 764)
Depreciation of property, plant and equipment	2.11	26 876	24 856
Amortization of intangible assets	2.12	2 602	1 739
Impairment losses and reversals	2.9	12	–
Share of results of associates	2.13	–	(237)
(Gain)/Loss on disposal of property, plant and equipment		(301)	(125)
(Increase)/decrease in trade and other receivables		776	(2 197)
(Increase)/decrease in inventories		(969)	(2 669)
(Increase)/decrease in prepaid expenses and accrued income		2 436	(2 134)
Increase/(decrease) in trade and other payables		2 749	(2 579)
Increase/(decrease) in accrued expenses and deferred income		2 797	4 508
Increase/(decrease) in employee benefit liabilities	2.17	179	208
Increase/(decrease) in provisions	2.18	(360)	(2 274)
Income taxes paid		(12 048)	(15 784)
Net cash provided by/(used in) operating activities		**76 944**	**49 185**
Proceeds from sale of property, plant and equipment		1 266	1 013
Purchase of property, plant and equipment	2.11	(25 167)	(25 693)
Purchase of intangible assets	2.12	(1 638)	(1 191)
Acquisition of subsidiary, net of cash acquired	2.3	(153 058)	–
Disposal of subsidiary, net of cash disposed of	2.10	–	(303)
Net proceeds from purchases + sales of marketable securities, incl. derivative financial instruments		–	54
Investments in other financial assets (including associates)		(417)	(78)
Interest received		177	229
Dividends received		171	–
Net cash provided by/(used in) investing activities		**(178 666)**	**(25 969)**

in CHF thousand	Notes	2006	2005
Repurchase of treasury shares		(441)	(967)
Sale of treasury shares		852	1 292
Dividends paid		(7 963)	(5 232)
Increase/(decrease) in bank overdrafts	2.16	5 553	(11 252)
Increase in interest-bearing liabilities	2.16	156 639	3 233
Repayment of interest-bearing liabilities		(35 013)	(20 150)
Payment of finance lease liabilities		(98)	(54)
Interest paid		(2 954)	(3 114)
Net cash provided by/(used in) financing activities		**116 575**	**(36 244)**

Net increase/(decrease) in cash and cash equivalents		**14 853**	**(13 028)**

Cash and cash equivalents as of 1 January		**11 767**	**24 514**
Effect of exchange rate fluctuations on cash and cash equivalents		124	281
Cash and cash equivalents as of 31 December		**26 744**	**11 767**

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1.5.0
INTRODUCTION

HIESTAND HOLDING AG (the "Company") is a company domiciled in Lupfig, Switzerland. The consolidated financial statements of the Company for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The consolidated financial statements were authorized for issue by the board of directors on 27 March 2007 and are subject to approval by the Annual General Meeting of shareholders on 9 May 2007.

1.5.1
STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and are in accordance with the Swiss law.

The accounting policies applied are unchanged to the prior year, except as set out below.

Where it has been necessary, comparable data has been reclassified or amended. HIESTAND HOLDING AG applies the following revised and new standards published by the International Accounting Standards Board as from 1 January 2006: modifications to IAS 19 – benefits employee, to IAS 39 – financial instruments and to IAS 21 – the effects of changes in foreign currencies as well as IFRS 6 – exploration and evaluation of mineral resources. HIESTAND HOLDING AG has assessed the consequences of those revised and new standards and has found no significant impact to the equity and to the result of the Group.

1.5.2
BASIS OF PREPARATION

The consolidated financial statements are presented in Swiss francs, the functional currency of HIESTAND HOLDING AG. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets available-for-sale as well as financial instruments held for trading or otherwise designated at fair value with unrealized gains and losses recognized in the income statement. Recognized assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The accounting policies set out below have been applied consistently by the Group's reporting entities and to all periods presented in these consolidated financial statements.

1.5.3
BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This is usually the case where the Group holds more than 50% of the voting rights of an entity or where it has been granted management of the entity contractually. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The following table shows the significant subsidiaries of the Group:

Company, domicile	Share capital in millions	Percentage held 2006	Percentage held 2005	Method of accounting E/F[1]
HIESTAND HOLDING AG, Lupfig (CH)	CHF 0.532	n/a	n/a	n/a
HIESTAND INTERNATIONAL AG, Schlieren (CH)	CHF 0.200	100.00	100.00	F
HIESTAND SCHWEIZ AG, Schlieren (CH)	CHF 3.500	100.00	100.00	F
TK-CENTER BIRRFELD AG, Lupfig (CH)[2]	CHF 1.500	100.00	36.50	F
HiCoPain AG, Dagmersellen (CH)	CHF 20.000	60.00	60.00	F
HIESTAND BETEILIGUNGSHOLDING GMBH & CO. KG, Gerolzhofen (DE)	EUR 0.026[6]	100.00	100.00	F
HIESTAND DEUTSCHLAND GMBH, Gerolzhofen (DE)	EUR 0.512	100.00	100.00	F
HIESTAND & SUHR HANDELS- UND LOGISTIK GMBH, Vogtsburg-Achkarren (DE)	EUR 0.025	100.00	100.00	F
FRICOPAN BACK GMBH, Berlin (DE)[3]	EUR 1.500	100.00	0.00	F
FRICOPAN BACK GMBH IMMEKATH, Immekath (DE)[3]	EUR 4.000	100.00	0.00	F
FRICOPAN MIDDLE EAST FZE, Ras Al Khaimah (UAE)[3]	AED 0.100	100.00	0.00	F
FRICOPAN UK, LTD, Romsey, Hampshire (UK)[3]	GBP 0.004	100.00	0.00	F
HIESTAND JAPAN CO., LTD, Tokio (JP)	JPY 185.000	100.00	100.00	F
HIESTAND AUSTRIA GMBH, Wiener Neudorf (AT)	EUR 0.036	100.00	100.00	F
HIESTAND POLSKA SP. Z.O.O., Grodzisk Mazowiecki (PL)	PLN 60.637	100.00	100.00	F
HIESTAND MALAYSIA SDN BHD, Bandar Baru Bangi (MY)	MYR 2.400	100.00	100.00	F
HIESTAND USA, INC., Colleyville (US)[4]	USD 0.025	0.00	100.00	F
LA NOUVELLE BOULANGERIE BACKWAREN UND-TECHNIK VERTRIEBS GMBH, Berlin (DE)[5]	EUR 0.026	25.00	0.00	n/a

1 E = accounted for using the equity method: F = fully consolidated.
2 The TK-CENTER BIRRFELD AG was acquired to 100% by HIESTAND SCHWEIZ AG in the first halfyear 2006, cp. note 2.3.
3 FRICOPAN BACK GMBH, Berlin, FRICOPAN BACK GMBH IMMEKATH, FRICOPAN UK LTD as well as FRICOPAN MIDDLE EAST FZE were acquired as per 1 November 2006, cp. note 2.3.
4 The US Operations were discontinued at October 2001 and as per 1 December 2006 closed.
5 Based on contractual agreements HIESTAND has no significant influence based on IAS 28.
6 The amount disclosed represents limited liability capital

1.5.3
BASIS OF CONSOLIDATION (CONTINUED)

Associates
Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. This is generally presumed when the Group owns between 20% and 50% of the voting rights. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. After application of the equity method, the Group assesses whether there is any objective evidence that a net investment in an associate is impaired and recognizes any impairment loss. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

The Group does currently not include any associates.

Jointly controlled entities
Jointly controlled entities are those enterprises over whose activities the Group has joint control, established by contractual agreement. Jointly controlled entities are accounted for using the equity method, from the date that joint control commences until the date that joint control ceases.

The Group does currently not include any jointly controlled entities.

Transactions eliminated on consolidation
Intragroup balances and transactions, and any unrealized gains arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

1.5.4

FOREIGN CURRENCY

Foreign currency transactions and balances

Transactions in foreign currencies are translated to Swiss francs at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Swiss francs at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Swiss francs at foreign exchange rates ruling at the dates the values were determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Swiss francs at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses as well as cash flows of foreign operations are translated to Swiss francs at average exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation of net assets, income and expenses are recognized directly in equity.

Net investment in a foreign operation

Foreign exchange differences arising on the translation of monetary items that are, in substance, a part of the net investment in a foreign operation are recognized directly in equity. Such exchange differences are recognized in profit or loss on disposal of the net investment.

Any differences that have arisen since 1 January 2004 from the translation of financial statements of foreign operations and net investments in a foreign operation are presented as a separate component of equity. Such exchange differences are recognized in profit or loss on disposal of the net investment.

Foreign exchange rates

		Year-end rates		Average rates	
in CHF		**2006**	**2005**	**2006**	**2005**
1	EUR	1.61	1.56	1.57	1.55
100	PLN	41.94	40.34	40.47	38.56
100	JPY	1.02	1.12	1.08	1.13
1	GBP	2.39	2.26	2.31	2.26
100	SGD	79.54	79.02	78.90	74.85
100	MYR	34.57	34.79	34.32	32.92
1	USD	1.22	1.32	1.25	1.25

1.5.5
CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with original maturity dates of up to 90 days, and are stated at nominal value.

1.5.6
DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are stated at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged. Gains or losses on derivative financial instruments for which no hedge accounting is applied are recognized in profit or loss immediately.

1.5.7
HEDGING

Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognized directly in equity. When the forecasted transaction results in the recognition of a financial asset or financial liability, the cumulative gain or loss is reclassified into profit or loss in the same periods during which the asset acquired or liability assumed affects profit or loss. When the forecasted transaction results in the recognition of a non-financial asset or liability, the cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the asset or liability. In any other case, the cumulative gain or loss is removed from equity and recognized in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognized in the income statement immediately.

Hedge of monetary assets and liabilities
Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognized monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognized in the income statement.

Hedge of a net investment and in foreign operation
The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognized in equity. The ineffective portion is recognized immediately in profit or loss.

Fair value hedges
Where a derivative financial instrument hedges the exposure to changes in the fair value of a recognized asset or liability (other than economical hedges of foreign exchange exposure of recognized monetary assets or liabilities), the hedged item is stated at fair value in respect of the risk being hedged. Gains or losses on remeasurement of both the hedging instrument and the hedged item are recognized in the income statement.

1.5.8
TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at their cost less any accumulated impairment losses.

1.5.9
INVENTORIES

Inventories include raw materials, auxiliary supplies and finished goods and are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling

price in the ordinary course of business, less estimated selling costs. The cost of inventories is assigned by using the weighted average cost formula. Cost includes the cost of materials, direct labor as well as a systematic allocation of fixed and variable production overheads and other costs incurred in bringing the inventories to their present location and condition.

1.5.10
ASSETS CLASSIFIED AS HELD FOR SALE

Immediately before classification as held for sale, the measurements of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable IFRS's. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in the income statement. The same applies to gains and losses on subsequent remeasurement.

1.5.11
PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor, an appropriate proportion of production overheads. Where relevant, cost also includes the cost of dismantling and removing the items and restoring the site on which they are located.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation, less subsequent depreciation and any impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance leases are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense.

Subsequent expenditure
Expenditure incurred to add to or replace a component of an item of property, plant and equipment, including major inspection and overhaul expenditure, is capitalized. All other subsequent costs are recognized in the income statement as an expense as incurred.

Depreciation
Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Land is not depreciated. Leasehold property is depreciated over the shorter of the lease term and its useful life. The estimated useful lives are as follows:

Buildings	40 years
Building installations	14 years
Plant and production equipment	10 years
Office equipment	8-12 years
IT equipment	3 years
Vehicles	3-5 years

The useful life is reviewed annually.

Investment property

Investment property is stated at cost less accumulated depreciation and impairment losses. Land is not depreciated. The estimated useful lives are as follows:

Buildings	40 years
Building installations	14 years

The useful life is reviewed annually.

1.5.12

INVESTMENTS AND OTHER FINANCIAL ASSETS

Current financial assets and other investments

Current financial assets include debt and equity instruments held for trading purposes as well as derivative assets. They are stated at fair value, with any resultant gains and losses recognized in the income statement, except for derivative assets that are designated as a cash flow hedge (see "Hedge accounting").

The fair value of publicly listed investments is their quoted market price at the balance sheet date. The fair values of other investments not publicly listed are estimated based on discounted future cash flows.

Investments are recognized/derecognized by the Group on the date it commits to purchase/sell the investments (trade date).

Loans and other financial assets

Other financial assets comprise long-term receivables such as rent deposits. Loans and other long-term receivables are stated at amortized cost less impairment losses.

1.5.13

INTANGIBLE ASSETS

Goodwill

In respect of business combinations that have occurred since 1 January 2004, goodwill represents the difference between the cost of the business combination and the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired.

In respect of business combinations that occurred prior to 1 January 2004, goodwill is included on the basis of its deemed cost, representing the amount recorded under Swiss GAAP FER at the date of transition to IFRS.

Positive goodwill is recognized as an asset and measured at cost or deemed cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Negative goodwill arising on an acquisition is recognized directly in the income statement.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in the income statement as an expense as incurred.

Expenditure on development activities is capitalized only if the product or process is technically and commercially feasible, if evidence of future use exists and if development costs can be separately determined and reliably measured. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses.

Customer relations and trademarks

Customer relations and trademarks acquired in business combinations are recognized at their fair values at the date of acquisition. They are amortized over the expected useful live, unless they are considered to gave indefinite useful lives.

Other intangible assets
Other intangible assets with a finite useful life that are acquired by the Group are stated at cost less accumulated amortization and impairment losses.

Amortization
Goodwill and other intangible assets with indefinite useful lives are not amortized. Intangible assets with a finite useful life are amortized on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

Patents and trademarks	5 years
Software	3-5 years
Customer relations	15-25 years

1.5.14
IMPAIRMENT

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually or more frequently, if there is an indication that they might be impaired. The carrying amount of assets other than goodwill, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset‘s recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Impairment losses in respect of goodwill are not reversed. An impairment loss of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

1.5.15
TRADE AND OTHER PAYABLES

Trade and other payables, other than derivative liabilities are stated at amortized cost. Derivative liabilities are stated at fair value, with any resultant gains and losses recognized in the income statement, except for derivative liabilities that are designated as a cash flow hedge (see “Hedge accounting”).

1.5.16
INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequently, interest-bearing liabilities are stated at amortized cost using the effective interest rate method.

1.5.17
PROVISIONS

A provision is recognized when the Group has a 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. If the effect is material, provisions are determined by discounting the expected future cash flows.

Restructuring
A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it.

Onerous contracts
A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

1.5.18
EMPLOYEE BENEFITS

The Group sponsors post-employment benefit plans according to the national regulations of the countries in which it operates. Furthermore, the Group maintained a share-based bonus plan for all employees.

Defined benefit plans
The significant pension plans in Switzerland qualify as defined benefit plans under IAS 19. The Group's net obligation is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on high quality bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed on an annual basis by qualified actuaries using the projected credit unit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

Actuarial gains and losses are recognized to the extent that they exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets. The amount exceeding this corridor is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan.

Where the calculation results in a surplus, a pension asset is recognized only to the extent that it represents economic benefits in the form of refunds or reductions in future contributions.

Defined contribution plans
Certain of the Group's pension schemes are defined contribution plans. Obligations for contributions to these plans are recognized as an expense in the income statement as incurred.

Share-based payments
Under the Group's stock bonus program all employees were, up to the end of financial year 2004, entitled to earn bonuses in the form of shares of the Company. Annual share allocations were based on individual goal achievement and the operational results of the respective employer.

To the extent the plan qualified as an equity-settled plan, the fair value of the shares granted was recognized as an employee expense in the period for which the bonus was earned, with a corresponding increase in equity. The fair value was measured at grant date. The amount recognized as an expense was adjusted to reflect the actual number of shares that vested.

To a certain extent, the shares granted were redeemable. Accordingly, the fair value of the liability was recognized as an employee expense in the period for which the bonus was earned. Any changes in the fair value of the liability were recognized in the income statement.

Long-term service benefits
The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods.

1.5.19

TREASURY SHARES

When share capital of HIESTAND HOLDING AG is repurchased, the amount of the consideration paid (acquisition price), including directly attributable costs and current taxes, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from equity. The consideration received when treasury shares are sold is recognized as a change in equity, whereby any amount exceeding or falling short of the original cost is recognized in additional paid-in capital.

1.5.20

REVENUE

Goods sold and services rendered
Revenue from the sale of goods is recognized net of sales deductions (such as trade discounts and rebates) when the goods are delivered and the significant risks and rewards transferred to the buyer. Commission income from logistical services rendered is recognized in proportion to the stage of their completion at the balance sheet date.

Government grants
In certain countries, the Group obtains government grants related to property, plant and equipment or other assets or in the form of refunds for certain expenses.

Grants that compensate the Group for the cost of assets are recognized initially as a deduction from the carrying amount of the respective item and subsequently released to the income statement by way of reduced depreciation charges or when the assets are derecognized.

Grants for expenses incurred or granted unconditionally are recognized in the income statement when the grant becomes receivable.

1.5.21

FINANCIAL EXPENSES AND FINANCIAL INCOME

Financial expenses and financial income comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains or losses, unrealized gains and losses on certain financial assets and liabilities (including derivatives) stated at fair value, and gains and losses on disposal of financial instruments. All borrowing costs are expensed.

Interest income is recognized in the income statement as it accrues, using the effective interest rate method. Dividend income is recognized in the income statement on the date the entity‘s right to receive payments is established which in the case of quoted securities is usually the ex-dividend date.

The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

1.5.22

INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized based on the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognized on goodwill if it is not deductible for tax purposes, and any temporary differences relating to investments in subsidiaries to the extent that they are controlled by the Group and will probably not reverse in the foreseeable future. The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

Income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

1.5.23

SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical and business segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis (including goodwill). Unallocated items comprise mainly interest-earning assets and related revenue, interest-bearing loans, borrowings and related expenses, income tax, corporate assets and related expenses.

Geographical segments
The Group is primarily managed by two geographical markets: Europe, which stands for the core of the Group, and Asia, which represents the future opportunities in a developing frozen bakery products market. Europe includes operations in Switzerland, Germany, Austria, England and Poland, whereas Asia comprises Malaysia and Japan and the respective export markets.

Geographical segment information is based on the geographical location of assets. As the sales organizations are located in the same geographical region as the customers, revenue by location of assets is identical to revenue by location of customers.

Business segments
The Group operates in the following main business segments:
The frozen bakery product segment includes the production and sale of frozen bakery products to all type of customers, including export customers. The products are sold at various convenience levels such as raw dough, pre-proven, parbaked or after defrosting ready to consume. The fresh bakery product segment includes the production and sale of fresh bakery products to selected customers. The products are only sold freshly baked and in the proximity of Zurich and Warsaw.

The retail segment consists of sales by our own baking shops and from HIESTAND operated bake-off stations.

1.5.24

IFRS STANDARDS NOT YET EFFECTIVE

The following new and revised Standards and Interpretations have been issued, but are not yet effective and are not applied early in these consolidated financial statements. Their impact on the consolidated financial statements of HIESTAND GROUP has not yet been systematically analyzed. The expected effects as disclosed in the table below reflect a first assessment by Group management.

Standard/Interpretation		Effective date	Planned application by the HIESTAND GROUP
IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	*	1 March 2006	Reporting year 2007
IFRIC 8 – Scope of IFRS 2	*	1 May 2006	Reporting year 2007
IFRIC 9 – Reassessment of Embedded Derivatives	*	1 June 2006	Reporting year 2007
IFRS 7 – Financial Instruments: Disclosures	**	1 January 2007	Reporting year 2007
Amendment to IAS 1 – Presentation of Financial Statements: Capital Disclosures	**	1 January 2007	Reporting year 2007
IFRIC 10 – Interim Financial Reporting and Impairment	*	1 November 2006	Reporting year 2007
IFRIC 11 – Group and Treasury Share Transactions	*	1 March 2007	Reporting year 2008
IFRIC 12 – Service Concession Arrangements	*	1 January 2008	Reporting year 2008
IFRS 8 – Operating Segments	**	1 January 2009	Reporting year 2009

* No or no significant impacts are expected on the consolidated financial statements of the HIESTAND GROUP.

** Mainly additional disclosures are expected in the consolidated financial statements of the HIESTAND GROUP.

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2.1 PRIMARY SEGMENT REPORTING

	EUROPE		ASIA		UNALLOCATED		ELIMINATIONS		TOTAL	
in CHF thousand	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Sales to third and related parties	490 481	424 016	27 213	26 649	–	–	–	–	517 694	450 665
Sales IC: to other area (intrasegment)	3 994	2 798	–	–	–	–	(3 994)	(2 798)	–	–
Total revenue	**494 475**	**426 814**	**27 213**	**26 649**	**–**	**–**	**(3 994)**	**(2 798)**	**517 694**	**450 665**
EBITDA	**95 387**	**82 998**	**2 497**	**3 591**	**(11 373)**	**(10 339)**	**(4 936)**	**(3 944)**	**81 575**	**72 306**
Depreciation and impairment losses	(25 585)	(23 924)	(1 151)	(796)	(140)	(136)	–	–	(26 876)	(24 856)
EBITA	**69 802**	**59 074**	**1 346**	**2 795**	**(11 513)**	**(10 475)**	**(4 936)**	**(3 944)**	**54 699**	**47 450**
Amortization of intangible assets	(2 510)	(1 661)	(92)	(78)	–	–	–	–	(2 602)	(1 739)
EBIT	**67 292**	**57 413**	**1 254**	**2 717**	**(11 513)**	**(10 475)**	**(4 936)**	**(3 944)**	**52 097**	**45 711**
Impairment losses	12	–	–	–	–	–	–	–	12	–
Share of profit/loss of associates	–	237	–	–	–	–	–	–	–	237
Assets	**590 409**	**331 429**	**16 677**	**15 124**	**669 983**	**345 988**	**(655 857)**	**(333 747)**	**621 213**	**358 794**
Intercompany	23 693	12 604	958	946	631 206	320 197	(655 857)	(333 747)	–	–
Other assets	566 716	318 825	15 719	14 178	38 777	25 791	–	–	621 213	358 794
Liabilities	**107 428**	**63 787**	**8 580**	**5 425**	**440 706**	**259 271**	**(205 892)**	**(204 477)**	**350 822**	**124 006**
Intercompany	39 869	21 459	4 923	2 273	161 100	180 745	(205 892)	(204 477)	–	–
Other liabilities	67 559	42 328	3 657	3 152	279 606	78 526	–	–	350 822	124 006
Investments in fixed assets & intangible assets	228 961	25 868	944	863	597	153	–	–	230 502	26 884

2.2 SECONDARY SEGMENT REPORTING

in CHF thousand	FROZEN 2006	FROZEN 2005	FRESH 2006	FRESH 2005	RETAIL 2006	RETAIL 2005	UNALLOCATED 2006	UNALLOCATED 2005	ELIMINATIONS 2006	ELIMINATIONS 2005	TOTAL 2006	TOTAL 2005
Sales to third parties and related parties	493 416	426 274	12 579	12 801	11 699	11 590	–	–	–	–	**517 694**	**450 665**
Assets	568 433	319 588	2 596	2 645	11 407	10 835	38 777	25 726	–	–	**621 213**	**358 794**
Investments in fixed assets and intangible assets	228 950	25 567	203	169	752	354	597	794	–	–	**230 502**	**26 884**

2.3
ACQUISITIONS OF SUBSIDIARIES

In 2006 the Group acquired the following subsidiaries:

in CHF thousand	Cash Outflow
FRICOPAN GROUP	150 906
TK-CENTER BIRRFELD AG	2 152
Total	**153 058**

FRICOPAN GROUP
On 1 November 2006, the Group acquired all the shares of FRICOPAN BACK GMBH, Berlin, FRICOPAN BACK GMBH IMMEKATH, FRICOPAN UK LTD and FRICOPAN MIDDLE EAST FZE for an amount of TEUR 89 610.

The acquisition had the following effect on the Group's assets and liabilities (provisionally determined):

Acquiree's net assets at the acquisition date:

in CHF thousand	Recognized amounts
Cash and cash equivalents	518
Current financial assets	2
Trade receivables	19 711
Current tax assets	889
Other receivables	4 228
Inventories	9 330
Deferred expenses & accrued income	83
Property, plant & equipment (PPE)	49 796
Financial assets (non-current)	1 655
Intangible assets	65 937
Interest-bearing loans and borrowings (current)	(35 838)
Trade payables	(14 426)
Other liabilities	(1 830)
Accrued expenses & deferred income	(3 780)
Deferred tax liabilities	(27 379)
Provisions	(97)
Contingent liabilities	(97)
Total net identifiable assets, liabilities and contingent liabilities	**68 701**
Goodwill on acquisition	74 253
Total (equals cost of the combination)	**142 955**
Consideration paid in cash	139 081
Costs directly attributable to the combination	3 874
Total cost of the combination	**142 955**
Cash acquired	(518)
Redemption of shareholders loan	8 469
Net cash outflow	**150 906**

2.3
ACQUISITIONS OF SUBSIDIARIES
(CONTINUED)

As a result of the purchase price allocation intangible assets totalling CHF 65.9 million (customer relationships CHF 61.6 million and trademarks CHF 4.3 million), deferred tax liabilities of CHF 27.4 million and contingent liabilities of TCHF 97 were recognized. Based on the valuations performed, the carrying amounts of property, plant and equipment as well as of inventories approximated their fair values. Apart from that, no fair value adjustments were necessary.

The remaining goodwill includes expected synergies from the acquisition, the workforce and potentially other intangible assets that could not be valued separately.

In the year 2006 the subsidiaries contributed profit of TCHF 326 to the consolidated profit. If the acquisition date had occurred on 1 January 2006, the estimated consolidated net sales for the year would have been CHF 648 million. An estimated consolidated profit for the same period is impracticable to be determined due to the lack of data.

TK-CENTER BIRRFELD AG

On 24 February 2006 HIESTAND SCHWEIZ AG acquired 27% of the shares and on 30 March 2006 the remaining 36.5% of the shares of TK-CENTER BIRRFELD AG. After these transactions HIESTAND SCHWEIZ AG controls 100% of the company which had been included as an associate company before with 36.5%. Since the date control has been acquired, TK-CENTER BIRRFELD AG is fully consolidated.

The acquisition had the following effect on the Group's assets and liabilities:

Acquiree's net assets at the date control has been acquired:

in CHF thousand	**Recognized amounts**
Cash and cash equivalents	2 696
Trade receivables	1 229
Other receivables	393
Deferred expenses and accrued income	123
Property, plant and equipment	13 602
Investment property	2 054
Intangible assets	108
Trade payables	(578)
Other liabilities	(642)
Loan from HIESTAND	(6 300)
Other interest-bearing loans and borrowings	(10 800)
Accrued expenses and deferred income	(320)
Provisions	(25)
Deferred tax assets	76
Total net identifiable assets, liabilities and contingent liabilities	**1 616**

As mentioned above, HIESTAND acquired the control over the subsidiary in several steps. In terms of a so called "step acquisition" a negative goodwill was determined by comparing the acqusition price with the acquired net assets. Based on the valuations performed, the carrying amounts of property, plant and equipment as well as of inventories approximated their fair values. Apart from that, no fair value adjustments were necessary.

2.3

ACQUISITIONS OF SUBSIDIARIES

(CONTINUED)

The initial investment of 36.5% had been acquired at the time of foundation of the company in 1992 amounting to TCHF 563. There was no goodwill recognized at that time.

The carrying amount of the investment determined by using the equity method amounted to TCHF 688 as at 24 February 2006. In the course of the first-time consolidation an amount of TCHF 68 representing prior changes to the carrying amount has been charged to equity with no impact on the income statement.

As a result of the acquisition transaction in the first halfyear 2006 a negative goodwill of TCHF 202 has been recognized in the income statement in accordance with IFRS 3.

The net cash outflow of the acquisition amounts to TCHF 2 152 in 2006 and comprises:

Purchase price for 63.5%	(851)
Cash acquired	2 696
Redemption of shareholders' loan	(3 997)
Cash outflow relating to the acquisition in 2006	**(2 152)**

Since the first-time consolidation the subsidiary contributed profit of TCHF 591 to the consolidated profit. If the acquisition date had occurred on 1 January 2006, the estimated consolidated net sales would have been CHF 518 million. An estimated consolidated profit for the same period would have increased by about CHF 0.4 million.

The full consolidation of TK-CENTER BIRRFELD AG has the effect that the shareholders' loan of TCHF 6 300 (TCHF 2 303 as at 31 December 2005) is now being eliminated and no longer presented on the consolidated balance sheet.

2.4
INCOME TAX EXPENSE

Recognized in the income statement

in CHF thousand	2006	2005
Current tax expense		
Current year	10 853	9 465
Adjustments to prior years	(358)	(1 073)
Total current tax expense	**10 495**	**8 392**
Deferred tax expense		
Originating and reversal of temporary differences	2 890	3 178
Benefit of tax losses recognized	(952)	(1 065)
Total deferred tax expense	**1 938**	**2 113**
Total income tax expense in income statement	**12 433**	**10 505**

Reconciliation of effective tax rate

in CHF thousand		2006		2005
Profit before tax		**49 091**		**42 461**
Income tax using weighted average domestic corporation tax rate	25.0%	12 274	29.3%	12 452
Non-deductible expenses	2.2%	1 068	4.7%	1 999
Tax exempt revenues	-2.0%	(975)	-6.2%	(2 640)
Effect of tax losses utilized	0.9%	424	-0.5%	(233)
Under/(Over) provided in prior years	-0.7%	(358)	-2.5%	(1 073)
Total income tax expense in income statement	**25.3%**	**12 433**	**24.7%**	**10 505**

The decrease in the weighted average tax rate mainly stems from the profit contribution mix of the subsidiaries. There was no tax rate change in any of the Group companies in 2006.

Current tax recognized directly in equity in 2006 amounts to TCHF 16 (prior year: TCHF 28).

Current tax assets and liabilities
The current tax asset of TCHF 4 340 (prior year: TCHF 93) represents the amount of income taxes recoverable in respect of current and prior year periods that exceeds payments.

The current tax liabilities represent the amount estimated of income tax owing to authorities at the balance sheet date of 31 December 2006 TCHF 12 128 (prior year: TCHF 10 391).

2.5

DEFERRED TAX ASSETS AND LIABILITIES

Recognized deferred tax assets and liabilities		**Assets**		**Liabilities**
in CHF thousand	**2006**	**2005**	**2006**	**2005**
Trade accounts receivable	–	–	209	231
Inventories	(132)	(71)	1 000	685
Prepaid expenses and accrued income	–	–	838	1 232
Property, plant and equipment	(742)	(502)	10 290	6 012
Intangible assets	(4)	(2)	30 127	4 519
Loans due from intercompany	–	–	2 181	1 666
Employee benefit assets	–	–	149	158
Other assets	(5)	(2)	54	90
Employment benefit obligations	(185)	(212)	4	37
Other liabilities	(2 228)	(743)	3 169	1 241
Deferred tax asset on tax loss carry forward	(886)	(336)	–	–
Total (Assets)/Liabilities	**(4 182)**	**(1 868)**	**48 021**	**15 871**
Set off of tax	3 265	1 307	(3 265)	(1 307)
Net tax (Assets)/Liabilities	**(917)**	**(561)**	**44 756**	**14 564**

The change in consolidation scope contributed TCHF 27 303 to the increase in net deferred tax liabilities in the amount of TCHF 29 836.

2.5

DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

in CHF thousand	2006	2005
Deductible temporary differences	–	–
Not recognized tax losses carry forward	8 025	6 975
Total	**8 025**	**6 975**

Expiry of losses for which future benefits are not recognized as deferred tax assets

in CHF thousand	2006	2005
Balance sheet date + 5 years	1 254	–
Balance sheet date + 6 years	–	1 597
Balance sheet date equals or above 10 years	30 587	24 339
Total	**31 841**	**25 936**

2.6

CASH AND CASH EQUIVALENTS

in CHF thousand	2006	2005
Bank balances	26 744	11 767
Call deposits	–	–
Cash and cash equivalents	**26 744**	**11 767**

2.7

TRADE AND OTHER RECEIVABLES

in CHF thousand	2006	2005
Trade receivables due from third parties	69 875	48 882
Trade receivables due from related parties	1 829	1 116
Total trade receivables	**71 704**	**49 998**

The valuation allowances on trade accounts receivable amount to TCHF 2 114 (prior year: TCHF 1 874).

in CHF thousand	2006	2005
Other receivables due from third parties	9 948	6 173
Other receivables due from related parties	79	11
Total other receivables	**10 027**	**6 184**
Total trade and other receivables	**81 731**	**56 182**

Other receivables due from third parties mainly comprise claims for refunds from government institutions.

2.8

INVENTORIES

in CHF thousand	2006	2005
Raw materials and auxiliary supplies	8 163	4 634
Finished goods	25 309	18 460
Total inventories	**33 472**	**23 094**

As a result of a high inventory turnover and marginal inventory losses, no significant valuation allowances were recognized (TCHF 308; prior year: TCHF 439).

2.9
ASSETS HELD FOR SALE

As at the closing balance sheet date 31 December 2006 the Group had non-current assets held for sale amounting to TCHF 221 (prior year: TCHF 14). This relates to plant and equipment held by the subsidiary HIESTAND SCHWEIZ AG. The assets mentioned in the prior year were sold at TCHF 2.

These are mainly assets such as ovens and freezers, which are stored before they are resold to customers at their market value (Primary segment: Europe and Secondary Segment: Frozen), which is expected to be the same as the net book value. These items are expected to be sold during the next 12 months.

Impairment losses and subsequent reversal
The impairment loss amount during 2006 amounts to TCHF 12. There were no impairment losses and reversals during 2005.

2.10
EFFECT OF THE DISPOSAL GROUP COMPANIES

Disposals
On 1 July 2005, the Group disposed of all the shares of HIESTAND ASIA PACIFIC PTE LTD and FINE SWISS FOODS PTE LTD for an amount of TCHF 0.

The disposal had the following effect on the Group's assets and liabilities:

Recognized values in CHF thousand	**HIESTAND ASIA PACIFIC**	**FINE SWISS FOODS**	**Total**
Cash and cash equivalents	301	2	303
Trade receivables	425	–	425
Other receivables	5	–	5
Inventories	256	–	256
Deferred expenses & accrued income	23	–	23
Financial assets (non-current)	123	–	123
Interest-bearing loans and borrowings (current)	(23)	–	(23)
Trade payables	(41)	–	(41)
Other liabilities	(26)	–	(26)
Accrued expenses & deferred income	(265)	(2)	(267)
Interest-bearing loans and borrowings (non-current)	(778)	–	(778)
Cash disposed of	**(301)**	**(2)**	**(303)**

2.11

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

PROPERTY, PLANT AND EQUIPMENT

in CHF thousand	Land	Buildings	Plant and production equipment	Prepayment and PP&E under construction	Other equipment	Total
Cost						
Balance as of 1 January 2005	**4 080**	**70 946**	**142 976**	**31 418**	**32 868**	**282 288**
Other acquisitions	–	2 782	3 383	13 378	6 150	25 693
Transfer/Other	–	3 546	35 062	(43 706)	5 098	–
Transfer to non-current assets held for sale	–	–	(8)	–	–	(8)
Disposals	–	(1 168)	(2 002)	–	(2 374)	(5 544)
Effects of movement in foreign exchange	188	1 841	2 275	25	446	4 775
Balance as of 31 December 2005	**4 268**	**77 947**	**181 686**	**1 115**	**42 188**	**307 204**
Balance as of 1 January 2006	**4 268**	**77 947**	**181 686**	**1 115**	**42 188**	**307 204**
Acquisitions through business combinations	2 751	21 680	33 534	2 753	2 680	63 398
Other acquisitions	28	2 163	6 646	4 008	12 322	25 167
Transfer/Other	–	835	901	(1 887)	149	(2)
Transfer to non-current assets held for sale	–	–	(33)	–	(221)	(254)
Disposals	–	(182)	(3 083)	–	(2 044)	(5 309)
Effects of movement in foreign exchange	163	2 090	2 845	100	639	5 837
Balance as of 31 December 2006	**7 210**	**104 533**	**222 496**	**6 089**	**55 713**	**396 041**
Depreciation and impairment losses						
Balance as of 1 January 2005	**48**	**15 652**	**75 179**	**–**	**21 992**	**112 871**
Depreciation charge for the year	4	3 329	16 971	–	4 552	24 856
Transfer to non-current assets held for sale	–	–	(5)	–	–	(5)
Disposals	–	(1 130)	(1 781)	–	(1 745)	(4 656)
Effects of movement in foreign exchange	8	404	1 258	–	266	1 936
Balance as of 31 December 2005	**60**	**18 255**	**91 622**	**–**	**25 065**	**135 002**
Balance as of 1 January 2006	**60**	**18 255**	**91 622**	**–**	**25 065**	**135 002**
Depreciation charge for the year	4	3 817	16 895	–	6 160	26 876
Transfer/Other	–	–	(7)	–	7	–
Transfer to non-current assets held for sale	–	–	(33)	–	–	(33)
Disposals	–	(174)	(2 796)	–	(1 374)	(4 344)
Effects of movement in foreign exchange	–	508	1 496	–	299	2 303
Balance as of 31 December 2006	**64**	**22 406**	**107 177**	**–**	**30 157**	**159 804**

2.11

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Carrying amounts in CHF thousand	Land	Buildings	Plant and production equipment	Prepayment and PP&E under construction	Other equipment	Total
As of 31 December 2005	**4 208**	**59 692**	**90 064**	**1 115**	**17 123**	**172 202**
As of 31 December 2006	**7 146**	**82 127**	**115 319**	**6 089**	**25 556**	**236 237**

Transfers 2006 were recognized in Software (refer to 2.12.).

Impairment losses and subsequent reversal
There were no impairment losses and reversals during 2006 and 2005.

Leased plant and machinery
The carrying amount of assets held under finance leases amounts to TCHF 126 as of 31 December 2006 (prior year: TCHF 196).

Capital commitments
As of 31 December 2006 the capital commitment amounts to TCHF 9 592 (prior year: nil).

Fire insurance value
As of 31 December 2006 the fire insurance value amounts to TCHF 347 529 (prior year: TCHF 250 679).

Pledged assets
As of 31 December 2006 the book value of pledged assets amounts to TCHF 45 394 (prior year: TCHF 30 931).

INVESTMENT PROPERTY
The investment property relates to a land reserve owned by TK-CENTER BIRRFELD AG, Lupfig. The carrying amount as of 31 December 2006 amounts to TCHF 2 054 (prior year: nil) representing the fair value of the asset at the time control has been assumed (see 2.3).

2.12

INTANGIBLE ASSETS

in CHF thousand	Goodwill	Software	Customer Relationships	Other Intangible Assets (Finite lives)	Other Intangible Assets (Indefinite lives)	Total
Cost						
Balance as of 1 January 2005	**74 774**	**7 626**	**–**	**1 206**	**–**	**83 606**
Acquisitions through business combinations	606	–	–	–	–	606
Other acquisitions	–	585	–	–	–	585
Transfer/Other	1	–	–	(1)	–	–
Disposals	–	(180)	–	–	–	(180)
Effects of movement in foreign exchange	1 103	108	–	10	–	1 221
Balance as of 31 December 2005	**76 484**	**8 139**	**–**	**1 215**	**–**	**85 838**
Balance as of 1 January 2006	**76 484**	**8 139**	**–**	**1 215**	**–**	**85 838**
Acquisitions through business combinations	74 253	175	61 544	–	4 327	140 299
Other acquisitions	–	1 528	–	110	–	1 638
Transfer/Other	–	2	–	–	–	2
Effects of movement in foreign exchange	3 489	96	778	37	55	4 455
Balance as of 31 December 2006	**154 226**	**9 940**	**62 322**	**1 362**	**4 382**	**232 232**
Amortization and impairment losses						
Balance as of 1 January 2005	**342**	**3 353**	**–**	**164**	**–**	**3 859**
Amortization charge for the year	–	1 556	–	183	–	1 739
Disposals	–	(180)	–	–	–	(180)
Effects of movement in foreign exchange	–	49	–	1	–	50
Balance as of 31 December 2005	**342**	**4 778**	**–**	**348**	**–**	**5 468**
Balance as of 1 January 2006	**342**	**4 778**	**–**	**348**	**–**	**5 468**
Amortization charge for the year	–	1 806	599	197	–	2 602
Effects of movement in foreign exchange	–	78	14	9	–	101
Balance as of 31 December 2006	**342**	**6 662**	**613**	**554**	**–**	**8 171**

2.12

INTANGIBLE ASSETS (CONTINUED)

Carrying amounts in CHF thousand	Goodwill	Software	Customer Relationships	Other Intangible Assets (Finite lives)	Other Intangible Assets (Indefinite lives)	Total
As of 31 December 2005	**76 142**	**3 361**	**–**	**867**	**–**	**80 370**
As of 31 December 2006	**153 884**	**3 278**	**61 709**	**808**	**4 382**	**224 061**

The increase in goodwill and other intangible assets in 2006 are due to the acquisition of FRICOPAN BACK GMBH, Berlin, FRICOPAN BACK GMBH IMMEKATH, FRICOPAN UK LTD and FRICOPAN MIDDLE EAST FZE.

Other intangible assets with indefinite useful lives are trademarks acquired in the above mentioned business combination. The useful life of the trademarks is presently considered to be indefinite, therefore the assets are not systematically amortized.

Impairment loss and subsequent reversal

There were no impairment losses and reversals during 2006.

Allocation of goodwill and intangible assets with indefinite useful lives:

The cash generating units (CGU) are defined as follows:

CGU	Goodwill	Other Intangible Assets (Indefinite lives)
HIESTAND & SUHR HANDELS- UND LOGISTIK GMBH	70 639	–
HIESTAND POLSKA SP. Z.O.O.	8 053	–
FRICOPAN GROUP[1]	75 192	4 382
Total as of 31 December 2006	**153 884**	**4 382**

1 The integration of FRICOPAN in the HIESTAND GROUP structure has not yet been finalized.

Impairment tests for cash-generating units containing goodwill and intangible assets with indefinite useful lives

HIESTAND & SUHR HANDELS- UND LOGISTIK GMBH and HIESTAND POLSKA SP.Z.O.O.

The last impairment test was performed as of 31 December 2006 based on the present and expected future performance of the above cash generating units. The future performance is based on the detailed budgets for the years 2007, 2008 and 2009. Thereafter, cash flows were extrapolated using a growth rate of 0%.

These detailed budgets were used for a free cash flow calculation by CGU with a discount rate of 8% and led to a value in use. This value in use was compared with the actual net assets of the respective CGU.

Based on the impairment tests as of closing date for HIESTAND BETEILIGUNGSHOLDING GMBH & CO. KG, HIESTAND & SUHR HANDLES- UND LOGISTIK GMBH and HIESTAND POLSKA SP.Z.O.O., the value of all goodwill positions held is confirmed. In the opinion of management, there are no realisticly possible changes to the applied assumptions that may result in an impairment loss. This excludes unforeseen circumstances.

FRICOPAN GROUP

An impairment test was perfomed as of closing date by comparing the carrying amount of the CGU to ist fair value less costs to sell. The fair value was determined based on discounted cash flows for the years 2007 – 2011, using a discount rate of 7.2% and a growth rate of 1.5% to extrapolate the cash flow projections. The discount rate was determined based on information of comparable listed companies.

Based on the impairment tests, the fair value less costs to sell exceeds the carrying amount by CHF 15 millions. The following changes to the applied assumptions would result in the recoverable amount equaling the respective carrying amount:

– Increase in the discount rate of approximately 0.7 percentage points, or
– decrease in the growth rate by approximately 0.8 percentage points

Capital commitments

As per 31 December 2006 there are no capital commitments (prior year: nil).

2.13

INVESTMENTS IN ASSOCIATES

The following are the significant associates:

Company, domicile	Share capital in millions	Percentage held 2006	Percentage held 2005	Method of accounting E/F [1]	Carrying amount 2006	Carrying amount 2005
TK-CENTER BIRRFELD AG, Lupfig (CH)	1.500	100.00	36.50	F	–	836

As of 1 March 2006 fully consolidated (refer to 2.3).

Summary financial information on associates - 100 per cent:

2005 in CHF thousand	Assets	Liabilities	Equity	Revenues	Profit/(loss)
TK-CENTER BIRRFELD AG, Lupfig (CH)	20 555	18 207	2 348	8 215	648

1 E = accounted for using the equity method; F= fully consolidated

2.14

OTHER FINANCIAL ASSETS

Other Non-current financial assets

in CHF thousand	2006	2005
Rental deposits	380	259
Customs deposits	340	321
Other	1 930	285
Total	**2 650**	**865**

Among others the other non-current financial assets include the minority investment of LA NOUVELLE BOULANGERIE BACKWAREN UND- TECHNIK VERTRIEBS GMBH, Berlin (Carrying amount: TCHF 1 676).

Current financial assets

in CHF thousand	2006	2005
Equity securities held for trading	2 736	2 632
Other	–	–
Total	**2 736**	**2 632**

These equity securities are held as cash reserve.

2.15

TRADE AND OTHER PAYABLES

Trade payables

in CHF thousand	2006	2005
Trade payables (Third parties)	49 162	23 567
Trade payables (Related parties)	–	571
Total	**49 162**	**24 138**

Other payables

in CHF thousand	2006	2005
Other payables (Third parties)	4 697	9 113
Other payables (Related parties)	160	–
Derivative liabilities	–	3
Pension funds	149	22
Total	**5 006**	**9 138**

2.16

INTEREST-BEARING LOANS AND BORROWINGS

Non-current liabilities

in CHF thousand	2006	2005
Bank liabilities	156 148	–
Finance lease liabilities	78	137
Mortgages	6 586	16 696
Loans from third parties	8 600	12 000
Total	**171 413**	**28 833**

Current liabilities

in CHF thousand	2006	2005
Bank liabilities	32 387	13 630
Finance lease liabilities	173	108
Mortgages	11 530	4 459
Loans from third parties	–	2 400
Total	**44 089**	**20 597**

2.16

INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Bank loans and Bank liabilities	2006		2005	
in CHF thousand		Interest rate		Interest rate
Fixed advances and investement loan				
HIESTAND HOLDING AG, Lupfig: investment loan	156 148	2.94%	–	–
HIESTAND HOLDING AG, Lupfig: short term part of the investment loan and other bank liabilities	9 396	1.00% - 2.94%	8 978	1.20% - 2.90%
HIESTAND DEUTSCHLAND GMBH, Gerolzhofen	805	4.22%	3 896	2.96% - 3.00%
HIESTAND & SUHR HANDELS- UND LOGISTIK GMBH, Vogtsburg-Achkarren	982	4.57%	756	4.57%
FRICOPAN BACK GMBH, Berlin	7 123	3.35% - 3.55%	–	–
FRICOPAN BACK GMBH IMMEKATH, Immekath	14 081	3.80% - 6.00%	–	–
Total	**188 535**		**13 630**	

The investment loan of the HIESTAND HOLDING AG, Lupfig was raised in light of the acquisition of the FRICOPAN GROUP. The variable interest rate is determined for 1 to 36 month based on LIBOR or SWAP rate plus a margin. The credit contract is valid till 31 December 2012 with a repayment schedule for part of the facilities. The HIESTAND GROUP is subject to various debt covenants in connection with this investment loan (see 2.26).

Mortgage loans

These mortgage loans are collateralized with mortgage notes on real estate owned by the HIESTAND GROUP. Mortgage notes of TCHF 0 (prior year: TCHF 7 000) encumbering the properties in Schlieren secure mortgage loans in the amount of TCHF 0 (prior year: TCHF 5 575). The interest rate in the prior year: 1.90%.

Registered credit lines secured by land totalling TEUR 11 555 (prior year: TEUR 11 555) encumber the properties in Gerolzhofen. They secure mortgage loans in favor of HIESTAND DEUTSCHLAND GMBH, Gerolzhofen, amounting to TCHF 7 309 (prior year: TCHF 7 077) non-current and TCHF 3 391 (prior year: TCHF 4 459) as current mortgage loan. The applicable interest rates vary by contract and range between 3.87% and 4.00% (prior year: 3.87% and 4.00%).

Registered credit lines secured by land totalling TEUR 3 800 (prior year: TEUR 3 800) encumber the properties in Vogtsburg-Achkarren. They secure mortgage loans in favor of HIESTAND SUHR & HANDELS -UND LOGISTIK GMBH, Vogtsburg-Achkarren, amounting to TCHF 3 195 (prior year: TCHF 4 044). The applicable interest rate for 2006 by contract amounts to 3.8% (prior year: 3.8%).

Registered credit lines secured by land and buildings totalling TEUR 3 826 encumber the properties in Berlin. They secure mortgage loans in favor of FRICOPAN BACK GMBH, Berlin, amounting to TCHF 4 388. The applicable interest rates vary by contract and range between 3.55% and 4.20%.

Registered credit lines secured by land and buildings totalling TEUR 5 483 encumber the properties in Immekath. They secure mortgage loans in favor of FRICOPAN BACK GMBH IMMEKATH, Immekath, amounting to TCHF 3 224. The applicable interest rates vary by contract and range between 4.50% and 5.60%.

Loans from third parties

As of 31 December 2006 the loans from third parties have an interest rate of 3% (prior year: 3%).

2.16
INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Finance lease liabilities

Finance lease liabilities are repayable as follows:

in CHF thousand	Minimum lease payments 2006	Interest 2006	Principle 2006	Minimum lease payments 2005	Interest 2005	Principle 2005
Less than one year	221	48	173	122	14	108
Between one and five years	86	8	78	100	10	91
More than five years	–	–	–	53	6	46
Total	**307**	**56**	**251**	**275**	**30**	**245**

These lease contracts relate mainly to car and office equipment.

Interest-bearing liabilities by currency in original currency and due dates

in CHF thousand	Current	Non-Current	2006	Current	Non-Current	2005
EUR	34 519	6 586	41 106	15 345	11 131	26 476
CHF	7 049	164 826	171 875	2 468	17 703	20 171
JPY	2 521	–	2 521	2 784	–	2 784
Total	44 089	171 413	**215 502**	20 597	28 833	**49 430**
Thereof is due in <1 year	44 089	–	**44 089**	20 597	–	**20 597**
Thereof is due in 1-5 years	–	94 586	**94 586**	–	27 470	**27 470**
Thereof is due in >5 years	–	76 826	**76 826**	–	1 364	**1 364**

2.17

EMPLOYEE BENEFITS

in CHF thousand	2006	2005
Present value of unfunded obligations	(686)	(741)
Present value of funded obligations	(51 330)	(38 040)
Fair value of plan assets	50 111	37 523
Present value of net assets/ (obligations), net	**(1 905)**	**(1 258)**
Unrecognized actuarial gains and losses	2 776	2 084
Unrecognized asset due to asset ceiling	(989)	(863)
Recognized asset/(liability) for defined benefit obligations, net	**(118)**	**(37)**
Provision for long-term service benefits	(442)	(327)
Total employee benefits, net	**(560)**	**(364)**

Presented in the balance sheet as follows:		
Employee benefit assets	680	718
Employee benefit obligations	(1 240)	(1 082)
Total employee benefits, net	**(560)**	**(364)**

Recognized employee benefit assets represent prepaid employer contributions to pension plans.

Movements in the present value of the funded defined benefit obligation and in plan assets

in CHF thousand	2006	2005
Defined benefit obligation at 1 January	**38 040**	**29 779**
Acquisitions through business combinations	2 968	–
Current service cost	3 890	3 065
Interest cost	1 304	998
Actuarial losses (gains)	1 605	2 290
Benefits paid	3 523	1 908
Defined benefit obligation at 31 December	**51 330**	**38 040**
Fair value of plan assets at 1 January	**37 523**	**30 583**
Acquisitions through business combinations	2 950	–
Expected return	1 228	889
Actuarial gains (losses)	913	179
Contributions	3 974	3 964
Benefits paid	3 523	1 908
Fair value of plan assets 31 December	**50 111**	**37 523**

Movements in the net asset/(liability) for defined benefit obligations recognized in the balance sheet

in CHF thousand	2006	2005
Net liability for defined benefit obligations 1 January	(37)	146
Acquisitions through business combinations	(18)	–
Employer contributions	2 435	2 208
Expense recognized in income statement	(2 498)	(2 391)
Net movement	(81)	(183)
Recognized asset/(liability) for defined benefit obligations, net	**(118)**	**(37)**

Expense recognized in the income statement

in CHF thousand	2006	2005
Current service costs	3 890	3 065
Interest on obligation	1 304	998
Expected return on plan assets	(1 228)	(889)
Additional expense due to asset ceiling	127	612
(Decrease)/Increase of unfunded obligations, net	(55)	257
Expense for defined benefit plans, gross	**4 038**	**4 043**
Less employees' contributions	(1 540)	(1 652)
Expense for defined benefit plans, net	**2 498**	**2 391**

in CHF thousand	2006	2005
Actual return on plan assets	(2 142)	(1 066)

The expected return on plan assets is based on market expectations for the respective asset categories over the entire life of the related obligation. The difference between the expected and actual return represents an actuarial gain or loss.

The expected payment for employer contributions in the year 2007 is estimated at CHF 2.5 million.

Liability for defined benefit obligations

Principle actuarial assumptions at the balance sheet date (expressed as weighted average):

in CHF thousand	2006	2005
Discount rate	3.00%	3.25%
Expected return on plan assets	2.75%	2.75%
Future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%

The following table shows the funded defined benefit obligation and the impact of historical deviations between expected and actual return on plan assets for the last two years:

in CHF thousand	2006	2005
Present value of funded obligations 31 December	(51 330)	(38 039)
Fair value of plan assets 31 December	50 111	37 522
Surplus/(Deficit)	**(1 219)**	**(517)**

Experience adjustments on:

in CHF thousand	2006	2005
Plan assets	1 000	179
Plan liabilities	1 605	2 290

2.17

EMPLOYEE BENEFITS (CONTINUED)

The plan assets as per 31 December were invested in following asset categories:

	2006	2005
Equity instruments	10%	12%
Debt instruments	44%	64%
Property	18%	7%
Cash and other financial assets, including insurance entitlements	28%	17%
Total	**100%**	**100%**

Share based payments

During the year 2006 no share based payments were granted.

In the year 2005 there was an agreement in place with a senior-level management member stipulating that in the event the Group reaches consolidated sales of more than CHF 1 billion and/or the HIESTAND share price reaches CHF 1 000, a share bonus of TCHF 2 500 is granted. The share price target was reached on 9 June 2005 and 2 500 shares were allocated in the year 2005. The agreement does not fall under the IFRS 2 due to the transitional provisions of the standard. The transaction therefore did not effect net income but was recognized in equity.

2.18

PROVISIONS

in CHF thousand	Litigation	Site restoration	Onerous contracts	Other provisions	Total
Balance as at 1 January 2005	**–**	**544**	**3 210**	**220**	**3 974**
Provisions made during the year	–	–	90	–	90
Provisions used during the year	–	–	(1 852)	–	(1 852)
Provisions reversed during the year	–	–	(281)	(234)	(515)
Unwind of discount	–	9	91	–	100
Foreign exchange effects	–	–	52	14	66
Balance as at 31 December 2005	**–**	**553**	**1 309**	**–**	**1 862**
Balance as at 1 January 2006	**–**	**553**	**1 309**	**–**	**1 862**
Acquisition through business combination	98	25	98	–	221
Provisions made during the year	–	44	–	–	44
Provisions used during the year	(96)	–	(245)	–	(341)
Provisions reversed during the year	–	–	(204)	–	(204)
Unwind of discount	–	–	142	–	142
Foreign exchange effects	–	–	33	–	33
Balance as at 31 December 2006	**2**	**622**	**1 133**	**–**	**1 757**

Onerous contracts relate mainly to a long-term rent contract in Austria which is continuously used till 2011.

The provision for site restoration was discounted at 8%. The respective asset will be depreciated over the contractual period and it could be earliest realized at the end of the rental contract in the year 2011.

2.19

COMMITMENTS AND CONTINGENT LIABILITIES

HIESTAND entered into long-term lease contracts up to 10 years with an optional extension for production sites, which are not owned by the HIESTAND GROUP (see also 2.27) and into a bid bond for raw material amounting to TCHF 1 287 (prior year: TCHF 1 247). Additionally HIESTAND DEUTSCHLAND entered into delivery contracts with their raw material suppliers amounting to TCHF 10 137 (prior year: nil). There are no other material commitments and contingent liabilities.

2.20
EQUITY

Share capital

	Ordinary shares	
in CHF thousand	**2006**	**2005**
On issue at 1 January	532	526
Issued under the employee share bonus program	–	6
On issue at 31 December – Fully paid	**532**	**532**

The share capital is composed of 531 930 registered shares with a par value of CHF 1.– each. In 2005, based on the employee share bonus program, 5 775 registered shares were issued out of the authorized capital.

The balance of the treasury shares amounts to 1 001 (prior year: 1 326).

Dividends

The General Meeting has, based on the proposal of the Board of Directors, approved a dividend of CHF 15.– per registered share in 2006 for the year 2005.

in CHF thousand	**2006**	**2005**
Dividends paid	7 963	5 232
Total	**7 963**	**5 232**

Proposed appropriation of available earnings

The Board of Directors proposes to the General Meeting the following appropriation of available earnings:

in CHF thousand	**2006**	**2005**
Available earnings	71 545	56 327
Payment of a dividend of CHF 18.– per registered share (prior year: CHF 15.–)	9 575	7 979
To be carried forward	61 971	48 348
Total	**71 545**	**56 327**

2.21
EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2006 was based on the profit attributable to ordinary shareholders of TCHF 34 287 and a weighted average number of ordinary shares outstanding during the year ended 31 December 2006 of 530 850, calculated as follows:

Profit attributable to ordinary shareholders

in CHF thousand	**2006**	**2005**
Profit for the period attributable to the shareholders of the parent company	34 287	31 373
Profit for the period attributable to the shareholders of the parent company	**34 287**	**31 373**

Weighted average number of ordinary shares

in shares	**2006**	**2005**
Number of ordinary shares issued at 1 January	531 930	526 155
Weighted effect of treasury shares	(1 080)	(2 194)
Weighted effect of shares issued in connection with the employee share bonus program	–	4 331
Weighted average number of ordinary shares	**530 850**	**528 292**

Diluted earnings per share

The diluted earnings per share show the same amounts as the basic earnings per share since there are no dilution effects.

2.22

PERSONNEL EXPENSES

in CHF thousand	2006	2005
Wages and salaries	105 922	87 398
Compulsory social security contributions	14 597	8 636
Contributions to defined contribution plans	726	2 622
Expenses for defined benefit plans, net	2 498	2 391
Increase in liability for long-term service benefits	115	263
Employee cash bonus program	4 953	5 476
Total	**128 811**	**106 786**

2.23

OTHER OPERATING INCOME

in CHF thousand	2006	2005
Other operating income	4 214	2 932

This amount includes services which are not directly related with the main activities of the HIESTAND GROUP such as marketing and transport services. Furthermore the income derived from the sales of ovens and freezers for our customers is presented here, whereas the respective expenses are shown in other operating expenses.

2.24

OTHER OPERATING EXPENSES

in CHF thousand	2006	2005
Rental expenses	10 617	9 003
Energy and Waste Disposal	11 036	7 912
Property expenses	111	107
Repair and maintenance expenses	8 645	6 117
Distribution (transportation and storage)	37 709	45 206
Marketing expenses	6 096	4 468
Selling expenses	11 118	9 540
Other operating expenses	17 555	13 967
Total	**102 887**	**96 320**

Other operating expenses include, among others, expenses for communication, office material, insurance, audit fees, the costs of the Annual General Meeting, the annual report and public relations, as well as various consulting expenses.

2.25

NET FINANCING COSTS

in CHF thousand	2006	2005
Interest income	177	237
Dividend income	171	–
Foreign exchange gains	8 627	7 034
Badwill out of acquisition	202	–
Gain derived from trading and other investments incl. derivatives	224	139
Financial Income	**9 401**	**7 410**
Interest expense	2 888	3 139
Foreign exchange losses	9 045	6 667
Write off on financial assets	379	994
Loss derived from trading investments incl. derivatives	95	97
Financial expenses	**12 407**	**10 897**
Net financing costs	**(3 006)**	**(3 487)**

2.26
FINANCIAL INSTRUMENTS

Derivative financial instruments

HIESTAND DEUTSCHLAND GMBH, Gerolzhofen, was party of an interest rate swap contract which expired on 31 March 2006. The contract partner was Deutsche Genossenschaftsbank Bayern, Würzburg. The contract volume amounted to TEUR 575. The unrealized loss incurred on this contract in 2006 amounted to TEUR nil (prior year: TEUR 2). During the current year, HIESTAND GROUP did not use any other derivative financial instruments.

The interest swap contract expired on 31 March 2006 and the variable interest rate amounts to 2.8919%.

No hedge accounting was applied in 2006 and 2005.

Interest rate risk

Interest rate risk arises from movements in interest rates which could have effects on the Group's net income or financial position. Changes in interest rates may cause variations in interest expenses resulting from interest-bearing liabilities. The interest rates on the Groups financial liabilities are variable and are currently not hedged.

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet their obligations causing a financial loss. HIESTAND has no significant concentration of credit risks due to the large number of customers.

Foreign exchange risk

The Group is exposed to movements in foreign currencies affecting its net income and financial position, expressed in Swiss Francs. For many group companies revenues and operating expenses are primarily in their local currency. Therefore, foreign exchange exposure arises mainly on net balances of monetary assets held in foreign currencies. They are currently not hedged.

Liquidity risk

The group maintains sufficient reserves of cash and readily realizable marketable securities to meet its liquidity requirements. Individual Group companies are generally responsible for their own cash management. Short term investment of cash surpluses and the raising of loans to cover cash deficits is subject to approval from group management.

Debt Covenants

The Group is financed by banks which stipulate in their contracts debt covenant factors of less than 2.5 (level of indebtness), a net asset ratio of more than 30% with a minimum total equity of CHF 200 million and an interest coverage factor of bigger than 6.0. As of 31 December 2006 HIESTAND complied with all financial covenants.

Pledged financial assets

An intra-group loan in the amount of CHF 12.9 million (prior year: CHF 18.0 million), embodying net assets of the Group and the investment in this subsidiary amounting to CHF 12.0 million (prior year: CHF 12.0 million) have been pledged as collateral for liabilities due to a business partner.

2.27
OPERATING AND FINANCE LEASES

Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

in CHF thousand	2006	2005
Less than one year	4 345	2 987
Between one and five years	12 273	9 955
More than five years	7 975	5 672
Total	**24 593**	**18 614**

Lease and sublease expenses recognized in the income statement amounted to TCHF 10 721 to 31 December 2006 (prior year: TCHF 9 081).

Leases as lessor

Non-cancellable operating lease rentals are receivable as follows:

in CHF thousand	2006	2005
Less than one year	110	–
Between one and five years	261	–
Total	**371**	**–**

Finance leases

Leases as lessor

The minimum lease payments (receivable) under non-cancelable leases are as follows:

in CHF thousand	2006	2005
Less than one year	199	–
Between one and five years	391	–
Total	**590**	**–**

These lease contracts relate mainly to oven and freezer agreements.

2.28

ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies, estimates and the application of these policies and estimates.

Property, plant and equipment

Property, plant and equipment are reviewed whenever there are indications that their carrying amount may no longer be recoverable. Impairment losses resulting from this review are recognized as an expense in the income statement. The main assumptions on which impairment tests are based include growth rates, margins and discount rates. The cash inflows actually generated can differ from discounted expected values. In addition, useful lives can become shorter or assets impaired if the purpose of the respective assets changes. The carrying amounts of property, plant and equipment are set out in note 2.11.

Goodwill impairment testing

Please refer to 2.12.

Pension assumptions

The significant pension plans in Switzerland qualify as defined benefit plans under IAS 19. The Group's net obligation is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed on an annual basis by qualified actuaries using the projected credit unit method. The calculation is based on estimates and assumptions relating to discount rates, expected return on plan assets and future salary trends. The actuary also uses statistical data such as mortality tables and staff turnover rates with a view to determining employee benefit obligations. If this parameters change due to a change in economic and market conditions, the subsequent results can deviate considerably from the actuarial calculations. The carrying amounts of the plan assets and liabilities in the Balance Sheet are set out in note 2.17.

Income tax

Tax liabilities are measured on the basis of an interpretation of the tax regulations in place in the relevant countries. The adequacy of this interpretation is assessed by the tax authorities in the course of the final assessment or tax audits. This can result in material changes to tax expenses. Furthermore, in order to determine whether tax loss carry forwards may be carried as an asset, it is necessary to critically assess the probability that future taxable profit will be available (see 2.4).

Intangible assets

Please refer to 2.12

2.29

MONETARY RESTRICTIONS ON FINANCIAL TRANSACTIONS WITH SUBSIDIARIES

For our subsidiaries in Malaysia there is a legal obligation to obtain a government approval for repayment of intercompany loans and/or outstanding Group fees.

2.30

RELATED PARTIES

Related parties are members of the Group Executive Committee, the Board of Directors, associated companies and important shareholders, as well as companies under their control.

Transactions with key management personnel

The key management personnel compensations are as follows:

in CHF thousand	2006	2005
Cash compensation	5 175	3 402
Share based payments	–	3 802
Total	**5 175**	**7 204**

Share based payments are here presented in the period in which they were allotted.

2 500 shares were granted to a senior-level management member on 9 June 2005. See also 2.17 Share based payments.

There were no other transactions with key management personnel.

Transactions with other related parties

In 2006 the Group had the following transactions with related parties: Sales amounting to TCHF 5 620 (prior year: TCHF 4 092), cost amounting to TCHF 1 057 (prior year: TCHF 6 467), accounts receivable outstanding amounting to TCHF 1 939 (prior year: TCHF 1 127), accounts payable TCHF 160 (prior year: TCHF 571) and a loan receivable outstanding amounting to TCHF 0 (prior year: TCHF 2 303), interest rate 4% p.a.

2.31
GROUP ENTITIES

Significant Shareholders
The Group's principle shareholders are Blixen Ltd (IAWS) with 32% shareholding, Focus Capital Investors Master Fund Ltd with 12.2% shareholding and Sarasin Investment Funds with 5.7% shareholding.

Significant subsidiaries
The following table shows the significant subsidiaries of the Group:

Company, domicile	Share capital in millions	Percentage held 2006	Percentage held 2005	Method of accounting E/F [1]
HIESTAND HOLDING AG, Lupfig (CH)	CHF 0.532	n/a	n/a	n/a
HIESTAND INTERNATIONAL AG, Schlieren (CH)	CHF 0.200	100.00	100.00	F
HIESTAND SCHWEIZ AG, Schlieren (CH)	CHF 3.500	100.00	100.00	F
TK-CENTER BIRRFELD AG, Lupfig (CH)[2]	CHF 1.500	100.00	36.50	F
HiCoPain AG, Dagmersellen (CH)	CHF 20.000	60.00	60.00	F
HIESTAND BETEILIGUNGSHOLDING GMBH & CO. KG, Gerolzhofen (DE)	EUR 0.026[6]	100.00	100.00	F
HIESTAND DEUTSCHLAND GMBH, Gerolzhofen (DE)	EUR 0.512	100.00	100.00	F
HIESTAND & SUHR HANDELS- UND LOGISTIK GMBH, Vogtsburg-Achkarren (DE)	EUR 0.025	100.00	100.00	F
FRICOPAN BACK GMBH, Berlin (DE)[3]	EUR 1.500	100.00	0.00	F
FRICOPAN BACK GMBH IMMEKATH, Immekath (DE)[3]	EUR 4.000	100.00	0.00	F
FRICOPAN MIDDLE EAST FZE, Ras Al Khaimah (UAE)[3]	AED 0.100	100.00	0.00	F
FRICOPAN UK, LTD, Romsey, Hampshire (UK)[3]	GBP 0.004	100.00	0.00	F
HIESTAND JAPAN CO., LTD, Tokio (JP)	JPY 185.000	100.00	100.00	F
HIESTAND AUSTRIA GMBH, Wiener Neudorf (AT)	EUR 0.036	100.00	100.00	F
HIESTAND POLSKA SP. Z.O.O., Grodzisk Mazowiecki (PL)	PLN 60.637	100.00	100.00	F
HIESTAND MALAYSIA SDN BHD, Bandar Baru Bangi (MY)	MYR 2.400	100.00	100.00	F
HIESTAND USA, INC., Colleyville (US)[4]	USD 0.025	0.00	100.00	F
LA NOUVELLE BOULANGERIE BACKWAREN UND- TECHNIK VERTRIEBS GMBH, Berlin (DE)[5]	EUR 0.026	25.00	0.00	n/a

1 E = accounted for using the equity method: F = fully consolidated.
2 The TK-CENTER BIRRFELD AG was acquired to 100% by HIESTAND SCHWEIZ AG in the first halfyear 2006, cp. note 2.3.
3 FRICOPAN BACK GMBH, Berlin, FRICOPAN BACK GMBH IMMEKATH, FRICOPAN UK LTD as well as FRICOPAN MIDDLE EAST FZE were acquired as per 1 November 2006, cp. note 2.3.
4 The US Operations were discontinued at October 2001 and as per 1 December 2006 closed.
5 Based on contractual agreements HIESTAND has no significant influence based on IAS 28.
6 The amount disclosed represents limited liability capital.

2.32
SUBSEQUENT EVENTS

HIESTAND GROUP has founded a new 100% subsidiary, called HIESTAND SERVICES AG with registered capital of TCHF 200. The transaction took place on 5 March 2007. Moreover the Board of Directors has decided to found a 100% subsidiary in Turkey. The transaction took place on 1 March 2007. The amount of registered share capital has not yet been fixed.

No other events have occurred since 1 January 2007 that would either necessitate an adjustment to the carrying amount of assets and liabilities or need to be disclosed here.

REPORT OF THE GROUP AUDITORS TO THE GENERAL MEETING OF HIESTAND HOLDING AG, LUPFIG

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, statement of changes in equity, cash flow statement and notes on pages 38 to 88) of HIESTAND HOLDING AG for the year ended 31 December 2006.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements 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.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG Ltd

Christoph Schwarz
Swiss Certified Accountant
Auditor in charge

Heike Schult
Swiss Certified Accountant

Zurich, 27 March 2007

PART III

FINANCIAL INFORMATION ON ARYZTA A.G.

This Part III contains:

- Section A: Accountant's Report in respect of the historical financial information relating to ARYZTA for the period ended 31 May 2008.

SECTION A

ACCOUNTANT'S REPORT IN RESPECT OF THE HISTORICAL FINANCIAL INFORMATION OF ARYZTA FOR THE PERIOD ENDED 31 MAY 2008

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

The Directors
ARYZTA AG
c/o Interhold AG
Othmarstrasse 8
8008 Zürich
Switzerland

11 July 2008

Dear Sirs

Accountant's report on ARYZTA AG ("the Company") for the period from the date of incorporation, 4 April 2008 to 31 May 2008.

We report on the financial information set out in Part III, Section A of Part 12 (Index to Financial Information) in respect of the Company. This financial information has been prepared for inclusion in the prospectus dated 11 July 2008 of ARYZTA AG on the basis of the accounting policies set out on pages F-239 to F-240. This report is required by paragraph 20.1 of Annex I of the European Union Prospectus Directive Regulation No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Note 1(a) to the financial information and in accordance with International Financial Reporting Standards ("IFRS").

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph 2(2)(f) of Schedule 1 of the Prospectus (Directive 2003/71/EC) Regulations 2005 (S.I. No 324 of 2005) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board of the United Kingdom and Ireland. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 11 July 2008, a true and fair view of the state of affairs of ARYZTA AG as at 31 May 2008, of its losses and its cashflows for the period then ended in accordance with the basis of preparation set out in Note 1(a) to the financial information and in accordance with IFRS.

Declaration

For the purposes of paragraph 2(2)(f) of Schedule 1 of the Prospectus (Directive 2003/71/EC) Regulations 2005 (S.I. No 324 of 2005), we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG
Chartered Accountants
Dublin, Ireland

The financial information set out below for the period from incorporation (4 April 2008) to 31 May 2008 has been prepared by the Directors of ARYZTA AG on the basis set out in Note 1

Condensed Income Statement

	Period from date of incorporation to 31 May 2008
	€
Foreign exchange loss	(1,654)
Lose before income tax	(1,654)
Income tax expense	—
Net loss for the period – all attributable to equity holders of the Company	(1,654)

Condensed Statement of Recognised Income and Expense

	Period from date of incorporation to 31 May 2008
	€
Items of income and expense recognised directly in equity	—
Net income/expenses recognised directly in equity	—
Loss for the financial period	(1,654)
Total recognised income and expense for the period – all attributable to equity holders of the Company	(1,654)

Condensed Balance Sheet

	As at 31 May 2008
	€
Assets	
Current assets	
Cash and cash equivalents	61,532
Total current assets	61,532
Total assets	61,532
Shareholders' equity and liabilities	
Shareholders' equity	
Issued capital	63,186
Retained losses	(1,654)
Shareholders' equity	61,532

Condensed Cash Flow Statement

	Period from date of incorporation to 31 May 2008 €
Cash flow from financing activates	
Proceeds from issue of new ordinary shares	63,186
Increase in cash and cash equivalents	63,186
Cash and cash equivalents at beginning of period	—
Effect of exchange rate movements on cash	(1,654)
Cash and cash equivalents at 31 May 2008	61,532

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ARYZTA AG is a company domiciled in Switzerland. The Company's registered office address is c/o Interhold AG, Othmarstrasse 8, 8008 Zürich, Switzerland.

The Company was incorporated as ANPHI Holdings AG on 4 April 2008. On 10 June 2008, the Company changed its name to ARYZTA AG.

(a) Basis of preparation

The financial information presents the financial record of the Company for the period from incorporation, 4 April 2008 to 31 May 2008.

The preparation of financial information in conformity with IFRS requires management to make judgements estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on management's best judgement as to what is reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Company did not trade during the period from incorporation to 31 May 2008.

Apart from the initial share issue on incorporation, there were no further shares issued and, consequently no statement of changes in equity is presented.

As a company seeking admission, the Company is required by paragraph 20.1 of Annex I to the European Union Prospectus Directive Regulations to prepare and present in its prospectus the last three years (or such shorter period that the issuer has been in operation) of audited historical financial information in a form consistent with the accounting policies to be adopted in the Company's next published annual financial statements. Accordingly, the directors of the Company (the "Directors") have prepared financial information for the Company for the period ended 31 May 2008 on the basis expected to be applicable, in so far as this is currently known, for the first set of consolidated financial statements of the company expected to be prepared for the period ended 31 July 2009, except where otherwise required or permitted by IFRS 1 *First-time adoption of International Financial Reporting Standards.* Standards and Interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

The following standards and interpretations to existing standards have been published and will be mandatory for the future accounting periods. The Company has not early adopted these standards.

- IFRS 8 *Operating Segments*, which is effective for annual periods beginning on or after 1 January 2009, introduces the "management approach" to segment reporting. IFRS 8 will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them and will replace IAS 14 *Segment Reporting*;
- Amendments to IAS 1 *Presentation of Financial Statements; A Revised Presentation*, which is effective for periods beginning on or after 1 January 2009 will modify the presentation of certain aspects of the primary statements without impacting on recognition or measurement;

- Amendments to IAS 23 Borrowing Costs, effective for accounting periods beginning on or after 1 January 2009 will require the capitalisation of borrowing costs in respect of qualifying assets in certain circumstances;
- Amendments to IAS 27 Consolidated and Separate Financial Statements, effective for accounting periods beginning on or after 1 July 2009 will amend principally the basis for accounting for non-controlling interests and the loss of control of a subsidiary;
- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations arising on Liquidation, which is effective for accounting periods beginning on or after 1 January 2009, will introduce additional criteria for determining the classification of certain financial instruments between debt and equity applicable in limited circumstances;
- Amendments on IFRS 2 Share-based Payments: Vesting Conditions and Cancellations, effective for accounting periods beginning on or after 1 January 2009, will amend the basis on which conditions attaching to share-based payment arrangements are classified with a consequential impact on the recognition and measurement of certain types of such arrangements;
- IFRS 3 (Revised) Business Combinations, effective for accounting periods beginning on or after 1 July 2009, amends certain aspects of acquisition accounting;
- IFRIC 15 *Agreements for the Construction of Real Estate*, effective for periods beginning on or after 1 January 2009, deals with the recognition of revenue and other matters relating to real estate transactions which are not likely to impact on the Company; and
- IFRIC 16 *Hedges of a Net investment in a Foreign Operation*, effective for accounting periods beginning on or after 1 October 2008 clarifies certain matters relating to the nature of the hedged risk and the amount of the hedged item for which a hedging relationship may be designated.

The Company has not yet fully determined the impact of these standards on its future financial reporting.

(b) Statement of compliance

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB). The financial information also complies with IFRS as adopted by the European Union.

(c) Foreign currency translation

The financial information is presented in Euro (€) which is the functional currency of the Company. Transactions in currencies different to the functional currency of the operations are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange at the balance sheet date. All translated differences are taken to the income statement.

(d) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with initial maturities of three months or less and are stated at cost, which approximates market value.

(e) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of taxation, from the proceeds.

2 ISSUED CAPITAL

	€
Authorised:	
5,000,000 registered shares of CHF 0.02	63,186
Allotted and called up:	
5,000,000 registered shares of CHF 0.02	63,186

On incorporation, on 4 April 2008, the authorised share capital of the Company was CHF 100,000 divided into 100,000 registered shares of CHF 1.00 each. All of these shares were fully paid up on that date.

3 INDEBTEDNESS

As at the date of this document, the Company has no guaranteed, secured, unguaranteed or unsecured debt and no indirect or contingent indebtedness.

4 POST BALANCE STATEMENT

On 10 June 2008, the authorised share capital was subdivided to 5,000,000 registered shares of CHF 0.02 each.

PART IV

UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION

This Part IV contains:

- Section A: Unaudited Pro forma condensed financial information for the twelve month period ended on 31 July 2007
- Section B: Unaudited Pro forma condensed financial information for the six month period ended on 31 January 2008

SECTION A

ASSURANCE REPORT ON THE UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION OF ARYZTA AG FOR THE TWELVE MONTH PERIOD ENDED 31 JULY 2007 FOR THE PURPOSES OF THE SWX SWISS EXCHANGE DIRECTIVE ON PRESENTATION OF A COMPLEX FINANCIAL HISTORY IN THE LISTING PROSPECTUS

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

The Board of Directors
ARYZTA AG
c/o Interhold AG
Othmarstrasse 8
8008 Zurich
Switzerland

11 July 2008

Dear Sirs

ARYZTA AG (the 'Company')

We have been engaged to review the unaudited *pro forma* condensed financial information (the "Pro forma condensed financial information") of the Company as of 31 July 2007 set out in Part IV Section A of Part 12 (Index to Financial Information) in the prospectus. This Pro forma condensed financial information has been prepared on the basis stated in the introduction and the notes thereto, for illustrative purposes only, to provide information about how the acquisition by IAWS Group plc of a 32 per cent interest in Hiestand Holding AG from Lion Capital for €30.0 million and 12.7 million shares in IAWS Group plc, and the Merger might have affected the financial information of the Company as at and for the year ended 31 July 2007 and because of its nature, addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position and results.

The board of directors is responsible for the preparation of this Pro forma condensed financial information in accordance with the requirements of the SWX Swiss Exchange Directive on the Presentation of a Complex Financial History in the Listing Prospectus.

Our responsibility is to report on this Pro forma condensed financial information based on our work. We are not responsible for expressing any other conclusion on the Pro forma condensed financial information or on any of its constituent elements. In particular, we do not accept any responsibility for any financial information previously reported on and used in the preparation of the Pro forma condensed financial information beyond that owed to those to whom any reports on that financial information were addressed by us at the date of their issue.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information. Our work, which involved no independent examination or review for any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma condensed financial information with the board of directors and management of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with limited assurance that the Pro forma condensed financial

information has been properly prepared, in all material respects, on the basis stated in the introduction and the notes to the Pro forma condensed financial information.

Based on our work, nothing has come to our attention that causes us to believe that the Pro forma condensed financial information has not been properly prepared, in all material respects, on the basis stated in the introduction and the notes to the Pro forma condensed financial information, and that such basis is not consistent with the accounting policies of the Company.

Without qualifying our conclusion we draw attention to the fact that, as outlined in the introduction and the notes to the Pro forma condensed financial information, this Pro forma condensed financial information is prepared using the board of directors' and management's assumptions. It is not necessarily indicative of the effects on the financial position that would have been attained had the above-mentioned transaction actually occurred earlier. Moreover this accompanying Pro forma condensed financial information is not intended to, and does not, provide all the information and disclosures necessary to present fairly in accordance with the International Financial Reporting Standards.

Yours faithfully

KPMG

Chartered Accountants,
Dublin, Ireland

REPORT FROM KPMG ON THE UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION FOR THE TWELVE MONTH PERIOD ENDED ON 31 JULY 2007 FOR THE PURPOSES OF THE EUROPEAN UNION PROSPECTUS DIRECTIVE

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

The Directors
ARYZTA AG
Othmarstrasse 8,
8008 Zurich,
Switzerland

11 July 2008

Dear Sirs

ARYZTA AG (the 'Company')

We report on the *pro forma* condensed income statement and the *pro forma* condensed statement of net assets (together, the ''Pro forma condensed financial information'') set out in Part IV Section A of Part 12 (Index to Financial Information) of the prospectus dated 11 July 2008, which has been prepared for illustrative purposes only, on the basis described, to provide information about how the results and net assets of ARYZTA A.G. as enlarged by IAWS Group plc and its subsidiary undertakings, together with Hiestand Holdings AG and its subsidiary undertakings (the ''Enlarged Group''), as though the Enlarged Group had been in existence for a twelve month period, and to illustrate how the acquisition by IAWS Group plc of a 32% interest in Miestand Holding AG from Lion Capital for €30.0 million and 12.7 million shares in IAWS Group plc, and the Merger might have impacted the equity position presented. The *pro forma* condensed financial information has been presented on the basis of the accounting policies of IAWS Group plc which are those which are to be adopted by ARYZTA AG in preparing its financial statements for the period ending 31 July 2009.

This report is required by paragraph 20.2 of Annex I of the European Union Prospectus Directive Regulation No. 809/2004 (the ''Prospectus Directive Regulation'') and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of ARYZTA AG to prepare the Pro forma condensed financial information in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma condensed financial information and to report that opinion to you.

In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma condensed financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under paragraph 2(2)(f) of Schedule 1 of the Prospectus (Directive 2003/71/EC) Regulations 2005 (S.I. No 324 of 2005) to any person as and to the extent there provided, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board of the United Kingdom and Ireland. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma condensed financial information with the directors of ARYZTA AG.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma condensed financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of ARYZTA AG.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma condensed financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of IAWS Group plc which are those that will be adopted by ARYZTA AG.

Without qualifying our conclusion, we draw attention to the fact that, as outlined in the notes to the *Pro forma* condensed financial information, this *Pro forma* condensed financial information is prepared using the latest publicly issued financial information for a twelve month period of the IAWS Group and the Hiestand Group regardless of the fact that they related to different reporting periods. It is not necessarily indicative of the effects on the financial position that would have been attained had the acquisition by IAWS Group plc of a 32% interest in Hiestand Holding AG from Lion Capital for €30.0 and 12.7 million shares IAWS Group plc, and the Merger actually occurred earlier.

Declaration

For the purposes of paragraph 2(2)(f) of Schedule 1 of the Prospectus (Directive 2003/71/EC) Regulations 2005 (S.I. No 324 of 2005), we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG
Chartered Accountants
Dublin, Ireland

UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION FOR THE TWELVE MONTH PERIOD ENDED ON 31 JULY 2007

The following unaudited *pro forma* condensed income statement (the ''*pro forma* condensed income statement'') and unaudited *pro forma* condensed statement of net assets (the ''*pro forma* condensed statement of net assets'') (together, the ''*pro forma* condensed financial information'') have been prepared to illustrate indicative results and net assets of ARYZTA A.G. (the ''Company''), as enlarged by IAWS Group plc and its subsidiary undertakings (''IAWS Group'') and Hiestand Holding AG and its subsidiary undertakings (''Hiestand Group'') (together, the ''Enlarged Group''), as though the Enlarged Group had been in existence as a single entity for a twelve month period, and to illustrate the effect of the acquisition by IAWS Group plc of a 32% interest in Hiestand Holding AG from Lion Capital for €30 million and 12.7 million shares in IAWS Group plc, and the Merger on the equity position of the Company had it occurred at the dates stated.

IAWS Group plc and Hiestand Holding AG have different reporting periods and consequently the *pro forma* condensed financial information combines the results of the IAWS Group for the year ended 31 July 2007 and the net assets as at 31 July 2007 with the results of the Hiestand Group for the year ended 31 December 2007 and the net assets at 31 December 2007 without adjustments for the fact that they are prepared for and at different dates. Such dates have been selected as these are the most recent dates for which annual published financial information has been presented for the IAWS Group and the Hiestand Group respectively. In the periods from August 2006 to December 2006 and August 2007 to December 2007, respectively, the Hiestand Group was not subject to any cyclicality, nor were there any material events which affected turnover and operating profit of the Enlarged Group. The *pro forma* condensed financial information has been prepared on the basis of the notes set out below.

The underlying financial information has been prepared in accordance with the recognition and measurement principles of all International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board, effective for years commencing on or after 1 January 2007.

The *pro forma* condensed financial information has been prepared for illustrative purposes only and does not constitute statutory financial statements of the Company. Because of its nature the *pro forma* condensed financial information addresses a hypothetical situation and hypothetical financial period and the year end date and, therefore, does not represent the Company's actual financial position or results following the acquisition by IAWS Group plc of a 32% interest in Hiestand Holding AG from Lion Capital for €30.0 and 12.7 million shares IAWS Group plc, and the Merger.

UNAUDITED PRO FORMA CONDENSED INCOME STATEMENT

	ARYZTA AG	*IAWS Group, plc*	*Hiestand Holding AG*		*Pro forma adjustments*	*Pro forma Company*
	Period from incorporation to 31 May 2008	*Twelve month period ended 31 July 2007*	*Twelve month period ended 31 Dec 2007*			*Twelve month period*
	€'000 (Notes 1 and 7)	*€'000 (Notes 2 and 8)*	*€'000 (Notes 4 and 9)*		*€'000*	*€'000*
Revenue	—	1,907,619	446,161	(*Note 5.1*)	(6,005)	2,347,775
Operating profit before amortisation of intangible assets	—	169,180	44,095[(a)]		—	213,275
Amortisation of intangible assets	—	(15,927)	(3,581)		—	(19,508)
Operating profit	—	153,253	40,514		—	193,767
Share of profit of associates and joint venture	—	26,656	—	(*Note 5.2*)	(7,210)	19,446
Profit before financing costs	—	179,909	40,514		(7,210)	213,213
Financing income	—	6,609	6,254		—	12,863
Financing costs	—	(36,708)	(11,678)		—	(48,386)
Profit before tax	—	149,810	35,090		(7,210)	177,690
Income tax expense	—	(26,337)	(6,007)		—	(32,344)
Profit for the financial year	—	123,473	29,083		(7,210)	145,346
Attributable as follows:						
Equity shareholders	—	122,995	27,182		(7,210)	142,967
Minority interest	—	478	1,901		—	2,379
	—	123,473	29,083		(7,210)	145,346
Basic earnings per share *(Note 6)*	—	97.22	51.20			50.03
Diluted earnings per share *(Note 6)*	—	96.04	51.20			49.44

Note (a): This caption includes Earnings before interest and taxes (EBIT) adjusted to add back Amortisation of intangible assets, each of which are separately disclosed in the consolidated financial statements of Hiestand Group at 31 December 2007, but for which comparable disclosures are aggregated in the consolidated financial statements of IAWS Group at 31 July 2007.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF NET ASSETS

	ARYZTA AG	*IAWS Group, plc*	*Hiestand Holding AG*		*Pro forma Adjustments*	*Pro forma Company*
	As at 31 May 2008	*As at 31 July 2007*	*As at 31 Dec 2007*			
	€'000 (Notes 1 and 7)	*€'000 (Notes 3 and 8)*	*€'000 (Notes 4 and 9)*		*€'000*	*€'000*
Non current assets						
Property, plant and equipment	—	356,493	148,869	(*Note 5.3*)	11,110	516,472
Investment properties	—	165,473	3,241		—	168,714
Goodwill and intangible assets	—	784,481	139,136	(*Note 5.4*)	336,210	1,259,827
Investments in associates and joint venture	—	169,005	—	(*Note 5.2*)	(77,781)	91,224
Employee benefit assets	—	—	450		—	450
Other investments	—	204	—		—	204
Other non current financial assets	—	—	1,617		—	1,617
Loans due from third parties	—	—	117		—	117
Deferred tax assets	—	14,689	642		—	15,331
Total non current assets	—	1,490,345	294,072		269,539	2,053,956
Current assets						
Inventory	—	137,646	24,965		—	162,611
Trade and other receivables	—	240,451	66,283[(a)]		—	306,734
Current tax asset	—	—	1,977		—	1,977
Assets classified as held for sale	—	—	60		—	60
Other current financial assets	—	—	1,710		—	1,710
Derivative financial instruments	—	734	—		—	734
Cash and cash equivalents	62	86,059	7,261	*(Note 5.4)*	(30,062)	63,320
Total current assets	62	464,890	102,256		(30,062)	537,146
TOTAL ASSETS	62	1,955,235	396,328		239,477	2,591,102

Note (a): This caption includes Trade receivables, Other receivables, and Prepaid expenses and accrued assets, each of which are separately disclosed in the consolidated financial statements of Hiestand Group at 31 December 2007, but for which comparable disclosures are aggregated in the consolidated financial statements of IAWS Group at 31 July 2007.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF NET ASSETS (CONTINUED)

	ARYZTA AG	*IAWS Group, plc*	*Hiestand Holding AG*		*Pro forma Adjustments*	*Pro forma Company*
	As at 31 May 2008	*As at 31 July 2007*	*As at 31 Dec 2007*			
	€'000 (Notes 1 and 7)	*€'000 (Notes 3 and 8)*	*€'000 (Notes 4 and 9)*		*€'000*	*€'000*
EQUITY						
Total equity attributable to equity shareholders of parent	62	716,097	185,092	(*Note 5.2, 5.4*)	228,367	1,129,618
Minority interest	—	50,631	7,611		—	58,242
TOTAL EQUITY	62	766,728	192,703		228,367	1,187,860
LIABILITIES						
Non current liabilities						
Interest bearing loans and borrowings	—	527,684	85,505		—	613,189
Employee benefits	—	8,705	1,033		—	9,738
Deferred government grants	—	2,929	—	(*Note 5.3*)	11,110	14,039
Other payables	—	350	—		—	350
Deferred tax liabilities	—	147,041	21,801		—	168,842
Provisions	—	45,089	931		—	46,020
Total non current liabilities	—	731,798	109,270		11,110	852,178
Current liabilities						
Interest bearing loans and borrowings	—	37,958	29,389		—	67,347
Trade and other payables	—	383,065	54,695[(b)]		—	437,760
Corporation tax payable	—	31,741	10,271		—	42,012
Derivative financial instruments	—	3,945	—		—	3,945
Total current liabilities	—	456,709	94,355		—	551,064
TOTAL LIABILITIES	—	1,188,507	203,625		11,110	1,403,242
TOTAL EQUITY AND LIABILITIES	62	1,955,235	396,328		239,477	2,591,102

Note (b): This caption includes Trade payables, Other payables, and Accrued expenses and deferred income, each of which are separately disclosed in the consolidated financial statements of Hiestand Group at 31 December 2007, but for which comparable disclosures are aggregated in the consolidated financial statements of IAWS Group at 31 July 2007.

NOTES TO UNAUDITED THE PRO FORMA CONDENSED FINANCIAL INFORMATION

1. The balance sheet as at 31 May 2008 and income statement for the period from incorporation to 31 May 2008 of ARYZTA AG (the "Company") have been extracted without material adjustment from the Accountant's Report on the Company set out in Part III Section A of Part 12 of this document.

2. The summary consolidated income statement of IAWS Group plc for the year ended 31 July 2007 has been extracted, without material adjustment, from the audited consolidated financial statements of IAWS Group plc announced on 24 September 2007 and set out in Part I, Section C of Part 12 of this document save that disclosures for Cost of Sales, Gross Profit and Operating costs, net have been excluded from the *pro forma* condensed income statement due to a lack of comparable disclosure in the consolidated income statement of Hiestand Holding AG.

3. The consolidated balance sheet of IAWS Group plc as at 31 July 2007 has been extracted, without material adjustment, from the audited consolidated financial statements of IAWS Group plc announced on 24 Septembe r 2007 and set out in Part I Section C of Part 12 of this document.

4. The consolidated balance sheet and consolidated income statement of Hiestand Holding AG as at and for the year ended 31 December 2007 have been extracted, without material adjustment, from the audited consolidated financial statements of Hiestand Holding AG announced on 14 March 2008 and set out in Part II Section A of Part 12 of this document. The financial information for Hiestand Holding AG calculated as at and for the year ended 31 December 2007 has been translated from Swiss franc to euro using an exchange rate of €1.00 : CHF1.66.

5. Pro forma adjustments as at and for the twelve month period are as follows:

   5.1. Elimination of intercompany sales and purchase

   Hiestand Holding AG sells product to IAWS Group plc on an on-going basis. The income statement of Hiestand Group for the year to 31 December 2007 reflects sales of €6,005,000 to the IAWS Group. The income statement of IAWS Group for the year to 31 July 2007 reflects purchases of €7,558,000. In future these sales will represent intercompany sales and consequently an adjustment has been made to the revenue line to eliminate sales of €6,005,000 This adjustment is expected to have a continuing impact.

   5.2. Reversal of equity accounting for Hiestand Holding AG by IAWS Group plc

   Since 2003, IAWS Group plc has built up a 32% stake in Hiestand Holding AG. IAWS Group plc has historically accounted for its investment in Hiestand Holding AG as an associate using the equity method of accounting. Therefore, for the purposes of the unaudited *pro forma* condensed income statement for the twelve month period ended 31 July 2007, €7,210,000 has been reversed from "Share of profits of associates and joint venture". For the purposes of the unaudited *pro forma* condensed statement of net assets, the book value of the investment in Hiestand Holding AG (€77,781,000) included in "Investment in associate and joint venture" has been eliminated against retained earnings.

   5.3. IAWS Group plc classifies grants that compensate for the cost of an asset as deferred income and amortises it to the income statement on a basis consistent with the depreciation policy of the relevant assets. Hiestand Holding AG classifies grants that compensate for the cost of an asset as a deduction from the carrying amount of the asset and amortises to the income statement by way of depreciation. For the purposes of the unaudited *pro forma* condensed statement of net assets, €11,110,000 was reclassified from property, plant and equipment to deferred government grants in order to align Hiestand Holding AG's accounting treatment on a consistent basis with that of IAWS Group plc. The accounting policies of IAWS Group plc are those which will be adapted by ARYZTA AG.

   5.4 The transaction will be conducted in two steps:

   (i) the acquisition by IAWS Group, plc of a 32% stake in Hiestand Holding AG from Lion Capital through the payment of €30.0 million cash and the issuance of 12.7 million shares in IAWS Group, plc; and

(ii) the acquisition by ARYZTA AG of 144.2 million issued shares in IAWS Group, plc in exchange for 72.1 million ARYZTA AG shares in accordance with the terms of the Scheme of Arrangement set out in Part 1 paragraph 7 of this document, whereby each shareholder of IAWS Group, plc will receive two ARYZTA AG shares for each IAWS Group, plc share they hold and the acquisition by ARYZTA AG of 0.2 million issued shares in Hiestand Holding AG, in exchange for 6.9 million shares in ARYZTA AG in accordance with the terms set out in Part 1 paragraph 7 of this document whereby each shareholder in Hiestand Holding AG will receive 36 ARYZTA AG shares for each Hiestand Holding AG share they hold.

Accounting for step (i)

As a result of step (i), IAWS will increase its ownership in Hiestand from 32% to 64%. Hiestand will thereafter be treated as a subsidiary of IAWS and will be consolidated into the financial statements of IAWS. All assets, liabilities and contingent liabilities acquired will be recognised at their fair value on the date of acquisition with the remaining 36% share not held by IAWS reflected within minority interests at fair value. However, for the purposes of the unaudited *pro forma* condensed financial information, no account has been taken of any fair value adjustments which will arise on the acquisition or the consequential impact on earnings, including the amortisation of identified intangible assets. Therefore, the indicative goodwill arising on step (i) is shown as the difference between the estimated purchase consideration and the 32% share of net assets acquired in this step being net assets calculated based on the carrying value of Hiestand at 31 December 2007 of €192.7 million.

Accounting for step (ii)

The acquisition of IAWS (by means of the Scheme) and simultaneous absorption into ARYZTA of the remaining 36% interest in Hiestand by means of a statutory merger under Swiss law results in the elimination of the minority interest described in the accounting for step (i) above. As in step (i), no account has been taken of any fair value adjustments which will arise on the acquisition or the consequential impact on earnings, including the amortisation of identified intangible assets. Therefore, for the purposes of the unaudited *pro forma* condensed financial information, the goodwill arising on step (ii) has been calculated based on the difference between the purchase consideration and the remaining 36% share of net assets acquired in this step being net assets calculated based on the carrying value of Hiestand at 31 December 2007 of €192.7 million.

The cumulative goodwill calculated on the basis set out above is as follows:

	€'000
Consideration:	
Equity consideration[(a)]	401,669
Cash consideration – Lion Capital[(b)]	30,000
Fair value of previously held interest[(c)]	61,665
	493,334
Less net assets of Hiestand	(192,703)
Goodwill	300,631
Goodwill recognised on 32% interest already owned[(d)]	35,579
Goodwill	**336,210**

(a) Equity consideration for step (i) is estimated for the purposes of the unaudited *pro forma* condensed financial information at €200.8 million. This is represented by the issuance of 12.7 million IAWS Group, plc shares issued at a market value calculated for this purpose based on the quoted price of IAWS shares on 1 July 2008 of €15.81.

Equity consideration for step (ii) is estimated at €200.9 million calculated for this purpose based on the quoted market value of approximately 0.2 million shares in Hiestand on 1 July 2008 of CHF1,750 at an exchange rate of €1 : CHF1.66.

(b) Transaction and other costs associated with the scheme have been excluded from the unaudited *pro forma* condensed financial information

(c) For this purpose, this amount has been calculated by reference to the net assets being the carrying value of Hiestand at 31 December 2007. No account has been taken of any fair value adjustments which may arise on the acquisition or

the consequential impact on earnings, including the amortisation of identified intangible assets. The difference between the carrying and fair value of the previously held interest will be recognised within equity.

(d) Goodwill on the 32% interest already owned by IAWS was calculated at the date that this percentage interest was acquired and formed part of the amount included within investments in associates and joint ventures. This amount is not subject to remeasurement.

6. The unaudited *pro forma* earnings per share ("EPS") has been calculated by taking the reported basic and diluted earnings per share of IAWS Group plc and Hiestand Holding AG for the relevant 12 month periods, applying the exchange ratio to be applied in the Merger (as described in Part 1 paragraph 7 of this document) and combining the resulting amounts:

Basic earnings per share	*Year ended*	*Reported EPS*	*Exchange ratio*	*Pro forma EPS*
IAWS Group plc	31 July 2007	97.22	1:2	48.61
Hiestand Holding AG	31 December 2007	51.20	1:36	1.42
				50.03
Diluted earnings per share				
IAWS Group plc	31 July 2007	96.04	1:2	48.02
Hiestand Holding AG	31 December 2007	51.20	1:36	1.42
				49.44

7. No account has been taken of trading results or changes in financial position of the Company since incorporation as the Company has not yet commenced operations.

8. No account has been taken of the trading results or changes in financial position of IAWS Group and its subsidiary undertakings since 31 July 2007.

9. No account has been taken of the trading results or changes in financial position of Hiestand Group and its subsidiary undertakings since 31 December 2007.

SECTION B

ASSURANCE REPORT ON THE UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION OF ARYZTA AG FOR THE SIX MONTH PERIOD ENDED 31 JANUARY 2008 FOR THE PURPOSES OF THE SWX SWISS EXCHANGE DIRECTIVE ON PRESENTATION OF A COMPLEX FINANCIAL HISTORY IN THE LISTING PROSPECTUS

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

The Board of Directors
ARYZTA AG
c/o Interhold AG
Othmarstrasse 8
8008 Zurich
Switzerland

11 July 2008

Dear Sirs

ARYZTA AG (the 'Company')

We have been engaged to review the unaudited *pro forma* condensed financial information (the "Pro forma condensed financial information") of the Company as of 31 January 2008 set out in Part IV Section A of Part 12 (Index to Financial Information) in this prospectus. This Pro forma condensed financial information has been prepared on the basis stated in the introduction and the notes thereto, for illustrative purposes only, to provide information about how the acquisition by IAWS Group plc of a 32 per cent interest in Hiestand Holding AG from Lion Capital for €30.0 million and 12.7 million shares in IAWS Group plc, and the Merger might have affected the financial information of the Company as at and for the six month period ended 31 January 2008 and because of its nature, addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position and results.

The board of directors is responsible for the preparation of this Pro forma condensed financial information in accordance with the requirements of the SWX Swiss Exchange Directive on the Presentation of a Complex Financial History in the Listing Prospectus.

Our responsibility is to report on this Pro forma condensed financial information based on our work. We are not responsible for expressing any other conclusion on the Pro forma condensed financial information or on any of its constituent elements. In particular, we do not accept any responsibility for any financial information previously reported on and used in the preparation of the Pro forma condensed financial information beyond that owed to those to whom any reports on that financial information were addressed by us at the date of their issue.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information. Our work, which involved no independent examination or review for any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma condensed financial information with the board of directors and management of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with limited assurance that the Pro forma condensed financial information has been properly prepared, in all material respects, on the basis stated in the introduction and the notes to the Pro forma condensed financial information.

Based on our work, nothing has come to our attention that causes us to believe that the Pro forma condensed financial information has not been properly prepared, in all material respects, on the basis stated in the introduction and the notes to the Pro forma condensed financial information, and that such basis is not consistent with the accounting policies of the Company.

Without qualifying our conclusion we draw attention to the fact that, as outlined in the introduction and the notes to the Pro forma condensed financial information, this Pro forma condensed financial information is prepared using the board of directors' and management's assumptions. It is not necessarily indicative of the effects on the financial position that would have been attained had the above-mentioned transaction actually occurred earlier. Moreover this accompanying Pro forma condensed financial information is not intended to, and does not, provide all the information and disclosures necessary to present fairly in accordance with the International Financial Reporting Standards.

Yours faithfully

KPMG
Chartered Accountants
Dublin, Ireland

REPORT FROM KPMG ON THE UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED ON 31 JANUARY 2008 FOR THE PURPOSES OF THE EUROPEAN UNION PROSPECTUS DIRECTIVE

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

The Directors
ARYZTA AG.
Othmarstrasse 8,
8008 Zurich,
Switzerland

11 July 2008

Dear Sirs

ARYZTA AG (the 'Company')

We report on the *pro forma* condensed income statement and the *pro forma* condensed statement of net assets (together, the "Pro forma condensed financial information") set out in Part IV Section B of Part 12 (Index to financial information) of the prospectus dated 11 July 2008, which has been prepared for illustrative purposes only, on the basis described, to provide information on how the results and net assets of ARYZTA A.G. as enlarged by IAWS Group plc and its subsidiary undertakings, together with Hiestand Holdings AG and its subsidiary undertakings (the "Enlarged Group"), as though the Enlarged Group has been in existence for a six month period, and to illustrate how the acquisition by IAWS Group plc of a 32% interest in Hiestand Holding AG from Lion Capital for €30.0 million and 12.7 million shares in IAWS Group plc, and the Merger might have impacted the equity position presented. The *pro forma* condensed financial information has been presented on the basis of the accounting policies of IAWS Group plc which are those that will be adopted by ARYZTA AG in preparing the financial statements for the period ending 31 July 2008.

This report is required by paragraph 20.2 of Annex I of the European Union Prospectus Directive Regulation No. 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with those that paragraphs and for no other purposes.

Responsibilities

It is the responsibility of the directors of ARYZTA AG to prepare the Pro forma condensed financial information in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma condensed financial information and to report that opinion to you.

In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma condensed financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under paragraph 2(2)(f) of Schedule 1 of the Prospectus (Directive 2003/71/EC) Regulations 2005 (S.I. No 324 of 2005) to any person as and to the extent there provided, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board of the United Kingdom and Ireland. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma condensed financial information with the directors of ARYZTA AG.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma condensed financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of ARYZTA AG.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma condensed financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of IAWS Group plc which are those that will be adopted by ARYZTA AG.

Without qualifying our conclusion, we draw attention to the fact that, as outlined in the notes to the *Pro forma* condensed financial information, this *Pro forma* condensed financial information is prepared using the latest publicly issued financial information for a six month period of the IAWS Group and the Hiestand Group regardless of the fact that they related to different reporting periods. It is not necessarily indicative of the effects on the financial position that would have been attained had the acquisition by IAWS Group plc of a 32% interest in Hiestand Holding AG from Lion Capital for €30.0 and 12.7 million shares IAWS Group plc, and the Merger actually occurred earlier.

Declaration

For the purposes of paragraph 2(2)(f) of Schedule 1 of the Prospectus (Directive 2003/71/EC) Regulations 2005 (S.I. No 324 of 2005), we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with [paragraph 6 of the Directive on Complex Financial History, DCFH and] paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG
Chartered Accountants
Dublin, Ireland

UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED ON 31 JANUARY 2008

The following unaudited *pro forma* condensed income statement (the ''*pro forma* condensed income statement'') and unaudited *pro forma* statement of net assets (the ''*pro forma* condensed statement of net assets'') (together the ''*pro forma* condensed financial information'') have been prepared to illustrate indicative results and net assets of ARYZTA A.G. (the ''Company''), as enlarged by IAWS Group plc and its subsidiary undertakings (''IAWS Group'') and Hiestand Holding AG and its subsidiary undertakings (''Hiestand Group'') (together, the ''Enlarged Group''), as though the Enlarged Group had been in existence as a single entity for a six month period, and to illustrate the effect of the acquisition by IAWS Group plc of a 32% interest in Hiestand Holding AG from Lion Capital for €30.0 million and 12.7 million shares in IAWS Group plc and the Merger on the equity position of the Company had it occurred at the dates stated.

IAWS Group plc and Hiestand Holdings AG have different reporting periods and consequently the *pro forma* condensed financial information combines the results of the IAWS Group for the six month period ended 31 January 2008 and the net assets as at 31 January 2008 with the results of the Hiestand Group for the six month period ended 31 December 2007 (derived by deducting the results of Hiestand Group for the six month period ended 30 June 2007 from the results of the Hiestand Group for the twelve month period ended 31 December 2007) and the net assets at 31 December 2007 without adjustments for the fact that they are prepared for and at different dates. Such dates have been selected as these are the dates for which interim financial information has been published, or for which interim information can be derived based on published financial information for the IAWS Group and the Hiestand Group respectively. The *pro forma* financial information has been prepared on the basis of the notes set out below.

The underlying financial information has been prepared in accordance with the recognition and measurement principles of all International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board, effective for years commencing on or after 1 January 2007.

The *pro forma* condensed financial information has been prepared for illustrative purposes only and does not constitute statutory financial statements of the Company. Because of its nature the *pro forma* condensed financial information addresses a hypothetical situation and a hypothetical financial period and period end date and, therefore, does not represent the Company's actual financial position or results following the acquisition by IAWS Group plc of a 32% interest in Hiestand Holding AG from Lion Capital for €30.0 and 12.7 million shares IAWS Group plc, and the Merger.

UNAUDITED PRO FORMA CONDENSED INCOME STATEMENT

	ARYZTA AG	*IAWS Group, plc*	*Hiestand Holding AG*		*Pro forma adjustments*	*Pro forma Company*
	Period from incorporation to 31 May 2008	*Six month period ended 31 Jan 2008*	*Six month period ended 31 Dec 2007*			*Six month period ended*
	€'000	*€'000*	*€'000*		*€'000*	*€'000*
	(Notes 1 and 8)	*(Notes 2 and 9)*	*(Notes 4 and 10)*			
Revenue	—	1,127,473	233,376	*(Note 6.1)*	(4,090)	1,356,759
Operating profit before amortisation of intangible assets	—	82,209	23,529[(a)]		—	105,738
Amortisation of intangible assets	—	(9,241)	(1,779)		—	(11,020)
Operating profit	—	72,968	21,750		—	94,718
Share of profit of associate and joint venture	—	13,382	—	*(Note 6.2)*	(4,783)	8,599
Profit before financing costs	—	86,350	21,750		(4,783)	103,317
Financing costs, net	—	(17,132)	(2,982)[(b)]		—	(20,114)
Profit before tax	—	69,218	18,768		(4,783)	83,203
Income tax expense	—	(10,262)	(892)		—	(11,154)
Profit for the financial period	—	58,956	17,876		(4,783)	72,049
Attributable as follows:						
Equity shareholders	—	55,658	17,487		(4,783)	68,362
Minority interest	—	3,298	389		—	3,687
	—	58,956	17,876		(4,783)	72,049
Basic earnings per share *(Note 7)*	—	43.83	32.94		—	22.84
Diluted earnings per share *(Note 7)*	—	43.18	32.94		—	22.51

Note (a): This caption includes Earnings before interest and taxes (EBIT) adjusted to add back Amortisation of intangible assets, each of which are separately disclosed in the consolidated financial statements of Hiestand Group at 31 December 2007, but for which comparable disclosures are aggregated in the unaudited consolidated interim financial information of IAWS Group at 31 January 2008.

Note (b): This caption includes Financing income offset by Financing expense, each of which are separately disclosed in the consolidated financial statements of Hiestand Group at 31 December 2007, but for which comparable disclosures are aggregated in the unaudited consolidated interim financial information of IAWS Group at 31 January 2008.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF NET ASSETS

	ARYZTA AG	*IAWS Group, plc*	*Hiestand Holding AG*		*Pro forma Adjustments*	*Pro forma Company*
	As at 31 May 2008	*As at 31 Jan 2008*	*As at 31 Dec 2007*			
	€'000	*€'000*	*€'000*		*€'000*	*€'000*
	(Notes 1 and 8)	*(Notes 3 and 9)*	*(Notes 5 and 10)*		*(Note 6)*	
Non current assets						
Property, plant and equipment	—	427,151	148,869	*(Note 6.3)*	11,110	587,130
Investment properties	—	192,418	3,241		—	195,659
Goodwill and intangible assets	—	804,431	139,136	*(Note 6.4)*	336,210	1,279,777
Investments in associates and joint venture	—	160,399	—	*(Note 6.2)*	(82,564)	77,835
Employee benefit assets	—	—	450		—	450
Other investments	—	201	—		—	201
Other non current financial assets	—	—	1,617		—	1,617
Loans due from third parties	—	—	117		—	117
Deferred tax assets	—	16,090	642		—	16,732
Total non current assets	—	1,600,690	294,072		264,756	2,159,518
Current assets						
Inventory	—	194,194	24,965		—	219,159
Trade and other receivables	—	280,923	66,283[(a)]		—	347,206
Current tax asset	—	—	1,977		—	1,977
Assets classified as held for sale	—	—	60		—	60
Other current financial assets	—	—	1,710		—	1,710
Cash and cash equivalents	62	138,476	7,261	*(Note 6.4)*	(30,062)	115,737
Total current assets	62	613,593	102,256		(30,062)	685,849
TOTAL ASSETS	62	2,214,283	396,328		234,694	2,845,367

Note (a): This caption includes Trade receivables, Other receivables, and Prepaid expenses and accrued assets, each of which are separately disclosed in the consolidated financial statements of Hiestand Group at 31 December 2007, but for which comparable disclosures are aggregated in the unaudited consolidated interim financial information of IAWS Group at 31 January 2008.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF NET ASSETS (CONTINUED)

	ARYZTA AG	*IAWS Group, plc*	*Hiestand Holding AG*		*Pro forma Adjustments*	*Pro forma Company*
	As at 31 May 2008	*As at 31 Jan 2008*	*As at 31 Dec 2007*			
	€'000	€'000	€'000		€'000	€'000
	(Notes 1 and 8)	*(Notes 3 and 9)*	*(Notes 5 and 10)*		*(Note 6)*	
EQUITY						
Total equity attributable to equity shareholders of parent	62	747,349	185,092	*(Note 6.2, 6.4)*	223,584	1,156,087
Minority interest	—	53,840	7,611		—	61,451
TOTAL EQUITY	62	801,189	192,703		223,584	1,217,538
LIABILITIES						
Non current liabilities						
Interest bearing loans and borrowings	—	680,436	85,505		—	765,941
Employee benefits	—	24,023	1,033		—	25,056
Deferred government grants	—	4,281	—	*(Note 6.3)*	11,110	15,391
Other payables	—	488	—		—	488
Deferred tax liabilities	—	148,369	21,801		—	170,170
Provisions	—	49,013	931		—	49,944
Total non current liabilities	—	906,610	109,270		11,110	1,026,990
Current liabilities						
Interest bearing loans and borrowings	—	40,888	29,389		—	70,277
Trade and other payables	—	417,071	54,695[(b)]		—	471,766
Corporation tax payable	—	39,429	10,271		—	49,700
Derivative financial instruments	—	4,302	—		—	4,302
Provisions	—	4,794	—		—	4,794
Total current liabilities	—	506,484	94,355		—	600,839
TOTAL LIABILITIES	—	1,413,094	203,625		11,110	1,627,829
TOTAL EQUITY AND LIABILITIES	62	2,214,283	396,328		234,694	2,845,367

Note (b): This caption includes Trade payables, Other payables, and Accrued expenses and deferred income, each of which are separately disclosed in the consolidated financial statements of Hiestand Group at 31 December 2007, but for which comparable disclosures are aggregated in the unaudited consolidated interim financial information of IAWS Group at 31 January 2008.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION

1. The balance sheet as at 31 May 2008 and income statement for the period from incorporation to 31 May 2008 of ARYZTA AG (the "Company") havebeen extracted without material adjustment from the Accountant's Report on the Company set out in Part III Section A of Part 12 of this document.

2. The summary consolidated income statement of IAWS Group plc for the six month period ended 31 January 2008 has been extracted, without material adjustment, from the unaudited consolidated interim financial information of IAWS Group plc announced on 10 March 2008 and set out in Part 12, Part I, Section A of this document, save that disclosures for Cost of Sales, Gross Profit and Operating costs, net have been excluded from the unaudited *pro forma* condensed income statement due to a lack of comparable disclosure in the consolidated income statement of Hiestand Holding AG.

3. The consolidated balance sheet of IAWS Group plc as at 31 January 2008 has been extracted, without material adjustment, from the unaudited consolidated interim financial information of IAWS Group plc announced on 10 March 2008 and set out in Part 12, Part I, Section A of this document.

4. The unaudited consolidated income statement of Hiestand Holding AG for the six month period ended 31 December 2007 is derived as follows:

	Year ended 31 Dec 2007 (Note 4.1)	*Six month period ended 30 Jun 2007 (Note 4.2)*	*Six month period ended 31 Dec 2007 (Note 4.3)*	*Six month period ended 31 Dec 2007 (Note 4.4)*
	CHF'000	*CHF'000*	*CHF'000*	*€'000*
Revenue	740,627	353,223	387,404	233,376
Operating profit before amortisation of intangible assets[(a)]	73,198	34,140	39,058	23,529
Amortisation of intangible assets	(5,944)	(2,991)	(2,953)	(1,779)
Operating profit	67,254	31,149	36,105	21,750
Share of profit of associate and joint venture	—	—	—	—
Profit before financing costs	67,254	31,149	36,105	21,750
Financing income	10,381	2,581	7,800	4,699
Financing costs	(19,385)	(6,635)	(12,750)	(7,681)
Profit before tax	58,250	27,095	31,155	18,768
Income tax expense	(9,971)	(8,491)	(1,480)	(892)
Profit for the financial year	48,279	18,604	29,675	17,876
Attributable as follows:				
Equity shareholders	45,123	16,094	29,029	17,487
Minority interest	3,156	2,510	646	389
	48,279	18,604	29,675	17,876
Basic earnings per share	85.00	30.32	54.68	32.94
Diluted earnings per share	85.00	30.32	54.68	32.94

Note (a): This caption includes Earnings before interest and taxes (EBIT) adjusted to add back Amortisation of intangible assets.

4.1. The consolidated income statement of Hiestand Holding AG for the year ended 31 December 2007 has been extracted, without material adjustment from the audited consolidated financial statements of Hiestand Holding AG announced on 14 March 2008 and set out in Part II Section A of Part 12 of this document.

4.2. The consolidated income statement of Hiestand Holding AG for the six month period ended 30 June 2007 is extracted, without material adjustment from the unaudited consolidated income statement of Hiestand Holding AG announced on 28 August 2007.

4.3. The consolidated income statement of Hiestand Holding AG presented in the table for the six month period ended 31 December 2007 has been calculated by deducting the unaudited consolidated income statement in respect of the six month period ended 30 June 2007 from the audited consolidated income statement for the year ended 31 December 2007.

4.4. The consolidated income statement for Hiestand Holding AG for the six month period ended 31 December 2007 has been translated from Swiss franc to euro using an exchange rate of €1.00 : CHF 1.66.

5. The consolidated balance sheet of Hiestand Holding AG as at 31 December 2007 has been extracted, without material adjustment, from the audited consolidated financial statements of Hiestand Holding AG announced on 14 March 2008 and set out in Part II Section A of Part 12 of this document. The financial information for Hiestand Holding AG as at 31 December 2007 has been translated from Swiss franc to euro using an exchange rate of €1.00 : CHF 1.66.

6. Pro forma adjustments as at and for the six month period are as follows:

6.1. Elimination of intercompany sales and purchases

Hiestand Holding AG sells product to IAWS Group plc on an on-going basis. The income statement of Hiestand Group for the six month period ended 31 December 2007 (See note 4 above) reflects sales of €4,090,000 to the IAWS Group. The income statement of IAWS Group for the six month period to 31 January 2008 reflects purchases of €4,223,000. In future these sales will represent intercompany sales and consequently an adjustment has been made to the revenue line to eliminate sales of €4,090,000. This adjustment is expected to have a continuing impact.

6.2. Reversal of equity accounting for Hiestand Holding AG by IAWS Group plc

Since 2003, IAWS Group plc has built up a 32% stake in Hiestand Holding AG. IAWS Group plc has historically accounted for its investment in Hiestand Holding AG as an associate using the equity method of accounting. Therefore, for the purposes of the unaudited *pro forma* condensed income statement for the six months ended 31 January 2008, €4,783,000 has been reversed from "Share of profits of associates and joint venture". For the purposes of the unaudited *pro forma* condensed net assets, the book value of the investment in Hiestand Holding AG (€82,564,000) included in "Investment in associate and joint venture" has been eliminated against retained earnings.

6.3. IAWS Group plc classifies grants that compensate for the cost of an asset as deferred income and amortises it to the income statement on a basis consistent with the depreciation policy of the relevant assets. Hiestand Holding AG classifies grants that compensate for the cost of an asset as a deduction from the carrying amount of the asset and amortises to the income statement by way of depreciation. For the purposes of the unaudited *pro forma* condensed statement of net assets, €11,110,000 was reclassified from property, plant and equipment to deferred government grants in order align the Hiestand Holding AG's accounting treatment on a consistent basis with that of IAWS Group plc. The accounting policies of IAWS Group plc are those which will be adopted by ARYZTA AG.

6.4. The transaction will be conducted in two steps:

(i) the acquisition by IAWS Group plc of a 32% stake in Hiestand Holding AG from Lion Capital through the payment of €30.0 million cash and the issuance of 12.7 million shares in IAWS Group plc; and

(ii) the acquisition by ARYZTA AG of 144.2 million issued shares in IAWS Group, plc in exchange for 72.1 million ARYZTA AG shares in accordance with the terms of the Scheme of Arrangement set out in Part 1 paragraph 7 of this document, whereby each shareholder of IAWS Group plc will receive two ARYZTA AG shares for each IAWS Group plc share they hold and the acquisition by ARYZTA AG of 0.2 million issued shares in Hiestand Holding AG, in exchange for 6.9 million shares in ARYZTA AG in accordance with the terms set out in Part 1 paragraph 7 of this document whereby each shareholder in Hiestand Holding AG will receive 36 ARYZTA AG shares for each Hiestand Holding AG share they hold.

Accounting for step (i)

As a result of step (i), IAWS will increase its ownership in Hiestand from 32% to 64%. Hiestand will thereafter be treated as a subsidiary of IAWS and will be consolidated into the financial statements of IAWS. All assets, liabilities and contingent liabilities acquired will be recognised at their fair value on the date of acquisition with the remaining 36% share not held by IAWS reflected within minority interests at fair value. However, for the purposes of the unaudited *pro forma* condensed financial information, no account has been taken of any fair value adjustments which will arise on the acquisition or the consequential impact on earnings, including the amortisation of identified intangible assets. Therefore, the indicative goodwill arising on step (i) is shown as the difference between the estimated purchase consideration and the 32% share of net assets acquired in this step being net assets calculated based on the carrying value of Hiestand at 31 December 2007 of €192.7 million.

Accounting for step (ii)

The acquisition of IAWS (by means of the Scheme) and simultaneous absorption into ARYZTA of the remaining 36% interest in Hiestand by means of a statutory merger under Swiss law results in the elimination of the minority interest described in the accounting for step (i) above. As in step (i), no account has been taken of any fair value adjustments which will arise on the acquisition or the consequential impact on earnings, including the amortisation of identified intangible assets. Therefore, for the purposes of the unaudited *pro forma* condensed financial information, the goodwill arising on step (ii) has been calculated based on the difference between the purchase consideration and the remaining 36% share of net assets acquired in this step being net assets calculated based on the carrying value of Hiestand at 31 December 2007 of €192.7 million.

The cumulative goodwill calculated on the basis set out above is as follows:

	€'000
Consideration:	
Equity consideration[(a)]	401,669
Cash consideration – Lion Capital[(b)]	30,000
Fair value of previously held interest[(c)]	61,665
	493,334
Less net assets of Hiestand	(192,703)
Goodwill	300,631
Goodwill recognised on 32% interest already owned[(d)]	35,579
Goodwill	336,210

(a) Equity consideration for step (i) is estimated for the purposes of the unaudited *pro forma* condensed financial information at €200.8 million. This is represented by the issuance of 12.7 million IAWS Group, plc shares issued at a market value calculated for this purpose based on the quoted price of IAWS shares on 1 July 2008 of €15.81.
Equity consideration for step (ii) is estimated at €200.9 million calculated for this purpose based on the quoted market value of approximately 0.2 million shares in Hiestand on 1 July 2008 of CHF1,750 at an exchange rate of €1 : CHF1.66.

(b) Transaction and other costs associated with the scheme have been excluded from the unaudited *pro forma* condensed financial information

(c) For this purpose, this amount has been calculated by reference to the net assets being the carrying value of Hiestand at 31 December 2007. No account has been taken of any fair value adjustments which may arise on the acquisition or the consequential impact on earnings, including the amortisation of identified intangible assets. The difference between the carrying and fair value of the previously held interest will be recognised within equity.

(d) Goodwill on the 32% interest already owned by IAWS was calculated at the date that this percentage interest was acquired and formed part of the amount included within investments in associates and joint ventures. This amount is not subject to remeasurement.

7. The unaudited *pro forma* earnings per share ("EPS") has been calculated by taking the reported basic and diluted earnings per share of IAWS Group plc and Hiestand Holdings AG for the relevant six month periods, applying the exchange ratio to be applied in the Merger (as described in Part 1 paragraph 7 of this document) and combining the resulting amounts:

Basic earnings per share	*Period ended*	*Reported EPS*	*Exchange ratio*	*Pro forma EPS*
IAWS Group plc	31 January 2008	43.83	1:2	21.92
Hiestand Holding AG	31 December 2007	32.94	1:36	0.92
				22.84
Diluted earnings per share				
IAWS Group plc	31 January 2008	43.18	1:2	21.59
Hiestand Holding AG	31 December 2007	32.94	1:36	0.92
				22.51

8. No account has been taken of trading results or changes in financial position of the Company since incorporation as the Company has not yet commenced operations

9. No account has been taken of the trading results or changes in financial position of IAWS Group since 31 January 2008.

10. No account has been taken of the trading results or changes in financial position of Hiestand Group since 31 December 2007.

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