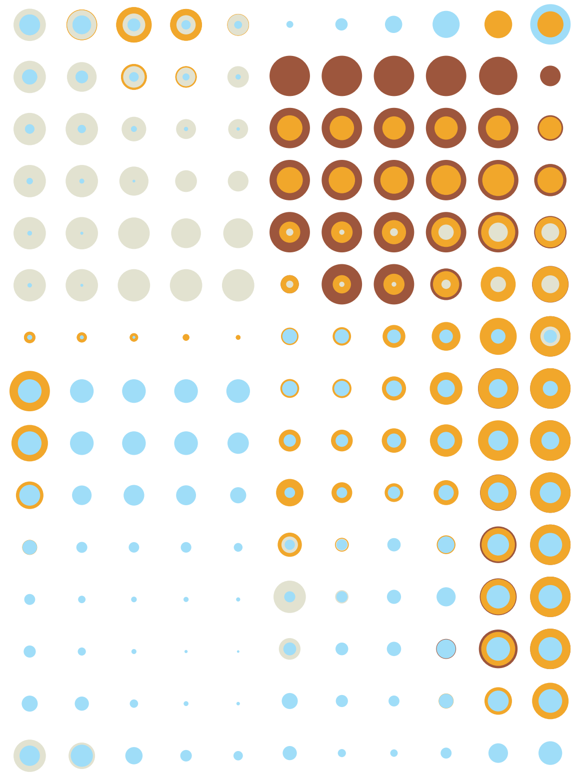

2019

Interim Report and Accounts

ARYZTA

Passion for good food

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Interim Report 2019

Interim Financial and Business Review

1.1 Highlights

– First step towards delivery of multi-year turnaround commitment
– Group organic revenue growth +0.7% in the period, reflecting ongoing stabilisation
– Completed €740m capital raise that strengthens ARYZTA's balance sheet
– Project Renew launched and delivering expected level of savings
– Developing a unified, cohesive Group - with singular focus on frozen B2B bakery

1.2 H1 2019 Financial Summary

– Group organic revenue growth of +0.7%; total revenue declined (4.2)% to €1,710.7m
  – Europe organic revenue growth of +1.9%
  – North America organic revenue decline of (1.8)%
  – Rest of World organic revenue growth of +6.7%
– Underlying EBITDA of €151.6m, a decline of (6.0)%
– Underlying EBITDA margin stabilising at 8.9%, (10)bps decline
– Net debt of €811m with Net Debt: EBITDA[1] of 2.5x
– Hybrid financing of €834m, including €60m of deferred hybrid dividends
– Underlying net profit of €39.5m, a decline of (22.5)%
– IFRS operating profit of €10.8m; IFRS operating loss of (€194.0)m in H1 2018
– IFRS loss for the period of (€4.3)m; IFRS loss of (€197.0)m in H1 2018

Outlook

ARYZTA is on track to deliver within its previously guided range for the current financial year.

Commenting on the H1 2019 results, ARYZTA AG Chief Executive Officer Kevin Toland said:

"The result in H1 2019 is consistent with our focus on stability.

This performance represents a first step towards the delivery of our multi-year turnaround commitment.

We are developing a unified, cohesive Group with a singular focus on our core strengths within a growing frozen B2B bakery market.

Project Renew will enhance both our operating efficiency and our competitive position and in H1 already delivered the expected level of savings.

Our focus on delivering excellence for our customers every day will also contribute to performance and, in time, growth."

[1] Calculated as per Syndicated Bank Facilities Agreement terms.

Interim Financial and Business Review (continued)

2 Underlying Income Statement and reconciliation to IFRS

Six month period ended 31 January 2019

in EUR `000	January 2019	January 2018	% Change
Group revenue	1,710,705	1,786,549	(4.2)%
Underlying EBITDA[1]	151,629	161,284	(6.0)%
Underlying EBITDA margin	8.9%	9.0%	(10) bps
Depreciation and ERP amortisation	(66,031)	(67,977)	2.9%
Underlying EBITA[1]	85,598	93,307	(8.3)%
Joint ventures underlying net profit	20,592	15,928	29.3%
Underlying EBITA including joint ventures	106,190	109,235	(2.8)%
Finance cost, net	(33,564)	(36,290)	7.5%
Hybrid instrument dividend	(18,221)	(15,344)	(18.8)%
Underlying pre-tax profits	54,405	57,601	(5.5)%
Income tax	(14,911)	(6,668)	(123.6)%
Underlying net profit[1]	**39,494**	**50,933**	**(22.5)%**
Underlying diluted EPS (cent)[2]	**6.0**	**12.3**	**(51.2)%**

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

2 The 31 January 2019 weighted average number of ordinary shares used to calculate underlying earnings per share is 657,924,501 (H1 2018: 414,408,918). Comparatives have been restated to include the effect of the bonus issue of shares pursuant to the November 2018 rights issue.

in EUR `000	January 2019	January 2018
Underlying EBITDA	**151,629**	161,284
Depreciation	**(57,649)**	(59,283)
ERP amortisation	**(8,382)**	(8,694)
Underlying EBITA	**85,598**	93,307
Amortisation of other intangible assets	**(67,704)**	(86,186)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**(847)**	(149,336)
Restructuring-related costs	**(6,296)**	(51,816)
IFRS operating profit/(loss)	**10,751**	(194,031)
Share of profit after interest and tax of joint ventures	**19,061**	10,870
Finance cost, net	**(33,564)**	(36,290)
RCF termination costs	**–**	(12,415)
Loss before income tax	**(3,752)**	(231,866)
Income tax (expense)/credit	**(558)**	34,917
IFRS loss for the period	**(4,310)**	(196,949)
Hybrid instrument dividend	**(18,221)**	(15,344)
Loss used to determine basic EPS	**(22,531)**	(212,293)
IFRS diluted loss per share (cent)[3]	**(3.4)**	(51.5)

3 The 31 January 2019 weighted average number of ordinary shares used to calculate IFRS diluted loss per share is 657,377,825 (H1 2018: 412,433,979). Comparatives have been restated to include the effect of the bonus issue of shares pursuant to the November 2018 rights issue.

Interim Financial and Business Review (continued)

3 Organic revenue

Six month period ended 31 January 2019

in EUR million	ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World	ARYZTA Group
Revenue	**859.7**	**717.9**	**133.1**	**1,710.7**
Organic movement	**1.9%**	**(1.8)%**	**6.7%**	**0.7%**
Disposals movement	(2.8)%	(8.9)%	–	(5.3)%
Currency movement	(0.1)%	2.0%	(5.8)%	0.4%
Total revenue movement	**(1.0)%**	**(8.7)%**	**0.9%**	**(4.2)%**

Quarterly organic revenue

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	H1 2019
ARYZTA Europe					
Volume %	(5.0)%	0.5%	(0.1)%	1.4%	0.6%
Price/Mix %	2.4%	2.1%	2.1%	0.5%	1.3%
Organic movement %	**(2.6)%**	**2.6%**	**2.0%**	**1.9%**	**1.9%**
ARYZTA North America					
Volume %	(1.9)%	1.2%	(2.1)%	(1.7)%	(1.9)%
Price/Mix %	0.6%	(3.6)%	(0.7)%	0.8%	0.1%
Organic movement %	**(1.3)%**	**(2.4)%**	**(2.8)%**	**(0.9)%**	**(1.8)%**
ARYZTA Rest of World					
Volume %	7.5%	5.7%	6.1%	2.0%	4.1%
Price/Mix %	1.8%	(1.4)%	1.6%	3.7%	2.6%
Organic movement %	**9.3%**	**4.3%**	**7.7%**	**5.7%**	**6.7%**
ARYZTA Group					
Volume %	(2.7)%	1.2%	(0.6)%	0.1%	(0.2)%
Price/Mix %	1.5%	(0.7)%	0.9%	0.9%	0.9%
Organic movement %	**(1.2)%**	**0.5%**	**0.3%**	**1.0%**	**0.7%**

Interim Financial and Business Review (continued)

4 Segmental Underlying EBITDA

Underlying EBITDA in EUR `000	Six months ended				
	January 2019	July 2018	January 2018	H1-19 v. H2-18 % change	H1-19 v. H1-18 % change
ARYZTA Europe	82,199	81,237	90,740	1.2%	(9.4)%
ARYZTA North America	48,671	39,940	49,962	21.9%	(2.6)%
ARYZTA Rest of World	20,759	19,361	20,582	7.2%	0.9%
ARYZTA Underlying EBITDA	**151,629**	**140,538**	**161,284**	**7.9%**	**(6.0)%**

EBITDA margin	Six months ended				
	January 2019	July 2018	January 2018	H1-19 v. H2-18 bps change	H1-19 v. H1-18 bps change
ARYZTA Europe	9.6%	9.6%	10.5%	0 bps	(90) bps
ARYZTA North America	6.8%	5.9%	6.4%	90 bps	40 bps
ARYZTA Rest of World	15.6%	15.5%	15.6%	10 bps	0 bps
ARYZTA EBITDA margin	**8.9%**	**8.5%**	**9.0%**	**40 bps**	**(10) bps**

5 Our business

ARYZTA is the world's leading global, frozen B2B baking solutions provider, operating in the frozen bakery segment of the overall bakery market. 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 (4.2)% to €1,710.7m during the period ended 31 January 2019, due to an organic increase of 0.7%, consisting of a positive price/mix impact of 0.9%, partially offset by volume losses of (0.2)%. Disposals reduced revenue by (5.3)% and currency increased revenue by 0.4%.

Overall organic revenue increased during the year by 0.7%. ARYZTA Europe experienced 1.9% organic revenue growth and ARYZTA Rest of World organic revenue growth of 6.7%, both driven by increases in both price/mix and volume, while ARYZTA North America organic revenue declined by (1.8)%, driven primarily by volume losses.

Group Underlying EBITDA for the period ended 31 January 2019 was €151.6m, which represents a decrease of (6.0)% compared to the period ended 31 January 2018, while EBITDA margins decreased (10) bps to 8.9%.

The results for the period ended 31 January 2019 were consistent with the Group's focus on stability and represent a first step towards delivery of a multi-year turnaround commitment. The business is developing a unified cohesive Group, with a singular focus on core strengths within a growing frozen B2B bakery market.

Interim Financial and Business Review (continued)

6 ARYZTA Europe

ARYZTA Europe has leading market positions in the frozen B2B bakery markets in Germany, Switzerland, France, Ireland, the UK, the Netherlands, Hungary, Poland, Denmark, Spain, Sweden, Romania and other European countries.

ARYZTA Europe revenue decreased by (1.0)% to €859.7 during the period ended 31 January 2019. Organic revenue growth of 1.9% was a result of a 1.3% benefit from ongoing price/mix improvement and a 0.6% increase in volumes. There were positive revenue performances across Switzerland, France and Poland, while trading was challenging in the UK and Ireland and insourcing continues to impact revenue performance in Germany. Unfavourable currency movements impacted revenue by (0.1)% and the disposal of businesses in Ireland during January 2018 and Czechia during December 2018 resulted in a (2.8)% revenue decline.

ARYZTA Europe Underlying EBITDA for the period ended 31 January 2019 was €82.2m, which represents a decrease of (9.4)% compared to the period ended 31 January 2018, while EBITDA margins decreased by (90) bps to 9.6%, primarily in connection with the decreased margins on partial pass through of increased raw materials and logistics costs, and lower operating leverage following customer insourcing. Compared to the six month period ended 31 July 2018, the current six month period performance represents an underlying EBITDA improvement of 1.2%, while ARYZTA Europe margins remained flat.

7 ARYZTA North America

ARYZTA North America is a leading player in the frozen B2B 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 North America is a leader in high-value artisan bakery via La Brea Bakery, which focuses on the premium branded bakery segment.

ARYZTA North America revenue declined by (8.7)% to €717.9m during the period ended 31 January 2019. Organic revenue declined by (1.8)%, due to volume declines of (1.9)%, partially offset by positive price/mix of 0.1%. Trading in the period remained challenging across both the Retail and Foodservice channels, while revenues from the QSR channel were stable. Favourable currency movements supported revenue by 2.0%, while the disposal of Cloverhill negatively impacted revenue by (8.9)%.

ARYZTA North America Underlying EBITDA for the period ended 31 January 2019 was €48.7m, which represents a decrease of (2.6)% compared to the period ended 31 January 2018, while EBITDA margins increased 40 bps to 6.8%. Excluding Cloverhill, ARYZTA North America EBITDA margins would have declined by (10) bps. Compared to the six month period ended 31 July 2018, the current six month period performance represents an underlying EBITDA improvement of 21.9%, while ARYZTA North America margins improved 90 bps. These movements were driven by early benefits from Project Renew and a sustained focus on cost control. The business remains focused on stabilising performance through a clear focus on customer relationships, customer pipeline and improved operating efficiency.

Interim Financial and Business Review (continued)

8 ARYZTA Rest of World

ARYZTA's operations in the Rest of World primarily include businesses in Brazil, Australia, Japan, Malaysia, Singapore, New Zealand and Taiwan. While representing only 8% of total Group revenue and 14% of total Group Underlying EBITDA, these locations provide attractive future growth opportunities and have importance as suppliers to our global QSR customers.

ARYZTA Rest of World revenue increased by 0.9% to €133.1m during the period ended 31 January 2019. Organic revenue increased by 6.7%, as a result of strong 4.1% volume growth with both global strategic customers, as well as others across the region, combined with positive price/mix of 2.6%. Unfavourable currency movements reduced revenue by (5.8)%. Revenue growth was capacity constrained in some markets, and will require additional investment to drive growth.

ARYZTA Rest of World Underlying EBITDA for the period ended 31 January 2019 was €20.8m, which represents a 0.9% overall increase. Margins remained flat at 15.6%, as local currency EBITDA grew consistently with organic revenues, but was also impacted by unfavourable currency movements.

Interim Financial and Business Review (continued)

9 Joint ventures

During March 2018, the Group sold its 50% interest in Signature Flatbreads, which is therefore no longer included within results from joint ventures for the six month period ended 31 January 2019.

During August 2015, ARYZTA acquired a joint venture 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.

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 for on a historical cost basis using the equity method of accounting, rather than at recoverable value as an asset held-for-sale.

Picard had revenue of €800.5m during the ARYZTA six-month period ended 31 January 2019 and delivered an underlying contribution to ARYZTA of €20.6m, after interest and tax.

in EUR `000	**Picard January 2019**	Picard January 2018	**Signature January 2019**	Signature January 2018	**Total January 2019**	Total January 2018
Revenue	**800,508**	810,337	–	60,402	**800,508**	870,739
Underlying EBITDA	**122,342**	130,766	–	8,343	**122,342**	139,109
EBITDA margin	**15.3%**	16.1%	–	13.8%	**15.3%**	16.0%
Depreciation	**(15,327)**	(14,980)	–	(2,401)	**(15,327)**	(17,381)
Underlying EBITA	**107,015**	115,786	–	5,942	**107,015**	121,728
Finance cost, net	**(28,898)**	(42,186)	–	(203)	**(28,898)**	(42,389)
Pre-tax profit	**78,117**	73,600	–	5,739	**78,117**	79,339
Income tax	**(35,009)**	(45,546)	–	(1,190)	**(35,009)**	(46,736)
Joint venture underlying net profit	**43,108**	28,054	–	4,549	**43,108**	32,603
ARYZTA's share of JV underlying net profit	**20,592**	13,654	–	2,274	**20,592**	15,928

Interim Financial and Business Review (continued)

10 Impairment, disposal and restructuring

During May 2018, the Group announced Project Renew, a three year cumulative €200m restructuring and cost reduction plan aimed at restoring financial flexibility and aligning our asset and cost base with current and expected business conditions.

In order to deliver these cost savings, the Group expects an overall investment of €150m, with c. €100m of the investment dedicated to capital investment for automation and the remaining c. €50m for restructuring-related costs.

During the period ended 31 January 2019, Project Renew has delivered €7.6m of benefits, in-line with the level of savings expected during these initial stages of the programme. These benefits relate primarily to improvements in the operating model through European back office consolidation and US management downsizing.

During the six month period ended 31 January 2019, the Group incurred the following amounts related to impairment, disposal and restructuring:

in EUR `000	Impairment/ Disposal 2019	Restructuring 2019	**Total 2019**	Total 2018
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	(847)	–	**(847)**	(149,336)
Labour-related business interruption	–	–	**–**	(38,730)
Severance and other staff-related costs	–	(2,130)	**(2,130)**	(6,695)
Advisory and other costs	–	(4,166)	**(4,166)**	(6,391)
Net impairment, disposal and restructuring-related costs	**(847)**	**(6,296)**	**(7,143)**	**(201,152)**

Impairment and disposal-related costs

During the period ended 31 January 2019, the Group disposed of a non-core business in Europe, which had been accounted for as part of disposal groups held-for-sale at July 2018. As the €3.3m proceeds received, net of associated transaction costs, combined with a €2.0m cumulative foreign currency translation gain since the initial investment, was greater than the €4.5m carrying value of the assets disposed, a gain on disposal of €0.8m was recognised.

During the period ended 31 January 2018, the Group agreed to dispose of the Cloverhill Chicago and Cicero facilities in North America. A loss on impairment of disposal group held-for-sale of €151.0m was recognised during the period ended 31 January 2018 related to these facilities. During the period ended 31 January 2019, the Group recognised an additional €1.6m loss in North America, on the finalisation of the Cloverhill Chicago and Cicero disposals.

During the period ended 31 January 2018, the Group disposed of a business in Europe. As the €46.8m proceeds received, net of associated transaction costs, exceeded the €45.1m carrying value of the net assets disposed, a net gain on disposal of €1.7m was recognised during the period ended 31 January 2018.

Interim Financial and Business Review (continued)

Restructuring-related costs

Labour-related business interruption
The €16.3m of labour-related business interruption costs experienced in the North America Cloverhill facilities during the last three months of the financial year ended 31 July 2017 continued into the six month period ended 31 January 2018, during which the Group incurred €38.7m of further losses. As these businesses have since been disposed of, no such costs were incurred during the period ended 31 January 2019.

Severance and other staff-related costs
The Group incurred €2.1m (2018: €6.7m) in severance and other staff-related costs during the period. These costs primarily related to employees whose service was discontinued following certain rationalisation decisions across the various business locations of the Group as part of the implementation of Project Renew.

Advisory and other costs
During the period ended 31 January 2019, the Group incurred €4.2m in costs related to the design and implementation of Project Renew across Europe and North America.

During the period ended 31 January 2018, the Group incurred €6.4m in costs related to the reorganisation of the North America business and a group-wide strategic business review.

11 Cash generation

Six month period ended 31 January 2019

in EUR `000	**January 2019**	**January 2018**
Underlying EBITDA	151,629	161,284
Working capital movement	(79,105)	(32,594)
Working capital movement from debtor securitisation[1]	2,945	10,315
Capital expenditure	(35,102)	(41,959)
Proceeds from sale of fixed assets	1,650	772
Restructuring-related cash flows	(14,643)	(54,129)
Segmental operating free cash generation	**27,374**	**43,689**
Dividends received from joint venture	–	53,540
Interest and income tax paid, net	(59,548)	(52,490)
Recognition of deferred income from government grants	(1,977)	(1,936)
Other	(2,028)	(3,048)
Cash flow generated from activities	**(36,179)**	**39,755**

1 Total debtor balances securitised as of 31 January 2019 is €205m (31 July 2018: €199m).

Interim Financial and Business Review (continued)

12 Net debt and investment activity

in EUR `000	January 2019	January 2018
Opening net debt as at 1 August	**(1,510,264)**	**(1,733,870)**
Cash flow generated from activities	(36,179)	39,755
Disposal of businesses, net	3,283	46,781
RCF termination costs	–	(12,415)
Proceeds from issue of shares, net of costs paid[1]	748,949	–
Foreign exchange movement	(13,385)	39,524
Other[2]	(3,440)	(2,840)
Closing net debt as at 31 January	**(811,036)**	**(1,623,065)**

1 Proceeds will amount to c. €740m net, after payment of outstanding transaction-related costs.

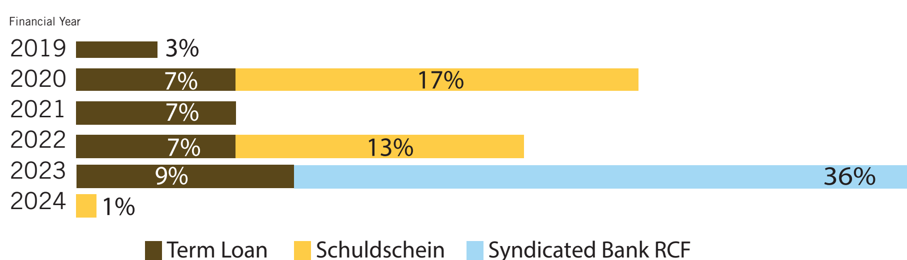
2 Other comprises primarily amortisation of upfront borrowing costs.

As of 31 January 2019, the Group's gross term debt financing facilities, related capitalised upfront borrowing costs, finance leases, and cash, net of overdrafts, were as follows:

in EUR `000	January 2019	July 2018
Syndicated Bank RCF	(445,979)	(611,815)
Term loan facility	(393,368)	(878,937)
Schuldschein	(384,988)	(384,454)
Gross term debt	**(1,224,335)**	**(1,875,206)**
Upfront borrowing costs	25,161	23,613
Term debt, net of upfront borrowing costs	**(1,199,174)**	**(1,851,593)**
Finance leases	(324)	(657)
Cash and cash equivalents, net of overdrafts	388,462	341,986
Net debt	**(811,036)**	**(1,510,264)**

As of 31 January 2019, the weighted average interest cost of the Group debt financing facilities was 1.7% (July 2018: 3.2%) and the weighted average maturity of the Group's gross term debt is 2.63 years.

Gross Term Debt Maturity Profile
January 2019



Interim Financial and Business Review (continued)

Following the amendment of the Group's Syndicated Bank Facilities Agreement in September 2018, and successful completion of the capital raise during November 2018, the Group's financial covenants are now as follows:

- Leverage covenant (Net Debt: EBITDA[1]):
  - maximum 4.0x until January 2019
  - maximum 3.5x thereafter
- Interest cover covenant (EBITDA: Net interest, including Hybrid dividend[1]):
  - minimum 2.0x until July 2019
  - minimum 3.0x thereafter

The Group's key financial ratios were as follows:

	January 2019	July 2018
Net Debt: EBITDA[1]	2.50x	3.83x
EBITDA: Net interest, including Hybrid deferred dividend[1]	3.13x	3.72x

[1] Calculated as per Syndicated Bank Facilities Agreement terms.

Capital raise

During November 2018, the Group completed a capital raise, by way of a rights issue, in order to strengthen the balance sheet, provide necessary liquidity and working capital funding and to enable delivery of ARYZTA's multi-year turnaround plan, Project Renew. Upon approval by the shareholders at the Annual General Meeting on 1 November 2018, a total of 900,184,940 registered shares with a nominal value of CHF 0.02 each were offered to ARYZTA's existing shareholders on a 10 for 1 share basis, at a discounted offer price of CHF 1.00 per share.

The gross proceeds received upon completion of the rights issue were €795.8m. This resulted in €739.5m, net of related transaction costs, which was recognised within equity during the period ended 31 January 2019, of which €15.8m is recognised within share capital, and €723.7m within share premium. As €9.4m of the transaction costs remained unpaid as of 31 January 2019, €748.9m has been recognised relating to proceeds from the rights issue within financing activities in the Group Cash Flow Statement during the period ended 31 January 2019.

Interim Financial and Business Review (continued)

13 Hybrid funding

As of 31 January 2019, the Group has €834m of Hybrid funding outstanding, as reflected in the table below.

Perpetual Callable Subordinated Instruments		Coupon	Coupon rate if not called	in EUR `000
Not called	CHF 400m	5.3%	6.045% +3 Month Swiss Libor	(354,899)
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	(168,577)
Hybrid principal outstanding at 31 January 2019 exchange rates				**(773,476)**
Hybrid instrument deferred dividends				(60,086)
Hybrid funding outstanding at 31 January 2019 exchange rates				**(833,562)**

The Group does not intend to call the €250m Hybrid on its first call date in March 2019, at which point the applicable coupon will increase to approximately 6.9%.

As these instruments have no maturity date and repayment is at the option of ARYZTA, they are recognised within other equity reserves at historical cost, net of attributable transaction costs, until such time that management and the Board of Directors have approved settlement of the applicable instrument. Any difference between the amount paid upon settlement of these instruments and the historical cost is recognised directly within retained earnings.

Dividends on these instruments accrue at the coupon rate applicable to each respective instrument on an ongoing basis; however, a contractual obligation to pay these dividends in cash only arises when a Compulsory Payment Event, such as payment of a cash dividend to equity shareholders or settlement of any of the individual Hybrid instruments, has occurred within the last twelve months.

Since no Compulsory Payment Event has occurred during the last 12 months, as of 31 January 2019, the Group is under no contractual obligation to settle the Hybrid instrument dividends in cash. Therefore, these deferred dividends have not been accrued as separate financial liabilities, but instead remain within equity, in accordance with IAS 32 ‘Financial Instruments’. Should a Compulsory Payment Event occur in the future, all Hybrid instrument deferred dividends will become due in cash.

Movements related to Hybrid instrument deferred dividends during the period ended 31 January 2019 were as follows:

in EUR `000	January 2019
Balance at 1 August	(41,071)
Hybrid instrument deferred dividend	(18,221)
Translation adjustments	(794)
Balance at 31 January	**(60,086)**

Interim Financial and Business Review (continued)

14 Foreign currency

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

Currency	Average H1 2019	Average H1 2018	% Change	Closing H1 2019	Closing FY 2018	% Change
CHF	1.1352	1.1573	1.9%	1.1271	1.1578	2.7%
USD	1.1483	1.1862	3.2%	1.1323	1.1651	2.8%
CAD	1.5119	1.4923	(1.3)%	1.5074	1.5219	1.0%
GBP	0.8904	0.8923	0.2%	0.8629	0.8888	2.9%

15 Return on invested capital

in EUR million	ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World	ARYZTA Group
31 January 2019				
Segmental net assets[1]	1,400	1,323	181	2,904
TTM EBITA[1]	95	34	30	159
ROIC[1,2]	6.8%	2.6%	16.5%	5.5%
31 July 2018				
Segmental net assets[1]	1,354	1,331	177	2,862
TTM EBITA[1]	102	34	30	166
ROIC[1,2]	7.6%	2.6%	17.0%	5.8%

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

2 Group WACC on a pre-tax basis is currently 8.6% (2018: 8.5%).

16 Net assets, goodwill and intangibles

in EUR `000	January 2019	July 2018
Property, plant and equipment	1,237,038	1,243,692
Investment properties	14,861	14,574
Goodwill and intangible assets	2,013,696	2,057,703
Deferred tax on goodwill and intangibles	(92,365)	(104,075)
Working capital	(205,288)	(285,830)
Other segmental liabilities	(66,568)	(71,047)
Assets of disposal groups held-for-sale	2,408	7,000
Segmental net assets	2,903,782	2,862,017
Investments in joint ventures	439,046	420,016
Net debt	(811,036)	(1,510,264)
Deferred tax, excluding tax on goodwill and intangibles	(31,674)	(33,842)
Income tax payable	(70,959)	(65,506)
Derivative financial instruments	(861)	439
Net assets	**2,428,298**	**1,672,860**

Interim Financial and Business Review (continued)

17 Dividend

No dividend was proposed for the year ended 31 July 2018.

The dividend for the year ended 31 July 2017 was approved at the Annual General Meeting held on 7 December 2017, to be settled as a scrip dividend via newly issued share capital, based on a ratio of one new share for every 80 shares held. Accordingly, a total of 1,110,253 new shares, with a par value of CHF 0.02 per share, were issued to shareholders holding shares in ARYZTA AG on 29 January 2018, resulting in €33,962,000 being recognised within equity, based on the market price of the shares at the date of approval.

18 Outlook

For the financial year ending 31 July 2019, ARYZTA expects underlying performance to be stable and the early benefits from Project Renew to flow into the income statement. The Group continues to expect mid-to-high single-digit underlying EBITDA growth on a like-for-like basis, excluding impacts from disposals and foreign currency movements.

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 67 of the ARYZTA AG 2018 Annual Report and Accounts to continue to reflect the principal risks and uncertainties of the Group over the remaining six months of the financial year.

20 Forward looking statement

This document contains forward looking statements which reflect the Board of Directors' 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. You are cautioned not to place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this document. The Company expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements other than as required by applicable laws.

Interim Financial and Business Review (continued)

21 Glossary of financial terms and references

'Organic revenue' – presents the revenue movement during the period, excluding impacts from acquisitions/(disposals) and foreign exchange translation.

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

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

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

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

'Hybrid instrument' – presented as Perpetual Callable Subordinated Instruments, which have no contractual maturity date and for which the Group controls the timing of settlement; therefore, these instruments are accounted for as equity instruments in accordance with IAS 32 'Financial Instruments'.

'Underlying net profit' – presented as reported net profit, adjusted to include the Hybrid instrument dividend as a finance cost; before non-ERP related intangible amortisation; before RCF termination costs and before impairment, 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.

'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 Underlying 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.

Group Consolidated Income Statement
for the six months ended 31 January 2019

in EUR `000	Notes	Six months ended 31 January 2019 Unaudited	 2018 Unaudited
Revenue	3	**1,710,705**	1,786,549
Cost of sales		**(1,247,054)**	(1,332,533)
Distribution expenses		**(203,337)**	(207,620)
Gross profit		**260,314**	246,396
Selling expenses		**(80,958)**	(92,220)
Administration expenses		**(167,758)**	(198,871)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	4	**(847)**	(149,336)
Operating profit/(loss)	3	**10,751**	(194,031)
Share of profit after interest and tax of joint ventures		**19,061**	10,870
Profit/(loss) before financing income, financing costs and income tax		**29,812**	(183,161)
Financing income		**1,799**	1,350
Financing costs		**(35,363)**	(37,640)
RCF termination costs		**–**	(12,415)
Loss before income tax	3	**(3,752)**	(231,866)
Income tax (expense)/credit		**(558)**	34,917
Loss for the period attributable to equity shareholders		**(4,310)**	(196,949)

Loss per share	Notes	Six months ended 31 January 2019 euro cent	 2018 euro cent (restated)
Basic loss per share	7	**(3.4) cent**	(51.5) cent
Diluted loss per share	7	**(3.4) cent**	(51.5) cent

The notes on pages 25 to 45 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Comprehensive Income
for the six months ended 31 January 2019

in EUR `000	Six months ended 31 January **2019 Unaudited**	 2018 Unaudited
Loss for the period	**(4,310)**	(196,949)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation effects on net investments	**21,121**	(49,982)
Cash flow hedges		
– Effective portion of changes in fair value of cash flow hedges	**(1,071)**	(2,343)
– Fair value of cash flow hedges transferred to income statement	**(228)**	(834)
– Deferred tax effect of cash flow hedges	**188**	461
Share of joint ventures' other comprehensive loss	**(31)**	(21)
Total of items that may be reclassified subsequently to profit or loss	**19,979**	(52,719)
Items that will not be reclassified to profit or loss:		
Defined benefit plans		
– Actuarial (loss)/gain on Group defined benefit pension plans	**(772)**	1,662
– Deferred tax credit/(expense) of actuarial (loss)/gain	**121**	(242)
Total of items that will not be reclassified to profit or loss	**(651)**	1,420
Total other comprehensive income/(loss)	**19,328**	(51,299)
Total comprehensive income/(loss) for the period attributable to equity shareholders	**15,018**	(248,248)

The notes on pages 25 to 45 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet
as at 31 January 2019

in EUR `000	Notes	**31 January 2019 Unaudited**	31 July 2018 Audited
Assets			
Non-current assets			
Property, plant and equipment		**1,237,038**	1,243,692
Investment properties		**14,861**	14,574
Goodwill and intangible assets	8	**2,013,696**	2,057,703
Investments in joint ventures		**439,046**	420,016
Deferred income tax assets		**76,863**	74,961
Total non-current assets		**3,781,504**	3,810,946
Current assets			
Inventory		**253,763**	244,535
Trade and other receivables		**171,208**	153,970
Derivative financial instruments		**256**	1,268
Cash and cash equivalents	9	**497,282**	517,854
		922,509	917,627
Assets of disposal groups held-for-sale		**2,408**	7,000
Total current assets		**924,917**	924,627
Total assets		**4,706,421**	4,735,573

The notes on pages 25 to 45 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet
as at 31 January 2019 (continued)

in EUR `000	Notes	**31 January 2019 Unaudited**	31 July 2018 Audited
Equity			
Called up share capital	10	**16,973**	1,191
Share premium	10	**1,531,234**	807,512
Retained earnings and other reserves		**880,091**	864,157
Total equity		**2,428,298**	1,672,860
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	9	**916,744**	1,772,315
Employee benefits		**8,379**	6,975
Deferred income from government grants		**12,431**	14,408
Other payables		**45,758**	49,664
Deferred income tax liabilities		**200,902**	212,878
Total non-current liabilities		**1,184,214**	2,056,240
Current liabilities			
Interest-bearing loans and borrowings	9	**391,574**	255,803
Trade and other payables		**630,259**	684,335
Income tax payable		**70,959**	65,506
Derivative financial instruments		**1,117**	829
Total current liabilities		**1,093,909**	1,006,473
Total liabilities		**2,278,123**	3,062,713
Total equity and liabilities		**4,706,421**	4,735,573

The notes on pages 25 to 45 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity
for the six months ended 31 January 2019

for the six months ended 31 January 2019 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
At 1 August 2018	**1,191**	**807,512**	**(46)**	**720,456**	**1,428**	**2,209**	**(105,511)**	**245,621**	**1,672,860**
Loss for the period	–	–	–	–	–	–	–	(4,310)	(4,310)
Other comprehensive income/(loss)	–	–	–	–	(1,111)	–	21,121	(682)	19,328
Total comprehensive income/(loss)	**–**	**–**	**–**	**–**	**(1,111)**	**–**	**21,121**	**(4,992)**	**15,018**
Proceeds from issue of shares, net of costs accrued (note 10)	15,782	723,723	–	–	–	–	–	–	739,505
Release of treasury shares upon vesting of Restricted Stock Unit awards (note 5)	–	(1)	1	–	–	–	–	–	–
Share-based payments (note 5)	–	–	–	–	–	915	–	–	915
Transfer of share-based payment reserve to retained earnings	–	–	–	–	–	(2,285)	–	2,285	–
Total transactions with owners recognised directly in equity	**15,782**	**723,722**	**1**	**–**	**–**	**(1,370)**	**–**	**2,285**	**740,420**
At 31 January 2019	**16,973**	**1,531,234**	**(45)**	**720,456**	**317**	**839**	**(84,390)**	**242,914**	**2,428,298**

The notes on pages 25 to 45 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity (continued)
for the six months ended 31 January 2019

for the six months ended 31 January 2018 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
At 1 August 2017	**1,172**	**774,040**	**(47)**	**720,456**	**2,859**	**2,005**	**(36,617)**	**737,784**	**2,201,652**
Loss for the period	–	–	–	–	–	–	–	(196,949)	(196,949)
Other comprehensive (loss)/income	–	–	–	–	(2,716)	–	(49,982)	1,399	(51,299)
Total comprehensive loss	**–**	**–**	**–**	**–**	**(2,716)**	**–**	**(49,982)**	**(195,550)**	**(248,248)**
Release of treasury shares upon vesting of Restricted Stock Unit awards (note 5)	–	(1)	1	–	–	–	–	–	–
Share-based payments (note 5)	–	–	–	–	–	1,512	–	–	1,512
Transfer of share-based payment reserve to retained earnings	–	–	–	–	–	(1,711)	–	1,711	–
Equity dividends (note 6)	19	33,473	–	–	–	–	–	(33,962)	(470)
Hybrid instrument accrued dividend	–	–	–	–	–	–	–	(15,344)	(15,344)
Total transactions with owners recognised directly in equity	**19**	**33,472**	**1**	**–**	**–**	**(199)**	**–**	**(47,595)**	**(14,302)**
At 31 January 2018	**1,191**	**807,512**	**(46)**	**720,456**	**143**	**1,806**	**(86,599)**	**494,639**	**1,939,102**

The notes on pages 25 to 45 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
for the six months ended 31 January 2019

in EUR `000	Notes	Six months ended 31 January 2019 Unaudited	2018 Unaudited
Cash flows from operating activities			
Loss for the period		**(4,310)**	(196,949)
Income tax expense/(credit)		**558**	(34,917)
Financing income		**(1,799)**	(1,350)
Financing costs		**35,363**	37,640
RCF termination costs		**–**	12,415
Share of profit after interest and tax of joint ventures		**(19,061)**	(10,870)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	4	**847**	149,336
Other restructuring-related payments in excess of current-period costs		**(8,562)**	(3,825)
Depreciation of property, plant and equipment	3	**57,649**	59,283
Amortisation of intangible assets	8	**76,086**	94,880
Recognition of deferred income from government grants		**(1,977)**	(1,936)
Share-based payments	5	**915**	1,512
Other		**(2,728)**	(3,048)
Cash flows from operating activities before changes in working capital		**132,981**	102,171
Increase in inventory		**(8,942)**	(33,734)
(Increase)/decrease in trade and other receivables		**(18,292)**	23,125
Decrease in trade and other payables		**(48,926)**	(11,670)
Cash generated from operating activities		**56,821**	79,892
Income tax paid		**(9,362)**	(8,787)
Net cash flows from operating activities		**47,459**	71,105

The notes on pages 25 to 45 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
(continued)
for the six months ended 31 January 2019

in EUR `000	Notes	Six months ended 31 January 2019 Unaudited	2018 Unaudited
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1,650**	772
Purchase of property, plant and equipment		**(33,537)**	(40,030)
Purchase of intangible assets		**(1,565)**	(1,929)
Dividends received from joint venture		**–**	53,540
Disposal of businesses, net	4	**3,283**	46,781
Net cash flows from investing activities		**(30,169)**	59,134
Cash flows from financing activities			
Gross drawdown of loan capital		**–**	1,696,685
Gross repayment of loan capital	9	**(670,542)**	(1,792,558)
RCF termination costs		**–**	(501)
Interest paid		**(51,985)**	(45,053)
Interest received		**1,799**	1,350
Capital element of finance lease liabilities	9	**(299)**	(405)
Proceeds from issue of shares, net of costs paid	10	**748,949**	–
Net cash flows from financing activities		**27,922**	(140,482)
Net increase/(decrease) in cash and cash equivalents	9	**45,212**	(10,243)
Translation adjustment	9	**1,264**	(6,262)
Net cash and cash equivalents at start of period	9	**341,986**	421,940
Net cash and cash equivalents at end of period	9	**388,462**	405,435

The notes on pages 25 to 45 are an integral part of these Group consolidated financial statements.

Notes to the Group Condensed Interim Financial Statements
for the six months ended 31 January 2019

1 Basis of preparation

The Group Condensed Consolidated Interim Financial Statements (hereafter the 'Interim Financial Statements') have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ('IAS 34').

These Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's most recent Annual Financial Statements in respect of the year ended 31 July 2018, which have been prepared in accordance with International Financial Reporting Standards ('IFRS').

These Interim Financial Statements for the six months ended 31 January 2019 and the comparative figures for the six months ended 31 January 2018 are unaudited and have not been reviewed by the auditors. The extracts from the Group's Annual Financial Statements for the year ended 31 July 2018 represent an abbreviated version of the Group's full accounts for that year, on which the auditors issued an unqualified audit report.

Income tax expense is recognised based upon the best estimate of the average annual income tax rate expected for the full year.

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

Currency	Average H1 2019	Average H1 2018	% Change	Closing H1 2019	Closing FY 2018	% Change
CHF	1.1352	1.1573	1.9%	1.1271	1.1578	2.7%
USD	1.1483	1.1862	3.2%	1.1323	1.1651	2.8%
CAD	1.5119	1.4923	(1.3)%	1.5074	1.5219	1.0%
GBP	0.8904	0.8923	0.2%	0.8629	0.8888	2.9%

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

2 Accounting policies

Except as described below, the Interim Financial Statements have been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates, as set out on pages 83 to 99 of the ARYZTA AG 2018 Annual Report and Accounts.

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 2018.

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:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 40 – Transfers of Investment Property
- Improvements to IFRS Standards (2014–2016)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration

While the above standards and interpretations modified certain presentation and disclosure requirements, these new requirements are not significantly different than information presented as part of the 31 July 2018 year-end financial statements and had no material impact on the consolidated results or financial position of the Group. The most significant impact from these new standards related to the adoption of IFRS 9.

IFRS 9 'Financial Instruments' fully replaced IAS 39 'Financial instruments: Recognition and measurements' and was implemented by the Group effective 1 August 2018 using the modified retrospective method, which would have required any cumulative effect of initially applying IFRS 9 to be recognised within Retained Earnings, rather than restating prior years.

While impairments for bad debt as well as currency revaluations continue to be recognised in profit or loss, in accordance with IFRS 9, the Group now recognises impairment of financial assets based on the simplified Expected Credit Losses (ECL) model. Therefore, an allowance for expected losses is recognised as from the date receivables are initially recognised; however, as the Group does not have a history of significant bad debts, no material change to the allowance for doubtful accounts arose as a result of this change.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

The Group has also performed a review of the business model, contractually specified cash flows and other relevant factors corresponding to its financial assets and liabilities, which resulted in the classifications below in accordance with IFRS 9:

Classification and measurement as per 31 July 2018 (IAS 39)

in EUR `000	Fair Value through income statement 2018	Hedge instruments 2018	Amortised cost 2018	Loans and receivables 2018	Total carrying amount 2018
Trade receivables	–	–	–	71,651	71,651
Prepaids and other receivables	–	–	–	82,319	82,319
Derivative financial assets	–	1,268	–	–	1,268
Total financial assets	**–**	**1,268**	**–**	**153,970**	**155,238**
Trade payables	–	–	(356,877)	–	(356,877)
Accruals, deferred income and other payables	–	–	(398,505)	–	(398,505)
Bank overdrafts	–	–	(175,868)	–	(175,868)
Bank borrowings	–	–	(1,851,593)	–	(1,851,593)
Finance lease liabilities	–	–	(657)	–	(657)
Derivative financial liabilities	–	(829)	–	–	(829)
Total financial liabilities	**–**	**(829)**	**(2,783,500)**	**–**	**(2,784,329)**

Classification and measurement as per 1 August 2018 (IFRS 9)

in EUR `000	Fair Value through income statement 2018	Fair Value through OCI 2018	Amortised cost 2018	Restatement as per 1 August 2018	Total carrying amount 2018
Trade receivables	–	–	71,651	–	71,651
Prepaids and other receivables	–	–	82,319	–	82,319
Derivative financial assets	–	1,268	–	–	1,268
Total financial assets	**–**	**1,268**	**153,970**	**–**	**155,238**
Trade payables	–	–	(356,877)	–	(356,877)
Accruals, deferred income and other payables	–	–	(398,505)	–	(398,505)
Bank overdrafts	–	–	(175,868)	–	(175,868)
Bank borrowings	–	–	(1,851,593)	–	(1,851,593)
Finance lease liabilities	–	–	(657)	–	(657)
Derivative financial liabilities	–	(829)	–	–	(829)
Total financial liabilities	**–**	**(829)**	**(2,783,500)**	**–**	**(2,784,329)**

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

IFRS 15 'Revenue from contracts with customers' fully replaced IAS 11 'Construction Contracts', IAS 18 'Revenue' and was implemented by the Group effective 1 August 2018. The new standard defines a five-step model, which has to be used to assess the timing and amount of revenue recognised from customer contracts. The Group undertook a review of the main types of commercial arrangements with customers and determined that as Group revenues are transactional in nature, generally related to the shipment or delivery of goods to customers, net sales continue to be recognised at a point of time and not over a period. Therefore, there was no significant impact on the Group's financial position or performance from the adoption of this new standard.

Revenue is shown disaggregated by significant geographic market in the table on page 30. Geographic market is the primary basis on which the Chief Operating Decision Maker and management review the businesses across the Group.

IFRS being adopted in subsequent years
IFRS 16 'Leases' will replace IAS 17 'Leases' effective 1 January 2019 and is to be implemented by the Group effective 1 August 2019. The new standard changes the principles of recognition, measurement, presentation and disclosure of leases, with the main effect on the Group being the introduction of a single lessee accounting model requiring lessees to recognise assets and liabilities for almost all leases.

Implementation of IFRS 16 will result in an increase of total property, plant and equipment and interest-bearing loans and borrowings on the balance sheet, equal to the present value of operating lease commitments at the time of adoption. The change will also result in a decrease in operating lease rentals expense, offset by an increase in depreciation associated with the additional property, plant and equipment and an increase in finance costs associated with the additional interest-bearing loans and borrowings. While no impacts are expected on the Group's total consolidated cash flow, payments associated with these lease liabilities will be reported as financing cash outflows, rather than included as operating cash outflows as currently reported.

As disclosed in note 26 of the FY 2018 Annual Financial Statements, operating lease commitments totalled €328,706,000 as of 31 July 2018 and as disclosed in note 5 of the FY 2018 Annual Financial Statements, operating lease rentals expense was €66,876,000 during the year ended 31 July 2018. Subject to the provisions of the standard, these amounts provide an indicator of the impact implementation of IFRS 16 will have on the Group's consolidated balance sheet and income statement; however, the Group continues to assess the precise impact implementation of the new standard will have.

The Group has not applied early adoption of any standards not yet effective.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

Reclassifications and adjustments
During November 2018, the Group completed a capital raise, by way of a rights issue, in order to strengthen the balance sheet, provide necessary liquidity and working capital funding and enable delivery of ARYZTA's multi-year turnaround plan, Project Renew.

Following the completion of the rights issue, the Group was required to restate the weighted average number of shares for the half-year ended 31 January 2018 to incorporate the bonus share element of the rights issue. As a result, basic loss per share, diluted loss per share, underlying basic earnings per share and underlying diluted earnings per share were also restated to reflect the revised weighted average number of shares in issue.

Certain other amounts in the 31 January 2018 and 31 July 2018 comparative financial statement figures and related notes have been reclassified to conform to the 31 January 2019 presentation. These reclassifications were made for presentation purposes and have no effect on total revenue, expenses, profit for the period, total assets, total liabilities, total equity or total cash flow classifications as previously reported.

3 Segment Information

I) Segment revenue and result	ARYZTA Europe Six months ended 31 January		ARYZTA North America Six months ended 31 January		ARYZTA Rest of World Six months ended 31 January		ARYZTA Group Six months ended 31 January	
in EUR `000	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Segment revenue	**859,729**	868,257	**717,889**	786,424	**133,087**	131,868	**1,710,705**	1,786,549
Underlying EBITDA[1]	**82,199**	90,740	**48,671**	49,962	**20,759**	20,582	**151,629**	161,284
Depreciation	**(29,129)**	(28,156)	**(23,402)**	(26,213)	**(5,118)**	(4,914)	**(57,649)**	(59,283)
ERP Amortisation	**(5,522)**	(5,549)	**(2,845)**	(3,138)	**(15)**	(7)	**(8,382)**	(8,694)
Underlying EBITA	**47,548**	57,035	**22,424**	20,611	**15,626**	15,661	**85,598**	93,307
Amortisation of other intangible assets	**(24,159)**	(35,786)	**(40,394)**	(46,619)	**(3,151)**	(3,781)	**(67,704)**	(86,186)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**830**	1,706	**(1,677)**	(151,042)	**–**	–	**(847)**	(149,336)
Restructuring-related costs	**(3,609)**	(2,024)	**(2,652)**	(49,625)	**(35)**	(167)	**(6,296)**	(51,816)
Operating profit/(loss)[2]	**20,610**	20,931	**(22,299)**	(226,675)	**12,440**	11,713	**10,751**	(194,031)
Share of profit after interest and tax of joint ventures[3]							**19,061**	10,870
Financing income[3]							**1,799**	1,350
Financing costs[3]							**(35,363)**	(37,640)
RCF termination costs[3]							**–**	(12,415)
Loss before income tax as reported in Group Consolidated Income Statement							**(3,752)**	(231,866)

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

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

3 Joint ventures, finance income/(costs) and income tax 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 Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

II) Segment revenue by location - disaggregated revenue in EUR `000	**Revenue 2019**	**% of Group Revenue 2019**	Revenue 2018	% of Group Revenue 2018
	Six months ended 31 January			
Switzerland (ARYZTA's country of domicile)	**108,280**	**6.3%**	98,884	5.5%
Germany	**308,147**	**18.0%**	308,195	17.3%
France	**124,781**	**7.3%**	120,176	6.7%
Other[1]	**318,521**	**18.6%**	341,002	19.1%
ARYZTA Europe segmental revenue	**859,729**	**50.3%**	868,257	48.6%
USA	**559,963**	**32.7%**	624,081	34.9%
Canada	**157,926**	**9.2%**	162,343	9.1%
ARYZTA North America segmental revenue	**717,889**	**42.0%**	786,424	44.0%
ARYZTA Rest of World segmental revenue[2]	**133,087**	**7.8%**	131,868	7.4%
ARYZTA Group revenue[3]	**1,710,705**	**100.0%**	1,786,549	100.0%

1 Other includes foreign countries in the ARYZTA Europe segment, which individually did not represent greater than 5% of ARYZTA Group revenue in the current or prior financial period.

2 No country in the ARYZTA Rest of World segment represented greater than 5% of the ARYZTA Group revenue in the current or prior financial period on an individual country basis.

3 For the purposes of this analysis, customer revenues are allocated based on geographic location of vendor.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

III) Segment assets in EUR `000	ARYZTA Europe as at 31 Jan 2019	 as at 31 Jul 2018	ARYZTA North America as at 31 Jan 2019	 as at 31 Jul 2018	ARYZTA Rest of World as at 31 Jan 2019	 as at 31 Jul 2018	ARYZTA Group as at 31 Jan 2019	 as at 31 Jul 2018
Segment assets	**1,787,165**	1,810,766	**1,673,549**	1,680,415	**238,699**	236,552	**3,699,413**	3,727,733
Reconciliation to total assets as reported in the Group Consolidated Balance Sheet								
Investments in joint ventures							**439,046**	420,016
Deferred income tax assets							**70,424**	68,702
Derivative financial instruments							**256**	1,268
Cash and cash equivalents							**497,282**	517,854
Total assets as reported in Group Consolidated Balance Sheet							**4,706,421**	4,735,573

IV) Segment liabilities in EUR `000	ARYZTA Europe as at 31 Jan 2019	 as at 31 Jul 2018	ARYZTA North America as at 31 Jan 2019	 as at 31 Jul 2018	ARYZTA Rest of World as at 31 Jan 2019	 as at 31 Jul 2018	ARYZTA Group as at 31 Jan 2019	 as at 31 Jul 2018
Segment liabilities	**387,478**	456,604	**350,630**	349,641	**57,523**	59,471	**795,631**	865,716
Reconciliation to total liabilities as reported in Group Consolidated Balance Sheet								
Interest-bearing loans and borrowings							**1,308,318**	2,028,118
Derivative financial instruments							**1,117**	829
Current and deferred income tax liabilities							**173,057**	168,050
Total liabilities as reported in Group Consolidated Balance Sheet							**2,278,123**	3,062,713

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

4 Impairment, disposal and restructuring
Six month period ended 31 January 2019

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

Management has also identified certain impairment, 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 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 2019	Impairment, disposal and restructuring-related costs 2019	Intangible amortisation 2019	Financial Business Review 2019	IFRS Income Statement 2018	Impairment, disposal and restructuring-related costs 2018	Intangible amortisation 2018	Financial Business Review 2018
Revenue	**1,710,705**	–	–	**1,710,705**	**1,786,549**	–	–	**1,786,549**
Cost of sales	**(1,247,054)**	499	–	**(1,246,555)**	**(1,332,533)**	38,980	–	**(1,293,553)**
Distribution expenses	**(203,337)**	90	–	**(203,247)**	**(207,620)**	–	–	**(207,620)**
Gross profit	**260,314**	589	–	**260,903**	**246,396**	38,980	–	**285,376**
Selling expenses	**(80,958)**	440	–	**(80,518)**	**(92,220)**	–	–	**(92,220)**
Administration expenses	**(167,758)**	5,267	67,704	**(94,787)**	**(198,871)**	12,836	86,186	**(99,849)**
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**(847)**	847	–	**–**	**(149,336)**	149,336	–	**–**
Operating profit/(loss)	**10,751**	7,143	67,704	**85,598**	**(194,031)**	201,152	86,186	**93,307**

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

During May 2018, the Group announced Project Renew, a three year cumulative €200m restructuring and cost reduction plan aimed at restoring financial flexibility and aligning our asset and cost base with current and expected business conditions.

In order to deliver these cost savings, the Group expects an overall investment of €150m, with c. €100m of the investment dedicated to capital investment for automation and the remaining c. €50m for restructuring-related costs.

During the period ended 31 January 2019, Project Renew has delivered €7.6m of benefits, in-line with the level of savings expected during these initial stages of the programme. These benefits relate primarily to improvements in the operating model through European back office consolidation and US management downsizing.

During the period ended 31 January 2019, the Group incurred the following impairment, 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 underlying EBITDA within note 3. 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 Six months ended 31 January		ARYZTA North America Six months ended 31 January		ARYZTA Rest of World Six months ended 31 January		ARYZTA Group Six months ended 31 January	
in EUR `000	Notes	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	4.1	**830**	1,706	**(1,677)**	(151,042)	**–**	–	**(847)**	(149,336)
Labour-related business interruption		**–**	–	**–**	(38,730)	**–**	–	**–**	(38,730)
Severance and other staff-related costs		**(1,462)**	(959)	**(633)**	(5,569)	**(35)**	(167)	**(2,130)**	(6,695)
Advisory and other costs		**(2,147)**	(1,065)	**(2,019)**	(5,326)	**–**	–	**(4,166)**	(6,391)
Total restructuring-related costs	4.2	**(3,609)**	(2,024)	**(2,652)**	(49,625)	**(35)**	(167)	**(6,296)**	(51,816)
Total impairment, disposal and restructuring-related costs		**(2,779)**	(318)	**(4,329)**	(200,667)	**(35)**	(167)	**(7,143)**	(201,152)

4.1 Net loss on disposal of businesses and impairment of disposal groups held-for-sale

During the period ended 31 January 2019, the Group disposed of a non-core business in Europe, which had been accounted for as part of disposal groups held-for-sale at 31 July 2018. As the €3,283,000 proceeds received, net of associated transaction costs, combined with a €1,979,000 cumulative foreign currency translation gain since the initial investment, was greater than the €4,432,000 carrying value of the assets disposed, a gain of €830,000 was recognised.

During the period ended 31 January 2018, the Group agreed to dispose of the Cloverhill Chicago and Cicero facilities in North America. A loss on impairment of disposal group held-for-sale of €151,042,000 was recognised during the period ended 31 January 2018 related to these facilities. During the period ended 31 January 2019, the Group recognised an additional €1,677,000 loss in North America, on the finalisation of the Cloverhill Chicago and Cicero disposals.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

During the period ended 31 January 2018, the Group disposed of a business in Europe. As the €46,781,000 proceeds received, net of associated transaction costs, exceeded the €45,075,000 carrying value of the net assets disposed, a net gain on disposal of €1,706,000 was recognised during the period ended 31 January 2018.

4.2 Restructuring-related costs

Labour-related business interruption

The €16,349,000 of labour-related business interruption costs experienced in the North America Cloverhill facilities during the last three months of the financial year ended 31 July 2017 continued into the six month period ended 31 January 2018, during which the Group incurred €38,730,000 of further losses. As these businesses have since been disposed of, no such costs were incurred during the period ended 31 January 2019.

Severance and other staff-related costs

The Group incurred €2,130,000 (2018: €6,695,000) in severance and other staff-related costs during the period. These costs primarily related to employees whose service was discontinued following certain rationalisation decisions across the various business locations of the Group as part of the implementation of Project Renew.

Advisory and other costs

During the period ended 31 January 2019, the Group incurred €4,166,000 in costs related to the design and implementation of Project Renew across Europe and North America.

During the period ended 31 January 2018, the Group incurred €6,391,000 in costs related to the reorganisation of the North America business and a group-wide strategic business review.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

5 Share-based payments

The Group has equity-based incentive awards outstanding under various ARYZTA Long-Term Incentive Plans (LTIPs).

As the Group has no legal or constructive obligation to repurchase or settle the awards in cash, the equity instruments granted under these LTIPs are equity-settled share-based payments, as defined in IFRS 2 'Share-based Payment'.

As included in the tables for the respective plans below, during the period ended 31 January 2019, in order to maintain the dilutive impact of the November 2018 capital increase at a consistent level for outstanding LTIP awards with the dilution experienced by shareholders who did not participate in the rights issue and instead sold their rights received, the Group adjusted all outstanding LTIP awards by dividing the previous exercise price of each outstanding LTIP award by the 4.64x Theoretical Ex-Rights Price ('TERP') and likewise by multiplying the previous number of outstanding LTIP awards by TERP. Additionally, in order to eliminate the impact of the Scrip Dividend issued in January 2018, the Group also adjusted all outstanding LTIP awards by dividing the exercise price by 81 and multiplying by 80 and likewise multiplying the number of LTIP awards outstanding by 81 and dividing by 80.

No incremental value arose as a result of this modification, primarily because the weighted average exercise price of the awards following modification remains significantly above the CHF 1.57 share price on the date of the modification.

During the period ended 31 January 2019, the Group granted additional Option Equivalent and Performance Share awards to Group Executives and other members of senior management. Vesting of these awards is conditional on achievement of segmental operating free cash generation and ROIC targets during the associated performance periods ending 31 July 2020 and 31 July 2021, as well as continued employment throughout the respective performance period.

The number of awards granted during the period, as included in the respective tables below, represents the maximum number of awards that could potentially vest. The actual vesting level will be determined based on the level of performance achieved during the applicable vesting period and applying the corresponding vesting multiple, ranging between 0 and 1.6, to the number of awards received by each participant.

The total cost reported in the Group Consolidated Income Statement in relation to equity-settled share-based payment plans during the period ended 31 January 2019 was €915,000 (2018: €1,512,000).

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

The analysis of movements within the Group's LTIP awards is as follows:

5.1 ARYZTA Option Equivalent Awards

Option equivalent awards outstanding	Weighted conversion price 2019 in CHF	**Number of equity entitlements 2019**
Outstanding at beginning of the period	39.20	**1,560,500**
Modified during the period	–	**5,777,930**
Granted during the period	1.08	**29,281,454**
Outstanding at the end of the period	2.53	**36,619,884**
Vested at end of the period	8.34	**7,338,430**

Option equivalent awards outstanding by conversion price	Actual remaining life (years)	Conversion price in CHF	**Number of equity entitlements**
Issued during financial year 2010	0.6	7.92	**2,586,438**
Issued during financial year 2012	2.6	8.50	**4,526,266**
Issued during financial year 2013	3.8	9.93	**225,726**
Issued during financial year 2019	9.9	1.08	**29,281,454**
As of 31 January 2019	8.3	2.53	**36,619,884**

The performance conditions associated with the 1,560,500 Option Equivalent awards outstanding as of 31 July 2018, which were subsequently modified to be 7,338,430 Option Equivalent Awards, were fulfilled during previous periods and are therefore fully vested.

The weighted average fair value associated with Option Equivalent Awards issued during the period ended 31 January 2019 was CHF 0.40, which was determined using the Black-Scholes valuation model. The significant inputs into the model were the CHF 1.08 share price as at the grant date and the equivalent exercise price, an expected option life of 4.2 years, an expected volatility of 49.6%, an expected dividend yield of 0.0% and a risk-free rate of (0.6)%.

No Option Equivalent Awards were exercised during the period ended 31 January 2019.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

5.2 ARYZTA Restricted Stock Unit and Performance Share Awards

Restricted Stock Unit and Performance Share Awards outstanding	Weighted conversion price 2019 in CHF	Number of equity entitlements 2019
Outstanding at beginning of the period	0.00	**90,281**
Exercised during the period	0.00	**(84,815)**
Modified during the period	0.00	**20,241**
Granted during the period	0.00	**19,896,761**
Outstanding at the end of the period	0.00	**19,922,468**
Vested at end of the period	–	**–**

Restricted Stock Unit and Performance Share Awards outstanding by conversion price	Actual remaining life (years)	Conversion price in CHF	Number of equity entitlements
Issued during financial year 2017	8.1	0.00	**25,707**
Issued during financial year 2019	9.9	0.00	**19,896,761**
As of 31 January 2019	9.9	0.00	**19,922,468**

During the period ended 31 January 2019, the performance conditions associated with 84,815 Restricted Stock Unit awards were fulfilled. Therefore, these awards were approved as vested by the Remuneration Committee and were subsequently exercised by employees, in exchange for the same number of shares. The weighted average share price at the time of these exercises was CHF 10.33 (CHF 2.22 if adjusted by TERP for the impact of the subsequent capital increase).

The performance conditions associated with the remaining 5,466 Restricted Stock Unit awards that were outstanding as of 31 July 2018, which were subsequently modified to be 25,707 Restricted Stock Awards, have not yet been fulfilled, but will be assessed as of 31 July 2019, in accordance with the conditions outlined in the 2018 Annual Report.

The fair value assigned to Performance Share Awards issued during the period ended 31 January 2019 was CHF 1.08, which represents the full value of an ordinary share on the grant date, as the exercise price associated with these awards is Nil.

6 Dividends

No dividend was proposed for the year ended 31 July 2018.

The dividend for the year ended 31 July 2017 was approved at the Annual General Meeting held on 7 December 2017, to be settled as a scrip dividend via newly issued share capital, based on a ratio of one new share for every 80 shares held. Accordingly, a total of 1,110,253 new shares, with a par value of CHF 0.02 per share, were issued to shareholders holding shares in ARYZTA AG on 29 January 2018, resulting in €33,962,000 being recognised within equity, based on the market price of the shares at the date of approval.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

7 Earnings per share

	Six months ended 31 January	
	2019	2018
Basic loss per share	in EUR '000	in EUR '000
Loss attributable to equity shareholders	**(4,310)**	(196,949)
Hybrid instrument dividend	**(18,221)**	(15,344)
Loss used to determine basic EPS	**(22,531)**	(212,293)
Weighted average number of ordinary shares	'000	'000
Ordinary shares outstanding at 1 August[1]	**89,934**	88,759
Effect of exercise of equity instruments	**56**	40
Effect of bonus issue relating to rights issue[2]	**327,973**	323,635
Effect of paid-in shares issued relating to rights issue	**239,415**	–
Weighted average ordinary shares used to determine basic EPS	**657,378**	412,434
Basic loss per share	**(3.4) cent**	(51.5) cent

	Six months ended 31 January	
	2019	2018
Diluted loss per share	in EUR '000	in EUR '000
Loss used to determine basic EPS	**(22,531)**	(212,293)
Weighted average number of ordinary shares (diluted)	'000	'000
Weighted average ordinary shares used to determine basic EPS	**657,378**	412,434
Effect of equity-based incentives with a dilutive impact[3]	**–**	–
Ordinary shares issued as scrip dividend[3]	**–**	–
Weighted average ordinary shares used to determine diluted EPS	**657,378**	412,434
Diluted loss per share	**(3.4) cent**	(51.5) cent

1 Issued share capital excludes treasury shares.

2 2018 comparatives and current year movements before the rights issue in November 2018 restated to include the effect of the bonus issue of shares incorporated in the rights issue.

3 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 and of shares to be issued as scrip dividend would decrease the loss per share for the periods ended 31 January 2019 and 31 January 2018, no dilutive effect was given to outstanding equity based incentives or to shares to be issued as scrip dividend.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

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 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.

As shown below, for purposes of calculating this measure, the Group adjusts the loss used to determine basic EPS by the following items and their related tax impacts:

- excludes intangible amortisation, except ERP intangible amortisation;
- excludes RCF termination costs; and
- excludes impairment, disposal and restructuring-related costs.

	Six months ended 31 January	
	2019	2018
Underlying diluted earnings per share	in EUR '000	in EUR '000
Loss used to determine basic EPS	**(22,531)**	(212,293)
Amortisation of non-ERP intangible assets (note 3)	**67,704**	86,186
Tax on amortisation of non-ERP intangible assets	**(14,232)**	(41,548)
Share of JV intangible amortisation and restructuring costs, net	**1,531**	5,058
RCF termination costs	**–**	12,415
Net loss on disposal of businesses and impairment of disposal groups held-for-sale (note 4)	**847**	149,336
Restructuring-related costs (note 4)	**6,296**	51,816
Tax on net impairment, disposal and restructuring-related costs	**(121)**	(37)
Underlying net profit	**39,494**	50,933
Weighted average ordinary shares used to determine basic EPS	**657,378**	412,434
Underlying basic earnings per share	**6.0 cent**	12.3 cent
Weighted average ordinary shares used to determine basic EPS	**657,378**	412,434
Effect of equity-based incentives with a dilutive impact	**443**	87
Ordinary shares issued as scrip dividend	**–**	338
Effect of bonus issue relating to rights issue	**104**	1,550
Weighted average ordinary shares used to determine underlying diluted EPS	**657,925**	414,409
Underlying diluted earnings per share	**6.0 cent**	12.3 cent

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

8 Goodwill and intangible assets

31 January 2019 in EUR '000	Goodwill	Customer Relationships	Brands	Computer-related	ERP-related intangibles	Patents and other	Total
Net Book Value at 1 August 2018	**1,414,009**	**404,812**	**69,160**	**16,533**	**144,117**	**9,072**	**2,057,703**
Additions	–	–	–	1,189	376	–	1,565
Amortisation charge for the period	–	(50,225)	(15,052)	(1,911)	(8,382)	(516)	(76,086)
Translation adjustments	22,699	5,045	1,618	321	698	133	30,514
Net Book Value at 31 January 2019	**1,436,708**	**359,632**	**55,726**	**16,132**	**136,809**	**8,689**	**2,013,696**

Goodwill impairment testing

Goodwill acquired through business combinations is allocated at acquisition to the cash-generating units ('CGU') expected to benefit from the synergies of the business combination.

Following goodwill impairments within the Germany CGU during previous years, the remaining goodwill balance associated with the Germany CGU had become individually insignificant in relation to the overall Group. Additionally, significant inter-group revenues exist, both from Germany into Other Europe and from Other Europe into Germany. Increasing this cross-selling continues to be a primary management focus in order to leverage the unique individual capabilities of each bakery and balance the overall European capacity and capital investment, while continuing to provide a larger product offering to customers.

Therefore, during the period ended 31 January 2019, management determined it appropriate to combine the previous Germany CGU with the Other Europe CGU for purposes of goodwill impairment testing. At the time of this determination a goodwill impairment test was performed on the respective standalone CGUs, which did not indicate any impairment.

in EUR '000	Goodwill
Germany - July 2018	29,906
Other Europe - July 2018	60,329
Germany & Other Europe CGU - July 2018	**90,235**
Translation adjustments	115
Germany & Other Europe CGU - January 2019	**90,350**

The Group typically tests goodwill for impairment annually, during the last quarter of the financial year; however, because the carrying amount of the Group's net assets continued to be more than the Group's market capitalisation throughout the period, management determined it appropriate to also conduct impairment testing of selected CGUs as of 31 January 2019.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

While positive performance and existing headroom indicated no interim impairment testing was necessary within all other CGUs, testing was performed on the Germany & Other Europe CGU and the ARYZTA North America CGU, using the following key assumptions as of 31 January 2019:

in EUR '000	Pre-tax discount rate January 2019	Projection period January 2019	Terminal growth rate January 2019	Carrying Value January 2019
Germany & Other Europe	8.3%	2.5 years	2.1%	90,350
ARYZTA North America	8.8%	2.5 years	2.2%	799,888

The recoverable amounts of CGUs are determined 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 forecasted operating results for the remainder of the current year, as well as assumptions regarding future organic growth over the following two years, with additional cash flows in subsequent years calculated using a terminal value methodology consistent with the methods used as at 31 July 2018, and discounted using the relevant rate, as disclosed in the table above.

As the resulting recoverable amounts of each CGU tested were in excess of the respective carrying values, no goodwill impairment has been recognised during the period ended 31 January 2019.

The headroom of the recoverable amounts compared to the respective carrying amounts for the CGUs tested at 31 January 2019 is summarized in the table below, as well as the amounts by which the key assumptions would need to change, in isolation, such that the recoverable amounts would equal the carrying values of the CGUs.

	Headroom over carrying value	Pre-tax discount rate allowable movement	Terminal growth rate allowable movement
Germany and Other Europe	€208m	+1.8%	(1.5)%
ARYZTA North America	€142m	+0.6%	(0.6)%

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

9 Analysis of net debt

in EUR `000	1 August 2018	Cash flows	Non-cash movements	Translation adjustment	31 January 2019
Cash and cash equivalents	517,854	(23,431)	–	2,859	497,282
Overdrafts	(175,868)	68,643	–	(1,595)	(108,820)
Cash, net of overdrafts	**341,986**	**45,212**	**–**	**1,264**	**388,462**
Loans	(1,851,593)	670,542	(3,477)	(14,646)	(1,199,174)
Finance leases	(657)	299	37	(3)	(324)
Net debt	**(1,510,264)**	**716,053**	**(3,440)**	**(13,385)**	**(811,036)**

10 Shareholders equity

Registered shares of CHF 0.02 each – authorised, issued and fully paid	January 2019 `000	January 2019 in EUR `000	July 2018 `000	July 2018 in EUR `000
At beginning of the period	**92,921**	**1,191**	91,811	1,172
Rights issue	**900,185**	**15,782**	–	–
Scrip dividend	–	–	1,110	19
At end of the period	**993,106**	**16,973**	92,921	1,191

During November 2018, the Group completed a capital raise, by way of a rights issue, in order to strengthen the balance sheet, provide necessary liquidity and working capital funding, and to enable delivery of ARYZTA's multi-year turnaround plan, Project Renew. Upon approval by the shareholders at the Annual General Meeting on 1 November 2018, a total of 900,184,940 registered shares with a nominal value of CHF 0.02 each were offered to ARYZTA's existing shareholders on a 10 for 1 share basis, at a discounted offer price of CHF 1.00 per share.

The gross proceeds received upon completion of the rights issue were €795,833,000. This resulted in €739,505,000, net of related transaction costs, which was recognised within equity during the period ended 31 January 2019, of which €15,782,000 is recognised within share capital, and €723,723,000 within share premium. As €9,444,000 of the transaction costs remained unpaid as of 31 January 2019, €748,949,000 has been recognised relating to proceeds from the rights issue within financing activities in the Group Cash Flow Statement during the period ended 31 January 2019.

Other equity reserve

in EUR `000	January 2019	July 2018
Other equity reserve	**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. This Hybrid Instrument has no maturity date, and as the first call option was not exercised by ARYZTA in April 2018, the coupon is now 5.3%, based on a 6.045% margin, plus the 3-month CHF LIBOR.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

In October 2014, the Group raised CHF 190,000,000 through the issuance of a Hybrid Instrument. This Hybrid Instrument offers a coupon of 3.5% and has no maturity date, with an initial call option date by ARYZTA in April 2020. In the event that the call option is not exercised, the coupon would be 4.213%, 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 option date by ARYZTA in March 2019. The Group does not intend to call this instrument on its first call date, at which point the applicable coupon will increase to approximately 6.9%, based on a 6.77% margin, plus the 5 year euro 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.

As these instruments have no maturity date and repayment is at the option of ARYZTA, they are recognised within other equity reserves at historical cost, net of attributable transaction costs, until such time that management and the Board of Directors have approved settlement of the applicable instrument. Any difference between the amount paid upon settlement of these instruments and the historical cost is recognised directly within retained earnings.

Dividends on these instruments accrue at the coupon rate applicable to each respective instrument on an ongoing basis; however, a contractual obligation to settle these dividends in cash only arises when a Compulsory Payment Event, such as payment of a cash dividend to equity shareholders or settlement of any of the individual Hybrid instruments, has occurred within the last twelve months.

Since no Compulsory Payment Event has occurred during the last 12 months, as of 31 January 2019, the Group is under no contractual obligation to settle the Hybrid instrument dividends in cash. Therefore, these deferred dividends have not been accrued as separate financial liabilities, but instead remain within equity, in accordance with IAS 32 'Financial Instruments'. Should a Compulsory Payment Event occur in the future, all Hybrid instrument deferred dividends will become due in cash.

Movements related to Hybrid instrument deferred dividends during the period ended 31 January 2019 were as follows:

in EUR `000	**January 2019**
Balance at 1 August	(41,071)
Hybrid instrument deferred dividend	(18,221)
Translation adjustments	(794)
Balance at 31 January	**(60,086)**

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

11 Post balance sheet events - after 31 January 2019

There have been no significant events, outside the ordinary course of business, affecting the Group since 31 January 2019.

12 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.

13 Related party transactions

During the six months ended 31 January 2019, there have been no significant changes in the related party transactions described in the ARYZTA AG 2018 Annual Report and Accounts, which could have a material impact on the financial position or performance of the Group.

14 Estimates, risks and uncertainties

The preparation of interim financial statements 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 expense.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those risks outlined on page 152 of the ARYZTA AG 2018 Annual Report and Accounts.

During the period ended 31 January 2019:
- Estimated exposures to credit, liquidity, foreign exchange, interest rate or commodity price risk have remained materially consistent with 31 July 2018;
- No impairment of goodwill, intangibles or other assets has been noted. The Germany and Other Europe CGUs have been combined. Significant judgements related to these matters are detailed in note 8;
- Disposal of the Group's non-core joint venture investment in Picard continues to only be 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;
- Share-based payment awards have been granted. Estimates and significant judgements relating to these awards are outlined in note 5; and
- Estimates associated with the provision for income tax and deferred income tax have remained materially consistent with 31 July 2018.

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 67 of the ARYZTA AG 2018 Annual Report and Accounts to continue to reflect the principal risks and uncertainties of the Group over the remaining six months of the financial year.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2019

15 Distribution of interim report

The Annual Report and Accounts, Interim Management Statements, Interim Report and Accounts and other useful information about the Company, such as the current share price, are available on our website www.aryzta.com.

We confirm our responsibility for the half-year interim results and that to the best of our knowledge:

- The condensed set of interim financial statements comprising the Group consolidated income statement, the Group consolidated statement of comprehensive income, the Group consolidated balance sheet, the Group consolidated statement of changes in equity, the Group consolidated cash flow statement and the related notes have been prepared in accordance with IAS 34, Interim Financial Reporting;

- The review of operations includes a fair review of the information required by:

  a) *Regulation 8 (2) of the Transparency (Directive 2004/109/EC) Regulations 2007,* being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b) *Regulation 8 (3) of the Transparency (Directive 2004/109/EC) Regulations 2007,* being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Group's auditor has not audited or reviewed these half-year interim results.

On behalf of the Board

Gary McGann
Chairman, Board of Directors

Kevin Toland
CEO, Member of the Board of Directors

12 March 2019