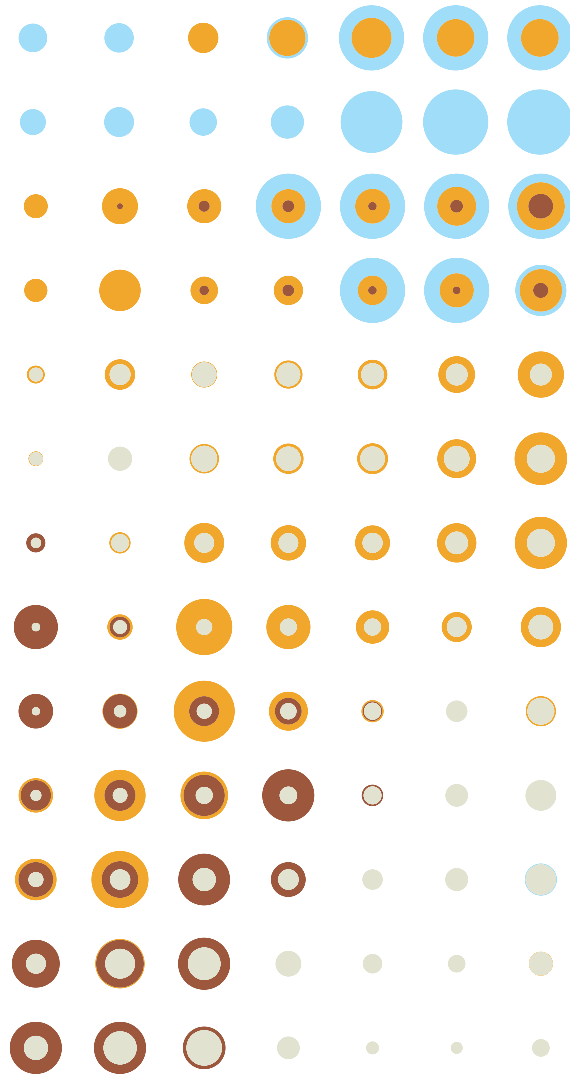
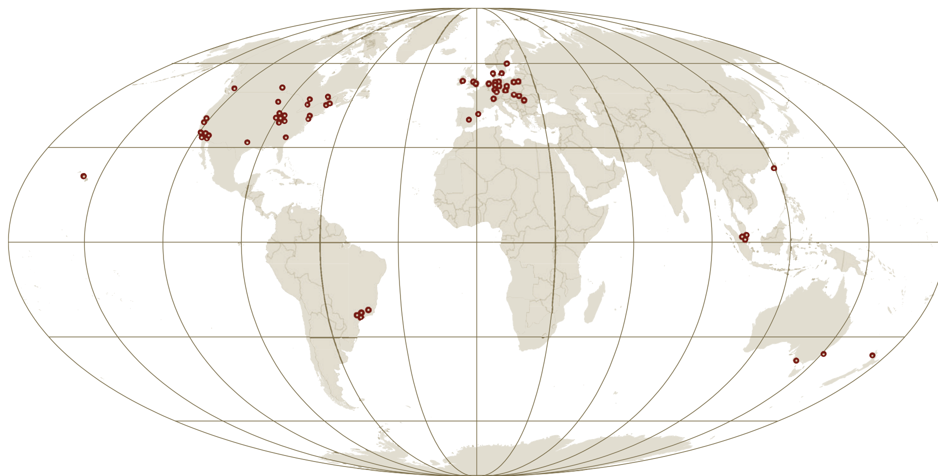


2017

Annual Report and Accounts

ARYZTA
Passion for good food



WELCOME TO ARYZTA AG

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

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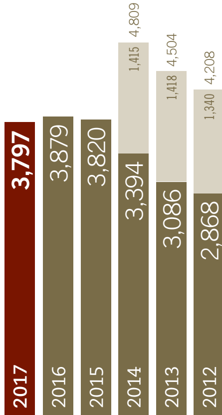
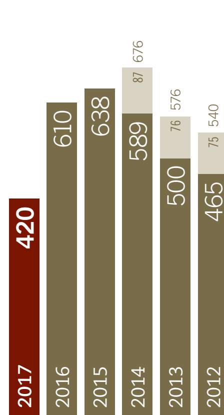
Annual Report and Accounts 2017
Financial Highlights

Group

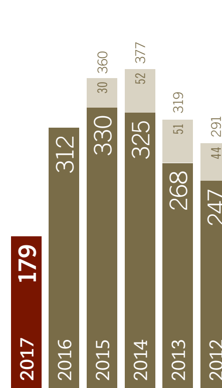
Revenue
in EUR m



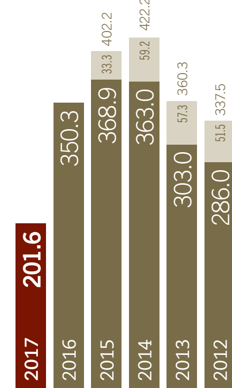
EBITDA[1]
in EUR m



Underlying net profit
in EUR m

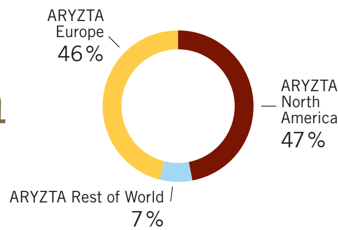


Underlying fully diluted EPS
in EUR cent



continuing operations *discontinued operations*

Revenue €3.80bn

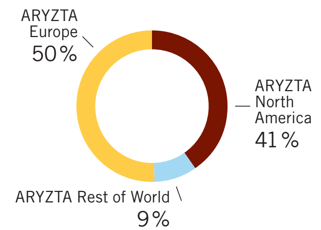


Revenue – ARYZTA Europe
in EUR million

Revenue – ARYZTA North America
in EUR million

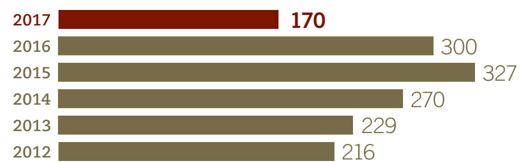
Revenue – ARYZTA Rest of World
in EUR million

EBITDA €420m

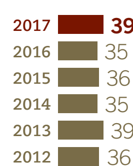


EBITDA – ARYZTA Europe
in EUR million

EBITDA – ARYZTA North America
in EUR million



EBITDA – ARYZTA Rest of World
in EUR million



1 See glossary on page 21 for definitions of financial terms and references used in this document.

Annual Report and Accounts 2017
Letter to Shareholders

Dear Shareholder,

While we have characterised 2017 as a difficult year, your Board is resolute in its belief in the inherent strengths of our business and the quality of our franchise. The challenges we face are greater than we originally thought and will take time to work through. The steps we have taken in 2017 are intended to address these challenges. They are also intended to provide stability and, in time deliver both, performance and growth. I have detailed these steps in my first letter to you as Chairman of our Board.

Management Team
In the period, the most immediate priority for the Board was to ensure that we had the right team in place to provide stability and leadership for the business. We have made considerable progress in appointing a new, senior leadership team.

In May, following a rigorous international recruitment process, we announced that Kevin Toland would assume the role of Group CEO. I would like to take this opportunity to welcome him and wish him every success in leading ARYZTA. Kevin has an outstanding track record of delivering strategically, operationally and financially. He joined ARYZTA from daa plc which operates Dublin and Cork airports. He previously held the position of Chief Executive and President of Glanbia USA & Global Nutritionals, a division of Glanbia plc, based in Chicago, Illinois. He was a member of the Glanbia plc Board of Directors from 2003 to 2013. He is a proven CEO of businesses undergoing significant transformation and brings extensive experience of the food sector.

We are also delighted to have recently announced the appointment of Frederic Pflanz as our new CFO. Frederic, a dual French-German national, joins ARYZTA from Maxingvest Group, where he is an executive Board member. He will assume his new role in January 2018. Prior to Maxingvest, Frederic held a number of roles in Remy-Cointreau Group including Group CFO, COO heading the Group's Global Operations, and Director of External Development. He has also held a number of senior positions at L'Oreal Group, where he worked extensively across Continental Europe and Asia. Frederic brings extensive expertise in global consumer products businesses as well as experience in organisation integration systems and business consolidation.

We are pleased to have appointed candidates of Kevin and Frederic's calibre to lead ARYZTA. David Wilkinson will continue as interim CFO until Frederic takes up his new role and will ensure that there is a seamless a transition. I would like to take this opportunity to thank David for his very effective contribution to the business during the past year.

Board & Governance
Governance, stewardship and oversight is a key focus for the Board in 2017. Our objective is to ensure that we have the appropriate blend of skills and expertise, at Board level to set the strategic direction of the business and to provide oversight, governance and stewardship. With the support of a global search firm, we identified two new Non-Executive Directors with extensive experience and a track record of success in the food sector. They will bring significant relevant insights to the Board.

Letter to Shareholders (continued)

In May, we announced that Jim Leighton would join the Board as an independent, Non-Executive Director. Jim brings to the Board more than 30 years of operations, management and manufacturing experience within the North American food and retail sector. In late August, we announced the appointment of Juergen Steinemann as an independent, Non-Executive Director. Juergen brings to the Board more than 25 years of senior international management experience in manufacturing and B2B operations within the food sector. Following these two appointments, and together with the appointment of Rolf Watter and myself in December 2016, there has been significant Board refreshment and renewal in a twelve-month period. We are confident that we have made significant advances in achieving the right blend of skills and expertise to both support and challenge our evolving new management team.

I would also like to acknowledge the dedication and commitment of each of our Board members. In the absence of a senior executive team, they have contributed significantly to the initiatives we have taken towards the stabilisation of the business.

Corporate Culture

As Chairman, I have emphasised a renewed focus on our evolving corporate culture. It is the Board's responsibility – along with the senior management team – to define the company's culture and 'set the tone from the top'. However, for any culture to be effective, as well as 'tone from the top', the appropriate behaviour and values have to be embraced by, and permeate the entire organisation. Under the new management team and with Kevin's leadership, we will actively focus on evolving our culture, and achieving far greater engagement, ownership and accountability within ARYZTA. In particular, we will prioritise enhancing our stakeholder engagement by significantly upgrading and improving communication with customers, employees, and shareholders. We share the view recently expressed by the Financial Reporting Council that an effective, shared culture is the 'ultimate risk management tool'.

Shareholder Engagement

Shareholder engagement during a period of significant change has to be an important priority. I have now met with most of ARYZTA's major shareholders. These meetings primarily focused on strategic direction, corporate governance, management transition and organisation stability. Reflecting our commitment to corporate governance, stewardship and greater accountability, we also intend to consult with shareholders in the period ahead on potential performance measures and targets under our long term incentive plans.

Every decision we make as a Board is intended to protect and enhance enterprise value and the capital entrusted to us by you as shareholders. The compensation framework is being designed to align the interests of management and shareholders; and, incentivise management's pursuit of goals that the Compensation Committee consider central to the restoration of performance and growth. Direct engagement will provide the forum for shareholders to express their views on our revised compensation framework.

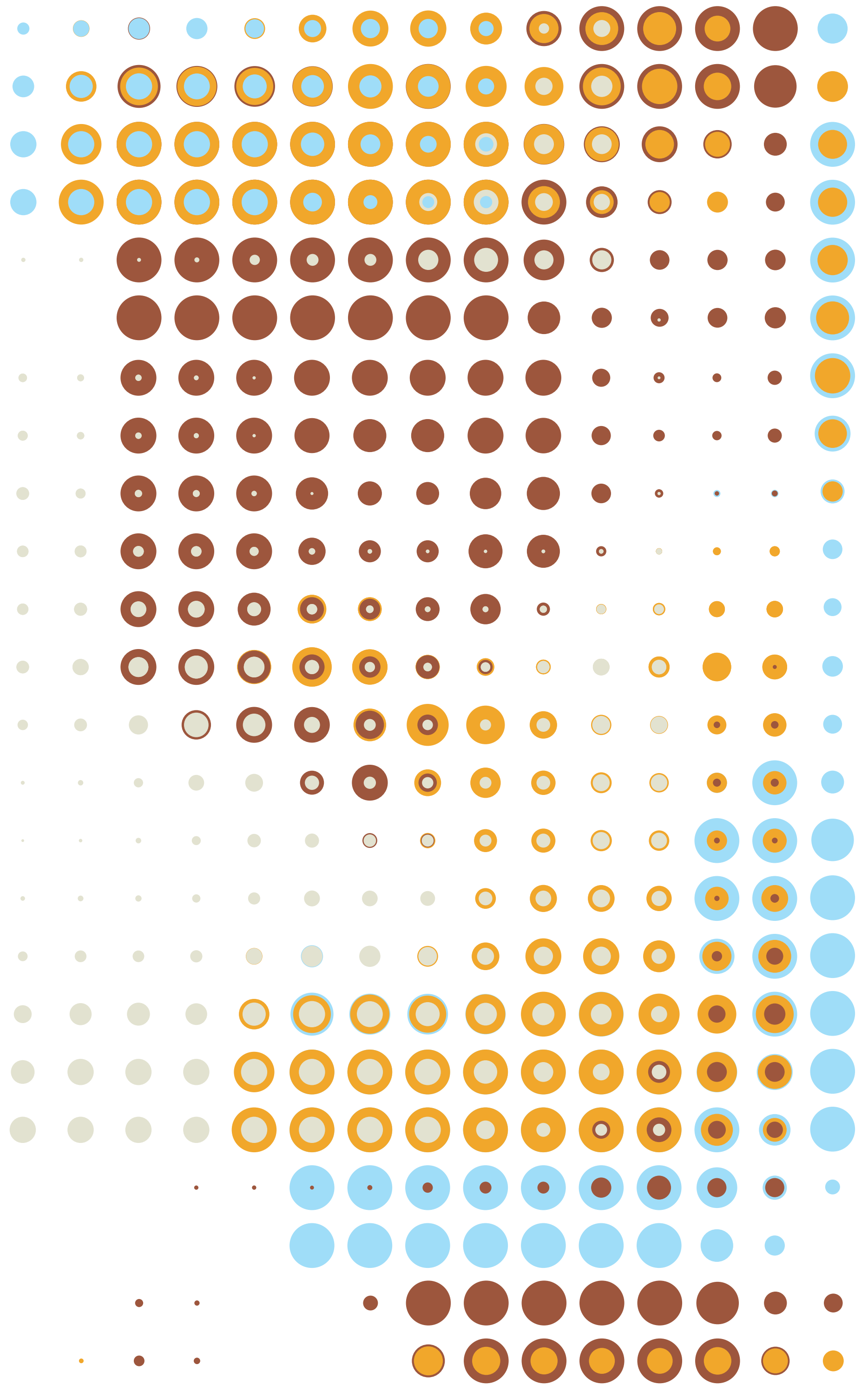
Outlook
While it has been a difficult 12 months for the Company, we are well on the way to having an experienced and capable management team in place together with a committed and talented workforce. We are the world's leading frozen bakery company, operating in a growing market.

As a Board, we are committed to making the right strategic decisions to capitalise on the strengths of ARYZTA, stabilising the business, positioning the business for performance, delivering for our customers and preserving and creating shareholder value. I look forward to working with the Board and supporting our CEO and his team as he addresses the challenges facing the business in the year ahead.

We thank you for your continued support, particularly in the current circumstances.

Gary McGann
Chairman, Board of Directors

2 October 2017

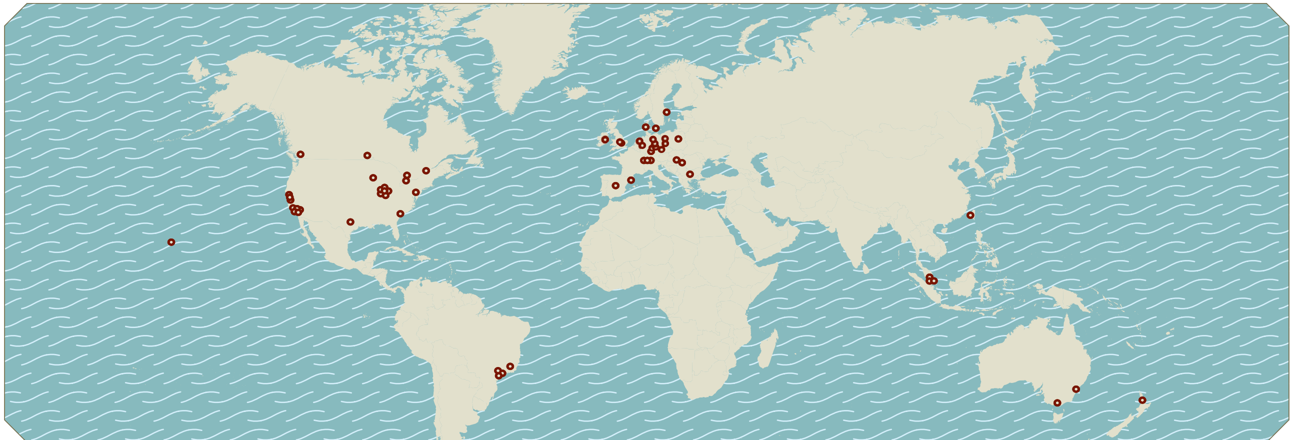


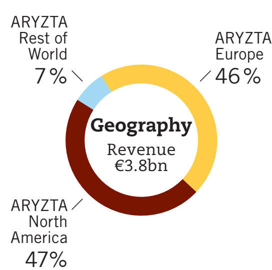
Annual Report and Accounts 2017

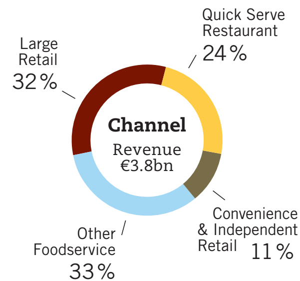
Business Overview

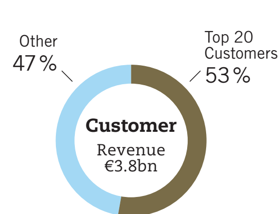
About ARYZTA

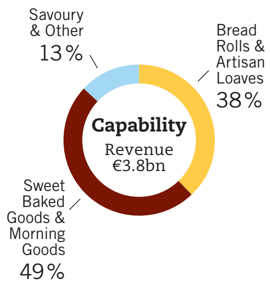
ARYZTA Group



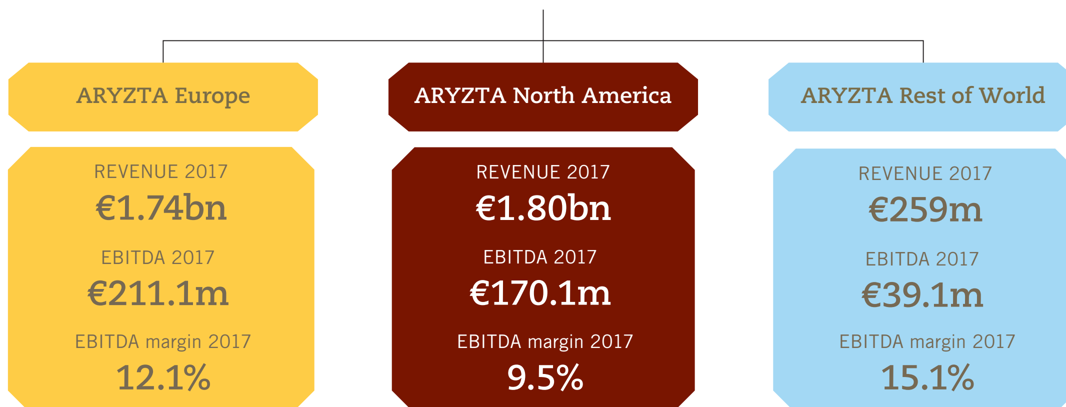


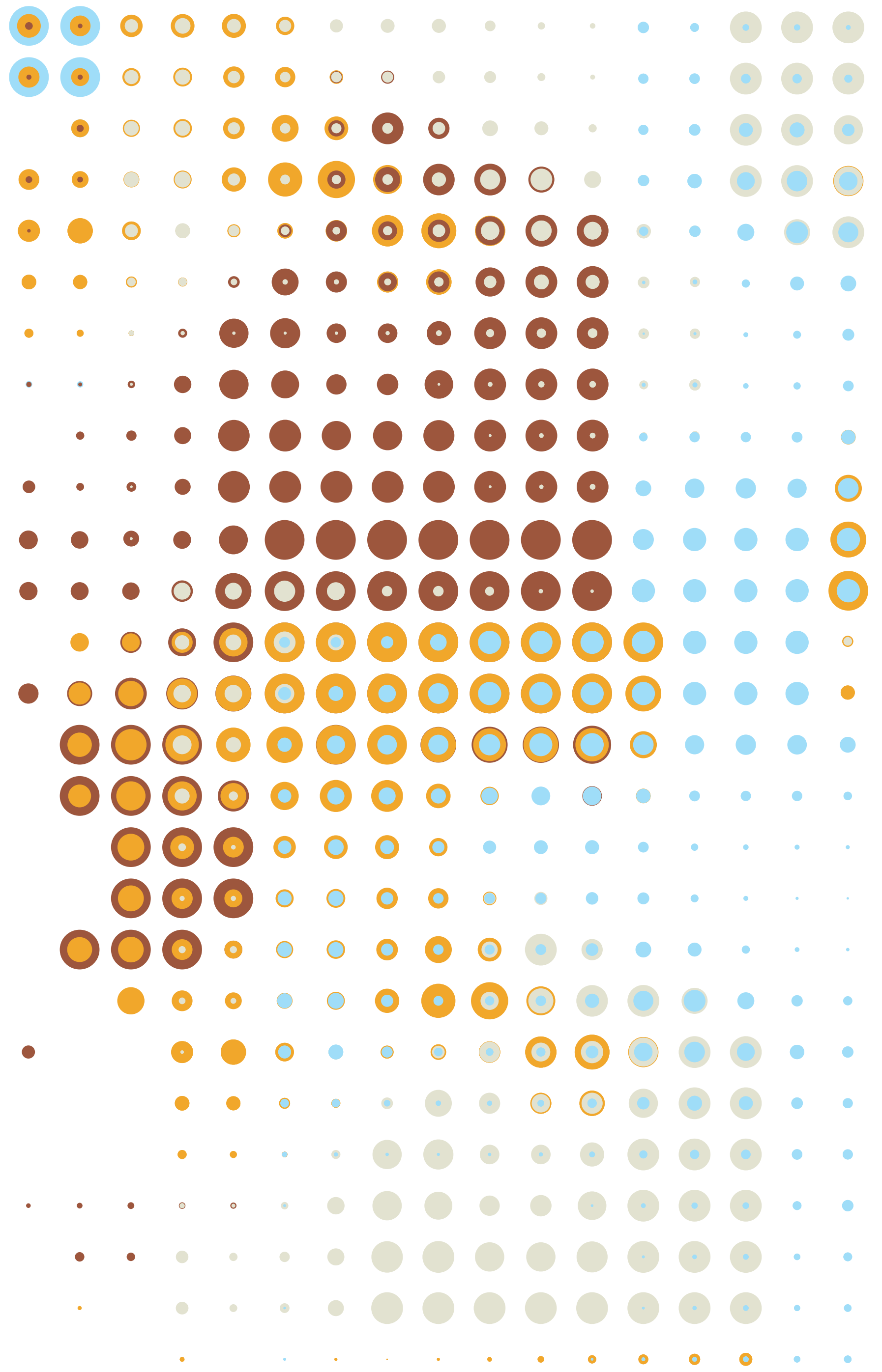






Reporting Segments





Annual Report and Accounts 2017

Financial and Business Review

1 Underlying Income Statement

in EUR `000	July 2017	July 2016	% Change
Group revenue	3,796,770	3,878,871	(2.1)%
EBITDA[1]	420,307	609,640	(31.1)%
EBITDA margin	11.1%	15.7%	(460) bps
Depreciation	(142,997)	(124,773)	(14.6)%
EBITA[1]	277,310	484,867	(42.8)%
EBITA margin	7.3%	12.5%	(520) bps
Joint ventures, net of interest and tax	21,281	15,682	35.7%
EBITA including joint ventures	298,591	500,549	(40.3)%
Finance cost, net	(58,451)	(103,180)	43.4%
Hybrid instrument accrued dividend	(32,099)	(31,882)	(0.7)%
Pre-tax profits	208,041	365,487	(43.1)%
Income tax	(27,380)	(51,169)	46.5%
Non-controlling interests	(1,635)	(2,776)	41.1%
Underlying net profit[1]	**179,026**	**311,542**	**(42.5)%**
Underlying fully diluted EPS (cent)[2]	**201.6**	**350.3**	**(42.4)%**

1 See glossary in section 21 for definitions of financial terms and references used in the financial and business review. See bridge from underlying net profit to reported net profit, as included on page 22.

2 The 31 July 2017 weighted average number of ordinary shares used to calculate underlying earnings per share is 88,788,494 (2016: 88,929,096).

Financial and Business Review (continued)

2 Organic revenue

in EUR million	ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World	ARYZTA Group
Group revenue	1,738.6	1,799.1	259.1	3,796.8
Organic growth	1.4%	(6.3)%	7.2%	(2.1)%
Acquisitions/(disposals), net	(0.9)%	(0.9)%	–	(0.8)%
Currency	(1.0)%	1.5%	8.6%	0.8%
Revenue Growth	**(0.5)%**	**(5.7)%**	**15.8%**	**(2.1)%**

Quarterly organic revenue

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017
ARYZTA Europe					
Volume %	1.8%	(0.1)%	1.3%	(4.7)%	(0.6)%
Price/Mix %	(0.4)%	0.7%	3.0%	4.0%	2.0%
Organic growth %	**1.4%**	**0.6%**	**4.3%**	**(0.7)%**	**1.4%**
ARYZTA North America					
Volume %	(5.7)%	(5.5)%	(6.7)%	(16.1)%	(8.5)%
Price/Mix %	1.0%	(0.3)%	2.4%	5.5%	2.2%
Organic growth[1] %	**(4.7)%**	**(5.8)%**	**(4.3)%**	**(10.6)%**	**(6.3)%**
ARYZTA Rest of World					
Volume %	4.9%	7.6%	0.7%	7.7%	4.7%
Price/Mix %	4.8%	1.7%	3.0%	(1.3)%	2.5%
Organic growth %	**9.7%**	**9.3%**	**3.7%**	**6.4%**	**7.2%**
ARYZTA Group					
Volume %	(1.7)%	(2.3)%	(2.7)%	(9.4)%	(4.2)%
Price/Mix %	0.5%	0.3%	2.7%	4.4%	2.1%
Organic growth %	**(1.2)%**	**(2.0)%**	**0.0%**	**(5.0)%**	**(2.1)%**

1 The ARYZTA North America organic revenue decline during Q4 2017 relates primarily to volumes with contract renewal customers, as announced at FY 2016, further compounded by insourcing of co-pack customer volumes, as announced at H1 2017.

Financial and Business Review (continued)

3 Segmental EBITDA

in EUR `000	July 2017	July 2016	% Change	EBITDA Margin 2017	EBITDA Margin 2016	Change
ARYZTA Europe	211,128	275,099	(23.3)%	12.1%	15.7%	(360) bps
ARYZTA North America	170,096	300,132	(43.3)%	9.5%	15.7%	(620) bps
ARYZTA Rest of World	39,083	34,409	13.6%	15.1%	15.4%	(30) bps
ARYZTA Group EBITDA	**420,307**	**609,640**	**(31.1)%**	**11.1%**	**15.7%**	**(460) bps**

4 Segmental EBITA

in EUR `000	July 2017	July 2016	% Change	EBITA Margin 2017	EBITA Margin 2016	Change
ARYZTA Europe	147,164	215,777	(31.8)%	8.5%	12.4%	(390) bps
ARYZTA North America	100,453	243,292	(58.7)%	5.6%	12.8%	(720) bps
ARYZTA Rest of World	29,693	25,798	15.1%	11.5%	11.5%	0 bps
ARYZTA Group EBITA	**277,310**	**484,867**	**(42.8)%**	**7.3%**	**12.5%**	**(520) bps**

5 Our business

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

Total revenue decreased by (2.1)% to €3.8bn during the year ended 31 July 2017, due to an organic decline of (2.1%), consisting of volume losses of (4.2)%, partially offset by a positive price/mix impact of 2.1%. Prior year disposals, net of acquisitions, reduced revenue by (0.8)%, while there was a positive currency impact of 0.8%.

Overall organic revenues decreased during the year by (2.1)%, primarily related to an organic revenue decline of (6.3)% in ARYZTA North America, significantly related to volume declines with contract renewal customers and earlier than anticipated in-sourcing by co-pack customers. This decline in ARYZTA North America was partially offset by 1.4% organic revenue growth in ARYZTA Europe and strong organic growth of 7.2% in ARYZTA Rest of World.

Group EBITDA decreased by (31.1)% to €420.3m, while EBITDA margins declined (460) bps to 11.1%. Within ARYZTA Europe, the margin decline was primarily due to the ramp-up of new bakery capacity in Germany, as well as the currency impact of Brexit on cross-border revenues and input costs in the UK. Significant butter price inflation also impacted results during the second half of the year. Within ARYZTA North America, margins were affected by reduced operating leverage, combined with increasing labour input costs and increased spend on branding and marketing costs.

In what has been a year of significant change, ARYZTA has made considerable progress in putting the core elements of the new leadership team in place. Kevin Toland has commenced in his role of Group CEO in September 2017. ARYZTA also recently

Financial and Business Review (continued)

announced the appointment of Frederic Pflanz as Group CFO, who will join in January 2018. Kevin and Frederic bring extensive expertise in global food and consumer goods industries, as well as a proven track record of managing businesses undergoing significant transformation.

ARYZTA is committed to improving revenue growth by refocusing on its core strengths as a global leader in B2B Frozen Bakery and European Food Solutions, while continuing to deliver best-in-class customer service, support and food safety to our customers. This revenue focus, when combined with bakery cost alignment, will support the financial aim of restoring operating leverage, improving EBITDA margins and enhancing cash generation.

6 ARYZTA Europe

ARYZTA Europe has leading market positions in the speciality bakery markets in Germany, Switzerland, France, Ireland, the UK, the Netherlands, Hungary, Poland, Denmark, Spain, Sweden, Romania, Czechia and other European countries.

ARYZTA Europe revenue decreased by (0.5)% to €1,738.6m during the year ended 31 July 2017. Organic revenue growth of 1.4% was a result of a (0.6)% decrease in volumes offset by a 2.0% benefit from improved price/mix. Unfavourable currency movements also impacted revenues by (1.0)% and the prior year disposal of a business in France resulted in a (0.9)% decline in year over year revenues. Excluding the previously highlighted impact of in-sourcing by a large customer in Switzerland, volume growth in the segment would have been positive during the year.

ARYZTA Europe EBITDA decreased by (23.3)% to €211.1m and EBITDA margins decreased by (360) bps to 12.1%. ARYZTA Europe has experienced considerable challenges in transferring 225 SKUs in Germany from the Fricopan facility to the new bakery capacity in Eisleben and in optimising the operations around this additional bakery capacity. There was also commodity price inflation during the year, in particular significant butter price increases in the second half of the year, which have not been fully mitigated to date. UK margins were also impacted by the increased cost of products supplied from the Eurozone, as a result of weakening Sterling.

With the exception of the challenges in Germany and the UK, most geographies in Europe performed well, with the impact of in-sourcing by a large customer in Switzerland somewhat mitigated by that transition occurring more slowly than initially anticipated.

As detailed in Section 10, during the year ARYZTA Europe recorded a goodwill impairment charge of €103.0m relating to the Germany business. In addition, ARYZTA Europe incurred €1.3m of non-cash asset write downs and €11.7m of other restructuring-related costs, primarily related to severance and staff-related costs incurred as a direct result of bakery rationalisation in Germany and consolidation of management functions across the region.

7 ARYZTA North America

ARYZTA North America is a leading player in the speciality bakery markets in the United States and Canada. It has a diversified customer base, including multiple retail, restaurants, catering, hotels, leisure, hospitals, military, fundraising and QSR. ARYZTA is a leader in high-value artisan bakery via La Brea Bakery, which focuses on the premium branded bakery segment.

Financial and Business Review (continued)

ARYZTA North America revenues declined by (5.7)% to €1,799.1m during the year ended 31 July 2017. Organic revenue declined by (6.3)%, due to volume declines of (8.5)% partially offset by positive price/mix of 2.2%. The disposal of a non-core, fillings and mixes business in the prior year impacted year over year revenues by (0.9)%, while currency movements supported revenues by 1.5%.

As previously announced, the decline in ARYZTA North America organic revenues during the year was initially driven by declines with contract renewal customers and was further compounded by co-pack customers in-sourcing volumes earlier than anticipated.

ARYZTA North America EBITDA declined by (43.3)% to €170.1m, while EBITDA margins declined (620) bps to 9.5%. These very significant declines are the result of negative operating leverage following an overall reduction in volume and are further impacted by increased labour input costs and additional brand marketing investment behind the business-to-consumer ('B2C') centre aisle food offering, which has not been successful and has now been stopped.

As detailed in Section 10, following the significant reduction in overall profitability during the year, and related reductions in future cash flow projections, ARYZTA North America recorded impairment charges totalling €756.9m in respect of goodwill, intangibles and fixed assets. In addition, ARYZTA North America incurred €37.6m of restructuring-related costs, including costs associated with business interruption challenges at the Cloverhill bakeries acquired in FY 2014, severance and staff-related costs, onerous leases, advisory and other restructuring-related costs.

8 ARYZTA Rest of World

ARYZTA's operations in the Rest of World primarily includes businesses in Brazil, Australia, New Zealand, Japan, Malaysia, Singapore and Taiwan. While representing only 7% of total Group revenue and 9% of total Group EBITDA, these locations provide attractive future growth opportunities and have importance as suppliers to our global QSR customers.

ARYZTA Rest of World revenues increased by 15.8% to €259.1m during the year ended 31 July 2017. Organic revenue increased 7.2%, as a result of 4.7% volume growth across the region, combined with additional price/mix growth of 2.5%. Favourable currency movements also supported revenues by 8.6%.

ARYZTA Rest of World EBITDA increased by 13.6% to €39.1m, while EBITDA margins declined by (30) bps to 15.1%. The continued growth in this segment relates to the ongoing support of our internal customer partnerships, as well as an expansion of the food offering within the convenience and retail channels.

9 Joint ventures

During August 2015, the Group invested €450.7m in a 49% interest in Picard, which operates an asset-light B2C platform focused on premium speciality food. Picard is located primarily in France, is separately managed and has separately funded debt structures, which are non-recourse to ARYZTA.

Financial and Business Review (continued)

While Picard is not considered part of ARYZTA's long-term strategy, disposal of the Group's investment is currently only possible with agreement of both joint venture partners. Therefore, the Group's investment continues to be accounted on a historical cost basis using the equity method of accounting, rather than at fair value as an asset held-for-sale.

The Group also owns a 50% interest in Signature Flatbreads, a pioneering flatbread producer in the UK and India, producing an innovative range of authentic Indian breads, as well as high-quality international flatbreads, tortillas, pizza bases and pitas.

Joint ventures had combined revenues of €1,515.8m during the ARYZTA year ended 31 July 2017 and delivered an underlying contribution to ARYZTA, after interest and tax, of €21.3m. Both joint ventures performed well, growing revenues, expanding margins, and generating strong internal cash flows.

in EUR `000	Picard	Signature	July 2017	July 2016
Revenue	1,398,030	117,819	**1,515,849**	1,402,987
EBITDA	203,117	15,902	**219,019**	197,851
EBITDA margin	14.5%	13.5%	**14.4%**	14.1%
Depreciation	(29,580)	(6,397)	**(35,977)**	(32,210)
EBITA	173,537	9,505	**183,042**	165,641
EBITA margin	12.4%	8.1%	**12.1%**	11.8%
Finance cost, net	(95,012)	(922)	**(95,934)**	(89,915)
Pre-tax profit	78,525	8,583	**87,108**	75,726
Income tax	(41,305)	(2,250)	**(43,555)**	(43,616)
Joint venture underlying net profit	37,220	6,333	**43,553**	32,110
ARYZTA's share of JV underlying net profit	**18,115**	**3,166**	**21,281**	**15,682**

10 Impairment, acquisition, disposal and restructuring

During the year ended 31 July 2017, the Group incurred the following amounts related to impairment, integration, rationalisation and restructuring:

in EUR `000	Non-cash 2017	Cash 2017	Total 2017	Total 2016
Net gain on disposal of businesses	–	–	**–**	993
Impairment of goodwill	(594,872)	–	**(594,872)**	–
Impairment of intangibles	(138,642)	–	**(138,642)**	–
Impairment and disposal of fixed assets	(126,202)	–	**(126,202)**	(14,787)
Acquisition-related costs	–	–	**–**	(2,330)
Labour-related business interruption	–	(16,349)	**(16,349)**	–
Severance and other staff-related costs	–	(21,367)	**(21,367)**	(65,447)
Contractual obligations	–	(7,295)	**(7,295)**	(6,738)
Advisory and other costs	–	(5,463)	**(5,463)**	(8,805)
Impairment, acquisition, disposal and restructuring-related costs	**(859,716)**	**(50,474)**	**(910,190)**	**(97,114)**

Financial and Business Review (continued)

Non-cash impairment and disposal-related costs

Impairment of goodwill
Following significant reductions in profitability in Germany and North America during the year ended 31 July 2017, the Group recorded goodwill impairment charges of €103.0m in Germany and €491.9m in North America.

Current year profitability associated with these locations has been significantly impacted, either by the consolidation of 225 SKUs into the new German bakery capacity in Eisleben and the ongoing commissioning and optimisation of that facility, or by the significant volume declines and increased labour costs in North America.

While profitability in each of these locations is expected to improve in the future, after considering goodwill and other assets within these locations, as well as the respective future cash flow projections, management determined it was appropriate to record these goodwill impairment charges during the current year.

Despite these impairments, the bakeries remain world-class production facilities and are expected to make significant future contributions to the group, once spare capacity across the network is optimised and other operational challenges are addressed.

Further detail on these goodwill impairments is included in note 14 in the IFRS financial statements on page 109.

Impairment of intangibles
As outlined above, during the year ended 31 July 2017, ARYZTA North America experienced a significant reduction in volumes, as a result of earlier than anticipated in-sourcing by co-pack customers.

As these customers and the related volumes were primarily associated with the Group's Cloverhill acquisition completed during FY 2014, the Group reviewed the remaining customer relationship and brand-related intangible assets obtained as part of that acquisition and, based on the associated future cash flows, recorded a €138.6m impairment of those intangible assets.

Impairment and disposal of fixed assets
During the year, the Group incurred €126.2m of asset write-downs and impairments, primarily related to assets in ARYZTA North America, including:

- €56.6m in relation to additional production capacity not yet fully completed or in service, which without further investment is expected to remain idle;
- €69.8m in relation to other North American facilities, which have either lost significant activity during the year or which are not projected to achieve sufficient future profitability to recover their carrying value.

Separately, an impairment loss of €1.3m was recorded in Europe primarily related to obsolete production equipment in Switzerland, while a gain of €1.5m was recorded in the Rest of World segment, primarily arising from the sale of land.

Financial and Business Review (continued)

Cash acquisition and restructuring related costs

Labour related business interruption costs
During the year, the Group encountered a significant labour-related business disruption at its Cloverhill facilities.

A substantial number of the legacy labour force at these facilities was supplied through a third-party staffing agency. A federal audit of this third-party agency revealed inadequate documentation, resulting in circa 800 experienced workers leaving the business in Q4-2017 and being progressively replaced with new hires. By merit of these employees being agency workers, ARYZTA did not have the ability to verify documentation of these workers, and the immediacy and extent of the risk that existed was not known to the board.

As these individuals had significant knowledge and experience of the baking process and represented over one-third of the workforce at these facilities, there has been a significant decrease in the labour efficiency and production volumes, as well as an impact on increased waste levels at these facilities, as a result of this disruption.

While the Cloverhill business had been profitable every month since its acquisition, following this disruption these locations incurred €16.3m of losses during June and July 2017. The facility is expected to return to profitability in FY18, but will be loss making for a number of months until then.

Severance and other staff-related costs
The Group provided for a total of €21.4m in severance and other staff-related costs during the year ended 31 July 2017. Of this amount €10.4m has been recognised in relation to the remaining contractual employment period and the 12-month post-contractual term non-compete agreements with four former members of Executive Management, who left the business during the year.

The remaining €11.0m of costs recognised during the year represent severance costs arising from a number of production, distribution and administrative rationalisations, as well as amounts in respect of key employee retention agreements implemented following the Executive Management departures during the year.

During financial year 2016, the Group incurred €65.4m related to costs associated with employees whose service was discontinued following certain rationalisation decisions across the various business locations of the Group, primarily in Europe.

Contractual obligations
The operational decisions made as a result of the Group's integration and rationalisation projects resulted in certain long-term operational contracts becoming onerous. During the year ended 31 July 2017, the Group incurred total costs of €7.3m (2016: €6.7m) to provide for certain long-term contracts determined to be surplus to the Group's operating requirements. The associated provision amounts have been calculated on the basis of the remaining period of the relevant lease, or an estimate to the earliest date at which the lease could be terminated or sublet, if shorter.

Financial and Business Review (continued)

Advisory and other costs
During the year ended 31 July 2017, the Group incurred €5.5m in advisory and other professional services costs, directly arising from the strategic and business review activities following the changes in Executive Management.

During the year ended 31 July 2016, the Group incurred €8.8m in advisory and other costs related directly to the rationalisation of certain bakery assets, integration of the supply chain and distribution functions of recently acquired businesses into the Group's network and costs associated with centralisation of certain administrative functions.

11 Cash generation

in EUR `000	July 2017	July 2016
EBITA	277,310	484,867
Depreciation	142,997	124,773
EBITDA	420,307	609,640
Working capital movement	5,613	40,586
Working capital movement from debtor securitisation[1]	16,766	54,258
Capital expenditure	(102,577)	(213,935)
Proceeds from sale of fixed assets and investment property	36,218	1,030
Acquisition and restructuring-related cash flows	(63,451)	(81,702)
Segmental operating free cash generation	**312,876**	**409,877**
Hybrid dividend	(32,115)	(31,788)
Interest and income tax	(74,628)	(113,972)
Grants received, net of deferred income recognition	(5,665)	6,947
Other	(4,315)	(4,332)
Cash flow generated from activities	**196,153**	**266,732**

1 Total debtor balances securitised as of 31 July 2017 is €219m (2016: €208m).

12 Net debt and investment activity

in EUR `000	FY 2017	FY 2016
Opening net debt as at 1 August	**(1,719,617)**	**(1,725,103)**
Cash flow generated from activities	196,153	266,732
Disposal of businesses, net of cash and finance leases	–	42,060
Proceeds from disposal of Origin, net of cash disposed	–	225,101
Investment in joint venture	–	(450,732)
Net debt cost of acquisitions	–	(26,917)
Purchase of non-controlling interests	(14,485)	–
Collection of receivables from joint ventures	3,277	21,509
Contingent consideration	(896)	(46,916)
Private placement early redemption and related costs	(182,513)	–
Dividends paid	(50,945)	(57,313)
Foreign exchange movement[1]	38,952	36,038
Other[2]	(3,796)	(4,076)
Closing net debt as at 31 July	**(1,733,870)**	**(1,719,617)**

1 Foreign exchange movement for the year ended 31 July 2017 primarily attributable to the fluctuation in the USD to euro rate from July 2016 (1.1162) to July 2017 (1.1756). Foreign exchange movement for the year ended 31 July 2016 primarily attributable to the fluctuation in the GBP to euro rate from July 2015 (0.7091) to July 2016 (0.8399).

2 Other comprises primarily amortisation of upfront financing costs.

Financial and Business Review (continued)

During September 2016, the Group utilised its available financing facilities and existing cash resources to redeem all of its outstanding Private Placements, which totalled €1,209.5m at the time of redemption. In connection with this early redemption the Group incurred €182.5m of costs, including a make-whole costs of €169.4m, other redemption-related cash costs of €6.2m and also wrote-off €6.9m of existing private placement capitalised borrowing costs.

During December 2016, the Group issued a number of Schuldschein tranches totalling €386m, which have maturities between three and seven years. These proceeds were used to reduce the amount outstanding on the Group's term loan facility.

As of 31 July 2017, the Group's financing facilities, related capitalised upfront borrowing costs, finance leases, overdrafts and cash balances outstanding were as follows:

in EUR `000	31 July 2017
Syndicated Bank RCF	(1,193,912)
Term loan facility	(590,000)
Schuldschein	(384,289)
Gross term debt	**(2,168,201)**
Upfront borrowing costs	13,916
Term debt, net of upfront borrowing costs	**(2,154,285)**
Finance leases	(1,525)
Cash and cash equivalents, net of overdrafts	421,940
Net debt	**(1,733,870)**

As of 31 July 2017, the weighted average interest cost of the Group debt financing facilities was 2.2% (2016: 4.5%). The Group's interest cover including hybrid interest was 4.64x (2016: 4.50x).

The Group's key financial ratio was as follows:

	July 2017	July 2016
Net Debt: EBITDA (Syndicated Bank RCF)	4.15x	2.90x

During July 2017, the Group agreed to the terms of a new five-year unsecured €1,800m refinancing of its Syndicated Bank RCF and term loan facility comprising a €1,000m amortising term loan and a €800m revolving credit facility.

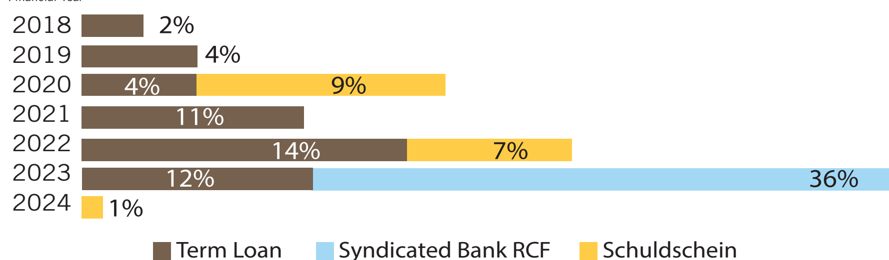
The new financing was utilised on 22 September 2017 to repay in full the revolving credit and term loan facilities put in place last year.

The refinancing is underwritten by four of the Group's key relationship banks, with general syndication to take place over the next two months.

In order to provide enhanced financial flexibility, the Group has increased the covenant to a maximum 4.75x Net Debt: EBITDA at 31 July 2017 and 31 January 2018, reducing to a maximum of 4.00x at 31 July 2018 and a maximum of 3.50x from 31 July 2019. The Group has also reduced the interest cover covenant to 3.0x EBITDA: Interest. The new facility extends the maturity profile of the Group's debt to just over 4 years.

Financial and Business Review (continued)

Gross Term Debt Maturity Profile
September 2017 (pro forma)



13 Hybrid funding

As of 31 July 2017, the Group has €770m of Hybrid funding outstanding, which is accounted for as equity under IFRS, as the instruments have no maturity date and repayment is at the option of ARYZTA. In the event repayment is not made at the first-call dates, the instruments include a provision for a coupon step-up as included below.

Perpetual Callable Subordinated Instruments		Coupon	Step-up if not called	in EUR `000
First call April 2018	CHF 400m	4.0%	6.045% +3 Month Swiss Libor	(352,740)
First call March 2019	EUR 250m	4.5%	6.77% +5 Year Euro Swap Rate	(250,000)
First call April 2020	CHF 190m	3.5%	4.213% +3 Month Swiss Libor	(167,551)
Hybrid funding at 31 July 2017 exchange rates				**(770,291)**

14 Foreign currency

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

Currency	Average 2017	Average 2016	% Change	Closing 2017	Closing 2016	% Change
CHF	1.0818	1.0905	0.8%	1.1340	1.0855	(4.5)%
USD	1.0938	1.1106	1.5%	1.1756	1.1162	(5.3)%
CAD	1.4483	1.4748	1.8%	1.4674	1.4562	(0.8)%
GBP	0.8633	0.7602	(13.6)%	0.8933	0.8399	(6.4)%

Financial and Business Review (continued)

15 Return on invested capital

in EUR million	ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World	ARYZTA Group
2017				
Segmental net assets	1,676	1,710	194	3,580
TTM EBITA	147	100	30	277
ROIC[1]	8.8%	5.9%	15.3%	7.7%
2016				
Segmental net assets	1,903	2,488	198	4,589
TTM EBITA	215	243	26	484
ROIC[1]	11.3%	9.8%	13.0%	10.5%

1 See glossary in section 21 for definitions of financial terms and references used.

2 Group WACC on a pre-tax basis is currently 8.1% (2016: 8.0%).

16 Net assets, goodwill and intangibles

in EUR `000	July 2017	July 2016
Property, plant and equipment	1,386,294	1,594,885
Investment properties	19,952	24,787
Goodwill and intangible assets	2,651,937	3,617,194
Deferred tax on goodwill and intangibles	(82,534)	(210,635)
Working capital	(334,078)	(361,307)
Other segmental liabilities	(61,202)	(76,109)
Segmental net assets	3,580,369	4,588,815
Joint ventures and related receivables	528,188	495,402
Net debt	(1,733,870)	(1,719,617)
Deferred tax, net	(111,863)	(113,823)
Income tax	(63,283)	(49,118)
Derivative financial instruments	2,111	(13,888)
Net assets	**2,201,652**	**3,187,771**

17 Dividend

At the Annual General Meeting on 7 December 2017, shareholders will be invited to approve a proposed dividend of CHF 0.3489 (€0.3024) per share, to be settled as a scrip dividend via newly issued share capital. If approved, the dividend will be issued to shareholders on 1 February 2018. A dividend of CHF 0.5731 per share was paid during the year, as approved by shareholders at the Annual General Meeting on 13 December 2016.

18 Subsequent Events

During July 2017, the Group agreed to the terms of a new five-year unsecured €1,800m refinancing of its Syndicated Bank RCF and term loan facility comprising a €1,000m amortising term loan and a €800m revolving credit facility.

The new financing was utilised on 22 September 2017 to repay in full the revolving credit and term loan facilities put in place last year.

Financial and Business Review (continued)

19 Principal risks and uncertainties

The Board and senior management have invested significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Board considers the risks and uncertainties disclosed on page 60 to continue to reflect the principal risks and uncertainties of the Group.

20 Forward looking statement

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

21 Glossary of financial terms and references

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

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

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

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

'Hybrid instrument' – presented as Perpetual Callable Subordinated Instrument.

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

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

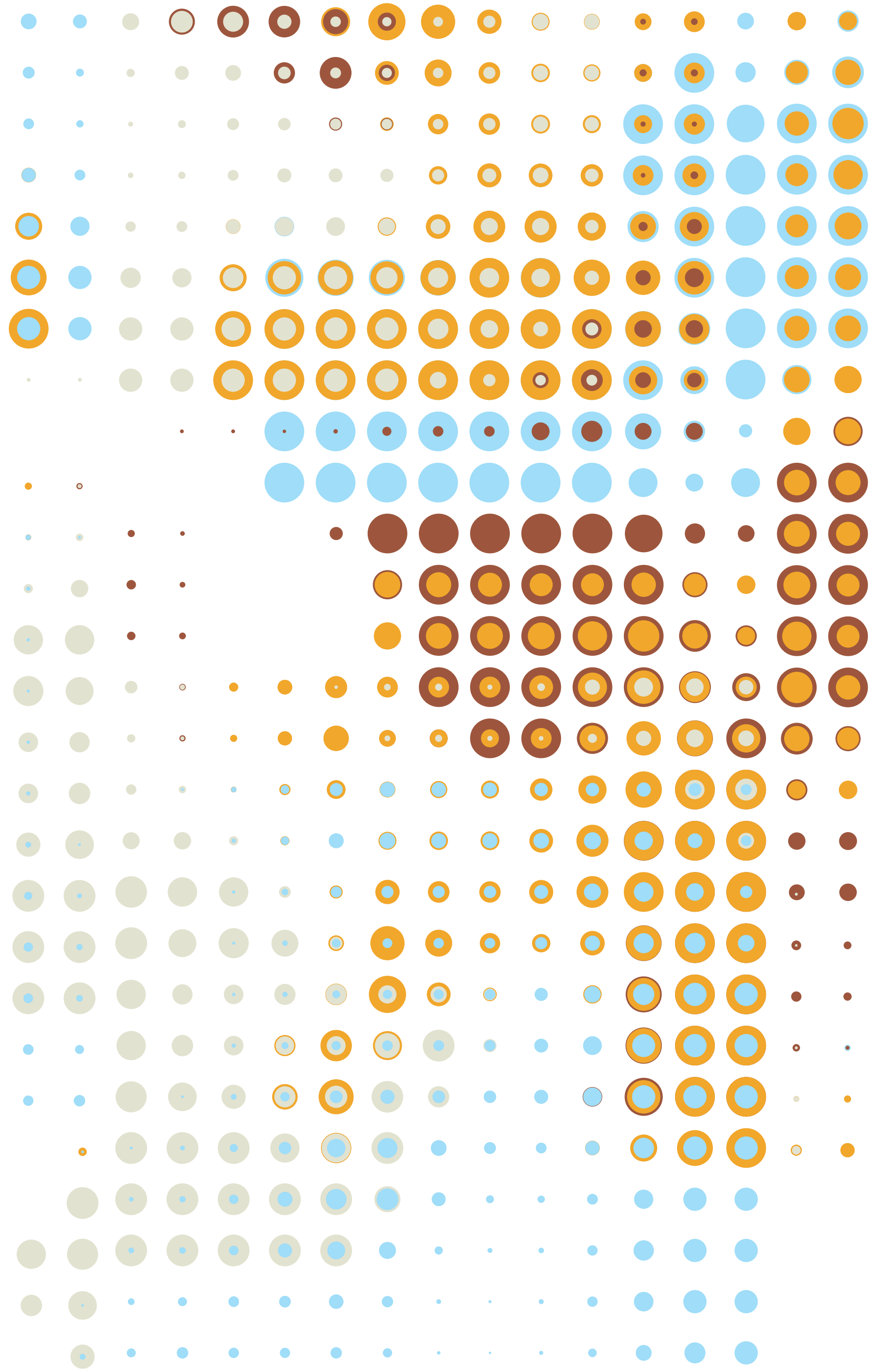
'Underlying net profit' – presented as reported net profit, adjusted to include the Hybrid instrument accrued dividend as a finance cost; before non-ERP related intangible amortisation; before private placement early redemption-related costs; and before impairment, acquisition, disposal and restructuring-related costs, net of related income tax impacts.

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

Bridge to Group Consolidated Income Statement

for the financial year ended 31 July 2017

in EUR `000	**ARYZTA Group July 2017**	ARYZTA Group July 2016
Underlying net profit - continuing operations	**179,026**	311,542
Intangible amortisation	**(174,640)**	(176,241)
Tax on amortisation	**32,997**	36,715
Share of JV intangible amortisation and restructuring costs, net of tax	**17,099**	(3,966)
Hybrid instrument accrued dividend	**32,099**	31,882
Private placement early redemption	**(182,513)**	–
Impairment of goodwill	**(594,872)**	–
Impairment of intangibles	**(138,642)**	–
Impairment and disposal of fixed assets	**(126,202)**	(13,794)
Acquisition and restructuring-related costs	**(50,474)**	(83,320)
Tax on impairment, acquisition, disposal and restructuring	**98,349**	9,911
Reported net (loss)/profit - continuing operations	**(907,773)**	112,729
Underlying net profit - discontinued operations	**–**	–
Underlying contribution associate held-for-sale	**–**	48
Profit for the year - discontinued operations	**–**	48
Loss on disposal of associate held-for-sale	**–**	(45,769)
Reported net loss - discontinued operations	**–**	(45,721)
Reported net (loss)/profit attributable to equity shareholders	**(907,773)**	67,008



Annual Report and Accounts 2017

Corporate Governance Report

Performance and Strategy

FY 2017 has been an extremely challenging year for ARYZTA. The Board has placed significant focus on reviewing ARYZTA's strategy, and will work closely with our new CEO and his team to address the challenges facing ARYZTA and to deliver the benefits of a revised strategy to all our stakeholders.

Our strategy is to focus on managing, improving and growing our strong international base in B2B Frozen Bakery and European bakery driven food solutions, together with a clear and relentless focus on customers. Implementation of our strategy will be the key significant focus area on the agenda for Board meetings during the coming financial year.

ARYZTA Board and Executive Management

Financial year 2017 was a year of significant change at Board level. At the ARYZTA 2016 Annual General Meeting ('AGM'):

- then Chairman, Denis Lucey retired
- Gary McGann was elected as the Chairman of the Board
- Rolf Watter was elected to the Board as an independent Non-Executive Director
- Shaun B. Higgins retired from the Board

In addition, the following changes to executive management took place during FY 2017:

- 14 February 2017 - Owen Killian, then CEO; Patrick McEniff, then CFO/COO; and John Yamin, then CEO Americas, all then members of ARYZTA Executive Management, tendered their resignations.
- 31 March 2017 - Mr. Killian, Mr. McEniff and Mr. Yamin departed the business. David Wilkinson was appointed as interim CFO, and Dermot Murphy, COO Europe; Ronan Minahan, COO Americas; and Robert O'Boyle, COO APMEA were appointed to the Executive Management team along-side Pat Morrissey, General Counsel, CAO & Group Secretary.
- 20 June 2017 - Mr. Minahan, then COO Americas, departed the business and Keith Cooper was appointed as CEO of the Americas business on an interim basis.

Executive Appointments and Succession

On 18 May 2017, ARYZTA announced the appointment of Kevin Toland as Group CEO. The Board, led by its Governance and Nomination Committee and advised by international recruitment firm, Russell Reynolds Associates, Inc. conducted a rigorous international process to select and recruit a world-class CEO with the necessary blend of skills, experience and expertise to lead ARYZTA. The Board unanimously selected Kevin on the basis of his proven track record; deep international expertise, and, the specific relevance of his background and experience for ARYZTA.

Corporate Governance Report (continued)

Since the end of the financial year, the Board was also successful in finalising the appointment of a CFO, Frederic Pflanz. Frederic brings extensive expertise in global consumer products businesses as well as experience in organisation integration and business consolidation. Frederic will commence his role with ARYZTA in January 2018. David Wilkinson will continue in his role as interim CFO and will ensure that there is a seamless transition. ARYTZA is pleased to have appointed candidates of Kevin and Frederic's calibre to its leadership team. Together with the appointment of the Non-Executive Directors, ARYTZA's Board and senior management team has been significantly strengthened. ARYZTA also continues to make progress in identifying and appointing a new CEO of North America and a Chief People Officer.

Governance Framework

Details of the corporate governance framework adopted by ARYZTA (namely the Articles of Association, Organisational Regulations and Terms of Reference for the Committees of the Board) are available on the Company website at www.aryzta.com/about-aryzta/corporate-governance.

Leadership

The Board

The Board is responsible for stewardship, governance and oversight, and for setting the strategic direction to deliver sustainable value. As we look forward the Board is committed to the highest standards of corporate governance in its management of ARYZTA and its accountability to shareholders and other stakeholders. Strong leadership and strong corporate governance will be integral parts of our corporate culture and the Board will lead by example. Biographical details of the Directors are on pages 34 to 36.

At 31 July 2017, the Board of ARYZTA consisted of the Chairman and six Non-Executive Directors, all of whom are considered by the Board to be independent in character and judgement. Moreover, none of the Non-Executive Directors are party to relationships or circumstances with ARYZTA which, in the Board's opinion, are likely to affect their independence or judgement. To ensure the effective oversight of financial reporting, risk management, remuneration and the future leadership of the business, the Board delegates certain functions to three main Board Committees. Further details on the role of these key Committees are provided on pages 38 to 40.

Board policy is that a majority of its membership consist of independent Non-Executive Directors, as determined in accordance with the Swiss Code of Best Practice for Corporate Governance. The Board confirms that it is fully compliant with this code. When assessing its composition, the Board reviews international best-practice standards and global corporate governance developments

The Chairman

The Chairman is responsible for the effective leadership, operation and governance of the Board and its Committees. He ensures that all Directors contribute effectively in the development and implementation of the Company's strategy whilst ensuring that the nature and extent of the significant risks the Company is willing to embrace in the implementation of its strategy are determined and challenged.

Corporate Governance Report (continued)

Governance and Culture

As a Board, we are committed to ensuring we adhere to best-practice corporate governance principles and apply them in a pragmatic way that adds value to ARYZTA. We see continually enhancing our corporate governance as central to our aim of ensuring the stability of ARYZTA and returning the business to acceptable performance and growth.

Culture is a key focus for us as part of our wider governance framework and the Board will continue to work to ensure that ARYZTA's revised strategy, operating model and remuneration framework are aligned with our corporate culture. The success of our strategy will be dependent on developing a culture across ARYZTA that supports the pursuit of teamwork and excellence. In 2018, we will place a focus on re-stating ARYZTA's core vision and values. We recognise that the Board must lead by example to ensure these values are embedded not just in the boardroom, but are shared and understood throughout the business and form an integral part of interaction with all stakeholders. A healthy culture both protects and generates value for our stakeholders and the Board will regularly review and evaluate the corporate culture at ARYZTA.

Board Refreshment and effectiveness

As detailed in this report, the last twelve months has been a period of significant change for ARYZTA's Board and management. This reflects an ongoing programme of refreshment and renewal and the Board's desire to deepen its skills and expertise. Central to effectively setting and overseeing ARYZTA's strategy and determining our approach to risk is our Board's thorough understanding of our business and industry. Throughout FY17, led by the Governance & Nomination Committee, the Board continued to review its composition to ensure it meets our objective of having the diversity of skills, experience, gender and geographic background relevant to ARYZTA's strategy and business profile. In the context of the challenges facing the business, the priority was to recruit Directors who would add to the existing skills and experience of the Board. Significant emphasis was placed on the skills and expertise required for new appointments and the importance of a strong cultural fit with ARYZTA as it pursues its future strategy and objectives.

As part of the process of refreshment and renewal, the Board was delighted to secure James B. (Jim) Leighton and Juergen Steinemann as candidates to serve as independent Non-Executive Directors. Both Directors will stand for election for the first time at our AGM in December 2017 and their biographical details will be included in the AGM invitation.

The Board is satisfied that its current composition includes an appropriate balance of longer-serving and newly appointed Directors who collectively have the critical skills and experience relevant to the challenges facing ARYZTA. The effectiveness of the Board is also impacted by the relationship between Non-Executive Directors and management. Together with the CEO, the Chairman will spend time in the coming financial year to ensure the flow of information between Non-Executive Directors and senior management is sufficiently robust to allow the Board to be effective in overseeing strategy and management of performance. In 2018, we will review and agree each Director his/her development needs to ensure the Board continues to evolve in line with our strategy and business.

Corporate Governance Report (continued)

Chairman's commitments

As communicated to shareholders in advance of the 2016 AGM, the Chairman committed to reviewing his external positions and reducing his other public directorships within six months of his appointment to ARYZTA's Board. Accordingly, he stepped down from his role as a Non-Executive Director of Smurfit Kappa Group PLC at their AGM on 5 May 2017 and on 5 June 2017 he ceased to be a Director of MPS plc.

Shareholder Engagement

The Board is committed to ongoing dialogue with shareholders to enable clear communication of ARYZTA's objectives and to foster mutual understanding of what is important to the Board and ARYZTA's shareholders. Throughout the year, led by the Chairman of the Board, ARYZTA engaged with institutional shareholders outside of the normal investor relations process and primarily focused on strategy, corporate governance and management transition. This included a series of meetings following his appointment as Chairman, dialogue following the announcement of management changes, and, leading shareholder engagement around the announcement of FY17 half year and full year results. The Board was updated on the outcome of those meetings. In addition, the Board is continually apprised of shareholder interaction by the Investor Relations team consistent with the obligation to develop an understanding of the views and concerns of major shareholders.

The Board is and will be focused on ensuring that the Group's risk management and internal control systems are effective in underpinning robust decision-making on all capital allocation decisions. The Board has continued to debate and develop its understanding of risk, risk appetite and tolerance, risk testing and how we can maximise our business opportunities. Supported by the Audit Committee, we continued to strive for a better understanding of the risks we face.

Compensation Report

At the 2016 Annual General Meeting, the shareholders ratified the 2016 Compensation Report through a separate advisory vote, and in line with Swiss law, shareholders approved the maximum aggregate amount of remuneration of the Board of Directors (for the period up to the 2017 AGM) and Executive Management (for the financial year ending 31 July 2018).

ARYZTA Corporate Governance Report format

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

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

Corporate Governance Report (continued)

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

To avoid duplication in some sections, cross-references are made to the 2017 Financial Statements (comprising the Group consolidated financial statements and Company financial statements of ARYZTA AG), as well as to the Articles of Association of ARYZTA AG (available on the Company website at www.aryzta.com/about-aryzta/corporate-governance).

Corporate Governance Report (continued)

1 Group structure and shareholders

1.1 Group structure

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

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

1.1.1 Listed companies of the ARYZTA Group

ARYZTA AG

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

Stock market capitalisation as of 31 July 2017:
CHF 2,758,615,019 or €2,443,078,456 based on 88,758,527 registered shares outstanding (i.e. disregarding 3,052,007 treasury shares) and closing prices of CHF 31.08 or €27.525 per share.

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

1.1.2 Non-listed companies of the ARYZTA Group

Details of the significant subsidiaries and associated companies of ARYZTA (being their company names, domicile, share capital, and the Company's participation therein) are set out in note 35 of the 2017 ARYZTA Group consolidated financial statements on page 147.

Corporate Governance Report (continued)

1.2 Significant shareholders

As at 31 July 2017, the Company has been notified of the following shareholdings or voting rights, which amount to 3% or more of the Company's issued ordinary share capital:

	Number of shares 2017	**Number of shares % 2017**	Number of shares 2016	Number of shares % 2016
Causeway Capital Management LLC	**6,881,741**	**7.50%**	6,881,741	7.50%
Black Creek Investment Management Inc.	**4,603,407**	**5.01%**	–	–
ARYZTA Treasury shares	**3,052,007**	**3.32%**	3,052,007	3.32%
Cobas Asset Management	**2,897,454**	**3.16%**	–	–
Norges Bank	**2,848,734**	**3.10%**	2,858,242	3.11%
CI Financial Corp.	**2,843,081**	**3.10%**	–	–

Any significant shareholder notifications during the year, and since 31 July 2017, are available from the Group's website at:
www.aryzta.com/investor-centre/shareholder-notifications.

1.3 Cross-shareholdings

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

2 Capital structure

2.1 Capital

The registered share capital of the Company, as at 31 July 2017, amounts to CHF 1,836,210.68 and is divided into 91,810,534 registered shares with a par value of CHF 0.02 per share. The share capital is fully paid-up.

2.2 Authorised and conditional capital

ARYZTA has no conditional share capital.

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

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

Corporate Governance Report (continued)

2.3 Changes in capital

Changes in share capital, treasury shares and the allocation of treasury shares to awards granted in connection with the ARYZTA Long-Term Incentive Plans (Matching and Restricted Stock Plan and Option Equivalent Plan) over the last three financial years are as follows:

	Shares in issue	Shares outstanding	Treasury shares	Matching and Restricted Stock Plan Allocation	Option Plan Allocation	Unallocated Treasury shares
As of 31 July 2014	**91,810,534**	**88,174,772**	**3,635,762**	**723,000**	**2,095,500**	**817,262**
Vesting of LTIP awards	–	327,052	(327,052)	(327,052)	–	–
Exercise of LTIP awards	–	256,703	(256,703)	–	(501,000)	244,297
Granting of LTIP awards	–	–	–	–	980,000	(980,000)
Forfeitures of LTIP awards	–	–	–	(395,948)	–	395,948
As of 31 July 2015	**91,810,534**	**88,758,527**	**3,052,007**	**–**	**2,574,500**	**477,507**
Granting of LTIP awards	–	–	–	–	2,624,500	(2,624,500)
Forfeitures of LTIP awards	–	–	–	–	(315,500)	315,500
As of 31 July 2016	**91,810,534**	**88,758,527**	**3,052,007**	**–**	**4,883,500**	**(1,831,493)**
Granting of LTIP awards	–	–	–	182,807	–	(182,807)
Forfeitures of LTIP awards	–	–	–	(4,850)	(1,223,000)	1,227,850
As of 31 July 2017	**91,810,534**	**88,758,527**	**3,052,007**	**177,957**	**3,660,500**	**(786,450)**

Of the 91,810,534 registered shares, 88,758,527 are outstanding and 3,052,007 are classified as treasury shares. While the treasury shares are less than the total 3,838,457 Option Plan and Restricted Stock Plan awards outstanding, treasury shares continue to exceed the 1,565,500 Option Plan Awards vested and eligible for exercise as of 31 July 2017.

2.4 Shares and participation certificates

ARYZTA's capital is composed of registered shares only. As at 31 July 2017, ARYZTA has 91,810,534 fully paid-up, registered shares (including 3,052,007 treasury shares) with a nominal value of CHF 0.02 each. Each share entered in the share register with voting rights entitles the holder to one vote at the General Meeting and all shares have equal dividend rights. ARYZTA has not issued any participation certificates[1].

2.5 Profit-sharing certificates

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

2.6 Restrictions on transferability and nominee registrations

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

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

Corporate Governance Report (continued)

2.6.1 Limitations on transferability

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

2.6.2 Exceptions granted in the year under review

As part of the establishment of ARYZTA, former holders of IAWS Group plc shares and options received ARYZTA registered shares, delivered initially in the form of Capita Depository Interests and since replaced by CREST[1] Depository Interests ('CDIs')[2].

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

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

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

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

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

Corporate Governance Report (continued)

2.6.3 Admissibility of nominee registrations

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

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

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

2.6.4 Procedure and conditions for cancelling statutory privileges

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

2.7 Convertible bonds, warrants and options

As of 31 July 2017, ARYZTA has not issued any convertible bonds or warrants.

As of 31 July 2017, a total of 3,660,500 Option Equivalent Plan awards granted to executives and senior management remain outstanding, subject to fulfilment of predefined vesting conditions in connection with the ARYZTA Long Term Incentive Plan.

Please refer to the Compensation Report on pages 49 to 57 of this Annual Report for further information pertaining to the vesting of Long Term Incentive Plan awards granted as an element of Executive Management compensation.

Corporate Governance Report (continued)

3 Board of Directors

3.1 Members of the Board of Directors

At 31 July 2017, the Board of ARYZTA consists of the Chairman and six non-executive directors, all of whom are considered by the Board to be independent in character and judgement. Moreover, none of the non-executive directors are party to relationships or circumstances with ARYZTA which, in the Board of Directors' opinion, are likely to affect their judgement.

Gary McGann (1950, Irish)
Chairman (since December 2016), and non-executive member
BA from University College Dublin; MScMgnt from IMI/TCD and a Fellow of Chartered Association of Certified Accountants
Mr. McGann is the Chairman of Paddy Power Betfair plc. He is also a director of Green REIT plc. He is the former Group Chief Executive Officer of the Smurfit Kappa Group plc, one of the leading providers of paper-based packaging solutions in the world. He is also former CEO of Aer Lingus Group and Gilbeys of Ireland. Gary is also Chairman of Sicon Ltd (Sisk Group) and Aon Ireland, and a former President of IBEC (Irish Business and Employers' Confederation) and CEPI (Confederation of European Paper Industries). In the "not for profit sector", he is a director of Barnardos.

Charles Adair (1951, American)
Non-executive member
Bachelor of Arts in Biology from North Park College and a Master of Science from Michigan State University in Resource Economics
Charles Adair is retired Vice-Chairman of BMO Capital Markets, a full-service investment bank headquartered in Toronto, Canada. He began his career in the agricultural commodity trading and transportation industries in the U.S. and joined BMO Capital Markets in 1984 in Chicago. He was a leader in the formation of BMO's initial U.S. investment banking effort, as one of the senior members of the Chicago investment banking platform in 1995. In addition, he started BMO's Food & Agribusiness Mergers & Acquisitions practice from Chicago. With over 37 years of experience in the food and agribusiness industries, he continues to consult and invest with food and agribusiness companies globally. He is a non-executive director of Darling Ingredients Inc. and a member of the compensation committee. He became a member of the ARYZTA Board of Directors in December 2010.

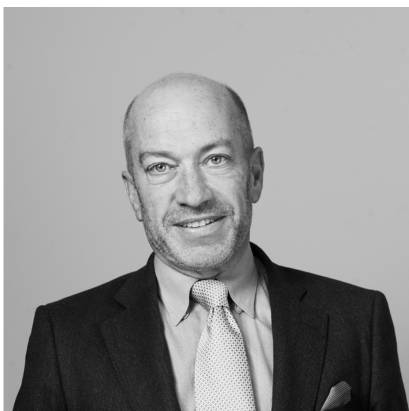
Corporate Governance Report (continued)

Dan Flinter (1950, Irish)
Non-executive member
MA in Economics from University College Dublin, Ireland
Dan Flinter is a former CEO of Enterprise Ireland and a former Executive Director of IDA Ireland. He is Chairman of the Boards of PM Group Holdings Ltd, The Irish Times Ltd. and VCIM. He is a board member of Dairygold Co-Operative and Chairman of its Remuneration Committee. He is a member of the Board of the Institute of Directors, Ireland and joined the Board of the IEDR (Irish Exchange Domain Registry) in July 2017. He is also a former Chairman of the Governing Authority of Maynooth University and of the Centre For Effective Services. He became a member of the ARYZTA Board of Directors in December 2015.

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

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

Corporate Governance Report (continued)



Rolf Watter (1958, Swiss)
Non-executive member
Doctorate in law from the University of Zurich, Master of Law degree from Georgetown University, Washington D.C., USA
Rolf Watter has been a partner at the Zurich law firm Bär & Karrer since 1994. He specialises in M&A and is an expert in corporate governance questions. He is currently Chairman of PostFinance AG and serves as a non-executive director of AW Faber Castell AG and AP Alternative Portfolio AG and is board member in three charitable foundations. He is a member of the Regulatory Board of the SIX Swiss Exchange and is also a professor of law at the University of Zurich. He is a former chairman of Noble Biocare Holding AG and Cablecom Holdings. In addition, he was a Board member of Zurich Insurance Group AG, Syngenta AG, Forbo Holding AG, and Centerpulse AG. He became a member of the ARYZTA Board of Directors in December 2016.

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

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

Corporate Governance Report (continued)

3.2 Other activities and functions

None of the non-executive members of the Board of Directors has fulfilled any operational management functions for companies of the ARYZTA Group in the three years immediately preceding the period. Related-party transactions with any members of the Board of Directors or Executive Management did not exceed €100,000 in aggregate during the year ended 31 July 2017.

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

3.3 Number of activities permitted outside the Group

Pursuant to Article 25 of the Articles of Association, the members of the Board of Directors currently may hold no more than the following number of additional mandates in the supreme executive bodies of companies and organisations outside of the Company:

- up to three mandates in listed companies;
- up to three mandates in non-listed companies;
- up to four mandates in (i) charitable organisations, (ii) associations or foundations and (iii) other non-profit institutions.

A short-term temporary overrun of the limitations set forth above by one mandate is permissible.

For further details, refer to Article 25 of the Articles of Association, which is available on the Company website at www.aryzta.com/about-aryzta/corporate-governance.

3.4 Elections and terms of office

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

3.5 Internal organizational structure

3.5.1 Allocation of tasks within the Board of Directors

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

Corporate Governance Report (continued)

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

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

As of 31 July 2017, these Committees are comprised as follows:

	Governance and Nomination Committee	Audit Committee	Remuneration Committee
Gary McGann (Chairman)	X		X
Charles Adair			X[1]
Dan Flinter	X[1]		
Annette Flynn		X[1]	
Andrew Morgan		X	
Rolf Watter	X		X
Wolfgang Werlé		X	

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

1 denotes the Board Member who chairs the applicable Committee.

Audit Committee

From 1 August 2016 to 31 July 2017, the Audit Committee was comprised of three non-executive directors, namely Annette Flynn (Chair), Andrew Morgan and Wolfgang Werlé. Each of these directors is considered by the Board to be independent in judgement and character. In the 2017 financial year, the Audit Committee met four times and the average duration of the meetings was approximately three hours.

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

In the financial year 2017, the Audit Committee, operating under its Terms of Reference, discharged its responsibilities by reviewing:

- the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's reports thereon;
- the appropriateness of the Group's accounting policies;
- the audit and non-audit fees payable to the Group's external auditor;
- the external auditor's plan for the audit of the Group's accounts, which included key areas of extended scope work, key risks to the accounts, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit;
- the Group's financial controls and risk systems;

Corporate Governance Report (continued)

- the Internal Audit function's terms of reference, resources, its work programme and reports on its work during the year;
- the arrangements by which staff may, in confidence, raise concerns about possible fraud; and
- the quality of underlying earnings reported by ARYZTA.

Remuneration Committee

From 1 August 2016 until the Annual General Meeting on 13 December 2016, the Remuneration Committee was comprised of three non-executive directors namely Charles Adair (Chairman), Denis Lucey and Shaun B. Higgins. From 13 December 2016 through to 31 July 2017, the Remuneration Committee was comprised of three non-executive directors, namely Charles Adair (Chairman), Gary McGann and Rolf Watter. Each of these directors is considered by the Board to be independent in judgement and character. In FY 2017, the Remuneration Committee met 10 times and the average duration of the meetings was approximately two hours.

The Remuneration Committee is responsible for determining the remuneration of the members of the Board and the CEO, and for approving the remuneration of other members of senior management, upon the recommendation of the CEO. The Group's remuneration policy for executive and non-executive directors and details of directors' remuneration are contained in the Compensation Report on pages 49 to 57 of this Annual Report, in accordance with the Swiss Code of Obligations and the SIX Directive on Information Relating to Corporate Governance.

In financial year 2017 the Remuneration Committee worked extensively with independent expert consulting firms in Europe and North America regarding compensation design and best practices for Executive Management (base, short-term and long-term) as well as fee levels for Board members. The Remuneration Committee also worked collaboratively with the Governance and Nomination Committee as that Committee led the work involved in securing new executive and non executive talent for ARYZTA.

Governance and Nomination Committee

From 1 August 2016 until the Annual General Meeting on 13 December 2016, the Governance and Nomination Committee was comprised of three non-executive directors, namely Dan Flinter (Chairman), Denis Lucey and Shaun B. Higgins. From 13 December 2016 through to 31 July 2017, the Governance and Nomination Committee was comprised of three non-executive directors, namely Dan Flinter (Chairman), Gary McGann and Rolf Watter. Each of these directors is considered by the Board to be independent in judgement and character. In financial year 2017, the Governance and Nomination Committee met seven times and the average duration of the meetings was approximately two hours.

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

Corporate Governance Report (continued)

In the financial year 2017 the Governance and Nomination Committee worked extensively with independent expert recruiting firms in Europe and North America in recruiting new executive talent and on the ARYZTA Board renewal program. The Committee was supported by the Remuneration Committee in the work involved in securing new executive talent for ARYZTA.

Ad hoc committee

In addition, following the FY 2017 year end, the Board has established an ad hoc Committee comprising Gary McGann, Annette Flynn, Rolf Watter and Dan Flinter to review the budgeting and forecasting controls and processes in ARYZTA during FY 2017.

3.5.3 Work methods of the Board and its Committees

Nine Board meetings were held during the financial year 2017. No Board member attended less than 75% of Board and/or Committee meetings. The average duration of regular Board meetings was approximately five hours. At each meeting, the Chairs of the Committees reported to the Board on their activities. Details of the remit of the Committees are set out in section 3.5.2.

Board of Directors

	Eligible to attend	Attended
Gary McGann (Chairman, from 13 December 2016)	8	8
Denis Lucey (Chairman, until 13 December 2016)	1	1
Charles Adair	9	8
Dan Flinter	9	9
Annette Flynn	9	8
Shaun B. Higgins	1	1
Owen Killian	4	4
Andrew Morgan	9	8
Rolf Watter	8	8
Wolfgang Werlé	9	7

Audit Committee

	Eligible to attend	Attended
Annette Flynn (Chair)	4	4
Andrew Morgan	4	4
Wolfgang Werlé	4	4

Governance and Nomination Committee

	Eligible to attend	Attended
Dan Flinter (Chair)	7	7
Shaun B. Higgins	2	2
Denis Lucey	2	2
Gary McGann	5	5
Rolf Watter	5	5

Remuneration Committee

	Eligible to attend	Attended
Charles Adair (Chair)	10	10
Shaun B. Higgins	2	2
Denis Lucey	2	2
Gary McGann	8	8
Rolf Watter	8	8

Corporate Governance Report (continued)

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

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

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

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

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

3.7 Information and control instruments pertaining to Group Executive Management
Group Executive Management report to the Board of Directors. In financial year 2017, the CEO and CFO / COO reported to the Board until their departure in March 2017. Since then, the interim CFO reported directly to the Chairman until the commencement of the new Group CEO on September 12.

The Board approves the formal Risk Assessment, as well as the design, implementation and maintenance of the Internal Control System.

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

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

Corporate Governance Report (continued)

4 Group Executive Management

4.1 Group Executive Management FY 2017 and FY 2016

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

For the financial year 2017, the Group Executive Management comprised Owen Killian (Group CEO), Patrick McEniff (Group CFO/COO), John Yamin (CEO of the Americas) and Pat Morrissey (Group General Counsel, Company Secretary and CAO), until the resignations of Owen Killian (Group CEO), Patrick McEniff (Group CFO/COO), and John Yamin (CEO of the Americas), effective 31 March 2017.

On 13 March 2017, ARYZTA announced the appointment of David Wilkinson as Interim Group CFO and a revised Executive Management team comprising Pat Morrissey (Group General Counsel, Company Secretary and CAO), Dermot Murphy (COO Europe); Ronan Minahan (COO Americas), and Robert O'Boyle (COO APMEA).

On 18 May 2017, ARYZTA announced the appointment of Kevin Toland as CEO, commencing September 2017.

On 20 June 2017, the Board announced the appointment of Keith Cooper as interim CEO Americas and the resignation of Ronan Minahan as COO Americas.

As of 31 July 2017, the Group Executive Management comprised Pat Morrissey (Group General Counsel, Company Secretary and CAO), Dermot Murphy (COO Europe); and Robert O'Boyle (COO APMEA).

On September 12, 2017, Kevin Toland commenced as Group CEO

Kevin Toland (1965, Irish)
Chief Executive Officer ('CEO')
Fellow of Chartered Institute of Management Accountants; Diploma in Applied Finance from the Irish Management Institute
Kevin Toland joined ARYZTA on September 12, 2017. Mr Toland was previously CEO of daa plc which operates Dublin and Cork airports, ARI (a global retailer in travel retail) and daa International. He previously held the position of Chief Executive and President of Glanbia USA & Global Nutritionals, a division of Glanbia plc, based in Chicago, Illinois. He was a member of the Glanbia plc Board of Directors from 2003 to 2013; and, was based in the US from 2004 to 2012. Kevin is a director of Total Produce, IBEC and Identigen.

Corporate Governance Report (continued)

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

Dermot Murphy (1970, Irish)
COO ARYZTA Europe
Fellow of Chartered Association of Certified Accountants
After leaving KPMG in 1998 Dermot joined the IAWS Group and has fulfilled a number of senior management roles based in Europe and the United States. He was appointed Managing Director for the Food Solutions business in 2012 and has taken full responsibility for the European business since January 2017.

Robert O'Boyle (1975, Irish)
COO ARYZTA APMEA
Bachelor Degree of International Commerce (German) from University College Dublin, Ireland. Fellow of Chartered Association of Certified Accountants
From 1999 to 2008, Robert worked in Andersen and subsequently KPMG. Since 2008, Robert has fulfilled a number of senior management roles in ARYZTA. From 2013 to 2015 he held the role of European Trading Director, moving in 2016 to head of the Group's APMEA activities as regional COO.

Except for the above-mentioned assignments, members of Group Executive Management are currently not involved in other management or supervisory bodies. They are not active in managing or consulting functions with interest groups, nor do they hold public or political office. No member of the Group Executive Management holds management contracts for any company outside the ARYZTA Group.

Pursuant to Article 25 of the Articles of Association, the members of the Executive Management, subject to the approval by the Chairman of the Board, may currently hold no more than the following number of additional mandates in the supreme executive bodies of companies and organisations outside of the Company:
- none in listed companies;
- up to two mandates in non-listed companies;
- up to four mandates upon instruction of the Company in companies that are not directly or indirectly controlled by the Company (such as in pension funds and joint-ventures); and
- up to four mandates in (i) charitable organisations, (ii) associations or foundations and (iii) other non-profit institutions.

For further details, refer to Article 25 of the Articles of Association, which is available on the Company website at www.aryzta.com/about-aryzta/corporate-governance.

Corporate Governance Report (continued)

5 Compensation, shareholdings and loans

Please refer to the Compensation Report on pages 49 to 57 for disclosures pertaining to compensation, as well as the content and method of determining the compensation and share-ownership programmes. Also, see Articles 20 and 21 of the Articles of Association (available at http://www.aryzta.com/about-aryzta/corporate-governance/), which govern the responsibilities of the Remuneration Committee and Group Remuneration principles.

Non-executive Directors' and Executive Management's share interests

The Directors and Company Secretary had no interests, other than those shown below, in the ordinary shares in, or loan stock of, the Company or other Group undertakings.

Beneficial interests at 31 July 2017 were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of shares 2017	No. of shares 2016
Directors		
Gary McGann[2]	**5,650**	N/A
Charles Adair	**5,000**	5,000
Dan Flinter[3]	**1,200**	1,200
Annette Flynn	**1,000**	1,000
Andrew Morgan	**–**	–
Rolf Watter[2]	**7,050**	N/A
Wolfgang Werlé	**2,336**	2,336
Denis Lucey[2]	**N/A**	4,250
Shaun B. Higgins[2]	**N/A**	2,500
Owen Killian[1]	**N/A**	216,530
Executive Management		
Pat Morrissey	**131,922**	131,922
Dermot Murphy[1]	**35,000**	N/A
Robert O'Boyle[1]	**10,000**	N/A
Patrick McEniff[1]	**N/A**	558,347
John Yamin[1]	**N/A**	47,171
Total	**199,158**	970,256

1 Effective 31 March 2017, Owen Killian, Patrick McEniff and John Yamin resigned from the Executive management, and Dermot Murphy and Robert O'Boyle were appointed to Executive management.

2 Effective 13 December 2016, Denis Lucey and Shaun B. Higgins retired from the Board, and Gary McGann and Rolf Watter were elected to the Board.

3 Effective 8 December 2015 Dan Flinter was elected to the Board.

No loans or advances were made by the ARYZTA Group to members of the Board of Directors or to Executive Management during the financial year, or were outstanding at 31 July 2017 (2016: none).

Corporate Governance Report (continued)

6 Shareholders' participation

6.1 Voting rights

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

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

6.2 Statutory quorums

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

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

6.3 Convocation of General Meeting of the shareholders

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

6.4 Agenda

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

6.5 Entry in the share register

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

Corporate Governance Report (continued)

7 Change of control and defence measures

7.1 Obligation to make an offer

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

7.2 Change of control clauses

Benefits under the ARYZTA LTIP vest upon a change of control by reference to the fair value of the LTIP instruments. The final determination of such fair value falls to be made by the Board of Directors (acting through the Remuneration Committee thereof) on the basis of independent, external, professional advice. Otherwise, the agreements and plans benefiting the members of the Board or the Group Executive Management are unaffected by a change of control. Further details regarding the benefits under the ARYZTA LTIP are set out in the Compensation Report on pages 49 to 57 of this Annual Report.

8 Auditors

8.1 Duration of the mandate and term of office of the lead auditor

Following a formal tender process, PricewaterhouseCoopers AG, Zurich, was elected as statutory auditor and Group auditor in December 2009. The term of office is one year. Sandra Boehm is the lead auditor for the 2017 financial year. Patrick Balkanyi was lead auditor from PricewaterhouseCoopers AG's appointment in 2009 to 2016. The lead auditor rotates every seven years in accordance with Swiss law. At the 2016 AGM, PricewaterhouseCoopers AG, Zurich, was re-elected as statutory auditor and Group auditor for the 2017 financial year.

8.2 Audit fees

The total audit and audit-related fees charged by the Group auditors in financial year 2017 amounted to €2,479,000.

The total audit and audit-related fees charged by the Group auditors in the financial year 2016 amounted to €2,362,000. Non-audit fees paid to the auditor totalled 58% of the audit and audit-related fees

8.3 Additional fees

The Group's policy is to manage its relationship with the Group's external auditor to ensure their independence is maintained. In order to achieve this, the Board has determined limits on the type and scale of non-audit work that can be provided by the auditor. Contracts to the auditor for other non-audit work are deemed to be pre-approved by the Audit Committee, up to an aggregate limit of 75% of the audit fee on average over a three year period. This is subject to the requirement that all contracts for specific pieces of non-audit work with fees exceeding €250,000 be awarded on the basis of competitive tendering. Where the awarding of a contract for non-audit work to the auditor is to be made that is likely to increase total fees for non-audit work above this aggregate limit, the Group CFO consults the Chair of the Audit Committee in advance of such a contract being awarded.

Corporate Governance Report (continued)

Fees for additional services rendered by the auditors to the ARYZTA Group in financial year 2017 totalled €1,429,000 (2016: €1,778,000). A significant portion of these fees related to tax return preparation or review in over 20 countries, covering more than 100 legal entities.

Auditor's remuneration

in EUR `000	**2017**	2016
– Auditor's remuneration for audit and audit-related services	**2,479**	2,362
– Auditor's remuneration for tax compliance and related services	**1,052**	1,164
– Auditor's remuneration for tax consulting services	**377**	614
– Auditor's remuneration for advisory services	**–**	–
	3,908	4,140

– Total other fees / Audit and audit-related services	**58%**	75%
– Tax consulting or advisory services / Audit and audit-related services	**15%**	26%

8.4 Information tools pertaining to the external audit

PricewaterhouseCoopers presents to the Audit Committee a detailed report on the results of the 2017 Group consolidated and Company financial statement audits, the findings on significant financial accounting and reporting issues, as well as the findings on the Group's internal control system ('ICS').

In the financial year 2017, both PricewaterhouseCoopers and the Group Head of Internal Audit participated in all Audit Committee meetings. The Interim CFO attended and participated in all Audit Committee meetings following his appointment. Other members of the Group Executive Management attended the meetings as invited. In addition, the Group Head of Internal Audit regularly met with the Chair of the Audit Committee for interim updates.

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

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

Corporate Governance Report (continued)

9 Investor Communications Policy

Guiding principles

ARYZTA is committed to pursuing an open and consistent communication policy with shareholders, potential investors and other interested parties. The guiding principles of this policy are that ARYZTA gives equal treatment to shareholders in equal situations, that any price-sensitive information is published in a timely fashion and that the information is provided in a format that is as complete, simple, transparent and consistent as possible.

Quarterly announcement cycle

Announcement	News Release	Report	Conference Call	Webcast
First-quarter trading update	x		x	
Half-Year results	x	x	x	x
Third-quarter trading update	x		x	
Full-year results	x	x	x	x
Annual Report	x	x		

All announcements, reports and webcasts are available on the ARYZTA website: www.aryzta.com. An automatic alerting service is also provided through the website.

ARYZTA's Investor Relations programme for institutional investors is carried out in line with the quarterly announcement cycle. These investor communications focus either on recently announced financial results, recent corporate activity or the longer-term strategy of the Group. They do not serve the purpose of disclosing new information that might encourage an investment decision.

Investor relations contact details

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Key dates to December 2018

First-quarter trading update	27 November 2017
Annual General Meeting 2017	7 December 2017
Distribution of scrip dividend	1 February 2018
Announcement of half-year results 2018	12 March 2018
Third-quarter trading update	29 May 2018
Announcement of the 2018 annual results	24 September 2018
First-quarter trading update	26 November 2018
Annual General Meeting 2018	4 December 2018

Annual Report and Accounts 2017
Compensation Report

Introduction

FY17 was a difficult year for ARYZTA and one of significant change at Board and Executive Management level.

In the context of these changes, the Board, and the Remuneration Committee ("The Committee") in particular, invested significant time in reviewing our remuneration framework. The Board and the Remuneration Committee were supported by independent external consultants in this work (PricewaterhouseCoopers, Pearl Meyer and FTI Consulting).

Details regarding our future remuneration framework, which will be informed in advance by feedback from major shareholders and proxy advisors, will be set out in our AGM materials and put to shareholders at our December 2017 Annual General Meeting ('AGM'). Also, as in prior years, the Board will submit this Compensation Report to a separate advisory vote of the shareholders at the AGM.

Executive Management Changes

In connection with their departure from the Group, ARYZTA entered Termination Agreements with Owen Killian, Patrick McEniff and John Yamin whereby any claims arising under their Employment Contracts were extinguished at a cost to ARYZTA substantially below the maximum potential contractual amount.

Specifically, the Employment Contracts expressly provided for:-

- 12 month notice period - fully remunerated, i.e. base salary, pension and other annual benefits, short term bonus and LTIP; and
- 12 month post termination non-compete - remunerated at base salary plus short term bonus).

The Termination Agreements provided for a settlement of any potential claims on the following basis:-

- 12 month notice period - base salary, pension and other annual benefits, 33.33% of the maximum short term bonus (or, to express it differently, 50% of the target short term bonus) and 0% re LTIP; and
- 12 month post termination non-compete - remunerated at base salary plus 33.33% of the maximum short term bonus (or, to express it differently, 50% of the target short term bonus).

As set out in Note 31 to the FY17 Group Consolidated Financial Statements, in accordance with IFRS, ARYZTA has, provided in its FY17 accounts for the entire amounts payable under the three Termination Agreements and the Group's current estimate for any potential claims by Ronan Minahan - assuming the same treatment – i.e. €10,368,000 of which €5,398,000 relates to the 12 month notice period and €4,970,000 relates to the 12 month post termination non-compete.

The table on page 54 of this Compensation Report presents total FY17 remuneration for Executive Management in accordance with applicable Swiss law (rather than IFRS). For greater transparency, this is broken out further in the table on page 55 where a distinction is drawn between current and former Executive Management.

Compensation Report (continued)

CEO Remuneration

In May 2017 we announced the appointment of Kevin Toland as our new Group CEO. The appointment was made following a rigorous recruitment process, which was international in scope, and had unanimous Board support.

The Committee has given careful and detailed consideration to the new CEO's remuneration. In particular, the Committee took time to assess European best-practice in terms of structuring the package. As a reference point, the Committee was also provided with information on market data on remuneration to ensure it was market competitive.

The aim of the Committee, in designing remuneration arrangements for the new CEO, was to ensure they reflect evolving best-practice, have clear alignment with shareholders, incorporating both robust structural elements and an emphasis on performance, and that they promote the long-term success of the company.

To further align with shareholders' interest and reflect current market conditions for executive remuneration, reductions have been made to the CEO's remuneration package in comparison to the previous arrangements.

The Board is committed to ensuring that our remuneration framework supports ARYZTA's strategy, and provides a balance between motivating and challenging the CEO to deliver ARYZTA's near term business priorities together with sustainable, long term success. A significant part of the proposed performance related reward will be delivered through shares. This ensures that the CEO has a meaningful long-term investment in the business, and that his interests are aligned with shareholders.

While the Committee is still finalising the performance measures and targets for 2018, in line with a commitment to best-practice, this report sets out the framework under which the CEO will be remunerated in the year ahead.

Compensation Report (continued)

Key Changes to the remuneration framework for 2017/18

Increased alignment with shareholders	Inclusion of post-vesting holding period for long-term incentives
Reduction in fixed pay	Emphasis on performance-based compensation to further align the interests of the CEO and shareholders

Overview of CEO's 2017/18 Remuneration

	FY18	FY17	Rationale
Salary	CHF 969,000	CHF 1,277,000	Competitive market salary
Pension	20% of salary	15% of salary	Competitive pension arrangement
Annual Bonus	Maximum opportunity of 150% of salary	Maximum opportunity of 150% of salary	Promote the delivery of strategy and shareholder value by including challenging performance measures
Long-term incentive plan	Maximum opportunity of 200% of salary	Maximum opportunity of 150% of salary	Increase alignment with shareholders through extended holding period Promote the delivery of strategy and shareholder value by including challenging performance measures

It is the Committee's intention to continually review the CEO's remuneration arrangements, performance relative to targets and evolving best-practice. In the event that any material alterations are proposed, the Committee would engage with shareholders regarding any changes prior to confirming those decisions.

Performance Measures and Targets

The Board and our new CEO continue to review our strategy with the aim of narrowing the focus to our core B2B business. Our remuneration framework will be designed to align the interests of management and shareholders and incentivise management's pursuit of goals that the Committee consider central to our refocused strategy and the restoration of performance. This will include a focus on building increased trust with our key stakeholders (customers, employees and suppliers) which is critical to delivering ARYZTA's strategy.

As part of the process to establish appropriate performance measures, targets and vesting schedules and our commitment to transparency, ARYZTA will be consulting

Compensation Report (continued)

with shareholders to provide them with the opportunity to express their views on the Remuneration Committee's proposals and our remuneration framework. Subsequent to that initial consultation, and the setting of a detailed three year plan under the strategic direction communicated to shareholders at the time of our FY17 results, we will finalise targets to be employed under our LTIP in FY18. We will advise shareholders before finalising our position.

Looking Ahead

The Committee is conscious of the increased focus on executive remuneration from a number of stakeholders. While ARYZTA's primary listing is in Switzerland, given the global scale of our business, the Committee keeps apprised of key developments with regard to corporate governance and remuneration throughout Europe.

Compensation Process

Role of the Remuneration Committee of the Board

As in prior years, for the financial year ending 31 July 2017 ('FY 2017') the Committee was, within the limits of the relevant shareholder approvals, responsible for:

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

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

Shareholder Approval and Payouts

At our December 2016 AGM, shareholders ratified the FY 2016 Compensation Report in a separate advisory vote. Also, at that meeting, shareholders fixed CHF 1,000,000 as the maximum remuneration of the Board of Directors for the period ending at the next AGM. As per the table on page 53, directors fees for FY17 total CHF 966,000.

At our 2015 AGM, subject to the Articles of Association, shareholders fixed, CHF 17,750,000 as the maximum FY17 remuneration for Executive Management. As per the table on page 54, Executive Management FY17 remuneration totals CHF 6,539,000.

Employment Contracts

As reported in prior years, the Employment Contracts for Owen Killian, Patrick McEniff, John Yamin and Pat Morrissey, include (a) 12 month notice periods (fully remunerated) and (b) 12 month non-compete periods (remunerated at base salary plus short term bonus). Contracts in the same terms were put in place for Dermot Murphy, COO Europe, Robert O'Boyle, COO APMEA and Ronan Minahan, former COO Americas on their appointment to Executive Management as announced on 13 March 2017.

Compensation Report (continued)

Compensation to members of the Board of Directors – FY 2017

For FY 2017, consistent with the shareholder approval, non-executive board members were paid a yearly fee (CHF 88,000), reflecting the time commitment and responsibilities of the role. Additional compensation for non-executive directors for service on a Board Committee was CHF 8,000 and CHF 16,000 for the Chair thereof. In addition, in recognition of the extra burden and time commitment associated with transatlantic travel, an additional allowance of CHF 15,000 per annum was introduced for board members based in North America.

The non-executive Chairman of the Board was paid an annual fee of (CHF 323,000) to cover all his duties.

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

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

The following table reflects the payments received by Board members during the years ended 31 July 2017 and 2016 (inclusive of any additional fees for service on a committee). Fluctuations in amounts received are reflective of the changing roles and responsibilities held by the individual directors, during each respective year.

in CHF `000	**Direct payments year ended 31 July 2017**	Direct payments year ended 31 July 2016
Denis Lucey[1]	**135**	323
Gary McGann[1]	**215**	–
Charles Adair	**104**	100
J Brian Davy[2]	**–**	43
Dan Flinter[2]	**104**	69
Annette Flynn	**104**	100
Shaun B. Higgins[1]	**43**	104
Owen Killian	**–**	–
Patrick McEniff[2]	**–**	–
Andrew Morgan	**96**	96
Rolf Watter[1]	**69**	–
Wolfgang Werlé	**96**	96
John Yamin[2]	**–**	–
Total	**966**	931

1 The terms of office as Members of the Board of Directors of D. Lucey and S. Higgins expired on 13 December 2016 and on that date G. McGann and R. Watter were elected to the Board.
2 The terms of office as Members of the Board of Directors of J.B. Davy, P. McEniff and J. Yamin expired on 8 December 2015 and on that date D. Flinter was elected to the Board.

Compensation Report (continued)

Compensation to members of Executive Management

As per pages 42 to 43 of the Corporate Governance Report, for financial year 2016, Group Executive Management consisted of Owen Killian (former Group CEO), Patrick McEniff (former Group CFO / COO), John Yamin (former CEO of the Americas) and Pat Morrissey (Group General Counsel, Company Secretary and CAO).

For financial year 2017, Group Executive Management comprised Owen Killian (former Group CEO), Patrick McEniff (former CFO / COO), John Yamin (former CEO of the Americas) and Pat Morrissey (Group General Counsel, Company Secretary and CAO), until the resignations of Owen Killian, Patrick McEniff and John Yamin, effective 31 March 2017.

On 13 March 2017, ARYZTA announced the appointment of David Wilkinson as Interim Group CFO and a new Executive Management team comprising Pat Morrissey (Group General Counsel, Company Secretary and CAO), Dermot Murphy (COO Europe); Ronan Minahan (COO Americas), and Robert O'Boyle (COO APMEA). On 20 June 2017, ARYZTA announced the departure of Mr. Minahan.

As of 31 July 2017, the Group Executive Management comprised Pat Morrissey (Group General Counsel, Company Secretary and CAO), Dermot Murphy (COO Europe); and Robert O'Boyle (COO APMEA).

The elements of the remuneration package for Executive Management for financial years 2017 and 2016 comprised:

- basic salary and benefits (including benefits-in-kind and pension contributions);
- short-term performance-related bonus (measured by reference to performance in the financial year) and for FY17 only, retention payments; and
- long-term incentives (LTIP).

The highest total compensation in financial year 2017 was earned by Owen Killian, and his total remuneration is disclosed separately in the following table.

in CHF `000	**Total Executive Management 2017**	**Owen Killian 2017**	Total Executive Management 2016	Owen Killian 2016
Basic salaries	**4,340**	**1,277**	4,077	1,277
Benefits in kind	**316**	**83**	205	83
Pension contributions	**487**	**192**	489	192
Performance and contractual related bonus and retention	**1,396**	**213**	3,058	958
Long-term incentives (LTIP)[1]	**–**	**–**	–	–
Total compensation paid to members of ARYZTA Executive Management	**6,539**	**1,765**	7,829	2,510
Average total compensation per member of ARYZTA Executive Management	**1,090**		1,566	

1 No compensation expense has been recognized to date for LTIP awards made in FY 2016, as the required minimum performance targets have not been achieved.

The compensation to members of Executive Management, during financial years 2017 and 2016, includes compensation for their roles as members of the Board or Company Secretary of ARYZTA and, in the case of Owen Killian, Patrick McEniff and Pat Morrissey, for their service as officers of Origin Enterprises plc (respectively, Chairman,

Compensation Report (continued)

non-executive director and Company Secretary) until October 2015. Amounts for Dermot Murphy, Ronan Minahan and Robert O'Boyle reflect their compensation since becoming members of executive management on 13 March 2017.

The total remuneration for Executive management during 2017 is allocated between current and former Executive Management as follows:

in CHF `000	Current Executive Management 2017	Former Executive Management 2017	**Total Executive Management 2017**
Basic salaries	859	3,481	**4,340**
Benefits in kind	112	204	**316**
Pension contributions	101	386	**487**
Performance and contractual related bonus and retention	633	763	**1,396**
Long-term incentives (LTIP)	–	–	**–**
Total compensation paid to members of ARYZTA Executive Management	1,705	4,834	**6,539**

Severance

Outside of contractual entitlements, no severance or termination payments were made to any member of Executive Management during financial years 2017 and 2016.
As detailed on page 52, the Termination Agreements entered into with Owen Killian, Patrick McEniff and John Yamin in connection with their departure are fully in line with the terms of their Employment Contracts.

One-off Retention Payments

Given the extent of management change during the year and the risk of further upheaval from consequent flight risk, to ensure senior executive continuity payments of 50% of base salary were awarded to the Executive Management team (Pat Morrissey, Dermot Murphy, Rob O'Boyle and Ronan Minahan). These payments are one-off in nature and reflect the exceptional circumstances and challenges facing ARYZTA during FY17, including the need to ensure continuity and stability within the business, particularly for our customers, our employees and shareholders. The Remuneration Committee does not envisage making similar payments in the future.

Performance Payments

In addition, Dermot Murphy and Robert O'Boyle were awarded performance related bonuses based on criteria in place prior to their joining Executive Management of CHF 377,088, of which CHF 188,544 has been reflected as part of Executive Management compensation during FY 2017 as the proportionate amount associated with the period of their service since becoming members of Executive management.

No loans or advances were made by the ARYZTA Group to members of the Board of Directors or to Executive Management during the financial year, or were outstanding at 31 July 2017 (2016: none).

Compensation Report (continued)

Executive Management basic salary and benefits

At the 2015 AGM, shareholders approved the maximum base salaries for Executive Management for FY2017 (CHF 4,250,000).

Also, at the 2015 AGM, the shareholders established the ratio between base salaries and maximum variable contingent income – 1:3 of which up to 1.5 times base salaries by way of short-term performance-related bonus; and up to 1.5 times base salaries for long-term incentive plans (based on fair value at grant).

Employment related benefits consist principally of a car allowance and pension. Pension benefits are determined solely in relation to basic salary.

At the 2016 AGM, shareholders approved the maximum possible remuneration for Executive Management for FY2018 (CHF 15,050,000) and shareholders have the authority to set the maximum remuneration for Executive Management for future years.

Executive Management short-term performance-related bonus

At the 2015 AGM, shareholders approved the FY 2017 short-term performance-related bonus targets for Executive Management at 100% of base salaries, with the maximum potential amounts to be earned being capped at 150% of base for outperformance of targets.

In connection with their departure, the Group entered Termination Agreements with Owen Killian, Patrick McEniff and John Yamin, consistent with the terms of their Employment Contracts and providing for, inter alia, payment of 50% of their base salaries (33.33% of the maximum short term performance related bonus) in settlement of any and all claims to any short term performance related bonus.

As disclosed on page 55, retention payments, set at 50% of their base salaries, were established for the other members of FY2017 Executive Management (Pat Morrissey, Dermot Murphy, Rob O'Boyle and Ronan Minahan).

In addition, Mr Murphy, and Mr O' Boyle were awarded performance related bonuses put in place prior to their joining Executive Management.

Executive Management Long-term Incentive Plan (LTIP)

No LTIP awards were made in FY17.

LTIP awards in favour of Executive Management made in FY2015 lapsed as at 31 July 2017 as the performance criteria were not satisfied.

No expense has been recognized to date for LTIP awards made in FY 2016, as the required minimum performance targets have not been achieved. Benefits under the LTIP vest upon a change of control by reference to the fair value of the LTIP instruments. The final determination of such fair value falls to be made by the Board of Directors (acting through the Committee) on the basis of independent, external, professional advice. Otherwise, the agreements and plans benefiting Group Executive Management are unaffected by a change of control.

In prior years, the ARYZTA long-term incentive remuneration of Executive Management has consisted of a Matching Plan and an Option Equivalent Plan awards.

Compensation Report (continued)

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

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

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

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

The vesting and net exercise of (1) all Option Equivalent Plan awards outstanding (based on the closing share price of CHF 31.08 on 31 July 2017), plus (2) the impact of any LTIP awards that have already been exercised, would result in a dilution of 2.32% of total shares outstanding (or 0.26% annualised) in the period since 2008.

Executive Management Option Equivalent Plan Allocation

Executive Management were granted no Option Equivalent Awards under the Option Equivalent Plan during FY 2017. As shown in the table on page 54, no expense was recognised for Executive Management LTIP awards in FY 2017 or FY 2016.

The following table details awards outstanding under the Option Equivalent Plan in favour of Executive Management:

Executive Management	Options carried forward 1 August 2016	Granted during the year	Forfeited during the year	Closing position 31 July 2017	Of which Vesting criteria have been fulfilled[1]
Owen Killian	1,570,000	–	(410,000)	1,160,000	750,000
Patrick McEniff	1,210,000	–	(300,000)	910,000	610,000
John Yamin	300,000	–	(150,000)	150,000	–
Pat Morrissey	340,000	–	(120,000)	220,000	100,000
Dermot Murphy	125,000	–	–	125,000	50,000
Ronan Minahan	120,000	–	–	120,000	–
Robert O'Boyle	32,500	–	–	32,500	22,500
Total	**3,697,500**	**–**	**(980,000)**	**2,717,500**	**1,532,500**

1 The weighted average exercise price of all Option Equivalent Plan awards that remain outstanding and for which the vesting conditions have been met is CHF 39.22 (the exercise prices of which range from CHF 37.23 to CHF 46.70).

Report of the statutory auditor to the General Meeting of ARYZTA AG on the compensation report 2017

We have audited the remuneration report of ARYZTA AG for the year ended 31 July 2017. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained within the tables on pages 53 to 54.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

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

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

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

Opinion
In our opinion, the remuneration report of ARYZTA AG for the year ended 31 July 2017 complies with Swiss law and articles 14–16 of the Ordinance.

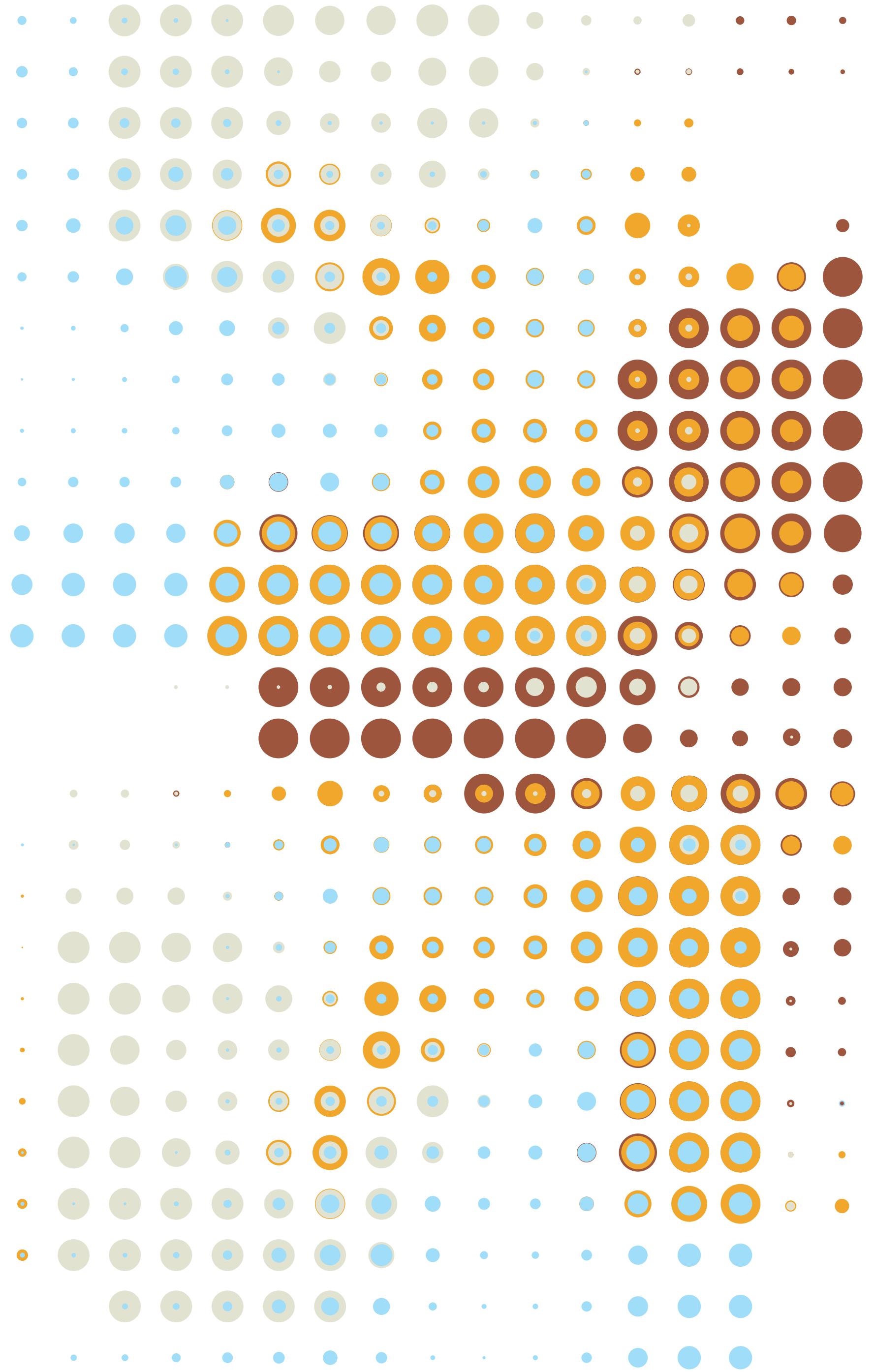
PricewaterhouseCoopers AG

Sandra Böhm
Audit expert
Auditor in charge

Garrett Young

Zurich, 2 October 2017

Governance



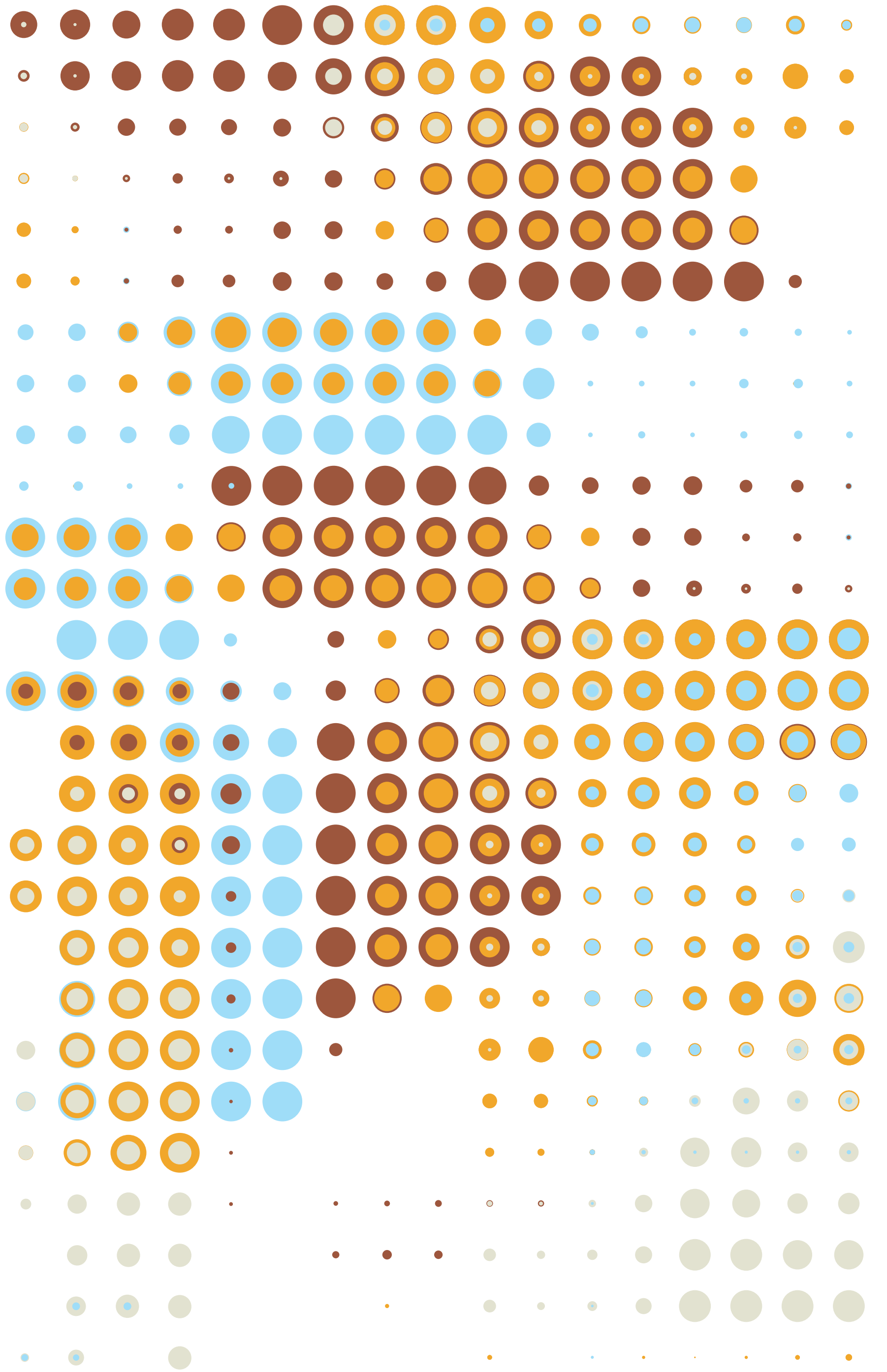
Group Risk Statement
Principal Risks and Uncertainties

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

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

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

1 These risks are not listed in order of importance.



Annual Report and Accounts 2017
Our Responsibility

Our Approach

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

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

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

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

Environmental Practices

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

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

This CO_2 metric is calculated based on various bakery and distribution activity inputs and applying a relevant Green House Gas emission factor to assess the estimated global warming potential of activities directly related to ARYZTA's business.

Food and Marketplace

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

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

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

Our Responsibility (continued)

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

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

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

People and Workplace

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

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

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

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

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

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

Our Responsibility (continued)

Sustainable Sourcing

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

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

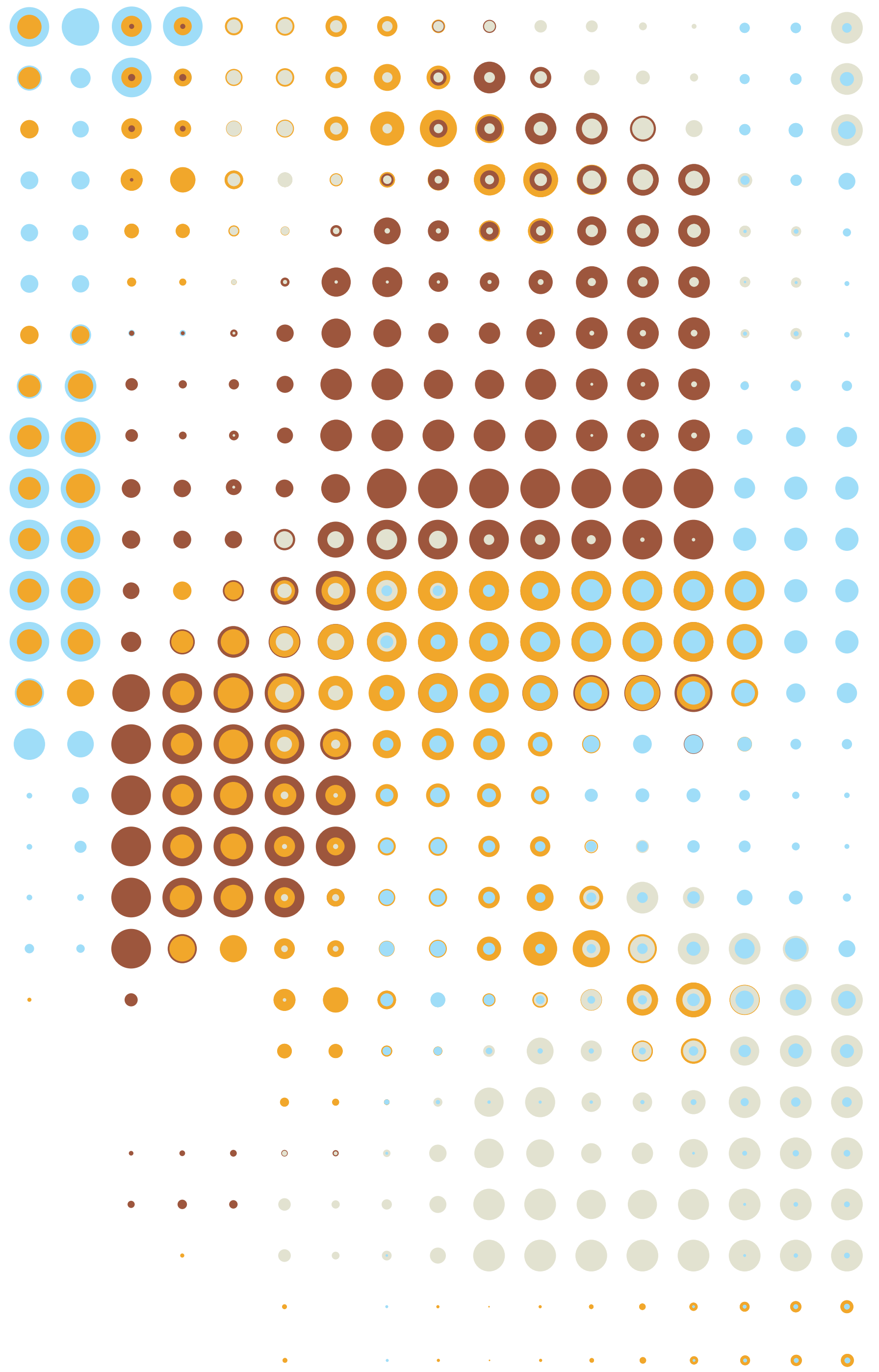
In order to support the long-term development of sustainable palm oil solutions, ARYZTA is a global member of the Roundtable on Sustainable Palm Oil (RSPO) and participates in three of the available solutions: Book and Claim (GreenPalm certificates), Mass Balance, and Segregated Supply.

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

Community Engagement

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

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



Annual Report and Accounts 2017

Group Consolidated and Company Financial Statements 2017

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

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Company Financial Statements, presented in Swiss francs and prepared in accordance with the requirements of Swiss law

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Statement of Directors' Responsibilities
for the year ended 31 July 2017

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

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

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

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

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

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

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

On behalf of the Board

Gary McGann
Chairman, Board of Directors

Annette Flynn
Chair, Audit Committee
Member of the Board of Directors

21 September 2017

Group Consolidated Income Statement
for the year ended 31 July 2017

in EUR `000	Notes	2017	2016
Continuing Operations			
Revenue	1	**3,796,770**	3,878,871
Cost of sales		**(2,766,136)**	(2,654,228)
Distribution expenses		**(411,702)**	(414,410)
Gross profit		**618,932**	810,233
Selling expenses		**(202,747)**	(188,656)
Administration expenses		**(628,833)**	(410,065)
Impairment of goodwill	14	**(594,872)**	–
Operating (loss)/profit	1	**(807,520)**	211,512
Share of profit after interest and tax of joint ventures	15	**38,380**	11,716
(Loss)/profit before financing income, financing costs and income tax	3	**(769,140)**	223,228
Financing income	4	**3,821**	3,526
Financing costs	4	**(62,272)**	(106,706)
Private placement early redemption	21	**(182,513)**	–
(Loss)/profit before income tax		**(1,010,104)**	120,048
Income tax credit/(expense)	9	**103,966**	(4,543)
(Loss)/profit for the year from continuing operations		**(906,138)**	115,505
Discontinued operations			
Loss for the year from discontinued operations	2	**–**	(45,721)
(Loss)/profit for the year		**(906,138)**	69,784
Attributable as follows:			
Equity shareholders - continuing operations		**(907,773)**	112,729
Equity shareholders - discontinued operations		**–**	(45,721)
Equity shareholders - total		**(907,773)**	67,008
Non-controlling interests - continuing operations	27	**1,635**	2,776
(Loss)/profit for the year		**(906,138)**	69,784

Basic (loss)/earnings per share	Notes	**2017 euro cent**	2016 euro cent
From continuing operations	11	**(1,058.9)**	91.1
From discontinued operations	11	**–**	(51.5)
	11	**(1,058.9)**	39.6

Diluted (loss)/earnings per share	Notes	**2017 euro cent**	2016 euro cent
From continuing operations	11	**(1,058.9)**	90.9
From discontinued operations	11	**–**	(51.4)
	11	**(1,058.9)**	39.5

The notes on pages 76 to 147 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Comprehensive Income
for the year ended 31 July 2017

in EUR `000	Notes	2017	2016
(Loss)/profit for the year		**(906,138)**	69,784
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation effects			
– Foreign currency net investments		**(76,617)**	(49,548)
– Foreign currency borrowings	21	**59,716**	36,027
– Taxation effect of foreign exchange translation movements	9	**(1,532)**	198
Cash flow hedges			
– Effective portion of changes in fair value of cash flow hedges		**9,036**	5,747
– Fair value of cash flow hedges transferred to income statement		**6,991**	(7,380)
– Deferred tax effect of cash flow hedges	9	**(1,647)**	376
Share of joint ventures' other comprehensive income	15	**180**	304
Total of items that may be reclassified subsequently to profit or loss		**(3,873)**	(14,276)
Items that will not be reclassified to profit or loss:			
Defined benefit plans			
– Actuarial gain/(loss) on Group defined benefit pension plans	25	**6,135**	(462)
– Deferred tax effect of actuarial (gain)/loss	9	**(1,204)**	(23)
Total of items that will not be reclassified to profit or loss		**4,931**	(485)
Total other comprehensive income/(loss)		**1,058**	(14,761)
Total comprehensive (loss)/income for the year		**(905,080)**	55,023
Attributable as follows:			
Equity shareholders		**(907,313)**	53,757
Non-controlling interests	27	**2,233**	1,266
Total comprehensive (loss)/income for the year		**(905,080)**	55,023

The notes on pages 76 to 147 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet
as at 31 July 2017

in EUR `000	Notes	2017	2016
Assets			
Non-current assets			
Property, plant and equipment	12	**1,386,294**	1,594,885
Investment properties	13	**19,952**	24,787
Goodwill and intangible assets	14	**2,651,937**	3,617,194
Investments in joint ventures	15	**528,188**	491,446
Receivables from joint ventures	17	**–**	3,956
Deferred income tax assets	24	**158,767**	133,176
Total non-current assets		**4,745,138**	5,865,444
Current assets			
Inventory	16	**252,162**	248,719
Trade and other receivables	17	**164,271**	168,595
Derivative financial instruments	22	**4,311**	669
Cash and cash equivalents	20	**535,570**	647,724
Total current assets		**956,314**	1,065,707
Total assets		**5,701,452**	6,931,151

The notes on pages 76 to 147 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet (continued) as at 31 July 2017

in EUR `000	Notes	2017	2016
Equity			
Called up share capital	26	**1,172**	1,172
Share premium		**774,040**	774,040
Retained earnings and other reserves		**1,426,440**	2,397,460
Total equity attributable to equity shareholders		**2,201,652**	3,172,672
Non-controlling interests	27	–	15,099
Total equity		**2,201,652**	3,187,771
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	21	**383,242**	1,963,709
Employee benefits	25	**6,644**	13,470
Deferred income from government grants	23	**18,280**	23,945
Other payables	18	**36,278**	37,678
Deferred income tax liabilities	24	**353,164**	457,634
Derivative financial instruments	22	**704**	4,618
Total non-current liabilities		**798,312**	2,501,054
Current liabilities			
Interest-bearing loans and borrowings	21	**1,886,198**	403,632
Trade and other payables	18	**750,511**	778,621
Income tax payable		**63,283**	49,118
Derivative financial instruments	22	**1,496**	9,939
Contingent consideration	19	–	1,016
Total current liabilities		**2,701,488**	1,242,326
Total liabilities		**3,499,800**	3,743,380
Total equity and liabilities		**5,701,452**	6,931,151

The notes on pages 76 to 147 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity
for the year ended 31 July 2017

31 July 2017 in EUR `000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Total share-holders equity	Non controlling interests	Total
At 1 August 2016	**1,172**	**774,040**	**(47)**	**720,456**	**(11,521)**	**–**	**(18,114)**	**1,706,686**	**3,172,672**	**15,099**	**3,187,771**
Loss for the year	–	–	–	–	–	–	–	(907,773)	(907,773)	1,635	(906,138)
Other comprehensive income/(loss)	–	–	–	–	14,380	–	(18,503)	4,583	460	598	1,058
Total comprehensive income/(loss)	**–**	**–**	**–**	**–**	**14,380**	**–**	**(18,503)**	**(903,190)**	**(907,313)**	**2,233**	**(905,080)**
Share-based payments (note 8)	–	–	–	–	–	2,005	–	–	2,005	–	2,005
Equity dividends (note 10)	–	–	–	–	–	–	–	(47,595)	(47,595)	–	(47,595)
Dividends to non-controlling interests (note 27)	–	–	–	–	–	–	–	–	–	(3,350)	(3,350)
Dividends on perpetual callable subordinated instruments (note 26)	–	–	–	–	–	–	–	(32,099)	(32,099)	–	(32,099)
Total contributions by and distributions to owners	**–**	**–**	**–**	**–**	**–**	**2,005**	**–**	**(79,694)**	**(77,689)**	**(3,350)**	**(81,039)**
Acquisition of non-controlling interests (note 27)	–	–	–	–	–	–	–	13,982	13,982	(13,982)	–
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**2,005**	**–**	**(65,712)**	**(63,707)**	**(17,332)**	**(81,039)**
At 31 July 2017	**1,172**	**774,040**	**(47)**	**720,456**	**2,859**	**2,005**	**(36,617)**	**737,784**	**2,201,652**	**–**	**2,201,652**

The notes on pages 76 to 147 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity (continued)
for the year ended 31 July 2017

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

The notes on pages 76 to 147 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
for the year ended 31 July 2017

in EUR `000	Notes	2017	2016
Cash flows from operating activities			
(Loss)/profit for the year from continuing operations		**(906,138)**	115,505
Income tax (credit)/expense	9	**(103,966)**	4,543
Financing income	4	**(3,821)**	(3,526)
Financing costs	4	**62,272**	106,706
Private placement early redemption	21	**182,513**	–
Share of profit after interest and tax of joint ventures	15	**(38,380)**	(11,716)
Asset disposals and impairments	3	**859,716**	13,794
Other restructuring-related payments (in excess of) / less than current year costs		**(14,982)**	1,618
Depreciation of property, plant and equipment	1	**126,308**	112,030
Amortisation of intangible assets	1	**191,329**	188,984
Recognition of deferred income from government grants	23	**(5,665)**	(3,098)
Share-based payments	8	**2,005**	–
Other		**(4,315)**	(4,332)
Cash flows from operating activities before changes in working capital		**346,876**	520,508
Increase in inventory		**(18,038)**	(16,223)
Decrease in trade and other receivables		**2,172**	80,902
Increase in trade and other payables		**38,245**	30,165
Cash generated from operating activities		**369,255**	615,352
Income tax paid		**(13,381)**	(18,369)
Net cash flows from operating activities		**355,874**	596,983

The notes on pages 76 to 147 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
(continued)
for the year ended 31 July 2017

in EUR `000	Notes	2017	2016
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**21,696**	1,030
Proceeds from sale of investment property		**14,522**	–
Purchase of property, plant and equipment		**(91,552)**	(184,019)
Grants received	23	**–**	10,045
Investment in joint venture	15	**–**	(450,732)
Acquisitions of businesses, net of cash acquired	29	**–**	(26,447)
Proceeds from disposal of Origin, net of cash disposed	2	**–**	225,101
Disposal of businesses, net of cash disposed	3	**–**	42,060
Purchase of intangible assets		**(11,025)**	(29,916)
Net receipts from joint ventures	15	**3,277**	21,509
Contingent consideration paid	19	**(896)**	(46,916)
Net cash flows from investing activities		**(63,978)**	(438,285)
Cash flows from financing activities			
Gross drawdown of loan capital	21	**1,226,778**	290,887
Gross repayment of loan capital	21	**(1,209,472)**	(43,903)
Private placement early redemption and related cash costs	21	**(175,647)**	–
Interest paid		**(65,635)**	(98,934)
Interest received		**4,388**	3,331
Capital element of finance lease liabilities	21	**(1,022)**	(26)
Purchase of non-controlling interests	27	**(14,485)**	–
Dividends paid to non-controlling interests	27	**(3,350)**	(4,603)
Dividends paid on perpetual callable subordinated instruments		**(32,115)**	(31,788)
Dividends paid to equity shareholders		**(47,595)**	(52,710)
Net cash flows from financing activities		**(318,155)**	62,254
Net (decrease)/increase in cash and cash equivalents	21	**(26,259)**	220,952
Translation adjustment	21	**(20,774)**	(12)
Net cash and cash equivalents at start of year	21	**468,973**	248,033
Net cash and cash equivalents at end of year	21	**421,940**	468,973

The notes on pages 76 to 147 are an integral part of these Group consolidated financial statements.

Group Statement of Accounting Policies
for the year ended 31 July 2017

Organisation

ARYZTA AG (the 'Company') is domiciled and incorporated in Zurich, Switzerland. The consolidated financial statements for the year ended 31 July 2017 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as the 'Group'), and show the Group's interest in joint ventures using the equity method of accounting.

The Group consolidated financial statements and the ARYZTA AG Company financial statements were preliminarily authorised for issue by the directors on 21 September 2017. Final approval of these financial statements was granted by the directors on 2 October 2017, subject to approval by the shareholders at the General Meeting on 7 December 2017.

Statement of compliance

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

The IFRS applied by the Group in preparation of these financial statements are those that were effective for accounting periods beginning on or before 1 August 2016. The following standards and interpretations, issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee, are effective for the first time in the current financial year and have been adopted by the Group:

- Amendments to IFRS 10 – Consolidated financial statements
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1 – Disclosure initiative
- Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 28 – Investments in associates and joint ventures
- Improvements to IFRSs (2012-2014)

While the above standards and interpretations adopted by the Group modify certain presentation and disclosure requirements, these requirements are not significantly different than information presented as part of the 31 July 2016 year-end financial statements and have no material impact on the consolidated results or financial position of the Group.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2017

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

Standard/Interpretation	Effective date	Planned implementation by ARYZTA (reporting year to 31 July)
Amendments to IAS 7 – Disclosure initiative	1 January 2017	2018
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	2018
IFRS 9 – Financial Instruments	1 January 2018	2019
IFRS 15 – Revenue from Contracts with Customers	1 January 2018	2019
Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions	1 January 2018	2019
IAS 40 – Investment Property	1 January 2018	2019
Improvements to IFRSs (2014 - 2016)	1 January 2018	2019
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	1 January 2018	2019
IFRIC 23 – Uncertainty over Income Tax Treatments	1 January 2019	2020
IFRS 16 – Leases	1 January 2019	2020

The Group has undertaken an initial assessment of the potential impact of the new standards, amendments and improvements listed above that become effective during the year ending 31 July 2018. Based on this initial assessment, the Group does not currently believe that the adoption of these standards, amendments and interpretations will have a significant impact on the consolidated results or financial position of the Group.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2017

Basis of preparation

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

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

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

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

As of 31 July 2017, all outstanding amounts on the Group's Syndicated Bank RCF and Term Loan borrowings have been presented as current liabilities within the Group Consolidated Balance Sheet, reflecting the Group's obligation to repay those facilities within the next 12 months.

While this results in total current liabilities of €2,701,488,000 being greater than total current assets of €956,314,000 as of 31 July 2017, during September 2017 the Group utilised its new five-year unsecured €1,800,000,000 banking agreement to settle all amounts outstanding on the Group's previous Syndicated Bank RCF and Term Loan, resulting in current liabilities decreasing to less than current assets. Therefore, the Group's 31 July 2017 financial statements have continued to be prepared on a going concern basis.

Income statement presentation

In accordance with IAS 1, 'Presentation of Financial Statements', the Group Consolidated Income Statement is presented by function of expense, with the exception of impairment of goodwill. In accordance with IAS 1.85, impairment of goodwill has been presented separately on the basis of materiality and to distinguish it from other elements of financial performance.

Management has also identified certain impairment, acquisition, disposal and restructuring-related costs within each functional area that do not relate to the underlying business of the Group. Due to the relative size or nature of these items, in order to enable comparability of the Group's underlying results from period to period, these items have been presented as separate components of EBITDA as defined in note 1 and have been excluded from the calculation of underlying net profit in note 11.

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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2017

Reclassifications and adjustments

The Group has historically recorded net interest cash flows within 'Net cash flows from operating activities' on the Group Consolidated Cash Flow Statement. During the current year, the Group has reviewed this accounting policy to ensure it best represents the function of interest cost within the entity and that the Group's accounting policies are aligned with companies within its peer group. As a result, the Group believes net interest cash flows more appropriately represent the cost of obtaining financial resources utilised within the business and therefore, in accordance with IAS 7, Statement of Cash Flows, has elected to report net interest cash flows within 'Net cash flows from financing activities'.

As the change in accounting policy must be reported retrospectively, the Group has adjusted all prior year comparative amounts impacted by this change in accounting policy and a comparison of the impact of this change is summarised as follows:

in EUR `000	After accounting policy change 2016	Before accounting policy change 2016
Net cash flows from operating activities	596,983	501,380
Net cash flows from investing activities	(438,285)	(438,285)
Net cash flows from financing activities	62,254	157,857
Net increase in cash and cash equivalents	**220,952**	**220,952**
Translation adjustment	(12)	(12)
Net cash and cash equivalents at start of year	248,033	248,033
Net cash and cash equivalents at end of year	**468,973**	**468,973**

Certain other amounts in the 31 July 2016 Group consolidated financial statement figures and related notes have been reclassified or adjusted to conform to the 31 July 2017 presentation. These other reclassifications or adjustments were made for presentation purposes to better align the Group's financial statement presentation to a more commonly used approach and have no effect on total revenues, expenses, profit/(loss) for the year, total assets, total liabilities, total equity or total cash flow classifications as previously reported.

Basis of consolidation

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

Subsidiary undertakings

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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2017

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

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

Equity method
Under the equity method, investments are initially recognised at cost, with the carrying amount increased or decreased thereafter to recognise the Group's share of the profits or losses and movements in other comprehensive income after the date of the acquisition. When the Group's share of losses equals or exceeds its interest in the associate or joint venture, which includes any interests that, in substance, form part of the Group's net investment, the Group does not recognise further losses, unless it has incurred a legal or constructive obligation to do so.

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture, based on the higher of value in use or fair value less costs to sell, and its carrying value, and recognises any impairment adjacent to share of profit after interest and tax of associates or joint ventures in the income statement. Where necessary, accounting policies of associates and joint ventures have been changed to ensure consistency with the policies adopted by the Group.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2017

Non-current assets held for sale

Non-current assets are classified as assets held for sale or related to discontinuing operations when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable within the next 12 months. They are stated at the lower of carrying amount and fair value, less costs to sell.

Transactions eliminated on consolidation

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

Revenue recognition

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

Segmental reporting

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

Following the resignation of Owen Killian as Group CEO effective 31 March 2017, the CODM in the intervening period up until year-end was comprised of the Board of Directors. Along with this change in the CODM, changes to the way the business was managed were put into place, including an increased focus on EBITDA, as defined within note 1, as the key performance metric of the Group and its stakeholders. As such, management has revised the presentation of note 1 to reflect this change.

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

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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2017

ARYZTA Europe has leading market positions in the European speciality bakery market. In Europe, ARYZTA has a diversified customer base within the foodservice, large retail and convenience or independent retail channels.

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

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

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

Employee benefits

Pension obligations

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

The defined benefit calculations are performed by a qualified actuary using the projected unit credit method on an annual basis. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in the Group Consolidated Statement of Comprehensive Income, net of related taxes. Current and past service costs are recognised as employment costs in the income statement. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets, and is recognised in financing costs/income in the income statement.

Share-based compensation

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

Group Statement of Accounting Policies (continued) for the year ended 31 July 2017

vesting condition; therefore, the amount recognised is adjusted annually to reflect the current estimate of achieving these conditions and the number of equity instruments expected to eventually vest.

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

Income taxes

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

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

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

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

Group Statement of Accounting Policies (continued) for the year ended 31 July 2017

Foreign currency

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

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

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

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

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

Currency	Average 2017	Average 2016	% Change	Closing 2017	Closing 2016	% Change
CHF	1.0818	1.0905	0.8%	1.1340	1.0855	(4.5)%
USD	1.0938	1.1106	1.5%	1.1756	1.1162	(5.3)%
CAD	1.4483	1.4748	1.8%	1.4674	1.4562	(0.8)%
GBP	0.8633	0.7602	(13.6)%	0.8933	0.8399	(6.4)%

Group Statement of Accounting Policies (continued) for the year ended 31 July 2017

Dividends

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

Property, plant and equipment

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

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

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

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

The residual value of assets, if significant, and the useful life of assets is reassessed annually. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals of property, plant and equipment are recognised on the completion of sale. Gains and losses on disposals are determined by comparing the proceeds received, net of related selling costs, with the carrying amount of the asset and are included in operating profit.

Investment properties

Investment property, principally comprised of land and buildings, is held for capital appreciation and is stated at fair value. The fair value is based on market value, being the estimated amount for which a property could be exchanged in an arm's length transaction. Any gain or loss arising from a change in fair value is recognised in the Group Consolidated Income Statement. When property is transferred to investment property following a change in use, any difference arising at the date of transfer between the carrying amount of the property immediately prior to transfer and its fair value is recognised in equity if it is a gain. Upon disposal of the property, the gain would be transferred to retained earnings. Any loss arising in this manner, unless it represents the reversal of a previously recognised gain, would be recognised immediately in the Group Consolidated Income Statement.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2017

Leased assets

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

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

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

Business combinations and goodwill

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

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

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

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

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

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

Group Statement of Accounting Policies (continued) for the year ended 31 July 2017

Intangible assets

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

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

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

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

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

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

There are no intangible assets with an indefinite useful life.

Impairment of non-financial assets

The carrying amounts of the Group's assets, other than inventories (which are carried at the lower of cost and net realisable value), deferred tax assets (which are recognised based on recoverability) and those financial instruments carried at fair value, are reviewed to determine whether there is an indication of impairment when an event or transaction indicates that there may be and at least at each reporting date. If any such indication

Group Statement of Accounting Policies (continued) for the year ended 31 July 2017

exists, an impairment test is carried out and, if necessary, the asset is written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and an asset's value-in-use. The Group tests goodwill for impairment annually, during the last quarter of the financial year, or more frequently if events or changes in circumstances indicate a potential impairment.

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

Inventory

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

Cash and cash equivalents

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

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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2017

Share capital

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

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

Financial assets and liabilities

Trade and other receivables

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

Short-term bank deposits

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

Trade and other payables

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

Provisions

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

Derivatives

Derivatives, including forward currency contracts, interest rate swaps and commodity futures contracts are used to manage the Group's exposure to foreign currency risk, interest rate risk and commodity price risk. These derivatives are generally designated

Group Statement of Accounting Policies (continued) for the year ended 31 July 2017

as cash flow hedges in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement'.

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

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

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

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

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

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

Group Statement of Accounting Policies (continued) for the year ended 31 July 2017

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

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

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

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

Notes to the Group Consolidated Financial Statements
for the year ended 31 July 2017

1 Segment information

1.1 Analysis by business segment

I) Segment revenue and result	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR `000	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Segment revenue[1]	**1,738,593**	1,747,045	**1,799,059**	1,908,147	**259,118**	223,679	**3,796,770**	3,878,871
EBITDA[2]	**211,128**	275,099	**170,096**	300,132	**39,083**	34,409	**420,307**	609,640
Depreciation	**(54,009)**	(50,143)	**(62,909)**	(53,276)	**(9,390)**	(8,611)	**(126,308)**	(112,030)
ERP Amortisation	**(9,955)**	(9,179)	**(6,734)**	(3,564)	**–**	–	**(16,689)**	(12,743)
EBITA	**147,164**	215,777	**100,453**	243,292	**29,693**	25,798	**277,310**	484,867
Amortisation of other intangible assets	**(57,816)**	(78,192)	**(108,765)**	(90,114)	**(8,059)**	(7,935)	**(174,640)**	(176,241)
Gain/(loss) on disposal of businesses	**–**	(4,987)	**–**	5,980	**–**	–	**–**	993
Impairment of goodwill	**(103,000)**	–	**(491,872)**	–	**–**	–	**(594,872)**	–
Impairment of intangible assets	**–**	–	**(138,642)**	–	**–**	–	**(138,642)**	–
Impairment and disposal of fixed assets	**(1,320)**	(5,040)	**(126,414)**	(9,747)	**1,532**	–	**(126,202)**	(14,787)
Acquisition and restructuring costs	**(11,682)**	(57,115)	**(37,639)**	(24,457)	**(1,153)**	(1,748)	**(50,474)**	(83,320)
Operating (loss)/profit[3]	**(26,654)**	70,443	**(802,879)**	124,954	**22,013**	16,115	**(807,520)**	211,512
Share of profit after interest and tax of joint ventures[4]							**38,380**	11,716
Financing income[4]							**3,821**	3,526
Financing costs[4]							**(62,272)**	(106,706)
Private placement early redemption[4]							**(182,513)**	–
(Loss)/profit before income tax as reported in Group Consolidated Income Statement							**(1,010,104)**	120,048

1 Revenues from external customers attributed to the Group's country of domicile, Switzerland, are 6.7% (2016: 7.0%) of total Group revenues. Revenues from external customers attributed to material foreign countries are United States 38.6% (2016: 40.0%), Germany 15.5% (2016: 15.0%) and Canada 8.8% (2016: 9.2%). For the purposes of this analysis, customer revenues are allocated based on geographic location of vendor. As is common in this industry, the Group has a large number of customers, of which one customer accounted for 10% of total Group revenues across all ARYZTA operating segments during the year ended 31 July 2017.

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

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

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

II) Segment assets	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR `000	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Segment assets	**2,172,161**	2,411,081	**2,125,089**	2,967,117	**266,088**	275,982	**4,563,338**	5,654,180

Reconciliation to total assets as reported in the Group Consolidated Balance Sheet	**2017**	2016
Investments in joint ventures and related financial assets	**528,188**	495,402
Derivative financial instruments	**4,311**	669
Cash and cash equivalents	**535,570**	647,724
Deferred income tax assets	**70,045**	133,176
Total assets as reported in Group Consolidated Balance Sheet	**5,701,452**	6,931,151

III) Segment liabilities	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR `000	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Segment liabilities	**495,550**	508,256	**415,041**	479,005	**72,378**	78,104	**982,969**	1,065,365

Reconciliation to total liabilities as reported in Group Consolidated Balance Sheet	**2017**	2016
Interest-bearing loans and borrowings	**2,269,440**	2,367,341
Derivative financial instruments	**2,200**	14,557
Current and deferred income tax liabilities	**245,191**	296,117
Total liabilities as reported in Group Consolidated Balance Sheet	**3,499,800**	3,743,380

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

IV) Other segment information	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR `000	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Capital expenditure								
– Property, plant and equipment	**49,352**	108,420	**33,253**	64,976	**10,348**	10,916	**92,953**	184,312
– Intangibles	**4,417**	14,273	**3,180**	16,364	**730**	65	**8,327**	30,702
Total capital expenditure	**53,769**	122,693	**36,433**	81,340	**11,078**	10,981	**101,280**	215,014

1.2 Segmental non-current assets

	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR `000	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
IFRS 8 non-current assets[1]	**2,505,768**	2,750,410	**1,851,671**	2,737,659	**228,932**	244,199	**4,586,371**	5,732,268

1 Non-current assets as reported under IFRS 8, Operating Segments, include all non-current assets as presented in the Group Consolidated Balance Sheet, with the exception of deferred taxes and derivative financial instruments. Non-current assets attributed to the Group's country of domicile, Switzerland, are 6.4% of total Group non-current assets (2016: 5.9%). Non-current assets attributed to material foreign countries are: United States 25.7% (2016: 35.9%), Germany 15.8% (2016: 13.9%) and Canada 14.7% (2016: 11.8%).

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

2 Discontinued operations

During September 2015, ARYZTA announced the completion of its offering of its remaining 36.3 million ordinary shares of Origin for €6.30 per share, which raised net proceeds for ARYZTA of €225,101,000. As the fair value of the 29.0% investment in associate held-for-sale at 31 July 2015 was €270,870,000, this resulted in a net loss on disposal in the year ended 31 July 2016 of €45,769,000.

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

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

in EUR `000	**2017**	2016
Underlying contribution associate held-for-sale	–	48
Cash received, net of transaction costs	–	225,101
Carrying value of 29% interest disposed	–	(270,870)
Loss for the year from discontinued operations	–	(45,721)

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

3 Impairment, acquisition, disposal and restructuring-related costs

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

Management has also identified certain impairment, acquisition, disposal and restructuring-related costs within each functional area, which are presented separately within the Financial Business Review. In order to enable comparability of the Group's underlying results and performance from period to period, the following reconciliation between the IFRS income statement and the amounts presented within the Financial Business Review is provided.

in EUR `000	IFRS Income Statement 2017	Impairment, acquisition, disposal and restructuring-related costs 2017	Intangible amortisation 2017	Financial Business Review 2017	IFRS Income Statement 2016	Impairment, acquisition, disposal and restructuring-related costs 2016	Intangible amortisation 2016	Financial Business Review 2016
Revenue	**3,796,770**	–	–	**3,796,770**	**3,878,871**	–	–	**3,878,871**
Cost of sales	**(2,766,136)**	71,391	–	**(2,694,745)**	**(2,654,228)**	32,484	–	**(2,621,744)**
Distribution expenses	**(411,702)**	18	–	**(411,684)**	**(414,410)**	3,983	–	**(410,427)**
Gross profit	**618,932**	71,409	–	**690,341**	**810,233**	36,467	–	**846,700**
Selling expenses	**(202,747)**	1,336	–	**(201,411)**	**(188,656)**	5,040	–	**(183,616)**
Administration expenses	**(628,833)**	242,573	174,640	**(211,620)**	**(410,065)**	55,607	176,241	**(178,217)**
Impairment of goodwill (note 14)	**(594,872)**	594,872	–	**–**	**–**	–	–	**–**
Operating (loss)/profit / EBITA as per Financial Business Review	**(807,520)**	910,190	174,640	**277,310**	**211,512**	97,114	176,241	**484,867**
Joint Ventures	**38,380**	(20,660)	3,561	**21,281**	**11,716**	804	3,162	**15,682**
(Loss)/profit before financing income, financing costs and income tax	**(769,140)**	889,530	178,201	**298,591**	**223,228**	97,918	179,403	**500,549**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

During the year ended 31 July 2017, the Group incurred the following impairment, acquisition, disposal and restructuring-related costs, which are presented separately when providing information to the Chief Operating Decision Maker, as reflected within the presentation of segmental EBITDA within note 1. Furthermore, this metric forms the basis for Trailing Twelve Month EBITDA utilised in calculating the Net Debt: EBITDA ratio for banking covenant compliance.

		ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR `000	Notes	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Net gain/(loss) on disposal of businesses	3.1	**–**	(4,987)	**–**	5,980	**–**	–	**–**	993
Impairment of goodwill (note 14)	3.2	**(103,000)**	–	**(491,872)**	–	**–**	–	**(594,872)**	–
Impairment of intangibles (note 14)	3.3	**–**	–	**(138,642)**	–	**–**	–	**(138,642)**	–
Impairment and disposal of fixed assets	3.4	**(1,320)**	(5,040)	**(126,414)**	(9,747)	**1,532**	–	**(126,202)**	(14,787)
Total net gain/(loss) on disposal of businesses and asset write-downs		**(104,320)**	(10,027)	**(756,928)**	(3,767)	**1,532**	–	**(859,716)**	(13,794)
Acquisition-related costs		**–**	(2,330)	**–**	–	**–**	–	**–**	(2,330)
Labour-related business interruption		**–**	–	**(16,349)**	–	**–**	–	**(16,349)**	–
Severance and other staff-related costs		**(9,423)**	(48,314)	**(10,791)**	(15,614)	**(1,153)**	(1,519)	**(21,367)**	(65,447)
Contractual obligations		**(762)**	(1,402)	**(6,533)**	(5,305)	**–**	(31)	**(7,295)**	(6,738)
Advisory and other costs		**(1,497)**	(5,069)	**(3,966)**	(3,538)	**–**	(198)	**(5,463)**	(8,805)
Total acquisition and restructuring-related costs	3.5	**(11,682)**	(57,115)	**(37,639)**	(24,457)	**(1,153)**	(1,748)	**(50,474)**	(83,320)
Total impairment, acquisition, disposal and restructuring-related costs		**(116,002)**	(67,142)	**(794,567)**	(28,224)	**379**	(1,748)	**(910,190)**	(97,114)

3.1 Net gain / (loss) on disposal of businesses

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

3.2 Impairment of goodwill

Following significant reductions in profitability in Germany and North America during the year ended 31 July 2017, the Group recorded goodwill impairment charges of €103,000,000 in Germany and €491,872,000 in North America.

Current year profitability associated with these locations has been significantly impacted, either by the consolidation of 225 SKUs into the new German bakery capacity in Eisleben and the ongoing commissioning and optimisation of that facility, or by the significant volume declines and increased labour costs in North America.

While profitability in each of these locations is expected to improve in the future, after considering goodwill and other assets within these locations, as well as the respective future cash flow projections, management determined it was appropriate to record these goodwill impairment charges during the current financial year.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

Despite these impairments, the bakeries remain world class production facilities and are expected to make significant future contributions to the group, once spare capacity across the network is optimised and other operational challenges are addressed.

Further detail on these goodwill impairments is included in note 14 on page 109.

3.3 Impairment of intangibles

As outlined in note 3.2 above, during the year ended 31 July 2017, ARYZTA North America experienced a significant reduction in volumes, as a result of earlier than anticipated in-sourcing by co-pack customers.

As these customers and the related volumes were primarily associated with the Group's Cloverhill acquisition completed during FY 2014, the Group reviewed the remaining customer relationship and brand-related intangible assets obtained as part of that acquisition and, based on the associated future cash flows, recorded a €138,642,000 impairment of those intangible assets (see note 14) within administration expenses in the Group Consolidated Income Statement.

The value-in-use models used to determine the recoverable amounts of these intangible assets were based on management's expectations of the respective future revenues from the acquired customer relationships and brands and applied a discount rate consistent with the rate used in the North America CGU goodwill impairment testing, as disclosed in note 14.

As of 31 July 2017, the remaining net book values of these specific intangible assets are: €17,013,000 for Cloverhill customer relationships and €6,805,000 for Cloverhill brands.

3.4 Impairment and disposal of fixed assets

During the year ended 31 July 2017, the Group incurred €126,202,000 (2016: €14,787,000) on impairment and disposal of fixed assets.

These amounts primarily related to the impairment of various distribution, manufacturing, and administration assets within the ARYZTA North America segment, including:

- €56,645,000 in relation to additional production capacity not yet fully completed or in service, which without further investment is expected to remain idle;
- €69,769,000 in relation to other North American facilities, which have either lost significant activity during the year or which are not projected to achieve sufficient future profitability to recover their carrying value.

Separately, an impairment loss of €1,320,000 was recorded in Europe, primarily related to obsolete production equipment in Switzerland, while a gain of €1,532,000 was recorded in the Rest of World segment, primarily arising from the sale of land.

Of these amounts, €46,824,000 has been reflected within Cost of Sales.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

3.5 Acquisition and restructuring-related costs

While there were no acquisitions during the year ended 31 July 2017, the Group underwent considerable restructuring-related activity during the year, following the significant reductions in profitability in Germany and North America and departure of four members of Group Executive management.

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

Acquisition-related costs

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

Labour-related business disruption

During the year, the Group encountered a significant labour-related business disruption at its Cloverhill facilities.

A substantial number of the legacy labour force at these facilities was supplied through a third-party staffing agency. A federal audit of this third-party agency revealed inadequate documentation, resulting in circa 800 experienced workers leaving the business in Q4-2017 and being progressively replaced with new hires. By merit of these employees being agency workers, ARYZTA did not have the ability to verify documentation of these workers, and the immediacy and extent of the risk that existed was not known to the board.

As these individuals had significant knowledge and experience of the baking process and represented over one-third of the workforce at these facilities, there has been a significant decrease in the labour efficiency and production volumes, as well as an impact on increased waste levels at these facilities, as a result of this disruption.

While the Cloverhill business had been profitable every month since its acquisition, following this disruption these locations incurred €16,349,000 of losses within Cost of Sales during June and July 2017. The facility is expected to return to profitability in FY18, but will be loss making for a number of months until then.

Severance and other staff-related costs

The Group provided for a total of €21,367,000 in severance and other staff-related costs during the year ended 31 July 2017. Of this amount €10,368,000 has been recognised in relation to the remaining contractual employment period and the 12-month post contractual term non-compete agreements with four former members of Executive Management, who left the business during the year.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

The remaining €10,999,000 of costs recognised during the year represent severance costs arising from a number of production, distribution and administrative rationalisations, as well as amounts in respect of key employee retention agreements implemented following the Executive Management departures during the year.

During financial year 2016, the Group incurred €65,447,000 related to costs associated with employees whose service was discontinued following certain rationalisation decisions across the various business locations of the Group, primarily in Europe.

Contractual obligations
The operational decisions made as a result of the Group's integration and rationalisation projects resulted in certain long-term operational contracts becoming onerous. During the year ended 31 July 2017, the Group incurred total costs of €7,295,000 (2016: €6,738,000) to provide for certain long-term contracts determined to be surplus to the Group's operating requirements. Of these amounts, €6,424,000 has been reflected within Cost of Sales. The associated provision amounts have been calculated on the basis of the remaining period of the relevant lease, or an estimate to the earliest date at which the lease could be terminated or sublet, if shorter.

Advisory costs and other costs
During the year ended 31 July 2017, the Group incurred €5,463,000 in advisory and other professional services costs, directly arising from the strategic and business review activities following the changes in Executive Management.

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

4 Financing income and costs

in EUR `000	2017	2016
Financing income		
Total financing income recognised in Group Consolidated Income Statement	**3,821**	3,526
Financing costs		
Interest cost on bank loans and overdrafts	**(62,140)**	(106,475)
Interest cost under finance leases	**(81)**	(98)
Defined benefit plan: net interest cost on plan liabilities (note 25)	**(51)**	(133)
Total financing costs recognised in Group Consolidated Income Statement	**(62,272)**	(106,706)
Private placement early redemption (note 21)	**(182,513)**	–
Recognised directly in other comprehensive income		
Effective portion of changes in fair value of interest rate swaps[1]	**2,756**	615
Fair value of interest rate swaps transferred to income statement	**3,970**	–
Total financing gain/(loss) recognised directly in other comprehensive income	**6,726**	615

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

5 Other information

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

in EUR `000	2017	2016
Revenue	**3,796,770**	3,878,871
Raw materials and consumables used	**(1,814,357)**	(1,809,609)
Employment costs (note 7)	**(846,002)**	(812,669)
Storage and distribution costs	**(254,698)**	(262,316)
Amortisation of intangible assets (note 1)	**(191,329)**	(188,984)
Depreciation of property, plant and equipment (note 1)	**(126,308)**	(112,030)
Light, heat and power	**(89,402)**	(80,803)
Operating lease rentals	**(72,985)**	(69,122)
Repairs and maintenance	**(61,822)**	(63,412)
Advertising and marketing	**(53,741)**	(44,754)
Net gain on disposal of businesses (note 3)	**–**	993
Impairment of goodwill (note 3)	**(594,872)**	–
Impairment of intangibles (note 3)	**(138,642)**	–
Asset disposals and impairments (note 3)	**(126,202)**	(14,787)
Acquisition-related costs (note 3)	**–**	(2,330)
Labour-related business interruption (note 3)	**(16,349)**	–
Other restructuring-related costs (note 3)	**(12,758)**	(15,543)
Other direct and indirect costs	**(204,823)**	(191,993)
Operating (loss)/profit from continuing operations[1]	**(807,520)**	211,512

1 For the year ended 31 July 2017, management has provided additional disaggregation and alignment of the Group's costs by nature. Amounts for the year ended 31 July 2016 have been reclassified or adjusted accordingly to conform to the 31 July 2017 presentation. These reclassifications or adjustments have no effect on total operating (loss)/profit from continuing operations as previously reported.

Group revenue categories

Group revenue relates primarily to sale of products.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

6 Directors' compensation

Please refer to the ARYZTA AG Compensation Report on pages 49 to 57 for details on the compensation process and compensation for the year of Directors and Group Executive Management. Also see compensation of key management disclosure as included in note 31.

7 Employment

Average number of persons employed by the Group during the year by function	2017	2016
Production	**15,046**	14,668
Sales and distribution	**3,596**	3,627
Management and administration	**1,597**	1,562
Total Group	**20,239**	19,857

Average number of persons employed by the Group during the year by operating segment	2017	2016
Europe	**9,052**	9,255
North America	**9,343**	9,003
Rest of World	**1,844**	1,599
Total Group	**20,239**	19,857

Aggregate employment costs of the Group

in EUR `000	2017	2016
Wages and salaries	**731,676**	658,842
Social welfare costs	**76,399**	71,999
Severance and other staff-related costs (note 3)	**21,367**	65,447
Defined contribution plans (note 25)	**14,233**	13,202
Defined benefit plans - current service cost (note 25)	**3,692**	4,435
Defined benefit plans - past service gain (note 25)	**(1,365)**	(1,256)
Employment costs	**846,002**	812,669

Notes to the Group Consolidated Financial Statements (continued)
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8 Share-based payments

The Group has outstanding grants of equity-based incentives under the ARYZTA Option Equivalent Plan LTIP and ARYZTA Restricted Stock Unit Plan. The total cost reported in the Group Consolidated Income Statement in relation to equity-settled share-based payments is €2,005,000 (2016: Nil).

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

8.1 ARYZTA Option Equivalent Plan LTIP

Option Equivalent Plan awards	Weighted conversion price 2017 in CHF	Number of equity entitlements 2017	Weighted conversion price 2016 in CHF	Number of equity entitlements 2016
Outstanding at beginning of the year	50.19	4,883,500	55.21	2,574,500
Granted during the year	–	–	44.58	2,624,500
Forfeited during the year	73.82	(1,223,000)	44.48	(315,500)
Outstanding at the end of the year	42.30	3,660,500	50.19	4,883,500
Vested at end of the year	39.22	1,565,500	39.34	1,589,500

Option Equivalent Plan awards outstanding by conversion price	Conversion price in CHF	Number of equity entitlements	Actual remaining life (years)
Issued during financial year 2010	37.23	550,000	2.1
Issued during financial year 2012	39.95	962,500	4.2
Issued during financial year 2013	46.70	53,000	5.3
Issued during financial year 2016	44.66	2,095,000	8.3
As of 31 July 2017	42.30	3,660,500	6.2

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

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

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

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

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

There were no awards granted under the ARYZTA Option Equivalent Plan LTIP during the year ended 31 July 2017. The weighted average fair value assigned to share option equivalents granted under the ARYZTA Option Equivalent Plan LTIP during the year ended 31 July 2016 was CHF 6.80, which was determined using the Black-Scholes valuation model. The significant inputs into the model were the price of the shares as at the grant date, an expected option life of 5.0 years, expected share price volatility of 23.11%, the weighted average exercise price of CHF 44.58 or €40.88, the expected dividend yield of 1.5% and the risk-free rate of (0.54)%.

8.2 ARYZTA Restricted Stock Unit Plan

Restricted Stock Unit Plan awards outstanding	Weighted conversion price 2017 in CHF	Number of equity entitlements 2017	Weighted conversion price 2016 in CHF	Number of equity entitlements 2016
Outstanding at beginning of the year	–	–	–	–
Granted during the year	0.00	182,807	–	–
Forfeited during the year	0.00	(4,850)	–	–
Outstanding at the end of the year	**0.00**	**177,957**	–	–
Vested at end of the year	–	–	–	–

Restricted Stock Unit Plan awards outstanding	Conversion price in CHF	Number of equity entitlements	Actual remaining life (years)
Issued during financial year 2017	0.00	**177,957**	**9.6**
As of 31 July 2017	0.00	**177,957**	**9.6**

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

Awards under the ARYZTA Restricted Stock Unit Plan generally vest subject to continuous service by the employee from the grant date as follows:

(a) one-third during the year ending 31 July 2018; and
(b) the remaining two-thirds during the year ending 31 July 2019.

The weighted average fair value assigned to share option equivalents granted under the ARYZTA Restricted Stock Unit Plan during the year ended 31 July 2017 was CHF 30.58. The fair value assigned to equity entitlements issued under the ARYZTA Restricted Stock Unit Plan represents the full value of an ordinary share on the date of grant, adjusted for the estimated lost dividends between date of issue and vesting date and adjusted for the nominal value of the shares. There were no awards granted under the ARYZTA Restricted Stock Unit Plan during the year ended 31 July 2016.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

9 Income taxes

Income tax (credit)/expense

in EUR `000	2017	2016
Current tax charge	**29,652**	22,657
Deferred tax credit (note 24)	**(133,618)**	(18,114)
Income tax (credit)/expense	**(103,966)**	4,543

Reconciliation of average effective tax rate to applicable tax rate

in EUR `000	2017	2016
(Loss)/profit before income tax	**(1,010,104)**	120,048
Less share of profit after interest and tax of joint ventures	**(38,380)**	(11,716)
(Loss)/profit before tax and before share of profit of JVs	**(1,048,484)**	108,332
Income tax on (loss)/profit for the year at 21.2% (2016: 21.2%)[1]	**(222,279)**	22,966
Expenses/(income) not deductible/(taxable) for tax purposes	**75,237**	(11,164)
Income subject to other rates of tax	**(44,416)**	(5,168)
Excess deferred tax assets not recognised	**88,300**	–
Change in estimates and other prior year adjustments:		
– Current tax	**1,086**	(1,491)
– Deferred tax	**(1,894)**	(600)
Income tax (credit)/expense	**(103,966)**	4,543

Income tax recognised in other comprehensive income

in EUR `000	2017	2016
Relating to foreign exchange translation effects	**1,532**	(198)
Relating to cash flow hedges	**1,647**	(376)
Relating to Group employee benefit plans actuarial gains/(losses) (note 25)	**1,204**	23
Tax recognised directly in other comprehensive income	**4,383**	(551)

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

10 Proposed dividend

At the Annual General Meeting on 7 December 2017, shareholders will be invited to approve a proposed dividend of CHF 0.3489 (€0.3024) per share, to be settled as a scrip dividend via newly issued share capital. If approved, the dividend will be issued to shareholders on 1 February 2018. A dividend of CHF 0.5731 per share was paid during the year, as approved by shareholders at the Annual General Meeting on 13 December 2016.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

11 Earnings per share

Basic (loss)/earnings per share	2017 in EUR '000	2016 in EUR '000
(Loss)/profit attributable to equity shareholders – continuing operations	**(907,773)**	112,729
Perpetual callable subordinated instrument accrued dividend (note 26)	**(32,099)**	(31,882)
(Loss)/profit used to determine basic EPS – continuing operations	**(939,872)**	80,847
Loss used to determine basic EPS – discontinued operations	**–**	(45,721)
(Loss)/profit used to determine basic EPS – total	**(939,872)**	35,126

Weighted average number of ordinary shares	'000	'000
Ordinary shares outstanding at 1 August[1]	**88,759**	88,759
Effect of exercise of equity instruments during the year	**–**	–
Weighted average ordinary shares used to determine basic EPS	**88,759**	88,759

Basic (loss)/earnings per share from continuing operations	**(1,058.9) cent**	91.1 cent
Basic loss per share from discontinued operations	**–**	(51.5) cent
Basic (loss)/earnings per share	**(1,058.9) cent**	39.6 cent

Diluted (loss)/earnings per share	2017 in EUR '000	2016 in EUR '000
(Loss)/profit used to determine basic EPS – continuing operations	**(939,872)**	80,847
Loss used to determine basic EPS – discontinued operations	**–**	(45,721)
(Loss)/profit used to determine basic EPS – total	**(939,872)**	35,126

Weighted average number of ordinary shares (diluted)	'000	'000
Weighted average ordinary shares used to determine basic EPS	**88,759**	88,759
Effect of equity-based incentives with a dilutive impact[2]	**–**	170
Weighted average ordinary shares used to determine diluted EPS	**88,759**	88,929

Diluted (loss)/earnings per share from continuing operations	**(1,058.9) cent**	90.9 cent
Diluted loss per share from discontinued operations	**–**	(51.4) cent
Diluted (loss)/earnings per share	**(1,058.9) cent**	39.5 cent

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

2 In accordance with IAS 33, potential ordinary shares are treated as dilutive only when their conversion would decrease profit per share or increase loss per share from continuing operations. As the impact related to the conversion of equity-based incentives would decrease the loss per share for the year ended 31 July 2017, no dilutive effect was given to outstanding equity based incentives during that period.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

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

As shown below, for purposes of calculating this measure, the Group adjusts reported net profit/(loss) by the following items and their related tax impacts:
- includes the perpetual callable subordinated instrument accrued dividend as a finance cost, as already included in the calculation of basic and diluted EPS;
- excludes intangible amortisation, except ERP intangible amortisation;
- excludes private placement early redemption costs; and
- excludes impairment, acquisition, disposal and restructuring-related costs.

Underlying fully diluted earnings per share	2017 in EUR '000	2016 in EUR '000
(Loss)/profit used to determine basic EPS - continuing operations	**(939,872)**	80,847
Amortisation of non-ERP intangible assets (note 1)	**174,640**	176,241
Tax on amortisation of non-ERP intangible assets	**(32,997)**	(36,715)
Share of joint venture intangible amortisation and restructuring-related costs, net of tax (note 15)	**(17,099)**	3,966
Private placement early redemption (note 21)	**182,513**	–
Impairment of goodwill (note 3)	**594,872**	–
Impairment of intangibles (note 3)	**138,642**	–
Impairment and disposal of fixed assets (note 3)	**126,202**	13,794
Acquisition and restructuring-related costs (note 3)	**50,474**	83,320
Tax on impairment, acquisition, disposal and restructuring	**(98,349)**	(9,911)
Underlying net profit - continuing operations	**179,026**	311,542
Loss used to determine basic EPS – discontinued operations	**–**	(45,721)
Underlying contribution as associate – discontinuing operations	**–**	(48)
Loss on disposal of discontinued operations	**–**	45,769
Underlying net profit – discontinued operations	**–**	–
Underlying net profit – total	**179,026**	311,542
Weighted average ordinary shares used to determine basic EPS	**88,759**	88,759
Underlying basic earnings per share – total	**201.7 cent**	351.0 cent
Weighted average ordinary shares used to determine basic EPS	**88,759**	88,759
Effect of equity-based incentives with a dilutive impact	**29**	170
Weighted average ordinary shares used to determine underlying fully diluted EPS	**88,788**	88,929
Underlying fully diluted earnings per share – total	**201.6 cent**	350.3 cent

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

12 Property, plant and equipment

31 July 2017 in EUR '000	Land and buildings	Plant and Machinery	Motor Vehicles	Assets under construction	Total
Net Book Value At 1 August 2016	**515,067**	**928,858**	**3,715**	**147,245**	**1,594,885**
Additions	1,404	27,433	994	63,122	92,953
Transfer from assets under construction	14,521	115,463	837	(130,821)	–
Asset impairments (note 3)	–	(65,787)	–	(57,530)	(123,317)
Asset disposals	(18,034)	(3,456)	(152)	(458)	(22,100)
Transfer to investment properties (note 13)	(8,787)	–	–	–	(8,787)
Depreciation charge for year	(18,776)	(106,249)	(1,283)	–	(126,308)
Translation adjustments	(4,868)	(17,294)	(26)	1,156	(21,032)
Net Book Value At 31 July 2017	**480,527**	**878,968**	**4,085**	**22,714**	**1,386,294**
At 31 July 2017					
Cost	562,442	1,412,155	8,253	22,714	2,005,564
Accumulated depreciation	(81,915)	(533,187)	(4,168)	–	(619,270)
Net Book Value At 31 July 2017	**480,527**	**878,968**	**4,085**	**22,714**	**1,386,294**

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

Assets held under finance leases

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

in EUR '000	Plant and Machinery	Motor Vehicles	Total
At 31 July 2017	**188**	**1,560**	**1,748**
At 31 July 2016	263	2,306	2,569

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

13 Investment properties

in EUR '000	2017	2016
Balance at 1 August	**24,787**	25,916
Development costs	**–**	365
Transfer from property, plant and equipment (note 12)	**8,787**	–
Disposals	**(12,519)**	–
Translation adjustment	**(1,103)**	(1,494)
Balance at 31 July	**19,952**	24,787

Investment property is principally comprised of properties previously used in operations, which were transferred to investment property upon the determination that the properties would no longer be used in operations, but instead would be held as an investment for capital appreciation.

During the year, land assets that were no longer in operational use were transferred to investment property. The properties were located in the ARYZTA Rest of World segment, and had an estimated fair value of €8,787,000 at the date of transfer, which approximated its carrying value.

During the year, a number of properties in the ARYZTA Europe segment were disposed for net cash consideration of €14,522,000. As the proceeds received exceeded the €12,519,000 carrying value of the assets, these transactions resulted in a gain on disposal of €2,003,000 which has been recognised within impairment, acquisition, disposal and restructuring-related costs.

Rental income and operating expenses recognised related to these properties is not significant. No material fair value adjustments were recorded to investment properties during the years ended 31 July 2017 and 31 July 2016, as the existing carrying values continued to approximate fair value.

14 Goodwill and intangible assets

31 July 2017 in EUR '000	Goodwill	Customer Relationships	Brands	Computer-related	ERP-related intangibles	Patents and other	Total
Net Book Value At 1 August 2016	**2,403,671**	**827,196**	**147,098**	**19,124**	**186,546**	**33,559**	**3,617,194**
Additions	–	–	–	6,625	1,702	–	8,327
Impairment of goodwill (note 3)	(594,872)	–	–	–	–	–	(594,872)
Impairment of intangibles (note 3)	–	(133,221)	(5,421)	–	–	–	(138,642)
Asset impairments / disposals	–	–	–	(2,057)	(526)	–	(2,583)
Amortisation charge for the year	–	(130,635)	(29,089)	(4,137)	(16,689)	(10,779)	(191,329)
Translation adjustments	(33,799)	(7,047)	(4,135)	(834)	(37)	(306)	(46,158)
Net Book Value At 31 July 2017	**1,775,000**	**556,293**	**108,453**	**18,721**	**170,996**	**22,474**	**2,651,937**
At 31 July 2017							
Cost	1,775,000	1,315,611	300,318	38,437	214,454	59,481	3,703,301
Accumulated amortisation	–	(759,318)	(191,865)	(19,716)	(43,458)	(37,007)	(1,051,364)
Net Book Value At 31 July 2017	**1,775,000**	**556,293**	**108,453**	**18,721**	**170,996**	**22,474**	**2,651,937**

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

Goodwill Impairment testing

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

The business units shown in the following table represent the lowest level at which goodwill is monitored for internal management purposes. Accordingly, this is also the level at which the 2017 goodwill impairment testing was performed. The carrying amount of goodwill allocated to the relevant CGUs, as well as the key assumptions used in the 2017 impairment testing, are summarised as follows:

in EUR '000	Pre-tax discount rate 2017	Projection period	Terminal growth rate	Carrying Value 2017	Carrying Value 2016
UK, Ireland and Netherlands	**8.0%**	**3 years**	**1.9%**	**209,478**	211,409
Germany	**8.4%**	**3 years**	**1.9%**	**204,906**	307,906
Switzerland	**7.4%**	**3 years**	**1.0%**	**234,069**	244,529
France	**8.8%**	**3 years**	**1.8%**	**85,354**	85,354
Other Europe[1]	**8.0%**	**3 years**	**1.9%**	**62,835**	62,024
ARYZTA Europe				**796,642**	911,222
ARYZTA North America	**8.9%**	**3 years**	**2.2%**	**922,496**	1,435,709
ARYZTA Rest of World	**11.4%**	**3 years**	**3.0%**	**55,862**	56,740
				1,775,000	2,403,671

1 Other Europe comprises goodwill in a number of CGUs which are individually insignificant.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

The Group tests goodwill for impairment annually, during the last quarter of the financial year, or more frequently if changes in circumstances indicate a potential impairment.

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

As a result of significant reductions in profitability in Germany and ARYZTA North America during the year ended 31 July 2017, the Group recorded goodwill impairment charges of €103,000,000 in Germany, within the ARYZTA Europe operating segment, and €491,872,000 in ARYZTA North America. The recoverable amounts of Germany and ARYZTA North America goodwill after these charges are €204,906,000 and €922,496,000, respectively, as outlined in the table above.

The impairment charges are the result of current year profitability associated with these locations having been significantly impacted, either by the consolidation of 225 SKUs into the new German bakery capacity in Eisleben and the ongoing commissioning and optimisation of that facility, or by the significant volume declines and increased labour costs in North America.

While profitability in each of these locations is expected to improve in the future, after considering goodwill and other assets within these locations, as well as the respective future cash flow projections, management determined it was appropriate to record these goodwill impairment charges during the current financial year.

The key inputs to the value-in-use models used to determine the recoverable amounts are as disclosed in the table above, including a pre-tax discount rate of 8.4% for Germany and 8.9% for North America, as well as a terminal value growth rate beyond the initial three year projection period of 1.9% for Germany and 2.2% for North America.

The amount of these goodwill impairments were determined after taking into account the impact of the impairment of intangibles and fixed asset impairments and disposals, as discussed in note 3, on the overall CGU carrying values tested.

Goodwill sensitivity analysis

A significant adverse change in the expected future operational results and cash flows may result in the value-in-use being less than the carrying amount of a CGU, which would result in an impairment. Key assumptions include management's estimates of future profitability, specifically the terminal growth rate, as well as the discount rate.

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The terminal growth rates used approximate relevant long-term inflation rates and industry growth trends within each CGU. The discount rates used are based on the relevant risk-free rates, adjusted to reflect the risk associated with the respective future cash flows of that CGU.

Based on the results of the impairment testing undertaken, with the exception of the North America and Germany CGUs, sufficient headroom exists for the other CGUs, such that any reasonably possible movement in any of the underlying assumptions, including a reduction in the terminal growth rate by 1%, or increasing the discount rate by 1%, would not give rise to an impairment charge.

As the goodwill in the North America and Germany CGUs was written down to recoverable value during FY 2017, the value in use of these CGUs are sensitive to changes in the key assumptions used. An illustration of the sensitivities to reasonably possible changes in key assumptions at 31 July 2017, in isolation, are as follows:

	North America		Germany	
in EUR million	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Pre-tax discount rate	(196)	265	(71)	96
Terminal growth rate	437	(286)	155	(100)

Intangible asset impairment testing
As outlined above, during the year ended 31 July 2017, ARYZTA North America experienced a significant reduction in volumes, as a result of earlier than anticipated in-sourcing by co-pack customers.

As these customers and the related volumes were primarily associated with the Group's Cloverhill acquisition completed during FY 2014, the Group reviewed the remaining customer relationship and brand-related intangible assets obtained as part of that acquisition and, based on the associated future cash flows, recorded a €138,642,000 impairment of those intangible assets within administration expenses in the Group Consolidated Income Statement.

The value-in-use models used to determine the recoverable amounts of these intangible assets were based on management's expectations of the respective future revenues from the acquired customer relationships and brands and applied a discount rate consistent with the rate used in the North America CGU goodwill impairment testing above.

As of 31 July 2017, the remaining net book value of these specific intangible assets are: €17,013,000 for the Cloverhill customer relationships and €6,805,000 for the Cloverhill brands.

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15 Investments in joint ventures

The Group share of joint ventures' net assets is as follows:

in EUR '000	2017	2016
At 1 August	**491,446**	32,067
Share of joint ventures' underlying net profit	**21,281**	15,682
Group share of intangible amortisation	**(3,561)**	(3,425)
Group share of tax on intangible amortisation and associated rate adjustments	**21,318**	263
Group share of restructuring-related costs	**(658)**	(804)
Investment in joint venture	**–**	450,732
Gains through other comprehensive income	**180**	304
Translation adjustments	**(1,818)**	(3,373)
At 31 July	**528,188**	491,446

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

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

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

The increase in the Group share of tax on joint venture intangible amortisation and associated rate adjustments included in the table above primarily relates to the anticipated reduction in the corporate income tax rate in France, as passed in the 2017 Budget Act effective beginning in 2020. This anticipated tax rate change resulted in a reduction in the long-term tax rate used to calculate the deferred tax liability associated with the Picard trademark from 34.43% to 28.92%, resulting in a deferred income tax benefit during the current financial year.

The Group also owns a 50% interest in Signature Flatbreads, a pioneering flatbread producer in the UK and India, producing an innovative range of authentic Indian breads, as well as high-quality international flatbreads, tortillas, pizza bases and pitas.

At 31 July 2016, the Group had a vendor loan note receivable from Signature Flatbreads (UK) Ltd of €3,956,000, including accrued interest receivable (note 17). The principal of €3,277,000 and the remaining accrued interest receivable were repaid in full during the year ended 31 July 2017.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

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

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

31 July 2017 in EUR '000	Picard	Signature	Total
Cash and cash equivalents	115,045	3,833	118,878
Other current assets	133,590	22,901	156,491
Total current assets	**248,635**	**26,734**	**275,369**
Total non-current assets	**1,904,928**	**50,885**	**1,955,813**
Trade and other payables	(230,521)	(20,331)	(250,852)
Other current liabilities	(11,049)	(506)	(11,555)
Total current liabilities	**(241,570)**	**(20,837)**	**(262,407)**
Total non-current liabilities	**(1,673,113)**	**(12,568)**	**(1,685,681)**
Balance at 31 July 2017	**238,880**	**44,214**	**283,094**
ARYZTA's share in %	49%	50%	
ARYZTA's share thereof	116,261	22,107	138,368
Goodwill	382,206	7,614	389,820
Investment in joint ventures	**498,467**	**29,721**	**528,188**

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

31 July 2017 in EUR '000	Picard	Signature	Total	ARYZTA's share thereof
Revenue	1,398,030	117,819	**1,515,849**	
EBITDA	203,117	15,902	**219,019**	
Depreciation	(29,580)	(6,397)	**(35,977)**	
EBITA	173,537	9,505	**183,042**	
Finance costs, net	(95,012)	(922)	**(95,934)**	
Pre-tax profits	78,525	8,583	**87,108**	
Income tax	(41,305)	(2,250)	**(43,555)**	
Joint venture underlying net profit	**37,220**	**6,333**	**43,553**	**21,281**
Intangible amortisation	(4,272)	(2,964)	**(7,236)**	**(3,561)**
Tax on intangible amortisation and associated rate adjustments	43,468	323	**43,791**	**21,318**
Restructuring-related costs	(1,351)	–	**(1,351)**	**(658)**
Joint venture profit after tax	**75,065**	**3,692**	**78,757**	**38,380**
Gains through other comprehensive income	371	–	**371**	**180**
Total comprehensive income	**75,436**	**3,692**	**79,128**	**38,560**
ARYZTA's share in %	49%	50%		
ARYZTA's share thereof	**36,714**	**1,846**		**38,560**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

16 Inventory

in EUR '000	2017	2016
Raw materials	**54,036**	53,475
Finished goods	**186,468**	177,009
Packaging and other	**11,658**	18,235
Balance at 31 July	**252,162**	248,719

A total expense of €25,437,000 (2016: €17,461,000) was recognised in the Group Consolidated Income Statement arising from write-down of inventory.

17 Trade and other receivables

in EUR '000	2017	2016
Non-current		
Loan notes due from joint venture	–	3,956
Current		
Trade receivables, net	**75,312**	99,607
VAT recoverable	**20,897**	20,581
Prepayments and accrued income	**37,275**	24,992
Other receivables	**30,787**	23,415
Balance at 31 July	**164,271**	168,595

18 Trade and other payables

in EUR '000	2017	2016
Non-current		
Other payables	**36,278**	37,678
Balance at 31 July	**36,278**	37,678
Current		
Trade payables	**396,864**	382,560
Amounts due to related parties (note 31)	**220**	333
Accruals and other payables[1]	**328,214**	358,618
Employee-related tax and social welfare	**13,746**	11,716
VAT payable	**11,467**	10,516
Forward purchase obligation (note 27)	–	14,878
Balance at 31 July	**750,511**	778,621

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

19 Contingent consideration

Contingent consideration comprised the net present value of amounts expected to be payable arising on business combinations.

in EUR '000	2017	2016
Balance at 1 August	**1,016**	48,660
Arising on business combination (note 29)	–	572
Payments of contingent consideration	**(896)**	(46,916)
Released to income statement	**(51)**	(1,140)
Translation adjustment	**(69)**	(160)
Balance at 31 July	–	1,016

20 Cash and cash equivalents

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

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

in EUR '000	2017	2016
Cash at bank and on hand	**535,570**	647,724
Bank overdrafts (note 21)	**(113,630)**	(178,751)
Included in the Group Consolidated Cash Flow Statement	**421,940**	468,973

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

21 Interest-bearing loans and borrowings

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

in EUR `000	2017	2016
Included in non-current liabilities		
Loans	**382,551**	1,962,339
Finance leases	**691**	1,370
Non-current interest-bearing loans and borrowings	**383,242**	1,963,709
Included in current liabilities		
Loans	**1,771,734**	223,974
Bank overdrafts (note 20)	**113,630**	178,751
Total bank loans and overdrafts	**1,885,364**	402,725
Finance leases	**834**	907
Current interest-bearing loans and borrowings	**1,886,198**	403,632
Total bank loans and overdrafts	**2,267,915**	2,365,064
Total finance leases	**1,525**	2,277
Total interest-bearing loans and borrowings	**2,269,440**	2,367,341

Analysis of net debt in EUR `000	1 August 2016	Cash flows	Non-cash movements	Translation adjustment	31 July 2017
Cash	647,724	(88,971)	–	(23,183)	535,570
Overdrafts	(178,751)	62,712	–	2,409	(113,630)
Cash and cash equivalents	**468,973**	**(26,259)**	**–**	**(20,774)**	**421,940**
Loans	(2,186,313)	(17,306)	(10,382)	59,716	(2,154,285)
Finance leases	(2,277)	1,022	(280)	10	(1,525)
Net debt	**(1,719,617)**	**(42,543)**	**(10,662)**	**38,952**	**(1,733,870)**

During August 2016, the Group exercised its option to increase its Syndicated Bank RCF by CHF 150m, to a total available capacity of CHF 1,550m.

During August 2016, the Group also signed a new €1,000m term loan facility, with substantially similar financial terms to the Syndicated Bank RCF.

During September 2016, the Group utilised the available capacity of the Syndicated Bank RCF, the term loan facility and existing cash resources to redeem all of its outstanding Private Placements, which totalled €1,209.5m at the time of redemption. In connection with this early redemption the Group incurred €182.5m of costs, including a make-whole cost of €169.4m, other redemption-related cash costs of €6.2m and also wrote-off €6.9m of existing private placement capitalised borrowing costs.

During December 2016, the Group issued a number of Schuldschein tranches totalling €386m, which have maturities between three and seven years. These proceeds were used to reduce the amount outstanding on the Group's term loan facility.

Notes to the Group Consolidated Financial Statements (continued)
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As of 31 July 2017, all outstanding amounts on the Group's Syndicated Bank RCF and Term Loan borrowings have been presented as current liabilities within the Group Consolidated Balance Sheet, reflecting the Group's obligation to repay those facilities within the next 12 months.

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

The terms of outstanding loans are as follows:

2017	Currency	Calendar year of maturity	Nominal Value in EUR'000	Carrying amount in EUR'000
Syndicated Bank RCF[1]	Various	2019	415,951	412,171
Syndicated Bank RCF[1]	Various	2021	777,961	770,023
Term Loan Facility[1]	EUR	2019	590,000	589,540
Schuldschein Variable	EUR	2019	185,500	184,660
Schuldschein Variable	EUR	2021	119,500	118,960
Schuldschein Variable	EUR	2023	8,000	7,964
Schuldschein Fixed	EUR	2019	20,000	19,910
Schuldschein Fixed	EUR	2021	33,000	32,851
Schuldschein Fixed	USD	2021	9,783	9,738
Schuldschein Fixed	USD	2023	8,506	8,468
Total outstanding loans at 31 July 2017			**2,168,201**	**2,154,285**

1 Syndicated Bank RCF and Term Loan Facility were settled subsequent to year end and are included in current liabilities at 31 July 2017.

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

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

	2017	2016
Total bank loans	**2.2%**	4.5%

The pre-tax weighted average cost of capital associated with the Group's financing structures was 8.1% (2016: 8.0%).

Repayment schedule – loans and overdrafts (nominal values) in EUR `000	2017	2016
Less than one year	**1,897,542**	402,725
Between one and five years	**367,783**	1,339,191
After five years	**16,506**	643,168
	2,281,831	2,385,084

Repayment schedule – finance leases in EUR `000	Minimum lease payments 2017	Interest 2017	Present value of payments 2017	Minimum lease payments 2016	Interest 2016	Present value of payments 2016
Less than one year	**875**	**41**	**834**	966	59	907
Between one and five years	**716**	**25**	**691**	1,412	42	1,370
After five years	**–**	**–**	**–**	–	–	–
	1,591	**66**	**1,525**	2,378	101	2,277

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

22 Financial instruments and financial risk

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

in EUR `000	Fair value hierarchy	Fair Value through income statement 2017	Hedge instruments 2017	Loans and receivables 2017	Liabilities at amortised cost 2017	Total carrying amount 2017	Fair value 2017
Trade and other receivables (excluding prepayments)		–	–	106,099	–	106,099	106,099
Cash and cash equivalents		–	–	535,570	–	535,570	535,570
Derivative financial assets	*Level 2*	–	4,311	–	–	4,311	4,311
Investment properties	*Level 3*	19,952	–	–	–	19,952	19,952
Total financial assets		**19,952**	**4,311**	**641,669**	**–**	**665,932**	**665,932**
Trade and other payables (excluding non-financial liabilities)		–	–	–	(761,576)	(761,576)	(761,576)
Bank overdrafts		–	–	–	(113,630)	(113,630)	(113,630)
Bank borrowings		–	–	–	(2,154,285)	(2,154,285)	(2,174,668)
Finance lease liabilities		–	–	–	(1,525)	(1,525)	(1,525)
Derivative financial liabilities	*Level 2*	–	(2,200)	–	–	(2,200)	(2,200)
Total financial liabilities		**–**	**(2,200)**	**–**	**(3,031,016)**	**(3,033,216)**	**(3,053,599)**

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

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

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

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

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

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

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

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

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

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

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Forward purchase obligation
The liability related to the HiCoPain forward purchase contract (note 18 and 27) was carried at fair value through profit and loss during FY 2016 and until settled during FY 2017. In accordance with the terms of that agreement, the fair value of this financial instrument was based on the estimated net book value of HiCoPain AG upon the final exit of the non-controlling interest shareholder. As the fair value of this obligation was based on inputs not observable within the market, it was classified as a Level 3 financial liability.

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

Movement in level 3 financial liabilities

in EUR `000	2017	2016
Balance at 1 August	**15,894**	63,845
Arising on business combination (note 29)	**–**	572
Purchase of non-controlling interests (note 27)	**(14,485)**	–
Payments of contingent consideration (note 19)	**(896)**	(46,916)
Amounts recognised in profit and loss (note 19)	**(51)**	(1,140)
Translation adjustments	**(462)**	(467)
Balance at 31 July	**–**	15,894

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

Group risk management

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

Financial risk management

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

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

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

Credit risk

Exposure to credit risk

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

Cash and short-term bank deposits

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

Trade and other receivables

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

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

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

The Group also manages credit risk through the use of a receivables purchase arrangement with a financial institution. Under the terms of this non-recourse agreement, the Group has transferred credit risk and control of certain trade receivables, amounting to €239,299,000 (2016: €226,256,000). The Group has continued to recognise an asset of €20,034,000 (2016: €17,797,000), representing the maximum extent of its continuing involvement or exposure.

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

in EUR `000	**Carrying amount 2017**	Carrying amount 2016
Cash and cash equivalents	**535,570**	647,724
Trade and other receivables	**106,099**	126,978
Derivative financial assets	**4,311**	669
	645,980	775,371

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

in EUR `000	**Carrying amount 2017**	Carrying amount 2016
Europe	**45,555**	69,260
North America	**4,886**	6,483
Rest of World	**24,871**	23,864
	75,312	99,607

Notes to the Group Consolidated Financial Statements (continued)
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The aging of trade receivables at the reporting date was as follows:

in EUR `000	Gross 2017	Provision for impairment 2017	Gross 2016	Provision for impairment 2016
Not past due	**32,394**	**140**	42,312	417
Past due 0–30 days	**36,329**	**302**	47,282	195
Past due 31–120 days	**5,744**	**1,545**	11,202	1,596
Past due more than 121 days	**9,970**	**7,138**	8,049	7,030
	84,437	**9,125**	108,845	9,238

The Group payment terms are typically 0–60 days. All other receivables are due in less than six months. Other than the receivables provided for in the impairment above, receivables are deemed to be fully recoverable.

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

in EUR `000	2017	2016
Balance at 1 August	**9,238**	6,503
Arising on business combination	**–**	439
Utilised during the year	**(2,509)**	(1,566)
Provided during the year	**2,650**	4,047
Translation adjustment	**(254)**	(185)
Balance at 31 July	**9,125**	9,238

Liquidity risk

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

The Group's objective is to maintain a balance between flexibility and continuity of funding, so that generally not more than 40% of total bank borrowing facilities should mature in any twelve-month period. As of 31 July 2017, all outstanding amounts on the Group's Syndicated Bank RCF and Term Loan borrowings have been presented as current liabilities within the Group Consolidated Balance Sheet, resulting in 83% of the Group's total borrowings maturing within the next 12 months.

During July 2017, the Group agreed to the terms of a new five-year unsecured €1,800m refinancing of its Syndicated Bank RCF and term loan facility comprising a €1,000m amortising term loan and a €800m revolving credit facility.

The new financing was utilised on 22 September 2017 to repay in full the revolving credit and term loan facilities put in place last year. The new facility extends the maturity profile of the Group's debt to just over 4 years and reduces the portion of the Group's total borrowings maturing within the next 12 months to 7%.

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

2017 in EUR `000	Carrying amount	Contractual cash flows	6 mths or less	6 – 12 mths	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities							
Fixed rate bank loans	(70,967)	(79,304)	(1,249)	(389)	(1,638)	(66,942)	(9,086)
Variable rate bank loans	(2,083,318)	(2,131,492)	(1,804,330)	(2,352)	(4,718)	(311,824)	(8,268)
Finance lease liabilities	(1,525)	(1,591)	(445)	(430)	(507)	(209)	–
Bank overdrafts	(113,630)	(113,630)	(113,630)	–	–	–	–
Trade and other payables	(761,576)	(761,576)	(698,205)	(27,093)	(5,458)	(5,045)	(25,775)
Derivative financial instruments							
Interest rate swaps used for hedging	(1,916)	(1,916)	(606)	(606)	(704)	–	–
Currency forward contracts used for hedging							
– Inflows	–	3,038	3,038	–	–	–	–
– Outflows	(284)	(3,322)	(3,322)	–	–	–	–
	(3,033,216)	**(3,089,793)**	**(2,618,749)**	**(30,870)**	**(13,025)**	**(384,020)**	**(43,129)**

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

Accounting for derivatives and hedging activities

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

in EUR `000	Assets 2017	Liabilities 2017	Assets 2016	Liabilities 2016
Cash flow hedges				
Currency forward contracts	**4,311**	**(284)**	669	(5,915)
Interest rate swaps	**–**	**(1,916)**	–	(8,642)
At 31 July	**4,311**	**(2,200)**	669	(14,557)

Cash flow hedges

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

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

Market risk

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

Foreign exchange risk

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

Net investment hedges

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

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

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

Currency swaps

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

The following table details the Group's exposure to transactional foreign currency risk at 31 July 2017:

2017 in EUR `000	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	8,114	16,040	–	6,089	9,889	3,252	43,384
Other receivables	–	59	–	–	12	–	71
Cash and cash equivalents	2,458	6,279	45	41	13,810	383	23,016
Trade payables	(4,387)	(14,458)	(2,065)	(398)	(27,180)	(3,947)	(52,435)
Other payables	(784)	(2,585)	–	(5,904)	(405)	(69)	(9,747)
Derivative financial instruments	282	(1,406)	229	–	2,304	(3)	1,406
At 31 July 2017	**5,683**	**3,929**	**(1,791)**	**(172)**	**(1,570)**	**(384)**	**5,695**

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

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

Currency sensitivity analysis

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

2017 in EUR `000	10% strengthening income statement	10% strengthening equity	10% weakening income statement	10% weakening equity
GBP	(491)	283	540	(311)
USD	(485)	87,333	534	(96,067)
CAD	184	4,575	(202)	(5,032)
CHF	16	–	(17)	–
At 31 July 2017	(776)	92,191	855	(101,410)

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

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

Interest rate risk

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

in EUR `000	**Carrying amount 2017**	Carrying amount 2016
Fixed rate instruments		
Bank borrowings	**(70,967)**	(1,207,774)
Finance lease liabilities	**(1,525)**	(2,277)
	(72,492)	(1,210,051)
Variable rate instruments		
Cash and cash equivalents	**535,570**	647,724
Bank overdrafts	**(113,630)**	(178,751)
Bank borrowings	**(2,083,318)**	(978,539)
Total interest-bearing financial instruments	**(1,733,870)**	(1,719,617)

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

Cash flow sensitivity analysis for variable rate liabilities

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

2017 in EUR `000	Principal amount	Impact of 50 bp increase on income statement	Impact of 50 bp increase on equity
Bank overdrafts	(113,630)	(568)	–
Variable rate bank borrowings	(2,083,318)	(10,417)	–
Interest rate swaps	212,657	–	1,063
Cash flow sensitivity, net	**(1,984,291)**	**(10,985)**	**1,063**

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

Commodity price risk

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

23 Deferred income from government grants

in EUR `000	2017	2016
At 1 August	**23,945**	16,998
Received during the year	**–**	10,045
Recognised in Group Consolidated Income Statement	**(5,665)**	(3,098)
At 31 July	**18,280**	23,945

24 Deferred income tax

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

in EUR `000	2017	2016
Deferred income tax assets (deductible temporary differences)		
Goodwill	**88,722**	–
Property, plant and equipment and ERP	**8,665**	8,856
Employee compensation	**4,656**	4,682
Pension related	**4,570**	4,967
Financing related	**4,599**	1,341
Tax loss carry-forwards and tax credits	**39,502**	92,429
Other	**8,053**	20,901
	158,767	133,176
Deferred income tax liabilities (taxable temporary differences)		
Intangible assets	**(171,256)**	(210,635)
Property, plant and equipment and ERP	**(78,674)**	(123,049)
Pension related	**(2,299)**	(1,086)
Financing related	**(8,252)**	(3,962)
Unremitted earnings	**(78,457)**	(78,826)
Other	**(14,226)**	(40,076)
	(353,164)	(457,634)

Unrecognised deferred income taxes

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

in EUR `000	2017	2016
Within one year	**118**	–
Between one and five years	**3,541**	3,187
After five years	**158,314**	23,348
Total unrecognised tax losses	**161,973**	26,535

Notes to the Group Consolidated Financial Statements (continued)
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Deferred income tax liabilities of €6,429,000 (2016: €8,560,000) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as the timing of the reversal of these temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

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

2017 in EUR `000	Goodwill	Intangible assets	Property, plant & equipment and ERP	Employee compensation	Pension related	Financing related	Tax losses, credits and unremitted earnings	Other	**Total**
At 1 August 2016	–	(210,635)	(114,193)	4,682	3,881	(2,621)	13,603	(19,175)	**(324,458)**
Recognised in Group Consolidated Income Statement	95,359	34,573	46,988	218	(405)	467	(56,282)	12,700	**133,618**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	–	–	(1,204)	(1,647)	–	(1,532)	**(4,383)**
Translation adjustments and other	(6,637)	4,806	(2,804)	(244)	(1)	148	3,724	1,834	**826**
At 31 July 2017	88,722	(171,256)	(70,009)	4,656	2,271	(3,653)	(38,955)	(6,173)	**(194,397)**

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

25 Employee benefits

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

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

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

in EUR `000	**2017**	2016
Total deficit in defined benefit plans	**4,757**	11,387
Other[1]	**1,887**	2,083
Total	**6,644**	13,470

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

The valuations of the defined benefit schemes used for the purposes of the following disclosures are those of the most recent actuarial reviews carried out at 31 July 2017 by an independent, qualified actuary. The valuations have been performed using the projected unit method.

Employee benefit plan risks

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

Asset volatility

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

Changes in bond yields

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

Inflation risk

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

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

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

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

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

	2017	2016
Rate of increase in salaries	**1.78%**	1.78%
Discount rate on plan liabilities	**0.65%**	0.19%

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

	2017	2016
Male	**24.3**	24.2
Female	**26.3**	26.2

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

	2017	2016
Male	**22.4**	22.3
Female	**24.4**	24.3

Notes to the Group Consolidated Financial Statements (continued)
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The sensitivity of the defined benefit obligation to changes in the principal financial actuarial assumptions is set out below. The present value of the defined benefit obligation has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognised in the Group Consolidated Balance Sheet. The impact on the defined benefit obligation as at 31 July 2017 is on the basis that only one principal financial actuarial assumption is changed, with all other assumptions remaining unchanged.

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

Assumption	Change in Assumption	Impact on plan liabilities
Discount rate	**Increase/decrease 0.50%**	Decrease by 4.7% /increase by 5.6%
Salary growth rate	**Increase/decrease 0.50%**	Increase/decrease by 0.8%

Net pension liability
in EUR `000

	2017	2016
Total fair value of assets	**59,225**	60,050
Present value of plan liabilities	**(63,982)**	(71,437)
Deficit in the plans	**(4,757)**	(11,387)
Related deferred tax asset (note 24)	**2,271**	3,881
Net pension liability	**(2,486)**	(7,506)

Fair value of plan assets
in EUR `000

	Quoted	Non-quoted	2017	2016
Cash and cash equivalents	2,280	–	**2,280**	1,151
Equity instruments	13,600	4,361	**17,961**	16,727
Debt instruments	15,798	5,748	**21,546**	27,322
Property	2,236	12,958	**15,194**	13,537
Other	833	1,411	**2,244**	1,313
Total fair value of assets	34,747	24,478	**59,225**	60,050

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

	2017	2016
Fair value of plan assets at 1 August	**60,050**	66,826
Interest income	**90**	641
Employer contributions	**2,826**	3,113
Employee contributions	**2,479**	2,657
Benefit payments made	**(2,463)**	(3,567)
Plan settlements	**(3,392)**	(6,540)
Actuarial return on plan assets (excluding interest income)	**3,240**	(695)
Translation adjustments	**(3,605)**	(2,385)
Fair value of plan assets at 31 July	**59,225**	60,050

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

Movement in the present value of plan obligations

in EUR `000	2017	2016
Present value of plan obligations at 1 August	**(71,437)**	(80,313)
Current service cost	**(3,692)**	(4,435)
Past service gain	**1,365**	1,256
Settlement gain	–	2,049
Interest expense on plan obligations	**(141)**	(774)
Employee contributions	**(2,479)**	(2,657)
Benefit payments made	**2,463**	3,567
Plan settlements	**3,392**	6,540
Actuarial changes in demographic and financial assumptions	**3,878**	(3,748)
Actuarial experience adjustments	**(983)**	3,981
Arising on disposal of business	–	503
Translation adjustments	**3,652**	2,594
Present value of plan obligations at 31 July	**(63,982)**	(71,437)

Movement in net liability recognised in the Group Consolidated Balance Sheet

in EUR `000	2017	2016
Net liability in plans at 1 August	**(11,387)**	(13,487)
Current service cost (note 7)	**(3,692)**	(4,435)
Past service gain (note 7)	**1,365**	1,256
Settlement gain	–	2,049
Employer contributions	**2,826**	3,113
Net interest expense (note 4)	**(51)**	(133)
Actuarial gain/(loss) on Group defined benefit pension plans	**6,135**	(462)
Arising on disposal of business	–	503
Translation adjustments	**47**	209
Net liability in plans at 31 July	**(4,757)**	(11,387)

The estimated contributions expected to be paid during the year ending 31 July 2018 in respect of the Group's defined benefit plans are €2,628,000.

Analysis of defined benefit expense recognised in the Group Consolidated Income Statement

in EUR `000	2017	2016
Current service cost	**3,692**	4,435
Past service gain	**(1,365)**	(1,256)
Settlement gain	–	(2,049)
Non-financing expense	**2,327**	1,130
Included in financing costs, net	**51**	133
Net charge to Group Consolidated Income Statement	**2,378**	1,263

Additionally, a charge of €14,233,000 (2016: €13,202,000) was recorded in the Group Consolidated Income Statement in respect of the Group's defined contribution plans.

Notes to the Group Consolidated Financial Statements (continued)
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Defined benefit pension expense recognised in Group Consolidated Statement of Comprehensive Income in EUR `000	2017	2016
Return on plan assets (excluding interest income)	**3,240**	(695)
Experience (losses)/gains on plan liabilities	**(983)**	3,981
Changes in demographic and financial assumptions	**3,878**	(3,748)
Actuarial gain/(loss)	**6,135**	(462)
Deferred tax effect of actuarial (gain)/loss (note 9)	**(1,204)**	(23)
Actuarial gain/(loss) recognised in Group Consolidated Statement of Comprehensive Income	**4,931**	(485)

History of experience gains and losses:	2017	2016
Difference between expected and actual return on plan assets and losses:		
– Amount (in €`000)	**3,240**	(695)
– % of Plan assets	**5.47%**	(1.16)%
Experience (losses)/gains on plan obligations:		
– Amount (in €`000)	**(983)**	3,981
– % of Plan obligations	**(1.54)%**	5.57%
Total actuarial gains/(losses) recognised in Group Consolidated Statement of Comprehensive Income:		
– Amount (in €`000)	**6,135**	(462)
– % of Plan obligations	**9.59%**	(0.65)%

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

26 Shareholders equity

Registered shares of CHF 0.02 each – authorised, issued and fully paid	**2017** `000	**2017** in EUR `000	2016 `000	2016 in EUR `000
At 1 August and 31 July	**91,811**	**1,172**	91,811	1,172

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

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

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

Treasury shares of CHF 0.02 each - authorised, called up and fully paid	**2017** `000	**2017** in EUR `000	2016 `000	2016 in EUR `000
At 1 August and 31 July	**3,052**	**47**	3,052	47

There were no options exercised or other treasury share transactions during the years ended 31 July 2017 or 31 July 2016.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

Other equity reserve

in EUR `000	2017	2016
At 1 August and 31 July	**720,456**	720,456

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

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

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

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

The total coupon recognised for these Hybrid instruments during the year ended 31 July 2017 was €32,099,000 (2016: €31,882,000).

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

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

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

Capital management
The capital managed by the Group consists of total equity of €2,201,652,000 (2016: €3,187,771,000). The Group has set the following goals for the management of its capital:

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

Net debt amounted to €1,733,870,000 at 31 July 2017 (2016: €1,719,617,000).

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

- The Group's Net Debt: EBITDA[1] ratio is below 4.75 times – the ratio was 4.15 times at 31 July 2017 (2016: 2.90 times).
- The Group's interest cover (EBITDA[1] to interest including hybrid) is above 3.0 times – the ratio was 4.64 times at 31 July 2017 (2016: 4.50 times).

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

During September 2016, the Group utilised the available capacity of the Syndicated Bank RCF, the term loan facility and existing cash resources to redeem all of its outstanding Private Placements, which totalled €1,209.5m at the time of redemption. In connection with this early redemption the Group incurred €182.5m of costs, including a make-whole costs of €169.4m, other redemption- related cash costs of €6.2m and also wrote-off €6.9m of existing private placement capitalised borrowing costs.

During December 2016, the Group issued a number of Schuldschein tranches totalling €386m, which have maturities between three and seven years. These proceeds were used to reduce the amount outstanding on the Group's term loan facility.

During July 2017, the Group agreed to the terms of a new five-year unsecured €1,800m refinancing of its Syndicated Bank RCF and term loan facility comprising a €1,000m amortising term loan and a €800m revolving credit facility.

The new financing was utilised on 22 September 2017 to repay in full the revolving credit and term loan facilities put in place last year.

The refinancing is underwritten by four of the Group's key relationship banks, with general syndication to take place over the next two months.

In order to provide enhanced financial flexibility, the Group has increased the covenant to a maximum 4.75x Net Debt: EBITDA at 31 July 2017 and 31 January 2018, reducing to a maximum of 4.00x at 31 July 2018 and a maximum of 3.50x from 31 July 2019. The

1 Calculated based on the terms of the Group Syndicated Bank RCF.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

Group has also reduced the interest cover covenant to 3.0x EBITDA: Interest. The new facility extends the maturity profile of the Group's debt to just over 4 years.

The proposed pay-out ratio to shareholders for the Group's financial year to 31 July 2017 is 15% of fully diluted underlying earnings per share. The pay-out will be in the form of a scrip dividend via newly issued share capital. The pay-out ratio and form of pay-out proposed by the Board will be reviewed on an annual basis and is subject to the decision of the Annual General Meeting of the shareholders.

27 Non-controlling interests

in EUR `000	**2017**	2016
Balance at 1 August	**15,099**	18,436
Share of profit for the year	**1,635**	2,776
Share of other comprehensive income	**598**	(1,510)
Dividends paid to non-controlling interests	**(3,350)**	(4,603)
Repurchase of non-controlling interests	**(13,982)**	–
Balance at 31 July	**–**	15,099

During March 2012, the Group entered into an agreement to acquire the remaining 40% interest in HiCoPain AG. Based on the terms of this agreement, the non-controlling interest shareholder continued to participate in the risk and rewards of the business until the final exit date in December 2016, at which time ARYZTA obtained 100% control of the business.

At the time of the agreement, estimated consideration and related costs were recorded as a reduction in retained earnings of the Group. As the non-controlling interest shareholder no longer participates in the risks and rewards of the business following the final exit date, the remaining non-controlling interest of €13,982,000 has been eliminated directly as an increase in retained earnings of the Group.

The remaining liability to the non-controlling interest shareholder of €14,485,000 was settled during the second half of financial year 2017.

28 Commitments

28.1 Commitments under operating leases

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

in EUR `000	**2017**	2016
Within one year	**59,467**	58,713
In two to five years	**171,706**	167,938
After more than five years	**125,866**	116,221
Total	**357,039**	342,872

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

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

in EUR `000	2017	2016
Property, plant and equipment	**5,477**	9,473
Intangible assets	**692**	1,237
Total	**6,169**	10,710

28.3 Other commitments
The Company is party to cross guarantees on ARYZTA Group borrowings. The Company has also guaranteed the liabilities of subsidiaries within the ARYZTA Group. The Company treats these guarantees as a contingent liability, until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

29 Business combinations

29.1 Acquisitions in financial year 2017
There were no acquisitions completed by the Group during the year ended 31 July 2017.

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

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

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

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

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

The identified intangibles acquired primarily related to customer relationships, which were valued at fair value using the income approach method.

30 Contingent liabilities

The Group is subject to litigation risks and legal claims that arise in the ordinary course of business, for which the outcomes are not yet known. These claims are not currently expected to give rise to any material significant future cost or contingencies.

31 Related party transactions

In the normal course of business, the Group undertakes transactions with its joint ventures and other related parties. A summary of transactions with these related parties is as follows:

in EUR `000	2017	2016
Purchase of goods	**(147)**	(136)
Provision of services	**1,937**	3,008
Receiving of services	**(57)**	(686)

Purchase of goods and provision of services relate primarily to transactions with joint ventures during the year.

None of the non-executive members of the Board of Directors has fulfilled any operational management functions for companies of the ARYZTA Group in the three years immediately preceding the period.

Related-party transactions with any members of the Board of Directors or Executive Management did not exceed €100,000 in aggregate during the year ended 31 July 2017.

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

The trading balances owing to the Group from related parties were €5,000 (2016: €187,000) and the trading balances owing from the Group to these related parties were €220,000 (2016: €333,000).

At 31 July 2016, the Group had a related party vendor loan note receivable from Signature Flatbreads (UK) Ltd of €3,956,000, including accrued interest receivable (note 17). The principal of €3,277,000 and the remaining accrued interest receivable were repaid in full during the year ended 31 July 2017.

Compensation of key management
For the purposes of the disclosure requirements of IAS 24, 'Related Party Disclosures', the term 'key management personnel' (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group) comprises the Board of Directors and the Group Executive Management, which manage the business and affairs of the Group. A summary of the compensation to key management is as follows:

in EUR `000	2017	2016
Short-term employee benefits	10,161	7,584
Post-employment benefits	4,970	500
Other long-term benefits	675	448
Termination benefits	–	–
Total key management compensation	**15,806**	8,532

Amounts shown in the table above represent the ongoing wages, salaries and other compensation of Executive Management and the Board of Directors, including the entire €10,368,000 contractual obligation associated with the departure of four former members of executive management, comprised of €5,398,000 for the 12 month contractual employment obligation and €4,970,000 for the 12 month post contractual term non-compete agreements.

Further detailed disclosure in relation to the compensation entitlements of the Board of Directors and Executive Management is provided in the Compensation Report on pages 49 to 57.

32 Post balance sheet events – after 31 July 2017

During July 2017, the Group agreed to the terms of a new five-year unsecured €1,800m refinancing of its Syndicated Bank RCF and term loan facility comprising a €1,000m amortising term loan and a €800m revolving credit facility.

The new financing was utilised on 22 September 2017 to repay in full the revolving credit and term loan facilities put in place last year.

The refinancing is underwritten by four of the Group's key relationship banks, with general syndication to take place over the next two months.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

In order to provide enhanced financial flexibility, the Group has increased the covenant to a maximum 4.75x Net Debt: EBITDA at 31 July 2017 and 31 January 2018, reducing to a maximum of 4.00x at 31 July 2018 and a maximum of 3.50x from 31 July 2019. The Group has also reduced the interest cover covenant to 3.0x EBITDA: Interest. The new facility extends the maturity profile of the Group's debt to just over 4 years.

33 Risk assessment

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

34 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Group consolidated financial statements are described below:

Note	Name
Note 1	Basis of preparation
Note 8	Share-based payments
Note 14 & 29	Goodwill, intangible assets and business combinations
Notes 9 & 24	Income taxes and deferred income tax

As of 31 July 2017, all outstanding amounts on the Group's Syndicated Bank RCF and Term Loan borrowings have been presented as current liabilities within the Group Consolidated Balance Sheet, reflecting the Group's obligation to repay those facilities within the next 12 months.

While this results in total current liabilities of €2,701,488,000 being greater than total current assets of €956,314,000 as of 31 July 2017, during September 2017 the Group utilised its new five-year unsecured €1,800,000,000 banking agreement to settle all amounts outstanding on the Group's previous Syndicated Bank RCF and Term Loan, resulting in current liabilities decreasing to less than current assets. Therefore, the Group's 31 July 2017 financial statements have continued to be prepared on a going concern basis.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2017

The Group has share-based incentive awards outstanding under various incentive plans. Estimating the value of these awards and the period over which this value is recognised as an expense requires various management estimates and assumptions, as set out in note 8.

Accounting for business combinations is complex in nature, requiring various estimates including: the fair value of assets acquired / liabilities assumed, the identification and valuation of intangible assets received, the estimated contingent consideration to be transferred and the allocation of the excess purchase price to the resulting goodwill, as set out in note 29. Furthermore, testing of assets for impairment, particularly goodwill, involves determination of the cash-generating units, estimating the respective future cash flows and applying the appropriate discount rates, in order to determine an estimated recoverable value of those cash-generating units, as set out in note 14.

Income taxes, as set out in note 9, and deferred taxes, as set out in note 24, are subject to management estimate. The Group Consolidated Balance Sheet includes deferred taxes relating to temporary differences, which are based on forecasts of the corresponding entity's taxable income and reversal of these temporary differences, forecasted over a period of several years. As actual results may differ from these forecasts, these deferred taxes may need to be adjusted accordingly.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2017

35 Significant subsidiaries and joint ventures

A list of all of the Group's significant subsidiary and joint venture undertakings, as at 31 July 2017 and 2016, are provided in the table below. For the purposes of this note, a significant subsidiary is one that has third-party revenues equal to, or in excess of, 2% of total Group revenue and/or consolidated Group assets equal to, or in excess of, 2% of total Group assets. A significant joint venture is one in which the Group's share of profits after tax is equal to, or in excess of, 2% of total Group operating profit and/or the carrying value of the investment is equal to, or in excess of, 2% of total Group assets.

Name	Nature of business	Currency	Share capital millions	Group % share 2017	Group % share 2016	Registered office
(a) Significant subsidiaries – Europe						
ARYZTA Bakeries Ireland UC	Food manufacturing and distribution	EUR	1.016	100	100	1
ARYZTA Technology Ireland UC	Asset management company	EUR	0.000	100	100	1
Delice de France Limited	Food distribution	GBP	0.250	100	100	2
France Distribution SAS	Food distribution	EUR	0.108	100	100	3
ARYZTA Food Solutions Schweiz AG	Food distribution	CHF	3.500	100	100	4
ARYZTA Bakeries Deutschland GmbH	Food manufacturing and distribution	EUR	3.072	100	100	5
ARYZTA Food Solutions GmbH	Food distribution	EUR	0.025	100	100	6
Fornetti Kft	Food manufacturing and distribution	HUF	500.000	100	100	7
Pré Pain B.V.	Food manufacturing and distribution	EUR	0.018	100	100	8
ARYZTA Polska Sp. z o.o.	Food manufacturing and distribution	PLN	61.000	100	100	9
(b) Significant subsidiaries – North America						
ARYZTA LLC	Food manufacturing and distribution	USD	705.000	100	100	10
ARYZTA Limited	Food manufacturing and distribution	CAD	255.818	100	100	11
ARYZTA Canada Co.	Food manufacturing and distribution	CAD	113.400	100	100	12
(c) Significant subsidiaries – Rest of World						
ARYZTA Australia Pty Limited	Food manufacturing and distribution	AUD	17.000	100	100	13
ARYZTA Do Brazil Alimentos Ltda	Food manufacturing and distribution	BRL	33.588	100	100	14
(d) Significant joint venture						
Lion/Polaris Lux Holdco S.à r.l. (Picard)	Food distribution	EUR	0.100	49	49	15

Registered Offices:

1. Grangecastle Business Park, New Nangor Road, Clondalkin, Dublin 22, Ireland.
2. 149 Brent Road, Southall, Middlesex UB2 5LJ, England.
3. ZAC de Bel Air, 14–16 Avenue Joseph Paxton, Ferrières en Brie, 77164, France.
4. Ifangstrasse 9, 8952 Schlieren-Zurich, Switzerland.
5. Industriestraße 4, 06295 Lutherstadt Eisleben, Germany.
6. Konrad Goldmann Strasse 5 b, 79100 Freiburg im Breisgau, Germany.
7. 6000 Kecskemét, Városföld 8683/104.hrsz. dulo 92, Hungary.
8. Kleibultweg 94, Oldenzaal, 7575 BX, the Netherlands.
9. ul. Zachodnia 10, 05-825 Grodzisk Mazowiecki, Poland.
10. 6080 Center Drive, Suite 900, Los Angeles, CA 90045, United States of America.
11. 58 Carluke Road West, Ancaster, Ontario L9G 3L1, Canada.
12. 1100-1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2, Canada.
13. 14 Homepride Avenue, Liverpool, NSW 2170, Australia.
14. Av. Brigadeiro Faria Lima 1.336, 3° Andar 01451-001 São Paulo, Brazil.
15. 7, Rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg.

The country of registration is also the principal location of activities in each case.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2017

Opinion

We have audited the consolidated financial statements of ARYZTA AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 July 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a statement of accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

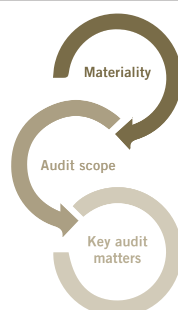
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: EUR 9.45 million

We concluded full scope audit work at eight reporting entities in five countries. With our full audit scope we covered 71% of the Group's revenue. In addition, specified procedures were performed on a further four reporting entities in four countries representing a further 12% of the Group's revenue.

As key audit matter the following area of focus has been identified:

– Recoverability of goodwill

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of over 130 reporting entities, comprising the Group's operating businesses and centralised functions. We identified eight reporting entities that, in our view, required a full scope audit, due to their size or risk profile. These

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2017 (continued)

eight reporting entities are based in the United States of America, Germany, France, Switzerland and Ireland. Specific audit procedures on certain balances and transactions were performed at a further four reporting entities.

In order to fulfil our responsibilities for the direction, supervision and performance of the Group audit, we were involved in the work performed by reporting entity audit teams by performing selected site visits, reviewing the working papers of selected component audit teams, participating in selected clearance meetings with management and having detailed discussions around audit approach and matters reported to us.

Audit procedures over the consolidation, significant Group functions such as treasury and taxation and goodwill impairment were performed directly by the Group audit team. Overall, our audit scope accounted for 83% of Group revenues and 91% of Group assets.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	EUR 9.45 million
How we determined it	2.25% of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), rounded, as defined within footnote 'Segment information'
Rationale for the materiality benchmark applied	We chose EBITDA as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by the relevant users of the financial statements and because pre-tax results are significantly impacted by depreciation and amortization.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 0.8 million as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons. Misstatements that only result in balance sheet reclassifications are reported to the Audit Committee if they are above EUR 7.8 million.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2017 (continued)

Recoverability of Goodwill

Key audit matter	How our audit addressed the key audit matter
As of 31 July 2017, the Group's carrying value of goodwill was EUR 1.8 billion, which represents approximately 31% of Group total assets and approximately 81% of Group net assets. Goodwill is allocated to seven cash generating units (CGUs). Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate a potential impairment. In performing the impairment, management compares the recoverable amount, generally determined by estimating the value in use, to the carrying amount. To the extent that the recoverable amount of a cash generating unit is lower than its carrying amount, an impairment charge is recognised. The determination of the recoverable amount for each CGU involves significant estimation and judgment, specifically related to the projection of future business performance and profitability for a period of three years, estimation of terminal growth rates and determination of a discount rate for each cash generating unit. Through the performance of management's goodwill impairment testing as of July 31, 2017, it was determined that there were impairments of €103.0 million and €491.9 million within the Germany and North America CGUs, respectively. Refer to pages 87–88 (Group Statement of Accounting Policies) and pages 109–112 (Note 14).	– We assessed management's allocation of goodwill to the CGUs, by considering the consistency with internal management reporting and how the business is managed within and across geographies. – We obtained management's value in use calculation for each CGU and assessed the consistency of the methodology and model applied with prior years and the adequacy of the model for its purpose. – We tested the mathematical accuracy of the model and traced amounts to supporting documentation, as applicable. – With respect to the projections of future business performance and profitability, we traced the 2018 projections to the board approved budget. In addition, we discussed the three year projections with management in order to obtain an understanding of the key drivers, intentions and the actions planned to achieve expected results. – We assessed management's terminal growth rate assumptions by comparing them to relevant industry and economic forecasts. – We assessed management's assumptions to determine the respective pre-tax discount rates by assessing the adequacy of the weighted average cost of capital calculations, consisting of the split between equity and debt and the input factors for risk-free rate, beta, market risk premium, credit spread. – We utilized the expertise of an internal valuation specialist in order to assess the technical correctness of management's value in use models, as well as to assess the reasonableness of management's discount rates. – In certain cases, we developed an independent expectation of each CGUs budgeted results for FY18, FY19 and FY20 utilizing observable market data, corroborative evidence and the historical results and trends of each CGU in order to compare Management's estimated value in use to that calculated by the engagement team for reasonableness. – We obtained the company's sensitivity analyses around key assumptions to ascertain the effect of changes to those assumptions on the value in use estimates and recalculated these sensitivities. In addition, we performed our own independent sensitivity analyses by changing various key assumptions to reasonable changes of assumptions to assess whether these would result in an impairment. – We considered the reasonableness of the sum of the value in use estimates in relation to the overall market capitalisation of the company. Based on the work performed, we found the underlying model and methodology and the key assumptions used by management in its determination of the value in use to be reasonable to determine that the carrying amount of the goodwill of each cash generating unit to be supportable, or that the resulting impairment of goodwill calculated by management was reasonable.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the standalone financial statements and the remuneration report of ARYZTA AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2017 (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2017 (continued)

our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Sandra Böhm
Audit expert
Auditor in charge

Garrett Young

Zurich, 2 October 2017

Company Income Statement
for the year ended 31 July 2017

in CHF `000	**2017**	2016
Revenues from licences and management fees from Group companies	**8,920**	9,189
Dividend income from Group companies	**139,181**	126,581
Personnel expenses	**(2,498)**	(4,800)
Other operating expenses to Group companies	**(4,376)**	(4,955)
Other operating expenses	**(10,660)**	(5,505)
Depreciation and amortisation	**(226)**	(225)
Operating profit	**130,341**	120,285
Financial income from Group companies	**81,584**	52,908
Financial expenses	**(81,920)**	(64,919)
Profit before income tax	**130,005**	108,274
Income tax	**(1,186)**	(271)
Profit for the year	**128,819**	108,003

Company Balance Sheet
as at 31 July 2017

in CHF `000	2017	2016
Assets		
Current assets		
Cash and cash equivalents	**2,115**	2,666
Other current receivables		
– from third parties	**14,177**	1,536
– from Group companies	**974**	83
Total current assets	**17,266**	4,285
Long-term assets		
Financial assets		
– loans to Group companies	**3,482,822**	2,326,789
Investments		
– investments in Group companies	**2,114,581**	2,114,367
Property, plant and equipment	**782**	2,000
Total long-term assets	**5,598,185**	4,443,156
Total assets	**5,615,451**	4,447,441

Company Balance Sheet (continued)
as at 31 July 2017

in CHF `000	2017	2016
Liabilities		
Short-term liabilities		
Trade payable		
– to third parties	**581**	863
Short-term interest bearing liabilities		
– to third parties	**2,796,852**	193,829
Other short-term liabilities		
– to third parties	**226,803**	178,472
– to Group companies	**67,935**	563,010
Accrued expenses	**29,374**	18,474
Total short-term liabilities	**3,121,545**	954,648
Long-term liabilities		
Long-term interest-bearing liabilities		
– to third parties	**590,000**	1,666,839
– to Group companies	**278,522**	278,522
Total long-term liabilities	**868,522**	1,945,361
Total liabilities	**3,990,067**	2,900,009
Equity		
Share capital	**1,836**	1,836
Legal reserves from capital contribution	**1,028,524**	1,079,391
Legal reserves for own shares from capital contribution	**117,871**	117,871
Retained earnings	**477,153**	348,334
Total equity	**1,625,384**	1,547,432
Total equity and liabilities	**5,615,451**	4,447,441

Notes to the Company Financial Statements

1 Basis of presentation

The financial statements of ARYZTA AG, with a registered address of Talacker 41, 8001 Zurich, have been prepared in accordance with the requirements of Swiss law.

The Company's accounting period for the year is from 1 August 2016 to 31 July 2017. Certain amounts in the Company's 31 July 2016 financial statements and related notes have been reclassified or adjusted to conform to the 31 July 2017 presentation. These reclassifications or adjustments were made for presentation purposes and have no effect on profit for the year, total assets, total liabilities or equity as previously reported.

2 Accounting policies

Financial Assets
Financial assets are valued at acquisition cost, less adjustments for foreign currency movements and any other impairment of value.

Investments
Investments are initially recognised at cost. These investments are assessed annually and adjusted to their recoverable amount, where necessary.

Foreign currency translation
Assets and liabilities in currencies other than Swiss francs are translated to Swiss francs using year-end rates of exchange. Income and expenses denominated in foreign currencies are recognised in Swiss francs at the applicable rate of exchange on the date of the transactions.

Dividends
Dividend income resulting from financial investments is recorded upon approval of the dividend distribution.

Revenue from licences and management fees
Revenues from licences and management fees from Group companies are recognised in the period in which they fall due.

Treasury shares
Treasury shares are recognised at acquisition cost and include shares held directly or by any ARYZTA AG Group company.

3 Full-time equivalents

The number of full-time equivalents in ARYZTA AG is not greater than 50. Please refer to page 102 of the Group Consolidated Financial Statements to view the Group's full-time equivalents.

Notes to the Company Financial Statements (continued)

4 Loans, guarantees and pledges in favour of third parties

The Company has the following outstanding bonds, which are included within interest bearing loans and borrowings.

	2017 in CHF '000	2016 in CHF '000	Interest Rate	Maturity
Hybrid Instrument 2013	**400,000**	400,000	4.00%	No specified maturity date
Hybrid Instrument 2014	**190,000**	190,000	3.50%	No specified maturity date

During August 2016, the Group exercised its option to increase its Syndicated Bank Revolving Credit Facility ('RCF') by CHF 150m, to a total available capacity of CHF 1,550m. During August 2016, the Group also signed a new €1,000m term loan facility, with substantially similar financial terms to the Syndicated Bank RCF.

The short-term portion of the Company's interest-bearing loans and borrowings relates primarily to the existing RCF and term loan facilities, which were settled subsequent to year-end (note 11). Additionally, amounts are also drawn by the Company against positive cash balances of other entities within the Group's overall cash pooling arrangement. These cash pooling overdrafts are repayable on demand and form an integral part of the Group's cash and debt management structure.

The Company is party to cross guarantees on ARYZTA Group borrowings. The Company has also guaranteed the liabilities of subsidiaries within the ARYZTA Group. The Company treats these guarantees as a contingent liability, until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

5 Details of investments

The Company holds direct investments in the following entities, all of which are intermediate holding companies or intercompany financing entities within the ARYZTA Group.

		Share capital millions		Percentage	
Company (Domicile)		2017	2016	2017	2016
ARYZTA Holdings Asia Pacific BV (Amsterdam, NL)	EUR	**0.020**	0.020	**100**	100
ARYZTA Holdings Germany AG (Zurich, CH)	CHF	**0.100**	0.100	**100**	100
ARYZTA Holdings Ireland Limited (St Helier, JE)	EUR	**–**	–	**100**	100
ARYZTA Finance II AG (Cham, CH)	EUR	**0.087**	0.087	**100**	100
Hiestand Beteiligungsholding GmbH & Co. KG (Schweinfurt, DE)[1]	EUR	**0.026**	0.026	**100**	100
ARYZTA Food Europe AG (Zurich, CH)	CHF	**6.450**	6.450	**100**	100
Summerbake GmbH (Klotze, DE)	EUR	**0.025**	0.025	**100**	100

1 The amount disclosed represents limited liability capital.

Notes to the Company Financial Statements
(continued)

6 Share capital

	Year ended 31 July 2017 `000	Year ended 31 July 2017 in CHF`000	Year ended 31 July 2016 `000	Year ended 31 July 2016 in CHF`000
Shares of CHF 0.02 each – authorised, issued and fully paid				
As at 1 August and 31 July	**91,811**	**1,836**	91,811	1,836

	Year ended 31 July 2017 `000	Year ended 31 July 2017 in CHF`000	Year ended 31 July 2016 `000	Year ended 31 July 2016 in CHF`000
Shares of CHF 0.02 each				
Conditional capital	**–**	**–**	–	–
Authorised capital	**9,181**	**184**	9,181	184

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

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

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

The registered share capital of the Company as at 31 July 2017, amounts to CHF 1,836,210.68, and is divided into 91,810,534 registered shares with a par value of CHF 0.02 per share, of which 88,758,527 are outstanding and 3,052,007 are classified as treasury shares.

Shareholders are entitled to dividends as declared and approved. The ARYZTA shares rank pari passu in all respects with each other.

Notes to the Company Financial Statements (continued)

7 Treasury shares owned by the Company or one of its subsidiaries

	Year ended 31 July 2017 \`000	**Year ended 31 July 2017** in CHF\`000	Year ended 31 July 2016 \`000	Year ended 31 July 2016 in CHF\`000
As at 1 August and 31 July	**3,052**	**117,871**	3,052	117,871

There were no options exercised or other treasury share transactions during the years ended 31 July 2017 or 31 July 2016.

Treasury shares are held by ARYZTA Grange Company, a wholly-owned subsidiary within the ARYZTA Group.

8 Participations

As at 31 July 2017, the Company has been notified of the following shareholdings or voting rights, which amount to 3% or more of the Company's issued ordinary share capital:

	Number of shares 2017	**Number of shares % 2017**	Number of shares 2016	Number of shares % 2016
Causeway Capital Management LLC	**6,881,741**	**7.50%**	6,881,741	7.50%
Black Creek Investment Management Inc.	**4,603,407**	**5.01%**	–	–
ARYZTA Treasury shares	**3,052,007**	**3.32%**	3,052,007	3.32%
Cobas Asset Management	**2,897,454**	**3.16%**	–	–
Norges Bank	**2,848,734**	**3.10%**	2,858,242	3.11%
CI Financial Corp.	**2,843,081**	**3.10%**	–	–

Any significant shareholder notifications during the year, and since 31 July 2017, are available on the Group's website at:
www.aryzta.com/investor-centre/shareholder-notifications

9 Pension fund liability

The pension fund liability was CHF 17,620 at 31 July 2017 (2016: CHF 20,069).

Notes to the Company Financial Statements (continued)

10 Non-executive Directors and Executive Management share interests

Please refer to the ARYZTA AG Compensation Report on pages 49 to 57 for details on the compensation process and compensation for the year of Non-executive Directors and Group Executive Management.

Non-executive Directors' and Executive Management's share interests
The Directors and Company Secretary had no interests, other than those shown below, in the ordinary shares in, or loan stock of, the Company or other Group undertakings.

Beneficial interests at 31 July were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of shares 2017	No. of shares 2016
Directors		
Gary McGann[2]	**5,650**	N/A
Charles Adair	**5,000**	5,000
Dan Flinter[3]	**1,200**	1,200
Annette Flynn	**1,000**	1,000
Andrew Morgan	**–**	–
Rolf Watter[2]	**7,050**	N/A
Wolfgang Werlé	**2,336**	2,336
Denis Lucey[2]	**N/A**	4,250
Shaun B. Higgins[2]	**N/A**	2,500
Owen Killian[1]	**N/A**	216,530
Executive Management		
Pat Morrissey	**131,922**	131,922
Dermot Murphy[1]	**35,000**	N/A
Robert O'Boyle[1]	**10,000**	N/A
Patrick McEniff[1]	**N/A**	558,347
John Yamin[1]	**N/A**	47,171
Total	**199,158**	970,256

1 Effective 31 March 2017, Owen Killian, Patrick McEniff and John Yamin resigned from the Executive management, and Dermot Murphy and Robert O'Boyle were appointed to Executive management.

2 Effective 13 December 2016, Denis Lucey and Shaun B. Higgins retired from the Board, and Gary McGann and Rolf Watter were elected to the Board.

3 Effective 8 December 2015 Dan Flinter was elected to the Board.

No loans or advances were made to members of the Board of Directors or to Executive Management during the financial year, or were outstanding at 31 July 2017 (2016: none).

Notes to the Company Financial Statements (continued)

Executive Management's interests in equity instruments
Executive Management were granted no Option Equivalent Awards under the Option Equivalent Plan during FY 2017. As shown in the ARYZTA AG Compensation Report, Executive Management compensation table on page 54, no expense was recognised for Executive Management LTIP awards in FY 2017 or FY 2016.

The following table details awards outstanding under the Option Equivalent Plan in favour of Executive Management:

Executive Management	Options carried forward 1 August 2016	Granted during the year	Forfeited during the year	Closing position 31 July 2017	Of which Vesting criteria have been fulfilled[1]
Owen Killian	1,570,000	–	(410,000)	1,160,000	750,000
Patrick McEniff	1,210,000	–	(300,000)	910,000	610,000
John Yamin	300,000	–	(150,000)	150,000	–
Pat Morrissey	340,000	–	(120,000)	220,000	100,000
Dermot Murphy	125,000	–	–	125,000	50,000
Ronan Minahan	120,000	–	–	120,000	–
Robert O'Boyle	32,500	–	–	32,500	22,500
Total	**3,697,500**	**–**	**(980,000)**	**2,717,500**	**1,532,500**

1 The weighted average exercise price of all Option Equivalent Plan awards that remain outstanding and for which the vesting conditions have been met is CHF 39.22 (the exercise prices of which range from CHF 37.23 to CHF 46.70).

11 Post balance sheet events – after 31 July 2017

During July 2017, the Group agreed to the terms of a new five-year unsecured €1,800m refinancing of its Syndicated Bank RCF and term loan facility comprising a €1,000m amortising term loan and a €800m revolving credit facility.

The new financing was utilised on 22 September 2017 to repay in full the revolving credit and term loan facilities put in place last year.

The refinancing is underwritten by four of the Group's key relationship banks, with general syndication to take place over the next two months.

In order to provide enhanced financial flexibility, the Group has increased the covenant to a maximum 4.75x Net Debt: EBITDA at 31 July 2017 and 31 January 2018, reducing to a maximum of 4.00x at 31 July 2018 and a maximum of 3.50x from 31 July 2019. The Group has also reduced the interest cover covenant to 3.0x EBITDA: Interest. The new facility extends the maturity profile of the Group's debt to just over 4 years.

Company Appropriation of Available Earnings

Appropriation of available earnings

The Board of Directors will propose to the Annual General Meeting of Shareholders the following appropriation of earnings:

in CHF `000	**2017**	2016
Balance of retained earnings carried forward	**348,334**	240,331
Net profit for the year	**128,819**	108,003
Closing balance of retained earnings	**477,153**	348,334
Dividend payment from retained earnings	**–**	–
Balance of retained earnings to be carried forward	**477,153**	348,334
Proposed release and distribution of legal reserves from capital contribution in the amount of	**–**	50,867

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2017

Opinion

We have audited the financial statements of ARYZTA AG, which comprise the balance sheet as at 31 July 2017, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 153 to 161) as at 31 July 2017 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: EUR 28 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

– Valuation of investments in subsidiaries

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2017 (continued)

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	CHF 28 million
How we determined it	0.5% of total assets, rounded
Rationale for the materiality benchmark applied	We chose total assets as the measure because, in our view, it is the benchmark that is most relevant for a holding company that mainly holds investments and is not profit oriented, and is a generally accepted benchmark according to auditing standards.

We agreed with the Audit Committee that we would report to them misstatements above CHF 2.8 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
The investments in subsidiaries and loans to group companies amount to CHF 2.1 billion (37.6% of total assets) as of July 31, 2017. To identify indicators for impairments of investments, management compared the carrying value of the investments with the underlying shareholder's equity and assessed qualitative aspects. For investments with indicators for impairment, management followed a standardized process to determine the recoverable amount derived from the cash flow projections in the strategic plan approved by the Board of Directors of ARYZTA AG. In general discrete valuation is made for each single investment. Certain investments are subject to a group valuation approach due to their homogeneity in nature.	We evaluated and tested the management's process to determine impairment indicators by re-performing the comparison for an appropriate sample of investments. In addition, we reviewed management's assessment if other qualitative indicators for impairments exist. We evaluated and challenged the reasonableness of management's key assumptions applied in its determination of the recoverable amount, specifically: – Cash flow projections in the forecast, by comparing them to the budgets in the strategic plan as approved by the Board of Directors of Aryzta AG. – Assessment of prior year forecast accuracy by comparing actual results with the figures included in the prior year budgets. – Mid and long term growth rates, by comparing them to economic and industry forecasts. – Discount rate, by assessing the cost of capital for the company. We performed our own sensitivity analysis around the assumptions to ascertain the extent of change in those assumptions that either individually or collectively would be required for investments to be impaired.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2017 (continued)

We consider the valuation of investments as a particularly significant area due to the size of the carrying value and judgement involved in assessing the recoverability of these assets. Investments are carried at initial cost value and are subject to a yearly impairment assessment. The valuation methods used involve considerable judgment with respect to assumptions about the future results of the business.	We found that the assessments were based upon reasonable assumptions and were consistently applied and therefore we concur with management's assessment.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2017 (continued)

– Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

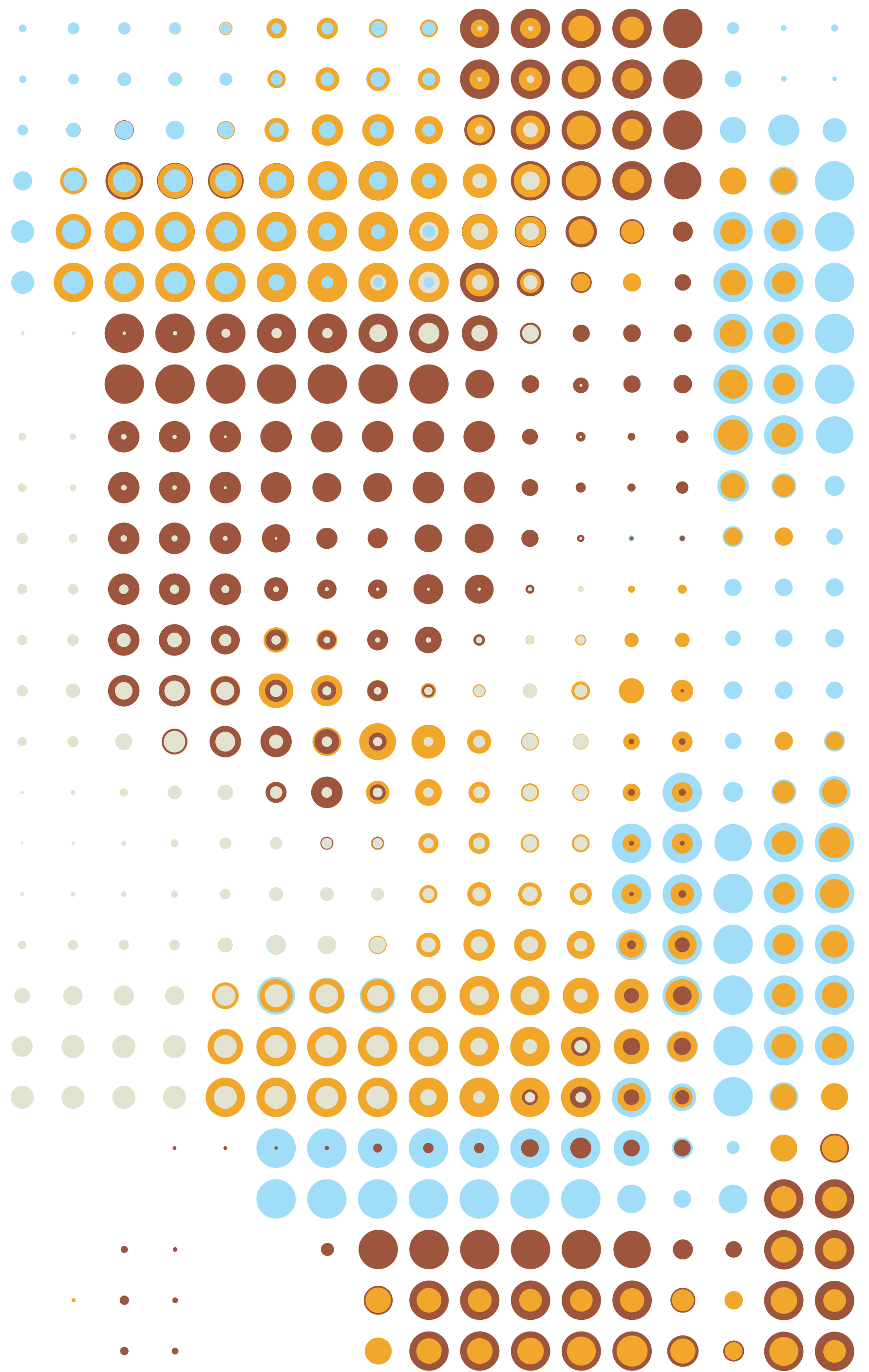
We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Sandra Böhm — Garrett Young

Audit expert
Auditor in charge

Zurich, 2 October 2017



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Key dates to December 2018

First-quarter trading update	27 November 2017
Annual General Meeting 2017	7 December 2017
Distribution of dividend	1 February 2018
Announcement of half-year results 2018	12 March 2018
Third-quarter trading update	29 May 2018
Announcement of the 2018 annual results	24 September 2018
First-quarter trading update	26 November 2018
Annual General Meeting 2018	4 December 2018

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