2017

Interim Report and Accounts

ARYZTA

Passion for good food

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Interim Report 2017

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Interim Report 2017
Interim Financial and Business Review

1.1 Key Developments

- Continued strong cash generation of €99m
- Financing costs reduced by €26m
- Weighted average interest cost reduced to 1.62%
- Increased Syndicated Bank RCF covenant to 4.0x Net Debt: EBITDA
- Extended €614m term loan maturity to February 2019
- Strategic review of joint ventures investment strategy underway
- Interim CFO appointed
- Management transition accelerated
- In these circumstances, the Board is not in a position to provide guidance
- Free cash flow is key near-term performance measure

1.2 Financial Summary

- Revenue decrease of (2.8)% to €1,906m; (1.6)% underlying decline
  - ARYZTA Europe revenues decreased (2.3)% to €861.8m; 1.0% underlying growth
  - ARYZTA North America revenues decreased (5.8)% to €915.2m; (5.2)% underlying decline
  - ARYZTA Rest of World revenues increased 20.3% to €129.0m; 9.5% underlying growth
- EBITA declined by (31.3)% to €158.5m
- EBITA margin decreased by (350) bps to 8.3%
- Joint ventures performed well, contributing €16.7m, net of interest and tax
- Net Debt: EBITDA (syndicated bank loan) of 3.41x
- Underlying net profit decreased (22.4)% to €109.4m
- Underlying fully diluted EPS decreased (22.2)% to 123.2 cent

Interim Financial and Business Review (continued)

2 Underlying Income Statement

Six month period ended 31 January 2017

in EUR `000	January 2017	January 2016	% Change
Group revenue	1,906,036	1,960,014	(2.8)%
EBITA[1]	158,533	230,832	(31.3)%
EBITA margin	8.3%	11.8%	(350) bps
Joint ventures, net of interest and tax	16,710	13,699	22.0%
EBITA including joint ventures	175,243	244,531	(28.3%)
Finance cost, net	(29,622)	(55,940)	47.0%
Hybrid instrument accrued dividend	(16,022)	(15,876)	(0.9%)
Pre-tax profits	129,599	172,715	(25.0%)
Income tax	(18,534)	(29,348)	36.8%
Non-controlling interests	(1,635)	(2,293)	28.7%
Underlying net profit[2]	**109,430**	**141,074**	**(22.4)%**
Underlying fully diluted EPS (cent)[3]	**123.2**	**158.4**	**(22.2)%**

1 See glossary in section 20 for definitions of financial terms and references used in the financial and business review.

2 See bridge from underlying net profit to reported net profit, as included on page 15.

3 The 31 January 2017 weighted average number of ordinary shares used to calculate underlying fully diluted earnings per share is 88,846,838 (H1 2016: 89,039,290).

Interim Financial and Business Review (continued)

3 Underlying revenue

Six month period ended 31 January 2017

in EUR million	Europe	North America	Rest of World	Total Group
Group revenue	861.8	915.2	129.0	1,906.0
Underlying growth	1.0%	(5.2)%	9.5%	(1.6)%
Acquisitions/(disposals), net	(1.8)%	(1.7)%	–	(1.6)%
Currency	(1.5)%	1.1%	10.8%	0.4%
Revenue Growth	**(2.3)%**	**(5.8)%**	**20.3%**	**(2.8)%**

Quarterly underlying revenue

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	H1 2017
ARYZTA Europe							
Volume %	2.1%	2.7%	3.3%	3.1%	1.8%	(0.1)%	0.8%
Price/Mix %	3.4%	1.1%	0.6%	(0.1)%	(0.4)%	0.7%	0.2%
Underlying growth %	**5.5%**	**3.8%**	**3.9%**	**3.0%**	**1.4%**	**0.6%**	**1.0%**
ARYZTA North America							
Volume %	(9.4)%	(6.5)%	(4.2)%	(1.2)%	(5.7)%	(5.5)%	(5.6%)
Price/Mix %	3.8%	4.1%	1.9%	(0.9)%	1.0%	(0.3)%	0.4%
Underlying growth %	**(5.6)%**	**(2.4)%**	**(2.3)%**	**(2.1)%**	**(4.7)%**	**(5.8)%**	**(5.2%)**
ARYZTA Rest of World							
Volume %	(3.7)%	(0.8)%	3.7%	0.1%	4.9%	7.6%	6.4%
Price/Mix %	5.9%	6.5%	3.8%	9.3%	4.8%	1.7%	3.1%
Underlying growth %	**2.2%**	**5.7%**	**7.5%**	**9.4%**	**9.7%**	**9.3%**	**9.5%**
ARYZTA Group							
Volume %	(4.0)%	(2.1)%	(0.3)%	0.8%	(1.7)%	(2.3)%	(2.0%)
Price/Mix %	3.6%	2.9%	1.2%	0.0%	0.5%	0.3%	0.4%
Underlying growth %	**(0.4)%**	**0.8%**	**0.9%**	**0.8%**	**(1.2)%**	**(2.0)%**	**(1.6%)**

Interim Financial and Business Review (continued)

4 Segmental EBITA

Six month period ended 31 January 2017

in EUR `000	January 2017	January 2016	% Change	EBITA Margin 2017	EBITA Margin 2016	% Change
ARYZTA Europe	78,085	105,370	(25.9)%	9.1%	12.0%	(290) bps
ARYZTA North America	65,471	113,129	(42.1)%	7.2%	11.7%	(450) bps
ARYZTA Rest of World	14,977	12,333	21.4%	11.6%	11.5%	10 bps
ARYZTA Group EBITA	**158,533**	**230,832**	**(31.3)%**	**8.3%**	**11.8%**	**(350) 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 Serve Restaurants ('QSR') and other foodservice categories.

Total revenue decreased by (2.8)% to €1.9bn during the period ended 31 January 2017. Disposals, net of acquisitions, reduced revenue by (1.6)%, while there was a positive currency impact of 0.4% in the period.

Overall underlying revenue decreased during the period by (1.6)%, with underlying growth of 1.0% in Europe and a strong 9.5% underlying revenue growth in Rest of World, offset by an underlying revenue decline of (5.2)% in North America. The decrease in North America was primarily due to the continuing impact of long-term contract renewals, together with revenue losses from accelerated in-sourcing by co-pack customers.

Group EBITA decreased by (31.3)% to €158.5m, while EBITA margins declined by (350) bps to 8.3%. The ARYZTA Europe 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. ARYZTA North America margins were affected by reduced operating leverage related to declining underlying revenues, combined with increasing labour cost pressures and continuing investment in the brand strategy in that segment.

ARYZTA is committed to improving revenue growth and operating leverage from its well invested asset base and is working to improve margins through cost alignment and efficiencies, while continuing to deliver best-in-class customer service, support and food safety.

6 ARYZTA Europe

ARYZTA Europe revenues declined by (2.3)% to €861.8m during the period. This decline primarily relates to a net acquisitions/(disposals) decrease of (1.8%) mostly from a business disposed of in France during H1 2016 and unfavourable currency impacts of (1.5)%, due mostly to the significant weakening of the Sterling against the euro compared to the previous period.

Underlying revenues in Europe grew 1.0%, as a result of strong revenue growth within the Central and Eastern European business and the Netherlands, and a stabilised performance in France, offset by some declines in Germany as the new bakery capacity is commissioned.

Interim Financial and Business Review (continued)

ARYZTA Europe EBITA decreased by (25.9)% to €78.1m. EBITA margins decreased by (290) bps to 9.1% reflecting the inefficiencies around the slower than expected ramp-up of new bakery capacity in Germany, as well as delayed recoverability of Brexit's impact on cross-border sales prices and input costs, due to the weakened Sterling.

The commissioning at the new bakery in Germany continues to progress and in time will provide a strong capacity base for efficient future production as we exit a period of major capital investment. Pricing has been agreed in Europe to recover a substantial portion of the UK currency effects going forward, which will begin to benefit during the remainder of the financial year.

The expected contract customer in-sourcing of c. €80m in annualised revenues in Switzerland commenced towards the end of the period, however, so far this transition has been at a lower than expected pace.

During March 2012, the Group entered into an agreement to acquire the remaining 40% interest in HiCoPain in Switzerland. 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. As of 31 January 2017, the remaining liability to the non-controlling interest shareholder was €15.1m, which is expected to be settled during the second half of financial year 2017.

7 ARYZTA North America

ARYZTA North America revenue decreased by (5.8)% to €915.2m. Underlying revenue declined by (5.2)% during the period. There was also a further decline of (1.7)% from the disposal of a non-core filling and mixes business in H1 2016, while favourable currency movements supported revenues by 1.1%.

Underlying revenues declined in North America, primarily due to the impact of anticipated volume losses from long-term contract renewals, as well as co-pack customers in-sourcing volumes earlier than anticipated.

ARYZTA North America EBITA decreased by (42.1)% to €65.5m, while EBITA margins decreased by (450) bps to 7.2%. This reduction in margins was due to lower operating leverage resulting from the transition of long-term contract volumes and earlier than anticipated in-sourcing of volumes by co-pack customers. This negative operating leverage has been further compounded by labour cost increases during the period, as a result of higher labour wage rates to remain competitive in attracting and retaining people, as well as increased investment in training and development of employees to continue to deliver on our commitment to quality and food safety, in compliance with the Food Safety Modernization Act (FSMA), which became mandatory during the period.

There has been continued investment in the roll-out of the North American brand strategy, in particular the launch of the Otis Spunkmeyer branded snack cakes.

The primary focus of management in North America is on revenue development and re-alignment of costs to the revenue base, in order to drive improved margins and overall profitability going forward.

Interim Financial and Business Review (continued)

8 ARYZTA Rest of World

ARYZTA Rest of World revenues increased by 20.3% to €129.0m, with underlying growth contributing 9.5%. The underlying revenue growth relates to ongoing support of our international customer partnerships, as well as an expansion of the food offering to convenience and retail channels. There was a favourable currency impact of 10.8% in the period, arising from the appreciation of the Brazil Real and the Australian Dollar.

ARYZTA Rest of World EBITA increased by 21.4% to €15.0m due to increased underlying revenues, as well as positive currency translation impacts, while EBITA margins increased by 10 bps to 11.6%.

9 Joint ventures

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

While the Group retains the right to exercise a call option to acquire the remaining outstanding interest in Picard between FY 2019 and FY 2021, as previously announced, ARYTZA is engaged in a review of its investment strategy in joint ventures. As part of that review, ARYZTA has commenced a process with our investment partner, Lion Capital, to evaluate investment alternatives for the Picard business. Picard continues to remain separately managed and has separately funded debt structures, which are non-recourse to ARYZTA.

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 €843.4m during the ARYZTA six-month period ended 31 January 2017 and delivered an underlying contribution to ARYZTA, after interest and tax, of €16.7m. Both joint ventures performed well, growing revenues, maintaining margins, and generating strong internal cash flows.

in EUR `000	Picard January 2017	Signature January 2017	**Total January 2017**	Total January 2016
Revenue	787,738	55,614	**843,352**	734,984
EBITDA	126,967	6,475	**133,442**	118,008
Depreciation	(14,792)	(2,667)	**(17,459)**	(16,231)
EBITA	112,175	3,808	**115,983**	101,777
EBITA margin	14.2%	6.8%	**13.8%**	13.8%
Finance cost, net	(47,584)	(630)	**(48,214)**	(40,193)
Pre-tax profit	64,591	3,178	**67,769**	61,584
Income tax	(33,092)	(420)	**(33,512)**	(33,925)
Joint venture underlying net profit	31,499	2,758	**34,257**	27,659
ARYZTA's share of JV underlying net profit	15,331	1,379	**16,710**	13,699

Interim Financial and Business Review (continued)

10 Net acquisition, disposal and restructuring related costs

Net acquisition, disposal and restructuring related costs continued to decline during the period ended 31 January 2017. These costs related primarily to integration and rationalisation activities in Europe and North America, as follows:

in EUR `000	Non-cash 2017	Cash 2017	**Total 2017**	Total 2016
Net gain/(loss) on disposal of businesses	–	–	**–**	2,395
Asset write-downs	(2,347)	–	**(2,347)**	(7,379)
Acquisition-related costs	–	–	**–**	(965)
Severance and other staff-related costs	–	(4,190)	**(4,190)**	(7,714)
Contractual obligations	–	(4,126)	**(4,126)**	(5,774)
Advisory and other costs	–	(2,496)	**(2,496)**	(320)
Net acquisition, disposal and restructuring related costs	**(2,347)**	**(10,812)**	**(13,159)**	**(19,757)**

Non-cash acquisition, disposal and restructuring related costs

Net gain/(loss) on disposal of businesses
During the period ended 31 January 2016, the Group disposed of two businesses, which historically generated approximately €100,000,000 in total annual revenues. As the €35,992,000 proceeds received, net of associated transaction costs, plus the estimated remaining net proceeds receivable of €3,920,000 exceeded the €37,517,000 carrying value of the net assets disposed, a net gain on disposal of €2,395,000 was reflected in the financial statements, during the period ended 31 January 2016.

Asset write-downs
The Group incurred €2,347,000 (2016: €7,379,000) of asset write-downs during the period ended 31 January 2017. These amounts relate to the write-down of certain distribution, manufacturing and administration assets, following the closure and / or reduction in activities expected to be generated from those assets. These reductions are the direct result of the Group's recent integration and rationalisation programme investments.

Cash acquisition, disposal and restructuring related costs

Acquisition-related costs
During the period ended 31 January 2017, the Group incurred no acquisition-related costs.

During the period ended 31 January 2016, the Group incurred acquisition-related costs such as share purchase tax, due diligence and other professional services fees totalling €965,000. The costs incurred 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, as well as to the finalisation of the Group's joint venture investment in Picard.

Interim Financial and Business Review (continued)

Severance and other staff-related costs
The Group incurred €4,190,000 (2016: €7,714,000) in severance and other staff-related costs during the period. These primarily related to costs associated with employees whose service was discontinued following certain rationalisation decisions across the various business locations of the Group.

Contractual obligations
During the period ended 31 January 2017, the Group incurred €4,126,000 (2016: €5,774,000) related primarily to ongoing contractual obligations for closed facilities in both Europe and North America.

Advisory and other costs
During the period ended 31 January 2017, the Group incurred €2,496,000 (2016: €320,000) in costs related directly to rationalisation and integration of the supply chain and distribution functions of recently acquired businesses into the Group's network.

11 Cash generation

in EUR `000	January 2017	January 2016
EBIT	71,073	144,462
Amortisation	87,460	86,370
EBITA	158,533	230,832
Depreciation	70,484	69,025
EBITDA	229,017	299,857
Working capital movement	(17,551)	26,707
Working capital movement from debtor securitisation[1]	25,252	39,984
Capital expenditure, net	(47,003)	(108,392)
Acquisition and restructuring-related cash flows	(28,323)	(26,971)
Segmental operating free cash generation	**161,392**	**231,185**
Interest and income tax	(55,675)	(53,456)
Other[2]	(6,305)	(4,688)
Cash flow generated from activities	**99,412**	**173,041**

1 Total debtor balances securitised as of 31 January 2017 is €239m.

2 Other is comprised primarily of non-cash amortisation of deferred income from government grants.

Interim Financial and Business Review (continued)

12 Net debt and investment activity

in EUR `000	January 2017	January 2016
Opening net debt as at 1 August	**(1,719,617)**	**(1,725,103)**
Cash flow generated from activities	99,412	173,041
Disposal of businesses, net of cash and finance leases	–	35,992
Proceeds from disposal of Origin, net of cash disposed	–	225,101
Investment in joint venture	–	(450,732)
Net debt cost of acquisitions	–	(26,917)
Contingent consideration paid	(896)	(42,118)
Dividends paid	(3,350)	(4,603)
Private Placement early redemption and related costs	(182,513)	–
Foreign exchange movement[1]	(42,856)	(5,566)
Other[2]	(1,677)	(2,641)
Closing net debt as at 31 January	**(1,851,497)**	**(1,823,546)**

1 Foreign exchange movement for the period ended 31 January 2017 is primarily attributable to the fluctuation in the US Dollar to euro rate from July 2016 (1.1162) to January 2017 (1.0674). Foreign exchange movement for the period ended 31 January 2016 was primarily attributable to the fluctuation in the US Dollar to euro rate from July 2015 (1.1109) to January 2016 (1.0915).

2 Other is comprised primarily of non-cash amortisation of upfront borrowing costs.

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. While this term loan facility was originally expected to mature in February 2018, the Group has subsequently extended the maturity of this facility to February 2019.

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 and an initial weighted average interest rate of 1.65%. These proceeds were used to reduce the amount outstanding on the Group's term loan facility.

These transactions have resulted in a significant reduction in the Group's ongoing finance costs in the current period. The Group's resulting weighted average interest cost of debt financing facilities (including overdrafts) as of 31 January 2017 is 1.62% (July 2016: 4.49%).

While the Group is operating within its existing covenant of 3.5x Net debt: EBITDA, in order to provide enhanced financial flexibility, the Group has increased the covenant to 4.0x Net debt: EBITDA for the three tests at 31 July 2017, 31 January 2018 and 31 July 2018. There are no incremental financing costs associated with this amendment, unless the Group's Net debt: EBITDA is in the range of 3.5x – 4.0x, in which case RCF financing costs would increase by 40 – 50 bps.

Interim Financial and Business Review (continued)

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

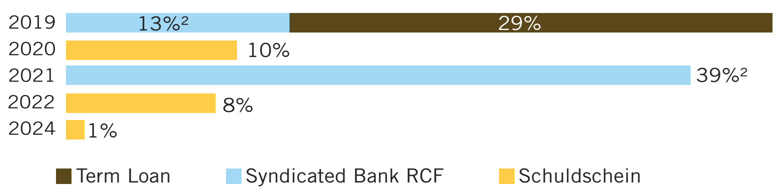
Debt Funding as at 31 January 2017	Principal	Outstanding in EUR `000
Syndicated Bank RCF	USD 870m	(815,065)
Syndicated Bank RCF	CAD 45m	(32,155)
Syndicated Bank RCF	CHF 245m	(229,300)
Term loan facility	EUR 614m	(614,000)
Schuldschein	EUR 366m	(366,000)
Schuldschein	USD 22m	(20,142)
Gross term debt		**(2,076,662)**
Upfront borrowing costs		14,250
Term debt, net of upfront borrowing costs		**(2,062,412)**
Finance leases		(1,918)
Cash and cash equivalents, net of overdrafts		212,833
Net debt		**(1,851,497)**

As of 31 January 2017, the Group's interest cover, including hybrid interest, was 4.95x (July 2016: 4.50x). The weighted average maturity of the Group's gross term debt outstanding, adjusted for the term loan maturity extension, is 3.17 years (July 2016: 4.39 years).

The Group's key financial ratio was as follows:

	January 2017	July 2016
Net Debt: EBITDA[1] (Syndicated Bank RCF)	3.41x	2.90x

Gross Term Debt Maturity Profile[1]
Financial Year



1 The term debt maturity profile is set out as at 31 January 2017, adjusted for the term loan maturity extension. Gross term debt at 31 January 2017 is €2,076.7m. Net debt at 31 January 2017 is €1,851.5m, which also includes overdrafts and finance leases, and is net of cash and related capitalised upfront borrowing costs.

2 Incorporating the drawn amount on the Syndicated Bank RCF of €1,076.5m as at 31 January 2017, which represents 52% of the gross term debt.

Interim Financial and Business Review (continued)

13 Hybrid funding

Perpetual Callable Subordinated Instruments as at 31 January 2017		**Outstanding** in EUR `000
Hybrid funding - first call date April 2018	CHF 400m	(374,367)
Hybrid funding - first call date March 2019	EUR 250m	(250,000)
Hybrid funding - first call date April 2020	CHF 190m	(177,824)
Hybrid funding at 31 January 2017 exchange rates		**(802,191)**

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 2017	Average H1 2016	% Change	Closing H1 2017	Closing FY 2016	% Change
CHF	1.0820	1.0862	0.4%	1.0685	1.0855	1.6%
USD	1.0910	1.1020	1.0%	1.0674	1.1162	4.4%
CAD	1.4422	1.4806	2.6%	1.3995	1.4562	3.9%
GBP	0.8625	0.7276	(18.5)%	0.8489	0.8399	(1.1)%

15 Return on invested capital

in EUR million	Europe	North America	Rest of World	Total Group
31 January 2017				
Group share net assets	1,837	2,524	218	4,579
TTM EBITA	189	196	28	413
ROIC[1]	10.3%	7.8%	13.1%	9.0%
31 July 2016				
Group share 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 20 for definitions of financial terms and references used.

2 Group WACC on a pre-tax basis is currently 7.5% (2016: 8.0%).

Interim Financial and Business Review (continued)

16 Net assets, goodwill and intangibles

in EUR `000	January 2017	July 2016
Property, plant and equipment	1,610,739	1,594,885
Investment properties	20,771	24,787
Goodwill and intangible assets	3,624,696	3,617,194
Deferred tax on acquired intangibles	(201,166)	(210,635)
Working capital	(408,348)	(361,307)
Other segmental liabilities	(67,833)	(76,109)
Segmental net assets	4,578,859	4,588,815
Joint ventures and related receivables	509,159	495,402
Net debt	(1,851,497)	(1,719,617)
Deferred tax, net	(119,160)	(113,823)
Income tax	(57,280)	(49,118)
Derivative financial instruments	(2,494)	(13,888)
Net assets	**3,057,587**	**3,187,771**

17 Dividend

The proposed dividend covering the year ended 31 July 2016 of CHF 0.5731 (31 July 2015: CHF 0.6555) per registered share was approved at the annual general meeting held on 13 December 2016. The total resulting dividend of €47,595,000 (2016: €52,710,000) was paid in February 2017 to those shareholders holding shares in ARYZTA AG on 27 January 2017.

18 Principal risks and uncertainties

The Board and senior management have invested significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Board considers the risks and uncertainties disclosed on page 59 of the ARYZTA AG 2016 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.

19 Forward looking statement

This report 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.

Interim Financial and Business Review (continued)

20 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 net acquisition, disposal and restructuring-related costs and related tax credits.

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

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

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

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

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

'Underlying net profit' – presented as reported net profit, adjusted to include the Hybrid instrument accrued dividend as a finance cost; before non-ERP related intangible amortisation, before Private Placement early redemption related costs and before net 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, as this provides a more consistent basis for returning dividends to shareholders.

Bridge to Group Consolidated Income Statement
for the six months ended 31 January 2017

in EUR `000	**January 2017**	January 2016
Underlying net profit - continuing operations	**109,430**	141,074
Intangible amortisation	**(87,460)**	(86,370)
Tax on amortisation	**16,072**	17,817
Share of joint venture intangible amortisation and restructuring related costs, net of tax	**(2,229)**	(1,873)
Hybrid instrument accrued dividend	**16,022**	15,876
Private placement early redemption	**(182,513)**	–
Net acquisition, disposal and restructuring-related costs	**(13,159)**	(19,757)
Tax on net acquisition, disposal and restructuring-related costs	**2,804**	3,512
Reported net (loss)/profit - continuing operations	**(141,033)**	70,279
Underlying net profit - discontinued operations	**–**	–
Underlying contribution associate held-for-sale	**–**	48
Profit for the period - discontinued operations	**–**	48
Loss on disposal of discontinued operations	**–**	(45,769)
Reported net loss - discontinued operations	**–**	(45,721)
Reported net (loss)/profit attributable to equity shareholders	**(141,033)**	24,558

Group Consolidated Income Statement
for the six months ended 31 January 2017

in EUR `000	Notes	Six months ended 31 January 2017 Unaudited	2016 Unaudited
Continuing Operations			
Revenue	3	**1,906,036**	1,960,014
Cost of sales		**(1,340,592)**	(1,349,410)
Distribution expenses		**(208,910)**	(208,299)
Gross profit		**356,534**	402,305
Selling expenses		**(103,135)**	(93,544)
Administration expenses		**(195,485)**	(184,056)
Operating profit	5	**57,914**	124,705
Share of profit after interest and tax of joint ventures		**14,481**	11,826
Profit before financing income, financing costs and income tax	5	**72,395**	136,531
Financing income		**1,903**	1,356
Financing costs		**(31,525)**	(57,296)
Private placement early redemption	8	**(182,513)**	–
(Loss)/profit before income tax		**(139,740)**	80,591
Income tax		**342**	(8,019)
(Loss)/profit for the period from continuing operations		**(139,398)**	72,572
Discontinued operations			
Loss for the period from discontinued operations	4	**–**	(45,721)
(Loss)/profit for the period		**(139,398)**	26,851
Attributable as follows:			
Equity shareholders - continuing operations		**(141,033)**	70,279
Equity shareholders - discontinued operations		**–**	(45,721)
Equity shareholders - total		**(141,033)**	24,558
Non-controlling interests - continuing operations		**1,635**	2,293
(Loss)/profit for the period		**(139,398)**	26,851

Basic earnings per share	Notes	Six months ended 31 January 2017 euro cent	2016 euro cent
From continuing operations	7	**(176.9) cent**	61.3 cent
From discontinued operations	7	**–**	(51.5) cent
	7	**(176.9) cent**	9.8 cent

Diluted earnings per share	Notes	2017 euro cent	2016 euro cent
From continuing operations	7	**(176.9) cent**	61.1 cent
From discontinued operations	7	**–**	(51.3) cent
	7	**(176.9) cent**	9.8 cent

The notes on pages 24 to 38 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Comprehensive Income
for the six months ended 31 January 2017

in EUR `000	Notes	Six months ended 31 January **2017 Unaudited**	2016 Unaudited
(Loss)/profit for the period		**(139,398)**	26,851
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation effects			
– Foreign currency net investments		**108,908**	(41,880)
– Foreign currency borrowings	8	**(46,082)**	(7,498)
Cash flow hedges			
– Effective portion of changes in fair value of cash flow hedges		**8,539**	9,449
– Fair value of cash flow hedges transferred to income statement		**2,611**	(4,558)
– Deferred tax effect of cash flow hedges		**(1,219)**	(833)
Share of joint ventures' other comprehensive income		**190**	–
Total of items that may be reclassified subsequently to profit or loss		**72,947**	(45,320)
Items that will not be reclassified to profit or loss:			
Defined benefit plans			
– Actuarial gain/(loss) on Group defined benefit pension plans		**3,707**	(6,421)
– Deferred tax (expense)/benefit of actuarial gain/(loss)		**(473)**	1,099
Total of items that will not be reclassified to profit or loss		**3,234**	(5,322)
Total other comprehensive income/(loss)		**76,181**	(50,642)
Total comprehensive loss for the period		**(63,217)**	(23,791)
Attributable as follows:			
Equity shareholders		**(65,450)**	(24,351)
Non-controlling interests		**2,233**	560
Total comprehensive loss for the period		**(63,217)**	(23,791)

The notes on pages 24 to 38 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet
as at 31 January 2017

in EUR `000	Notes	**31 January 2017 Unaudited**	31 July 2016 Audited
Assets			
Non-current assets			
Property, plant and equipment		**1,610,739**	1,594,885
Investment properties		**20,771**	24,787
Goodwill and intangible assets		**3,624,696**	3,617,194
Investments in joint ventures		**505,752**	491,446
Receivables from joint ventures		**3,407**	3,956
Deferred income tax assets		**137,240**	133,176
Total non-current assets		**5,902,605**	5,865,444
Current assets			
Inventory		**277,837**	248,719
Trade and other receivables		**142,521**	168,595
Derivative financial instruments		**1,858**	669
Cash and cash equivalents	8	**324,742**	647,724
Total current assets		**746,958**	1,065,707
Total assets		**6,649,563**	6,931,151

The notes on pages 24 to 38 are an integral part of these Group consolidated financial statements.

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

in EUR `000	Notes	**31 January 2017 Unaudited**	31 July 2016 Audited
Equity			
Called up share capital		**1,172**	1,172
Share premium		**774,040**	774,040
Retained earnings and other reserves		**2,282,375**	2,397,460
Total equity attributable to equity shareholders		**3,057,587**	3,172,672
Non-controlling interests	9	**–**	15,099
Total equity		**3,057,587**	3,187,771
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	8	**2,063,458**	1,963,709
Employee benefits		**9,456**	13,470
Deferred income from government grants		**21,081**	23,945
Other payables		**37,244**	37,678
Deferred income tax liabilities		**457,566**	457,634
Derivative financial instruments		**1,795**	4,618
Total non-current liabilities		**2,590,600**	2,501,054
Current liabilities			
Interest-bearing loans and borrowings	8	**112,781**	403,632
Trade and other payables		**828,706**	778,621
Income tax payable		**57,280**	49,118
Derivative financial instruments		**2,557**	9,939
Contingent consideration		**52**	1,016
Total current liabilities		**1,001,376**	1,242,326
Total liabilities		**3,591,976**	3,743,380
Total equity and liabilities		**6,649,563**	6,931,151

The notes on pages 24 to 38 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity
for the six months ended 31 January 2017

for the six months ended 31 January 2017 in EUR `000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Total shareholders 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)/profit for the period	–	–	–	–	–	–	(141,033)	(141,033)	1,635	(139,398)
Other comprehensive income	–	–	–	–	9,931	62,756	2,896	75,583	598	76,181
Total comprehensive (loss)/ income	**–**	**–**	**–**	**–**	**9,931**	**62,756**	**(138,137)**	**(65,450)**	**2,233**	**(63,217)**
Equity dividends (note 6)	–	–	–	–	–	–	(47,595)	(47,595)	–	(47,595)
Dividends to non-controlling interests (note 9)	–	–	–	–	–	–	–	–	(3,350)	(3,350)
Dividend on perpetual callable subordinated instruments	–	–	–	–	–	–	(16,022)	(16,022)	–	(16,022)
Total contributions by and distributions to owners	**–**	**–**	**–**	**–**	**–**	**–**	**(63,617)**	**(63,617)**	**(3,350)**	**(66,967)**
Acquisition of non-controlling interests (note 9)	–	–	–	–	–	–	13,982	13,982	(13,982)	–
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**(49,635)**	**(49,635)**	**(17,332)**	**(66,967)**
At 31 January 2017	**1,172**	**774,040**	**(47)**	**720,456**	**(1,590)**	**44,642**	**1,518,914**	**3,057,587**	**–**	**3,057,587**

The notes on pages 24 to 38 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 2017

for the six months ended 31 January 2016 in EUR `000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Total shareholders 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 period	–	–	–	–	–	–	24,558	24,558	2,293	26,851
Other comprehensive (loss)/ income	–	–	–	–	4,058	(48,710)	(4,257)	(48,909)	(1,733)	(50,642)
Total comprehensive (loss)/ income	**–**	**–**	**–**	**–**	**4,058**	**(48,710)**	**20,301**	**(24,351)**	**560**	**(23,791)**
Equity dividends	–	–	–	–	–	–	(52,710)	(52,710)	–	(52,710)
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	(4,603)	(4,603)
Dividend on perpetual callable subordinated instruments	–	–	–	–	–	–	(15,876)	(15,876)	–	(15,876)
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**(68,586)**	**(68,586)**	**(4,603)**	**(73,189)**
At 31 January 2016	**1,172**	**774,040**	**(47)**	**720,456**	**(6,206)**	**(53,863)**	**1,675,018**	**3,110,570**	**14,393**	**3,124,963**

The notes on pages 24 to 38 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
for the six months ended 31 January 2017

in EUR `000	Notes	Six months ended 31 January 2017 Unaudited	2016 Unaudited
Cash flows from operating activities			
(Loss)/profit for the period from continuing operations		**(139,398)**	72,572
Income tax		**(342)**	8,019
Financing income		**(1,903)**	(1,356)
Financing costs		**31,525**	57,296
Private placement early redemption	8	**182,513**	–
Share of profit after interest and tax of joint ventures		**(14,481)**	(11,826)
Net gain on disposal of businesses	5	**–**	(2,395)
Asset write-downs	5	**2,347**	7,379
Other restructuring-related payments in excess of current-period costs		**(17,511)**	(12,198)
Depreciation of property, plant and equipment	3	**61,801**	62,672
Amortisation of intangible assets	3	**96,143**	92,723
Recognition of deferred income from government grants		**(2,864)**	(1,835)
Other		**(3,441)**	(2,853)
Cash flows from operating activities before changes in working capital		**194,389**	268,198
Increase in inventory		**(25,776)**	(7,825)
Decrease in trade and other receivables		**30,106**	61,369
Increase in trade and other payables		**3,371**	13,147
Cash generated from operating activities		**202,090**	334,889
Income tax paid		**(8,474)**	(9,394)
Net cash flows from operating activities		**193,616**	325,495

The notes on pages 24 to 38 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
(continued)
for the six months ended 31 January 2017

in EUR `000	Notes	Six months ended 31 January **2017** **Unaudited**	2016 Unaudited
Cash flows from investing activities			
Purchase of property, plant and equipment, net		**(41,737)**	(92,612)
Investment in joint venture		**–**	(450,732)
Acquisitions of businesses, net of cash acquired	10	**–**	(26,447)
Proceeds from disposal of Origin, net of cash disposed	4	**–**	225,101
Disposal of businesses, net of cash disposed	5	**–**	35,992
Purchase of intangible assets		**(5,266)**	(15,231)
Net payments to joint ventures		**–**	(964)
Contingent consideration paid		**(896)**	(42,118)
Net cash flows from investing activities		**(47,899)**	(367,011)
Cash flows from financing activities			
Gross drawdown of loan capital	8	**1,031,095**	366,223
Gross repayment of loan capital	8	**(1,209,472)**	–
Private placement early redemption and related cash costs	8	**(175,647)**	–
Interest paid, net	2	**(47,201)**	(44,062)
Capital element of finance lease liabilities	8	**(500)**	(328)
Dividends paid to non-controlling interests	9	**(3,350)**	(4,603)
Net cash flows from financing activities		**(405,075)**	317,230
Net (decrease)/increase in cash and cash equivalents	8	**(259,358)**	275,714
Translation adjustment	8	**3,218**	1,896
Net cash and cash equivalents at start of period	8	**468,973**	248,033
Net cash and cash equivalents at end of period	8	**212,833**	525,643

The notes on pages 24 to 38 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 2017

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 2016, which have been prepared in accordance with International Financial Reporting Standards ('IFRS').

These Interim Financial Statements for the six months ended 31 January 2017 and the comparative figures for the six months ended 31 January 2016 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 2016 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 2017	Average H1 2016	% Change	Closing H1 2017	Closing FY 2016	% Change
CHF	1.0820	1.0862	0.4%	1.0685	1.0855	1.6%
USD	1.0910	1.1020	1.0%	1.0674	1.1162	4.4%
CAD	1.4422	1.4806	2.6%	1.3995	1.4562	3.9%
GBP	0.8625	0.7276	(18.5)%	0.8489	0.8399	(1.1)%

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 75 to 88 of the ARYZTA AG 2016 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 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)

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2017

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

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 period, 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 Unaudited**	**Before accounting policy change 2016 Unaudited**
Net cash flows from operating activities	325,495	281,433
Net cash flows from investing activities	(367,011)	(367,011)
Net cash flows from financing activities	317,230	361,292
Net increase in cash and cash equivalents	**275,714**	**275,714**
Translation adjustment	1,896	1,896
Net cash and cash equivalents at start of period	248,033	248,033
Net cash and cash equivalents at end of period	**525,643**	**525,643**

Certain other amounts in the 31 January 2016 and 31 July 2016 comparative financial statement figures and related notes have been reclassified to conform to the 31 January 2017 presentation. The reclassifications 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 for the period, total assets, total liabilities, total equity or total cash flow classifications as previously reported.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2017

3 Analysis by business segment

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		Total Six months ended 31 January	
in EUR `000	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Segment revenue[1]	**861,819**	881,712	**915,166**	971,016	**129,051**	107,286	**1,906,036**	1,960,014
Operating profit[2]	**44,055**	53,638	**3,539**	61,972	**10,320**	9,095	**57,914**	124,705
Share of profit after interest and tax of joint ventures[3]							**14,481**	11,826
Financing income[3]							**1,903**	1,356
Financing costs[3]							**(31,525)**	(57,296)
Private placement early redemption[3]							**(182,513)**	–
(Loss)/profit before income tax as reported in Group Consolidated Income Statement							**(139,740)**	80,591

1 There were no significant intercompany revenues between business segments.

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

3 Joint ventures, financing 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 2017

II) Segment assets in EUR `000	ARYZTA Europe as at 31 Jan 2017	 as at 31 Jul 2016	ARYZTA North America as at 31 Jan 2017	 as at 31 Jul 2016	ARYZTA Rest of World as at 31 Jan 2017	 as at 31 Jul 2016	Total as at 31 Jan 2017	 as at 31 Jul 2016
Segment assets	**2,350,979**	2,411,081	**3,037,656**	2,967,117	**287,929**	275,982	**5,676,564**	5,654,180

Reconciliation to total assets as reported in the Group Consolidated Balance Sheet		
Investments in joint ventures and related financial assets	**509,159**	495,402
Derivative financial instruments	**1,858**	669
Cash and cash equivalents	**324,742**	647,724
Deferred income tax assets	**137,240**	133,176
Total assets as reported in Group Consolidated Balance Sheet	**6,649,563**	6,931,151

III) Segment liabilities in EUR `000	ARYZTA Europe as at 31 Jan 2017	 as at 31 Jul 2016	ARYZTA North America as at 31 Jan 2017	 as at 31 Jul 2016	ARYZTA Rest of World as at 31 Jan 2017	 as at 31 Jul 2016	Total as at 31 Jan 2017	 as at 31 Jul 2016
Segment liabilities	**513,670**	508,256	**513,852**	479,005	**70,183**	78,104	**1,097,705**	1,065,365

Reconciliation to total liabilities as reported in Group Consolidated Balance Sheet		
Interest-bearing loans and borrowings	**2,176,239**	2,367,341
Derivative financial instruments	**4,352**	14,557
Current and deferred income tax liabilities	**313,680**	296,117
Total liabilities as reported in Group Consolidated Balance Sheet	**3,591,976**	3,743,380

IV) Other segment information in EUR `000	ARYZTA Europe Six months ended 31 January 2017	 2016	ARYZTA North America Six months ended 31 January 2017	 2016	ARYZTA Rest of World Six months ended 31 January 2017	 2016	Total Six months ended 31 January 2017	 2016
Depreciation	**26,986**	31,861	**30,177**	26,488	**4,638**	4,323	**61,801**	62,672
ERP amortisation	**5,212**	4,575	**3,471**	1,778	**-**	-	**8,683**	6,353
Amortisation of other intangible assets	**29,129**	41,399	**54,363**	42,117	**3,968**	2,854	**87,460**	86,370

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2017

4 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 period ended 31 January 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:

	Six months ended 31 January	
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 period from discontinued operations	–	(45,721)

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2017

5 Net acquisition, disposal and restructuring-related costs

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

Management has also identified certain acquisition, disposal and restructuring-related costs within each functional area that do not relate to the underlying business of the Group. Due to the relative size or nature of these items, they have been presented as separate components of operating profit in the table below, in order to enable comparability of the Group's underlying results from period to period, and have been excluded from the calculation of underlying net profit in note 7.

in EUR `000	IFRS Income Statement 2017	Net acquisition, disposal, restructuring-related costs 2017	Intangible amortisation 2017	Financial Business Review 2017	IFRS Income Statement 2016	Net acquisition, disposal, restructuring-related costs 2016	Intangible amortisation 2016	Financial Business Review 2016
Revenue	1,906,036	–	–	1,906,036	1,960,014	–	–	1,960,014
Cost of sales	(1,340,592)	4,115	–	(1,336,477)	(1,349,410)	13,158	–	(1,336,252)
Distribution expenses	(208,910)	(30)	–	(208,940)	(208,299)	1,959	–	(206,340)
Gross profit	356,534	4,085	–	360,619	402,305	15,117	–	417,422
Selling expenses	(103,135)	177	–	(102,958)	(93,544)	1,456	–	(92,088)
Administration expenses	(195,485)	8,897	87,460	(99,128)	(184,056)	3,184	86,370	(94,502)
Operating profit of continuing operations	57,914	13,159	87,460	158,533	124,705	19,757	86,370	230,832
Joint Ventures	14,481	725	1,504	16,710	11,826	–	1,873	13,699
Profit of continuing operations before financing income, financing costs and income tax	72,395	13,884	88,964	175,243	136,531	19,757	88,243	244,531

in EUR `000	Notes	ARYZTA Europe Six months ended 31 January 2017	2016	ARYZTA North America Six months ended 31 January 2017	2016	ARYZTA Rest of World Six months ended 31 January 2017	2016	Total Continuing Operations Six months ended 31 January 2017	2016
Net (loss)/gain on disposal of businesses	5.1	–	(3,291)	–	5,686	–	–	–	2,395
Asset write-downs	5.2	(2,013)	(301)	(334)	(7,078)	–	–	(2,347)	(7,379)
Total net gain/(loss) on disposal of businesses and asset write-downs		(2,013)	(3,592)	(334)	(1,392)	–	–	(2,347)	(4,984)
Acquisition-related costs		–	(965)	–	–	–	–	–	(965)
Severance and other staff-related costs		(1,149)	(4,000)	(2,490)	(3,330)	(551)	(384)	(4,190)	(7,714)
Contractual obligations		(1,400)	(1,456)	(2,726)	(4,318)	–	–	(4,126)	(5,774)
Advisory and other costs		(339)	(320)	(2,019)	–	(138)	–	(2,496)	(320)
Total acquisition and restructuring-related costs	5.3	(2,888)	(6,741)	(7,235)	(7,648)	(689)	(384)	(10,812)	(14,773)
Total acquisition, disposal and restructuring-related costs		(4,901)	(10,333)	(7,569)	(9,040)	(689)	(384)	(13,159)	(19,757)

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2017

As these non-cash gains and losses are added back to net assets, and the cash costs are deducted from EBITA, when calculating ROIC for management compensation purposes, these items do not benefit management compensation or incentives.

5.1 Net gain on disposal of businesses

During the period ended 31 January 2016, the Group disposed of two businesses, which historically generated approximately €100,000,000 in total annual revenues. As the €35,992,000 proceeds received, net of associated transaction costs, plus the estimated remaining net proceeds receivable of €3,920,000 exceeded the €37,517,000 carrying value of the net assets disposed (including €20,573,000 of goodwill), a net gain on disposal of €2,395,000 was reflected in the financial statements, during the period ended 31 January 2016.

5.2 Asset write-downs

The Group incurred €2,347,000 (2016: €7,379,000) of asset write-downs during the period ended 31 January 2017. These amounts relate to the write-down of certain distribution, manufacturing, and administration assets, following the closure and/or reduction in activities expected to be generated from those assets. The reductions are the direct result of the Group's recent integration and rationalisation programme investments.

5.3 Acquisition and restructuring-related costs

There were no acquisitions during the period ended 31 January 2017. During the period ended 31 January 2016, the Group completed its joint venture investment in Picard, as well as a bolt-on acquisition in Ireland. During the periods ended 31 January 2017 and 2016, progress continued on integrating recent acquisitions and aligning the operational processes of those businesses to the Group's existing network.

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

Acquisition-related costs

During the period ended 31 January 2017, the Group incurred no acquisition-related costs.

During the period ended 31 January 2016, the Group incurred acquisition-related costs such as share purchase tax, due diligence and other professional services fees totalling €965,000. The costs incurred 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, as well as to the finalisation of the Group's joint venture investment in Picard.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2017

Severance and other staff-related costs
The Group incurred €4,190,000 (2016: €7,714,000) in severance and other staff-related costs during the period. These primarily related to costs associated with employees whose service was discontinued following certain rationalisation decisions across the various business locations of the Group.

Contractual obligations
During the period ended 31 January 2017, the Group incurred €4,126,000 (2016: €5,774,000) related primarily to ongoing contractual obligations for closed facilities in both Europe and North America.

Advisory and other costs
During the period ended 31 January 2017, the Group incurred €2,496,000 (2016: €320,000) in costs related directly to rationalisation and integration of the supply chain and distribution functions of recently acquired businesses into the Group's network.

6 Dividends
The proposed dividend covering the year ended 31 July 2016 of CHF 0.5731 (31 July 2015: CHF 0.6555) per registered share was approved at the annual general meeting held on 13 December 2016. The total resulting dividend of €47,595,000 (2016: €52,710,000) was paid in February 2017 to those shareholders holding shares in ARYZTA AG on 27 January 2017.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2017

7 Earnings per share

	Six months ended 31 January	
	2017	2016
Basic earnings per share	in EUR '000	in EUR '000
(Loss)/profit attributable to equity shareholders – continuing operations	**(141,033)**	70,279
Perpetual callable subordinated instrument accrued dividend	**(16,022)**	(15,876)
(Loss)/profit used to determine basic EPS – continuing operations	**(157,055)**	54,403
Loss used to determine basic EPS – discontinued operations	**–**	(45,721)
(Loss)/profit used to determine basic EPS – total	**(157,055)**	8,682
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 period	**–**	–
Weighted average ordinary shares used to determine basic EPS	**88,759**	88,759
Basic (loss)/earnings per share from continuing operations	**(176.9) cent**	61.3 cent
Basic loss per share from discontinued operations	**–**	(51.5) cent
Basic (loss)/earnings per share	**(176.9) cent**	9.8 cent

	2017	2016
Diluted earnings per share	in EUR '000	in EUR '000
(Loss)/profit used to determine basic EPS – continuing operations	**(157,055)**	54,403
Loss used to determine basic EPS – discontinued operations	**–**	(45,721)
(Loss)/profit used to determine basic EPS – total	**(157,055)**	8,682
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]	**–**	280
Weighted average ordinary shares used to determine diluted EPS	**88,759**	89,039
Diluted (loss)/earnings per share from continuing operations	**(176.9) cent**	61.1 cent
Diluted loss per share from discontinued operations	**–**	(51.3) cent
Diluted (loss)/earnings per share	**(176.9) cent**	9.8 cent

1 Issued share capital excludes treasury shares.

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 period ended 31 January 2017, no dilutive effect was given to outstanding equity based incentives during that period.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 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 this provides a more consistent basis for returning dividends to shareholders.

As shown below, for purposes of calculating this measure, the Group adjusts reported net profit by the following items and their related tax impacts:

- includes the perpetual callable subordinated instrument accrued dividend as a finance cost, as already included in the calculation of basic and diluted EPS;
- excludes intangible amortisation, except ERP intangible amortisation;
- excludes private placement early redemption costs; and
- excludes net acquisition, disposal and restructuring-related costs.

	Six months ended 31 January	
	2017	2016
Underlying fully diluted earnings per share	in EUR '000	in EUR '000
(Loss)/profit used to determine basic EPS – continuing operations	**(157,055)**	54,403
Amortisation of non-ERP intangible assets (note 3)	**87,460**	86,370
Tax on amortisation of non-ERP intangible assets	**(16,072)**	(17,817)
Share of joint venture intangible amortisation and restructuring-related costs, net of tax (note 5)	**2,229**	1,873
Private placement early redemption (note 8)	**182,513**	–
Net acquisition, disposal and restructuring-related costs (note 5)	**13,159**	19,757
Tax on net acquisition, disposal and restructuring-related costs	**(2,804)**	(3,512)
Underlying net profit – continuing operations	**109,430**	141,074
Loss used to determine basic EPS – discontinued operations (note 4)	**–**	(45,721)
Underlying contribution as associate – discontinuing operations (note 4)	**–**	(48)
Loss on disposal of discontinued operations (note 4)	**–**	45,769
Underlying net profit – discontinued operations	**–**	–
Underlying net profit – total	**109,430**	141,074
Weighted average ordinary shares used to determine basic EPS	**88,759**	88,759
Underlying basic earnings per share – total	**123.3 cent**	158.9 cent
Weighted average ordinary shares used to determine basic EPS	**88,759**	88,759
Effect of equity-based incentives with a dilutive impact	**88**	280
Weighted average ordinary shares used to determine underlying fully diluted EPS	**88,847**	89,039
Underlying fully diluted earnings per share – total	**123.2 cent**	158.4 cent

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2017

8 Analysis of net debt

Analysis of net debt in EUR `000	1 August 2016	Cash flows	Non-cash movements	Translation adjustment	31 January 2017
Cash	647,724	(327,676)	–	4,694	324,742
Overdrafts	(178,751)	68,318	–	(1,476)	(111,909)
Cash and cash equivalents	**468,973**	**(259,358)**	**–**	**3,218**	**212,833**
Loans	(2,186,313)	178,377	(8,394)	(46,082)	(2,062,412)
Finance leases	(2,277)	500	(149)	8	(1,918)
Net debt	**(1,719,617)**	**(80,481)**	**(8,543)**	**(42,856)**	**(1,851,497)**

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. While this term loan facility was originally expected to mature in February 2018, the Group has subsequently extended the maturity of this facility to February 2019.

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 and an initial weighted average interest rate of 1.65%. These proceeds were used to reduce the amount outstanding on the Group's term loan facility.

These transactions have resulted in a significant reduction in the Group's ongoing finance costs in the current period. The Group's resulting weighted average interest cost of debt financing facilities (including overdrafts) as of 31 January 2017 is 1.62% (July 2016: 4.49%).

While the Group is operating within its existing covenant of 3.5x Net debt: EBITDA, in order to provide enhanced financial flexibility, the Group has increased the covenant to 4.0x Net debt: EBITDA for the three tests at 31 July 2017, 31 January 2018 and 31 July 2018. There are no incremental financing costs associated with this amendment, unless the Group's Net debt: EBITDA is in the range of 3.5x – 4.0x, in which case RCF financing costs would increase by 40 – 50 bps.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2017

9 Non-controlling interests

in EUR `000	Six month period ended 31 January 2017
Balance at 1 August 2016	**15,099**
Share of profit for the period	**1,635**
Share of other comprehensive income	**598**
Dividends paid to non-controlling interests	**(3,350)**
Acquisition of non-controlling interests	**(13,982)**
Balance at 31 January 2017	**-**

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.

As of 31 January 2017, the remaining liability to the non-controlling interest shareholder, and for related transaction costs, is €15,099,000 (July 2016: €14,878,000) and is expected to be settled during the second half of financial year 2017.

10 Business combinations

10.1 Acquisitions during the interim period ended 31 January 2017

There were no acquisitions completed by the Group during the period ended 31 January 2017.

There were no adjustments to goodwill during the period. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Based on current estimates, no impairment has been identified during the period ended 31 January 2017.

10.2 Acquisitions during the interim period ended 31 January 2016

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

Notes to the Group Condensed Interim Financial Statements (continued)
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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	4,451
Intangible assets	19,300
Inventory	2,068
Trade and other receivables	5,641
Trade and other payables	(7,884)
Finance leases	(470)
Deferred tax	(2,413)
Income tax payable	(592)
Net assets acquired	**20,101**
Goodwill arising on acquisitions	6,918
Consideration	**27,019**
Satisfied by:	
Cash consideration	26,772
Cash acquired	(325)
Net cash consideration	**26,447**
Contingent consideration	572
Total consideration	**27,019**

The net cash outflow on this acquisition during the period ended 31 January 2016 is disclosed in the Group Consolidated Cash Flow Statement as follows:

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

Acquisition-related costs of €965,000 related to the Group's acquisition and joint venture investment activities were charged to net acquisition, disposal and restructuring-related costs in the Group Consolidated Income Statement during the period ended 31 January 2016, as included in note 5, net acquisition, disposal and restructuring-related costs.

The identified intangibles associated with this acquisition primarily includes the fair value of customer relationships. The income approach method was the basis for the fair value of these intangibles.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2017

11 Contingent liabilities

The Group is not aware of any significant changes with regard to contingent liabilities, in comparison with the situation as of 31 July 2016.

12 Related party transactions

During the six months ended 31 January 2017, there have been no significant changes in the related party transactions described in the ARYZTA AG 2016 Annual Report and Accounts, which could have a material impact on the financial position or performance of the Group.

13 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 141 of the ARYZTA AG 2016 Annual Report and Accounts.

During the period ended 31 January 2017:

- No impairment of goodwill has been noted;
- Estimated exposures to credit, liquidity, foreign exchange, interest rate or commodity price risk have remained materially consistent with 31 July 2016; and
- Estimates associated with the provision for income tax and deferred income tax have remained materially consistent with 31 July 2016.

The Board and senior management have invested significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Board considers the risks and uncertainties disclosed on page 59 of the ARYZTA AG 2016 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 2017

14 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, is 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 these half-year interim results.

On behalf of the Board

Gary McGann
Chairman, Board of Directors

Owen Killian
CEO, Member of the Board of Directors

13 March 2017