ARYZTA AG

*(a stock corporation incorporated under Swiss law in accordance with articles 620 et seqq. of the Swiss Code of Obligations (the "**CO**") and registered in Switzerland with registered number CHE-114.160.610)*

Offering of 900,184,940 registered shares with a nominal value of CHF 0.02 each
Offer Price: CHF 1.00 per Offered Share

ARYZTA AG (the "**Company**", together with its subsidiaries "**we**", "**our**" or the "**Group**" or "**ARYZTA**") is offering 900,184,940 registered shares with a nominal value of CHF 0.02 each (the "**Offered Shares**"). The Offered Shares will be newly issued in an ordinary capital increase against cash contributions approved by the Company's shareholders at the annual shareholders' meeting of the Company (the "**Annual Shareholders' Meeting**") held on 1 November 2018. The Offered Shares, together with all previously issued and outstanding registered shares of the Company (the "**Existing Shares**") (including Existing Shares for which CREST depository interests ("**CDI**s") are outstanding), are referred to herein as the "**Shares**", and each a "**Share**".

The offering ("**Offering**") consists of (i) an offer in which shareholders of the Company (the "**Shareholders**" and each a "**Shareholder**") who hold Existing Shares (other than the Company or its subsidiaries with respect to the Existing Shares that are treasury shares) will receive rights to subscribe on a *pro rata* basis for the Offered Shares (the "**Rights**") at the Offer Price (as defined below) (the "**Subscription Offer**") and (ii) a subsequent international offering, in which Offered Shares in respect of which Rights have not been validly exercised during the Rights Exercise Period (as defined below) may be sold to eligible institutional investors or others, including through a sale on the SIX Swiss Exchange and the Irish Stock Exchange (the "**Share Placement**"). The Offering involves (x) public offerings in Switzerland and Ireland, (y) private placements outside the United States of America (the "**United States**" or the "**US**") in accordance with applicable securities laws and in reliance on Regulation S ("**Regulation S**") under the US Securities Act of 1933, as amended (the "**Securities Act**"), and outside Ireland on the basis of exemptions provided by Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (including Directive 2010/73/EU, the "**Prospectus Directive**"), together with any relevant implementing measures, in accordance with applicable securities laws, and (z) private placements within the United States to qualified institutional buyers ("**QIBs**") as defined in, and in reliance upon, the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act ("**Rule 144A**").

Subject to applicable law and the terms and conditions of this prospectus and any supplements hereto (the "**Prospectus**"), holders of Existing Shares (other than the Company or its subsidiaries with respect to the Existing Shares that are treasury shares), after the later of the close of trading on the SIX Swiss Exchange Ltd ("**SIX Swiss Exchange**") and the Main Securities Market of the Irish Stock Exchange plc (trading as Euronext Dublin) (the "**Irish Stock Exchange**") on 6 November 2018 (the "**Cut-off Date**"), will be allotted 10 Rights per each Existing Share held. One Right will grant the holder thereof the right to purchase during the Rights Exercise Period (as defined in the following paragraph) one Offered Share at the offer price of CHF 1.00 per Offered Share (the "**Offer Price**") (the "**Subscription Ratio**"). Rights may be only exercised in integral multiples of the Subscription Ratio.

Rights must be exercised between 7 November 2018 and 15 November 2018, 12:00 noon (CET) (the "**Rights Exercise Period**"). Rights which have not been validly exercised during the Rights Exercise Period (including Rights with respect to which the holders are not permitted to exercise such Rights in accordance with the terms of this Prospectus, and exercised Rights in excess of the nearest integral multiple of the Subscription Ratio) will expire and become null and void without compensation and Offered Shares for which Rights have not been validly exercised during the Rights Exercise Period will be available for sale in the Share Placement. The exercise of Rights will be effective at the Offer Price and is irrevocable and may not be cancelled, modified, rescinded or withdrawn by those exercising.

The exact number of Offered Shares for which Rights have been validly exercised and the final number of Offered Shares which have been offered in the Share Placement will be published in the electronic media (including via a regulatory information service) and by press release after the close of trading on SIX Swiss Exchange on or about 15 November 2018. The Existing Shares are listed in accordance with the International Reporting Standard on the SIX Swiss Exchange under the symbol "ARYN" and, respectively, in accordance with the requirements of the Main Securities Market (secondary listing segment) of the Irish Stock Exchange under the symbol "YZA". The Existing Shares are expected to be traded without Rights (ex Rights) beginning on 7 November 2018.

The Company has applied for and approval has been given by the SIX Swiss Exchange, subject to certain conditions, for the Rights to be admitted to trading and for the Offered Shares to be admitted to trading and listed in accordance with the International Reporting Standard on SIX Swiss Exchange (the "**Swiss Admission**"). Application will be made to the Irish Stock Exchange for the Offered Shares to be admitted to (i) listing on the secondary listing segment of the Official List of the Irish Stock Exchange and (ii) trading on the Main Securities Market of the Irish Stock Exchange (the "**Irish Admission**" and together with the Swiss Admission, "**Admission**"). Goodbody Stockbrokers UC (trading as Goodbody) is acting as Corporate Broker and Irish Sponsor in connection with the Irish Admission. The Rights are expected to be traded on the SIX Swiss Exchange during the period from (and including) 7 November 2018 to (and including) 13 November 2018 (the "**Rights Trading Period**"). The Rights will not be admitted to trading on the Irish Stock Exchange. It is expected that the Offered Shares will be listed and that trading in the Offered Shares on the SIX Swiss Exchange and, respectively, the Irish Stock Exchange will commence on or about 19 November 2018. The Offered Shares are to be accepted for clearance through SIX SIS Ltd ("**SIS**") and, respectively, Eurex Clearing AG. Delivery against payment for the Offered Shares in the form of intermediated securities (*Bucheffekten*) pursuant to the Federal Act on Intermediated Securities of 3 October 2008, as amended (the "**FISA**", *Bucheffektengesetz*) is expected to take place on or about 19 November 2018. Since the Offered Shares will be issued in the form of de-materialised (or uncertificated) securities (*Wertrechte*), no share certificates will be issued and no share certificates will be available for individual physical delivery. See "*Part 18 Description of Share Capital and Shares – 18.2 Description of Shares*". Offering participants may elect to receive CDIs as part of their subscription for or purchase of the Offered Shares.

No action has been or will be taken by the Company that would permit a public offering of the Rights or the Offered Shares in any jurisdiction other than Switzerland and Ireland. The Rights and the Offered Shares have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction in the United States, and may not be offered, sold, resold, delivered, allotted, taken up, transferred or renounced, directly or indirectly, in or into the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or any other jurisdiction in which it would not be permissible to make an offer of the Rights or the Offered Shares.

For a discussion of certain considerations that should be taken into account in deciding whether to purchase or exercise Rights or whether to purchase Offered Shares in the Offering, prospective investors should read the entire document and, in particular, the section headed "*Part 1 Risk Factors*" beginning on page 1. Holders of Existing Shares (other than the Company or its subsidiaries with respect to the Existing Shares that are treasury shares) in certain jurisdictions, including the United States, Canada, Australia, Japan and certain parts of the European Economic Area ("EEA"), as well as nominees, depositaries or dealers holding Existing Shares for the account or benefit of owners resident in such jurisdictions, should note that they may be restricted in the exercise of Rights pursuant to applicable securities regulation. For a description of certain restrictions regarding the exercise of Rights for, and the offering and sale of, Offered Shares, see "*Part 21 Additional Disclosure – 21.7.2 Selling and Transfer Restrictions*".

This Prospectus has been prepared in accordance with the CO and the listing rules of the SIX Exchange Regulation (the "**SIX Listing Rules**") for the purposes of the Offering and the listing of the Offered Shares on SIX Swiss Exchange, and in accordance with Part 5 of the Prospectus Directive 2003/71 (EC) Regulations 2005 of Ireland (as amended) (the "**Irish Prospectus Regulations**"), the Commission Regulation (EC) No. 809/2004 (as amended) (the "**EU Prospectus Regulation**"), Part 23 of the Companies Act 2014 of Ireland (as amended) (the "**Irish Companies Act**") and the prospectus rules and the prospectus handbook issued by the Central Bank of Ireland (the "**Central Bank**") under Section 1363 of the Irish Companies Act (the "**Irish Prospectus Rules**") (as amended from time to time) for the purposes of approval of this Prospectus by the Central Bank, the Offering and the listing of the Offered Shares on the Irish Stock Exchange. This Prospectus has also been prepared in accordance with applicable requirements of the listing rules of the Irish Stock Exchange (the "**Irish Listing Rules**").

Joint Global Coordinators and Joint Bookrunners

BofA Merrill Lynch **UBS Investment Bank**

Credit Suisse **J.P. Morgan** **HSBC**

Joint Bookrunners

Crédit Agricole CIB **Mizuho International plc** **Rabobank**

Prospectus dated 2 November 2018

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or as to what action you should take, you are recommended to immediately consult an appropriate advisor, if you are resident in Ireland, an organisation or firm authorised or exempted pursuant to the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) or the Investment Intermediaries Act 1995 (as amended), and, if you are in a territory outside Ireland, another appropriately authorised professional advisor.

This Prospectus constitutes a prospectus for the purposes of the Prospectus Directive and any relevant implementing measure and has been prepared in accordance with Chapter 1 of Part 23 of the Irish Companies Act, the Irish Prospectus Regulations and EU Prospectus Regulation. The Prospectus has been filed with and approved by the Central Bank as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the securities which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the EEA. This Prospectus has been made available to the public in Ireland in accordance with Part 8 of the Irish Prospectus Regulations by the same being made available, free of charge, in electronic form on ARYZTA's website www.aryzta.com/investor-centre/. Materials on ARYZTA's website are not incorporated into and do not form part of this Prospectus. This Prospectus has been prepared in connection with the Offering and Admission.

Shareholders and prospective investors should rely only on the information contained in this Prospectus. No person has been authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been so authorised. Any delivery of this Prospectus shall not, under any circumstances, create any implication that there has been no change in the affairs of ARYZTA or the Group taken as a whole since, or that the information contained herein is correct at any time subsequent to, the date of this Prospectus. The Group will comply with its obligation to publish a supplementary prospectus containing further updated information if so required by law or by any regulatory authority but assumes no further obligation to publish additional information. The contents of this Prospectus are not to be construed as legal, financial or tax advice. Each recipient of this Prospectus should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

IMPORTANT INFORMATION ABOUT THE OFFERING

SIX Responsibility Statement

The Company, which is organised as a stock corporation (*Aktiengesellschaft*) in Switzerland with its registered office at Talacker 41, 8001 Zurich, Switzerland, assumes responsibility for the completeness and accuracy of this Prospectus and any supplement pursuant to article 27 of the SIX Listing Rules and section 4 of Scheme A thereunder. The Company confirms that, to the best of its knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is correct and that no material facts or circumstances have been omitted.

Irish Responsibility Statement

ARYZTA and its directors whose names are set out on page 32 of this Prospectus (the "**Directors**") accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of ARYZTA and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information. Goodbody Stockbrokers UC (trading as Goodbody) is acting as Corporate Broker and Irish Sponsor in connection with the Irish Admission.

Other Important Information

The information contained in this Prospectus has been provided by the Company and by the other sources identified in this Prospectus. No representation or warranty, express or implied, is made by Merrill Lynch International ("**BofA Merrill Lynch**"), UBS AG ("**UBS Investment Bank**") (together with BofA Merrill Lynch, the "**Process Banks**"), Credit Suisse AG ("**Credit Suisse**"), J.P. Morgan Securities plc ("**J.P. Morgan**"), HSBC Bank plc ("**HSBC**") (the Process Banks together with Credit Suisse, J.P. Morgan and HSBC, the "**Joint Global Coordinators**"), Crédit Agricole Corporate and Investment Bank ("**Crédit Agricole CIB**"), Mizuho International plc ("**Mizuho**"), Coöperatieve Rabobank U.A. ("**Rabobank**", and together with the Joint Global Coordinators as well as Crédit Agricole CIB and Mizuho, the "**Joint Bookrunners** or the "**Underwriters**") or any of their respective representatives, affiliates or advisors as to the accuracy, completeness or verification of this information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Underwriters or by their respective representatives, affiliates or advisors in this respect, whether as to the past or the future. The Underwriters assume no responsibility for the Prospectus' accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this document or any such statement.

Each prospective investor in the Rights or Offered Shares, by accepting delivery of this Prospectus, will be deemed to have acknowledged, represented to and agreed with the Company and the Underwriters that:

i. it has not relied on the Underwriters, or any person affiliated with the Underwriters, in connection with any investigation of the accuracy of any information contained in this Prospectus or its investment decision;

ii. it has relied only on the information contained in this document;

iii. no person has been authorised to give any information or to make any representation concerning the Group or the Rights or Offered Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Group or the Underwriters;

iv. this Prospectus is personal to such offeree and does not constitute an offer to such offeree or any other person, or to the public generally, to purchase or otherwise acquire the Rights or the Offered Shares outside of Switzerland or Ireland. Distribution of this Prospectus or disclosure of any of its contents to any person other than such offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Underwriters, is prohibited;

v. the offeree agrees not to make any photocopies or electronic copies of this Prospectus or any documents referred to herein (other than for its own use); and

vi. the offeree agrees not to forward or deliver this Prospectus or any copies thereof (in any form) to third parties.

The Underwriters are acting exclusively for the Company and no one else in connection with the Offering. The Underwriters will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for providing advice in relation to the Offering or any transaction or arrangement referred to herein.

Subject to the allocation directive for the new issue market issued by the Swiss Bankers Association on 29 March 2004, which entered into legal force on 1 January 2005, as amended in January 2008, each of the Underwriters and any of their respective affiliates may take up a portion of the Rights or the Offered Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any of the securities of the Group or any related investments and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to the Rights and the Offered Shares being offered or placed should be read as including any offering or placement of securities to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps) with prospective investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Shares. None of the Underwriters intends to disclose the extent of any such investment or transactions, otherwise than in accordance with any legal or regulatory obligation to do so.

Copies of this Prospectus and any supplements, if any, are and will be available free of charge on the Company's website for a period of at least 12 months following the first day of trading of the Offered Shares on the SIX Swiss Exchange. In addition, copies of this Prospectus and of any supplements, if any, may be requested by e-mail from the Underwriters or from ARYZTA AG, info@aryzta.com, free of charge during the same period.

Information on the Company's or any of its affiliates' website, any website directly or indirectly linked thereto or any website mentioned in this Prospectus does not constitute in any way part of this Prospectus and is not incorporated by reference into this Prospectus, and prospective investors should not rely on any such information in making their decision to invest in Offered Shares.

For as long as any of the Shares remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and the Company is neither subject to section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, the Company will furnish, upon written

request, to any owner of the Shares, or any prospective purchaser duly designated by any such owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act. In such cases, the Company will also furnish to each such owner all notices of shareholders' meetings and other reports and communications that are made generally available by the Company to its shareholders.

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

NOTICE TO PROSPECTIVE INVESTORS

No person has been authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or the Underwriters.

This Prospectus does not constitute: (i) an offer to sell, or a solicitation of an offer to buy any securities other than the securities to which it relates, or (ii) an offer to sell, or a solicitation of an offer to buy, such securities by any person in any jurisdiction in which such offer or solicitation is unlawful.

The information contained in this Prospectus is accurate only as of its date. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date. The Company will comply with its obligation to publish a supplementary prospectus containing further updated information, if so required by law or by any regulatory authority, but assumes no further obligation to publish additional information. Any notices containing or announcing results, amendments or changes to the terms of the Offering or this Prospectus are announced through the electronic media (including via a regulatory information service). Notices required under the SIX Listing Rules will be published in electronic form on the website of SIX Swiss Exchange (currently: https://www.six-exchange-regulation.com/en/home/publications/official-notices.html) in the form of an official notice and as required by the Irish Listing Rules. Changes so notified will be deemed to constitute an amendment or supplement of this Prospectus, and any such supplement will be made available free of charge under the same terms as this Prospectus.

In making an investment decision, prospective investors must rely on their own examination, analysis and inquiry of the Company and the terms of the Offering, including the merits and risks involved. Any decision to buy the Offered Shares should be based solely on this Prospectus and any other supplement hereto, if any, taking into account that any summary or description set forth in this Prospectus of legal provisions, accounting principles or comparison of such principles, corporate structuring or contractual relationships is for information purposes only and should not be considered to be legal, accounting or tax advice, or be otherwise relied on. This Prospectus does not contain all the information that would be included in a prospectus for the offering of the Offered Shares, if such offering were registered under the Securities Act. Neither the Rights nor the Offered Shares have been recommended by any US federal or state securities commission, or regulatory authority. Furthermore, such authorities have not confirmed the accuracy or determined the adequacy of this document.

The offer of the Rights and the Offered Shares to persons resident in jurisdictions other than Switzerland or Ireland may be affected by the laws of such other jurisdictions. No action has been or will be taken by the Company, or the Underwriters in any jurisdiction other than Switzerland or Ireland that would permit a public offering of the Rights or the Offered Shares or the possession, circulation or distribution of the Prospectus or any other material relating to the Company, the Rights or the Offered Shares in any jurisdiction where action for that purpose is required. Accordingly, the Rights and the Offered Shares may not be sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Rights or Offered Shares may be distributed or published, in any form or in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction. Persons resident in countries other than Switzerland or Ireland should consult their professional advisors as to whether they require any governmental or other consents or need to observe any formalities to enable them to purchase Rights or Offered Shares in the Offering. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. None of the Company, the Underwriters or any of its or their respective representatives, affiliates or advisors accepts any legal responsibility for any violation of applicable securities laws.

The Company has represented and agreed that it has not made and will not make any application for the listing of the Shares or the admission to trading of the Rights on any stock exchange outside Switzerland or Ireland.

None of the Company, the Underwriters or any of their respective representatives, affiliates or advisors is making any representation to any offeree or purchaser of Rights or Offered Shares regarding the legality of an investment in the Rights or Offered Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each prospective investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Rights or Offered Shares.

United States

The Rights and the Offered Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and, subject to certain exceptions, may not be offered, sold, exercised, transferred or delivered, directly or indirectly, in or into the United States except in a registered transaction or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state and other securities laws of the United States. The Rights and the Offered Shares may not be offered or sold within the United States except to QIBs in reliance on the exemption from registration provided by Rule 144A and outside the United States in offshore transactions in reliance on Regulation S.

Further information with regard to the restrictions on offers and sales of the Rights and the Offered Shares and the distribution of this Prospectus is set out under "*Part 21 Additional Disclosure – 21.7.2 Selling and Transfer Restrictions*". Persons receiving this document are hereby notified that the Company and other sellers of Rights or Offered Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

The Rights and Offered Shares are subject to restrictions on transferability and resale and may not be transferred or resold, except as permitted under the Securities Act and the applicable securities laws and regulations of any other jurisdiction. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

THE RIGHTS AND THE OFFERED SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER US REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE IN THE UNITED STATES.

EACH PURCHASER WILL BE DEEMED TO HAVE ACKNOWLEDGED, REPRESENTED AND WARRANTED THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING.

United Kingdom

This Prospectus is only being distributed to and is only directed at: (i) persons who are outside the United Kingdom; or (ii) investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); or (iii) persons who are high net worth entities falling within article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**relevant persons**"). The Rights and the Offered Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Rights or Offered Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

European Economic Area

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") an offer to the public of any Shares which are the subject of the Offering contemplated by this Prospectus may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State may be made at any time, with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive:

i. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

ii. to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Underwriters; or

iii. in any other circumstances falling within article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall require the Company or the Underwriters to publish a prospectus pursuant to article 3 of the Prospectus Directive or supplement a prospectus pursuant to article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer to the public**" in relation to any Rights or Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Rights or Shares to be offered so as to enable an investor to decide to purchase or subscribe the Rights or the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Japan

The Rights and the Offered Shares offered hereby have not been and will not be registered under the Financial Instruments and Exchange Act. Accordingly, Rights and Offered Shares will not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and all other relevant laws, regulations and ministerial guidelines of Japan.

Canada

The Rights and Offered Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

General sales restrictions

No action has been or will be taken by the Company or the Underwriters in any jurisdiction other than Switzerland and Ireland that would, or is intended to, permit a public offering of the Rights or the Offered Shares, or possession or distribution of the Prospectus or any other offering material, in any country or jurisdiction where further action for that purpose is required.

Information to Distributors: Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offered Shares the subject of the Offering have been subject to a product approval process by each "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) established in the EEA, which has determined that such Offered Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Offered Shares may decline and investors could lose all or part of their investment in the Offered Shares, which is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment, and who have sufficient resources to be able to bear any losses that may result therefrom. The

Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offered Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Offered Shares and determining appropriate distribution channels.

CONTENTS

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A-E (A.1 – E.7).This summary contains all the Elements required to be included in a summary for this type of security and issuer under the Prospectus Directive. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

SECTION A—INTRODUCTION AND WARNINGS

A.1	***Warning*** This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	***Subsequent resale of securities or final placement of securities through financial intermediaries*** Not applicable. No consent has been given by the Company or any person responsible for drawing up this Prospectus to the use of this Prospectus for subsequent resale or final placement of securities by financial intermediaries.

SECTION B—ISSUER

B.1	***Legal and commercial name*** ARYZTA AG (the "**Company**", and together with its subsidiaries and affiliated companies, "**we**", "**our**" or the "**Group**" or "**ARYZTA**").
B.2	***Domicile and legal form*** The Company is a Swiss stock corporation (*Aktiengesellschaft*) incorporated under Swiss law in accordance with articles 620 et seqq. of the Swiss Code of Obligations (the "**CO**") and registered in Switzerland with registered number CHE-114.160.610. The Company was incorporated on 28 March 2008. The Company was registered on 4 April 2008 under the name ANPHI Holding AG as a Swiss stock corporation (*Aktiengesellschaft*) and changed its name to ARYZTA AG as of 9 June 2008. The Company has its registered office and corporate legal headquarters at Talacker 41, 8001 Zurich, Switzerland. At the 2018 Annual Shareholders' Meeting, the Company's shareholders (the "**Shareholders**") decided to change the Company's registered address to Ifangstrasse 9, 8952 Schlieren-Zurich, Switzerland, which will be effective with the registration in the commercial register of the Canton of Zurich (the "**Commercial Register**"). The Company operates under Swiss law. The telephone number of the Company is +41 (0)44 583 4200.
B.3	***Current operations and principal activities*** The Group operates, via its subsidiaries, affiliated companies and joint ventures, a global food business and considers itself to be the leading provider of business-to-business ("**B2B**") frozen bakery solutions in the world based on revenue. The Group manufactures and distributes specialty frozen bakery items and baked goods to a diverse customer base for the distribution channels in-store bakeries ("**ISB**"), quick-service restaurants ("**QSR**"), food-service and retail. The Group operates under a portfolio of brands; its main products and capabilities include artisan breads, sweet baked goods and morning goods, individually wrapped ready-to-eat snacks as well as an array of other savoury items such as pizzas, tarts and pies. As at 31 July 2018, the Group operated 56 bakeries

across North America, South America, Europe, Asia, Australia and New Zealand and employed approximately 19,000 people on average for the financial year ended 31 July 2018.

The Group is organised into three operating segments: (i) Europe ("**ARYZTA Europe**"), (ii) North America ("**ARYZTA North America**") and (iii) Rest of World ("**ARYZTA Rest of World**"). For the financial year ended 31 July 2018, the Group reported revenues of €3,435.4 million and Underlying EBITA of €164.9 million, as compared to reported revenue of €3,796.8 million and Underlying EBITA of €277.3 million for the financial year ended 31 July 2017 (representing a decrease of 9.5% in Group revenue and a decrease of 40.5% in Group Underlying EBITA).

The Company believes the ARYZTA Europe business has leading market positions in terms of revenue in the frozen bakery market in Switzerland, Germany, the UK, Ireland, France, Spain, Sweden, Poland and Denmark. ARYZTA Europe operates more than 20 bakeries across the Europe region with brands including: *Hiestand, Cuisine de France, Delice de France* and *Coup de Pates*. ARYZTA Europe has a diversified customer and channel mix including convenience retail, petrol stations, multiple retail, restaurants, catering and hotels, leisure and QSR. For the financial year ended 31 July 2018, ARYZTA Europe's revenue was €1,710.6 million (49.8% of the Group's total revenue), a decrease of 1.6% as compared to €1,738.6 million for the financial year ended 31 July 2017 (45.8% of the Group's total revenue).

The Company believes the ARYZTA North America business has leading positions in terms of revenue in the frozen bakery market in the United States and Canada. ARYZTA North America operates 20 bakeries across the United States and Canada with brands including: *Fresh Start Bakeries, Otis Spunkmeyer, Great Kitchens, Maidstone Bakeries, La Brea Bakery* and *Pineridge*. ARYZTA North America has a diversified customer base including multiple retail, restaurants, catering, hotels, leisure, hospitals, military, fundraising and QSR. The Group also has well-established partnerships with key global QSR customers, which dominate the North American convenience food landscape. For the financial year ended 31 July 2018, ARYZTA North America's revenue was €1,468.0 million (42.7% of the Group's revenue), a decrease of 18.4% as compared to €1,799.0 million for the financial year ended 31 July 2017 (47.4% of the Group's revenue).

The ARYZTA Rest of World segment is the smallest segment by revenue. It covers operations in Brazil, Australia (including New Zealand), the Middle East and Asia (in particular Malaysia, Japan, Singapore and Taiwan). ARYZTA Rest of World operates more than twelve bakeries across six countries. The Group believes that its relationships with global QSR groups should underpin the Group's future growth prospects in this region, by providing opportunities for revenue growth and capacity expansion. For the financial year ended 31 July 2018, ARYZTA Rest of World's revenue was €256.8 million (7.5% of the Group's total revenue), a decrease of 0.9% as compared to €259.1 million for the financial year ended 31 July 2017 (6.8% of the Group's total revenue).

Competitive Strengths

The Group believes its most significant competitive strengths comprise the following:

- Largest global footprint in frozen B2B bakery;
- Trusted partner of leading QSR, retail, and foodservice customers worldwide;
- World class innovation for customers;
- Culture of bakery operational excellence;
- High quality employees; and
- New, motivated management with a clear focus on the business.

Strategy

The Group pursues the following key strategic initiatives:

- Deliver on its business plan to provide key B2B customers with frozen bakery solutions;
- Improve the Group's profitability by realising substantial cost savings through Project Renew;
- Disposal of non-core and/or non-strategic assets; and
- Strengthen the Group's financial position.

B.4a *Significant recent trends affecting the Group and the industry in which it operates*

The Company competes in the large and growing global frozen bakery market, a sub-segment within the broader bakery category of the global food sector. The key categories of baked goods that are sold as frozen include bread (traditional, artisan, buns, rolls, bagels, English muffins and frozen bread dough), sweet baked goods (cookies, frozen cookie dough, donuts, muffins, sheet and loaf cakes, brownies and scones), laminated dough, pancakes and savoury baked goods. Whilst the total bakery sector is demonstrating low rates of growth, frozen bakery (or bake-off) continues to grow rapidly and is projected to do so into the medium term to 2021 according to a Company analysis of information taken from Euromonitor and the GIRA Report. The channels for baked goods include food service, retail ISB and retail centre aisle. Foodservice and retail ISB are the Company's key channels, with frozen bakery products being distributed according to customer types.

There are key advantages to frozen bakery over other bakery segments, including artisan bakers, retailers in-store, fresh finished, packaged long-life, and packaged to bake, which the Company believes will drive growth of frozen bakery at a greater pace than the total bakery market. Some of these advantages are:

- Frozen bakery enables the delivery of quality and consistency at scale and allows customers to deliver fresh-baked taste to consumers;
- Frozen bakery has a longer lifespan compared to traditional baked items, and demand for food durability is increasing;
- The savings of labour costs, as frozen bakery products allow foodservice and retail operators to deliver the benefits of fresh without incremental labour and costs;
- Frozen bakery does not need artificial colour, flavours or preservatives present in ambient product; because it is baked off / thawed in store; and
- The development of emerging markets, particularly in Asia, is driving demand for Western baked goods, as well as increasing scale and quality of infrastructure for frozen products.

Europe and North America are the two largest regions for frozen baked goods, contributing an estimated €19 billion (approximately 37% of the total frozen bakery market estimated for 2017) and €21 billion (approximately 40% of the total frozen bakery market estimated for 2017) respectively in 2017, according to a Company analysis of information taken from Euromonitor and the GIRA Report. A combined analysis taken from data sources such as Euromonitor and Technomics indicates that the North American frozen bakery market is growing at approximately 4% per annum, and analysis based on the GIRA Report indicates that the frozen bakery market in Europe is growing slightly faster than in North America at over 4% per annum.

While the Europe and North America regions are the two largest markets, according to estimates by the Company, the Rest of World region is expected to be the fastest growing region for frozen bakery, with an estimated expected CAGR of 8% in Asia and around 9% in Latin America and the Middle East between the years 2017 and 2020.

Based on the GIRA Report, key drivers within the retail/ISB sector include:

- The trend for snacking and food on the go, which is driving demand for fully furnished bread products ready to eat out of the package;
- Shifting consumer package size preferences as consumers are increasingly looking for smaller portion sizes, particularly in the form of individually packaged or bite-sized items;
- Clean labels as consumers increasingly become more educated and look for less processed, and all natural ingredients as well as transparency in the sourcing of their food;
- The trend for new and ethnic flavours, which is primarily driven by millennials looking for a more diverse flavour portfolio; and
- All-day breakfasts as consumers increasingly want to enjoy breakfast foods as a meal or snack during non-traditional times.

Growth trends in the food service sector include the following additional factors:

- The trend towards gluten-free options, which is more apparent in the non-commercial foodservice sector;

- The demand for nostalgia, with consumers seeking updates on old favourite products; and
- The rise in fast casual dining, which has driven the expansion and use of artisan breads as a sandwich bread within general foodservice.

In addition to the trends in food consumption patterns described above, the industry trends of increasing costs of raw materials and labour also impact our results of operations. Within our business, better capacity utilisation improves our results. Foreign currency movements impact our reported results of operations, with a stronger euro negatively impacting our reported results.

B.5 ***Group description***

The Company is the parent company of the Group and has the following significant subsidiaries as at 31 July 2018:

Name	Nature of business	Share capital millions	Group % share	Country
(a) Significant subsidiaries – ARYZTA Europe				
ARYZTA Food Solutions Ireland UC	Food distribution	EUR 0.635	100	Ireland
ARYZTA Bakeries Ireland UC	Food manufacturing and distribution	EUR 1.016	100	Ireland
ARYZTA Technology Ireland UC	Asset management company	EUR 0.000	100	Ireland
Delice de France Limited	Food distribution	GBP 0.250	100	United Kingdom
France Distribution SAS	Food distribution	EUR 0.108	100	France
ARYZTA Food Solutions Schweiz AG	Food distribution	CHF 3.500	100	Switzerland
ARYZTA Bakeries Deutschland GmbH	Food manufacturing and distribution	EUR 3.072	100	Germany
ARYZTA Food Solutions GmbH	Food distribution	EUR 0.025	100	Germany
Fornetti Kft	Food manufacturing and distribution	HUF 500.000	100	Hungary
Pré Pain B.V.	Food manufacturing and distribution	EUR 0.018	100	Netherlands
ARYZTA Polska Sp. z.o.o.	Food manufacturing and distribution	PLN 61.000	100	Poland
(b) Significant subsidiaries – ARYZTA North America				
ARYZTA LLC	Food manufacturing and distribution	USD 705.000	100	United States
ARYZTA Limited	Food manufacturing and distribution	CAD 255.818	100	Canada
ARYZTA Canada Co.	Food manufacturing and distribution	CAD 113.400	100	Canada
(c) Significant subsidiaries – ARYZTA Rest of World				
ARYZTA Australia Pty Limited	Food manufacturing and distribution	AUD 17.000	100	Australia
ARYZTA Do Brazil Alimentos Ltda	Food manufacturing and distribution	BRL 33.588	100	Brazil

B.6 ***Principal Shareholders***[1]

The table below sets out the Shareholders holding more than 3% of the share capital of the Company as recorded in the Commercial Register as of the date of this Prospectus. The information is based on the information provided by the respective Shareholders to SIX Swiss Exchange in accordance with article 120 of the Financial Market Infrastructure Act (*Finanzmarktinfrastrukturgesetz*) (the "**FMIA**"):.

Beneficial owner / persons that can exercise the voting rights at their own discretion	**Place of residence / registered office**	**Notified Interest at the date of this Prospectus Shares held / corresponding % of voting rights**[1]
Norges Bank (the Central Bank of Norway)	0151 Oslo, Norway	2,847,500/ 3.06%[2]
Financière de l'Echiquier SA	53 avenue d'Iéna, 75116 Paris, France	4,636,210/ 4.989%
Francisco Garcia Parames/ Maria Angeles Lopez[3]	Madrid, Spain	9,309,685/ 10.02%[4]
Black Creek Investment Management Inc.	123 Front Street, Suite 1200, Toronto, Ontario, M5J 2M2, Canada	4,618,473/ 4.97%[5]
CI Financial Corp.[6]	2 Queen Street East, 20th Floor, Toronto, Ontario, M5C 3G7, Canada	4,615,723/ 5.03%
Causeway Capital Management LLC	Los Angeles, CA 90025, United States	6,881,741/ 7.5%[7]
Oppenheimer International Growth Fund	Two World Financial Center, 225 Liberty Street, New York, NY 10080, United States	2,773,679/ 3.021%
ARYZTA AG[8]	Talacker 41, 8001 Zurich, Switzerland	3,772,859/ 4.31%[9]
Total		**39,455,870 / ~43%**

(1) Based on the share capital of the Company registered in the Commercial Register as of the date of this Prospectus.

(2) 0.66% of the voting rights thereof are held due to securities lending and comparable transactions.

(3) Per disclosure notifications on SIX Swiss Exchange, the Shares are legally held by Cobas Asset Management, SGIIC, S.A, Calle Jose Abascal 45, Planta 3, Madrid, 28003, Spain ("**Cobas**"). As at the date of this Prospectus, Cobas has registered in the Share Register voting rights representing a shareholding of 14.5% in the Company.

(4) 1.67% of the voting rights thereof have been delegated to the beneficial owner/person referred to in the table above by a third party and can be exercised at such beneficial owner's/person's discretion.

(5) 4.7% of the voting rights thereof have been delegated to the beneficial owner/person referred to in the table above by a third party and can be exercised at such beneficial owner's/person's discretion.

(6) Per disclosure notifications on SIX Swiss Exchange, the Shares are legally held by Black Creek Global Leaders Fund, Black Creek Global Balanced Fund, Black Creek International Equity Fund, Select International Equity Managed Fund, International Equity Alpha Corporate Class, Select International Equity Managed Corporate Class and Black Creek Global Balanced Corporate Class.

(7) 7.5% of the voting rights thereof have been delegated to the beneficial owner/person referred to in the table above by a third party and can be exercised at such beneficial owner's/person's discretion.

(8) Per disclosure notifications on SIX Swiss Exchange, the Shares are legally held by ARY LTIP Trustee, 151 Thomas Street, Dublin 8, Ireland.

(9) Under Swiss law, the voting rights in treasury shares are suspended.

Subject to the limitations set forth by article 7 of the articles of association of the Company (the "**Articles**"), each Share of the Company carries one vote, and there are no differences in voting rights between the Shares.

Other than the Underwriters who have fully underwritten the Offering and who may jointly exercise control over any Offered Shares they retain, the Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company as at, or immediately following Admission.

B.7 ***Historical financial information***

The tables below set out the summary consolidated financial information of the Group as of and for each of the three financial years ended 31 July 2018, 2017 and 2016. This summary information has been extracted without material adjustment from the audited consolidated financial statements of the Group for the financial years ended 31 July 2018 and 2017 prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("**IFRS**"), and which are included in "*Part 22 Historical Financial Information*".

Consolidated income statement

	Financial year ended 31 July		
		(EUR '000)	
	2018	**2017**	**2016**
Continuing Operations			
Revenue	3,435,422	3,796,770	3,878,871
Cost of sales	(2,543,732)	(2,766,136)	(2,654,228)
Distribution expenses	(402,561)	(411,702)	(414,410)
Gross profit	**489,129**	**618,932**	**810,233**
Selling expenses	(181,635)	(202,747)	(188,656)
Administration expenses	(372,492)	(628,833)	(410,065)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	(183,316)	-	-
Impairment of goodwill	(175,000)	(594,872)	-
Operating (loss) profit	**(423,314)**	**(807,520)**	**211,512**
Share of profit after interest and tax of joint ventures	15,156	38,380	11,716
Net gain on disposal of joint venture	1,468	-	-
(Loss)/profit before finance result and income tax	**(406,690)**	**(769,140)**	**223,228**
Finance result	(85,983)	(240,964)	(103,180)
(Loss)/profit before income tax	**(492,673)**	**(1,010,104)**	**120,048**
Income tax credit/(expense)	22,697	103,966	(4,543)
(Loss)/profit for the year from continuing operations	**(469,976)**	**(906,138)**	**115,505**
Discontinued operations			
Loss for the year from discontinued operations	-	-	(45,721)
(Loss)/profit for the year	**(469,976)**	**(906,138)**	**69,784**
Attributable as follows:			
Equity shareholders-continuing operations	(469,976)	(907,773)	112,729
Equity shareholders-discontinued operations	-	-	(45,721)
Equity shareholders – total	(469,976)	(907,773)	67,008
Non-controlling interests –continuing operations	-	1,635	2,776
(Loss)/profit for the year	**(469,976)**	**(906,138)**	**69,784**

Consolidated balance sheet

	2018	2017	2016
		(EUR '000)	
Assets			
Non-current assets			
Property, plant and equipment	1,243,692	1,386,294	1,594,885
Investment properties	14,574	19,952	24,787
Goodwill and intangible assets	2,057,703	2,651,937	3,617,194
Investments in joint ventures	420,016	528,188	491,446
Receivables from joint ventures	-	–	3,956
Deferred income tax assets	74,961	158,767	133,176
Total non-current assets	**3,810,946**	**4,745,138**	**5,865,444**
Current assets			
Inventory	244,535	252,162	248,719
Trade and other receivables	153,970	164,271	168,595
Derivative financial instruments	1,268	4,311	669
Cash and cash equivalents	517,854	535,570	647,724
Assets of disposal groups held for sale	7,000	–	–
Total current assets	**924,627**	**956,314**	**1,065,707**
Total assets	**4,735,573**	**5,701,452**	**6,931,151**
Equity			
Called up share capital	1,191	1,172	1,172
Share premium	807,512	774,040	774,040
Retained earnings and other reserves	864,157	1,426,440	2,397,460
Total equity attributable to equity shareholders	**1,672,860**	**2,201,652**	**3,172,672**
Non-controlling interests	-	–	15,099
Total equity	**1,672,860**	**2,201,652**	**3,187,771**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	1,772,315	383,242	1,963,709
Employee benefits	6,975	6,644	13,470
Deferred income from government grants	14,408	18,280	23,945
Other payables	49,664	36,278	37,678
Deferred income tax liabilities	212,878	353,164	457,634
Derivative financial instruments	-	704	4,618
Total non-current liabilities	**2,056,240**	**798,312**	**2,501,054**
Current liabilities			
Interest-bearing loans and borrowings	255,803	1,886,198	403,632
Trade and other payables	684,335	750,511	778,621
Income tax payable	65,506	63,283	49,118
Derivative financial instruments	829	1,496	9,939
Contingent consideration	-	–	1,016
Total current liabilities	**1,006,473**	**2,701,488**	**1,242,326**
Total liabilities	**3,062,713**	**3,499,800**	**3,743,380**
Total equities and liabilities	**4,735,573**	**5,701,452**	**6,931,151**

Consolidated cash flow statement

	Financial year ended 31 July		
		(EUR '000)	
	2018	2017	2016
Net cash flows from operating activities	150,308	355,874	596,983
Net cash flows from investing activities	156,364	(63,978)	(438,285)
Net cash flows from financing activities	(374,372)	(318,155)	62,254
Net (decrease)/increase in cash and cash equivalents	**(67,700)**	**(26,259)**	**220,952**
Translation adjustment	(12,254)	(20,774)	(12)
Net cash and cash equivalents at start of year	421,940	468,973	248,033
Net cash and cash equivalents at end of year	**341,986**	**421,940**	**468,973**

Certain significant changes to the Group's financial condition and results of operations occurred during the financial years ended 31 July 2018, 2017 and 2016. These changes are set out below.

Results of Operations

Comparison of financial years ended 31 July 2018 and 31 July 2017.

Total revenue decreased by 9.5% to €3.4 billion during the financial year ended 31 July 2018 due to an organic decline of 1.2%, consisting of volume losses of 2.3%, partially offset by a positive price/mix impact of 1.1%. Disposals reduced revenue by 3.9% and currency negatively impacted revenue by 4.4%. The organic revenue decline for the Group was largely attributable to the Cloverhill business in ARYZTA North America, which had experienced a significant decline in volumes even prior to its disposal in February 2018, as well as other smaller net impacts from changes in the ARYZTA North America customer mix. The organic revenue decline in ARYZTA North America was partially offset by organic revenue growth in ARYZTA Europe from a positive price/mix development, which was in turn partially offset by some volume declines as a result of customer insourcing. ARYZTA Rest of World also positively impacted organic revenues from growth in both price/mix and volume growth with global strategic customers, as well as others across the region.

Gross profit decreased by €129.8 million, or 21.0%, to €489.1 million in the financial year ended 31 July 2018 from €618.9 million in the financial year ended 31 July 2017. This decrease was primarily due to lower overall revenues, but also lower profitability due to increased costs of sales and distribution expenses as a percentage of revenue.

In the financial year ended 31 July 2018, net loss on disposal of businesses and impairment of disposal groups held-for-sale amounted to €183.3 million. This was attributable to the disposal of the Cloverhill Chicago and Cicero facilities in the ARYZTA North America segment and the La Rousse business in the ARYZTA Europe segment, as well as the reclassification of two non-core businesses in the ARYZTA Europe segment as disposal groups held-for-sale during July 2018. Impairment of goodwill decreased by €419.9 million, or 70.6%, to €175.0 million in the financial year ended 31 July 2018 from €594.9 million in the financial year ended 31 July 2017. This decrease was primarily due to the extraordinary large impairment to the ARYZTA North America business in the financial year ended 31 July 2017. In the financial year ended 31 July 2018, there was no further impairment in the ARYZTA North America segment, but there was a larger impairment in Germany on account of the previous consolidation of bakery capacity into the Eisleben facility, further compounded by customer volume insourcing and increasing commodity prices during the current year and optimisation of new capacity at the Eisleben bakery.

Loss for the year improved by €436.2 million, or 48.1%, to a loss of €470.0 million in the financial year ended 31 July 2018 from a loss of €906.1 million in the financial year ended 31 July 2017.

Comparison of financial years ended 31 July 2017 and 31 July 2016.

Revenue decreased by €82.1 million, or 2.1%, to €3.8 billion in the financial year ended 31 July 2017 from €3.9 billion in the financial year ended 31 July 2016. This decrease was primarily due to a 2.1% decline in organic growth, consisting of volume losses of 4.2%, which were partially offset by an increase in prices due to a more favourable mix of products sold. The absence of revenues from businesses sold in the prior financial year also contributed to the decline in revenue in the financial year ended 31 July 2017, which lost amount of revenue was offset by a largely equal amount of revenue gains from favourable currency impacts, primarily the weakening of the euro in relation to the Swiss Franc and to the Canadian and US Dollar.

Gross profit decreased by €191 million, or 23.6%, to €619 million in the financial year ended 31 July 2017 from €810 million in the financial year ended 31 July 2016. This decrease was primarily due to the impact of increased cost of sales combined with lower total revenue.

Administration expenses increased by €219 million, or 53.3%, to €629 million in the financial year ended 31 July 2017 from €410 million in the financial year ended 31 July 2016. This increase was primarily due to a €138.6 million impairment of intangible assets and a €79.4 million impairment of fixed assets in North America. Impairment of goodwill amounted to €595 million in the financial year ended 31 July 2017 compared to no goodwill impairment in the financial year ended 31 July 2016. The impairment was primarily due to significant reductions in profitability in the ARYZTA North America segment and in Germany during the financial year ended 31 July 2017.

Finance result deteriorated by €138 million, or 133.5%, to a net finance cost of €241 million in the financial year ended 31 July 2017 from a net finance cost of €103 million in the financial year ended 31 July 2016. This deterioration was primarily due to the €183 million in costs incurred in connection with the early redemption of the Group's outstanding privately placed notes, which costs were partially offset by lower interest costs on bank loans and overdrafts in the financial year ended 31 July 2017.

(Loss)/profit for the year deteriorated by €976 million to a loss of €906 million in the financial year ended 31 July 2017 from a profit of €70 million in the financial year ended 31 July 2016. This deterioration was primarily due to the negative factors described above, which were partially offset by an improvement in income tax credit/(expense).

Statement of Financial Position

Comparison of 31 July 2018 and 31 July 2017.

As of 31 July 2018, non-current assets decreased by €934.2 million from €4,745.1 million in the prior year to €3,810.9 million. This was due in large part to reduced goodwill and intangible assets following the disposal of Cloverhill and the La Rousse businesses and the €175 million impairment to goodwill of the Group's business in Germany and continued amortisation of intangible assets.

The non-current liabilities as of 31 July 2018 amounted to €2,056.2 million (31 July 2017: €798.3 million). The substantial increase in non-current liabilities was mainly due to the increase in interest-bearing loans and borrowings following the refinancing of the Group's current liabilities in September 2017. This increase was partially offset by a reduction in non-current deferred income tax liabilities which declined again as at 31 July 2018 attributable in large part to lower deferred income tax liabilities related to intangible assets following the disposal of Cloverhill and the related impairment of customer relationships and brand-related intangible assets obtained as part of the original Cloverhill acquisition.

The current liabilities as of 31 July 2018 amounted to €1,006.5 million (31 July 2017: €2,701.5 million). The substantial decrease was primarily due to the refinancing of the Group's debt facilities. During July 2017, the Group agreed to the terms of a new five-year unsecured €1,800 million refinancing of its syndicated bank revolving credit facility and term loan facility comprising a €1,000 million amortising term loan and a €800 million revolving credit facility. The new financing was utilised on 22 September 2017 to repay in full the revolving credit and term loan facilities put in place during 2016.

Equity as of 31 July 2018 amounted to €1,672.9 million (31 July 2017: €2,201.7 million). The reduction in total equity was attributable to lower retained earnings and other reserves following the issuance of a scrip dividend (fractions paid out in cash) from the Company's reserves, the accrual of unpaid dividends on the Group's outstanding hybrid debt instruments and after accounting for a loss for the financial year ended 31 July 2018 of €470 million.

Comparison of 31 July 2017 and 31 July 2016.

As of 31 July 2017, non-current assets decreased by €1,120.3 million from €5,865.4 million in the prior year to €4,745.1 million. The decrease was primarily attributed to the impairment to goodwill and intangible assets, which decreased from €3,617 million in 2016 to €2,652 million in 2017 as a result of a goodwill impairment of €103 million to the Group's Germany business and impairments of €757 million in North America.

The non-current liabilities as of 31 July 2017 amounted to €798 million (31 July 2016: €2,501.1 million). The decrease in non-current liabilities was primarily due to the reduction in long-term interest-bearing loans and borrowings from €1,964 million as at 31 July 2016 to €383 million as at 31 July 2017, mainly because all outstanding amounts on the Group's syndicated bank revolving credit facility and term loan borrowings were presented as current liabilities as of 31 July 2017, reflecting the Group's then-existing obligation to repay those facilities within the next 12 months, despite the fact that the terms of a new five-year unsecured facility had been agreed to (but not utilised).

The current liabilities as of 31 July 2017 amounted to €2,701.5 million (31 July 2016: €1,242.3 million). The significant increase was due in large part to the Group utilising the available capacity of its syndicated bank revolving credit facility, its term loan facility and its existing cash resources to redeem all of its outstanding private placements, which totalled €1,209.5 million at the time of redemption. As of 31 July 2017, all outstanding amounts on the Group's syndicated bank revolving credit facility and term loan borrowings were presented as current liabilities, reflecting the Group's then-existing obligation to repay those facilities within the next 12 months, despite the fact that the terms of a new five-year unsecured facility had been agreed to (but not utilised).

Equity as of 31 July 2017 amounted to €2,201.7 million (31 July 2016: €3,187.8 million). The reduction in equity was primarily attributable to the loss for the financial year ended 31 July 2017, which reduced retained earnings and other reserves, as well as dividends to equity shareholders and hybrid instrument accrued dividends.

Recent Developments

An underwriting agreement was concluded between the Company and underwriters on 10 September 2018 (the "**Underwriting Agreement**"). The Underwriting Agreement was amended and restated on 30 September 2018 to include three additional Joint Bookrunners and amend the anticipated underwriting quotas of the underwriters named in the Underwriting Agreement (the "**Underwriters**") and on 31 October 2018 to agree, amongst others, on the Offer Price, a new allocation of commitments, the Subscription Ratio and the number of Offered Shares.

On 13 September 2018, the Company entered into an amended and restated facilities agreement.

Aside from the impact of these material agreements, there has been no significant change in the financial or trading position of the Group since 31 July 2018, the date to which the last audited consolidated accounts of the Group were prepared**.**

B.8 ***Pro forma financial information***

The unaudited pro forma financial information of the Group set out below (the "**pro forma financial information**") has been prepared on the basis set out in the notes below to illustrate the impact of the net proceeds raised through the offering (the "**Offering**") on the consolidated balance sheet of the Group as if the Offering had taken place on 31 July 2018.

No adjustment has been made to take account of trading results or financial performance of the Group since 31 July 2018.

The pro forma financial information has been prepared for illustrative purposes only in accordance with Annex II of the EU Prospectus Regulation. By its nature it addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

Unaudited pro forma balance sheet

	As of 31 July 2018	Pro forma adjustments for the capital raise and net proceeds of the Offering (note 2)	Pro forma financial position
		(€ '000)	
Assets			
Non-current assets			
Property, plant and equipment	1,243,692	-	1,243,692
Investment properties	14,574	-	14,574
Goodwill and intangible assets	2,057,703	-	2,057,703
Investments in joint ventures	420,016	-	420,016
Deferred income tax assets	74,961	-	74,961
Total non-current assets	**3,810,946**	**-**	**3,810,946**
Current assets			
Inventory	244,535	-	244,535
Trade and other receivables	153,970	-	153,970
Derivative financial instruments	1,268	-	1,268
Cash and cash equivalents	517,854	285,000	802,854
Assets of disposal groups held-for-sale	7,000	-	7,000
Total current assets	**924,627**	**285,000**	**1,209,627**
Total assets	**4,735,573**	**285,000**	**5,020,573**
Equity			
Called up share capital	1,191	15,800	16,991
Share premium	807,512	774,200	1,581,712
Retained earnings and other reserves	864,157	(50,000)	814,157
Total equity	**1,672,860**	**740,000**	**2,412,860**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	1,772,315	(455,000)	1,317,315
Employee benefits	6,975	-	6,975
Deferred income from government grants	14,408	-	14,408
Other payables	49,664	-	49,664
Deferred income tax liabilities	212,878	-	212,878
Total non-current liabilities	**2,056,240**	**(455,000)**	**1,601,240**
Current liabilities			
Interest-bearing loans and borrowings	255,803	-	255,803
Trade and other payables	684,335	-	684,335
Income tax payable	65,506	-	65,506
Derivative financial instruments	829	-	829
Total current liabilities	**1,006,473**	**-**	**1,006,473**
Total liabilities	**3,062,713**	**(455,000)**	**2,607,713**
Total equities and liabilities	**4,735,573**	**285,000**	**5,020,573**

Notes to the pro forma financial information

Note 1. Basis of presentation

The pro forma financial information is based on the consolidated balance sheet of the Group as at 31 July 2018. It assumes that the Offering took place on that date. The adjustments reflected in the pro forma financial information are based on items that are factually supportable and directly attributable to the Offering.

The pro forma financial information has been prepared on the basis of the accounting policies applied by the Company in preparing its consolidated financial statements for the year ended 31 July 2018.

Note 2. The Offering

The Company expects to receive gross proceeds from the Offering of approximately CHF 900 million (€790 million assuming an exchange rate of 1:1.14), assuming all Offered Shares are placed at the Offer Price and after deduction of the Swiss issue stamp tax (*Emissionsabgabe*) of 1%, estimated commissions and other expenses associated with the Offering. The total costs of the Offering are estimated at €50 million, including Swiss issue stamp tax, underwriting charges and related fees and other costs associated with the Offering.

The Offer is intended to create the necessary strategic and financial flexibility for the Company to implement its strategy and to sustainably strengthen its capital base. The Company intends to reduce its debt, by repaying approximately €455 million outstanding under the Company's term loan facility (i.e. amounts outstanding under Facility A). In addition to reducing its debt, the Company will use the remainder of the proceeds from the Offering (of up to €285 million) for its working capital and to secure cost savings through its Project Renew initiatives. For the purposes of the pro forma financial information the entire net proceeds of the Offering which is not used to repay debt has been included in cash and cash equivalents.

Total equity has been adjusted for the net proceeds of the Offering.

Note 3: Bank Covenant Net Debt: EBITDA Ratio

The Group's term loan facilities primarily uses ratio targets to monitor its financing covenants.

As disclosed in Note 25 to the ARYZTA Consolidated Financial Statements 2018 (see page F-76), Bank Covenant Net Debt as of 31 July 2018 amounted to €1,506 million, resulting in a Bank Covenant Net Debt: EBITDA Ratio of 3.83x as at 31 July 2018. Taking the net proceeds of the Offering into account, Bank Covenant Net Debt as of 31 July 2018 would reduce by €740 million. Bank Covenant EBITDA would remain unchanged. This would result in a reduced pro forma Bank Covenant Net Debt: EBITDA Ratio of 1.95x as at 31 July 2018. The information presented in this Note 3 is a non-IFRS measure which is being presented to show the pro forma effect of the Offering on the Bank Covenant Net Debt: EBITDA Ratio. It is calculated in accordance with the 2017 Facilities Agreement and, therefore, is not sourced directly to the pro forma financial information set out above.

B.9 ***Profit forecast***

On 1 October 2018, ARYZTA AG released its results announcement for the fourth quarter and full year ended 31 July 2018. Included in the results announcement was the following statement by ARYZTA AG for the financial year ending 31 July 2019 (the "**ARYZTA Profit Forecast**"):

> "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 P&L. The Company expects mid- to high-single-digit organic EBITDA* growth for the financial year ending 31 July 2019 (applying the budgeted exchange rates for the financial year ending 31 July 2019 on a like-for-like basis and excluding any disposals)."
>
> * Underlying EBITDA, being earnings before interest, taxation, depreciation and amortisation; before impairment, disposal and restructuring-related costs.

Basis of preparation

The ARYZTA Profit Forecast has been prepared on a basis consistent with the accounting policies expected to be adopted by ARYZTA AG in its financial statements for the year ending 31 July 2019.

Assumptions

The principal assumptions on which the ARYZTA Profit Forecast is based are set out below.

Factors outside the influence or control of the Company's management:

- There will be no material change in the ownership and control of ARYZTA AG.
- The Offering will be successful.
- There will be continued recovery of the eurozone and world economies.
- There will be no material change in general trading conditions (including selling taxes), competitor activities or the levels of demand in countries in which ARYZTA trades which would adversely affect its business.
- ARYZTA AG will be successful in its negotiations with key customers to recover ingredient cost inflation through related price increases.
- There will be no changes in ARYZTA's creditworthiness which would impact the supply to it of products or services.
- There will be no material adverse events that affect ARYZTA's product offerings, including product recalls.
- There will be no business interruptions that materially affect ARYZTA, its customer or its key suppliers in any of its major markets, including the ability to source raw material inputs at budgeted prices.
- There will be no material changes in exchange rates, interest rates, bases of taxes, legislation or regulatory requirements from those currently prevailing that would have a material impact on ARYZTA AG's operations or its accounting policies. The following main budgeted exchange rates for the financial year ending 31 July 2019 have been assumed:

Euro to CHF	1.1980
Euro to US dollar	1.2112
Euro to Canadian dollar	1.5591
Euro to pound Sterling	0.8698
Euro to Brazilian Real	4.2063

- There will be no material changes to ARYZTA AG's obligations to its customers, or in those customers' respective obligations to ARYZTA or their ability or willingness to meet their obligations to ARYZTA from that currently anticipated by ARYZTA.

Factors within the influence and control of the Company's management:

- Proceeds of up to €285 million from the Offering will be used for working capital purposes and funding initiatives under Project Renew.
- There will be no acquisitions or disposals.
- There will be no material further restructurings other than in connection with Project Renew.

Project Renew:

Project Renew savings of €40 million in the financial year ending 31 July 2019 are budgeted to accrue on a cumulative phased basis as follows:

End Q1	10%
End Q2	25%
End Q3	50%
End Q4	100%

ARYZTA's focus is on delivering a sustainable run-rate from these initiatives in line with the overall targets for Project Renew. This may be at the expense of short-term timing. A number of the Project Renew initiatives also require capital expenditures to deliver the related efficiencies (which is planned to be funded from the Offering). Any delays in implementing the various initiatives may impact the fiscal year 2019 benefit to Underlying EBITDA.

B.10 ***Qualifications in the audit report on the historical financial information***

Not applicable. There are no qualifications to the statutory auditors' report on the historical financial statements.

B.11 ***Insufficient working capital***

Not applicable. In the opinion of the Company, taking into account the net proceeds receivable by the Company from the subscription for the Offered Shares in the Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

SECTION C—SECURITIES

C.1 ***Type and class of securities***

ARYZTA is offering 900,184,940 registered shares with a nominal value of CHF 0.02 each (the "**Offered Shares**"). The Offered Shares will be newly issued in an ordinary capital increase against cash contributions approved by the Shareholders at the Annual Shareholders' Meeting held on 1 November 2018. The Offered Shares, together with all previously issued and outstanding registered shares of the Company (the "**Existing Shares**") (including Existing Shares for which CREST depository interests ("**CDIs**") are outstanding), are referred to herein as the "**Shares**", and each a "**Share**". Holders of the Offered Shares will be entitled to dividends and other distributions, if any, for the financial year ending 31 July 2019.

The Company issues its Shares (including the Offered Shares) as uncertificated securities (*Wertrechte*) within the meaning of article 973c CO, and registers them as intermediated securities. The Offered Shares will be registered in the main register (*Hauptregister*) maintained by SIX SIS Ltd ("**SIS**") and credited to the securities account of one or more participants of SIS, and thus will become intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Act on Intermediated Securities of 3 October 2008, as amended (the "**FISA**", *Bucheffektengesetz*). Shareholders may request from the Company a confirmation relating to their shareholdings in the Company. Subscribers and purchasers of Offered Shares may request to receive CDIs instead of Shares in the Company. Each CDI represents one Share. As of 31 July 2018, there were 8,571,800 CDIs outstanding.

Offered Shares will be fully fungible and rank pari passu with each other and with all Existing Shares. The rights to subscribe on a pro rata basis for the Offered Shares (the "**Rights**") and all shares of the Company are subject to and governed by Swiss law.

SIX Swiss Exchange Ticker Symbol for the Shares	ARYN
Swiss Security Number (*Valorennummer*) for the Shares	4.323.836
Swiss Security Number (*Valorennummer*) for the Rights	43.992.155
Irish Stock Exchange Ticker Symbol for the Shares	YZA
International Security Identification Number (ISIN) for the Shares	CH0043238366
International Security Identification Number (ISIN) for the Rights	CH0439921559
Irish SEDOL Number of the Shares	B39VJ74

C.2 ***Currency***

The Offered Shares will be denominated in Swiss Francs (CHF).

C.3 ***Issued share capital***

The nominal value of the issued share capital of the Company, immediately following registration of the capital increase of the Offered Shares in the Commercial Registry of the Canton of Zurich, will be CHF 19,862,114.54, divided into 993,105,727 Shares of CHF 0.02 each (all of which will be fully paid-up or credited as fully paid-up).

C.4 ***Rights attaching to the Shares***

Under Swiss law (the CO), rights in or to a share comprise (i) the property right in the share itself, (ii) participation rights (including e.g., the right to vote), and (iii) financial rights, consisting of the right to dividend distribution and a portion of liquidation proceeds, proportional to the shares' par value.

Subject to the restrictions described in article 7 of the Articles, each Share carries one vote at the shareholders' meetings of the Company. In line with the legal provisions, any Shareholder with a voting right may have their Share represented at any shareholders' meeting by another person or independent proxies. Such representatives are not required to be shareholders. Holders of the Offered Shares will be entitled to dividends and other distributions, if any, for the financial year ending 31 July 2019. Shareholders have the right to share in the issuer's profits through dividends approved by a shareholder's meeting and to share in any surplus in the event of liquidation. The Shares do not have conversion or redemption provisions.

C.5 ***Restrictions on transfer***

For as long as the Shares are in uncertificated form (*Wertrechte*) and registered as intermediated securities (*Bucheffekten*), any transfer and collateralization of Shares has to be made in accordance with the FISA. The transfer of intermediated securities or the granting of security rights on intermediated securities by way of assignment is excluded.

C.6 ***Admission***

The Company has a primary listing for the Existing Shares on the SIX Swiss Exchange in accordance with SIX Swiss Exchange's International Reporting Standard and a secondary listing for the Existing Shares on the Irish Stock Exchange. The Existing Shares are traded on SIX Swiss Exchange and the Irish Stock Exchange's Main Securities Market for listed securities (the "**Main Markets**").

The Company has applied for, and approval has been given by the SIX Swiss Exchange, subject to certain conditions, for the Rights to be admitted to trading and for the Offered Shares to be admitted to trading and listed in accordance with the International Reporting Standard on SIX Swiss Exchange (the "**Swiss Admission**") and application will be made to the Irish Stock Exchange for the Offered Shares to be admitted to (i) listing on the secondary listing segment of the Official List of the Irish Stock Exchange and (ii) trading on the Main Securities Market of the Irish Stock Exchange (the "**Irish Admission**" and, together with the Swiss Admission, the "**Admission**"). Admission to trading on the Irish Stock Exchange constitutes admission to trading on a regulated market for purposes of EU regulations. It is expected that Admission will become effective, and that dealings will commence in the Offered Shares, when trading begins around 19 November 2018 on the respective exchange.

Application for the Rights to be traded has been made only on the SIX Swiss Exchange. The Rights will not be admitted to trading on the Irish Stock Exchange. The Rights are expected to be traded on the SIX Swiss Exchange during the period from (and including) 7 November 2018 to (and including) 13 November 2018 (the "**Rights Trading Period**").

C.7 ***Dividend policy***

It is the Company's dividend policy to distribute approximately 15% of the underlying fully diluted earnings per share as a dividend to its Shareholders each year. However, the board of directors (the "**Board of Directors**" and each member thereof a "**Director**") retains authority to change the dividend policy and dividend pay-out ratio at any time, especially if unexpected events occur that would change its view as to the prudent level of cash and capital conservation as well as the Company's financial goals and strategy. The payment of any dividend or other distribution to the Shareholders is subject to approval by the shareholders' meetings of the Company and other requirements of Swiss law.

The payment of a cash dividend by the Company triggers its obligation to make cash payments of accrued and deferred dividends on its hybrid instruments on their next interest payment date; the interest payments may be deferred in the absence of such a compulsory payment event. As of 31 July 2018, the Group had deferred dividends in connection with its hybrid instruments in the amount of €41 million. Conversely, the payment of a scrip dividend does not trigger an obligation to make cash payments of accrued dividends on the hybrid instruments.

No cash dividend was paid during the financial year ended 31 July 2018, but a cash dividend of CHF 0.5731 per share of the Company was paid during the financial year ended 31 July 2017, as approved by the Shareholders at the Annual Shareholders' Meeting following the financial year ended 31 July 2017 and during the financial year ended 31 July 2016, a cash dividend of CHF 0.6555 per share of the Company was paid with respect to the financial year ended 31 July 2015. All dividends have been paid out of reserves. At the Annual Shareholders' Meeting held on 1 November 2018, the Shareholders did not resolve to pay a dividend for the financial year ended 31 July 2018.

SECTION D—RISKS

D.1 ***Key information on the key risks specific to the Company and its industry***

Before investing in the Offered Shares, prospective investors should consider the risks associated with the Group, which include the following:

- Cost reduction and efficiency improvement measures in connection with Project Renew may not deliver the targeted benefits as envisaged, which may have a material adverse effect on our business, operating results, financial condition or prospects.
- The Group has significant borrowings and liabilities, the amount and terms of which may limit its financial and operational flexibility. If the Group does not receive the proceeds from the Offering or is otherwise unable to comply with the financial and other restrictive covenants in its financing agreements, there could be a default or event of default.
- Changing dietary trends and the increased emphasis on health and wellness among consumers could impact demand for the Group's products and present risks for the Group.
- Adverse developments with respect to the safety or the contents of the Group's products and/or the baked goods industry in general may damage the Group's reputation, increase its costs of operation or decrease demand for its products.
- Failure to address increasing compliance requirements in areas such as health and safety and environment could subject the Group to investigations, penalties and/or fines.
- The Group is vulnerable to fluctuations in the price and availability of labour, raw materials, packaging materials and freight.
- Supply disruptions, or a failure of suppliers to meet the Group's quality standard and other specifications, could adversely impact ongoing operations of the Group's business.
- The Group operates in a competitive industry.
- The Group is subject to customer concentration risk.
- The Group may be adversely impacted by changes in industry structure.
- Adverse economic conditions could result in a decrease in consumer spending.
- The Group may be adversely affected by fluctuations in currency exchange rates.
- Failure to develop successful and innovative products or keep up with consumer preferences could adversely affect the Group's business.
- The Group may have difficulties implementing its strategy or may fail to achieve its targets and expectations for its business, any of which could have a material adverse effect on the Group's business and results of operations.
- The Group is subject to risks associated with its international markets.
- Failure to protect the Group's image, reputation and brand could materially affect its business.
- The Group's supply chain could be subject to disruption.
- The loss or temporary shutdown of a significant manufacturing/operational site could disrupt the Group's operations.
- A significant information technology or security system failure could adversely impact the Group's operations.
- The Group relies on a limited number of key personnel to operate its business, and the loss of any of these personnel, or the Group's inability to attract new personnel could have a material adverse impact on the Group's business.
- The Group's performance depends on favourable labour relations with its employees. Work stoppages or labour shortages can have a material adverse effect on the prospects of the Group.

- Breakdown of internal controls could have a material adverse effect on the Group's business, operating results, financial condition or prospects.
- The Group has a significant amount of debt subject to variable interest rates.
- The Group faces business risks associated with cash and collectables.
- Impairment of assets would be reflected in the Group's consolidated financial statements, which would have a negative impact on the Group's financial condition.
- Higher labour costs could adversely affect the Group's business and future profitability.
- The Group's operations are subject to the general risks of litigation, which could adversely affect the Group's financial results and cash flow.
- The Group is subject to risks associated with its trademarks and other proprietary rights.
- The Group is subject to extensive regulations and requires various licenses and permits to operate its business, and a failure to meet these regulations and license permit requirements could have a material adverse effect on the Group's results of operations and business.
- A failure to comply with data protection legislation, or a security breach or system failure in the Group's technical or IT infrastructure could have a material adverse effect on the Group's business, financial condition and prospects.
- Compliance with existing laws and regulations, or changes in any such laws and regulations could affect the Group's business, results of operations, financial condition and prospects.
- Cash flow constraints, arising from the Group's indebtedness and timing of contracted payments, may restrict the Group's ability to make investments and execute new strategies.
- The terms of, and constraints resulting from the Group's joint venture arrangements may have a material adverse effect on its business, results of operations, financial condition or prospects.
- A change in the tax rates, tax laws or practice by the relevant tax authority may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.
- The United Kingdom's withdrawal from the European Union could create political and economic uncertainty and risk, which may negatively affect the Group.
- Our forecasts and prospects could materially deviate from our results actually generated.

D.3 ***Key information on the key risks specific to the Subscription Offer and the Offered Shares***

- If the Offering is not completed, the allocation of Rights and the previously purported exercise of Rights or purchase of Offered Shares may be deemed not to have been made, and the Rights could lapse without compensation.
- The value of an investment in the Offered Shares may go down as well as up, and any fluctuations may be material.
- Any future issue of Shares or debt securities that are convertible or exercisable into Shares will further dilute the holdings of Shareholders and could adversely affect the market price of the Shares.
- An active trading market for the Offered Shares or Rights may not develop and, if a market does develop, the Rights may be subject to greater volatility than the Shares.
- The market price for the Shares may decline below the Offer Price and Shareholders may not be able to sell Shares at a favourable price after the Subscription Offer.
- Investors in the Offered Shares may be subject to exchange rate risk.
- It may not be possible to effect service of process upon the Company or the Directors or enforce court judgments against the Company or the Directors.
- The Company's ability to continue to pay dividends on the Shares will depend on the availability of distributable reserves.

- Shareholders who do not acquire Offered Shares in the Subscription Offer (defined below) will experience dilution in their ownership of the Company.
- Shareholders outside Switzerland or Ireland may not be able to subscribe for Offered Shares in the Subscription Offer.
- Investors will not receive compensation for expired and/or unexercised rights.
- The shareholders' resolution regarding the ordinary share capital increase may be challenged.
- It is not certain that the increase of the share capital in connection with the Offering will occur when anticipated, or at all.
- If a significant number of Offered Shares cannot be placed in the Subscription Offer and the Swiss Takeover Board does not grant another exemption (besides the Underwriter Exemption) to make a public takeover offer in time, the Offering might not be completed. Even if the Swiss Takeover Board grants an exemption, the increase of the share capital and the settlement of the Offering could be postponed.
- Subject to the Company's arrangements with CREST, CDI holders must rely on CREST to exercise rights attaching to the underlying Shares for the benefit of the CDI holders.

SECTION E—OFFER

E.1 ***Net proceeds and costs of the Offer***

The estimated net proceeds receivable by the Company (after the deduction of commissions, fees and expenses of, or incidental to, the Offering payable by the Company, estimated to be approximately CHF 57.0 million) from the Offering are CHF 843.2 million (assuming all Offered Shares are placed at the Offer Price). No expenses will be directly charged to subscribers of the Offered Shares in connection with the Offering.

E.2a ***Reasons for the Offering and use of proceeds***

The Offering is intended to create the necessary strategic and financial flexibility for the Company to implement its strategy and sustainably strengthen its capital base. The Company intends to reduce its debt, specifically to repay approximately €455 million outstanding under the Company's term loan facility (specifically, amounts outstanding under Facility A). In addition to reducing its debt, the Company will use the remainder of the proceeds from the Offering (of up to €285 million) for its working capital, and to secure cost savings through its Project Renew initiatives.

E.3 ***Terms and conditions of the Offer***

The Offering consists of (i) an offer in which the Shareholders who hold Existing Shares (other than the Company or its subsidiaries with respect to the 2,902,293 Existing Shares that are treasury shares) will receive Rights to subscribe on a pro rata basis for the Offered Shares at the Offer Price of CHF 1.00 per Offered Share (the "**Subscription Offer**") and (ii) a subsequent international offering, in which Offered Shares in respect of which Rights have not been validly exercised between 7 November 2018 and 15 November 2018, 12:00 noon (CET) (the "**Rights Exercise Period**") may be sold to eligible institutional investors or others, including through a sale on the SIX Swiss Exchange and the Irish Stock Exchange (the "**Share Placement**"). The Offering involves (x) public offerings in Switzerland and Ireland, (y) private placements outside the United States in accordance with applicable securities laws and in reliance on Regulation S under the US Securities Act of 1933, as amended (the "**Securities Act**"), and outside Ireland on the basis of exemptions provided by the Prospectus Directive, in accordance with applicable securities laws, and (z) private placements within the United States to qualified institutional buyers, as defined in, and in reliance upon, the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act.

Holders of Existing Shares (other than the Company or its subsidiaries with respect to the 2,902,293 Existing Shares that are treasury shares), after the later of the close of trading on the SIX Swiss Exchange and the Irish Stock Exchange on 6 November 2018 (the "**Cut-off Date**"), will be allotted 10 Rights per Existing Share held. One Right will grant the holder thereof the right to purchase during the Rights Exercise Period one Offered Share at the Offer Price (the "**Subscription Ratio**"). Rights may be only exercised in integral multiples of the Subscription Ratio. In certain jurisdictions, holders of Existing Shares (other than the Company or its subsidiaries with respect to the 2,902,293 Existing Shares that are treasury shares) may not be able to exercise their Rights.

The Company has applied for, and approval has been given by the SIX Swiss Exchange, subject to certain conditions, for the Rights to be admitted to trading on the SIX Swiss Exchange. The Rights are expected to be traded on the SIX Swiss Exchange during the Rights Trading Period. Eligible holders of Rights who wish to subscribe for Offered Shares must exercise their Rights during the Rights Exercise Period. Rights may only be exercised in integral multiples of the Subscription Ratio. Rights, which have not been validly exercised during the Rights Exercise Period (including Rights with respect to which the holders are not permitted to exercise such Rights in accordance with the terms described in this Prospectus, and exercised Rights in excess of the nearest integral multiple of the Subscription Ratio), will expire and become null and void without compensation. The exercise of Rights will be effective at the Offer Price and is irrevocable and may not be cancelled, modified, rescinded or withdrawn by those exercising. Offered Shares for which Rights have not been validly exercised during the Rights Exercise Period (including Rights with respect to which the holders are not permitted to exercise such Rights in accordance with the terms described in this Prospectus, and exercised Rights in excess of the nearest integral multiple of the Subscription Ratio) will be available for sale in the Share Placement. With regard to the listing and trading of Offered Shares, see Element "C.6 Admission".

The Company will receive the benefit of the placement of Offered Shares for which Rights were not exercised.

Delivery of Offered Shares purchased in the Offering will be made in intermediated form only, through the facilities of SIS. Delivery of the Offered Shares is expected to be made against payment of the Offer Price on or about 19 November 2018. CDIs will be cleared through Eurex Clearing AG and settled through Euroclear UK & Ireland's CREST system.

The Company will comply with its obligation to publish a supplementary prospectus containing further updated information, if so required by law or by any regulatory authority, but assumes no further obligation to publish additional information. Any notices containing or announcing results, amendments or changes to the terms of the Offering or this Prospectus are announced via electronic media (including via a regulatory information service). Notices required under the SIX Listing Rules will be published in electronic form on the website of SIX Swiss Exchange (currently: https://www.six-exchangeregulation.com/en/home/publications/official-notices.html) in the form of an official notice.

The results of the Offering will be published via electronic media and press release on or about 16 November 2018.

E.4 ***Material interests in the Offering***

Directors' and Executive Committee members' interests

Significant and exceptional challenges facing the business dictated that the Remuneration Committee was unable to confirm targets and make a long term incentive award during the 2018 financial year.

The interests in the share capital of the Company of the Board of Directors and the members of the executive management (the "**Executive Committee**") (all of whom, unless otherwise stated, are beneficial and include interests of persons connected with a Director or Executive Committee member) as at 31 July 2017 and on the date of this Prospectus were, immediately prior to Admission will be, and immediately following Admission are expected to be:

	Beneficial Interest			
Director	**2018 After Admission (expected number of Shares held)**	**2018 Before Admission (number of Shares held)**	**At the date of this Prospectus (number of Shares held)**	**At 31 July 2017 (number of Shares held)**
Director				
Gary McGann[(1)]	161,700	14,700	14,700	5,650
Charles Adair[(3)]	55,682	5,062	5,062	5,000
Dan Flinter	13,365	1,215	1,215	1,200
Annette Flynn	11,132	1,012	1,012	1,000
James B. (Jim) Leighton[(2)]	-	-	-	N/A
Andrew Morgan	-	-	-	-
Kevin Toland[(2)]	97,240	8,840	8,840	N/A
Rolf Watter[(1)]	78,507	7,137	7,137	7,050
Wolfgang Werlé[(2)]	N/A	N/A	N/A	2,336
Michael Andres[(3)]	-	-	-	N/A
Gregory Flack[(3)]	-	-	-	N/A
Tim Lodge[(3)]	-	-	-	N/A
Executive Committee				
Claudio Gekker	-	-	-	N/A
John Heffernan	14,014	1,274	1,274	N/A
Dave Johnson	-	-	-	N/A
Pat Morrissey[(4)]	N/A	N/A	N/A	131,922
Dermot Murphy[(4)]	N/A	N/A	N/A	35,000
Tony Murphy	-	-	-	N/A
Robert O'Boyle	111,397	10,127	10,127	10,000
Frederic Pflanz	-	-	-	N/A
Gregory Sklikas	-	-	-	N/A
Rhona O' Brien	-	-	-	N/A
Total	**543,037**	**49,367**	**49,367**	**199,158**

(1) Gary McGann and Rolf Watter were elected to the Board of Directors on 13 December 2016.

(2) Effective 7 December 2017, Wolfgang Werlé retired from the Board of Directors and James B. (Jim) Leighton and Kevin Toland were elected to the Board of Directors.

(3) Effective 1 November 2018, Charles Adair retired from the Board of Directors and Michael Andres, Gregory Flack and Tim Lodge were elected to the Board of Directors.

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

No Director or Executive Committee member has or has had any interest in any transactions, which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings, and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year, and which remain in any respect outstanding or unperformed.

There are no outstanding, unvested options in the share capital of the Company. As at the date of this Prospectus, save for Robert O'Boyle, who holds 22,500 vested but unexercised options at CHF 39.95, no Director or member of the Executive Committee holds any options in respect of any Shares.

The Remuneration Committee has decided that, from February 2019, the non-executive Directors of the Company (the "**Non-Executive Directors**") will be paid 40% of their fees in Shares rather than cash.

There are no outstanding loans or guarantees granted or provided by any member of the Group Executive Committee to or for the benefit of any of the Directors.

There are no family relationships between any of the Directors or the Executive Committee of the Company.

With the exception of Dan Flinter, who is a member of the board of directors of Dairygold Co-Operative Society Limited (which is a Shareholder of the Company as well as one of the Group's suppliers), and Annette Flynn, who is a member of the board of directors of Dairygold Co-Operative

Society Limited and Dairygold Finance DAC (which is a Shareholder of the Company), there are no Directors or members of the Executive Committee, who have any actual or potential conflicts of interest between any duties they owe to the Company and the private interests and/or other duties they may also have.

Save as disclosed in this Element E.4 which sets out the interests of the Directors and the Executive Committee members in the share capital of the Company, and except for James B. (Jim) Leighton, who has been retained to provide advice and consultant services in connection with Project Renew, as at the date of this Prospectus, there are no interests, including conflicting ones, that are material to the Offering.

Except for James B. (Jim) Leighton, for reasons described above, as at the date of this Prospectus, no Director or Executive Committee member holds a material interest in any significant contract with the Group or any of its subsidiaries.

None of the Directors or Executive Committee members were selected to be a Director or Executive Committee member of the Company pursuant to any arrangement or understanding with any major shareholder, customer, supplier or other person having a business connection with the Group.

Other Material Interests in the Offering

Affiliates of the Underwriters may have an interest in the Offering. In addition, the Underwriters have potential conflicts of interest material to the Offering. The Company recently entered into an amended facilities agreement with, among others, Bank of America Merrill Lynch International Limited, UBS Switzerland AG, Credit Suisse (Switzerland) Ltd., JP Morgan Chase Bank, N.A., London Branch, HSBC Bank plc, Mizuho Bank Ltd., CA Indosuez (Switzerland) SA (which is an affiliate of the Joint Bookrunner Crédit Agricole CIB), and Coöperatieve Rabobank U.A., trading as Rabobank London. The lenders under the amended facilities agreement have an interest in the offering, as it is anticipated that the majority of the proceeds from this Offering will be used to repay outstanding amounts to the lenders under the amended facilities agreement. The lenders receiving proceeds from this Offering include certain Underwriters or their affiliates. Therefore, the interests of certain Underwriters may conflict with those of the Company, Shareholders exercising their Rights, or other investors purchasing shares in the Offering.

The Underwriters have fully underwritten the Offering, subject to certain conditions. One of these conditions is that the Underwriters will receive – other than the "underwriter exemption" (i.e., a general 3-month exemption for underwriters in capital increases according to which the underwriters are exempted from a mandatory takeover bid even if (during these 3 months) their holdings, alone or as a group, of shares of the respective company's share capital exceed the below-described threshold of 33 1/3%, filed with the Swiss Takeover Board (*Übernahmekommission*) on 25 October 2018, granted on 1 November 2018 (the "**Underwriter Exemption**") – an exemption from the Swiss Takeover Board from the obligation to make a mandatory takeover offer for the Shares if the aggregate of (a) the number of Shares for which Rights have not been validly exercised, plus (b) the number of Shares held by the Underwriters, including any Shares held by any group company of the Underwriters, for trading purposes or otherwise as last available (the "**Underwriter Shares**"), plus (c) the number of Offered Shares that would be allocated to the Underwriters assuming that all Rights for the Underwriter Shares are exercised, is equal to or exceeds, after having added a cushion of five percent of the Hypothetical Share Capital (as defined below), 33 1/3% of the share capital of the Company that would be registered in the Commercial Register in case the Offering were to be consummated (the "**Hypothetical Share Capital**"). The Underwriters could acquire up to 90.6% of the Company's share capital. This represents more than 50% of the share capital of the Company and could trigger a change of control. If more than 33 1/3% of the Company's share capital is acquired by the Underwriters, the Underwriters would have de facto control of the Company (depending on the level of attendance of other Shareholders at shareholders' meetings of the Company), but would not have to make a mandatory offer for the remaining outstanding Shares. This represents a potential conflict of interest with the interests of the existing Shareholders or other investors that might acquire Shares.

	Pursuant to the Underwriting Agreement, if the Underwriters hold any of the Offered Shares following the completion of the Share Placement, and such Offered Shares are sold at a price higher than the Offer Price, the Underwriters will receive the benefit of such sale. If the Offered Shares, however, are sold during the Share Placement at a price greater than the Offer Price, the Company receives the benefit of such sale. Where the market price for the Offered Shares is greater than the Offer Price at the end of the Rights Exercise Period, the Underwriters will have a financial incentive not to place the Offered Shares in the Share Placement, even though the Underwriters are, in this case, obliged to use commercially reasonable efforts to sell such Offered Shares at a price above the Offer Price. This represents a potential conflict of interest with the Company and its shareholders.
E.5	***Name of the person or entity offering to sell the security.*** The Offered Shares are being offered for sale by the Company. ***Lock-up agreement: the parties involved; indication of the period of the lock-up.*** The Company has entered into a lock-up undertaking with the Underwriters ending 180 days after the first day of trading of the Offered Shares. During this period, the Company has agreed, not to, subject to customary exceptions, issue new Shares. All Directors and all members of the Executive Committee have entered into lock-up undertakings with the Underwriters ending 180 days after the first day of trading of the Offered Shares. During this period, the Directors and the members of the Executive Committee have agreed, inter alia, not to offer, lend, or sell any option or Shares.
E.6	***Dilution*** Rights to subscribe for 900,184,940 Offered Shares will be issued to current holders of the Company's 92,920,787 Existing Shares (other than the Company or its subsidiaries with respect to the 2,902,293 Existing Shares that are treasury shares). If an existing equity holder does not exercise his or her or its Rights during the Rights Exercise Period, he or she or it will experience immediate dilution in an amount of 90.91%.
E.7	***Expenses charged to the investor*** Not applicable. No expenses will be charged by the Company to any investor who subscribes for or purchases Offered Shares in the Offering.

PART 1. Risk Factors

An investment in the Company, Rights, Offered Shares and/or CDIs is subject to a number of risks. Accordingly, investors and prospective investors should carefully consider all of the information set out in this Prospectus including, in particular, the risks described below, prior to making an investment in such securities. The Group's business, financial condition, results of operations and prospects could be materially and adversely affected by any of the risks described below. In such cases, the market price of the Rights or Shares may decline, and investors may lose all or part of their investment.

The risks below are all those, which the Directors are aware of as at the date of this Prospectus and which they currently believe may materially affect the Company and/or Group. These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. The risks set out in this "Part 1 Risk Factors" are based on information known at the date of this Prospectus. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may exist or become material and could adversely and materially affect the Company and/or the Group. This Prospectus also contains estimates that involve risks and uncertainties. The Group's results may differ significantly from those previously estimated as a result of certain factors, including the risks which it faces, as described below. The selected sequence of the risk factors mentioned below represents neither a statement about the probability of the risks' realisation nor an assessment of the extent of the economic effects or the importance of the risks.

1.1 Risks relating to the Group's business

1.1.1 ***Cost reduction and efficiency improvement measures in connection with Project Renew may not deliver the targeted benefits as envisaged, which may have a material adverse effect on our business, operating results, financial condition or prospects.***

The Company is in the process of implementing a group-wide strategy for cost saving and efficiency improvement measures ("**Project Renew**"). Project Renew was initiated by the management board in June 2018, with the objective of reducing the cost base (i.e. expenses for its operations) of the Group by approximately €200 million over the next three years (with €150 million of one-off costs), with an annualised run-rate (i.e. annual cost savings) of €90 million, beginning with the financial year ending 31 July 2021. On an operational level, the strategy aims to improve the performance of the Group by creating a more streamlined and fit-for-purpose commercial company. On an organisational level, Project Renew strives to implement improvements to the working culture and to introduce a flatter hierarchical system among its personnel.

More than 200 initiatives have been identified to assist the Company in this transformative step-change of its operations. The initiatives can be grouped into several categories:

- Cost reductions relating to the operational model and personnel, principally by adjusting the levels of centralisation and outsourcing within the Company's corporate structure and headcount reductions within its personnel structure;
- Enhancements to the procurement and supply chain structure of the Company, which involve, for example, optimisations of the processes to purchase finished goods and raw materials, and measures to reduce transport spending or the outsourcing of logistics; and
- Automation and manufacturing initiatives within the bakery and packaging areas in order to gain plant efficiencies and capacity improvements, while at the same time retaining appropriate flexibility for market changes.

The cost reductions and efficiency improvement initiatives, or components thereof, may not deliver the intended benefits within the time frame the Company targets. This may result in implementation costs in excess of the estimated €150 million or may not be delivered at all. The actual results of the initiatives may differ materially from the targets, and there can be no assurance that the initiatives will be successful.

The implementation of Project Renew is a complex exercise, involving a significant number of territories, and is subject to a number of interdependencies. Therefore, there is a significant risk associated with the successful implementation of Project Renew. For example, the Group's initiatives to automate and modernise high manual labour facilities within the bakery and packaging areas require specialised project skills in the engineering, implementation and assembly of complex modular processes that might not always be readily available. Further, changes within the personnel structure and associated headcount reductions might negatively affect the morale of the workforce of the Group and tarnish the image of the Company as being a preferred employer to attract and retain talent. Initiatives to achieve cost reduction in the procurement and supply chain structure by simplifying operations and streamlining production processes might also lead to a negative impact on customer satisfaction and a perceived drop in product quality. Failure to deliver individual components of Project Renew, whether across the Group as a whole or within individual business segments, may therefore lead to delays or increased implementation costs, or may compromise our ability to achieve the envisaged cost reductions that the Company is targeting.

The implementation of Project Renew requires a significant amount of management time and attention, which may disrupt or otherwise have an adverse effect on our on-going business operations. This risk may be exacerbated by our plans to undertake changes to the operational model and the procurement and supply chain structure of the Company including, for example, the outsourcing of certain IT functions or logistics and a realignment of the sales structure. Failure to provide sufficient management capacity to the implementation of Project Renew may therefore lead to disruptions to our business operations and may have a material adverse effect on our business, operating results, financial condition or prospects.

There can also be no assurance that the cost reductions and efficiency improvements that the Company is targeting through the implementation of Project Renew will be fully realised, that they will be achieved within the targeted time frame or that our expectations with respect to the associated implementation costs will not be exceeded. Furthermore, there can be no assurance that the anticipated cost reduction measures will not have a negative impact on revenue or that the Group will be able to mitigate such impact. In such event, the anticipated cost reductions and efficiency improvement measures may not improve, or may even reduce, profitability.

If the targeted cost reductions and efficiency improvements initiatives are not fully realised or achieved within the anticipated time frame, or at all, this may have a material adverse effect on the Group's business, operating results, financial condition or prospects.

1.1.2 ***The Group has significant borrowings and liabilities, the amount and terms of which may limit its financial and operational flexibility. If the Group does not receive the proceeds from the Offering or is otherwise unable to comply with the financial and other restrictive covenants in its financing agreements, there could be a default or event of default.***

The Group's 2017 financing agreements (see "*Part 21 Additional Disclosure – 21.10.2.1 2017 Facilities Agreement*" below) contain a number of covenants, including financial covenants, requiring the Group and its subsidiaries to maintain a maximum leverage ratio (Bank Covenant Net Debt: EBITDA Ratio) and a minimum interest coverage ratio (Bank Covenant Net Interest Coverage Ratio), which limit the Group's financial and operational flexibility. The Group's Bank Covenant Net Debt: EBITDA Ratio has increased in recent years, due primarily to falling Underlying EBITDA. The Board has recognised that strengthening the Group's balance sheet is desirable to support the operations of the Group, and as a result, the Board has concluded that it is in the Group's best interest to proceed with the Offering.

The Group has concluded that, under a reasonable base case scenario (i.e. business units achieving Underlying EBITDA or revenue targets) and even where the Subscription Offer would not be completed or is not fully subscribed, it would not breach the covenants in its 2017 Facilities Agreement as at the next covenant test date (with respect to the 12 months ending on 31 January 2019) or subsequent semi-annual covenant test dates. However, the Underwriting Agreement is conditional, and under a reasonable worst case scenario where the Subscription Offer does not complete or cannot be fully subscribed and if the risks assumed in the reasonable worst case scenario (i.e. business units not achieving Underlying EBITDA or revenue targets) were to come to pass (and no other actions were taken by the Group (such as cost reductions under Project Renew or disposals)), it is possible that the Group would have breached its covenants as at the next covenant test date on 31 January 2019 (with respect to the 12 months ending on 31 January 2019).

In case the Subscription Offer does not complete or is not fully subscribed, the Group has taken a prudent approach and has renegotiated the terms of the 2017 Facilities Agreement and has secured amendments from them which have been in effect since September 2018. In case the Offering is not successful, these amendments will provide an increase of the leverage covenant (Bank Covenant Net Debt: EBITDA Ratio) from 4.0 to 5.75 for the period ending on 31 January 2019 and 3.5 to 5.25 for the period ending on 31 July 2019, with a ratio of 3.5 for the periods thereafter, and a decrease of the interest cover covenant (Bank Covenant Net Interest Coverage Ratio) from 3.0 to 2.0 for the periods ending on 31 January 2019 and 31 July 2019, with a ratio of 3.0 for the periods thereafter, and a margin increase to 3.5% until 31 December 2018 and 4.0% from 1 January 2019. Unlike the Bank Covenant Net Interest Coverage Ratio, the margin increase and amendments to the Bank Covenant Net Debt: EBITDA Ratio will revert back to their previous conditions upon the successful completion of the Offering. Even if the Group is unable to raise sufficient proceeds from the Offering, the amendments will only provide for lighter covenants for the financial year ending 31 July 2019. There can be no assurance that the Group will be able to obtain further amendments to the Group's financing documents at all or without significant cost to the Group in the form of additional fees payable, including make-whole payments for refinanced indebtedness, amendment fees, increased interest payments or additional restrictions on its business, or that the Company performs well enough to not breach its covenants.

Even following such amendment, if the Subscription Offer is not completed by 31 May 2019 and if the risks assumed in the reasonable worst case scenario were to come to pass, the Group may nevertheless breach its covenants as at the additional covenant test date, which will occur on 31 October 2019. Such a breach could result in acceleration of the Group's outstanding debt and the lenders would have the right to demand repayment of all amounts under the 2017 Facilities Agreement and could deny further utilizations under the 2017 Facilities Agreement. Such acceleration would allow the holders of the Group's promissory loan agreements (*Schuldscheindarlehen*) to terminate their agreements and demand repayment of the outstanding balance.

Any anticipated difficulties to meet the covenant test as of 31 October 2019 would also have implications ahead of the extraordinary covenant testing date. Under the financing documents, the Group needs to represent to the lenders at each testing date, and to confirm to the lenders with each semi-annual covenant compliance certificate, that no breach of covenants is imminent or likely, which it would have trouble doing as soon as it looked as if the Subscription Offer would not be able to be successfully completed.

Further, as a result of the recent amendment, the Group may find it more challenging to refinance its outstanding debt as it becomes due. As a result, if the assumptions under the reasonable worst case scenario come to pass, and the Subscription Offer does not proceed, and the Group is not able to obtain appropriate amendments to the Group's financing documents and/or reduce capital expenditure sufficiently and/or to sell sufficient assets, there is a risk that the Group may breach its Bank Covenant Net Debt: EBITDA Ratio or its Bank Covenant Net Interest Coverage Ratio.

Even following a successful Subscription Offer, the Group faces upcoming maturities through the calendar year 2019 in a total amount of €286 million, including under the Group's promissory loan agreements. The failure to repay the maturing loans would not only result in a default under these loans but also in a cross-default under the 2017 Facilities Agreement and possibly further contracts the Group has entered into. In addition, the Group must continue to make amortisation payments on its term loan facilities and be subject to affirmative and negative covenants in its existing financing documents in addition to its financial covenants such as limitations on the granting of security, sale of assets and incurrence of debt, all of which will limit the flexibility of the Group in running its business and may have other operational impacts on the Group, including:

- Requiring the Group to use available cash flow to service its debt obligations, thereby restricting the Group's ability to pay dividends or other distributions to shareholders and limiting the Group's ability to make acquisitions as well as capital expenditure or other investments in the Group's business; and
- placing the Group at a disadvantage compared to its competitors that may be less leveraged or restricted by financial covenants.

The breach of a financial or other covenant or the failure to meet any of the obligations under the financing agreements governing the Group's debt would result in a default or event of default under such agreements, which in turn could result in a number of adverse consequences including, the acceleration of the outstanding amounts requiring immediate repayment of the related debt in part or in whole, prohibiting the Group from rolling over the loans under the revolving credit facility or drawing additional funds, significant increases in interest rates and other financing costs. If the debt under the Group's material financing arrangements were to be accelerated, the Group's assets may be insufficient to service the Group's debt.

Any of the above factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.3 *Changing dietary trends and the increased emphasis on health and wellness among consumers could impact demand for the Group's products and present risks for the Group.*

The success of the Group's business depends on the continued appeal of the range of products it offers. If the Group does not anticipate or react quickly to a shift in consumer preferences or demand, it could affect sales and revenue and have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

Popular media publications often promote dietary changes and the reduction of complex carbohydrates which, given that the Group specialises in baked goods production, make up a large proportion of the Group's product base. If this trend were to continue, it could negatively impact the Group's sales, revenue and profitability. Additionally, the Group is affected by evolving nutritional and health-related concerns as consumers have become increasingly focused on health and wellness with respect to the food products they consume (and their ingredients). Demand for the Group's products could be affected by consumer concerns regarding the health effects of frozen or baked products or ingredients such as trans-fats, sugar, processed wheat or other product attributes.

Moreover, in a variety of countries in which the Group operates (including the United Kingdom and Ireland), additional taxes or surcharges have been introduced for beverages with added sugar to reduce their consumption, and it cannot be ruled out that such taxes or surcharges could be extended to other categories of food with added sugar, such as certain of ARYZTA's products, which could impact the demand for such products.

The ability to anticipate dietary changes in the market and utilise research and development functions to develop new products which meet consumers' changing demands is key to the Group's continued success. Given the varied backgrounds and tastes of the Group's customer base, the Group must offer a sufficient range of products to satisfy a broad spectrum of preferences. The Group may not be successful in accurately predicting customer preferences or demand for certain products. Failure to identify accurately or to respond effectively to changing customer preferences or demand could negatively impact the Group's relationship with its customers and/or affect the Group's sales, market share and/or profitability. Further, if the Group misjudges demand, it may build up excess inventory for certain products.

Any of the above risks could have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

1.1.4 ***Adverse developments with respect to the safety or the contents of the Group's products and/or the baked goods industry in general may damage the Group's reputation, increase its costs of operation or decrease demand for its products.***

Food safety and the public's perception that the Group's products are safe and healthy are essential to the Group's reputation, brand image and business. The Group faces operational risks associated with product contamination and general food scares affecting relevant products. The Group sells food products for human consumption, which subjects it to safety risks such as product contamination (including the presence of a foreign object, substance, chemical or other agent or residue or the introduction of a genetically modified organism), spoilage, misbranding and product tampering. If any such safety risks were to materialise it could lead to widespread product withdrawals or recalls, negative publicity, loss of consumer confidence in the safety and quality of the Group's products, damage to the Group's brand, reputation and image, destruction of inventory, temporary facility closures, lost production time, claims or lawsuits relating to an actual or alleged illness stemming from product contamination or any other incidents, investigations, fines and/or substantial costs of compliance or remediation. Any of the above consequences could negatively impact the Group's sales, profitability and prospects for growth and have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

The Group strives to control the risks related to product quality and safety through the implementation of, and adherence to, strict quality standards. The Group manufactures the majority of the products which it sells and sources the remainder from third party suppliers. The Group cannot guarantee that its efforts will continue to be successful or that such risks with respect to quality and safety will not materialise.

Even if the Group's own products are not affected by product contamination (or other incidents that compromise their safety and quality), negative publicity about the food industry generally or the ingredients or health implications of the Group's products could result in reduced consumer demand. The Group is subject to risks affecting the food industry generally, including risks posed by widespread contamination and evolving nutritional and health-related concerns (see "*1.1.3 Changing dietary trends and the increased emphasis on health and wellness among consumers could impact demand for the Group's products and present risks for the Group.*").

Regulatory authorities may limit the supply of certain types of food products in response to public health concerns, and consumers may perceive certain products to be unsafe or unhealthy, which could require the Group or its suppliers to find alternative supplies or ingredients that may or may not be available at commercially reasonable prices and within acceptable time constraints. In addition, governmental regulations may in future be implemented which require the Group to identify replacement products to offer to its customers or, alternatively, to discontinue certain offerings or limit the range of products offered. The Group may be unable to find substitutes that are as appealing to its customer base, or such substitutes may not be widely available or may be available only at increased costs. Such substitutions or limitations could also reduce demand for the Group's products.

Although the Group takes active measures to monitor food safety and quality, underlying trends in the food industry in general and towards healthy food in particular, there is no guarantee that such measures will always be successful. If any of the above risks were to materialise, it could negatively impact the Group's brand, reputation and image or negatively impact its sales, revenue and/or profitability, which could in turn have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

1.1.5 ***Failure to address increasing compliance requirements in areas such as health and safety and environment could subject the Group to investigations, penalties and/or fines.***

The Group is subject to numerous health, safety and environmental laws and regulations, including laws and regulations relating to the creation and maintenance of the conditions called for in the Group's production and distribution facilities, the remediation of water supply and use, water discharge, air emissions, waste management, noise pollution, and workplace and product health and safety. Health, safety and environmental legislation has tended to become broader and stricter over time, and enforcement has become more stringent. The Group tries to follow and anticipate such changes, but any failure to do so may lead to penalties or fines. If health, safety and environmental laws and regulations in the jurisdictions in which the Group has operations or from which it sources ingredients are strengthened in the future or interpretations thereof evolve, the extent and timing of capital expenditures required to maintain compliance may differ from the Group's internal planning, and may limit the Group's availability of funding for other investments. In addition, if the costs of compliance with health, safety and environmental laws and regulations increase, and it is not possible for the Group to integrate these additional costs into the price of its products, such cost increases could reduce the Group's profitability and net operating revenues. Any of the above factors could have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

As a producer and distributer of food products for human consumption, the Group is subject to stringent production, packaging, health, quality, labelling, transportation, storage and distribution standards across numerous jurisdictions. The Group's production facilities, distribution centres and suppliers' facilities are subject to licencing and reporting requirements, as well as regular inspections by numerous local and national governmental authorities to ensure compliance with licences as well as various health, safety, sanitation, labour relations, building zoning and fire regulations. Difficulties in obtaining or failure to obtain or comply with the necessary licences, approvals, reporting requirements or regulations could delay or prevent the development or operation of a given production facility or distribution centre. Additionally, any changes in licencing requirements, standards or regulations may require the Group to implement new quality controls and possibly to invest in new equipment, which could delay the development of new products and increase operating costs of existing or new facilities. Non-compliance with standards or regulations may result in a relevant government authority temporarily shutting down the production facility, distribution centre or supplier's facility concerned and/or levying a fine for such non-compliance, which could have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

Furthermore, health, safety and environmental laws and regulations, and civil liability (tort) rules could expose the Group to liabilities. Under some of these laws and regulations, the Group could be liable for investigating or remediating contamination at properties, which it owns or occupies. The discovery of previously unknown contamination, or the imposition of new obligations to investigate or remediate contamination at the Group's properties, could result in substantial unanticipated costs. In some circumstances, the Group could be required to pay fines or damages under these laws and regulations. Regulatory authorities may also require the Group to curtail operations or close facilities temporarily or permanently. In addition, although the Group monitors the exposure of the Group's employees and neighbours to risks connected with its operations, the Group may be subject to health claims resulting from actual or alleged exposure to hazardous materials, as well as to claims by government authorities, individuals and other third parties seeking damages for alleged personal injury or property damage resulting from hazardous substance contamination or exposure caused by the Group's operations.

Although the Group believes that it conducts its operations in a way that reduces health, safety and environmental risks and has in place appropriate systems for identifying and managing potential liabilities, it may not have identified or addressed all sources of health, safety and/or environmental risks, and there can be no assurance that the Group will not incur health, safety and environmental related losses or that any losses incurred will not have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

1.1.6 ***The Group is vulnerable to fluctuations in the price and availability of labour, raw materials, packaging materials and freight.***

The raw materials, packaging materials and freight, which are used by the Group and its suppliers, are subject to price fluctuations. Such fluctuations are attributable to, among other things, inflation, changes in the supply of, and demand for, crops and other commodities (such as dairy products, in particular butter and cheese, flour, fats and oils, nuts, seeds, sugar and other sweeteners), the weather and growing conditions, fuel and energy prices and government-sponsored agricultural and livestock programmes. In particular, the availability and the price of fresh dairy (including butter), flour and other agricultural commodities can be volatile. The Group has recently experienced intense pressure on margins as a result of higher prices for butter. For example, butter prices more than doubled from $2,293 per metric ton in August of 2015 to more than $6,000 per metric ton in September of 2017. Additionally, epidemics in animal populations and local, national or international quarantines can also adversely affect commodity prices in the long- and short-term. Government export enhancement programmes can also have a material effect on commodity prices. These fluctuations may adversely affect the Group's suppliers, who could be forced to raise their prices for the Group's products when renegotiating supply contracts, or earlier if not contracted.

Although the Group attempts to reduce its exposure to price fluctuations to a limited extent by buying certain commodities at opportune moments during the year and through hedging arrangements (derivative contracts), the Group's ability to avoid the adverse effects of pronounced, sustained price increases in commodities and energy is limited. Furthermore, the Group's ability to pass along higher costs through price increases to customers is limited by the competitive pricing conditions in the Group's industry (and even if the Group were able to pass increased costs on to customers, the higher prices might lead to reduced demand or negative changes in the product mix). Any of these factors could negatively impact the Group's cost of sales, gross margins, revenue and profitability, which in turn could have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

Suppliers could increase the prices of their products or fail to deliver sufficient quantities to the Group. Further, any deterioration in the Group's creditworthiness with its suppliers could have a negative impact on the supply to it of products or services. Although alternative suppliers are available, there are difficulties in moving products from one supplier to another without affecting the availability of products. As part of the Group's strategy, it aims to further enhance profitability by utilising its centralised procurement function and purchasing power to achieve more favourable pricing terms from its suppliers, by closely monitoring its operating expenses, and by seeking to optimise its supplier and product mix. The Group's failure to maintain or improve pricing terms from its suppliers as its business grows could have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

Moreover, labour costs may increase in the future, in particular in regions with low unemployment, such as North America and Europe. Such increases in labour costs may be significant and could impact the availability and retention of labour, which in turn could also have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

Distribution of the Group's products requires the use of trucks, refrigeration, and fuel. The cost of freight and distribution varies significantly throughout the countries in which we operate. Higher fuel and transportation costs reduce our margins and can have a material adverse effect on our business. Moreover, significant amounts of electricity are needed to maintain the Group's production and storage facilities. The Group expects that electricity costs will generally increase in the future. Such increases may be significant, which could also have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

1.1.7 ***Supply disruptions, or a failure of suppliers to meet the Group's quality standard and other specifications, could adversely impact ongoing operations of the Group's business.***

The Group relies on third party suppliers for both commodities and certain of its products. This exposes the Group to risks that such suppliers may fail to meet timelines, provide the Group with sufficient commodities or products or comply with the Group's specifications and/or quality standards. Additionally, any significant disruption in the workforce of a third-party supplier due to a labour disturbance, strike or other work stoppage could have a material adverse effect on the supply of commodities or products to the Group. Any failure or loss of a significant supplier could negatively impact the Group's business operations, sales and/or profits if the Group fails to meet customer demands or loses key customers as a result. Any of these factors could have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

The use of third-party suppliers places increased demands on the Group's quality control systems and exposes the Group to risks that the products provided may not meet the relevant quality standards or customer specifications. Although the Group carefully monitors its third-party suppliers and maintains an audit program to ensure strict compliance with the Group's specifications, there can be no assurance that such measures will be effective in all cases in the future. Further, the Group's interests may conflict with those of its suppliers, especially external producer partners, which may damage the Group's relationships with them. There is no assurance that the Group's current suppliers will continue to supply the Group with products on the terms it has previously enjoyed, which could disrupt business operations, sales and relationships with key customers and in turn have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

The Group relies upon high-quality third-party suppliers in the industry who are prepared to provide sufficient volume and quantity of commodities and products to the Group. If the Group was required to obtain additional or alternative agreements or arrangements in the future with third-party suppliers, it may be unable to do so on satisfactory terms or in a timely manner. This could restrict the Group's ability to implement its business plan, maintain its quality standards, protect the Group's brand or meet customer demand. Any adverse changes to the Group's relationships with its suppliers or quality issues caused by its suppliers could have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group, including its brand image and reputation.

1.1.8 ***The Group operates in a competitive industry.***

The specialty bakery market is highly competitive. The Group's competitors consist of some of the largest food production companies in the world, as well as lesser specialty bakeries, who service a defined customer base. The Group is exposed to the risk that competitors will increase their market share, adapt more quickly to changes in the market, become more attractive to consumers, better cater to market niches, disrupt the Group's current customer relationships or supply chains, or otherwise negatively impact the Group's business. The Group has lost a portion of business from larger customers as a result of its existing customers insourcing all or a portion of the production of specialty baked goods. The Group remains subject to the risk that new competitors may include former customers, and those customers no longer requiring the Group's services or no longer ordering the same volume of the Group's products and services. Any of these risks could have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

1.1.9 ***The Group is subject to customer concentration risk.***

While the Group strives to develop and maintain a unique position in the specialty bakery market and its customer channels consist of a mix of large retail, convenience and independent retail, QSR, and other food service categories, the loss of one or more of the Group's larger customers could negatively impact the sales performance and profitability of the Group, and in turn have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

The Group has a diversified customer base, with only one single customer accounting for slightly more than 10% of the Group's revenue. Nonetheless, according to management estimates, the top 20 customers account for around half of the Group's revenue. Should the Group lose one or more of the top 20 customers (either to a third-party competitor, as a result of customer insourcing, because a customer goes out of business or for any other reason), it may have a negative impact on the Group's sales and profitability which could have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

1.1.10 ***The Group may be adversely impacted by changes in industry structure.***

Large retailers, who have ISB, are a key customer group for ARYZTA, and ISB is a key distribution channel for the business. Like other food companies, the Group is exposed to changes in the retail industry structure, including the rise of large retailers, discounters, and online retail, particularly those that impact foot traffic.

Insourcing among the Group's existing customers and/or among other retailers in the markets in which it operates has resulted and could further result in the loss of large volumes or efficient lines to customers, seeking to reduce their dependence on the Group or to increase their own profits. In addition, some customers may choose to diversify their supply chains, reducing volumes transacted with the Group. Losing profitable sales and volumes to such customers has and may continue to have an adverse effect on the Group's results of operations, result in overcapacities or the closure of bakeries, and reduce profitability. In addition, if an existing customer of the Group is acquired by another entity, whether by a competitor of that customer or a new market entrant who is not an existing customer of the Group, the combined entity may take business away from the Group in favour of other suppliers and/or seek to impose new terms on the Group. Also, the Group has no assurance that volumes from larger retailers will remain at current levels, since such retailers typically only forecast orders eight to twelve weeks in advance. Volumes from larger retailers could, therefore, decrease significantly with relatively short notice. Any of the foregoing risks related to changes in the industry structure could have a material impact on the Group's business, results of operations, financial condition and prospects.

1.1.11 ***Adverse economic conditions could result in a decrease in consumer spending.***

The Group conducts its operations principally in Europe and North America and the Group relies significantly on revenue from these regions to fulfil its strategic objectives. For the financial year ended 31 July 2018, 93% of the Group's revenue was taken from sales in these markets. Therefore, the Group is particularly influenced by economic developments and changes in consumer habits in Europe and North America. The Group's business and the food industry as a whole have been affected by the ongoing global economic volatility which effects consumption. For example, consumption in the United Kingdom has been impacted by fears regarding the United Kingdom's exit from the European Union. Any future economic downturn in the Group's principal markets would be likely to reduce demand for the Group's value-added products, drive down prices and impact gross margins, which in turn could have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

1.1.12 ***The Group may be adversely affected by fluctuations in currency exchange rates.***

As an international group with substantial operations and interests outside the eurozone, the Group is subject to the risk of adverse movements in foreign currency exchange rates. The Group is particularly affected by the exchange rate between the euro, US dollar, the Canadian dollar, pound Sterling and the Swiss Franc, but also by currency fluctuations of emerging market currencies relating to operations in the ARYZTA Rest of World segment. Exchange rate fluctuations may have both translation and transaction effects. The Group's reporting currency is euro, however, the Group has operations in numerous countries outside the eurozone, including, Australia, Brazil, Canada, Denmark, Japan, Malaysia, New Zealand, Singapore, Sweden, Switzerland, Taiwan, the United Kingdom and the United States.

Currency translation effects occur when the financial statements of the Group's subsidiaries which are recorded in their respective local currency are converted into euro upon being consolidated into the Group's financial statements. Translation effects can diminish the impact of positive results or increase the impact of negative results recorded by such consolidated subsidiaries. In particular, the Group may observe a negative impact caused by translation effects when the euro is strong in comparison to other foreign currencies (particularly the US dollar, the Canadian dollar, pound Sterling and Swiss Franc). For example, in the financial year ended 31 July 2017, the strengthening of the euro compared to the US dollar had a substantial negative impact on revenue reported by the ARYZTA North America segment. The Group does not hedge translation risk, but it is the Group's policy to reduce balance sheet exposures by matching foreign currency denominated assets with foreign currency borrowings, where possible.

Transaction effects occur when a subsidiary of the Group is unable to match sales revenue received in one currency with the cost of sales paid in the same currency. This exposes such subsidiary's results of operations to currency exchange rate fluctuations. For example, subsidiaries in the ARYZTA Rest of World segment typically import finished products from other overseas subsidiaries in the Group and are therefore susceptible to transaction effects as a consequence of exchange rate fluctuations. We are also subject to transaction effects in doing business between the United States and Canada, where goods are sometimes baked in one country, but distributed and sold in another. The Group generally hedges identified transaction effects to lock in margins where purchase and sales prices on committed or anticipated budgeted contracts are known, and one or the other is expressed in a foreign currency.

The Group's attempts to match foreign currency assets and borrowings and the Group's hedging strategy for transaction effects may not be successful or sufficient to negate foreign currency risk. For this and the above reasons, fluctuations in currency exchange rates have had and could continue to have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

1.1.13 ***Failure to develop successful and innovative products or keep up with consumer preferences could adversely affect the Group's business.***

Consumer demand in the markets in which the Group operates depends upon a range of factors outside the Group's control, including demographic factors, consumer preferences, dietary trends (such as the increase in low carb or paleo diets) and discretionary consumer spending. A decline in consumer demand or changes in consumer preference in the markets in which the Group operates could substantially reduce the Group's revenue and profitability and this may have a material adverse effect on its business, results of operations, financial condition and prospects.

The success of the Group's business and organic growth depend on the continued popularity of the range of products the Group offers through its ability to predict, identify and interpret demand, anticipating the changing tastes and dietary habits of consumers and introducing successful new products to meet their needs. Successfully introducing innovative products that reflect consumers' preferences on a regular basis is important to the Group's ability to maintain its level of sales. As a result, the future degree of market acceptance of any of the Group's new products, which may be accompanied by significant levels of promotional expenditures, is likely to have a material impact on the Group's business, results of operations, financial condition and prospects.

The Group's future results and its ability to maintain or improve its competitive position will depend on its ability to gauge the direction of its key markets and to successfully identify, develop, manufacture, market and sell new or improved products in these changing markets. If the Group is unable to continue developing a sufficient range of new products, if the Group is unable to keep up with trends, or if consumer preferences shift away from the Group's product offerings, it could become less competitive, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.14 ***The Group may have difficulties implementing its strategy or may fail to achieve its targets and expectations for its business, any of which could have a material adverse effect on the Group's business and results of operations.***

The Group has communicated certain targets in connection with Project Renew, specifically cumulative cost savings of at least €200 million and annual run-rate savings of €90 million over its current cost base beginning with the financial year ending 31 July 2021. The Group expects mid- to high single digit organic Underlying EBITDA growth in the financial year ending 31 July 2019 (applying the budgeted exchange rates for the financial year ending 31 July 2019 on a like-for-like basis and excluding any disposals) and is aiming toward Underlying EBITDA margins in the range of 12% to 14% in the medium term (also see "*1.1.36 Our forecasts and prospects could materially deviate from our results actually generated.*" below). In addition, the Group has been targeting disposals of €450 million since the financial year ended 31 July 2017 and increased cash generation to strengthen its balance sheet. As part of this disposal target, the Group has announced steps to focus on its core business, and has been considering a disposal of its investment in Picard Surgelés SAS, held indirectly via Lion/Polaris Lux Holdco S.à r.l,, the indirect parent company of the Picard Group ("**Picard**", please also see "*Part 8 Business Description – 8.6.5 Equity Investment in Picard*" below). The Group may communicate other targets or strategic goals from time to time, but these targets and any other guidance, growth or savings targets, and strategic goals are, of necessity, based on past performances and may not accurately predict actual results in the future. In addition, part of the Group's strategy has been to grow organically and to use innovation to drive value for customers and revenue for the Group. The Group's ability to implement its strategy is dependent on a variety of factors including market performance, behaviour of customers and competitors, timely implementation of cost efficiency measures, regulatory developments, and continuity of the Group's business and management. Any inability by the Group to grow and manage customer partnerships or react to customer trends or changes in businesses in the future in a timely and efficient manner, any inability to achieve a substantial portion of any anticipated cost savings or other anticipated benefits from these partnerships and/or cost reduction plans in the time frame the Group anticipates or any unanticipated required increases in trade, promotional or capital spending could adversely affect the Group's ability to reach its targets, implement its strategy, and could also negatively and materially impact the Group's business, results of operations, financial condition or liquidity.

1.1.15 ***The Group is subject to risks associated with its international markets.***

The Group operates bakeries in 20 countries and sells to customers in 29 countries, deriving a large majority of its revenues from sales outside Switzerland and Ireland. Furthermore, it intends to continue to expand its international operations as part of its strategy. Operating in international markets requires significant resources and management attention and subjects the Group to political, economic and regulatory risks. These include:

- consumer preferences and local market conditions;
- competition from established companies;
- the impact of local tax, zoning, land use and environmental rules and regulations on the Group's ability to build or acquire new facilities;
- recruiting and retaining suitable personnel;
- securing acceptable suppliers;
- reputational damage;
- developing food and safety standards;
- changes in laws and policies affecting trade and investment;
- scarcity of skilled employees and rising peripheral costs of employment;
- increases in the cost of foreign labour and international transportation and freight; and
- the instability of foreign economies and governments.

Any of the aforementioned risks associated with operating internationally could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.16 ***Failure to protect the Group's image, reputation and brand could materially affect its business.***

The Group's portfolio of brands, and the image and reputation associated therewith, constitute a significant part of the Group's value. The Group is dependent on its ability to develop and leverage its brands, image and reputation as a leading producer and supplier of a wide variety of safe and healthy specialty baked goods at competitive prices. The Group's principal brand names and trademarks are key assets of its business and tarnishing its reputation or brand exposes the Group to the risk of impairment of its goodwill, brands and intangibles. Any event, such as a significant product recall, negative media coverage or litigation could erode the Group's image, reputation or brands and have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

1.1.17 ***The Group's supply chain could be subject to disruption.***

The Group currently operates manufacturing facilities and bakeries, warehouses and headquarters in the European Union, North America, Latin America and Asia Pacific/Middle East/Africa ("**APMEA**"), and sources a substantial proportion of the packaging, utilities and raw materials necessary to produce its products from third-party suppliers for its bakeries in approximately 20 countries. The Group's operations may be interrupted or otherwise adversely affected by delays in the supply of these utilities, products or materials from such third parties, or the failure to meet product specifications or any change in the terms on which they are available. Additionally, the Group is exposed to operational risks such as the breakdown or failure of equipment, the interruption of power supply or processes, fire, flood or other natural disasters, industrial action, acts of sabotage or vandalism, and industrial accidents. Any disruption of activity in the manufacturing facilities or warehouses due to these or other events, including the Group having to change a supplier, could result in disruption to the operation of the Group's activities, clients' cancellation of orders, or a reduction in sales. Any significant disruptions to the Group's supply chain could result in the Group's customers finding other suppliers, thus leading to a loss of business.

1.1.18 ***The loss or temporary shutdown of a significant manufacturing/operational site could disrupt the Group's operations.***

The Group's production and distribution facilities and systems are susceptible to risks which are outside the control of the Group, particularly fire (whether accidental or through act of arson), but also natural disaster or catastrophe and external or internal vandalism as well as risks over which the Group has some control such as food safety concerns, improper permitting, failed safety inspections, or IT failures. The Group attempts to prevent and mitigate these risks by implementing appropriate security measures and maintaining business continuity and disaster recovery plans in respect of each of its facilities and, where appropriate, maintaining adequate insurance coverage. However, such measures and plans do not entirely mitigate the risk of a loss of a facility, but rather detail how the Group can re-instate operations with minimal business interruption, or service customer demands from other facilities within its network. The Group cannot guarantee that where a disaster has occurred, another facility will be able to completely replace the facility that has been destroyed or damaged. Therefore, should a facility be shut down, damaged or destroyed, it may have a significant impact on the Group's ability to produce or distribute its products, service its customers' demands and retain long-term customer relationships. Such events could significantly damage the Group's brand, image and reputation and/or negatively impact its sales, revenues and profitability, which could in turn have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

1.1.19 ***A significant information technology or security system failure could adversely impact the Group's operations.***

The Group relies heavily on its IT infrastructure to manage and operate all aspects of its business, including production, sales, customer service, marketing, budgeting, financial reporting, distribution, logistics and inventory management. As part of ARYZTA's technology initiative, the Group has been introducing a single system enterprise resource planning ("**ERP**") platform upon which it relies to operate its business and execute its expansion strategy. The Group is exposed to operational risks associated with its IT systems, such as security failure, loss of key data (whether through accidental disclosure or criminal theft), the breakdown or failure of equipment, interruption of power supplies or processes, fires, floods or other natural disasters, acts of sabotage or vandalism, and industrial accidents. A significant outage in the Group's IT infrastructure could have a material adverse effect on the Group's operations, including the ability to service its customers' demands, appropriately plan, produce and distribute its products, and ensure complete and accurate financial reporting, which in turn could have a material adverse effect on the Group's customer relationships, revenues and/or profitability.

Whilst the Group maintains certain controls designed to manage operational risk associated with its IT infrastructure, including periodic upgrading, it may nonetheless be adversely affected if such controls fail to detect or contain operational risks. If the Group does not allocate, and effectively manage, the resources necessary to build and sustain the proper IT infrastructure and to maintain the related automated and manual control processes, the Group could be subject to adverse effects, including billing and collection errors, business disruptions, and damages related to security breaches. Any disruption caused by failings in the Group's IT infrastructure or underlying equipment or of communication networks could delay or otherwise impact the Group's day-to-day business and decision-making processes and negatively impact the Group's operations and performance, which could have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

1.1.20 ***The Group relies on a limited number of key personnel to operate its business, and the loss of any of these personnel, or the Group's inability to attract new personnel could have a material adverse impact on the Group's business.***

Following a negative development in the Company's results during the financial year ended 31 July 2017 in which the Group recorded a loss of €906 million (compared to a profit of €70 million the previous year), the Group has undergone significant changes in its senior management, most recently with the appointment of Kevin Toland as chief executive officer ("**CEO**") in September 2017 and Frederic Pflanz as chief financial officer ("**CFO**") in January 2018. Attracting and retaining key members of senior management and key operational expertise are vital to the success of our business and operations. In particular, the new CEO and CFO are expected to be instrumental in the implementation of Project Renew and the Group's cost savings initiatives. The departure of or difficulty in replacing senior managers or key operational expertise in future could have a material adverse impact on key decision-making and the development of our business and operations over both the short and the medium term.

In addition, the Group's future growth and success depend on its ability to attract, train, retain and motivate skilled managerial, sales, administrative, operating and professional and technical personnel. While the Group has a loyalty and performance-based bonus structure and long-term management and retention initiatives, the Group's key personnel may leave for reasons beyond the Group's control, such as family, health and other personal commitments. The loss of one or more of the Group's key management or operating personnel, or the failure to attract and retain additional key personnel, could have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

1.1.21 ***The Group's performance depends on favourable labour relations with its employees. Work stoppages or labour shortages can have a material adverse effect on the prospects of the Group.***

For the financial year ended 31 July 2018, the Group had, on average, approximately 19,000 employees, and around one third of the Group's current employees are part of a union. The Group's operations depend on the availability, retention and relative costs of labour and on maintaining satisfactory relations with employees (see "*1.1.6 The Group is vulnerable to fluctuations in the price and availability of labour, raw materials, packaging materials and* freight." above). Work stoppages or labour shortages can lead to lower revenue, lower margins and can expose the Group to breach of contract claims and other allegations. For instance, following a labour disruption at one of the Group's North American facilities caused by a third-party supplier of employees, a former customer brought a claim seeking damages for lost sales. The Group incurred significant costs in replacing experienced employees and in training new ones. In addition, the Group's reputation may have suffered as a result. Relations with our employees could also become stressed as a result of labour shortages or labour disputes or redundancies as a result of future automation, consolidation or closure of bakery lines. Any significant increase in labour costs, deterioration of employee relations, slowdowns or work stoppages could have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

1.1.22 ***Breakdown of internal controls could have a material adverse effect on the Group's business, operating results, financial condition or prospects.***

As it operates in multiple jurisdictions, which gives rise to increased legal, regulatory and operational complexity, the Group needs to ensure that it has robust internal controls, including a robust internal financial control framework. Any errors (including accounting and financial errors) or breakdowns in internal control processes (including failures to establish and maintain effective internal controls), could result in operational losses and/or impact the Group's ability to detect and prevent fraud as well as comply with applicable legal and regulatory requirements. In addition, ongoing and future changes to the Group's operations and organisation may place incremental demands on its internal processes and infrastructure, including the Group's accounting systems and internal controls over financial reporting. Any failure, insufficiency or breakdown in the Group's internal controls, could have a material adverse effect on the Group's reputation, business, results of operations, financial condition and prospects.

1.1.23 ***The Group has a significant amount of debt subject to variable interest rates.***

The Group is exposed to interest rate risk with respect to borrowings from existing bank loans, which bear interest at floating rates (total bank borrowings at variable interest rates (carrying amount) amounted to €1,780 million as of 31 July 2018 and €2,083 million as of 31 July 2017). The Group is also exposed to risks relating to hedging, which could be insufficient and is subject to counterparty risk. A significant rise in base lending rates could have an adverse impact on the Group's business, results of operations, financial condition and prospects.

1.1.24 ***The Group faces business risks associated with cash and collectables.***

The Group is subject to the risk of financial losses arising from the Group's customers' or hedge counterparties' failure to fulfil their payment obligations.

The Group has detailed procedures for monitoring and managing the credit risk related to its customers and counterparties based on experience, customer track record and historic debt default. Individual risk limits are set in respect of the Group's customers and counterparties, and risk is only accepted above such limits in defined circumstances. In addition, the Group performs ongoing credit evaluations of new and existing customers' and counterparties' financial conditions and reviews the collectability of trade and other receivables to mitigate possible credit losses.

The Group also establishes allowances for impairments, representing an estimate of incurred losses in respect of trade and other receivables, and has a receivables purchase agreement in place to transfer credit risk and control of certain trade receivables. However, there can be no assurance that these measures will be sufficient to mitigate credit risk. If, due to an economic downturn or for any other reason, there were to be an increase in the number of customers or counterparties unable to meet their payment obligations or a significant customer or counterparty were to default on its payment obligation, the Group's allowances for impairment may be insufficient to cover the losses and the Group may have to make further allowances for impairments. This could negatively impact the Group's revenues and profitability and have a material adverse effect on the business operations, financial condition, profitability or prospects of the Group.

1.1.25 ***Impairment of assets would be reflected in the Group's consolidated financial statements, which would have a negative impact on the Group's financial condition.***

The Group's goodwill and intangible assets consist of (among other things) brand and customer-related intangible assets, certain computer software, costs that are capitalised as part of the Group's ERP as intangible assets including the Group's SAP system and patents. As at 31 July 2018, the Group carried goodwill and intangible assets of €2,057.7 million on its balance sheet following goodwill impairment charges of €175 million during the financial year ended 31 July 2018 (does not include reduction in goodwill as part of business disposals or as a result of transfers to disposal groups classified as held for sale) and €594 million during the financial year ended 31 July 2017. Goodwill is recognised as an asset, and is reviewed for impairment at least annually. Future impairment tests of goodwill may result in the Group being required to recognise impairments, particularly in the event of a substantial deterioration of our future prospects or general financial conditions. Any such impairment is recognised immediately in our income statement and is not subsequently reversed.

1.1.26 ***Higher labour costs could adversely affect the Group's business and future profitability.***

The Group competes with other manufacturers for skilled and dependable employees. The supply of such employees is limited and competition to hire and retain them may result in higher labour costs. Specifically, for the Group's UK operations, Brexit presents a risk over retention and recruitment of labour. In addition, the United States has experienced record low unemployment rates under President Trump and labour costs in the United States have risen markedly as employers compete for fewer employees. This has also led to increased turnover as employers compete to retain employees, reducing efficiency and increasing training costs. Further, because a proportion of the Group's employees are paid either the national minimum wage or the national living wage, any increase in the local minimum wage, cost of living, national living wage, or its scope, would increase the Group's operating and employment costs. Although the Group anticipates further automation within its bakeries and its manufacturing processes, these higher labour costs and strains on retention could adversely affect the Group's profitability if the Group is not able to pass them on to its customers. Increases in labour costs as a result of any of the foregoing factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.27 ***The Group's operations are subject to the general risks of litigation, which could adversely affect the Group's financial results and cash flow.***

The Group is involved, on an ongoing basis, in litigation arising in the ordinary course of business. Litigation may include class actions involving consumers, shareholders, employees or injured persons, and claims related to commercial, labour, employment, antitrust, securities or environmental matters. Even if the Group is successful in defending against a claim, litigation processes may, particularly in the aggregate, be costly and expose the Group to adverse publicity, which might adversely affect the Group's reputation and/or customer preference for the Group's products. Litigation trends and expenses and the outcome of litigation cannot be predicted with certainty and adverse litigation trends, expenses and outcomes could adversely affect the Group's financial results and cash flow.

1.1.28 ***The Group is subject to risks associated with its trademarks and other proprietary rights.***

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

There can be no assurance that third parties, including parties to whom the Group discloses proprietary knowledge, information and know-how, will not attempt to misappropriate or challenge the Group's right to such knowledge, information or know-how. Even if the Group discovers evidence of infringement or misappropriation of its proprietary knowledge, its recourse may be limited or could require it to pursue litigation, which could involve substantial legal fees, costs and expenses and diversion of management's attention from the operation of the business. In addition, the Group may inadvertently infringe on the rights of others, or become entwined in disputes around intellectual property or trademarks with respect to innovative creations from which its customers benefit or over which they claim ownership rights. This too could require the Group to become involved in litigation and potentially restrict the Group's ability to operate as it would otherwise prefer.

1.1.29 ***The Group is subject to extensive regulations and requires various licenses and permits to operate its business, and a failure to meet these regulations and license permit requirements could have a material adverse effect on the Group's results of operations and business.***

The Group's manufacturing facilities, vehicles and products, including the processing, packaging, storage, distribution, advertising and labelling of the Group's products, are subject to extensive regional, national and EU laws and regulations in the food safety area, including frequent government inspections and governmental food processing controls. The Group is also required to maintain various licenses and permits to operate its business in accordance with the laws and regulations of the countries where it operates. The loss of or failure to obtain necessary permits and registrations could delay or prevent the Group from meeting current product demand, introducing new products, building new facilities or acquiring new businesses which could adversely affect operating results. In addition, future material changes in food safety regulations could result in increased operating costs or could be required to be implemented on schedules that cannot be met without interruptions in the Group's operations. Any non-compliance with applicable laws and regulations, particularly if it relates to or compromises food safety, could subject the Group to liabilities, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have an adverse effect on the Group's business, results of operations, financial results and prospects.

1.1.30 ***A failure to comply with data protection legislation, or a security breach or system failure in the Group's technical or IT infrastructure could have a material adverse effect on the Group's business, financial condition and prospects.***

Despite the technical and physical security measures the Group and third-party providers have in place, the Group may be vulnerable to security breaches, acts of cyber-terrorism or sabotage, vandalism or theft, computer viruses, misplaced or lost data, programming and human errors or other similar events. A breach of data protection legislation involving the misappropriation, loss or other unauthorised disclosure of sensitive or confidential employee, staff or customer information could result in regulatory action, fines, civil compensation claims and adverse publicity. In addition, compliance with evolving privacy and security laws, requirements and regulations may result in cost increases due to necessary systems changes, new limitations or constraints on the Group's business models and the development of new administrative processes. The General Data Protection Regulation ("**GDPR**"), which came into force on 25 May 2018, is applicable to the Group and in particular regulates the way in which the Group handles and processes personal data in Europe. The GDPR introduced an increased emphasis on businesses being able to demonstrate compliance with their data protection obligations, which will require ongoing investment by the Company in its compliance strategies and processes. There are extensive documentation obligations and considerably higher transparency requirements, which affect not only initial data collection but also ongoing compliance monitoring and potentially regulatory investigations. The Group has worked with external advisers on its GDPR compliance policies and procedures. Given the evolving nature, in particular of the regulatory interpretation and enforcement of these relatively new obligations, there exists the risk that the Group may not have prepared for these changes to the extent necessary, and its preparations may not yield the expected results. The Group may also be constrained in its ability to collect, use, disclose, share, and leverage personal data in its possession and to derive economic value from it. Any failure to comply with the GDPR or other applicable laws and regulations, or to protect such personal information and data (including but not limited to any failure resulting from cyber-attacks on its networks), or even the perception of concerns over the protection of data by the Group, whether or not valid, could result in significant litigation or enforcement action against the Group, including fines, imprisonment of company officials and public censure, civil compensation claims for damages by customers and other affected individuals, damage to the Group's reputation and loss of goodwill (both in relation to existing customers and prospective customers), any of which could have a material adverse impact on the Group's business, financial condition, results of operations and prospects. For example, under the GDPR, relevant supervisory authorities are given the power to impose issue fines of up to 4% of a company's annual global group turnover for the previous financial year or €20 million (whichever is the greater) for failure to comply with certain provisions of the GDPR (however, subject to certain conditions and, in certain circumstances, court approval). Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.31 *Compliance with existing laws and regulations, or changes in any such laws and regulations could affect the Group's business, results of operations, financial condition and prospects.*

The Group is subject to a variety of laws and regulations, including those related to anti-money laundering, anti-bribery and sanctions in the countries in which it does business. These laws include, among others, the United States Foreign Corrupt Practices Act ("**FCPA**"), the UK Bribery Act, EU and US sanctions regimes. Additionally, the Group must comply with product safety, health, data protection, and securities and disclosure laws. New laws or regulations or changes in existing laws and regulations, particularly those governing the sale of products or in other regulatory areas such as information security, labour and employment, competition, health and safety or environmental protection, may conceivably require extensive system and operating changes that may be difficult to implement and could increase the Group's costs of doing business. In addition, if the Group fails to comply with applicable laws and regulations, it could be subject to legal risks, including fines and government enforcement actions, which could adversely affect the Group's business, results of operations, financial condition and prospects.

1.1.32 *Cash flow constraints, arising from the Group's indebtedness and timing of contracted payments, may restrict the Group's ability to make investments and execute new strategies.*

The Group's ability to make investments in growth opportunities and to execute its strategies, including Project Renew, is dependent on the amount of cash available to it, which in turn is dependent on the future operating performance of the Group, its current level of indebtedness and its obligations to make repayments of indebtedness to debt providers.

The Group's operating performance is to a certain extent subject to market conditions and business factors beyond the Group's control and which may vary over time. Moreover, the Group is required to make scheduled repayments of its indebtedness (interest paid in the financial year ended 31 July 2018 amounted to €62.5 million) including approximately €80 million or more per year in term loan amortisation payments. The Group also has debt facilities in place, which expire on specified dates in the future. As a result, there can be no assurance that the Group's cash flow from operations, after paying the principal and interest on its debt, will be sufficient to allow the Group to implement new strategies.

If the Group's cash flows are constrained in this way, the Group may have to reduce or delay capital expenditures, forego growth opportunities, delay investments in cost reduction initiatives, seek additional capital or restructure or refinance its debt in order to carry forward its plans. Furthermore, in the event that the Group restructures or refinances its debt to provide additional cash, there can be no assurance as to the terms of any such transaction or how quickly such transaction could be completed.

1.1.33 *The terms of, and constraints resulting from, the Group's joint venture arrangements may have a material adverse effect on its business, results of operations, financial condition or prospects.*

The Group is party to a number of joint venture arrangements, and there can be no assurance that the steps taken by the Group to protect its interests with respect to such joint ventures have been, or will be, effective.

As the Group does not have unilateral control over the strategy, business, operations or activities of these joint ventures, it is subject to risks associated with sharing management control with its joint venture partners. For example, the Group could be restricted from implementing strategic and operational initiatives which it considers to be necessary, desirable or appropriate for any of its joint ventures. For example, the Group has announced plans to divest its interest in Picard, a manufacturer and distributor of premium baked goods in France, but such divestment requires the approval of both joint venture partners.

In addition, the Group's joint venture partners may have economic or business interests, or objectives, that are or become inconsistent or opposed to the Group's own interests and/or objectives. Such factors may require the

Group to divert additional resources to manage the joint ventures, may result in the incurrence of additional costs, may cause disagreements between the Group and the relevant joint venture partner, or may compromise the Group's ability to attain the synergies or benefits which were expected to accrue to the Group as part of the joint venture arrangements or otherwise to achieve the objectives underlying the implementation of the relevant joint venture arrangement.

Any of the aforementioned risks associated with operating internationally could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.34 ***A change in the tax rates, tax laws or practice by the relevant tax authority may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.***

The Group is subject to corporate and other tax rules in jurisdictions where it operates. Changes in tax rates, tax reliefs and tax laws, changes in practice or interpretation by the relevant tax authority, increasing challenges by relevant tax authorities, or any failure to manage tax risks adequately could result in increased charges, financial loss, penalties and reputational damage, which may have a material adverse effect on the Group's reputation, business, results of operations, financial condition and prospects.

In addition, the Group is required to exercise judgement when determining its provisions for income taxes and accounting for tax-related matters. The Group regularly makes estimates where the ultimate tax determination is uncertain. The Group operates in many different tax jurisdictions and is therefore subject to routine periodic tax audits. Open tax audits include an open audit in France in relation to corporation tax for the financial years 2015 through 2017, and other routine tax audits which remain open in Germany, Ireland, the Netherlands, the UK and the United States as of the date of the Prospectus. The final determination of any tax audit, tax litigation, appeal of a taxing authority's decision or similar proceedings may take years to resolve and may differ materially from that which is reflected in the Group's financial statements. Any of the foregoing could have a material adverse effect on the Group's reputation, business, results of operations, financial condition and prospects.

1.1.35 ***The United Kingdom's withdrawal from the European Union could create political and economic uncertainty and risk which may negatively affect the Group.***

The UK referendum, resulting in a vote for the United Kingdom to leave the European Union ("**Brexit**"), has created volatility in the global financial markets and could contribute to prolonged uncertainty around certain aspects of the European and global economies as well as European companies and consumers. Brexit is likely to continue to adversely affect European and worldwide economic conditions and could contribute to greater instability in the global financial markets before and after the terms of the United Kingdom's future relationship with the European Union are settled. Brexit could also affect the general political environment in the European Union as well as the stability and standing of the European Union as a single market.

The Group has disposed of its interest in Signature Flatbreads, a flatbread producer in the UK and India, but still has operations in the United Kingdom. It has been negatively affected by the currency impact of Brexit on cross-border revenues and margins in the UK were also impacted by the increased cost of products supplied from the eurozone, as a result of the weakened pound sterling. Until more clarity is available around the legal, political and economic realities and requirements for having the United Kingdom leave the European Union, political and economic uncertainty, notably in European markets, may occur, which could lead to a downturn in the markets in which the Group operates and a decrease in spending and investment. In addition, legal and regulatory regimes applicable to the Group may be affected by Brexit, including certain employment regulations, the right of EU citizens to work in the UK, tariffs, procurement and taxation. Any changes to the foregoing or other regulatory regimes could require the Group to develop new policies and procedures, increase its operating costs, or place additional regulatory burdens on the Group that could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Brexit has also led to general volatility in the currency exchange market. Increased volatility in the currency exchange market as a result of Brexit could also materially adversely affect the Group's results of operations as the Group may be unable to implement adequate strategies to protect against currency exchange risk.

1.1.36 ***Our forecasts and prospects could materially deviate from our results actually generated.***

The profit forecast contained in this Prospectus is based on certain assumptions made by our management. These assumptions relate to factors which are beyond our control or which we can control only to a very limited extent. Even if these assumptions are, in our opinion, reasonable at the present time, they may in the future prove to be inappropriate or incorrect. The same applies to future forecasts published by us. Should one or more of these assumptions prove to be inappropriate or incorrect, future profits could materially deviate from our forecast, which could have a significant adverse impact on the price of our Shares.

1.2 Risks relating to the Subscription Offer and the Shares

1.2.1 *If the Offering is not completed, the allocation of Rights and the previously purported exercise of Rights or purchase of Offered Shares may be deemed not to have been made and the Rights could lapse without compensation.*

The Offering is subject to the fulfilment of certain conditions and the making of certain representations by the Group as contained in the Underwriting Agreement. If one or more of the conditions were not to be fulfilled, or if there were a breach of certain representations, the Offering may be terminated by the Underwriters in line with the Underwriting Agreement at any time prior to the settlement of the Offering. In such event, the Offering could lapse and the allocation of the Rights and any previously purported exercise of Rights or purchase of Offered Shares could be deemed not to have been made and as a result, the Rights would expire and become worthless without compensation.

1.2.2 *The value of an investment in the Offered Shares may go down as well as up, and any fluctuations may be material.*

The Company's share price has fluctuated and may continue to fluctuate. The market price of the Offered Shares (including the rights to subscribe for such Offered Shares) could also be subject to significant fluctuations due to a change in sentiment in the market regarding these securities. The factors which may affect the Company's share price, and the price of the Offered Shares, include (but are not limited to):

- the Company's expected and actual performance and the performance of the industries in which it operates;
- regulatory changes affecting the Group's operations;
- speculation on the Company's ability to deliver on its cost reduction plan;
- speculation regarding major divestments by, and/or mergers or acquisitions involving, the Company or its competitors;
- future issues of Shares, or large purchases or sales of Shares in the market; and
- announcements of changes in the Company's credit rating.

Furthermore, the Company's share price, and the price of the Offered Shares, may fall in response to market appraisal of its current strategy or if the Group's operating results and/or prospects from time to time are below the prior expectations of market analysts and investors. In addition, stock markets have from time to time experienced significant price and volume fluctuations that have affected the market price of securities and which may be unrelated to the Group's operating performance and prospects, and a decline in the market price of the Shares might also make it more difficult for the Group to raise equity in the future.

Any of these events could result in a decline in the market price of the Shares or the Offered Shares (including the rights to subscribe for such Offered Shares).

1.2.3 *Any future issue of Shares or debt securities that are convertible or exercisable into Shares will further dilute the holdings of Shareholders and could adversely affect the market price of the Shares.*

Other than pursuant to the Subscription Offer and the Share Placement, the Company has no current plans for an offering of Shares apart from possible offerings in relation to employee share plans. However, it is possible that the Company may decide to offer additional Shares or other securities that are convertible or exercisable into equity in the future, either to raise capital or for other purposes. If Shareholders did not take up such offer of Shares or other securities or were not eligible to participate in such offering, their proportionate ownership and voting interests in the Company would be reduced and the percentage that their Shares would represent of the total share capital of the Company would be reduced accordingly. Furthermore, the conversion of debt into equity could also lead to dilution of Shareholders and have a similar adverse impact on the price of the Shares.

Although the Group has entered into a lock-up agreement and has no current plans for a subsequent offering of Shares, it is possible that it may decide to undertake such an offering in the future. Any additional offering, debt conversion, issues of Shares or significant sales of Shares by major Shareholders could have a material adverse effect on the market price of the Shares as a whole.

1.2.4 *An active trading market for the Offered Shares or Rights may not develop and, if a market does develop, the Rights may be subject to greater volatility than the Shares.*

Application has been made to admit the Offered Shares to trading on the SIX Swiss Exchange and will be made to admit the Offered Shares to trading on the Irish Stock Exchange for listed securities. In addition, application has been made for trading in the Rights on the SIX Swiss Exchange. It is expected that dealings in Rights will commence on 7 November 2018. There can be no assurance, however, that an active trading market in the Offered Shares or Rights will develop upon or following Admission. Even if a market does develop, because the trading price of the Rights depends on the trading price of the Shares, any volatility in the price of the Shares may cause even greater volatility in the price of the Rights. A significant decrease in the price of the Shares can therefore also have an adverse effect on the value of the Rights. Any of the factors described under this "*Part 1 Risk Factors*" can also influence the price of the Rights. If the market price of the Shares drops below the Offer Price, the Rights could become worthless.

1.2.5 ***The market price for the Shares may decline below the Offer Price and Shareholders may not be able to sell Shares at a favourable price after the Subscription Offer.***

Subject to applicable laws, rules and regulations, holders of Rights must exercise their Rights during the Rights Exercise Period. Each exercise of Rights will be effective at the Offer Price and is irrevocable and may not be withdrawn. The Company cannot assure that the market price of the Shares will not decline below the Offer Price. To the extent the market price for the Shares declines below the Offer Price during the period from the date on which a holder of Rights exercises such Rights to the Closing Date, the Shareholder will be required to purchase Shares at a price that will be higher than the actual market price for the Shares at that time. Should such a described situation occur, the Shareholder will suffer an immediate, unrealised loss as a result. Moreover, following the exercise of their Rights, Shareholders may not be able to sell their Offered Shares at a price equal to or greater than the acquisition price for those Shares.

1.2.6 ***Investors in the Offered Shares may be subject to exchange rate risk.***

The Offered Shares are priced in CHF. Accordingly, any investor outside of Switzerland may be subject to adverse movements to their local currency against the Swiss Franc.

1.2.7 ***It may not be possible to effect service of process upon the Company or the Directors or enforce court judgments against the Company or the Directors.***

The Company is a Swiss incorporated and domiciled company. As a result, it may not be possible for investors outside of Switzerland to effect service of process outside Switzerland against the Company or the Directors or to enforce the judgement of a court outside Switzerland against the Company or the Directors.

1.2.8 ***The Company's ability to continue to pay dividends on the Shares will depend on the availability of distributable reserves.***

The Company's ability to pay dividends is limited under Swiss law, specifically the CO, which limits a company to only paying cash dividends to the extent that it has distributable reserves and cash available for this purpose. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries. The ability of these subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and covenants in some of the Company's debt facilities. Furthermore, the payment of a cash dividend by the Company triggers its obligation to make cash payments of accrued dividends on its hybrid instruments and, therefore, the ability of the Company to pay dividends also depends on its ability to make such cash payments of accrued dividends on its hybrid instruments. These laws and restrictions could limit the payment of future dividends and distributions to the Company by its subsidiaries, which could restrict the Company's ability to fund other operations or to pay a dividend to holders of the Existing Shares or the Offered Shares. For further information, please see *"Part 11 Operating and Financial Review – 11.9.5 Hybrid funding"*.

1.2.9 ***Shareholders who do not acquire Offered Shares in the Subscription Offer will experience dilution in their ownership of the Company.***

If a Shareholder does not take up the offer of Offered Shares under the Subscription Offer, either because the Shareholder is in the United States or another jurisdiction where their participation is restricted for legal, regulatory and other reasons or because the Shareholder does not respond to the Subscription Offer by 12:00 noon (CET) on 15 November 2018, the expected latest time and date for the exercise of that Shareholder's Rights, and that Shareholder's rights to subscribe for Offered Shares lapse, the Shareholder's proportionate ownership and voting interests as well as the percentage that their shares will represent of the total share capital of the Company will be reduced accordingly. Even if a Shareholder elects to sell unexercised Rights, or such Rights are sold on their behalf, the consideration the Shareholder receives may not be sufficient to compensate them fully for the dilution of their percentage ownership of the Company's share capital that may be caused as a result of the Subscription Offer.

To the extent that Shareholders do not exercise their rights to subscribe for Offered Shares, their proportionate ownership and voting interest in the Shares of the Company (upon the issue of Offered Shares) will, accordingly, be reduced, and the percentage that their Existing Shares represent of the Company's increased share capital after the issue of Offered Shares will accordingly be reduced (e.g. their voting interest in the Company will be diluted).

1.2.10 ***Shareholders outside Switzerland or Ireland may not be able to subscribe for Offered Shares in the Subscription Offer.***

In the case of the issuance of Shares, Shareholders have certain statutory subscription rights unless those rights are disapplied by a special resolution of the Shareholders at a shareholders' meeting and such an issue could dilute the interests of the then existing shareholders. Securities laws of certain jurisdictions may restrict a Shareholder's ability to participate in the Subscription Offer. In particular, holders of Shares who are located in the United States may not be able to exercise their subscription rights unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Subscription Offer will not be registered under the Securities Act. Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company. Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than Switzerland or the Ireland should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights or acquire Offered Shares.

1.2.11 ***Investors will not receive compensation for expired and/or unexercised rights.***

The Rights Exercise Period is expected to commence on 7 November 2018 and is expected to expire at 12:00 noon (CET) on 15 November 2018. If an investor fails to sell its Rights prior to the end of Rights Trading Period or to exercise its Rights prior to the end of the Rights Exercise Period, then it will not receive any economic benefit of such Rights because unexercised Rights lapse and expire without compensation. This may be a particularly relevant risk for holders of CDIs because such holders do not own Shares, but only have a beneficial interest in the Shares and will need to coordinate any decision to exercise Rights with the nominees holding the Shares underlying the CDIs on their behalf. In addition, holders of CDIs may have less time to make an investment decision due to the need to coordinate an exercise notice with a nominee.

1.2.12 ***The shareholders' resolution regarding the ordinary share capital increase may be challenged.***

The Offering is based upon and subject to the resolution regarding the ordinary share capital increase that was approved by the Shareholders at the Annual Shareholders' Meeting held on 1 November 2018. As with all share capital increases in Switzerland, the registration of the capital increase in the Commercial Register may be blocked and, therefore, prevent or delay completion of the Offering.

1.2.13 ***It is not certain that the increase of the share capital in connection with the Offering will occur when anticipated or at all.***

Although the resolution of the Board of Directors to increase the share capital is scheduled to be registered with the Commercial Register in a timely manner, such registration may, for reasons beyond the Group's control, not take place in time or at all. In particular, the entry in the Commercial Register may be blocked temporarily or permanently preventing the registration of the capital increase, which may prevent or delay the completion of the Offering, including a delay in the settlement of the Offering. Furthermore, in the event that the Commercial Register entry is blocked, the Underwriters may terminate the Underwriting Agreement. Consequently, investors may suffer losses, in particular, if they entered into short selling transactions and are unable to meet their obligations to deliver.

1.2.14 ***If a significant number of Offered Shares cannot be placed in the Subscription Offer and the Swiss Takeover Board does not grant another exemption (besides the Underwriter Exemption) to make a public takeover offer in time, the Offering might not be completed. Even if the Swiss Takeover Board grants an exemption, the increase of the share capital and the settlement of the Offering could be postponed.***

The Underwriting Agreement requires that if, at the end of the Rights Exercise Period, the aggregate of a) the number of Shares for which Rights have not been validly exercised, plus (b) the Underwriter Shares plus (c) the Offered Shares that would be allocated to the Underwriters assuming that all Rights for the Underwriter Shares are exercised, is equal to or exceeds, after having added a cushion of five percent of the Hypothetical Share Capital, 33 1/3 % of the share capital of the Company that were to be registered in the Commercial Register in case the Offering were to be consummated, the Underwriters shall have received an order (*Verfügung*) from the Swiss Takeover Board exempting the Underwriters from making a public takeover bid for all the Shares based on art. 136(1)(e) of the FMIA that (i) is reasonably satisfactory to the Joint Global Coordinators and (ii) the Joint Global Coordinators shall have reasonable assurance thereby that the Swiss Takeover Board is willing to publish such order upon the request of the Joint Global Coordinators. If such an exemption is not granted by the Swiss Takeover Board, the Offering might not be completed.

Even if such an exemption is granted by the Swiss Takeover Board and published upon the request of the Joint Global Coordinators, the share capital increase to create the Offered Shares and the closing of the Offering could be postponed until the exemption is no longer subject to the possibility of challenge, i.e. is final, or the Underwriters waive the condition that they do not have to consummate the Underwriting Agreement unless the exemption is final. If the share capital increase and the closing of the Offering is so delayed, this could have an adverse impact on the Company and on the price of the Shares. Moreover, investors may suffer losses, in particular, if they entered into short selling transactions and are unable to meet their obligations to deliver. If the exemption does not become non-appealable, or this condition is not waived, prior to 15 December 2018, unless otherwise agreed, the Underwriting Agreement terminates automatically and the Offering will likely not be consummated.

1.2.15 ***Subject to the Company's arrangements with CREST, CDI holders must rely on CREST to exercise rights attaching to the underlying Shares for the benefit of the CDI holders.***

The rights of CDI holders will be governed by, among other things, the relevant provisions of the CREST international manual issued by Euroclear UK & Ireland ("**EUI**") (the "**CREST International Manual**", which forms part of the CREST manual issued by EUI, as amended from time to time (the "**CREST Manual**")) and the CREST Rules (as defined in the CREST Terms and Conditions issued by EUI). CDI holders will not be able to directly exercise any voting or other rights attaching to the Shares underlying their CDIs. Instead, CREST will hold the voting and other rights conferred by Swiss law and the Articles for the benefit of the relevant CDI holder. Consequently, CDI holders must rely on CREST to exercise such rights for the benefit of the CDI holders. The Company has entered into arrangements whereby EUI will make a copy of the register of the names and addresses of CDI holders available to the Company (and/or its Registrar) to enable the Company (or its Registrar) to send out notices of shareholder meetings and proxy forms to its CDI holders. In addition, the Company and EUI have also established omnibus proxy arrangements, whereby CREST will, subject to certain conditions, give CDI holders (acting as beneficial owners or upon the instructions of the beneficial owners of the CDIs) and beneficial owners of CDIs the right to vote directly in respect of such CDI holder's or beneficial owner's underlying Shares. However, there can be no assurance that such information, and consequently, all such rights and entitlements, will at all times be duly and timely passed on or that such proxy arrangements will be effective.

In addition, Brexit may impact the legal and regulatory regimes applicable to CREST and may result in changes to the relevant provisions of the CREST International Manual and CREST Rules relevant to CDIs. Any such changes may make it more difficult for holders of CDIs to exercise their rights in respect of the Shares underlying their CDIs and may also restrict or prevent the ability of CDI holders to hold, settle or trade CDIs in the manner in which they are currently held, settled or traded.

PART 2.
Presentation of Financial and Other Information

2.1 General

Investors should only rely on the information disclosed in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Offer, other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, or any of the Underwriters. No representation or warranty, express or implied, is made by any of the Underwriters, any of their respective affiliates or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any of the Underwriters, any of their respective affiliates or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to applicable law and regulations, neither the delivery of this Prospectus nor any subscription or sale of Shares pursuant to the Offering shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date of this Prospectus, or that the information contained herein is correct as of any time subsequent to its date.

The Company will update the information provided in this Prospectus by means of a supplement if a significant new factor that may affect the evaluation by prospective investors of the Offering occurs after the publication of this Prospectus or if this Prospectus contains any material mistake or substantial inaccuracy. This Prospectus and any supplement will be subject to approval by the Central Bank and will be made public in accordance with applicable law and regulations, including Part 8 of the Irish Prospectus Regulations by the same being made available free of charge in electronic form on ARYZTA's website. If a supplement to this Prospectus is published prior to Admission, investors shall have the right to withdraw their applications for Shares made prior to the publication of the supplement. Such withdrawal must be made within the time limits and in the manner set out in any such supplement (which shall not be shorter than two clear Business Days after publication of the supplement).

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice and related aspects of a purchase of the Shares. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks involved.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, any of the Underwriters or any of their affiliates or representatives that any recipient of this Prospectus should subscribe for or purchase the Shares. Prior to making any decision as to whether to subscribe for or purchase the Shares, prospective investors should read this Prospectus. Investors should ensure that they read the whole of this Prospectus carefully and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination, analysis and enquiry of the Company and the terms described in this Prospectus, including the merits and risks involved.

Investors who subscribe for or purchase Shares in the Offering will be deemed to have acknowledged that: (i) they have not relied on any of the Underwriters or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied on the information contained in this Prospectus, and no person has been authorised to give any information or to make any representation concerning the Group or the Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or any of the Underwriters.

None of the Company, any of the Underwriters or any of their affiliates or representatives is making any representation to any offeree, subscriber or purchaser of the Shares regarding the legality of an investment by such offeree, subscriber or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Shares.

In connection with the Offer, each of the Underwriters and any of their respective affiliates may take up a portion of the Shares in the Offering as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue, offer, subscription, acquisition, dealing or placing by, the Underwriters and any of their affiliates acting in such capacity. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

2.2 Financial information

The Company's financial year runs from 1 August to 31 July.

"*Part 22 Historical Financial Information*" of this Prospectus contains:

- Audited consolidated financial statements of the Group as of and for the financial year ended 31 July 2018, including comparative figures for the financial year ended 31 July 2017 (the "**ARYZTA Consolidated Financial Statements 2018**") together with the report of the statutory auditors;
- Audited consolidated financial statements of the Group as of and for the financial year ended 31 July 2017, including comparative figures for the financial year ended 31 July 2016 (the "**ARYZTA Consolidated Financial Statements 2017**") together with the report of the statutory auditors;
- Audited consolidated financial statements of the Group as of and for the financial year ended 31 July 2016, including comparative figures for the financial year ended 31 July 2015 (the "**ARYZTA Consolidated Financial Statements 2016**", together with the ARYZTA Consolidated Financial Statements 2017 and ARYZTA Consolidated Financial Statements 2018, the "**ARYZTA Consolidated Financial Statements**") together with the report of the statutory auditors; and
- Audited statutory financial statements of the Company as of and for the financial year ended 31 July 2018, including comparative figures for the financial year ended 31 July 2017 (the "**ARYZTA Statutory Financial Statements**") prepared in accordance with the requirements of the CO together with the report of the statutory auditors.

PricewaterhouseCoopers AG (Switzerland) has audited the ARYZTA Consolidated Financial Statements in accordance with International Standards on Auditing and has issued reports in respect of each such consolidated financial statements, and such reports were unqualified and did not contain a statement of emphasis. PricewaterhouseCoopers AG has also audited the ARYZTA Statutory Financial Statements in accordance with the CO and has issued a report in respect of such statutory financial statements, and such report was unqualified and did not contain a statement of emphasis.

2.2.1 *Presentation of financial information*

The ARYZTA Consolidated Financial Statements included in this Prospectus have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and are presented in euro (EUR). The basis of preparation and significant accounting policies are set out within the Group's statement of accounting policies in the ARYZTA Consolidated Financial Statements found in this Prospectus beginning on page F-11. The significant IFRS accounting policies applied in the preparation of the consolidated financial statements of the Company have been applied consistently over the periods under review. The unconsolidated ARYZTA Statutory Financial Statements included in this Prospectus have been prepared in accordance with Swiss law and are presented in Swiss Francs (CHF), which is also the Company's functional currency.

None of the financial statements included in this Prospectus have been audited in accordance with auditing standards generally accepted in the United States of America ("**US GAAS**") or auditing standards of the United States Public Company Accounting Oversight Board ("**PCAOB**"), and there are differences between International Standards on Auditing, Swiss Auditing Standards, US GAAS and the auditing standards of the PCAOB. Prospective investors should also be aware that the accounting standards of IFRS and Swiss law differ in certain respects from each other and from generally accepted accounting principles in certain other countries, including Ireland and the United States, and such differences may be material. Therefore, financial statements prepared in accordance with IFRS and Swiss law are not comparable between each other and also not with financial statements prepared in accordance with other accounting standards or rules.

The Group has not prepared a reconciliation of the Consolidated Financial Statements and related footnote disclosures between IFRS or Swiss law and any other accounting standards. In addition, it should be noted that the ARYZTA Statutory Financial Statements have not been prepared, and are not required to be prepared, on a consolidated basis. Potential investors should therefore consult their own professional advisers to gain an understanding of the financial information disclosed in this prospectus and the implications of differences between the auditing standards noted herein.

In this Prospectus, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial information contained in "*Part 23 Unaudited*

Pro Forma Financial Information". The unaudited pro forma financial information has been prepared to illustrate the effect of the Offering as if it had taken place on 31 July 2018.

Due to its nature, the unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. Therefore, it does not give a true picture of the Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma financial information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive.

2.2.2 *Non-IFRS financial information*

This Prospectus contains certain financial measures that are not defined or recognised under IFRS, including Underlying EBITA, Underlying EBITDA, Underlying EBITDA Margin, ROIC, Bank Covenant Net Debt: EBITDA Ratio and Bank Covenant Net Interest Coverage Ratio. These non-IFRS financial measures are important to the Group as they are used to measure compliance with certain debt covenants and leverage ratios in financing agreements with the Group's lenders. Information regarding these measures are sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

In addition, the Group uses compound annual growth rates (each a "**CAGR**") and weighted average cost of capital ("**WACC**") calculations to provide comparisons or averages of figures over time. These terms are not financial measures, nor are they specific to the Group, but do indicate which method of calculation was used in deriving a certain figure. Please see the glossary beginning on page G-1 for a definition of terms used in this Prospectus.

2.2.2.1 Definitions of non-IFRS measures

"**Bank Covenant Net Debt[1]: EBITDA Ratio**" is calculated by taking the Group's Bank Covenant Net Debt as of the end of an annual or semi-annual accounting period and dividing by the Bank Covenant EBITDA for the 12 month period preceding such date.

In calculating its "**Bank Covenant Net Debt: EBITDA Ratio**", the following definitions are used:

"**Bank Covenant EBITDA**" means, in respect of the Group, for any period comprising an annual accounting period or two consecutive semi-annual accounting periods (taken together as one period) the consolidated operating profit (excluding net acquisition, disposal and restructuring related costs and fair value adjustments) of the Group for the period plus:

(a) depreciations of the Group;

(b) amortisations of intangible assets and goodwill impairments of the Group; and

(c) dividends received in cash by the Group from companies that are not members of the Group.

In case of an acquisition, the EBITDA of the acquired company or group of companies for the respective accounting periods (i.e. an annual or two consecutive semi-annual accounting periods of the Group) based on the financial statements of the acquired company or group of companies shall be added to the EBITDA of the Group. In case of a disposal, the EBITDA of the disposed subsidiary or group of subsidiaries for the respective accounting periods (i.e. an annual or two consecutive semi-annual accounting periods of the Group) shall be subtracted from the EBITDA of the Group. For the purposes of the calculation of EBITDA no item shall be effectively taken into account more than once and all items shall be determined on a consolidated basis and (subject only as may be required in order to reflect the express inclusion or exclusion of items as specified in this definition) in accordance with IFRS.

"**Bank Covenant Net Debt**" means the "Financial Indebtedness" (as defined below) of the Group less any "Cash" and "Cash Equivalents" (each as defined below). Any such Financial Indebtedness and Cash and Cash Equivalents in a currency other than EUR shall be translated at the average rate of exchange used for the purpose of preparing the profit and loss account for the preceding 12 months period.

1 Please note that this definition of "Net Debt" differs from the „Net Debt" definition used in the Group's audited consolidated financial statement.

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any amount raised under any other transaction (including any forward sale or purchase agreement or derivative financial instruments) having the commercial effect of a borrowing;

(g) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; or

(h) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in the above paragraphs,

excluding, however, (i) any indebtedness that does not qualify as liabilities under IFRS but would otherwise qualify as liabilities under IFRS upon the implementation of the changes to IFRS set out "International Standards, IFRS 16 Leases", published on 13 January 2016 and (ii) any "Picard Notes" (as defined below).

"**Cash**" means any credit balance on any deposit, savings, current or other account, and any cash in hand and demand deposits, to the extent treated as cash under IFRS.

"**Cash Equivalents**" means short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, to the extent treated as cash or cash equivalent investments under IFRS.

"**Picard Notes**", as defined in more detail in the 2017 Facilities Agreement, generally means indebtedness entered into by the Company in one or more transactions, whether in the form of notes or otherwise:

(a) that has an aggregate minimum amount of EUR 175,000;

(b) that does not provide for any cash flows from the Company or any other member of the Group to the creditors under the 2017 Facilities Agreement between the issue date and the date of repayment);

(c) that is secured (either by way of pledge, assignment or otherwise) directly or indirectly exclusively by all or part of the Borrower's shares in Lion/Polaris Lux Holdco S.à r.l. or ARYZTA Investments[2]);

(d) that is repayable at the option of the Company and either

(i) in kind, in the form of the shares held by a borrower under the 2017 Facilities Agreement in Lion/Polaris Lux Holdco S.à r.l. or ARYZTA Investments; or

(ii) in cash, provided that (x) such borrower has sold all or part of its stake in (ii) Picard (directly or indirectly through a sale of Lion/Polaris Lux Holdco S.à r.l. or ARYZTA Investments) and (y) the relevant repayment is exclusively funded from the proceeds from such sale(s); and

(e) the creditor(s) of which have no recourse against the Company , except in respect to the Company's shares in Lion/Polaris Lux Holdco S.à r.l. or ARYZTA Investments to the extent such shares serve as security for the relevant indebtedness.

"**Bank Covenant Net Interest Coverage Ratio**" means Bank Covenant EBITDA divided by Bank Covenant Net Interest Charges.

"**Bank Covenant Net Interest Charges**" for any period mean the aggregate amount of interest and finance expenses of the Group, minus interest income of the Group, plus any hybrid dividends accrued during such period, all pursuant to IFRS consistently applied.

[2] Refers to the Group's subsidiary ARYZTA INVESTMENTS, a société par actions simplifiée, incorporated under the laws of France, having its registered office at 14-16, avenue Joseph Paxton, ZAC de Bel Air, 77164 Ferrières-en-Brie, France.

"**ROIC**" is calculated using "TTM EBITA" (as defined below), divided by the respective Segmental Net Assets (as defined below), as of the end of each period.

> "**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.
>
> "**TTM EBITA**", presented as a pro-forma trailing 12 month (TTM) segmental Underlying EBITA, reflecting the full 12 month contribution from acquisitions and full 12 month deductions from disposals.

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

"**Underlying EBITDA**" is presented as earnings before interest, taxation, depreciation and amortisation; before impairment, acquisition, disposal and restructuring-related costs and related tax credits.

"**Underlying EBITDA Margin**" means Underlying EBITDA divided by revenues.

"**Underlying Net Profit**" is presented as reported net profit, adjusted to include the hybrid instrument dividend as a finance cost; before non-ERP related intangible amortisation; before revolving credit facility ("**RCF**") and private placement early redemption-related 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.

Please see "*10.4 Other financial information*" below for a reconciliation of certain non-IFRS measures to IFRS figures of the Group.

2.2.3 *Pro forma financial information*

In this Prospectus, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial information contained in "*Part 23 Unaudited Pro Forma Financial Information*". The unaudited pro forma financial information has been prepared to illustrate the effect of the Offering as if it had taken place on 31 July 2018.

Due to its nature, the unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. Therefore, it does not give a true picture of the Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma financial information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive.

2.2.4 *Currency presentation*

All references to the "euro", "EUR" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to "Swiss Francs" or "CHF" are to the lawful currency of Switzerland.

The average exchange rates of CHF against the euro are shown below. The rates below differ from the actual rates used in the preparation of the financial statements and other financial information that appears elsewhere in this Prospectus. Those rates can be found in the subsequent paragraph. The inclusion of the exchange rates in this section is for illustrative purposes only and does not mean that the CHF amounts actually represent such euro amounts or that such CHF amounts could be or could have been converted into euro at any particular rate, if at all.

2.2.4.1 Development of the Swiss Franc against the euro

	Euro per Swiss Franc			
Calendar Year	**Period End**	**Average**	**High**	**Low**
2015	0.9229	0.9374	1.0187	0.8318
2016	0.9312	0.9174	0.9357	0.8953
2017	0.8546	0.9006	0.9401	0.8495
2018 (through October 2018)	0.8773	0.8630	0.8915	0.8343

Source: European Central Bank

2.2.4.2 Closing and average euro exchange rates against the Swiss Franc and other relevant currencies used by the Group for the preparation of the ARYZTA Consolidated Financial Statements

Closing Rates	2018	2017	% Change	2016	% Change
Swiss Franc	1.1578	1.1340	(2.1)%	1.0855	(4.5)%
US Dollar	1.1651	1.1756	0.9%	1.1162	(5.3)%
Canadian Dollar	1.5219	1.4674	(3.7)%	1.4562	(0.8)%
Pound Sterling	0.8888	0.8933	0.5%	0.8399	(6.4)%
Average Rates					
Swiss Franc	1.1629	1.0818	(7.5)%	1.0905	0.8%
US Dollar	1.1951	1.0938	(9.3)%	1.1106	1.5%
Canadian Dollar	1.5210	1.4483	(5.0)%	1.4748	1.8%
Pound Sterling	0.8863	0.8633	(2.7)%	0.7602	(13.6)%

Source: ARYZTA Consolidated Financial Statements

2.2.5 ***Roundings***

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

2.3 Service of process and enforcement of civil liabilities

The Company is a Swiss stock corporation (*Aktiengesellschaft*) incorporated under the laws of Switzerland and registered in Switzerland with registered number CHE-114.160.610. Many of the Directors are citizens of countries of the European Union (or other non-US jurisdictions), and a portion of the Company's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Directors or to enforce US courts judgments for civil liabilities predicated upon US federal securities laws against them. There is doubt as to the enforceability in Switzerland in original actions or in actions for enforcement of US court judgments for civil liabilities predicated upon US federal securities laws.

2.4 No incorporation of website information

The contents of the Company's websites do not form part of this Prospectus.

2.5 Definitions and glossary

Certain terms used in this Prospectus, including all capitalised terms and certain technical and other items, are defined and explained in "*Part 25 Definitions and Glossary*".

2.6 Information not contained in this Prospectus

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to the date hereof.

PART 3.
Industry and Market Data

3.1 Market, economic and industry data

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Group's business contained in this Prospectus consists of estimates based on Group's own research and the third-party data reports compiled by professional organisations and analysts, on data from other external sources and on the Group's knowledge of sales and markets. It has been taken from several sources, as there is no single industry report or other source that covers all of the areas in which the Group operates. Where third-party information has been used in this Prospectus, the source of such information has been identified. The information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Group has derived information on the markets in which the Group operates from the following third-party sources:

- Euromonitor International, "Combining Health and Indulgence in the Sweet Bakery Industry" (October 2017) ("**Euromonitor**");
- Gira Consultancy and Research, "The Gira European Baker Company Panorama 2006 – 2011 -2016 - 2021" (September 2017) (the "**GIRA Report**");
- Mordor Intelligence, "Global Frozen Bakery Products Market, 2015-2023" (September 2018) ("**Mordor**");
- Technomic, "Away-from-home bakery products category: Update and outlook for the US Marketplace" (February 2017) ("**Technomic**").

While the Group has compiled, extracted and reproduced market or other industry data from external sources, including industry or general publications, it believes to be reliable, neither the Group nor the Underwriters have independently verified that data. Neither the Group nor the Underwriters can assure investors of the accuracy and completeness of, and take no responsibility for, such data. Furthermore, while the Group believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither the Group nor the Underwriters can assure investors as to their accuracy or that a third party, using different methods to assemble, analyse or compute market data would obtain the same result. Neither the Group nor the Underwriters intend, and do not assume any obligations, to update industry or market data set forth in this Prospectus. Finally, behaviour, preferences and trends in the marketplace tend to change. As a result, investors and prospective investors should be aware that data in this Prospectus and estimates based on that data may not be reliable indicators of future results.

PART 4.
Forward-Looking Statements

This Prospectus contains statements under the captions "Summary", "*Part 1* Risk Factors", "*Part 8* Business Description", "*Part 11* Operating and Financial Review", and in other sections that are, or may be deemed to be, forward-looking statements. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words "aims", "believes", "estimates", "anticipates", "expects", "intends", "targets", "may", "will", "plans", "projects", "continue" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, assumptions, expectations, future events or intentions. These forward-looking statements include matters that are not historical facts or which may not otherwise be provable by reference to past events. They appear in a number of places throughout this Prospectus and include statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy and also the industries and the economic environments in which the Group operates.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events, and/or depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Prospective investors should not place undue reliance on these forward-looking statements. In addition, even if the Group's results of operations, financial condition and liquidity, the development of the industry in which it operates and the effect of acquisitions on it are consistent with the forward looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements are only made as of the date of this Prospectus and neither the Group nor the Underwriters intend, and do not assume any obligation, to update any forward-looking statements contained in this Prospectus, except as required by Swiss law, Irish law or applicable stock exchange regulations.

Many factors may cause the Group's results of operations, financial condition, liquidity, dividend policy and the development of the markets in which the Group operate to differ materially from those expressed or implied by the forward-looking statements contained in this Prospectus.

These factors include but are not limited to risks and others described under "*Part 1 Risk Factors*". For example, factors that could cause actual results to vary from projected results include, but are not limited to:

- adverse developments in worldwide economic conditions;
- the availability and cost of raw materials;
- the level of customer research and development activities and the market success of their products;
- unexpected changes in market demand for the Group's products;
- unexpected changes in market access or public health policies in the United States or internationally;
- significant pricing and margin pressure as a result of intense competition;
- increasing consolidation and concentration of customers;
- unusual changes in foreign exchange rates;
- legal, tax or regulatory disputes; and
- legal and regulatory changes, in particular increases in regulatory burdens in the US or the EU.

Other sections of this Prospectus describe additional factors that may adversely affect the Group's results of operations, financial condition, liquidity, dividend policy and the development of the markets in which the Group operates. The Company urges each prospective investor to read the sections of this Prospectus entitled "*Summary*", "*Part 1* Risk Factors", "*Part 8* Business Description" and "*Part 11* Operating and Financial Review", for a more complete discussion of the factors that could affect the Group's future performance and the markets in which the Group operates. New risks may emerge from time to time, and it is not possible for the Group to predict all such risks, nor can the Group assess the impact of all such risks on its business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, prospective investors should not rely on forward-looking statements as a prediction of actual performance or results.

PART 5. Directors, Registered and Head Office and Advisers

Directors	Gary McGann (Chairman of the Board of Directors) Dan Flinter Annette Flynn James B. (Jim) Leighton Andrew Morgan Kevin Toland Rolf Watter Michael Andres Gregory Flack Tim Lodge
Company Secretary	Rhona O' Brien
Registered and head office of the Company	Talacker 41, 8001 Zurich, Switzerland
Company telephone number	+41 (0)44 583 4200
Process Banks	BofA Merrill Lynch and UBS Investment Bank
Corporate Broker and Irish Sponsor	Goodbody Stockbrokers UC
Joint Global Coordinators, Joint Bookrunners and Underwriters	Merrill Lynch International 2 King Edward Street London, EC1A 1HQ, United Kingdom UBS AG Bahnhofstrasse 45, 8001 Zurich, Switzerland and Aeschenvorstadt 1, 4051 Basel, Switzerland Credit Suisse AG Paradeplatz 8 8001 Zurich, Switzerland J.P. Morgan Securities plc 25 Bank Street, Canary Wharf London, E14 5JP, United Kingdom HSBC Bank plc 8 Canada Square London, E14 5HQ, United Kingdom
Joint Bookrunners and Underwriters	Crédit Agricole Corporate and Investment Bank 12 place des Etats-Unis CS 70052 92547 Montrouge Cedex, France Mizuho International plc Mizuho House, 30 Old Bailey London, EC4M 7AU, United Kingdom Coöperatieve Rabobank U.A Croeselaan 18 3521 CB Utrecht, The Netherlands
US legal advisers to the Company	Freshfields Bruckhaus Deringer LLP Bockenheimer Anlage 44 60322 Frankfurt am Main, Germany
Swiss legal advisers to the Company	Homburger AG Prime Tower Hardstrasse 201 8005 Zurich, Switzerland
Irish legal advisers to the Company	Arthur Cox Ten Earlsfort Terrace Dublin 2, D02 T380, Ireland

US legal advisers to the Underwriters	Linklaters LLP Taunusanlage 8 60329 Frankfurt am Main, Germany
Swiss legal advisers to the Underwriters	Bär & Karrer AG Brandschenkestrasse 90 8002 Zurich, Switzerland
Statutory Auditors	PricewaterhouseCoopers AG Birchstrasse 160 8050 Zurich, Switzerland
Reporting Accountants	PricewaterhouseCoopers One Spencer Dock North Wall Quay Dublin 1, Ireland
Registrars	Computershare AG

PART 6.

Expected Timetable of Principal Events and Offer Statistics

6.1 Expected timetable of principal events[1]

Event	Time and Date
Announcement of Offer Price	1 November 2018
Prospectus published	2 November 2018
Date for the allocation of Rights (Cut-off Date)	6 November 2018
Start of Rights Trading Period and start of Rights trading on SIX Swiss Exchange[2]	7 November 2018
Start of Rights Exercise Period	7 November 2018
Rights credited to existing CDI holders CREST accounts by Euroclear[3]	7 November 2018
Anticipated deadline for CDI holders to exercise their Rights via Euroclear[3]	13 November 2018
End of Rights Trading Period	13 November 2018
End of Rights Exercise Period	Noon CET 15 November 2018
Announcement of number of Offered Shares for which Rights have been exercised and number of Offered Shares which have been offered in the Share Placement	15 November 2018
Creation of Offered Shares and registration of capital increase regarding the Offered Shares with the Commercial Register	16 November 2018
Listing and First Day of Trading of the Offered Shares on SIX Swiss Exchange and the Irish Stock Exchange	19 November 2018
Payment of Offer Price against delivery of Offered Shares	19 November 2018

Each of the times and dates in the above timetable is subject to change without further notice. Under certain circumstances, the date of the capital increase to create the Offered Shares and the settlement of the Offering could be postponed to obtain an exemption from the obligation to make a public takeover offer; see "*Part 15 Details of the Offer – 15.13 Underwriting*".

6.2 Offer statistics

Offer Price (per Share)	CHF 1.00
Number of Offered Shares	900,184,940
Percentage of the issued Share capital being offered in the Offer[4]	968.8%
Number of Shares in issue following the Offer	993,105,727
Market capitalisation of the Company at the Offer Price	CHF 990.2 million
Estimated net proceeds of the Offering receivable by the Company[5]	CHF 843.2 million (€739.6 million)

(1) Holders of Rights must exercise their Rights according to the instructions of their depositary banks, custodians or other financial intermediaries. The Company, together with the Underwriters, reserves the right to extend or shorten the Rights Trading Period, the Rights Exercise Period or terminate the Offering, without any prior notice, at any time and for any reason. Any such change to the Rights Trading Period or the Rights Exercise Period or any termination of the Offering is announced through the electronic media (including via a regulatory information service). The Company will comply with its obligation to publish a supplementary prospectus containing further updated information if so required by law or by any authority, including as a result of any such change.

(2) Rights will not be admitted to trading on the Irish Stock Exchange.

(3) CDI holders are not Shareholders, but merely holders of beneficial interests in the share capital of the Company. The Company is unable to ensure that Rights are credited to existing CDI holders by the Shareholders of the underlying Shares in a timely manner, or at all. Likewise, the Company is not able to ensure that Rights purportedly exercised by CDI holders will be properly exercised by Euroclear or any other nominee or sponsor prior to the end of the Rights Exercise Period.

(4) Based on the Company's issued share capital at the date of this Prospectus.

(5) The estimated net proceeds receivable by the Company are stated after deduction of the estimated underwriting commissions and other fees and expenses of the Offering (including VAT) payable by the Company, which are currently expected to be approximately CHF 57.0 million (€50.0 million). The assumed exchange rate is 1 CHF to 0.88 EUR.

PART 7.
Markets and Competition

The following information relating to the Group's industry has been provided for background purposes only. Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Group's business contained in this "Part 7 Markets and Competition" consists of estimates based on the Group's own research and the third-party data reports compiled by professional organisations and analysts, on data from other external sources and on the Group's knowledge of sales and markets. It has been taken from several sources, as there is no single industry report or other source that covers all of the areas in which the Group operates. Where third-party information has been used in this Prospectus, the source of such information has been identified. The information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading (also see "Part 3 Industry and Market Data – 3.1 Market, economic and industry data"). Investors should read this "Part 7 Markets and Competition" in conjunction with the more detailed information contained in this Prospectus including "Part 1 Risk Factors" and "Part 11 Operating and Financial Review".

The Group believes that, based on revenue, it is the leading provider of frozen B2B bakery solutions in the world, serving the specialty bakery market through its three operating segments ARYZTA Europe, ARYZTA North America and ARYZTA Rest of World.

7.1 Market Overview

The Company competes in the large and growing global frozen bakery market, a sub-segment within the broader bakery category of the global food sector. The key categories of baked goods that are sold as frozen include bread (traditional, artisan, buns, rolls, bagels, English muffins and frozen bread dough), Sweet baked goods (cookies, frozen cookie dough, donuts, muffins, sheet and loaf cakes, brownies and scones), laminated dough, pancakes and savoury baked goods. Whilst the total bakery sector is demonstrating low rates of growth, frozen bakery (or bake-off) continues to grow rapidly and is projected to do so into the medium term to 2021.

7.1.1 *Market Distribution Channels*

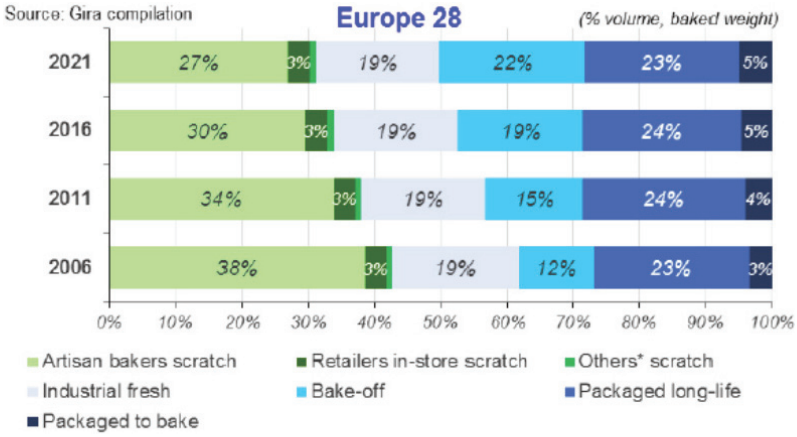
The channels for baked goods include food service, retail ISB (in-store bakeries) and retail centre aisle. Food service and retail ISB are the key channels for frozen baked goods. The food service distribution channel primarily includes restaurants, QSR, and other eating establishments that serve customers baked goods. In-store bakeries can be found in grocery stores and supermarkets, but also in convenience stores and gas stations, or in large club stores like Costco or Metro. Centre aisle distribution primarily includes packaged goods that are generally found towards the centre of grocery stores.

The Company mainly distributes through food service and retail ISB.

7.1.2 *Market Trends in Frozen Bakery*

There are key advantages to frozen bakery over other bakery segments, including artisan bakers, retailers in-store, fresh finished, packaged long-life, and packaged to bake, which the Company believes will drive growth of frozen bakery at a faster pace than the total bakery market. Some of these advantages are:

- Frozen bakery enables the delivery of quality and consistency at scale and allows customers to deliver fresh-baked taste to consumers;
- Frozen bakery has a longer lifespan compared to traditional baked items, and demand for food durability is increasing;
- The savings of labour costs, as frozen bakery products allow foodservice and retail operators to deliver the benefits of fresh without incremental labour and costs;
- Frozen bakery does not need artificial colour, flavours or preservatives present in ambient products, because it is baked off / thawed in store; and
- The development of emerging markets, particularly in Asia, is driving demand for Western baked goods as well as increasing the scale and quality of infrastructure for frozen products.

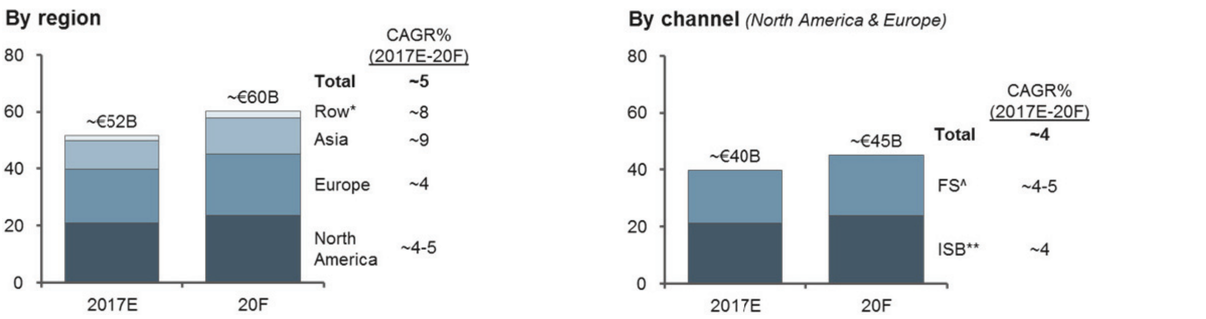


The graphic above, taken from the GIRA Report, shows a historical and projected analysis of the European bakery segment between 2006 and 2021. Against the background that overall volumes for bakery supply have remained relatively steady at approximately 40 million tons annually, GIRA's analysis of the market shows the share of "bake-off" category (those frozen or chilled products to be baked or thawed at the point of sales in bake-off stations and sold as fresh) growing from 12% in 2006 to 19% in 2016. According to the GIRA Report, this growth is expected to continue through to 2021 when it is projected to reach 22%.

However, within this volume, the frozen bakery sub-segment continues to grow and gain share from traditional sub-segments such as scratch baking and ambient packaged bread. As the GIRA Report shows, frozen bakery volumes have grown at a CAGR of around 5% between 2006 and 2016 and are projected to continue to grow at over 3% in Europe between 2016 and 2021. This growth is driven by the continued growth of the ISB concept in both large scale multiples and high street and local chain convenience stores.

A combined Company analysis taken from data sources such as Euromonitor and the GIRA Report indicates that the global market for frozen bakery is expected to grow from around €50 billion today to closer to €60 billion by 2020 as depicted in the graphic below. The Company believes the demand for durability, potential for labour cost savings, better and consistent quality, potential for clean label as well as strong growth within emerging markets are key trends that are driving this growth both within the ISB and foodservice channels.

Global frozen bakery market
(2017E-20F)
Billions of euros



7.1.3 ***Market Overview by Region***

7.1.3.1 Europe and North America

Europe and North America are the two largest regions for frozen baked goods, contributing an estimated €19 billion (approximately 37% of the total frozen bakery market estimated for 2017) and €21 billion (approximately 40% of the total frozen bakery market estimated for 2017) respectively in 2017 according to a Company analysis of information obtained from Euromonitor and the GIRA Report. A combined Company analysis taken from data sources such as Euromonitor and Technomics indicates that the North American frozen bakery market is growing at approximately 4% per annum and analysis based on the GIRA Report indicates that the frozen bakery market in Europe is growing slightly faster than in North America at over 4% per annum.

The Company estimates, based on the GIRA Report, that the retail/ISB sector in North America is growing at around 3%, while the retail channel in Europe is growing at around 4%, both driven by the expansion of some chains (including discounters) who are rolling out ISB.

Other key drivers within the retail/ISB sector include:

- The trend for snacking and food on the go, which is driving demand for fully furnished bread products ready to eat out of the package;
- Shifting consumer package size preferences as consumers are increasingly looking for smaller portion sizes, particularly in the form of individually packaged or bite-sized items;
- Clean labels, as consumers become more educated, they look for less processed, and all natural ingredients as well as transparency in the origin of their foods;
- The trend for new and ethnic flavours, which is primarily driven by millennials looking for a more diverse flavour portfolio; and
- All-day breakfasts as consumers want to enjoy breakfast foods as a meal or snack during non-traditional times.

The Company estimates (based on the same data) that the foodservice sector is growing at a faster rate, 4% in North America and foodservice and approximately 4.5% in Europe. Growth in this sector is being driven by similar trends to ISB along with the following additional factors:

- The trend towards gluten-free options, which is more apparent in the non-commercial foodservice sector;
- The demand for nostalgia, with consumers seeking updates on old favourite products; and
- The rise in fast casual dining, which has driven the expansion and use of artisan breads as a sandwich bread within general foodservice.

7.1.3.2 ARYZTA Rest of World

The Company estimates that, while the Europe and North America regions are the two largest markets, the Rest of World region (including Asia, Latin America and the Middle East) is expected to be the fastest growing region for Frozen Bakery, with an estimated expected CAGR of 8% in Asia and around 9% in Latin America and the Middle East between 2017 and 2020.

Within the Company's APMEA market, Australia and Japan are mature frozen bakery markets, where retail markets remain competitive with large, entrenched players and moderate amounts of insourcing. Foodservice sub-channels remain aligned to B2B sales with major multi-national bakeries leading the market. Developing markets of South East Asia, Greater China, and Middle East/Africa are the fastest growing consumers of bakery products. Here there is a sustained shift from scratch to frozen as demographics shift. In these developing markets, JVs and partnerships are often the common strategy for new market entry.

Within the Company's Latin America market (predominantly Brazil), economic recovery and a growing consumer trend towards indulgence are driving demand for better quality bakery products. According to its own estimates, the Company expects the fast food chain market (currently around €8 billion in revenues) to grow 10-12% through to the financial year ending 31 July 2020. ARYZTA believes it has a strong market position in bun products in this region, a position that it expects to maintain, given the recent announcement of investment in the new bun factory.

7.2 Competition

The Company believes that there are only a few global companies focusing on frozen bakery that have the scale and geographical presence comparable to ARYZTA, and although competition exists in varying degrees on a regional and local level, the frozen bakery market is highly fragmented, given the nature of its customers and the logistics involved in delivering quality frozen products. According to its estimates, the Company believes it is the number one global frozen bakery player focused on B2B with a global market share within frozen bakery of around 7%.

On a regional basis, the Company estimates it has a market share of 7-8% in the North America region and a market share of around 10% in the Europe region.

ARYZTA's global footprint, production capacity and the breadth of its product range make it, in the Company's opinion, a preferred partner to many increasingly sizeable and globalised customers in foodservice and retail channels. Competition currently exists in all areas in which the Company operates, but the Company believes that the requirement for a highly specialised supply chain and infrastructure for frozen products (e.g. bakeries and distribution systems), food safety regulations, and demands from customers for a particular level of excellence, consistency, quantity and quality make it difficult for new market players to take existing clients and customers from adequately performing suppliers.

One source of competition for B2B suppliers like ARYZTA is from insourcing. Motivation for a customer or a potential customer to insource its bakery operations can range from seeking security of supply to chasing higher margin activities instead of core retailing, to a reaction of perceived poor customer service. However, the Company believes most customers are not at risk of pursuing insourcing as the barriers to entry are significant (i.e. capital intensive nature of business, supply chain capability, innovation capability etc.). While the Company has been affected by a move by some particular retailers to build their own bakeries and insource production, causing a loss of current volume at some bakeries, the Company believes insourcing is not a general industry trend as it is only large, progressive businesses that are geared up for big vertical integration projects that take on insourcing, and once a factory has been built, it is the Group's experience that insourcing parties lack the ability to customise and innovate and find they often continue to rely on companies like the Company for new product development. We believe the Group's drive for efficiency, ability to innovate on behalf of customers, and its ability to leverage expertise means the Company is generally able to achieve both a lower cost of production compared to what a current customer may be able to achieve as well as a range of flexibility that insourcing lacks.

PART 8.

Business Description

Investors should read this "Part 8 Business Description" in conjunction with the more detailed information contained in this Prospectus including the financial and other information appearing in "Part 11 Operating and Financial Review". Where stated, financial information in this section has been extracted from "Part 22 Historical Financial Information".

8.1 Overview

The Company operates, via its subsidiaries, affiliated companies and joint ventures, a global food business and considers itself to be the leading provider of frozen B2B bakery solutions in the world based on revenue. The Group manufactures and distributes specialty frozen bakery items and baked goods to a diverse customer base for the distribution channels ISB, QSR, food-service and retail. The Group operates under a portfolio of different brands. Its products and capabilities include artisan breads, sweet baked goods and morning goods, individually wrapped, ready-to-eat snacks as well as an array of other savoury items such as pizzas, tarts and pies. As at 31 July 2018, the Group operated 56 bakeries across North America, South America, Europe, Asia, Australia and New Zealand and employed approximately 19,000 people on average for the financial year ended 31 July 2018.

The Company is domiciled and incorporated in Zurich, Switzerland.

The Group is organised into three operating segments: (i) ARYZTA Europe, (ii) ARYZTA North America and (iii) ARYZTA Rest of World. For the financial year ended 31 July 2018, the Group reported revenues of €3,435.4 million and Underlying EBITA of €164.9 million, as compared to revenue of €3,796.8 million and Underlying EBITA of €277.3 million for the financial year ended 31 July 2017 (representing a decrease of 9.5% in Group revenue and a decrease of 40.5% in Group Underlying EBITA). The Group's loss for the financial year ended 31 July 2018 improved to a loss of €470.0 million from a loss of €906.1 million for the financial year ended 31 July 2017.

Building off the improvement in result for the year, the Group has initiated a cost reduction program, Project Renew. The project aims to reduce the cost base of the Group by approximately €200 million over the next three years, with one-off costs of €150 million, generating an annualised run-rate of €90 million, beginning with the financial year ending 31 July 2021. On an operational level, the strategy aims to improve the performance of the Group by creating a more streamlined and fit-for-purpose, commercial Group. On an organisational level, Project Renew strives to implement improvements to the working culture and to introduce a flatter hierarchical system among its personnel.

8.2 History of the Group

On 21 August 2008, IAWS Group plc ("**IAWS**") and Hiestand Holding AG ("**Hiestand**") merged (the "**Merger**") to create a global leader in terms of revenue in the specialty baked goods market. Following the Merger, ARYZTA AG, a newly-incorporated Swiss company, became the holding company of the enlarged group. Immediately prior to the Merger, IAWS was an international lifestyle food business focused on the bakery and convenience food markets, with operations in North America and Europe and was listed on the Irish and London Stock Exchanges. Hiestand was a Swiss publicly-listed leading international manufacturer of gourmet bakery products. The Merger provided the combined entity with a broader range of products and access to additional markets.

The table below highlights certain key events in the growth and development of IAWS, Hiestand and the Company. Over the years, the Group has undertaken a number of acquisitions, which have complemented the organic growth of the Group.

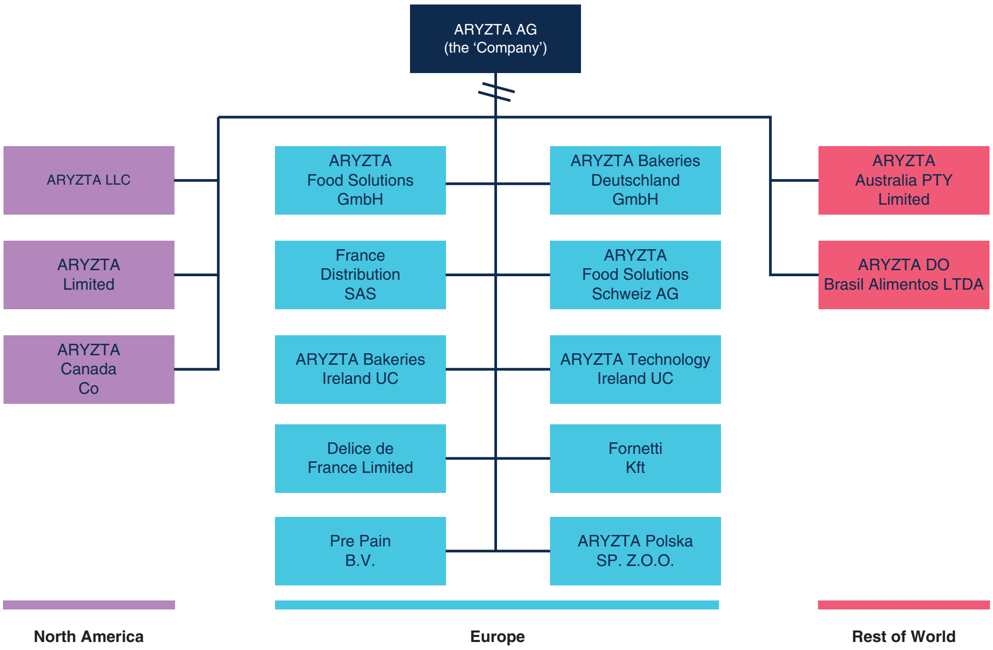
8.2.1 ***Key Events***

Calendar year	**Event**
1897	• Founded as the Irish Co-Operative Agricultural Agency Society and renamed the Irish Agricultural Wholesale Society (IAWS) later that year
1988	• IAWS floats on the Irish Stock Exchange
1989	• Shamrock Foods acquired
1990	• R&H Hall acquired
1994	• United Fish Products (UK) acquired
1998	• Cuisine de France acquired
1999	• Delice de France acquired
2000	• Cuisine de France opens new manufacturing facility in Tallaght, Dublin
2001	• La Brea Bakery acquired
2001	• Joint venture with Tim Hortons in Canada
2002	• La Brea Bakery opens new manufacturing facility in New Jersey
2002	• Tim Hortons opens new manufacturing facility in Brantford, Ontario
2003	• Acquisition of 22.0% stake in Hiestand
2004	• Carroll Cuisine acquired
2004	• Groupe Hubert (Coupe de Pates) acquired
2006	• Increased stake in Hiestand to 32.0%
2006	• La Brea Bakery adds further manufacturing capacity to New Jersey facility
2006	• Carroll Cuisine opens new manufacturing and distribution facility
2006	• Otis Spunkmeyer acquired
2006	• Origin Enterprises plc ("**Origin**") is established
2007	• IAWS raises €100.0 million through the sale of a 29.6% interest in Origin through an initial public offering
2008	• ARYZTA AG formed by merger between IAWS and Hiestand.
2009	• Grangecastle facility commissioned in January 2009
2010	• Great Kitchens acquired
2010	• Fresh Start Bakeries acquired
2010	• Maidstone Bakeries acquired
2011	• Honeytop Speciality Foods acquired
2013	• Klemme acquired
2014	• Pineridge Bakery acquired
2014	• Cloverhill Bakery acquired
2014	• Mette Munk acquired
2014	• Rina acquired
2014	• IL Fornaio acquired
2014	• Pita Pan acquired
2015	• Sale of Honeytop Speciality Foods
2015	• Sale of Carroll Cuisine
2015	• 50.0% interest in Signature Flatbreads acquired
2015	• Pre Pain acquired
2015	• La Rousse Foods acquired
2015	• Fornetti acquired
2015	• Disposal of Origin stake
2015	• 49% strategic interest in Picard acquired[(1)]
2018	• Disposal of stakes in La Rousse, Signature Flatbreads and legacy Cloverhill facilities

(1) Held indirectly via Lion/Polaris Lux Holdco S.à r.l,, the indirect parent company of the Picard Group.

8.3 Corporate Structure

The Company is the parent company of the Group. The diagram below shows a simplified operating structure of the Group and its significant subsidiaries within the Group's three geographical segments (ARYZTA North America, ARYZTA Europe and ARYZTA Rest of World) as at 31 July 2018:



8.4 Competitive Strengths

The Group believes its most significant competitive strengths comprise the following:

8.4.1 *Largest global footprint in frozen B2B bakery*

The Group operates across five continents: North America, South America, Europe, Asia and Australia, and has what the Group believes to be the broadest geographical reach of the few truly global players focused on the B2B frozen bakery segment. The Group's global platform uses more than 50 bakery facilities with more than 175 production lines to offer both global and local customers a one-stop shop for their comprehensive bakery requirements. The Group has continued to modernise its production capabilities and to invest in its manufacturing base, with cash flows for purchase of property, plant and equipment and intangible assets totalling €403.7 million from the financial years 2016 through 2018.

The Company believes that this global footprint allows it to deliver excellent products with consistent top quality to clients, facilitating the international growth strategies of its customers. It also allows the Company to bring the best of worldwide innovation and trends to its customers and enables ARYZTA to share best practice learnings in operational excellence to lower production cost.

8.4.2 *Trusted partner of leading QSR, retail and foodservice customers worldwide*

The Group has long-standing relationships with the top QSR, retail and foodservice companies worldwide. ARYZTA believes that it has earned the trust of many of the world's leading companies thanks to its track record of on-time, high quality delivery, and its ability to provide solutions for customers across geographies. In addition, based on customer feedback, the Company's focus on quality and food safety is valued by its customers, as well as the Company's willingness to invest in targeted opportunities which are driven and supported by its customers.

As a partner, ARYZTA works together with its customers to develop and innovate across value-add product categories and aligns its interests and goals with those of its customers. We specialise in laminated dough, buns, donuts, artisan bread and cookies, and we work together with our customers to create new offerings for consumers of their products. Through innovation and development, we are able to help our customers keep up with consumer trends and provide them with premium products that meet consumer demands.

8.4.3 *World class innovation for customers*

ARYZTA believes it offers its customers unparalleled chef-led innovation capabilities for best-in-store products and excellence in foodservice in Europe. ARYZTA concentrates its activity in frozen bakery, the fastest growing and most innovative segment of bakery and focuses on five categories in particular (laminated dough, buns, cookies, artisan bread and donuts/berliners), capitalising on key consumer and industry trends. The Group believes it has leading-edge insight into evolving consumer trends due to its geographical breadth, leading market positions, and close relationship with worldwide leading retail, restaurant and foodservice customers.

"On the go" food, snacking (convenience portions and solutions, mini sizes) and the movement towards health and wellness (artisan bread, clean-label nature of frozen, ability to lead and participate in QSR drives for lower sugar, salt, fat and smaller portion sizes) are among the trends ARYZTA has identified together with its customers. ARYZTA uses this information to create new added-value products like "better-for-you indulgence" that mirrors the consumer trend towards health and wellness to give consumers healthier treats (relevant to "American sweet" – cookies, donuts etc.). Continued growth of in store bakery across the world has offered opportunities for the Company to utilise its broad flavour profiles and become a category leader and solutions provider due to its strong B2B brands, knowledge of equipment, preparation and baking, and its breadth of product range.

8.4.4 *Culture of bakery operational excellence*

The pride ARYZTA takes in its baking is built around its best-in-class manufacturing processes which use cutting edge technology to push the envelope on efficiency. The Company also benefits from sharing best practices across its global platform, allowing customers to benefit from successful innovation around the world. With Project Renew, ARYZTA is further enhancing its culture of optimisation, looking to further maximise capacity utilisation, reduce waste and improve productivity, all while reducing the Group's cost base.

8.4.5 *High quality employees*

The Group believes its world class culture, baking excellence and customer satisfaction is a direct result of its highly motivated workforce. ARYZTA's employees are united around a common purpose, set of values and sense of pride, the centre of all of which is baking. The Group's bakers are the key to innovating new recipes and products, and its employees are at the centre of the Group's longstanding customer relationships.

8.4.6 *New, motivated management with a clear focus on the business*

Following a negative development in the Company's results during the financial year ended 31 July 2017, the Group has undergone significant changes in its senior management, most recently with the appointment of Kevin Toland as CEO in September 2017 and Frederic Pflanz as CFO in January 2018. The newly revamped management team and executive committee have many years of relevant expertise and more than twenty years average of industry experience gained at blue-chip international companies. Management is highly motivated and have made a comprehensive analysis of the business, defining a focused strategy for success. Management has also taken significant steps to ensure that controls are in place, the team is empowered, and responsibilities throughout the business are clearly defined.

8.5 Strategy

The Group pursues the following key strategic initiatives:

8.5.1 *Deliver on its business plan to provide key B2B customers with frozen bakery solutions*

The Group pursues a clear strategy to position itself for long-term profitable growth by strengthening the focus on its core business of frozen bakery solutions for B2B customers. The Group's top commitment remains with its customers, ensuring that the Company can deliver outstanding quality and value. At the same time, the Group seeks to redefine the customer experience through ARYZTA's products and service propositions. We intend to focus on profitable growth opportunities through innovation in our core categories of cookies, artisan breads, laminated dough, buns and donuts/berliners, generating value for both the Company and its customers and increasing the Group's margins through improved capacity utilization within our bakeries. We will continue to optimise production through automation and customer-driven expansion, reflecting the partnership nature of our business, such as investments in new product lines or bakeries to help our customers meet their bakery needs. Together ARYZTA believes these initiatives will drive revenue growth both through higher volume and through increased sales of value add products that bring more revenue per item.

As part of this renewed strategic focus, the Group has also returned its focus to its employees and the corporate culture within the Group. The Group's employees pride themselves on excellence, and ARYZTA continues to promote a corporate culture, which values accountability, empowerment, transparency and a relentless focus on customer management. ARYZTA believes this renewed focus on employees will develop stronger customer relationships, help the Company build and expand its world class capabilities, and develop performance-driven and valued leaders.

8.5.2 ***Improving the Group's profitability by realising substantial cost savings through Project Renew***

On 24 May 2018, the Group announced Project Renew with the following objectives:

- reduce the cost base of the Group's business by cumulative €200 million from the financial year ending 31 July 2019 to the financial year ending 31 July 2021;
- generate annual run-rate savings of €90 million beginning with the financial year ending 31 July 2021; and
- improve performance by creating a more streamlined and fit-for-purpose, commercial organisation (especially regarding the ARYZTA North America business).

More than 200 initiatives have been identified across the Group's operations. These initiatives include operating model (personnel) cost reductions, supply chain improvements and procurement savings, as well as bakery rationalisation and automation. The Company expects that the implementation of this restructuring and cost reduction plan will improve the Group's profitability by realising substantial cost savings with targeted €90 million in annual run-rate savings, beginning with the financial year ending 31 July 2021.

8.5.3 ***Disposal of non-core and/or non-strategic assets***

In line with the Group's key strategic initiatives to strengthen its focus on its frozen B2B bakery operations and to realise further cost savings under Project Renew, the Group intends to dispose of assets that it considers to be non-core and/or non-strategic. The Group has already disposed of several businesses in the financial year ended 31 July 2018, including its interest in Signature Flatbreads, the Cloverhill Chicago and Cicero facilities in the ARYZTA North America segment, and the La Rousse business in the ARYZTA Europe segment. In the financial year ended 31 July 2018, the Group received consideration of €137 million from these disposals. In addition, the Group has announced its intention to dispose of its 49% interest in Picard, a manufacturer and distributor of frozen foods in France and internationally focused on premium specialty food, the disposal of which requires the approval of both joint venture partners. The Group received €91 million in dividends from Picard in the financial year ended 31 July 2018. In addition to Picard, the Group has identified several other businesses which could be monetised based on several criteria including value, impact on strategy, the ease in which the business line can be separated from the Group's core business, reaction of key customers, etc. Proceeds from the sale of non-core businesses can be used to strengthen the Group's balance sheet and to free up cash flow to fund investments in the remaining businesses, including cost savings initiatives that are part of Project Renew.

8.5.4 ***Strengthen the Group's financial position***

The Company expects to receive up to approximately €740 million in net proceeds from this Offering. These net proceeds will partially be used to reduce the Group's debt. In addition to deleveraging, the net proceeds from the Offering will provide the Group with more financial and working capital flexibility to continue its cost reduction initiatives, bakery optimisation, and will enable other valuable customer led investments.

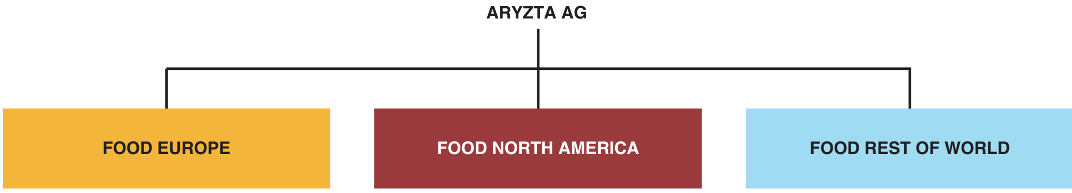
8.6 Review of Operations

A brief description of the operations of the Group is provided below.

For the financial year ended 31 July 2018, the Group's revenue was €3,435.4 million, a decrease of 9.5% as compared to €3,796.8 million for the financial year ended 31 July 2017. For the financial year ended 31 July 2018, the Group's Underlying EBITA decreased by 40.5% to €164.9 million as compared to €277.3 million for the financial year ended 31 July 2017.

The Group's business is primarily focused on specialty baking, a niche segment of the overall bakery market. Specialty bakery consists of frozen bakery items and freshly baked goods. The Group operates under a portfolio of brands, and its products and capabilities range from artisan breads, sweet baked goods and morning goods, individually wrapped, ready-to-eat snacks as well as an array of other savoury items such as pizzas, tarts and pies. The Group's customer channels consist of a mix of convenience and independent retail, large (multiple) retail, QSRs and other food-service categories, convenience and independent retail.

The Group's business is divided into three segments: (i) ARYZTA Europe; (ii) ARYZTA North America; and (iii) ARYZTA Rest of World.



As of the date of this Prospectus, the Group operates 56 bakeries with sales into 29 countries. The graphic below provides a visual representation of where the Group operated its 56 bakeries as of 31 July 2018.

8.6.1 ***Product Offering***

The Group produces specialty bakery products comprising bread (including standard bread, rolls and artisan loaves), sweet baked goods (including cookies and muffins) and morning goods (including croissants and danish), as well as savoury bakery products (including pizza), and others. The Group's core product categories are Laminated Dough, Buns, Donuts, Artisan Bread and Cookies. Below is an overview of all of ARYZTA's products, including a short description of ARYZTA's three main product groupings:

BREAD

Artisan Bread Traditional / Non-Artisan Bread **Buns** Rolls English muffins Frozen bread dough	Within our bread group, "Artisan Bread" represents a large category differentiated by product quality and aligned with ARYZTA's strong production capabilities. "Buns" is a large core product category and is central to ARYZTA's key QSR customers. Total bread rolls and artisan loaves accounted for approximately 38% of the Group's revenue for the financial year ended 31 July 2018.

BAKED COOKIES

Baked Cookies Frozen cookie dough **Laminated Dough** Muffins **Donuts & Berliners** Cakes Other sweet baked goods	Within our sweet baked goods group, "Baked Cookies" is a large category with growing customer demand and strong ARYZTA production capabilities. "Laminated Dough", in addition to being large, is a high value category with wide range of product types and formats. Another large core category in sweet baked goods is "Donuts & Berliners", a category in which ARYZTA enjoys strong relationships with marquee customers. Total sweet baked goods and morning goods accounted for approximately 43% of the Group's revenue for the financial year ended 31 July 2018.

SAVOURY AND OTHER

Savoury baked goods Other non-bakery Other non-food	Total savoury and other accounted for approximately 19% of the Group's revenue for the financial year ended 31 July 2018.

8.6.2 *Europe*

The Company believes the ARYZTA Europe segment has leading market positions in terms of revenue in the frozen bakery market in Switzerland, Germany, the UK, Ireland, France, Spain, Sweden, Poland and Denmark. ARYZTA operates more than 20 bakeries across the Europe region with brands including: Hiestand, Cuisine de France, Delice de France and Coup de Pates. ARYZTA Europe has a diversified customer and channel mix including convenience retail, petrol stations, multiple retail, restaurants, catering and hotels, leisure and QSR.

For the financial year ended 31 July 2018, ARYZTA Europe's revenue was €1,710.6 million (49.8% of the Group's total revenue), a decrease of 1.6% as compared to €1,738.6 million for the financial year ended 31 July 2017 (45.8% of the Group's total revenue). For the financial year ended 31 July 2018, ARYZTA Europe's Underlying EBITA decreased by 29.7% to €103.4 million, as compared to €147.1 million for the financial year ended 31 July 2017.

The ARYZTA Europe segment is a market leader in terms of revenue in several categories within the "ready-to-go" market segment, comprising frozen par-baked specialty breads, confectionery, viennoiserie, pastries, savoury foods and ready meals. The Group manufactures most of its products, including its traditional French-style breads, artisan breads, laminated dough products such as croissants and Danish, buns and a range of other products, and outsources additional products to external partner producers, which allows the Group to improve efficiency and asset utilisation, and to broaden its product range. Finished goods from external partner producers are consolidated daily in warehouses throughout Europe, and products are distributed to customers through ARYZTA Europe's distribution network.

The ARYZTA Europe segment accounts for 49.8% of the Group's revenue for the financial year ended 31 July 2018. The segment covers products which the Group manufactures, (primarily for its top 20 customers, which in total, according to management's estimates accounted for 40% of ARYZTA Europe's customer revenue for the financial year ended 31 July 2018 as well as goods sourced from external partner producers.

The Group's product offerings in the ARYZTA Europe segment – broken down by type – each accounted for the following percentages of total revenues in the financial year ended 31 July 2018:

- Bread Rolls and Artisan Loaves: approximately 41%;
- Sweet Baked Goods and Morning Goods: approximately 31%; and
- Savoury and Other: approximately 28%

In addition to the wide customer base and geographical footprint across the continent, ARYZTA Europe's products are also distributed through a wide variety of channels. According to management estimates in respect of the financial year ended 31 July 2018, ARYZTA Europe's revenues are derived through the following channels: large retail (40%), other food-service (32%), convenience and independent retail (19%) and QSR (9%).

Competitive data for the Europe region has been taken from the GIRA Report.

8.6.2.1 Key ARYZTA Europe businesses and brands

- **ARYZTA Bakeries Deutschland GmbH** was formed following the consolidation of ARYZTA Bakeries Germany GmbH in 2016 and Klemme AG that the Group acquired in 2013. It operates five bakeries with multiproduct manufacturing capabilities. Its food range (approximately 2,000 bakery items) includes an assortment of bread rolls and ciabatta, croissants, sweet and savoury pastries, doughnuts and pretzels. The company develops and produces deep-frozen bakery goods for wholesalers, hotels, supermarkets, large bakery chains, fast food chains and home delivery.
- **FSB Europe** is a premier supplier of hamburger buns, hot dog buns, rolls, English muffins and other bakery products to the QSR and retail food-service industry.
- **Coup de Pates** is the principal brand of Groupe Hubert. The Company considers Groupe Hubert to be a leading developer and distributor of bakery products to the bakery, craft and food-service sectors in France, offering over 3,100 bread, viennoiserie and patisserie products. Groupe Hubert has a customer base comprising over 33,000 independent food retailers. The business has extensive revenue and a wide telesales and logistical network allowing it to service its customers across France on a daily basis.
- **Cuisine de France** manufactures and distributes traditional French breads, pastries and a wide range of continental-style breads, confectionery and hot savoury items. Cuisine de France French bread is par-baked in a fully automated plant, packed in food hygiene standard boxes and dispatched to retail stores in a fleet of specially refrigerated vans and trucks. Cuisine de France provides a complete bake-off solution primarily to the retail industry, as well as staff training and category management to enable the timely delivery of ready-to-bake products.

- **Delice de France** supplies high quality continental breads, viennoiserie, savoury and confectionery products, including hospitality goods, primarily to the food-service and catering industry. Delice de France offers over 1,200 products and provides premium solutions tailored to meet future customer and consumer needs. With global sourcing capabilities, Delice de France's new product development team continually uses its expertise to innovate and develop products and services ideally suited for the food-service market.
- **Hiestand** offers a broad range of innovative bakery products (croissants, bread, rolls, pastries, snacks and pretzels). Hiestand operates an advanced logistical and distribution network to maintain the quality and freshness of its product. Hiestand's core business is frozen bakery products. Germany and Switzerland are Hiestand's core markets, with Hiestand being a market leader in frozen bakery products in terms of revenue in both countries. In addition to the Hiestand group's range of frozen products, a subsidiary, Fricopan, also produces chilled products for key account customers in Germany.
- **Pre Pain** was acquired in 2015 and is a recognised leader in 'crusty bake-off bread' in the Netherlands.
- **Fornetti** was acquired in 2015 and the Company considers it to be a leading bakery goods supplier in Hungary, Romania and Bulgaria. This acquisition further enhanced the Group's brands and gave the Group access to new geographic market expansion within Eastern Europe.

8.6.3 ***ARYZTA North America***

The Company believes that the ARYZTA North America segment has leading positions in terms of revenue in the frozen bakery market in the United States and Canada. ARYZTA North America operates 20 bakeries across the United States and Canada and has a variety of brands, including: Fresh Start Bakeries, Otis Spunkmeyer, Great Kitchens, Maidstone Bakeries, La Brea Bakery and Pineridge. ARYZTA North America has a diversified customer base including multiple retail, restaurants, catering, hotels, leisure, hospitals, military, fundraising and QSR. The Group also has well-established partnerships with key global QSR customers, which dominate the North American convenience food landscape.

For the financial year ended 31 July 2018, ARYZTA North America's revenue was €1,468.0 million (42.7% of the Group's revenue), a decrease of 18.4% as compared to €1,799.0 million for the financial year ended 31 July 2017 (47.4% of the Group's revenue). For the financial year ended 31 July 2018, ARYZTA North America's Underlying EBITA decreased by 68.7% to €31.5 million, as compared to €100.4 million for the financial year ended 31 July 2017.

The Group has made a substantial investment in recent years in developing the ARYZTA North America business in the value-added bakery market through acquisitions and capital investment. This has created an operation with modern bakery assets, strong brands and national reach.

The top 20 customers of ARYZTA North America accounted for 66% of total customer revenue for the financial year ended 31 July 2018.

Food product offerings in ARYZTA North America – broken down by type – each accounted for the following percentages of ARYZTA North America's total revenues for the financial year ended 31 July 2018:

- Sweet Baked Goods and Morning Goods: approximately 61%;
- Bread Rolls and Artisan Loaves: approximately 28%; and
- Savoury and Other: approximately 11%

In addition to the wide customer base and geographical footprint across the continent, the product offering of the ARYZTA North America segment is also distributed through a wide variety of channels. In the financial year ended 31 July 2018, ARYZTA North America's revenues were derived through the following channels: QSR (41%), large retail (30%), other food-service (26%) and convenience and independent retail (3 %).

Since 2010, the Group has successfully acquired and integrated new assets including Great Kitchens, Fresh Start Bakeries and Maidstone Bakeries, and Pineridge. The acquisition of Pineridge has enlarged the Group's manufacturing footprint in North America. The acquisition of Fresh Start Bakeries has also given the Group broader exposure to emerging markets including Latin America and Asia Pacific. Cloverhill was recently divested as part of the Company's strategy to focus on its core B2B business.

8.6.3.1 Key ARYZTA North America businesses and brands

- **La Brea Bakery** is what the Company believes to be a leading supplier of artisan breads in the United States. La Brea Bakery offers a wide assortment of par baked premium high-quality and rustic breads throughout the US at gourmet grocers, purveyors of fine foods and grocery stores. The frozen breads require minimal handling, no specialty in-store or on-premises equipment, and can be fully baked from frozen in just a few minutes. The retailer or restaurateur additionally benefits by minimising waste by only baking off according to actual demand. La Brea Bakery's bakery facilities are located in New Jersey and California.

- **Otis Spunkmeyer** is a premium baked goods brand in the United States. Otis Spunkmeyer enjoys strong brand recognition and customer awareness across a national customer base in the food-service and retail channels. Otis Spunkmeyer maintains a flexible and low-cost distribution network that enables it to provide tailored services to a broad range of customers, with foods currently produced at six locations across North America. Otis Spunkmeyer has a diverse revenue mix in terms of revenue by channel and customer segment. Within the retail channel, Otis Spunkmeyer primarily sells its own branded muffins, frozen cookie dough and other baked goods. Otis Spunkmeyer also targets the ISB market, principally through the sale of frozen cookie dough to supermarkets in the United States. Otis Spunkmeyer is the premium cookie brand in that channel.

- **Maidstone Bakeries** is a Canadian bakery operation that has the capability to produce a broad range of products, both sweet and savoury, including sandwich carriers, hand-held snacks and breakfast products to meet the highest quality standards and consistency of products.

- **Fresh Start Bakeries (incorporating Pennant Foods and Sweet Life)** is a global supplier of specialty bakery products with what the Company believes to be a leading position in the QSR channel. Fresh Start Bakeries has bakery operations in 25 locations in 13 countries across five continents. Pennant Foods is what the Company believes to be a leading provider of specialty bakery products and solutions to the North American QSR, food-service and retail in-store bakery channels. Sweet Life is what the Company believes to be a leading innovator and manufacturer of sweet baked goods servicing the North American and Asian QSR channel.

- **Pineridge** is what the Company believes to be a leading Canadian specialty bakery in terms of revenue. It is a supplier of fresh and frozen baked goods to the retail, foodservice, private label and co-pack business segments. It is also a manufacturer and distributor of baked and unbaked desserts and breakfast pastries for the ISB and food service business segments.

- **Oakrun Farm Bakery** is a brand within the Canadian marketplace with a full portfolio across multiple specialty bakery food categories. Oakrun Farm Bakery's core portfolio encompasses english muffins, crumpets, belgian waffles, coffee cakes, muffins and cookies with foods of high-quality, mainstream consumer appeal. The brand has recently expanded into retail-ready, thaw and serve ultragrain wholegrain muffins as well as a line of ready-to-serve bundt cakes with future plans for continued market growth through innovation and customer shopper and guest activation strategies.

8.6.4 *ARYZTA Rest of World*

The ARYZTA Rest of World segment covers operations in Latin America and the APMEA regions. Rest of World operates more than twelve bakeries across six countries. The Group believes that its relationships with global QSR groups should underpin the Group's future growth prospects in this region, by providing opportunities for revenue growth and capacity expansion, including new bakeries in Brazil.

ARYZTA Rest of World's business accounts for 7.5% of the Group's revenue for the financial year ended 31 July 2018.

Food product offerings in the ARYZTA Rest of World segment – broken down by type – each accounted for the following percentages of ARYZTA Rest of World's total revenues for the financial year ended 31 July 2018:

- Bread Rolls and Artisan Loaves: approximately 73%;
- Sweet Baked Goods and Morning Goods: approximately 25%; and
- Savoury and Other: approximately 2%.

ARYZTA Rest of World's top 20 customers, according to management's estimates accounted for 69% of customer revenue for the financial year ended 31 July 2018.

In addition to the wide customer base and geographical footprint across the continent, ARYZTA Rest of World's products are also distributed through a wide variety of channels. According to management estimates in respect of the financial year ended 31 July 2018, ARYZTA Rest of World's revenues are derived through the following channels: QSR (72%), other food-service (22%), convenience and independent retail (3%) and large retail (3%).

For the financial year ended 31 July 2018, ARYZTA Rest of World's revenue was €256.8 million (7.5% of the Group's total revenue), a decrease of 0.9% as compared to €259.1 million for the financial year ended 31 July

2017 (6.8% of the Group's total revenue). The drop in revenue was principally a consequence of currency impacts. For the financial year ended 31 July 2018, ARYZTA Rest of World's Underlying EBITA increased by 1.1% to €30.0 million from €29.7 million for the financial year ended 31 July 2017.

Despite commissioning new bakery capacity over the last number of financial years, the ARYZTA Rest of World segment remains capacity-constrained, and accordingly, relies upon imports of products manufactured by the Group as part of the ARYZTA Europe and ARYZTA North America operations.

8.6.5 *Equity Investment in Picard*

In August 2015, the Company acquired a 49% stake in the voting rights of Lion/Polaris Lux Holdco S.à r.l, the indirect parent company of Picard, a manufacturer and distributor of frozen foods in France and internationally, from Lion Capital LLP for a purchase price of €450.7 million. With more than 1,000 stores, Picard is one of the market leaders in specialty premium food products in France. Picard's financial year runs from 1 April to 31 March. In Picard's financial year ended 31 March 2018, Picard's revenue amounted to €1,450 million and the Company's share in Picard's Underlying Net Profit of €40.2 million amounted to €19.6 million thereof (for more information on the share of profit from joint ventures, see "Note 15 Investments in joint ventures" to the ARYZTA Consolidated Financial Statements 2018 on page F-50).

Picard operates several different types of complementary retail formats, such as pedestrian stores and hypermarkets (big-box stores, combining a supermarket and department store). It operates an asset-light, replicable business model that enables it to efficiently compete with most single food retailers and focuses on structural growth trends in the food industry, such as premium food, convenience food, indulgence food and healthy food. Its product portfolio comprises approximately 1,100 different stock keeping units ("**SKUs**"), which are mainly sold under the Picard brand and include, among others, frozen vegetables, fruits, meat and poultry, fish, breads and pastries, ice cream and bio and labelled products. Due to its diverse product portfolio, Picard is able to benefit from growing consumer demand for on-trend solutions, such as a desire for convenience in the kitchen, clean labels, food waste reduction and the expanding interest in home cooking. With its investments in its IT infrastructure, Picard is well-positioned to benefit from the growing impact of technology on lifestyles and home appliances that is resulting in an increased growth in online shopping in the B2C food sector.

In May 2017, the Group announced that it had appointed HSBC as advisor in relation to an evaluation of alternatives for its 49% investment in Picard and in September 2017, the Group announced its intention to dispose of its interest in Picard as part of its strategy to focus on its core B2B business. The disposal of the Group's interest requires the approval of both joint venture partners, including Lion Capital LLP, the controlling partner. The Group's interest in Picard continues to be accounted for on a historical cost basis using the equity method (with an investment carrying value of €420.0 million as of 31 July 2018), rather than at fair value as an asset held-for-sale due to such required approval being outstanding.

8.7 Project Renew – Cost and Efficiency Improvement Initiatives

Project Renew is a new cost saving and profitability improvement strategy of ARYZTA AG. At its core, Project Renew aims to reduce the cost base of the Group by approximately €200 million cumulatively over the next three years, achieving an annualised run-rate of €90 million, beginning with the financial year ending 31 July 2021. Project Renew is accelerating some of the cost reduction initiatives already envisaged by the Company in its corporate strategy, but also taking additional steps to improve the overall operating and cost model by reducing plant footprint, capacity and infrastructure on both an operational and organisational level. On an operational level, the strategy aims to improve the performance of the Group by creating a more streamlined and fit-for-purpose commercial Group. On an organisational level, Project Renew strives to implement improvements to the working culture and the introduction of a flatter hierarchical system among its personnel.

Since Project Renew was launched in June 2018, initiatives have been identified to assist the Company in this transformative step-change of its operations and are targeted to result in savings in excess of the targeted cost base reduction of €200 million. All these initiatives are linked by their common goal to create a flatter, faster and simpler organisational structure. At the same time, they are aspiring to improve the Company's product portfolio and customer service, while maintaining and further improving its high standards of product quality. All cost reduction measures are expected to be implemented at a local, regional and global level within the Group. The initiatives have been grouped into three main categories: Cost reductions resulting from optimisations in the operating model and personnel, enhancements to the procurement and supply chain structure and initiatives relating to automation and the manufacturing process.

Firstly, cost reductions relating to the operational model and personnel play a central role in the implementation of Project Renew. The Company expects to achieve a substantial reduction in its operational costs by adjusting the levels of centralisation and outsourcing within its corporate structure. Cost reduction initiatives relating to the operational model include, among others, a reorganisation in the Group's sales structure, a reduction of the amount of discretionary spending on regional levels and the creation of more streamlined production processes by concentrating certain operational functions, e.g. food quality assurance, on regional and brand levels. Further measures are linked to the personnel structure of the Company and, as an example, comprise headcount reductions in support functions and reductions in the size of the executive leadership teams on a regional level. Examples of operating model initiatives include the downsizing of the US management structure which was completed in July 2018 and which included a total reduction of 76 full-time-equivalents, including four members of the US management and a 25% down-sizing of US headquarter staff (since 1 August 2018) and the back office consolidation taking place in Europe. The European back-office consolidation, once completed, is anticipated to result in the reduction of 30 full-time-equivalents. The annual savings to be achieved through these two examples are estimated to be €1.7 million at a once off cost of €0.9 million.

Secondly, enhancements to the procurement and supply chain structure are expected to significantly contribute to the overall profitability of the Company. Procurement savings will primarily be achieved by optimising the processes to purchase finished goods and raw materials. This includes measures to simplify operations and enable volume bundling, e.g. by harmonising recipes and ingredient mixes as well as packaging configurations across various products and this also includes centralising indirect procurement (one off purchases) which still happen locally, particularly in Europe. Improvements to the supply chain structure include, among others, measures to reduce transport spending and the outsourcing of logistics, e.g. by optimising routes and buying haulage based on frequent routes. Further measures comprise initiatives to improve warehouse operations, in order to drive efficiencies and capacity improvements. As an example, a warehouse outsourcing initiative, including the elimination of an external warehouse and two-leg transport journeys, is expected to require one-off costs of around €0.25 million in the current financial year, but could generate up to €2 million in annual cost savings.

Lastly, automation and manufacturing initiatives are expected to have a considerable impact on the cost base of the Group. These initiatives, which have been identified for 50 bakery lines across the ARYZTA Europe and ARYZTA North America operations, seek to automate and modernise high manual labour facilities within the bakery and packaging areas in order to gain plant efficiencies and capacity improvements, while at the same time retaining appropriate flexibility for market changes. Automation and manufacturing projects include, among others, line consolidations in bakeries and conveyor upgrades, but also measures addressed at specific steps in the production chain, such as the introduction of automated processes for croissant-bending or the folding of product packaging. An example of an automation initiative would be the auto-scoring of bread. Where bread is manually scored, a sharp razor blade is used by employees to score the loaves. Robotic auto-scoring would eliminate significant labour costs per shift, and also reduces risk of injury to employees. The Company estimates that an auto-scoring that could be undertaken in the ARYZTA North America segment (starting in the upcoming quarter) would require $1.2 million in capital expenditure and would have an estimated payback period of 1.9 years. In addition, automatic palletising, using an auto-palletiser and stretch wrap system, has been identified to have similar benefits in reduced labour costs. Automation of a muffin line, requiring capital expenditure of $0.4 million with an estimated payback period of 1.3 years, has already begun.

The Company expects that a successful implementation of the cost reduction initiatives will have a positive contribution to both its operating result and Underlying EBITDA. If its targets are achieved, the Company expects Project Renew to lead to cost savings of approximately €200 million. At the same time, the level of the one-off required investments is expected to amount to approximately €150 million cumulatively over three years in capital expenditure and restructuring costs, including around €70 million in the financial year ending 31 July 2019 (of which approximately €45 million is expected to be capital expenditure), required to achieve annual run rate savings targets. Of the €90 million in run-rate savings targeted beginning with the financial year ending 31 July 2021, these are expected to be split relatively evenly between ARYZTA Europe (€50 million) and ARYZTA North America (€40 million) and will be phased in as projects are completed. The Company aims to have €40 million in run rate savings be achieved by the end of the financial year ending 31 July 2019 (80% of which is expected in the second half of the year) and €70 million to be achieved by the end of the financial year ending 31 July 2020. Cash flow from operations and a portion of the net proceeds from this Offering will be used to finance the investments.

For risks associated with the implementation of Project Renew, please see the first risk factor in "*Part 1 Risk Factors – 1.1.1 Cost reduction and efficiency improvement measures in connection with Project Renew may not deliver the targeted benefits as envisaged, which may have a material adverse effect on our business, operating results, financial condition or prospects.*".

8.8 Acquisitions And Disposals since 1 August 2015

8.8.1 *Acquisitions*

There were no acquisitions completed by the Group during the financial year ended 31 July 2018.

There were no acquisitions completed by the Group during the financial year ended 31 July 2017.

During the financial year ended 31 July 2016, the Group completed the 100% acquisition of La Rousse Foods, a supplier of fresh, frozen and ambient goods to various restaurants, hotels and caterers across Ireland. Total consideration for the acquisition was €27 million, including €0.6 million in contingent consideration.

During August 2015, the Group acquired a 49% interest in Picard as described above.

8.8.2 *Disposals*

During the financial year ended 31 July 2018, the Group disposed of three businesses, the Cloverhill Chicago and Cicero facilities, which were sold in February 2018, La Rousse, which was sold in January 2018, and the Group's 50% interest in Signature Flatbreads, which was sold in March 2018.

There were no disposals of businesses in the financial year ended 31 July 2017.

During the financial year ended 31 July 2016, the Group disposed of assets in connection with small businesses in France and the United States for an aggregate gain of €1 million. In addition, the Group sold its remaining 29% interest in Origin (September 2015).

8.9 Properties

As at 31 July 2018, the Group's primary bakeries facilities owned or leased by the Group are as follows:

Division	Location	Type	Title[(1)]
ARYZTA Europe			
ARYZTA Bakeries Ireland UC	Dublin, Ireland	Manufacturing & Distribution	Freehold
ARYZTA Bakeries Deutschland GmbH	Eisleben, Germany	Manufacturing & Distribution	Freehold
ARYZTA Netherlands	Oldenzal, Netherlands	Manufacturing & Distribution	Leasehold
ARYZTA Bakeries SCHWEIZ AG	Dagmersellen, Switzerland	Manufacturing & Distribution	Freehold
ARYZTA Polska Sp Z.O.O	Strzegom, Poland	Manufacturing & Distribution	Freehold
ARYZTA North America			
ARYZTA Canada Co	Brantford, Canada	Manufacturing & Distribution	Freehold
ARYZTA LLC, Ontario	Ancaster, Canada	Manufacturing & Distribution	Leasehold
ARYZTA LLC, Cayce	South Carolina, United States	Manufacturing & Distribution	Leasehold
ARYZTA LLC, Romeoville	Chicago, United States	Manufacturing & Distribution	Leasehold
ARYZTA LLC, Swedesboro	New Jersey, United States	Manufacturing & Distribution	Leasehold
ARYZTA Rest of World			
ARYZTA New Zealand Limited	Auckland, New Zealand	Manufacturing & Distribution	Leasehold
ARYZTA Food Solutions Malaysia Sdn Bhd	Bangi, Malaysia	Manufacturing & Distribution	Leasehold
ARYZTA Australia Pty Ltd	Melbourne, Australia	Manufacturing & Distribution	Freehold
ARYZTA Australia Pty Ltd	Sydney, Australia	Manufacturing & Distribution	Freehold
ARYZTA Malaysia Sdn Bhd.	Shah Alam, Malaysia	Manufacturing & Distribution	Leasehold

(1) ARYZTA's financing is all unsecured, leaving the properties unencumbered.

8.10 Research and Development

The Group undertakes research and development work to create new and improved products and to apply new technology to reduce operating costs. Expenses for the Company's research and development over the past years are immaterial, however, the recipes and baking innovations produced by the Group's bakers have contributed value to the Group by improving cooperation with customers and creating added value for our customers which is in turn shared with the Group.

8.11 Information Technology

The Group's administration functions, namely procurement, finance, information services, technical and human resources, are managed on a Group-wide basis through its ERP system, SAP, and a number of other systems.

8.12 Supply Chain

8.12.1 *Sourcing*

Efficient and stable procurement of both commodities and products from external partner producers is important to the Group's success. Commodities commonly used by the Group to manufacture its products include flour, wheat, cocoa, fats and oils, corn, soya beans, sugar and sweeteners, butter, and fuel. Commodities are procured regionally, i.e. in London (for Europe) and in Chicago (for North America). Some ingredients, however, are still bought locally. Indirect procurement, which refers to one-off purchases, however, is also done locally, particularly in Europe. Project Renew will aim to centralise more of the indirect procurement so the Group's central procurement team can ensure efficiency in supply, traceability and sustainability.

The Group procures items from Europe, Asia, Africa and the Americas sourced strategically after taking into account cost, quality, safety, the nature and reliability of the source, environmental impacts and workplace practices. The Group has historically sought to reduce its total number of suppliers and grow its total spending through strategic and preferred suppliers, with a view to enabling the Group to leverage its increased purchasing power to obtain more favourable terms from suppliers.

The Group's input costs can fluctuate due to various factors including exchange rates (primarily against the US dollar, Canadian dollar, pound Sterling), commodity prices, changes in crop sizes, government sponsored agricultural programmes, demand spikes, natural disasters, weather conditions during growing and harvesting seasons, general growing conditions and the effect of insect infestations, plant diseases and fungi. The Group manages its exposure to all commodities through a mix of forward hedging and flexible pricing mechanisms with customers (allowing for sale price to reflect fluctuations in commodity prices).

8.12.2 ***Manufacturing***

As at 31 July 2018, the Group operated 56 bakeries across 20 countries. Furthermore, the Group outsources the production process for certain products, in whole or in part, to external partner producers where it is efficient to do so (for example, where product sales are low or uncertain). This helps to minimise the risk of over-investment in manufacturing capacity, especially with respect to new products. Details of the Group's manufacturing facilities are included under "*Part 8 Business Description – 8.9 Properties*" above. In connection with Project Renew, the Group intends to consolidate or reduce its bakery footprint in the Europe and North America regions. However, the Group has announced plans for investing approximately €30 million for a new manufacturing plant in order to provide additional capacity in Brazil.

The Group has 96 manufacturing lines in Europe (37 of which are in Germany) and 75 lines in North America. In connection with Project Renew, automation initiatives have been identified for 12 lines in Germany and 38 of the 75 lines in North America.

8.12.3 ***Distribution***

The Group has a diversified distribution network, across a number of geographies and channels which gives the Group access to a wide customer base. The Group's wide distribution capabilities are supported by an integrated bakery network of 56 bakeries across 20 countries in the ARYZTA North America segment (the United States and Canada), the ARYZTA Europe segment (including Switzerland, Germany, the UK, Ireland, Spain, Sweden, Poland and Denmark) and the ARYZTA Rest of World segment (Brazil, Australia, New Zealand, Malaysia, Singapore, Taiwan) as of 31 July 2018, and over 350 external partner producers (including non-bakery suppliers), which give the Group access to wider markets whilst improving efficiency and asset utilisation. Distribution methods vary between regions.

In North America, logistics operations are managed by a group of experienced logistics professionals. The ARYZTA North America logistics team services customers' shipments by utilizing top-tier common carrier partners from a regional warehouse network supported by premier third party cold storage providers. ARYZTA has long-term agreements with ten third party inventory warehouse providers in North America. The Group enters long-term contracts, where possible, directly with its transportation carriers and utilises a third-party transportation freight management platform to tender loads. ARYZTA also has direct store delivery ("**DSD**") operations in selected major metropolitan areas within North America.

In APMEA, the Group has a diversified distribution network across geographies and channels. This includes principal markets where ARYZTA has its own commercial capabilities and operates through a mix of own distribution, third party distributors and third party logistics (Australia and Malaysia), principal markets where it has its own commercial capabilities but operates through third party distributors and/or third party logistics (Greater China, Japan, New Zealand, Singapore, Taiwan, Thailand and United Arab Emirates) and principal markets where third parties represent it commercially and it operates through third party distributors (Indonesia, Philippines, Saudi Arabia, South Africa and South Korea) On a case by case basis ARYZTA will also trade directly with key customers across these markets through the customers' own logistics solution supported by ARYZTA's own in market commercial capabilities.

In Latin America, distribution is more concentrated. With headquarters in São Paulo, the Group operates four bakeries in Brazil, among the four, three bakeries are specialised in buns production. Two of the bakeries, Osasco and Jagueriuna are located in the state of São Paulo, and the third, Juiz de Fora is located in the State of Minas Gerais. The two bakeries in São Paulo are responsible for the production, distribution and delivery of products in the states of São Paulo, Rio de Janeiro and Minas Gerais, where the majority of demand is concentrated. The plant located at Juiz de Fora fulfils the demand of the states of Rio de Janeiro and Minas Gerais. The fourth bakery, Santo Amaro, is also located in the State of São Paulo. This unit is responsible for the production of pies, cookies, cakes, special breads and others. Brazil uses a third party logistics ("**3PL**") partner in Brazil as of May 2018 to enhance storage capacity.

8.13 Customers

ARYZTA's wide customer base ensures that the Group is not excessively exposed or reliant on any single customer. For the financial year ended 31 July 2018, only one major customer accounted for more than 10% of the Group's revenue. Large customers typically conduct their business with ARYZTA through multiple contracts (e.g. in different areas, regions, and/or different products), implying that the termination of a contract with a client typically does not result in the loss of the entire sales to that client. Nonetheless, the Group is focused on developing strategic partnerships with key customers through its "Key Customer Partnership Model". Management estimates that the top 20 customers account for approximately half of the Group's revenue. This reflects the strong relationship which the Group has developed with key clients. These strategic partnerships deliver mutual benefits to both the Group and its key customers, such as food safety, quality assurance, traceability, sustainability, consumer insights and innovation, customer operating system efficiency and bakery efficiency and utilisation.

In addition to the wide customer base and wide geographical footprint, the Group's products are also distributed through a wide variety of channels. According to management estimates in respect of the financial year ended 31 July 2018, the Group's revenues are derived through the following channels: large retail (33%), other food-service (29%), QSR (27%) and convenience and independent retail (11%).

8.14 Intellectual Property

The Group seeks to protect its intellectual property rights. The Company has a large portfolio of well-known brands, including, among others, "ARYZTA", "Coup de Pates", "Cuisine de France", "Delice de France", "Otis Spunkmeyer", "La Brea Bakery" and "Hiestand". The Group's most important brands, slogans and logos are protected by registered trademarks in the countries in which the Group operates. The Group also has several domain name registries related to its most important brands. In addition to trademarks, the Group also regularly requests patent protection in respect of its machinery and process technologies developed at its manufacturing facilities.

8.15 Insurance

The Group maintains a portfolio of insurance policies to help protect it against loss or damage incurred from a wide variety of insurable risks.

The Group's insurance policies include, amongst other things, property damage and business interruption, public and product liability, products safety and recall insurance, directors' and officers' liability insurance, employment practices liability insurance, environmental liability insurance, employers' liability insurance, workers' compensation insurance, credit insurance, and cyber risk insurance.

The Group reviews its insurance policies and associated coverage on an annual basis. The Group considers the limits of liability, scope and applicable deductibles of its insurance coverage to be adequate and consistent with customary industry practices.

8.16 Employees

The number of the Group's employees (full and part time) as of 31 July 2018, 2017 and 2016 is set out below:

Employees by function (full and part time)

	As of 31 July		
	2018	**2017**	**2016**
Production	14,110	15,046	14,668
Sales and distribution	3,403	3,596	3,627
Management and administration	1,382	1,597	1,562
Total	18,895	**20,239**	**19,857**

The numbers of the Group's employees (full and part time) by segment as of 31 July 2018, 2017 and 2016 is set out below:

Employees by segment (full and part time)

	As of 31 July		
	2018	**2017**	**2016**
ARYZTA Europe	8,926	9,052	9,255
ARYZTA North America	8,019	9,343	9,003
ARYZTA Rest of World	1,950	1,844	1,599
Total	**18,895**	**20,239**	**19,857**

Approximately 10% of the Group's employees are temporary workers.

Around one third of the Group's current employees is covered by a collective bargaining agreement or represented by a labour organisation.

In the financial year ended 31 July 2017, the Group encountered a significant labour-related business disruption at its Cloverhill facilities. A substantial number of the legacy labour force at these facilities had been supplied through a third-party staffing agency. A federal audit of this third-party agency revealed inadequate documentation, resulting in approximately 800 experienced workers leaving the business in the last three months of the financial year ended 31 July 2017 and being progressively replaced with new employees.

Due to the sale of Cloverhill, the number of employees in the ARYZTA North America segment has reduced significantly, which will be reflected in average figures for the current fiscal year. While we expect to see a slight reduction in the number of employees in ARYZTA Europe and ARYZTA North America as a result of cost saving initiatives under Project Renew, as of the date of this Prospectus, the number of employees has not materially changed since 31 July 2018.

The Group has pension arrangements in most countries in which it operates and has implemented pension plans worldwide. For the Directors, Executive Committee members and other members of management, the Group also offers individual pension contracts with pension payments depending on the position and years of service. See "*Part 21 Additional Disclosure – 21.6 Pensions*".

While the long-term incentive program is open to certain employees as determined by the Group's Remuneration Committee and Executive Committee, there currently have been no awards granted under the long-term incentive program to employees, as the Executive Committee was unable to confirm targets during the financial year ended 31 July 2018. Please see "*Part 9 Management Bodies and Corporate Governance – 9.3.3.3 Executive Committee Long-Term Incentive Plan (LTIP)*" below for a description and additional details of all long term incentive plans.

8.16.1 *Employee Health and Safety*

The Group is subject to extensive health and safety regulations and requires various certifications, licenses and permits to operate its business. By way of example, for the operation of its bakeries in North America, the Group is required, among others, to hold a "quality certification of plant", a "use of chemicals certification" and a "health and safety certification of plant". The health and safety of its people is of paramount importance to the Group. The Group pursues comprehensive internal safety management procedures including policy manuals, training, verification of regulatory compliance, risk assessments, individual site action plans, safety audits, formal accident investigation and the provision of occupational health services. It also maintains a strong focus on the use of leading indicators such as training completion rates, safety and environmental calendar completion score and reduction of number of chemicals. Safety topics are shared daily and reinforced by bakery management teams to reinforce the training effectiveness. ARYZTA also uses industry standard measures for reporting employee safety, including injury rate and lost time injury rate.

Safety Investments

Investing in the safety of its people is a top priority for the Group. For example, in ARYZTA North America over the past two years, the Group has made significant investments into preventative safety measures in its bakeries, including machine guarding, personal protective equipment, right-sizing of machinery, and other process and equipment improvements.

Training

Proper training and education about safe working in its bakeries are some of the effective measures the Group has in place to prevent injuries at the work place. As its company-wide training platform, the Group uses Alchemy, which requires all new employees to complete mandatory courses and further provides ongoing coursework aimed at ensuring all ARYZTA employees know how to prevent accidents and maintain a safe working environment, communicate near misses and unsafe actions and, if necessary, respond to safety-related incidents in the bakery they work in. During the financial year ended 31 July 2018, ARYZTA North America (US and Canada) employees and contractors completed 283,042 Alchemy training courses.

Safety Compliance Calendars

The Group has safety calendars in place in all bakeries which more effectively structure reporting, events and other safety/compliance items. This ensures completion of safety-related tasks and promotes better visibility into pending items such as trainings, audits, and regulatory reporting throughout the year.

The Group also has a number of other initiatives to promote a culture of safety including safety performance accountability, "health and wellness" fairs at bakeries, and safety communications to keep safety a top-of-mind awareness with employees. See "*8.17.3 People and Workplace*" below.

8.16.2 ***Pension***

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

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

Note 24 of the ARYZTA Consolidated Financial Statements 2018, which are set out in "*Part 22 Historical Financial Information*" of this Prospectus, provides further details of the Group's defined benefit and defined contribution plans.

8.16.3 ***Employee Share Scheme (Restricted Stock Unit Plan)***

The Group may issue incentives to certain employees to participate in the share capital of the Company from time to time. During the financial year ended 31 July 2017, employees were granted share option equivalents ("**Restricted Stock Units**") (assigned with a weighted average fair value of CHF 30.58) under a scheme called the "**Restricted Stock Unit Plan**". There were no awards granted under the Restricted Stock Unit Plan during the financial year ended 31 July 2018.

The equity instruments granted under the Restricted Stock Unit Plan are defined as equity settled share-based payments under IFRS. The Group has no legal or constructive obligation to repurchase or settle the Restricted Stock Unit Plan awards in cash. Vested Restricted Stock Units are settled by the Company within 15 days after the applicable vesting date. Subject to the satisfaction of any tax withholding obligations by the respective holder, each vested Restricted Stock Unit will entitle its holder to receive one Share on the applicable settlement date in exchange for such Restricted Stock Unit. The issuance of such Shares is in complete satisfaction of such vested Restricted Stock Units, and such settled Restricted Stock Units are immediately cancelled and no longer outstanding and their holders have no further rights or entitlements related to those settled Restricted Stock Units.

The vesting of the awards granted under the Restricted Stock Unit Plan were generally subject to eligible employees' continuous service through the following applicable dates:

(a) one-third of the Restricted Stock Units (rounded down to the nearest whole number) vested on 30 September 2017, and

(b) the remaining unvested Restricted Stock Units vested on 30 September 2018.

In line with the vesting schedule set out above, the performance conditions associated with 64,899 Restricted Stock Units were fulfilled during the financial year ended 31 July 2018. These awards were approved as vested by the Group's Remuneration Committee and were subsequently exercised by employees in exchange for the same number of Shares (from existing treasury shares of the Company). As at 31 July 2018, 90,281 stock option equivalents remained outstanding with an average actual remaining life of 8.6 years. No member of the Executive Committee participated in the Restricted Stock Unit Plan.

8.17 Environmental, Social and Governance ("ESG") Disclosures

ARYZTA is committed to operating as a financially successful and socially responsible business for the long-term. Our strategies are developed with careful consideration of ESG factors. The Group has established the ARYZTA Cares initiative ("**ARYZTA Cares**"), aimed at promoting active employee, customer and supplier engagement in pursuit of our corporate responsibility goals.

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

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

8.17.1 ***Environmental practices***

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

These metrics are used not only to assess the efficiency of our individual bakeries and to identify potential cost savings opportunities, but are also included as the primary inputs in determining the Group's CO2 emissions per metric tonne of food sold, which is the key environmental performance indicator used for measuring the success of our ARYZTA Cares initiative.

This CO2 metric is calculated based on various bakery and distribution activity inputs and applying a relevant Green House Gas ("**GHG**") emission factor to assess the estimated global warming potential of activities directly related to ARYZTA's business. For the past two years, ARYZTA has submitted its global GHG emissions to the Carbon Disclosure Project, a global disclosure system designed for companies and communities to publicly report, manage and continuously improve their environmental impacts.

The Group is also keenly focused on our waste stream and recycling as a method to reduce waste sent to landfills.

8.17.2 ***Food and Marketplace***

ARYZTA's commitment to supply chain excellence includes strict vendor standards, comprehensive facility expectations and detailed adherence to customer specifications. Customer requirements are a central component of all of our baking operations. Each customer's specifications, expectations and requirements are documented to ensure compliance.

ARYZTA's internal policies require compliance with all food safety laws and regulations, including labelling requirements. To ensure our food is produced with the highest level of food safety, the Group's raw material vendors generally:

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

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

ARYZTA is committed to our Food Safety, Quality Assurance and Responsible Marketing programmes and has partnered with ICIX (a cloud-based software as service ("**SaaS**") company that helps large retailers address issues of supply chain transparency and inefficient information sharing) to establish effective and efficient ways to manage these programmes. ARYZTA contributes to various voluntary initiatives on food and product safety by actively engaging with industry associations including the British Retail Consortium, International Featured Standards ("**IFS-Food**" and "**IFS-Logistics**"), American Institute of Baking ("**AIB**") and the US Food and Drug Administration ("**FDA**").

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

The Group is exposed to risks with respect to quality and safety and the risk that its efforts to control such risks may not be successful. Please see "*Part 1 Risk Factors – 1.1.4 Adverse developments with respect to the safety or the contents of the Group's products and/or the baked goods industry in general may damage the Group's reputation, increase its costs of operation or decrease demand for its products.*" for more information.

8.17.3 ***People and Workplace***

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

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

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

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

The Group has established a 24/7 hotline with Expo-link, an independent third party service provider, enabling employees, customers and suppliers to communicate any concerns confidentially. The Group has also implemented a human resources information system used for confidentially retaining and updating employee information to streamline administration and to enhance utilisation of employee data on a secure and confidential basis.

8.17.4 ***Sustainable Sourcing***

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

In ARYZTA North America segment, in line with its longer-term commitment to cage-free egg sourcing, the Group sources eggs certified by the United Egg Producers association in accordance with their standards for care. In Europe, our procurement team partners with wheat farmers to encourage sustainable agricultural practices, including optimising the amount of fertiliser and pesticides. We also strive to source Fairtrade ingredients and utilise diversity-owned vendors in sourcing our products.

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

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

8.17.5 ***Community Engagement***

The Group understands its responsibilities as an important member of the communities in which it operates and encourages its business units to play an active role within them. In addition to providing employment opportunities, the Group aims to make positive contributions to its communities by building relationships and earning a positive reputation as a good employer, neighbour and corporate citizen. The Group believes that donations are the business of the Shareholder and ARYZTA has established protocols for philanthropic activities. Employees are also encouraged to contribute their time and talents to causes that are important to them individually. In addition, ARYZTA routinely supports philanthropic activities of our key customers.

8.18 Material Contracts

See "*Part 21 Additional Disclosure – 21.10 Material contracts*" for more information.

8.19 Legal and Administrative Proceedings

See "*Part 21 Additional Disclosure – 21.15 Litigation*" for the required statement on legal and administrative proceedings along with a description of certain ongoing litigation matters.

PART 9.
Management Bodies and Corporate Governance

9.1 The Board of Directors

9.1.1 *Election and term of office*

According to the Articles, the Board of Directors must consist of at least six, but no more than 15 members. The shareholders' meeting of the Company has the inalienable power to elect and dismiss the Directors, its chairman (the "**Chairman**") as well as the members of the remuneration committee (the "**Remuneration Committee**"), which, according to the Articles, must consist of at least three but not more than four members (who must also be Directors) individually. If the Chairman is not able to continue to hold office or if the Company does not have a Chairman capable of acting and of holding office for other reasons, the Board of Directors appoints one of the Directors as Chairman until the next Annual Shareholders' Meeting. Except for the Chairman and members of the Remuneration Committee who are elected at shareholders' meetings of the Company, the Board of Directors organises itself, and it appoints a secretary (the "**Company Secretary**"), who does not need to be a Director.

The term of office of Directors and the Chairman is one year. It ends with completion of the Annual Shareholders' Meeting following their election. Re-election is possible and there is no limitation on the number of terms that can be served.

9.1.2 *Powers and duties*

According to the Articles, the Board of Directors is responsible for the top management of the Company and for supervising management. It represents the Company in relation to third parties and deals with all matters which are not delegated to another executive body of the Company under law, or under the Articles or the organisational regulations (the "**Organisational Regulations**"). The Organisational Regulations are intended to organise the management, determine the positions required therefore, define its duties and regulate, in particular, the reporting of management to the Board of Directors.

In accordance with the Organisational Regulations, the Board of Directors has delegated the management of the Company and the Group to the CEO and the Executive Committee. The Board of Directors' non-transferable and inalienable duties in accordance with Swiss law (articles 716a CO, 634a CO and 652g CO as well as the below-mentioned articles in the Swiss Federal Law on Merger, Demerger, Conversion and Transfer of Assets and Liabilities ("**Swiss Federal Merger Act**"), the Articles and the Organisational Regulations include:

(a) Top management of the Company and issuing of the necessary instructions;

(b) Establishing the organisational structure;

(c) Designing the accounting system, the internal control system (ICS), financial control and financial planning and the performance of a risk assessment;

(d) Appointing and dismissing the individuals responsible for management and representation and arranging the signing powers;

(e) Oversight of the individuals responsible for management, specifically in relation to compliance with the law, the Articles, regulations and instructions;

(f) Preparing the annual report and the remuneration report and preparing the Annual Shareholders' Meeting and implementing its resolutions;

(g) Notifying the judge in the event of insolvency;

(h) Passing resolutions on subsequent payment of contributions for shares that are not fully paid up;

(i) Passing resolutions on determining capital increases and resulting amendments of the Articles;

(j) Verifying compliance with the statutory provisions regarding appointment, election and professional requirements of the external auditor;

(k) Concluding agreements pursuant to articles 12, 36 and 70 of the Swiss Federal Merger Act.

In addition, the Company has certain committees of the Board of Directors (see "*Part 9 Management Bodies and Corporate Governance – 9.1.9 Committees of the Board of Directors*").

9.1.3 *Members of the Board of Directors*

The Board of Directors currently comprises ten members (including the Chairman). With exception of the Group's CEO and James B. (Jim) Leighton, all Directors are considered independent members (see "*Part 9 Management Bodies and Corporate Governance – 9.1.8 Independence of the Board of Directors*").

The table below sets out the name, year of birth, position, committee memberships and year of initial appointment of the current Directors:

Name	Year of birth	Position	Committee Membership	Year first appointed
Gary McGann	1950	Chairman	Governance and Nomination, Remuneration	2016
Dan Flinter	1950	Member	Governance and Nomination (Chair), Remuneration	2015
Annette Flynn	1966	Member	Audit (Chair)	2014
James B. (Jim) Leighton	1956	Member	Governance and Nomination	2017
Andrew Morgan	1956	Member	Audit	2013
Kevin Toland	1965	Member	Executive Committee (CEO)	2017
Rolf Watter	1958	Member	Governance and Nomination, Remuneration (Chair)	2016
Michael Andres	1958	Member	Remuneration	2018
Gregory Flack	1964	Member	Audit	2018
Tim Lodge	1964	Member	Audit	2018

Each Director is appointed for a single year, but there is no limit on how many times they can be re-elected. For purposes of this Prospectus, the business address of each Director is the Company's registered office at Talacker 41, 8001 Zurich, Switzerland.

Set out below is a short description of each director's business experience, education and activities.

9.1.4 *Non-Executive Directors*

Gary McGann, Chairman of the Board, Irish national, born in 1950, BA of Arts from University College Dublin, Ireland, MScMgnt from Irish Management Institute/Trinity College, Dublin, Ireland, Fellow of the Association of Chartered Certified Accountants

Gary McGann is the chairman of Paddy Power Betfair plc. He is also a director of Green REIT plc. He is the former group chief executive officer of the Smurfit Kappa Group plc, one of the leading providers of paper-based packaging solutions in the world. He is also former chief executive officer of Aer Lingus Group and Gilbeys of Ireland. Gary is chairman of Sicon Ltd (Sisk Group) and Aon Ireland, and a former president of IBEC (Irish Business and Employers' Confederation) and CEPI (Confederation of European Paper Industries). In the "not for profit sector", he is a director of Barnardos and The Ireland Funds. He became the Chairman of the ARYZTA Board of Directors in December 2016.

Dan Flinter, a Director of the Board, Irish national, born in 1950, BA in Economics and Politics and MA in Economics from University College Dublin, Ireland

Dan Flinter is a former chief executive officer of Enterprise Ireland and a former executive director of IDA Ireland. He is chairman of the boards of directors of PM Group Holdings Ltd, The Irish Times Ltd. and VCIM. He is a member of the board of directors of Dairygold Co-Operative Society Limited and chairman of its remuneration committee. He is a member of the board of directors of the Institute of Directors, Ireland and joined the board of directors of the IEDR (Irish Exchange Domain Registry) in July 2017. He is also a former chairman of the governing authority of Maynooth University and of the Centre For Effective Services. He is a former member of the board of directors of the Dundrum Theatre Management Company Ltd. He became a Director of ARYZTA in December 2015.

Annette Flynn, a Director of the Board, Irish national, born in 1966, BA of Commerce from the University College Cork Ireland, Fellow of the Association of Chartered Certified Accountants, chartered director

Annette Flynn has held various senior roles in UDG Healthcare plc, including managing director of the Packaging & Specialty division and head of group strategy. Prior to joining UDG Healthcare, Annette held senior positions with Kerry Group plc working in their Irish, UK and US operations. She is a non-executive member of the board of directors of Canada Life International Assurance Ireland DAC, where she chairs the risk committee and is also a member of the audit committee. She is also a non-executive member of the board of directors of Dairygold Co-Operative Society Ltd where she chairs the audit committee and a member of the board of directors of Dairygold Finance DAC. She was formally an executive and subsequently a non-executive member of the board of directors of UDG Healthcare plc and a non-executive member of the board directors of Grafton Group plc. She is a Fellow of the Association of Chartered Certified Accountants and a chartered director accredited by the Institute of Directors UK. She became a Director of ARYZTA in December 2014.

Andrew Morgan, a Director of the Board, British national, born in 1956, BA of Arts, French and German from University of Manchester, United Kingdom

Andrew Morgan has more than 25 years with Diageo plc including most recently seven years as president Diageo Europe. Diageo is the world's leading premium drinks business and a Financial Times Stock Exchange Index top 10 company. Andrew also spent eight years with the Gillette Company in a number of sales and marketing roles.

He has held a succession of marketing, strategy and general management positions with Diageo and has lived in London, Athens, Madrid and Barcelona, as well as managing emerging markets in Latin America, Asia and Africa. Andrew is a member of council at the University of Leicester and is investing chairman of two start-up companies in the consumer goods sector. He is a former president of AIM, the European Consumer Goods association and served two terms on the global advisory board of British Airways. He became a Director of ARYZTA Board of Directors in December 2013 and is a member of the Audit Committee.

James B. (Jim) Leighton, a Director of the Board, American national, born in 1956, BA of Arts, Business Administration & Industrial Relations from University of Iowa, USA

James B. (Jim) Leighton served as president of Perdue Foods, a large privately-held food and protein company from 2009 to 2013, and senior vice president of operations and supply chain from 2006 to 2009. From 2002 to 2006, he served as the senior vice president of operations of ConAgra Foods, Inc., one of the largest publically traded food companies in the United States. Between 2013 and 2016, Jim served as chief operating officer and, subsequently, as interim chief executive officer of Boulder Brands Inc., one of the largest and fastest growing health and wellness food companies in North America. Jim served as president of 40 North Foods from 2016 to 2018, and is currently chief executive officer of Getting FIT, both entities that he founded. He became a member of the ARYZTA Board of Directors in December 2017. Furthermore, Jim has been retained to provide advice and consultant services in connection with Project Renew. For further information, see "*Part 9 Management Bodies and Corporate Governance –9.9 Agreements related to compensation for Directors and members of the Executive Committee*". For further information regarding Project Renew, see "*Part 8 Business Description – 8.7 Project Renew – Cost and Efficiency Improvement Initiatives*").

Rolf Watter, a Director of the Board, Swiss national, born in 1958, Doctorate in law from University of Zurich, Switzerland, MA of Law from Georgetown University, Washington D.C., USA

Rolf Watter has been a partner at the Zurich law firm Bär & Karrer since 1994 and a shareholder of the firm. He specialises in M&A and is an expert in corporate governance. He is currently chairman of the board of directors of PostFinance AG and CEVA Logistics AG and serves as a non-executive member of the board of directors of AW Faber Castell AG and AP Alternative Portfolio AG. He is also board member in three charitable foundations. He is a member of the regulatory board of SIX Swiss Exchange and is also a professor of law at the University of Zurich. He is a former chairman of the board of directors of Nobel Biocare Holding AG and Cablecom Holdings. In addition, he was a member of the board of directors of Zurich Insurance Group AG, Syngenta AG, Forbo Holding AG, and Centerpulse AG. He became a Director of ARYZTA in December 2016.

Michael Andres, a Director of the Board, American national, born in 1958, BA of Science in Business Administration from University of Tennessee, USA

Michael Andres spent the majority of his career with McDonald's Corporation having most recently served, up to 2017, as president of McDonald's USA, the largest global segment of McDonald's Corporation. He previously served in a range of senior positions at McDonald's, which he joined in 1982, including leading the turnaround and sale of restaurant chain Boston Market. Michael brings a deep understanding of consumer markets globally, and North America in particular, to ARYZTA. He became a Director of ARYZTA in November 2018.

Gregory Flack, a Director of the Board, American national, born in 1964, BA of Science in Business Administration from Minnesota State University Moorhead, USA

Gregory Flack is chief executive officer of Green Chile Concepts, LLC, a US consumer and foodservice frozen foods company, a position he has held since 2014. He spent most of his previous career at The Schwan Food Company, a frozen food company, where he served as chief executive officer from 2008 until 2013. He led a team of 15,000 people at Schwan which he joined in 1987. During his tenure as chief executive officer of Schwan, he successfully led a turnaround strategy and business restructuring. Gregory brings significant food industry expertise and a track record of business transformation to ARYZTA. He became a Director of ARYZTA in November 2018.

Tim Lodge, a Director of the Board, British national, born in 1964,BA of Arts and MA in Classics from University of Cambridge, Robinson College, United Kingdom, and member of CIMA (Chartered Institute of Management Accountants).

Tim Lodge is an experienced chief financial officer who recently retired as chief financial officer of COFCO International, where he helped combine two businesses into a global agribusiness with revenues of $34 billion. He spent most of his previous career at Tate & Lyle plc, a UK-listed international food ingredients company, where he served as chief financial officer from 2008 until 2014. During his tenure at Tate & Lyle, he oversaw a significant balance sheet reduction and business transformation programme. Tim brings significant financial expertise and a proven track record in the food and food ingredients business to ARYZTA. He became a Director of ARYZTA in November 2018.

9.1.5 *Executive Directors*

Kevin Toland, Executive Director, CEO, Irish national, born in 1965, Fellow of the Chartered Institute of Management Accountants, Diploma in Applied Finance from Irish Management Institute

From 2013 to 2017 he was chief executive officer of daa plc, which operates Dublin and Cork airports, ARI (a global retailer in travel retail) and daa International. He previously held the position of chief executive officer and president of Glanbia USA & Global Nutritionals, a division of Glanbia plc, based in Chicago, Illinois. He was a member of the Glanbia plc board of directors from 2003 to 2013 and was based in the US from 2004 to 2012. Kevin is a member of the board of directors of Total Produce plc and IBEC. He became CEO of ARYZTA in September 2017 and became a member of the ARYZTA Board of Directors in December 2017.

9.1.6 *Convictions / proceedings*

None of the members of the Board of Directors is or has been during the past five years subject to any convictions for finance or business-related crimes or to legal proceedings (excluding traffic violations) by statutory or regulatory authorities (including designated professional associations) that are continuing or have been concluded with a sanction.

9.1.7 *Internal organisation and structure of Board of Directors*

According to article 19 of the Articles, the internal organisational structure is laid down in the Organisational Regulations.

According to the Organisational Regulations, the Board of Directors meets as often as required by business, but at least once per quarter. Meetings are to be convened by the Chairman or, in his absence, by another Director. Meetings are to be announced at least three days in advance by letter, facsimile or e-mail. Items on the agenda are set forth in this correspondence. In case of urgency shorter notice periods are permitted. If all Directors are present and agree, deviations from these formal requirements are permitted; in particular, decisions can be taken that are not mentioned on the agenda. These formal requirements do not have to be observed if a meeting is only convened in order to decide upon the implementation of a capital increase (article 651 para 4 CO) or to record the implementation of a capital increase, to pass resolutions regarding the amendments of the Articles entailed therewith and to adopt the report on the capital increase (articles 651a, 652e, 652g and 653g CO).

The Chairman, or in his absence another Director approved for the purpose by the Board of Directors, chairs the meetings.

A quorum of the Board of Directors is constituted when five of its members are present in person (by telephone or other means of direct communication). No quorum of the Board of Directors is required in order to decide upon the implementation of a capital increase (article 651 para 4 CO) (up to a level approved by the Board of Directors) or to record the implementation of a capital increase, to pass resolutions regarding the amendments of the Articles entailed therewith or to adopt the report on the capital increase (articles 651a, 652e, 652g and 653g CO). The Board of Directors passes its resolutions with the majority of the votes cast. In case of a tie of votes, the chairman does not have a casting vote.

Resolutions of the Board of Directors may also be taken by means of circular resolutions (i.e., in writing or by facsimile), provided that no Director requests, either by phone or facsimile, deliberation in a meeting. The Board of Directors passes circular resolutions by affirmative vote of the majority of the Directors.

In urgent situations board resolutions may be passed by means of a telephone conference provided that (i) all Directors can be reached by phone and (ii) no Directors, when contacted for the telephone conference, requests deliberation in a meeting. Resolutions of the Board of Directors by means of a telephone conference require the affirmative vote of the majority of the Directors.

All resolutions are recorded in writing. The minutes are signed by the Chairman and the Company Secretary, and must be approved by the Board of Directors.

Directors abstain from dealing or exercising their voting rights (if applicable) in matters involving their personal interests or the interests of individuals or entities related to them (excluding their interest as Shareholders).

At every meeting, the Group's CEO informs the Board of Directors on the current course of business and on important business developments. Directors are informed of extraordinary occurrences immediately by way of circular letter, or, if necessary, also by telephone, facsimile or e-mail.

In accordance with article 17 of the Articles and the Organisational Regulations, subject to mandatory law, the Board of Directors has delegated the management of the Company and the Group to the CEO and the Executive Committee.

9.1.8 *Independence of the Board of Directors*

According to the Organisational Regulations, the policy of the Board of Directors is that a majority of its membership (excluding the Chairman) consists of independent Non-Executive Directors (with independence being determined in accordance with the Swiss Code of Best Practice for Corporate Governance (the "**Swiss Code**").

The independence criteria set forth by the Swiss Code are defined as follows: independent members means (i) non-executive members of the board of directors who have never been a member of the executive board, or were members thereof more than three years ago, and (ii) who have no or comparatively minor business relations with the company. Where there is cross-involvement in other boards of directors, the independence of the member in question should be carefully examined on a case-by-case basis.

The independent members of the Board of Directors are: Gary McGann, Dan Flinter, Annette Flynn, Andrew Morgan, Rolf Watter, Michael Andres, Gregory Flack and Tim Lodge.

9.1.9 *Committees of the Board of Directors*

In addition to the Remuneration Committee within the meaning of article 20 of the Articles, the Board of Directors has established the audit committee (the "**Audit Committee**") and the governance and nomination committee (the "**Governance and Nomination Committee**") as permanent committees of the Board of Directors. The composition of the Audit Committee and the Governance and Nomination Committee fall within the responsibility of the Board of Directors, while members of the Remuneration Committee are elected individually by the shareholders' meetings of the Company.

9.1.9.1 *Audit Committee*

The Audit Committee consists of a chairman, who is an independent and Non-Executive Director, and a minimum of two other members of the Board of Directors, excluding the Group's CEO and any former executive member of the Board of Directors. All members should be independent. At least one member must have recent relevant financial experience, as determined by the Board of Directors, and the others should be familiar with the issues of accounting and audit.

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

The Audit Committee does not exercise any professional auditing and does not interfere with the management affairs. It gains a view of the organisation, the efficiency of, and the findings of the internal and external auditors and the reaction of management. It then renders an annual report to the Board of Directors. Should the Audit Committee observe, during the course of its work, anything that (i) reveals an important violation of legal provisions, internal guidelines or other rules to which the Company must adhere, (ii) could lead to the belief that there is a material financial breach or (iii) any issues that could imply serious consequences for the reputation of the Company, it will inform the Board of Directors of these infractions and, in the case of emergency, by informing the Chairman.

From 1 August 2017 until the Annual Shareholders' Meeting on 7 December 2017, the Audit Committee was comprised of three Non-Executive Directors, namely Annette Flynn (chair), Andrew Morgan and Wolfgang Werlé. From 7 December 2017 to 31 July 2018, the Audit Committee comprised of three Non-Executive Directors, namely Annette Flynn (chair), Andrew Morgan and James (Jim) B. Leighton. In the financial year ended 31 July 2018, the Audit Committee met seven times and the average duration of the meetings was approximately three hours. Due to the entering into a consulting arrangement with James (Jim) B. Leighton, he was not re-appointed to the Audit Committee following the 2018 Annual Shareholders' Meeting. Therefore, the Audit Committee currently comprises of four Non-Executive Directors, namely Annette Flynn (chair), Andrew Morgan, Gregory Flack and Tim Lodge. Each of these Directors is considered to be independent in judgment and character by the Board of Directors.

9.1.9.2 *Governance and Nomination Committee*

The Governance and Nomination Committee consists of a minimum of three and a maximum of four independent Directors. The Board of Directors appoints the chairman.

The Governance and Nomination Committee is responsible for identifying and nominating, for the approval of the Board of Directors, and ultimately, the Shareholders candidates to fill Board of Directors vacancies and for the continuous review of senior management succession plans. In addition, the Governance and Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board of Directors and making appropriate recommendations to the Board of Directors in order to ensure an adequate size and a well-balanced composition of the Board of Directors. The Governance and Nomination Committee is also responsible for ensuring that a majority of the Board of Directors is independent and for making determinations regarding the independence of the Directors. Furthermore, the committee is charged with monitoring the Company's compliance with corporate governance best practices and with applicable legal, regulatory and listing requirements and recommending to the Board of Directors such changes or actions, as deemed necessary. The Governance and Nomination Committee is also responsible for reviewing the performance and effectiveness of the Chairman and the full Board of Directors during the year.

In the financial year ended 31 July 2018, the Governance and Nomination Committee met four times and the average duration of the meetings was approximately two hours.

The Governance and Nomination Committee currently consists of Dan Flinter (chairman), Gary McGann, Rolf Watter and James B. Leighton. With the exception of James (Jim) B. Leighton, each of these Directors is considered to be independent in judgment and character by the Board of Directors.

9.1.9.3 *Remuneration Committee*

The shareholders' meetings of the Company elects the Remuneration Committee consisting at least of three and maximum of four independent members. The members of the Remuneration Committee are elected individually. Only Directors are eligible to be elected. The committee chairman is appointed by the Board of Directors.

The term of office of the members of the Remuneration Committee ends with the completion of the Annual Shareholders' Meeting following their election. Re-election is possible.

The Remuneration Committee is responsible for determining all elements of the remuneration of the Directors and the CEO, and for approving the remuneration of other members of senior management upon the recommendation of the CEO. The Remuneration Committee also reviews and makes recommendations to the Board of Directors on an annual basis regarding the proposed total remuneration of the Board and the Executive Committee for future financial periods for approval at the Annual Shareholders' Meeting of Shareholders. The Remuneration Committee reports to the Board of Directors at the next Board of Directors meeting following each meeting of the committee. In addition, all committee papers (e.g. agenda, minutes, presentations, etc.) are available to all Directors. The CEO may attend meetings of the Remuneration Committee by invitation only.

In the financial year ended 31 July 2018, the Remuneration Committee met seven times and the average duration of meetings was approximately two hours.

The Remuneration Committee currently consists of Rolf Watter (chairman), Gary McGann, Michael Andres and Dan Flinter. Each of these Directors is considered to be independent in judgment and character by the Board of Directors.

9.1.9.4 *Non-permanent Committees*

According to the Organisational Regulations, the Board of Directors is entitled to establish any committee as the Board of Directors may deem appropriate or necessary. In the financial year ended 31 July 2018 the Board of Directors established an ad hoc committee comprising Gary McGann, Annette Flynn, Rolf Watter and Dan Flinter to review certain budgeting and forecasting controls and processes in the Company. The ad hoc Committee made a number of recommendations to the Board during the course of the year and was dissolved in July 2018.

9.2 Executive Committee

According to the Organisational Regulations of the Company, the Board of Directors has delegated operational management to the Executive Committee, which is headed by the Group's CEO.

The Executive Committee is responsible for the day-to-day business of the Company, to the extent not reserved to the Board of Directors. Furthermore it is competent for the management of the operational business of the whole Group and each of the subsidiaries of the Company, respectively, to the extent the respective competencies are not reserved to the Board of Directors or are reserved for the subsidiary board of directors by law.

The Executive Committee manages the business of the Group as delegated by the Board of Directors and to the extent not reserved to it and supervises and controls all employees of the Company, if any, as well as of the subsidiaries. It monitors the risk of the Group.

The Group's CEO heads the Executive Committee and convenes and chairs its meetings. He is a member of the Board of Directors and is appointed by the Board of Directors. The Group's CEO is responsible for representing the Group vis-à-vis the public and the media. Furthermore, the Group's CEO has the responsibilities as set forth in the Articles and the Organisational Regulations. In particular, he is responsible for and supervises the implementation of the resolutions by the Board of Directors.

9.2.1 ***Members of the Executive Committee***

The Executive Committee currently comprises Kevin Toland (Group CEO) (2017), Frederic Pflanz (Group CFO) (2018), Gregory Sklikas (CEO Europe) (2018), Dave Johnson (CEO North America) (2018), Claudio Gekker (COO Latin America) (2014), Robert O'Boyle (COO APMEA) (2016), John Heffernan (Chief Strategy Officer) (2018), Rhona O'Brien (General Counsel and Company Secretary) (2018) and Tony Murphy (Chief People Officer) (2017).

For a short biography on Kevin Toland, see "*Part 9 Management Bodies and Corporate Governance – 9.1.5 Executive Directors*".

Frederic Pflanz, Group CFO, French and German national, born in 1968, Graduate Diploma in European Business Administration from ESB Business School, Germany, BA of Business Administration, International Finance, European Studies from NEOMA Business School, France

Frederic Pflanz joined ARYZTA in January 2018 having previously served as a member of the executive board of Maxingvest AG, which is the parent company of Tchibo, a German coffee and consumer retail business, from 2015 to 2017, and as a member of the supervisory board of Beiersdorf AG from 2015 and 2018. In 2016 its consolidated sales were in excess of €10 billion and its subsidiaries employ more than 21,000 people. Prior to this, Frederic held a number of roles in Remy-Cointreau Group including group chief financial officer, chief operating officer, heading the group's global operations and director of external development. Remy-Cointreau Group is a French Liqueurs & Spirits company listed on Euronext Paris with annual sales in excess of €1 billion. Between 1992 and 2010, Frederic held a number of senior positions at L'Oréal Group, the world's largest cosmetics company, where he worked extensively across Continental Europe and Asia. Most recently, he served as chief financial officer of the global consumer products division, the largest division in the L'Oréal Group. Frederic has been a member of the advisory board (*Beirat*) of Stiftung Meridian since November 2017.

Gregory Sklikas, CEO Europe, Greek national, born in 1964, MSc in Computing Science from Cardiff University, United Kingdom, BA in Business Administration, Economics from Athens School of Economics, Greece

Gregory Sklikas is a seasoned international business leader who has spent the whole of his career in food. Before joining ARYZTA in May 2018, he spent 11 years at Royal Friesland Campina where he held a number of senior roles, including most recently, chief operating officer, consumer products EMEA and member of the executive board with full P&L responsibility for €4 billion sales, 10,000 people, 14 operating companies, overseeing 35 countries and 21 factories in the region. Gregory also served as regional director South East Europe between 2011 and 2012 and managing director of Friesland Campina Hellas between 2006 and 2012. Between 1993 and 2006, Gregory spent 14 years at Unilever where he was managing director of Algida Ice Cream Greece & country board member based in Greece and previously held roles in regional marketing, trade and customer management.

Dave Johnson, CEO North America, American national, born in 1956, BA of Business Administration with a concentration in Finance, MA in Marketing from University of Wisconsin, USA and MBA from the J.L. Kellogg Management Institute, Northwestern University, USA

Dave Johnson brings to ARYZTA an extensive background in the food industry. Before joining ARYZTA in 2018, he served for 9 years at Barry Callebaut as president and chief executive officers of Americas, retiring in August 2017. Barry Callebaut is the world's leading B2B chocolate and cocoa company. During his tenure, Dave successfully built the business by nearly doubling sales volume and profitability while also establishing a strong and successful market position in Latin America.

Prior to Barry Callebaut, Dave spent over 20 years with Kraft Foods Global Inc. serving in a number of senior positions and was a member of the global executive team. His positions included president of Kraft North America from 2003 to 2006 and president of operations, technology and procurement from 2002 to 2003. Dave also served as chief operating officer and then chief executive officer, and member of the board of directors, at Michael Foods from 2007 to 2009.

John Heffernan, Chief Strategy Officer, Irish national, born in 1970, MA of Business Administration from INSEAD, MSc in International Accounting and Finance, from London School of Economics and Political Science, United Kingdom, BA of Commerce, Banking and Finance, from University College Dublin, Ireland

John Heffernan joined the ARYZTA in March 2018, having previously held role in daa plc, which operates Dublin and Cork Airports, ARI, a global retailer in travel retail, and daa International. John has served as chief development officer of daa plc from 2014 to 2018. During John's time in daa he led the implementation of a new growth strategy, the development of new businesses and oversaw the development of major infrastructure including the progression of a new runway, the successful start-up of Dublin Airport Central and an ongoing expansion programme to support Dublin Airport's position as the fastest growing major airport in Europe over the past three years.

From 2006 to 2014, John was the founder and chief executive officer of a number of businesses in clean energy including Clearpower and Aer Ltd. From 2003 to 2006, he was acquisitions and development director with Boundary Capital, a boutique Irish based private equity investor and corporate finance advisory. Prior to this, he worked with McKinsey and Company from 1997 to 2003.

Robert O'Boyle, COO ARYZTA APMEA, Irish national, born 1975, BA of International Commerce (German) from University College Dublin, Ireland, Fellow of the Association of Chartered Association of Certified Accountants

From 1999 to 2005, Robert O'Boyle spent his career in Arthur Andersen and subsequently KPMG, rising to associate director. In 2006 he joined IAWS Group plc as finance director of its French subsidiary Coup de Pates. Following the establishment of ARYZTA AG in 2008, he was appointed initially to the role of group financial controller and then as head of group finance. From 2013 to 2015 he held the role of European trading director, moving in 2016 to head the Group's APMEA activities as regional chief operating officer.

Rhona O'Brien, General Counsel and Company Secretary, Irish national, born in 1974, Solicitor, Law Society of Ireland, Law (LLB Hons) from Trinity College Dublin, Ireland, Masters (LLM Hons) in Commercial Law from University College Dublin, Ireland, Diploma in Notarial Law & Practice (Dip. Not. L.) (F.N.P.I.), Faculty of Notaries Public in Ireland

Rhona O'Brien joined ARYZTA on 11 September 2018 from DCC Vital Ltd (part of the DCC plc business) where she held the role of senior counsel, legal and compliance. Prior to joining DCC Vital, Rhona was senior director of legal and risk management at Parexel International (IRL) Limited, part of Parexel International Corporation. Rhona has held a variety of senior legal roles at eir (formerly eircom), including as general counsel and a member of the executive senior management team from 2013 to 2016 and as director of regulation, public policy, compliance and equivalence from 2014 to 2016. Rhona trained with Arthur Cox before joining eircom as director legal services in 2007. Rhona is a qualified solicitor admitted in Ireland by the Law Society of Ireland and in England and Wales by the Law Society of England and Wales. Rhona is also a voluntary unpaid non-executive director on Dublin City Council Culture Connects Company Ltd.

Tony Murphy, Chief People Officer, British national, born in 1963, BA of Industrial Economics from University of Nottingham, United Kingdom

Tony Murphy joined ARYZTA in December 2017. He previously held a number of senior HR roles including with Mondelez as vice president of human resources for the North America region from 2012 to 2016, with Kraft Foods as vice president of human resources for the snacks and confectionary business in the United States from 2010 to 2012 and with Cadbury as executive vice president of human resources in North America from 2008 to 2010, vice president for human resources for the United States and Canada from 2005 to 2008 and people capability director in the UK from 2004 to 2005. Tony also served in a number of senior HR roles with Guinness and Diageo plc (formed in 1998 through a merger of Guinness and Grand Met)in the UK and North America from 1993 to 2004.

Claudio Gekker, COO Latin America, Brazilian national, born in 1965, UFRJ degree of Industrial Engineering from Federal University of Rio de Janeiro, Brazil, MBA from the COPPEAD Graduate School of Business with an extension in the ESSEC International Business School, France

Claudio Gekker joined ARYZTA in May 2014 as head of the Group's Latin American activities. Before joining ARYZTA, Claudio had a long and experienced career in Brazil and Latin America working for multinational companies such as Fleischmann & Royal (formerly Nabisco), Coca-Cola Company, McCann Erickson, Nestlé, Bimbo Group, and Multdia.. He held various management positions, including brand manager for Fleischmann & Royal (1995-1997), brand manager for Coca Cola (1997-1999), group account director (1999-2004) and regional key account director (2004-2006) and business unitvice president for McCann Erickson (2006-2007), business unit director (2007-2009) for Nestlé, commercial director (2010-2012) for Bimbo and president (2012-2014) for Multdia. In January 2018, he became vice president and member of the board of directors of the Brazilian Institute of Food Service.

Convictions / proceedings

None of the members of the Executive Committee is or has been during the past five years subject to any convictions for finance or business-related crimes or to legal proceedings (excluding traffic violations) by statutory or regulatory authorities (including designated professional associations) that are continuing or have been concluded with a sanction.

9.3 Compensation of the Board of Directors and Executive Committee

9.3.1 *Overview*

The Company is subject to the Directive on Information Relating to Corporate Governance and its annex and commentary issued by SIX Swiss Exchange (the "**DCG**") and to the Ordinance against Excessive Compensation in Public Companies (the "**Compensation Ordinance**").

The Compensation Ordinance contains a "say on pay" approval mechanism for the compensation of the Board of Directors and Executive Committee pursuant to which the shareholders must vote on the compensation of the Board of Directors and the Executive Committee on an annual basis. The Compensation Ordinance further requires the Company to set forth in its Articles the principles for the determination of the compensation of the Board of Directors and the Executive Committee (see articles 21 et seqq. of the Articles).

The Compensation Ordinance also contains compensation disclosure rules. Pursuant to these rules, the Company is required to prepare an annual remuneration report. The remuneration report is included in its annual report. The remuneration report includes, among other things, the individual compensation of the members of the Board of Directors and the compensation for the members of the Executive Committee on an aggregate basis, as well as the amount for the highest paid member of the Executive Committee. Pursuant to the DCG, the Company is required to disclose basic principles and elements of compensation and shareholding programs for both acting and former members of the Board of Directors and for senior management, as well as the authority and procedures for determining such compensation, in a separate section of the annual report. For further details see "*Part 18 Description of Share Capital and Shares – 18.4.3 Compensation report*".

The Compensation Ordinance generally prohibits certain types of compensation payments to Directors and Executive Committee members, see "*Part 18 Description of Share Capital and Shares – 18.4.1 Severance pay, advance payments and transaction bonuses*".

Article 21 of the Articles sets out the principles for the elements of the compensation of the members of the Board of Directors and Executive Committee:

- The remuneration policy and system is designed to attract and retain employees to deliver the Company's strategic plans and sustainable business performance.
- The Board of Directors or the Remuneration Committee determines the appropriate remuneration levels for the Board of Directors and the Executive Committee, taking into account position, level of responsibility, the achievement of business and individual performance measures and other factors as deemed appropriate.
- The total remuneration of the Board of Directors consists of an annual base fee and an additional fee for individual assignments to Committees of the Board of Directors. The Board of Directors may at the request of the Remuneration Committee determine that the remuneration of all or individual members of the Board of Directors be paid in part or in full in the form of shares that are either freely tradable or blocked for trading for a specific period. Such shares are valued at their fair value at the date of grant as determined by the Remuneration Committee.
- The total remuneration of the Executive Committee consists of fixed and variable components. The fixed remuneration consists of an annual base salary, plus additional benefits. The variable remuneration may include short-term and long-term incentives, which may be cash and/or equity-based, as further set out in article 22 of the Articles.
- Remuneration may be paid by the Company or by any companies directly or indirectly controlled by the Company.
- In particular, the following items are not deemed remuneration, loans or credits and are not added to the amounts that are subject to approval by the Annual Shareholders' Meeting according to article 23 of the Articles:
    i. Reimbursement of expenses and tax deductible lump-sum expenses;
    ii. premiums for income replacement insurance and other insurances which are in the view of the Remuneration Committee entered into in the interest of the Company;
    iii. insignificant non-cash benefits, general employee benefits and similar fringe benefits;
    iv. indemnification, advances and insurances according to paragraph (g) of the article 23 of the Articles.

- To the extent permitted by law, the Company may indemnify members of the Board of Directors and of the Executive Committee for any disadvantages suffered in connection with proceedings, suits or settlements relating to their activity for the Company, may advance the respective amounts and may enter into respective insurances.
- The term “Executive Committee” also encompasses any delegate of the Board of Directors (e.g., the CEO).

According to Swiss law and the Articles, the Annual Shareholders’ Meeting has the inalienable power to approve the remuneration of the Directors and the Executive Committee. On an annual basis, and upon proposal by the Board of Directors, separately and bindingly, the Annual Shareholders’ Meeting approves the maximum aggregate amount of remuneration of the Directors for the period until the next Annual Shareholders’ Meeting and the maximum total amount of remuneration of members of the Executive Committee for the subsequent financial year. Within the frame of the approved maximum total amount of remuneration the Company and/or one or more Group companies may align remuneration. If the Annual Shareholders’ Meeting rejects a proposal of the Board of Directors for a maximum aggregate amount, the decision on how to proceed resides with the Board of Directors. The Board of Directors in particular has the options to convene an extraordinary shareholders’ meetings of the Company to submit a new total remuneration proposal, or to determine the remuneration for the current financial year on an interim basis, subject to approval at the next Annual Shareholders’ Meeting. The Board of Directors may also split proposals for approval by submitting proposals in respect to particular elements of remuneration, shorter periods of time, or a more limited group of persons.

Insofar as the approved maximum total amount of remuneration of the members of Executive Committee is not sufficient to compensate members appointed since the resolution of the shareholders’ meetings of the Company until the next vote of the Annual Shareholders’ Meeting on the remuneration, an additional amount up to 40% of the approved maximum total amount of remuneration of the Executive Committee is at the Company’s disposal until to the next vote of the Annual Shareholders’ Meeting on remuneration. The shareholders’ meetings of the Company does not vote on the additional amount used, provided that its sum does not exceed the 40% threshold.

By way of the remuneration report, the Board of Directors retrospectively reports to the Annual Shareholders’ Meeting about the use of the approved remuneration. The Annual Shareholders’ Meeting votes retrospectively on the compensation report through an advisory vote.

9.3.2 *Board of Directors*

At the 2016 Annual Shareholders’ Meeting, Shareholders approved the maximum possible remuneration for the Board of Directors for the period from the 2016 Annual Shareholders’ Meeting to the 2017 Annual Shareholders’ Meeting (CHF 1,000,000). At the 2017 Annual Shareholder’s Meeting, Shareholders approved the maximum possible remuneration for the Board of Directors for the period from the 2017 Annual Shareholders’ Meeting to the 2018 Annual Shareholders’ Meeting (CHF 1,200,000). At the 2018 Annual Shareholder’ Meeting, Shareholders approved the maximum possible remuneration for the Board of Directors for the period from the 2018 Annual Shareholders’ Meeting to the next Annual Shareholders’ Meeting (CHF 1,500,000). As decided by the Remuneration Committee, starting from February 2019, the Non-Executive Directors will be paid 40% of their fees in Shares rather than cash.

For the financial year ended 31 July 2018, consistent with the Shareholders’ approval, Non-Executive Directors were paid a yearly fee (CHF 88,000), reflecting the time commitment and responsibilities of the role. Additional compensation for Non-Executive Directors for service on a board committee was CHF 8,000 and CHF 16,000 for the chair thereof. In addition, in recognition of the extra burden and time commitment associated with transatlantic travel, an additional allowance of CHF 15,000 per annum was introduced for Directors based in North America.

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

Non-Executive Directors are not eligible for performance-related payments and therefore did not participate in the long-term incentives plan.

The CEO received no additional compensation for his role as a Director.

In June 2018 the Company entered into a consultancy arrangement with James B. (Jim) Leighton pursuant to which Mr. Leighton will provide advice in relation to the implementation of ARYZTA’s three-year €200 million cost reduction, Project Renew. The compensation payable to James B. (Jim) Leighton under the arrangement is $150 thousand (or CHF 145 thousand or €125 thousand), over the course of the consultancy, of which $35 thousand (or CHF 34 thousand or €29 thousand) accrued during the financial year ended 31 July 2018. For further information regarding Project Renew, see “*Part 8 Business Description – 8.7 Project Renew – Cost and Efficiency Improvement Initiatives*” above.

The table below shows the direct payments received by the Directors for the financial years ended 31 July 2018 and 2017 (including any additional fees for service on a committee). Fluctuations in amounts received are reflective of the changing roles and responsibilities held by the individual directors, during each respective year.

	Financial year ended 31 July	
(CHF thousands)	**2018**	**2017**
Denis Lucey[1]	–	135
Gary McGann[1]	323	215
Charles Adair	119	104
Dan Flinter	104	104
Annette Flynn	104	104
Shaun B. Higgins[1]	–	43
Andrew Morgan	96	96
Rolf Watter[1]	104	69
Wolfgang Werlé[2]	34	96
James B. (Jim) Leighton[2], [4]	106	–
Kevin Toland[2][5]	–	–
Owen Killian[3][5]	–	–
Total	**990**	**966**

(1) The Terms of office as members of the Board of Directors of Denis Lucey and Shaun Higgins ended on 13 December 2016; Gary McGann and Rolf Watter were elected to the Board of Directors on such date.

(2) The Term of office as Director of Wolfgang Werlé ended on 7 December 2017; James B. (Jim) Leighton and Kevin Toland were elected to the Board of Directors on such date.

(3) The Term of office as Director of Owen Killian ended on 31 March 2017.

(4) The fee for James B. (Jim) Leighton includes an accrual for consultancy services of USD 35 thousand (or CHF 34 thousand or €29 thousand) for advice in relation to the implementation of ARYZTA's three-year €200 million cost reduction, Project Renew.

(5) The CEO of the Group is paid under his contract with management as recorded under 9.3.3-Executive Committee below.

9.3.3 *Executive Committee*

The elements of the remuneration package for Executive Committee for the financial years ended 31 July 2018 and 2017 comprised (i) basic salary and benefits (including benefits-in-kind and pension contributions), (ii) short-term performance-related bonus (measured by reference to performance in the financial year), and for the financial year ended 31 July 2017 only, retention payments and (iii) long-term incentives (LTIP).

The highest total compensation in the financial year ended 31 July 2018 was earned by Owen Killian, and his total remuneration is disclosed separately in the following table.

(CHF thousands)	Total Executive Committee 2018	Kevin Toland 2018	Owen Killian[1] 2018	Total Executive Committee 2017	Owen Killian 2017
Basic salaries	6,477	881	853	4,340	1,277
Benefits in kind	510	41	55	316	83
Pension contributions	786	176	128	487	192
Performance and contractual related bonus and retention	2,176	–	425	1,396	213
Long-term incentives (LTIP)	–	–	–	–	–
Total compensation earned by members of ARYZTA Executive Committee	**9,949**	**1,098**	**1,461**	**6,539**	**1,765**
Average total compensation per member of ARYZTA Executive Committee	**995**			**1,090**	

(1) The remuneration of Owen Killian in the financial year ended 31 July 2018 as disclosed in the table above is presented in accordance with Swiss Law and reflects amounts in connection with the 12 month contractual notice period and related contractual bonus, as included in his employment contract.

For clarity, no additional remuneration was awarded to Owen Killian during the financial year ended 31 July 2018. The compensation to members of Executive Committee, during financial years ended 31 July 2018 and 2017, includes compensation for their roles as members of the Board of Directors or the Company Secretary of ARYZTA.

The total remuneration for the Executive Committee during the financial year ended 31 July 2018 is allocated between current and former Executive Committee as follows:

(CHF thousands	Current Executive Committee 2018	Former Executive Committee[(1)] 2018	Total Executive Committee 2018
Basic salaries	2,680	3,797	6,477
Benefits in kind	318	192	510
Pension contributions	374	412	786
Performance and contractual related bonus and retention	686	1,490	2,176
Long-term incentives (LTIP)	–	–	–
Total compensation earned by members of ARYZTA Executive Committee	**4,058**	**5,891**	**9,949**

(1) Former Executive Committee includes Owen Killian, Patrick McEniff, John Yamin, Pat Morrissey, Dermot Murphy and Ronan Minahan.

9.3.3.1 ***Executive Committee basic salary and benefits***

At the 2016 Annual Shareholders' Meeting, the Shareholders approved the maximum possible remuneration for the Executive Committee for the year ended 31 July 2018 ("**FY 2018**") (CHF 15,050,000) and they also approved the ratio between base salary and maximum variable contingent consideration for Executive Committee of 1:3 for FY2018, of which the variable contingent portion of the consideration may be comprised of short-term performance-related bonus up to 1.5 times base salary and long-term incentive plans up to 1.5 times base salary (based fair value at grant). At the 2017 Annual Shareholder's Meeting, shareholders approved the maximum possible remuneration for the Executive Committee for the year ended 31 July 2019 ("**FY 2019**") (CHF 21,000,000) and shareholders have the authority to set the maximum remuneration for Executive Committee for the future year. At the 2018 Annual Shareholder's Meeting, shareholders approved the maximum possible remuneration for the Executive Committee for the year ended 31 July 2020 ("**FY 2020**") (CHF 18,000,000).

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

9.3.3.2 ***Executive Committee short-term performance-related bonus***

At the 2016 Annual Shareholders' Meeting, the Shareholders approved the short-term performance-related bonus targets for the Executive Committee for the financial year ended 31 July 2018 at 100% of base salaries, with the maximum potential amounts to be earned being capped at 150% of base for outperformance of targets.

The terms of the termination agreements entered into with Owen Killian, Patrick McEniff and John Yamin in connection with their departure in FY 2017 provided for, inter alia, the payment of 33.33% of the maximum short-term bonus (or, to express it differently, 50% of the target short-term performance related bonus) in settlement of any and all claims to any short-term performance related bonus.

In connection with his departure, the Company entered into a termination agreement with Pat Morrissey as a compromise to his rights under his employment agreement.

In addition, during the financial year ended 31 July 2018 a short-term performance-related bonus was paid to certain members of the Executive Committee where regional performance met the required thresholds.

Save as set out above, no short-term performance-related bonus was earned by any current or former members of the Executive Committee in the financial year ended 31 July 2018.

Given the extent of the management change during the year and the risk of further upheaval from consequent flight risk, to ensure senior executive continuity retention payments, set at 50% of their base salaries, were established for the other members of the Executive Committee in the financial year ended 31 July 2017 (Pat Morrissey, Dermot Murphy, Robert O'Boyle and Ronan Minahan). These payments are one-off in nature and reflect the exceptional circumstances and challenges facing the Company during the financial year ended on 31 July 2017, including the need to ensure continuity and stability within the business. The Remuneration Committee does not envisage making similar payments in the future.

9.3.3.3 Executive Committee Long-Term Incentive Plan (LTIP)

The Company's long-term incentive plan ("**LTIP**") scheme comprises a LTIP issued in the financial year ended 31 July 2016 (also referred to as "**Option Equivalent Plan**") as well as a proposed LTIP for the financial years ended 31 July 2018 and for the financial year ending 31 July 2019. For the avoidance of doubt, no LTIP scheme was issued for the financial year ended 31 July 2017.

Each of the Company's LTIP schemes provides a framework for the Company, acting through the Remuneration Committee, to retain and incentivise executives of the Group with the goals (i) aligning their interests with the Shareholders through the promotion and encouragement of share ownership, (ii) rewarding executives for driving the achievement of superior financial targets, and (iii) assisting in the retention of executives over the long term.

The economic cost to shareholders of the reward systems operated under each of the LTIP schemes is controlled through, *inter alia*, an overall dilution limit and by the fact that rights generally vest only after accounting for the cost of the initial (total) award. Within the prescribed limits, the Remuneration Committee will control the level of participation by individuals.

Within and subject to the overall framework of each of the LTIP schemes, the Board of Directors may in its sole discretion at any time modify, and from time to time, amend, in whole or in part, any or all of the provisions of the plan. (including any amendment deemed necessary to ensure that the Company may comply with applicable law), or suspend or terminate the plan, any award granted pursuant to the plan and/or any award agreement entered into pursuant to the plan, in each case in their respective entirely, retroactively or otherwise; provided however, that, unless otherwise required by law or specifically in the LTIP, the rights of a participant with respect to the award granted prior to such amendment, suspension or termination, may not be impaired without the consent of such participant.

Benefits granted under each of the LTIP schemes may generally not vest earlier than the end of the third financial year following their provision (please note that any awards granted in the financial year ended 31 July 2018, as an exceptional case, will only have a two-year performance period as described below).

9.3.3.3.1 The LTIP issued in the financial year ended 31 July 2016 (Option Equivalent Plan)

The benefits which may be provided under the Option Equivalent Plan may comprise (i) options to subscribe for new Shares in the Company, (ii) a right to subscribe for Shares in the Company or any subsidiary of the Company carrying the right to be converted by the Company to Shares, or (iii) restricted stock, restricted stock units, stock appreciation rights and other analogous rights.

Benefits under the Option Equivalent Plan will generally not vest unless the growth in earnings per share during the performance period exceeds the growth in the eurozone core consumer price index (or such other index or combination of indices as appropriate) plus 5% on an annualised basis over such period. Entitlements based upon the achievement of the performance conditions are also subject to the Company's ROIC over the relevant period being not less than the Company's WACC. The basis for calculating the conversion premium payable by a participant associated with any awards under the LTIP scheme is fixed by the Company on the issue of such award but, in any event, will not be less than the average price for dealings in a share for the day preceding the date on which the award was first approved. The basis for calculating the conversion premium, if any, payable by a participant associated with any awards is fixed on the date the award is first approved. Awards will generally vest upon a change of control.

Awards under the Option Equivalent Plan are further subject to the following conditions:

(a) the requirement to remain in service throughout the performance period;

(b) the requirement that the Company's reported ROIC over the expected performance period is not less than its WACC for awards granted before the financial year ended 31 July 2016 and not less than 120% of its WACC for awards granted thereafter; and

(c) the requirement that annual dividends to Shareholders are at least 15% of the underlying EPS during the performance period.

The equity instruments granted under the Option Equivalent Plan are classified as equity-settled share-based payments under IFRS. The Group has no legal or constructive obligation to repurchase or settle the Option Equivalent Plan awards in cash. Option Equivalent Plan awards granted in prior periods can be exercised as of the time the relevant performance conditions have been met, but no longer than ten years after grant date.

There were no Option Equivalent Plan grants during the financial years ended 31 July 2018 or 2017. In the financial year ended 31 July 2016, 1,130,000 awards under the Option Equivalent Plan were granted to members of the Executive Committee. The weighted average fair value assigned to share option equivalents granted under the Option Equivalent Plan during the financial year ended 31 July 2016 was CHF 6.80, which was determined using the Black-Scholes valuation model. The significant inputs into the model were the price of the shares as at the grant date, an expected option life of 5.0 years, expected share price volatility of 23.11%, the weighted average exercise price of CHF 44.58 or €40.88, the expected dividend yield of 1.5% and the risk-free rate of (0.54)%. The option equivalent awards from the financial year ended 31 July 2016 have either vested as of 31 July 2018 or have been forfeited during previous periods.

9.3.3.3.2 The LTIP for the financial year ended 31 July 2018 and for the financial year ending 31 July 2019

The Executive Committee was unable to confirm targets and make an LTIP award during the financial year ended 31 July 2018. As such, no LTIP awards were granted during either of the last two financial years.

However, the Executive Committee has put in place an incentive framework to recruit, retain and incentivise the Group's management while aligning their interests with those of Shareholders. The structure of this incentive framework plays a central role in incentivising the delivery of the Group's turnaround plan and returns the Company to acceptable levels of performance from very difficult position. In light of the progress in stabilising the business, and putting in place a highly experienced management team, the Executive Committee has determined that the first LTIP awards under a revised remuneration framework may be granted following the successful completion of the Offering.

Based on the Company's current proposal, LTIP awards will be granted subject to the following structures:

- An award in respect of the financial year ended 31 July 2018: two-year-performance period (i.e., the financial years ending 31 July 2019 and 2020) (the "**2018 Award**");
- An award in respect of the financial year ending 31 July 2019: three-year performance period (i.e., the financial years ending 31 July 2019, 2020 and 2021) (the "**2019 Award**").

Awards under both the 2018 Award and the 2019 Award will vest subject to the achievement in the financial year ending 31 July 2019 of targets relating to the following measures:

- Operating Free Cash Flow ("**OFC**") (50%)
- ROIC (50%)

LTIP awards are generally subject to a three-year performance period. The one-time shortened period for the award for the financial year ended 31 July 2018 reflects the inability of the Committee to confirm the performance measures and targets during the most recent financial year in light of the exceptional challenges facing the business. The CEO's award for the financial year ended 31 July 2018 will continue to be subject to the post-vesting holding period of two years and, from the financial year ended 31 July 2019, awards are going to be subject to a three-year performance period in line with the best practice.

9.3.3.4 ***Option Equivalent Plan Allocation to Members of the Executive Committee***

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

No options have been granted under the Option Equivalent Plan in the financial years ended 31 July 2017 and 31 July 2018 (but certain options have forfeited). The below column "Options carried forward 1 August 2017" describes the options held by the current members of the Executive Committee starting from 1 August 2017. The following table details awards granted under the Option Equivalent Plan in favour of current and former members of the Executive Committee as at 31 July 2018:

	Options carried forward 1 August 2017	Granted during the financial year ended 31 July 2018	Forfeited during the financial year ended 31 July 2018	Closing position 31 July 2018	Vested as of 31 July 2018[1]
Executive Committee					
Kevin Toland	–	–	–	–	–
Frederic Pflanz	–	–	–	–	–
John Heffernan	–	–	–	–	–
Tony Murphy	–	–	–	–	–
Dave Johnson	–	–	–	–	–
Gregory Sklikas	–	–	–	–	–
Robert O'Boyle	32,500	–	(10,000)	22,500	22,500
Claudio Gekker	20,000	–	(20,000)	–	–
Total current Executive Committee	**52,500**	–	**(30,000)**	**22,500**	**22,500**
Owen Killian	1,160,000	–	(410,000)	750,000	750,000
Patrick McEniff	910,000	–	(300,000)	610,000	610,000
Ronan Minahan	120,000	–	(120,000)	–	–
Pat Morrissey	220,000	–	(120,000)	100,000	100,000
Dermot Murphy	125,000	–	(75,000)	50,000	50,000
John Yamin	150,000	–	(150,000)	–	–
Total former Executive Committee	**2,685,000**	–	**(1,175,000)**	**1,510,000**	**1,510,000**
Total current and former Executive Committee	**2,737,500**	–	**(1,205,000)**	**1,532,500**	**1,532,500**

(1) The weighted average exercise price of all Option Equivalent Plan awards that remain outstanding and for which the vesting conditions have been met is CHF 39.20.

The Executive Committee was unable to confirm targets and make an LTIP award during the financial year ended 31 July 2018. As such, no LTIP awards were granted during either of the last two financial years. As of the date of this Prospectus, there are no outstanding and unvested awards granted under the Option Equivalent Plan or the Restricted Stock Unit Plan in favour of current members of the Executive Committee. The vesting conditions for the option equivalent awards from the financial year ended 31 July 2016 were not met as of 31 July 2018 and therefore have been forfeited.

9.4 Ownership of Shares and options

The table below shows the number of Shares held by the individual Directors and the Executive Committee as of the date of this Prospectus.

	Beneficial Interest			
Director	**2018 After Admission (expected number of Shares held)**	**2018 Before Admission (number of Shares held)**	**At the date of this Prospectus (number of Shares)**	**At 31 July 2017 (number of Shares held)**
Director				
Gary McGann[(1)]	161,700	14,700	14,700	5,650
Charles Adair[(3)]	55,682	5,062	5,062	5,000
Dan Flinter	13,365	1,215	1,215	1,200
Annette Flynn	11,132	1,012	1,012	1,000
James B. (Jim) Leighton[(2)]	-	-	-	N/A
Andrew Morgan	-	-	-	-
Kevin Toland[(2)]	97,240	8,840	8,840	N/A
Rolf Watter[(1)]	78,507	7,137	7,137	7,050
Wolfgang Werlé[(2)]	N/A	N/A	N/A	2,336
Michael Andres[(3)]	-	-	-	N/A
Gregory Flack[(3)]	-	-	-	N/A
Tim Lodge[(3)]	-	-	-	N/A
Executive Committee				
Claudio Gekker	-	-	-	N/A
John Heffernan	14,014	1,274	1,274	N/A
Dave Johnson	-	-	-	N/A
Pat Morrissey[(4)]	N/A	N/A	N/A	131,922
Dermot Murphy[(4)]	N/A	N/A	N/A	35,000
Tony Murphy	-	-	-	N/A
Robert O'Boyle	111,397	10,127	10,127	10,000
Frederic Pflanz	-	-	-	N/A
Gregory Sklikas	-	-	-	N/A
Rhona O' Brien	-	-	-	N/A
Total	**543,037**	**49,367**	**49,367**	**199,158**

(1) Gary McGann and Rolf Watter were elected to the Board of Directors on 13 December 2016.

(2) Effective 7 December 2017, Wolfgang Werlé retired from the Board of Directors and James B. (Jim) Leighton and Kevin Toland were elected to the Board of Directors.

(3) Effective 1 November 2018, Charles Adair retired from the Board of Directors and Michael Andres, Gregory Flack and Tim Lodge were elected to the Board of Directors.

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

There are no outstanding, unvested options in the share capital of the Company. As at the date of this Prospectus, save for Robert O'Boyle, who holds 22,500 vested but unexercised options at CHF 39.95, no Director or member of the Executive Committee holds any options in respect of any Shares.

9.5 Loans granted to Directors or members of the Executive Committee

As of the date of this Prospectus, the Company has not granted any loans or guarantee commitments to Directors or the members of the Executive Committee.

9.6 Compensation, loans and credits granted to related persons

The Company has not paid any compensation or granted any loans or credits to related persons.

9.7 Transactions with Directors or members of the Executive Committee

For information regarding related party transactions, see "*Part 21 Additional Disclosure – 21.16 Related party transactions*".

9.8 Permitted other activities of Directors and members of the Executive Committee

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

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

According to article 25 of the Articles, the members of the Executive Committee, subject to the approval of the Chairman of the Board of Directors, may hold no more than the following number of additional activities in the supreme executive bodies of companies and organisations outside of the Company:

- up to one mandate in listed companies;
- up to two mandates in non-listed companies;
- up to four mandates upon instruction of the Company in companies that are not directly or indirectly controlled by the Company (such as in pension funds and joint-ventures); and
- up to four mandates in (i) charitable organisations, (ii) associations or foundations and (iii) other non-profit institutions.

Several mandates held in different companies of the same group count as one mandate. Mandates within companies under the direct or indirect control of the Company (subsidiaries) or which are not required to be registered in the Swiss Commercial Register or a similar foreign register are not limited by number.

9.9 Agreements related to compensation for Directors and members of the Executive Committee

According to article 26 of the Articles, employment or service contracts with the members of the Executive Committee and possible contracts with the Directors are generally concluded for an indefinite term and may provide for notice periods of up to 12 months. Should the Board of Directors or the Remuneration Committee decide to enter into fixed-term employment or service contracts with any such members, such agreements are allowed to provide for a duration of up to 12 months.

Employment contracts with members of the Executive Committee may provide for compensated non-compete clauses of up to 12 months after termination of the employment, whereby the remuneration is not allowed to exceed the aggregate of the annual base salary and short-term variable remuneration before the termination of the employment relationship (pro rata). For further information, see "*Part 18 Description of Share Capital and Shares – 18.4 Compensation Ordinance*".

James B. (Jim) Leighton has also been retained to provide advice and consultant services in connection with Project Renew. The retainer fee for his services is USD 150 thousand (or CHF 145 thousand or €125,000) over the course of his consultancy, of which USD 35 thousand (or CHF 34 thousand or €29 thousand) accrued during the financial year ended 31 July 2018. For further information regarding Project Renew, see "*Part 8 Business Description – 8.7 Project Renew – Cost and Efficiency Improvement Initiatives*" above.

9.10 Potential conflicts of interest

Swiss law does not provide for a general provision on conflicts of interest. However, the CO contains a provision which requires directors and senior management to safeguard the interests of such company and imposes a duty of loyalty and duty of care on its directors and officers. The directors and senior officers are personally liable to a company for breach of these provisions. Also, Swiss law contains a provision under which payments made to a shareholder or a director or any person associated with them other than at arm's length must be repaid to the company if such shareholder or director was acting in bad faith. In addition, pursuant to the CO, if, in connection with the conclusion of a contract, the company is represented by the person with whom it is concluding the contract, such contract must be in writing. This requirement does not apply to contracts relating to daily business matters if the value of the company's performance obligations under the contract does not exceed CHF 1,000.

According to the Organisational Regulations, Directors and members of the Executive Committee are each responsible for organising their private and business relationships in view to avoid conflict of interests with the Company or the Group. A Director or a member of the Executive Committee who is in a permanent conflict of interest no longer fulfils his function and is to resign. Each Director or member of the Executive Committee discloses conflicts of interests or functions or activities which could lead to a conflict of interest on a continuing basis to the Company Secretary who then conveys them to the Chairman or another Director appointed by the Board of Directors, if the Chairman is making such disclosure.

If the Directors determine a potential conflict of interests, the Chairman (or another Director appointed by the Board of Directors, in case of a potential conflict of interests by the Chairman) may conduct supplemental investigation requests from the person concerned relating to the relevant facts and circumstances, and issues a recommendation to the Board of Directors.

The Chairman requests the Board of Directors to decide on the seriousness of the conflict of interest. The Board of Directors then decides without the participation of the person(s) concerned.

Dan Flinter and Annette Flynn are members of the board of directors of Dairygold Co-Operative Society Limited. Dairygold Co-Operative Society Limited is a Shareholder of the Company and one of the Group's suppliers. Annette Flynn is a member of the board of directors of Dairygold Finance DAC. Dairygold Finance DAC is a Shareholder of the Company.

PART 10.

Selected Financial Information

The tables below set out the Group's selected consolidated financial information as of the date and for the periods indicated. This information has been extracted without material adjustment from the ARYZTA Consolidated Financial Statements for the financial years ended 31 July 2018 and 2017 prepared in accordance with IFRS and included in "*Part 22 Historical Financial Information*".

10.1 Consolidated Income Statement Data

	Financial Year Ended 31 July		
	2018	*2017*	*2016*
		(€ '000)	
Continuing Operations			
Revenue	3,435,422	3,796,770	3,878,871
Cost of sales	(2,543,732)	(2,766,136)	(2,654,228)
Distribution expenses	(402,561)	(411,702)	(414,410)
Gross profit	**489,129**	**618,932**	**810,233**
Selling expenses	(181,635)	(202,747)	(188,656)
Administration expenses	(372,492)	(628,833)	(410,065)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	(183,316)	-	-
Impairment of goodwill	(175,000)	(594,872)	–
Operating (loss) profit	**(423,314)**	**(807,520)**	**211,512**
Share of profit after interest and tax of joint ventures	15,156	38,380	11,716
Net gain on disposal of joint venture	1,468	-	-
(Loss)/profit before finance result and income tax	**(406,690)**	**(769,140)**	**223,228**
Finance result	(85,983)	(240,964)	(103,180)
(Loss)/profit before income tax	**(492,673)**	**(1,010,104)**	**120,048**
Income tax credit/(expense)	22,697	103,966	(4,543)
(Loss)/profit for the year from continuing operations	**(469,976)**	**(906,138)**	**115,505**
Discontinued operations			
Loss for the year from discontinued operations	–	–	(45,721)
(Loss)/profit for the year	**(469,976)**	**(906,138)**	**69,784**
Attributable as follows:			
Equity shareholders-continuing operations	(469,976)	(907,773)	112,729
Equity shareholders-discontinued operations	–	–	(45,721)
Equity shareholders - total	(469,976)	(907,773)	67,008
Non-controlling interests –continuing operations	–	1,635	2,776
(Loss)/profit for the year	**(469,976)**	**(906,138)**	**69,784**

10.2 Consolidated Statement of Financial Position Data

	As of 31 July		
	2018	**2017**	**2016**
		(€ '000)	
Assets			
Non-current assets			
Property, plant and equipment	1,243,692	1,386,294	1,594,885
Investment properties	14,574	19,952	24,787
Goodwill and intangible assets	2,057,703	2,651,937	3,617,194
Investments in joint ventures	420,016	528,188	491,446
Receivables from joint ventures	–	–	3,956
Deferred income tax assets	74,961	158,767	133,176
Total non-current assets	**3,810,946**	**4,745,138**	**5,865,444**
Current assets			
Inventory	244,535	252,162	248,719
Trade and other receivables	153,970	164,271	168,595
Derivative financial instruments	1,268	4,311	669
Cash and cash equivalents	517,854	535,570	647,724
Assets of disposal groups held for sale	7,000	–	–
Total current assets	**924,627**	**956,314**	**1,065,707**
Total assets	**4,735,573**	**5,701,452**	**6,931,151**

	As of 31 July		
	2018	2017	2016
		(€ '000)	
Equity			
Called up share capital	1,191	1,172	1,172
Share premium	807,512	774,040	774,040
Retained earnings and other reserves	864,157	1,426,440	2,397,460
Total equity attributable to equity shareholders	**1,672,860**	**2,201,652**	**3,172,672**
Non-controlling interests	–	–	15,099
Total equity	**1,672,860**	**2,201,652**	**3,187,771**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	1,772,315	383,242	1,963,709
Employee benefits	6,975	6,644	13,470
Deferred income from government grants	14,408	18,280	23,945
Other payables	49,664	36,278	37,678
Deferred income tax liabilities	212,878	353,164	457,634
Derivative financial instruments	–	704	4,618
Total non-current liabilities	**2,056,240**	**798,312**	**2,501,054**
Current liabilities			
Interest-bearing loans and borrowings	255,803	1,886,198	403,632
Trade and other payables	684,335	750,511	778,621
Income tax payable	65,506	63,283	49,118
Derivative financial instruments	829	1,496	9,939
Contingent consideration	–	–	1,016
Total current liabilities	**1,006,473**	**2,701,488**	**1,242,326**
Total liabilities	**3,062,713**	**3,499,800**	**3,743,380**
Total equities and liabilities	**4,735,573**	**5,701,452**	**6,931,151**

10.3 Consolidated Statement of Cash Flows Data

	For the financial year ended 31 July		
(€000)	2018	2017	2016
Cash flows from operating activities			
(Loss)/profit for the year from continuing operations	(469,976)	(906,138)	115,505
Income tax (credit)/expense	(22,697)	(103,966)	4,543
Financing income	(2,845)	(3,821)	(3,526)
Financing costs	76,413	62,272	106,706
RCF termination and private placement early redemption costs	12,415	182,513	–
Share of profit after interest and tax of joint ventures	(15,156)	(38,380)	(11,716)
Net gain on disposal of joint venture	1,468	–	–
Net loss on disposal of businesses and asset write-downs	362,783	859,716	13,794
Other restructuring-related payments (in excess of) / less than current year costs	(2,064)	(14,982)	1,618
Depreciation of property, plant and equipment	119,850	126,308	112,030
Amortisation of intangible assets	172,678	191,329	188,984
Recognition of deferred income from government grants	(3,871)	(5,665)	(3,098)
Share-based payments	2,005	2,005	–
Other	(2,167)	(4,315)	(4,332)
Cash flows from operating activities before changes in working capital	**225,900**	**346,876**	**520,508**
Increase in inventory	(23,427)	(18,038)	(16,223)
Decrease in trade and other receivables	(1,134)	2,172	80,902
Increase in trade and other payables	(28,339)	38,245	30,165
Cash generated from operating activities	**173,000**	**369,255**	**615,352**
Income tax paid	(22,692)	(13,381)	(18,369)
Net cash flows from operating activities	**150,308**	**355,874**	**596,983**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	8,348	21,696	1,030
Proceeds from sale of investment property	7,597	14,522	–
Purchase of property, plant and equipment	(81,680)	(91,552)	(184,019)
Grants received	–	–	10,045
Investment in joint venture	–	–	(450,732)
Acquisitions of businesses, net of cash acquired	–	–	(26,447)
Proceeds from disposal of Origin, net of cash disposed	–	–	225,101
Disposal of businesses, net of cash disposed	101,599	–	42,060)
Disposal of joint venture	34,948	–	–

(€000)	For the financial year ended 31 July 2018	2017	2016
Purchase of intangible assets	(5,466)	(11,025)	(29,916)
Dividends received from joint venture	91,018	–	–
Net receipts from joint ventures	–	3,277	21,509
Contingent consideration paid	–	(896)	(46,916)
Net cash flows from investing activities	**156,364**	**(63,978)**	**(438,285)**
Cash flows from financing activities			
Gross drawdown of loan capital	1,606,157	1,226,778	290,887
Gross repayment of loan capital	(1,919,180)	(1,209,472)	(43,903)
RCF termination and private placement early redemption	(501)	(175,647)	–
Interest paid	(62,507)	(65,635)	(98,934)
Interest received	2,845	4,388	3,331
Capital element of finance lease liabilities	(716)	(1,022)	(26)
Purchase of non-controlling interests	–	(14,485)	–
Dividends paid to non-controlling interests	–	(3,350)	(4,603)
Hybrid instrument dividend paid	–	(32,115)	(31,788)
Dividends paid to equity shareholders	–	(47,595)	(52,710)
Equity dividend issuance costs	(470)	–	–
Net cash flows from financing activities	**(374,372)**	**(318,155)**	**62,254**
Net (decrease)/increase in cash and cash equivalents	**(67,700)**	**(26,259)**	**220,952**
Translation adjustment	(12,254)	(20,774)	(12)
Net cash and cash equivalents at start of year	421,940	468,973	248,033
Net cash and cash equivalents at end of year	**341,986**	**421,940**	**468,973**

10.4 Other financial information

10.4.1 *Underlying EBITDA and Underlying EBITA*

Underlying EBITDA and Underlying EBITA are important financial measures for the Group as they provide its management with a measure of profitability on a consistent basis before interest, taxation, depreciation (only in the case of Underlying EBITDA) and certain amortisation expenses as well as disposal and restructuring related costs. The following table provides a reconciliation of Underlying EBITDA to Loss/Profit for the year under IFRS for the years indicated:

(€000)	For the financial year ended 31 July 2018	2017	2016
Underlying EBITDA	301,822	420,307	609,640
Depreciation	(119,850)	(126,308)	(124,773)
ERP amortisation	(17,036)	(16,689)	–
Underlying EBITA	164,936	277,310	484,867
Amortisation of other intangible assets	(155,642)	(174,640)	(176,241)
Net loss on disposals of businesses and impairments of disposal groups held-for-sale	(183,316)	–	(13,794)
Restructuring-related costs	(69,825)	(50,474)	(83,320)
IFRS operating (loss)/profit	**(423,314)**	**(807,520)**	**211,512**
Share of profit after interest and tax of joint ventures	15,156	38,380	11,716
Net gain on disposal of joint venture	1,468	–	–
Financing income	2,845	3,821	3,526
Financing costs	(76,413)	(62,272)	(106,706)
RCF termination and private placement early redemption	(12,415)	(182,513)	–
Loss before income tax	**(492,673)**	**(1,010,104)**	**120,048**
Income tax credit/(expense)	**22,697**	**103,966**	**(4,543)**
IFRS (Loss)/profit for the year[(1)]	**(469,976)**	**(906,138)**	**115,505[(1)]**
IFRS Diluted (loss)/earnings per share (cent)[(1)]	**(561.8)**	**(1,058.9)**	**39.5[(1)]**

(1) Includes impact of discontinued operations. Loss for the year from discontinued operations in the financial year ended 31 July 2016 amounted to €45.7 million, all of which was attributable to equity shareholders of the Company. Diluted earnings per share for the financial year ended 31 July 2016 includes loss per share from discontinued operations in the amount of 51.4 euro cents.

10.4.2 *Net Debt*

As of 31 July 2018, the Group's gross term debt (including utilised financing facilities), related capitalised upfront borrowing costs, finance leases, overdrafts and cash balances were as follows:

Calculation of Net Debt	**As of 31 July 2018**
(€000)	
Syndicated Bank RCF	(611,815)
Term loan facility	(878,937)
Schuldschein	(384,454)
Gross term debt	**(1,875,206)**
Upfront borrowing costs	23,613
´Term debt, net of upfront borrowing costs	**(1,851,593)**
Finance leases	(657)
Cash and cash equivalents, net of overdrafts	341,986
Net Debt	**(1,510,264)**

10.4.3 *Return on invested capital*

ROIC is calculated using trailing 12 month segmental Underlying EBITA ("**TTM EBITA**") reflecting the full 12 month contribution from acquisitions and full 12 month deductions from disposals, divided by the respective segmental net assets, as of the end of each period. The table below provides the figures for segmental net assets and TTM EBITA the Company used to calculate ROIC for the years ended 31 July 2018, 2017 and 2016. ROIC is a useful tool for the Group to measure performance over time and is also used in determining awards under the LTIP and Option Equivalent compensation plans in comparison with the Group's WACC.

(€000)	**ARYZTA Europe**	**ARYZTA North America**	**ARYZTA Rest of World**	**ARYZTA Group**
31 July 2018				
Segmental net assets[(1)]	1,354	1,331	177	2,862
TTM EBITA[(1)]	102	34	30	166
ROIC[(1)]	7.6%	2.6%	17.0%	5.8%
31 July 2017				
Segmental net assets[(1)]	1,676	1,710	194	3,580
TTM EBITA[(1)]	147	100	30	277
ROIC[(1)]	8.8%	5.9%	15.3%	7.7%
31 July 2016				
Segmental net assets[(1)]	1,903	2,488	198	4,589
TTM EBITA[(1)]	215	243	26	484
ROIC[(1)]	11.3%	9.8%	13.0%	10.5%

(1) See glossary in Part 25 for definitions of financial terms and references used.

PART 11.

Operating and Financial Review

This "Part 11 Operating and Financial Review" should be read in conjunction with "Part 2 Presentation of Financial and Other Information", "Part 8 Business Description" and "Part 22 Historical Financial Information". Prospective investors should read the entire document and not just rely on the summary set out below. The financial information considered in this "Part 11 Operating and Financial Review" is extracted from the financial information set out in "Part 22 Historical Financial Information".

The following discussion of the Company's results of operations and financial condition contains forward-looking statements. The Company's actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly under "Part 1 Risk Factors" and "Part 4 Forward-Looking Statements".

11.1 Overview

The Company (and, together with its consolidated subsidiaries, "**we**", "**our**" or the "**Group**" or "**ARYZTA**") operates, via its subsidiaries, affiliated companies and joint ventures, a global food business and considers itself to be the leading provider of frozen business-to-business ("**B2B**") bakery solutions in the world based on revenue. The Group manufactures and distributes specialty frozen bakery items and baked goods to a diverse customer base for the distribution channels in-store bakeries ("**ISB**"), quick-service restaurants ("**QSR**"), food-service and retail. The Group operates under a portfolio of different brands. Its products and capabilities include artisan breads, sweet baked goods and morning goods, individually wrapped ready-to-eat snacks as well as an array of other savoury items such as pizzas, tarts and pies. As at 31 July 2018, the Group operated 56 bakeries across North America, South America, Europe, Asia, Australia and New Zealand and employed approximately 19,000 people on average for the financial year ended 31 July 2018.

The Group is organised into three operating segments: (i) ARYZTA Europe, (ii) ARYZTA North America and (iii) ARYZTA Rest of World. For the financial year ended 31 July 2018, the Group reported revenues of €3,435.4 million and Underlying EBITA of €164.9 million, as compared to revenue of €3,796.8 million and Underlying EBITA of €277.3 million for the financial year ended 31 July 2017 (representing a decrease of 9.5% in revenue and a decrease of 40.5% in Underlying EBITA for the Group). The Group's loss for the financial year ended 31 July 2018 improved to a loss of €470.0 million from a loss of €906.1 million for the financial year ended 31 July 2017.

Building off the improvement in result for the year, the Group has implemented a cost reduction program, Project Renew. The project aims to reduce the cost base of the Group by approximately €200 million over the next three years, with an annualised run-rate of €90 million per year beginning with the financial year ending 31 July 2021. On an operational level, the strategy aims to improve the performance of the Group by creating a more streamlined and fit-for-purpose commercial Group. On an organisational level, Project Renew strives to implement improvements to the working culture and the introduction of a flatter hierarchical system among its personnel.

11.2 Key Factors Affecting the Group's Results of Operations

The results of the Group's operations have been, and will continue to be, affected by many factors, some of which are beyond the Group's control. This section sets out certain key factors the Directors believe have affected the Group's results of operations in the period under review and could affect its results of operations in the future.

11.2.1 *Food consumption patterns*

Changing consumer dynamics affect the Group's results of operations , and there are a number of consumer trends that have been, and are expected to continue, benefitting the Group. In the Group's more mature markets, in particular North America and Western Europe consumers, especially millennials, increasingly demand portable food options and are increasing the frequency of snacking. Time is becoming an increasingly important factor in food consumption patterns with many time-stretched consumers opting for on the go food and snacking products. Consumers are also demanding a variety of fresh, premium quality breads which form part of a healthy, balanced lifestyle, including products with simple natural ingredient labels for perceived health benefits. At the same time, consumers are turning away from inexpensive packaged snacks in favour of indulgent fresh products with rich ingredients. Over time, consumer tastes are also becoming more sophisticated and include more bold and differentiated flavours, such as "old world" and ethnic flavours, and thereby increasing the demand for innovative, premium products of the kind produced by the Group.

In the Group's more emerging markets, in particular Latin America and the Asia Pacific region, growing wealth and purchasing power are increasing consumer demand for higher quality food products as well as increasing interest in Western flavours and food products. These trends have been increasing, and are expected to continue to increase, the demand for the Group's products. The Group addresses changing trends through a continued focus upon research, development and investment in product innovation to ensure that changing customer and consumer requirements are being met on a continuous basis.

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

11.2.2 *Cost of raw materials*

The Group's results of operations are materially impacted by the price of raw materials used in its business. In the financial years ended 31 July 2018, 2017 and 2016, 65.7%, 65.6%, and 68.2% respectively, of the Group's total cost of sales were attributable to raw materials and consumables used.

The Group's business uses a wide range of raw materials in manufacturing its products, primarily dairy products, including butter and cheese, flour, fats and oils, nuts, seeds, sugar and other sweeteners, packaging materials, as well as energy. The prices of raw materials are subject to fluctuation and in recent years prices of certain raw materials have been rising rapidly. For example, in calendar year 2015 the price for butter, one of the largest contributors to the Group's raw materials costs, was less than USD 3,000 per metric ton, but the price more than doubled within two years, reaching a high of more than USD 6,000 per metric ton in calendar year 2017. The Group faces the challenge of managing these cost increases and the related challenge of passing on price increases to customers. Although the Group's contracts with many of its customers allow the Group to pass through raw material price increases to such customers, there are many contracts which do not have such provisions. Increasing costs of raw materials, in particular the price of butter, has put tremendous pressure on margins and profitability in the financial years ended 31 July 2018, 2017 and 2016.

The Group's commodity hedging policy requires that, as of the first day of each financial year, each business should have hedged its significant exposures to commodity prices for at least the next six months and at no time is it permitted for significant exposures to be hedged for less than three months. Hedges take the form of physical hedges (forward buys), financial hedges (futures contracts) and contractual hedges (back to back/pass through contracts). Coverage recommendations are based on a combination of the commodity hedging policy and on the business unit's demand forecasts and customer pricing.

The business' pricing strategy is fully aligned with its commodity hedging strategy. For independent customers, price increases are passed through via catalogues and price lists while with larger customers, price recovery is achieved through negotiations which typically take place in advance of renewal of a contract or through a tendering process. In all instances the Group strives to have full alignment between its commercial team and its commodity experts to ensure prices are competitively quoted.

11.2.3 *Capacity utilisation*

The Group's business is capital intensive due to the investments in bakery capacity needed to compete effectively. The Group's baking processes are highly complex and need to be regularly improved to respond to changing customer requirements and to remain competitive. Other capital investments are required to upgrade existing facilities and to improve automation. Changes in our bakery utilization and efficiency have a significant impact on our results of operations. Therefore, the Group tries to maximise baking capacity utilisation by continuously reviewing its global baking footprint to manage existing capacity in light of the demand for its products. For example, in the financial year ended 31 July 2017, in response to significant volume declines following insourcing by a German retailing customer and a Swiss retailing customer, the Group began transferring 225 SKUs in Germany from its Fricopan facility to the new bakery capacity in Eisleben, including optimising the operations in response to this and the additional bakery capacity arising therefrom.

At 31 July 2018, the Group had the capacity to produce approximately 1.9 million metric tons of bakery products, based on the Group's current product mix. In May, 2018, the Group announced the immediate implementation of Project Renew, which in part is designed to optimise the Group's asset and cost base, including improving capacity utilisation which would have a direct and immediate impact on the Group's results of operations. See "*11.2.5 Impact of the restructuring and cost savings program*".

11.2.4 *Foreign currency fluctuations*

While the Group's reporting currency is the euro, the Group has subsidiaries and operations in a number of jurisdictions, including the United States, Canada, Switzerland, the United Kingdom, Brazil, Australia and Asia, where the Group generates revenues and incurs expenses in currencies other than the euro. Therefore, the Group is subject to translational and, to a lesser extent, transactional foreign currency risks.

For the financial year ended 31 July 2018, 67% of the Group's consolidated revenues were denominated in currencies other than the euro, principally the US dollar, pound Sterling, Canadian dollar and Swiss Franc. To a large extent, these revenues are naturally hedged from transactional foreign currency risks because the Group incurs a large portion of the expenses to generate these revenues in the respective currency. The Group aims to reduce the effects of foreign exchange fluctuations by matching revenues, expenses and liabilities in each currency, to the extent commercially practicable, and by hedging against foreign currency fluctuations, pursuant to the Group's hedging policy.

The Group is also subject, to a lesser extent, to transactional foreign currency risks arising from sales or incurring expenses, primarily raw material prices, in currencies other than the unit's functional currency. The Group's policy is to seek to hedge all transactional currency risks as soon as they arise. Thus, where purchase and sale prices on committed or anticipated budgeted contracts are known, and either of them are denominated in a different currency, the objective is to hedge the resulting currency exposures as soon as possible. Currency exposures are hedged using foreign currency spot or forward contracts. Speculation on future exchange rate movements is not permitted.

The following tables set forth the Group's exposure to transactional foreign currency risk at 31 July 2018, 2017 and 2016:

2018

in EUR '000	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	17,914	2,999	-	-	4,996	683	26,592
Other receivables	119	80	-	-	92	1	292
Cash and cash equivalents	1,651	8,444	44	187	7,608	281	18,215
Trade payables	(12,586)	(6,101)	(44)	(29)	(16,297)	(3,878)	(38,935)
Other payables	(8,401)	(2,345)	(776)	(4,165)	(2,515)	1,329	(16,873)
Derivatives financial instruments	(5)	552	(46)	-	(137)	7	371
At 31 July 2018	**(1,308)**	**3,629**	**(822)**	**(4,007)**	**(6,253)**	**(1,577)**	**(10,338)**

2017

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

2016

2016 **in EUR '000**	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	9,214	1,387	1,086	6,764	7,884	4,232	30,567
Other receivables	187	91	98	-	233	20	629
Cash and cash equivalents	5,146	5,327	46	83	15,389	509	26,500
Trade payables	(3,453)	(26,852)	(4,874)	(102)	(24,672)	(3,744)	(63,697)
Other payables	(1,021)	(5,319)	(544)	(23)	(2,766)	(5)	(9,678)
Derivatives financial instruments	(1,765)	(10,380)	(318)	-	(1,267)	(18)	(13,748)
At 31 July 2016	**8,308**	**(35,746)**	**(4,506)**	**6,722**	**(5,19)**	**994**	**(29,427)**

The Group, is also subject to translational foreign currency risks when the results of operations of the Group's foreign subsidiaries and business operations are translated into euros at the applicable exchange rate for inclusion in the Group's consolidated financial statements. It is the Group's policy to seek to reduce balance sheet exposures by matching foreign currency denominated assets with corresponding foreign currency borrowings, when possible. See page F-20 "*Foreign currency*".

A 10% strengthening of the euro against the pound Sterling, US Dollar, Canadian Dollar and Swiss Franc at 31 July 2018, 2017 and 2016 would have increased equity by €55.9 million, €92.2 million, and €66.5 million, respectively. A 10% weakening of the euro against those same currencies and as at the same dates would have decreased equity by €61.5 million, €101.4 million, and €81.2 million, respectively. This analysis assumes that all other variables, in particular interest rates, remain constant. See F-65 "*Currency sensitivity analysis.*"

See "*Part 2 Presentation of Financial and Other Information – 2.2.4 Currency presentation*" for the movements in the exchange rate for pound Sterling, US Dollar, Canadian Dollar and Swiss Franc.

11.2.5 ***Impact of the restructuring and cost savings program***

The Group has undergone considerable restructuring-related activities during the three years ended 31 July 2018, especially in the years ended 31 July 2018 and 2017 following the significant reductions in profitability in the ARYZTA North America segment and in Germany, and the departure of four members of the Group' executive management.

In May, 2018, the Company announced the immediate implementation of Project Renew, a three-year restructuring plan aimed at restoring financial flexibility and improving the Group's asset and cost base. Although Project Renew is expected to require an initial investment and expenditures of approximately €150 million (around half of that amount being incurred in the first year), the Project targets cumulative cost savings of €200 million over three years, and run-rate savings of €90 million per year beginning with the financial year ending 31 July 2021. For a further description of Project Renew, see "*Part 8 Business Description*" generally. The Group incurred €69.8 million of restructuring-related costs, mainly in the ARYZTA North America segment and primarily related to the labour-related business interruption challenges at the Cloverhill bakeries during the first half of the year up until disposal (€41.4 million), as well as severance and staff-related costs (€15.2 million), and advisory and other costs (€12.8 million), incurred as a direct result of consolidation of bakeries and rationalisation of management functions during the year.

In the financial year ended 31 July 2017, the Group recognised €21.4 million in severance and other staff-related costs, of which €10.4 million related to the remaining contractual employment period and the 12-month post contractual non-compete agreements with four former members of the executive management who left the business during the year. The remaining €11.0 million of costs represent severance costs arising from a number of production, distribution and administrative rationalisations, as well as amounts in respect of key employee retention agreements agreed following the departures of the four members of the executive management. In addition, advisory and other costs related to impairment, integration, rationalisation and restructuring amounted to €5.5 million in the financial year ended 31 July 2017.

In the financial year ended 31 July 2016, the Group incurred €65.4 million in costs related to employees whose services were discontinued following certain rationalisation decisions across the various business locations of the Group, primarily in Europe. In addition, the Group incurred total costs of €6.7 million to provide for certain long-term operational contracts becoming too onerous as a result of the Group's integration and rationalisation projects. The Group also incurred €8.8 million in advisory and other costs directly related to the integration of supply chain and distribution functions of recently acquired businesses into the Group's network and costs associated with the centralisation of certain administrative functions.

11.2.6 ***Cost of Labour***

While changes in labour costs have historically been stable and thus not been a key factor affecting the Group's results of operations, a tight labour market, particularly in the United States, has made it difficult to find and retain skilled bakers and other employees. In addition, wages have increased substantially and dramatically over the past three financial years at a rate higher than previous years, impacting the Group's results through a decrease in profit margins as the cost increases cannot always be passed on to customers in full and on a timely basis.

In addition, in the financial year ended 31 July 2017, the Group encountered a significant labour-related business disruption at its Cloverhill facilities. A substantial number of the legacy labour force at these facilities was supplied through a third-party staffing agency. A federal audit of this third-party agency revealed inadequate documentation, resulting in approximately 800 experienced workers leaving the business in the last three months of the financial year ended 31 July 2017 and being progressively replaced with new employees. As the departing workers had significant knowledge and experience of the baking process and represented over one-third of the work force at these facilities, there was a significant decrease in the labour efficiency and production volumes, as well as an impact on increased waste levels at these facilities, as a result of this disruption. Following the disruption, these facilities incurred €16.3 million of losses which were recorded within cost of sales during June and July 2017. These losses continued into the financial year ended 31 July 2018, during which the Group incurred further €41.4 million of losses. The Group sold the Cloverhill facilities in February 2018.

The Group is optimistic that it will continue to be able to employ enough bakers in its facilities, but believes it is unlikely that wages will return to levels that existed in the financial year ended 31 July 2014.

11.2.7 ***Income Taxes***

Changes in deferred tax credit have had a significant impact on income tax(credit)/expense for the period under review, amounting to €49.8 million, €133.6 million, and €18.1 million for the years ended 31 July 2018, 2017 and 2016, respectively. In the financial year ended 31 July 2017, this deferred tax credit arose primarily due to the substantial loss before income tax of €1,010 million.

The US Tax Cuts and Jobs Act (the "Act") was enacted on 22 December 2017. It transitions the US tax system to a new territorial system and lowers the US statutory federal corporate income tax rate from 35% to 21%, together with other measures. As result of the Act, the Group recognised a one-time US income tax benefit of €40.7 million (of which €39.8 million was a US deferred tax credit), which is included in the Group's overall reported income tax credit of €22.7 million for the financial year ended 31 July 2018.

11.2.8 ***Seasonality***

The Group's operations have varied historically on a seasonal basis, with the three months ended January 31 and July 31 tending to be somewhat stronger than the other quarters. This reflects in part increased consumer spending during the late spring and early summer and during the calendar year-end holiday season. This seasonal effect is not pronounced and can be more than off-set by other factors, including currency fluctuations.

11.2.9 ***Customer Relationships***

The Group has customers in 29 countries throughout the world active in a wide variety of customer channels consisting of a mix of large retail, convenience and independent retail, QSRs and other food-service categories. Although the Group has a diversified customer base with only one customer accounting for more than 10% of Group revenues, the top 20 customers account for just over half of the Group's revenues according to management estimates. While the Group regularly loses and gains order volume from its customers, it is unusual for the Group to lose all business from a customer. Loss in business usually arises in the form of reduced order volume or the loss of sales of certain products to a customer, rather than loss of all business from a customer.

The Group's results of operations have been impacted during the two years ended 31 July 2018 as a result of two unrelated customers insourcing certain products previously purchased from the Group. One of the customers is a major German retailing customer and the other is a major Swiss retailing customer.

The impact of the insourcing resulted in a reduction in the volume of certain products being sold, primarily in the years ended 31 July 2017 and 2018. In the financial year ended 31 July 2017, the negative impact from the insourcing was somewhat mitigated by the insourcing by the Swiss customer occurring more slowly than initially anticipated.

11.3 Key Factors affecting Comparability of Results

11.3.1 ***Impairments of goodwill and intangibles and impairment and write-down of fixed assets***

The Group has realised a significant amount of impairments of goodwill and intangibles, and impairments and write-downs of fixed assets during the period under review, primarily in the financial year ended 31 July 2017 as a result of reductions in profitability, and as a result of the dispositions of certain of its businesses.

In February, 2018, the Group sold its Cloverhill facilities (Chicago and Cicero) which were part of the ARYZTA North America segment, incurring a loss of €135.9 million net of a €18.4 million cumulative foreign currency translation gain since the initial investment, which was recognised in the financial year ended 31 July 2018. In addition, two non-core businesses in the ARYZTA Europe segment were re-classified as disposal groups held-for-sale during July 2018 following the disposals' approval by the Board of Directors. A resulting impairment loss of €48.8 million on re-measurement to fair value, less costs to sell, has been recognised as it is considered highly probable that sales of these businesses are completed within the next 12 months.

Following significant reductions of profitability in the ARYZTA North America segment and in Germany in the financial year ended 31 July 2017, the Group undertook a review of its financial condition which resulted in significant impairments and write-downs, the majority of which were non-cash and related primarily to impairment of goodwill in the ARYZTA North America and ARYZTA Europe businesses, impairment of intangibles related to the ARYZTA North America business and impairment and disposal of fixed assets primarily realted to the ARYZTA North America business.

In the financial year ended 31 July 2017, the Group recognised an aggregate of €859.7 million on impairments of goodwill, impairments of intangibles and impairment and disposal of fixed assets, of which €594.9 million was due to impairment of goodwill, €138.6 million due to impairment of intangibles, and €126.2 million due to impairment and disposal of fixed assets, primarily related to ARYZTA North America and in ARYZTA Europe.

11.3.2 *Goodwill*

The Group tests goodwill for impairment annually, during the last quarter of the financial year, or more frequently if changes in circumstances indicate a potential impairment. Following the significant reductions in profitability in the ARYZTA North America and ARYZTA Europe segments during the financial year ended 31 July 2017, the Group realised goodwill impairment charges of €491.9 million in ARYZTA North America and €103.0 million in ARYZTA Europe.

Following further reductions in estimated future profitability following consolidation of bakery capacity into the Eisleben facility and impacts from customer volume insourcing and increasing commodity pricing, the Group recorded an additional €175.0 million goodwill impairment charge in Germany during the financial year ended July 31 2018. While profitability in Germany is expected to improve in the future, including utilising available capacity to support capacity needs for other geographies within the Group, after considering the goodwill and other assets, as well as respective future cash flow projections, management determined this additional goodwill impairment was appropriate to take during the financial year ended 31 July 2018. The recoverable amount of Germany goodwill after this charge is € 29.9 million.

11.3.3 *Intangibles*

As a result of the decrease in profitability in North America, the Group also recognised €138.6 million in impairment of customer relationship and brand-related intangible assets obtained as part of the Cloverhill acquisition, which amount was recognised within administration expenses in the financial year ended 31 July 2017.

11.3.4 *Impairment and write-down of fixed assets*

In the financial year ended 31 July 2017, the Group incurred €126.2 million of asset write-downs and impairments, primarily related to assets in ARYZTA North America. In ARYZTA North America, the Group recognised €69.8 million in impairments in relation to other North American facilities, which have either lost significant activity during the year or which are not projected to achieve sufficient future profitability to recover their carrying value. In addition, the Group recognised €56.6 million in impairments in relation to additional production capacity not yet fully completed or in service, which without further investment is expected to remain idle.

Of these amounts, €46.8 million has been reflected in cost of sales in the financial year ended 31 July 2017.

The Group continues to include significant goodwill, intangible assets and fixed assets on its balance sheet that may in the future be subject to additional impairments and write-downs. At 31 July 2018, the Group had total non-current assets of €3.8 billion, of which €2.1 billion, or 54.0%, were goodwill and intangible assets.

11.3.5 *Disposals*

To strengthen the Group's balance sheet and to seek to improve the Group's results of operations by focusing on its frozen B2B bakery operations and exit non-core businesses, the Group disposed of a number of businesses during the period under review.

During the financial year ended 31 July 2018, the Group disposed of several businesses, La Rousse, which was sold in January 2018, the Cloverhill Chicago and Cicero facilities, which were sold in February 2018, and the Group's 50% interest in Signature Flatbreads, which was sold in March 2018 to the Group's joint venture partners in Signature Flatbreads for net proceeds amounting to €34.9 million. In the financial year ended 31 July 2017, the Cloverhill Chicago and Cicero facilities and the La Rousse business, together generated €293.2 million in revenue. The sale of these businesses and corresponding loss in revenue contributed to the decline in revenues in ARYZTA North America and ARYZTA Europe in the financial year ended 31 July 2018 and will impact comparability with results for the current financial year. Moreover, in July 2018, the Group identified for disposal two non-core businesses in ARYZTA Europe which generated €32.1 million in revenues in the financial year ended 31 July 2018. It is considered highly probable that these disposals might be completed in the next 12 months. Depending on the timing of the disposals, the sale of these businesses will impact comparability with the most recent current year and the year to come.

During the financial year ended 31 July 2016, the Group disposed of assets related to two businesses (one in France and one in the United States), which were linked to approximately €100 million in aggregate total revenues in the financial year ended 31 July 2015. These dispositions negatively impacted the revenue of the Group for the years following the disposal and impact comparatively with the financial year ended 31 July 2017.

In addition, in September 2015, the Group sold its remaining 29% interest in Origin, resulting in a net loss on disposals in the financial year ended 31 July 2016 in the amount of €45.8 million. Since Origin had previously represented a significant component and separately reported segment of the Group, Origin's results had been separately presented in the Group's financial statements as discontinued operations up to the date of the disposal. After giving effect to the underlying contribution of Origin associate held-for-sale to the Group's results for the year up through the date of the disposal, the loss for the year from discontinued operations amounted to €45.7 million. These negative results from the disposal of Origin were not repeated in the financial year ended 31 July 2017 and thereafter.

11.4 Recent Accounting Pronouncements

See the Group's statement of accounting policies beginning on page F-8.

11.5 Description of Certain Line Items

The following discussion provides a description of the composition of certain line items in our Group's income statement for the periods under review.

11.5.1 *Revenue*

Revenue comprises primarily, sales of goods and services to third parties after deducting trade discounts and volume rebates.

11.5.2 *Cost of sales*

Cost of sales comprise primarily the cost of raw materials and consumables used as well as certain impairments related to certain fixed assets, including impairments of distribution, manufacturing and administration assets.

11.5.3 *Distribution expenses*

Distribution expenses comprise primarily storage and distribution costs, as well as certain distribution-linked impairments related to acquisitions, disposals and restructuring.

11.5.4 *Selling expenses*

Selling expenses comprise primarily advertising and marketing expenses as well as write-downs or costs in connection with certain assets related to acquisitions, disposals and restructuring.

11.5.5 *Administrative expenses*

Administrative expenses comprises primarily costs for administration, intangible amortisation and certain customer-relationship or brand-related impairments or administrative costs related to acquisitions, disposals and restructuring.

11.5.6 *Impairment of goodwill*

Impairment of goodwill comprises primarily impairments determined to have occurred with respect to the goodwill associated with cash-generating units ("**CGU**") as a result of periodic tests done to determine whether the recoverable amount of the relevant CGU has been negatively impacted by a change in circumstances.

11.5.7 *Finance result*

Finance result comprises primarily financing income less interest cost on bank loans and overdrafts, interest costs under finance leases, net interest cost on defined benefit liabilities, and result from private placement early redemption.

11.6 Segmental Reporting

The continuing operations of the Group are primarily organised into three operating segments, ARYZTA Europe, ARYZTA North America, ARYZTA Rest of World, which are also the Group's principal geographies. In the financial year ended 31 July 2018, Revenue and Underlying EBITDA of these three reporting segments, and the corresponding percentage of Group revenue and Underlying EBITDA were as follows:

	Year end 31 July 2018					
	ARYZTA Europe	**% of Group total**	**ARYZTA North America**	**% of Group total**	**ARYZTA Rest of World**	**% of Group total**
Segment revenue	1,710.7	49.8	1,468.0	42.7	256.8	7.5
Segment underlying EBITDA	172.0	57.0	89.9	29.8	39.9	13.2

The Company believes that the ARYZTA Europe business has leading market positions in the European frozen B2B bakery market. In Europe, ARYZTA has a diversified customer base within the foodservice, large retail and convenience or independent retail channels.

The Company believes that the ARYZTA North America business has leading positions in the frozen B2B bakery market in the United States and Canada. It has a diversified customer base, including multiple retail, restaurants, catering, hotels, leisure, hospitals, fundraising and QSR. It is also a leader in high-value artisan bakery through its La Brea Bakery, which focuses on the premium branded bakery segment.

ARYZTA Rest of World consists primarily of businesses in Brazil, Australia, New Zealand and Asia. The businesses provide attractive future growth opportunities and are important as suppliers to our global QSR customers and other foodservice customers.

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

11.7 Current Trading and Prospects

Trading in August and September has been in line with the Group's expectations. Limited pricing increases have been achieved which will mitigate impacts of increased expenses for raw materials and labour, each of which have been trending upward over the last three financial years.

Although consolidated revenue is expected to be lower in the financial year ending 31 July 2019 compared to the previous period due to the disposals of the Cloverhill Chicago and Cicero facilities, La Rousse, and the Group's interest in Signature Flatbreads described above, the Company anticipates mid- to high-single-digit organic Underlying EBITDA growth for the financial year ending 31 July 2019 (applying the budgeted exchange rates for the financial year ending 31 July 2019 on a like-for-like basis and excluding any disposals) as improvements from Project Renew's ongoing cost savings initiatives take effect, some of which will already generate returns on investment in the financial year ending 31 July 2019. With capital expenditures and investments of around €120 million planned for the current financial year, the Company believes that margins will be able to improve to the low teens (approximately 12% to 14%) over the medium term as a result of the cost savings initiatives and efficiency and productivity improvements it aims to implement. Capital expenditures for Project Renew are estimated to be around €45 million and other capital expenditure is expected to be around 3.5% to 4.5% of revenue in the medium term. These improvements together are targeted to drive cash generation which can be used to further improve the Group's financial position and lower its Bank Covenant Net Debt: EBITDA Ratio over the medium to long term (for further information, see "*Part 14 Profit Forecast – 14.1 ARYZTA AG 2019 Profit Forecast*").

11.8 Results of Operations

The table below presents the Group's results of operations for the periods indicated which has been extracted without material adjustment from the ARYZTA Consolidated Financial Statements.

	Financial year ended 31 July		
		(EUR '000)	
	2018	**2017**	**2016**
Continuing Operations			
Revenue	3,435,422	3,796,770	3,878,871
Cost of sales	(2,543,732)	(2,766,136)	(2,654,228)
Distribution expenses	(402,561)	(411,702)	(414,410)
Gross profit	**489,129**	**618,932**	**810,233**
Selling expenses	(181,635)	(202,747)	(188,656)
Administration expenses	(372,492)	(628,833)	(410,065)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	(183,316)	-	-
Impairment of goodwill	(175,000)	(594,872)	-
Operating (loss) profit	**(423,314)**	**(807,520)**	**211,512**
Share of profit after interest and tax of joint ventures	**15,156**	38,380	11,716
Net gain on disposal of joint venture	1,468	-	-
(Loss)/profit before finance result and income tax	**(406,690)**	**(769,140)**	**223,228**
Finance result	(85,983)	(240,964)	(103,180)
(Loss)/profit before income tax	**(492,673)**	**(1,010,104)**	**120,048**
Income tax credit/(expense)	22,697	103,966	(4,543)
(Loss)/profit for the year from continuing operations	**(469,976)**	**(906,138)**	**115,505**
Discontinued operations			
Attributable as follows:			
Equity shareholders-continuing operations	(469,976)	(907,773)	112,729
Equity shareholders-discontinued operations	-	-	(45,721)
Equity shareholders – total	(469,976)	(907,773)	67,008
Non-controlling interests –continuing operations	-	1,635	2,776
(Loss)/profit for the year	**(469,976)**	**(906,138)**	**69,784**

11.8.1 *Revenue by Product Category*

The table below presents the Group's calculations of its revenue by product category and as a percentage of total revenue for the years ended 31 July 2018, 2017 and 2016.

	FY 2018		FY 2017		FY 2016	
	€ billion(1)	**% of revenue(1)**	**€ billion(1)**	**% of revenue(1)**	**€ billion(1)**	**% of revenue(1)**
Sweet baked goods and morning goods	1.5	43%	1.9	49%	1.9	50%
Bread rolls and Artisan loaves	1.3	38%	1.4	38%	1.4	35%
Savoury and other	0.6	19%	0.5	13%	0.6	15%
Total	**3.4**	**100%**	**3.8**	**100%**	**3.9**	**100%**

(1) Approximate figures based on the Group's calculations.

11.8.2 *Results of operations for the financial year ended 31 July 2018 compared to the financial year ended 31 July 2017*

11.8.2.1 Revenue

Total revenue decreased by 9.5% to €3.4 billion during the financial year ended 31 July 2018 due to an organic decline of 1.2%, consisting of volume losses of 2.3%, partially offset by a positive price/mix impact of 1.1%. Disposals reduced revenue by 3.9% and currency negatively impacted revenue by 4.4%. The organic revenue decline for the Group was largely attributable to the Cloverhill business in ARYZTA North America, which had experienced a significant decline in volumes even prior to its disposal in February 2018, as well as other smaller net impacts from changes in the ARYZTA North America customer mix. The organic revenue decline in ARYZTA North America was partially offset by organic revenue growth in ARYZTA Europe from a positive price/mix development, which was in turn partially offset by some volume declines as a result of customer insourcing. ARYZTA Rest of World also positively impacted organic revenues from growth in both price/mix and volume growth with global strategic customers, as well as others across the region.

11.8.2.2 Cost of sales

Cost of sales decreased by €222.4 million, or 8%, to €2.5 billion in the financial year ended 31 July 2018 from €2.8 billion in the financial year ended 31 July 2017. This decrease was primarily due to lower volumes following the disposal of Cloverhill. Cost of sales as a percentage of revenue, however, increased from 72.9% in the financial year ended 31 July 2017 to 74.0% in the financial year ended 31 July 2018, primarily as a result of higher commodity prices.

11.8.2.3 **Distribution expenses**

Distribution expenses decreased by €9.1 million, or 2.2%, to €402.5 million in the financial year ended 31 July 2018 from €411.7 million in the financial year ended 31 July 2017. This decrease was primarily due to lower volumes following the disposal of Cloverhill. Distribution expenses as a percentage of revenue, however, increased from 10.8% in the financial year ended 31 July 2017 to 11.7% in the financial year ended 31 July 2018 mainly as a result of higher costs for freight.

11.8.2.4 **Gross profit**

Gross profit decreased by €129.8 million, or 21.0%, to €489.1 million in the financial year ended 31 July 2018 from €618.9 million in the financial year ended 31 July 2017. This decrease was primarily due to lower overall revenues, but also lower profitability due to increased costs of sales and distribution expenses as a percentage of revenue.

11.8.2.5 **Selling expenses**

Selling expenses decreased by €21.1 million, or 10.4%, to €181.6 million in the financial year ended 31 July 2018 from €202.7 million in the financial year ended 31 July 2017. This decrease was primarily due to lower revenues. Selling expenses were 5.3% of sales in both years.

11.8.2.6 **Administrative expenses**

Administrative expenses decreased by €256.3 million, or 40.8%, to €372.5 million in the financial year ended 31 July 2018 from €628.8 million in the financial year ended 31 July 2017. This decrease was primarily due to lower impairment, disposal, and restructuring related costs in the financial year ended 31 July 2018, as well as slightly lower intangible amortisation in the financial year ended 31 July 2018, in each case as compared with the prior financial year. Excluding these factors, the decrease was more in line with the 9.5% decrease in Group revenue.

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

There were no disposals or assets held-for-sale in the financial year ended 31 July 2017. In the financial year ended 31 July 2018, net loss on disposal of businesses and impairment of disposal groups held-for-sale amounted to €183.3 million. This was attributable to the disposal of the Cloverhill Chicago and Cicero facilities in the ARYZTA North America segment and the La Rousse business in the ARYZTA Europe segment, as well as the reclassification of two non-core businesses in the ARYZTA Europe segment as disposal groups held-for-sale during July 2018. The reclassification of these two non-core businesses resulted in a re-measurement to fair value and a resulting impairment loss of €48.8 million.

11.8.2.8 **Impairment of goodwill**

Impairment of goodwill decreased by €419.9 million, or 70.6%, to €175.0 million in the financial year ended 31 July 2018 from €594.9 million in the financial year ended 31 July 2017. This decrease was primarily due to the extraordinary large impairment to the ARYZTA North America business in the financial year ended 31 July 2017. In the financial year ended 31 July 2018, there was no further impairment in the ARYZTA North America segment, but there was a larger impairment in Germany on account of the previous consolidation of bakery capacity into the Eisleben facility, further compounded by customer volume insourcing and increasing commodity prices during the current year and optimisation of new capacity at the Eisleben bakery.

11.8.2.9 **Operating loss**

Operating loss improved by €384.2 million, or 47.6%, to a loss of €423.3 million in the financial year ended 31 July 2018 from a loss of €807.5 million in the financial year ended 31 July 2017. This improvement was primarily due to the combination of the factors described above.

11.8.2.10 **Net gain on disposal of joint venture**

During March 2018, the Group sold its 50% interest in Signature Flatbreads to its joint venture partners for net proceeds of €34.9 million. This resulted in a net gain on disposal of €1.5 million compared to the Group's carrying value of €32.8 million and associated cumulative foreign currency translation reserve losses of €0.6 million since the initial investment.

11.8.2.11 **Finance result**

Finance result improved by €155 million, or 64.3%, to a net finance cost of €86.0 million in the financial year ended 31 July 2018 from a net finance cost of €241.0 million in the financial year ended 31 July 2017. This positive change was primarily due to much lower expenses for RCF termination and private placement early redemption, partially offset by higher interest costs on bank debt.

11.8.2.12 **Income tax credit**

Income tax credit decreased by €81.3 million, or 78.2%, to a credit of €22.7 million in the financial year ended 31 July 2018 from a credit of €104 million in the financial year ended 31 July 2017. This decrease was primarily due to the lower operating loss in the financial year ended 31 July 2018 and the inability to recognise a deferred tax benefit associated with tax losses in certain jurisdictions.

11.8.2.13 **Loss for the year**

As a result of the factors described above, loss for the year improved by €436.2 million, or 48.1%, to a loss of €470.0 million in the financial year ended 31 July 2018 from a loss of €906.1 million in the financial year ended 31 July 2017.

11.8.3 ***Results of operations for the financial year ended 31 July 2017 compared to the financial year ended 31 July 2016***

11.8.3.1 **Revenue**

Revenue decreased by €82.1 million, or 2.1%, to €3.8 billion in the financial year ended 31 July 2017 from €3.9 billion in the financial year ended 31 July 2016. This decrease was primarily due to a 2.1% decline in organic growth, consisting of volume losses of 4.2%, which were partially offset by an increase in prices due to a more favourable mix of products sold. The absence of revenues from businesses sold in the prior financial year also contributed to the decline in revenue in the financial year ended 31 July 2017, which lost amount of revenue was offset by a largely equal amount of revenue gains from favourable currency impacts, primarily the weakening of the euro in relation to the Swiss Franc and to the Canadian and US Dollar.

The decline in organic revenue (e.g. revenue from existing operations) was largely due to the 6.3% decline in revenue in ARYZTA North America, which was partially offset by a 1.4% increase in organic growth in ARYZTA Europe and strong organic growth of 7.2% in ARYZTA Rest of World for the reasons described above.

11.8.3.2 **Cost of sales**

Cost of sales increased by €112 million, or 4.2%, to €2.8 billion in the financial year ended 31 July 2017 from €2.7 billion in the financial year ended 31 July 2016, notwithstanding the decline in revenues. This increase was primarily due to €46.8 million in impairment of fixed assets relating to various distribution, manufacturing and administration assets of the ARYZTA North America segment which was recognised within cost of sales and the increasing prices of raw materials and consumables used, in particular the cost of butter.

As a percentage of revenue, cost of sales increased to 72.9% in the financial year ended 31 July 2017 from 68.4% in the financial year ended 31 July 2016 primarily due to the above increase in cost of sales together with declining revenues.

11.8.3.3 **Distribution expenses**

Distribution expenses remained largely unchanged, decreasing by €3 million, or 0.7%, to €412 million in the financial year ended 31 July 2017 from €414 million in the financial year ended 31 July 2016.

11.8.3.4 **Gross profit**

Gross profit decreased by €191 million, or 23.6%, to €619 million in the financial year ended 31 July 2017 from €810 million in the financial year ended 31 July 2016. This decrease was primarily due to the impact of increased cost of sales combined with lower total revenue for the reasons described above.

11.8.3.5 **Selling expenses**

Selling expenses increased by €14 million, or 7.5%, to €203 million in the financial year ended 31 July 2017 from €189 million in the financial year ended 31 July 2016. This increase was primarily due to additional brand marketing investment behind the ARYZTA North America business-to-consumer ("**B2C**") centre aisle food offering, which was not successful and was subsequently stopped.

As a percentage of revenue, selling expenses increased to 5.3% in the financial year ended 31 July 2017 from 4.8% in the financial year ended 31 July 2016 primarily due to selling expenses increasing while revenues were decreasing.

11.8.3.6 **Administration expenses**

Administration expenses increased by €219 million, or 53.3%, to €629 million in the financial year ended 31 July 2017 from €410 million in the financial year ended 31 July 2016. This increase was primarily due to a €138.6 million impairment of intangible assets and a €79.4 million impairment of fixed assets in North America. The impairment of intangible assets was primarily due to the impairment of customer relationship and brand-related intangible assets acquired in connection with the Cloverhill facilities, which impairment was taken as a result of the significant reduction in volumes in ARYZTA North America due to the earlier than anticipated insourcing by co-pack customers (customers who contract out the manufacturing of their branded products to various third party suppliers).

As a percentage of revenue, administration expenses increased to 16.6% in the financial year ended 31 July 2017 from 10.6% in the financial year ended 31 July 2016 primarily due to the significant increase in administration expenses for the reasons described above together with declining revenues.

11.8.3.7 **Impairment of goodwill**

Impairment of goodwill amounted to €595 million in the financial year ended 31 July 2017 compared to no goodwill impairment in the financial year ended 31 July 2016. The impairment was primarily due to significant reductions in profitability in the ARYZTA North America segment and in Germany during the financial year ended 31 July 2017. The impairment charges were €492 million with respect to ARYZTA North America, or 82.6% of such aggregate impairment charges, and €103 million in Germany within the ARYZTA Europe operating segment, or 17.4% of such aggregate impairment charges.

11.8.3.8 **Operating (loss)/profit**

Operating (loss)/profit decreased to an operating loss of €808 million in the financial year ended 31 July 2017 from an operating profit of €212 million in the financial year ended 31 July 2016. The change from a profit to a substantial loss was primarily due to the impairment of goodwill described above, as well as the substantial increase in administrative expenses and increased cost of sales while revenues declined.

11.8.3.9 **Finance result**

Finance result deteriorated by €138 million, or 133.5%, to a net finance cost of €241 million in the financial year ended 31 July 2017 from a net finance cost of €103 million in the financial year ended 31 July 2016. This deterioration was primarily due to the €183 million in costs incurred in connection with the early redemption of the Group's outstanding privately placed notes, which costs were partially offset by lower interest costs on bank loans and overdrafts in the financial year ended 31 July 2017.

11.8.3.10 **Income Tax credit/(expense)**

Income tax credit/(expense) improved by €109 million to an income tax credit of €104 million in the financial year ended 31 July 2017 from an income tax expense of €5 million in the financial year ended 31 July 2016. This improvement was primarily due to an increase in deferred tax credit of €116 million in the financial year ended 31 July 2017 to €134 million from €18 million in the financial year ended 31 July 2016. This increase was primarily due to the significant loss before income tax for the financial year ended 31 July 2017.

11.8.3.11 **(Loss)/profit for the year from continuing operations**

(Loss)/profit for the year from continuing operations deteriorated by €1.0 billion to a loss of €906 million in the financial year ended 31 July 2017 from a profit of €116 million in the financial year ended 31 July 2016. This deterioration was primarily due to the negative factors described above, which were partially offset by the improvement in income tax credit/(expense) described above.

11.8.3.12 **Loss from discontinued operations**

Loss for the year from discontinued operations in the financial year ended 31 July 2016 amounted to €46 million. This loss was attributable to a loss on the carrying value of shares of Origin, which were sold during September 2015, partially offset by cash received in the sale. There was no gain or loss from discontinued operations in the financial year ended 31 July 2017.

11.8.3.13 **(Loss)/profit for the year**

(Loss)/profit for the year deteriorated by €976 million to a loss of €906 million in the financial year ended 31 July 2017 from a profit of €70 million in the financial year ended 31 July 2016. This deterioration was primarily due to the negative factors described above, which were partially offset by an improvement in income tax credit/(expense).

11.8.4 *Segmental Revenue and Underlying EBITDA*

The following tables provide a break-down of revenue and Underlying EBITDA by segment for each of the years ended 31 July 2018, 2017 and 2016 as well as a reconciliation of the manner in which Underlying EBITDA was arrived at from operating (loss)/profit.

	Financial year ended 31 July 2018			
	(EUR '000)			
	ARYZTA Europe	**ARYZTA North America**	**ARYZTA Rest of World**	**ARYZTA Group**
Segment revenue	1,710,662	1,467,969	256,791	3,435,422
Underlying EBITDA[(1)]	**171,977**	**89,902**	**39,943**	**301,822**
Depreciation	(57,954)	(51,988)	(9,908)	(119,850)
ERP Amortisation	(10,576)	(6,438)	(22)	(17,036)
Underlying EBITA	**103,447**	**31,476**	**30,013**	**164,936**
Amortisation of other intangible assets	(68,291)	(80,066)	(7,285)	(155,642)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	(47,413)	(135,903)	-	(183,316)
Impairment of goodwill	(175,000)	-	-	(175,000)
Impairment of intangible assets	-	-	-	-
Net loss on fixed asset disposals and impairments s	(1,926)	(1,098)	(1,443)	(4,467)
Restructuring-related costs	(6,058)	(63,441)	(326)	(69,825)
Operating (loss)/profit[(2)]	**(195,241)**	**(249,032)**	**20,959**	**(423,314)**
Share of profit after interest and tax of joint ventures				15,156
Net gain on disposal of joint venture[(3)]				1,468
Financing income[(3)]				2,845
Financing costs[(3)]				(76,413)
RCF termination and private placement early redemption[(3)]				(12,415)
(Loss)/profit before income tax as reported in Group Consolidated Income Statement				**(492,673)**

(1) Underlying EBITDA is presented as earnings before interest, taxation, depreciation and amortisation; before impairment, acquisition, disposal and restructuring-related costs and related tax credits.

(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 separately to each of the business segments.

	Financial year ended 31 July 2017			
	(EUR '000)			
	ARYZTA Europe	**ARYZTA North America**	**ARYZTA Rest of World**	**ARYZTA Group**
Segment revenue	1,738,593	1,799,059	259,118	3,796,770
Underlying EBITDA	**211,128**	**170,096**	**39,083**	**420,307**
Depreciation	(54,009)	(62,909)	(9,390)	(126,308)
ERP Amortisation	(9,955)	(6,734)	-	(16,689)
Underlying EBITA	**147,164**	**100,453**	**29,693**	**277,310**
Amortisation of other intangible assets	(57,816)	(108,765)	(8,059)	(174,640)
Gain/(loss) on disposal of businesses	-	-	-	-
Impairment of goodwill	(103,000)	(491,872)	-	(594,872)
Impairment of intangible assets	-	(138,642)	-	(138,642)
Impairment and disposal of fixed assets	(1,320)	(126,414)	1,532	(126,202)
Acquisition and restructuring costs	(11,682)	(37,639)	(1,153)	(50,474)
Operating (loss)/profit	**(26,654)**	**(802,879)**	**22,013**	**(807,520)**
Share of profit after interest and tax of joint ventures				38,380
Financing income				3,821
Financing costs				(62,272)
Private placement early redemption				(182,513)
(Loss)/profit before income tax as reported in Group Consolidated Income Statement				**(1,010,104)**

	Financial year ended 31 July 2016			
	(EUR '000)			
	ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World	ARYZTA Group
Segment revenue	1,747,045	1,908,147	223,679	3,878,871
Underlying EBITDA	275,099	300,132	34,409	609,640
Depreciation	(50,143)	(53,276)	(8,611)	(112,030)
ERP Amortisation	(9,179)	(3,564)	-	(12,743)
Underlying EBITA	215,777	243,292	25,798	484,867
Amortisation of other intangible assets	(78,192)	(90,114)	(7,935)	(176,241)
Gain/(loss) on disposal of businesses	(4,987)	5,980	-	993
Impairment of goodwill	-	-	-	-
Impairment of intangible assets	-	-	-	-
Impairment and disposal of fixed assets	(5,040)	(9,747)	-	(14,787)
Acquisition and restructuring costs	(57,115)	(24,457)	(1,748)	(83,320)
Operating (loss)/profit	70,443	124,954	16,115	211,512
Share of profit after interest and tax of joint ventures				11,716
Financing income				3,526
Financing costs				(106,706)
Private placement early redemption				-
(Loss)/profit before income tax as reported in Group Consolidated Income Statement				120,048

11.8.5 *Revenue by Segment*

The table below presents the Group's revenue by segment and as a percentage of total revenue for the years ended 31 July 2018, 2017 and 2016.

	FY 2018		FY 2017		FY 2016	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
ARYZTA Europe	1,710,662	49.80	1,738,593	45.79	1,747,045	45.04
ARYZTA North America	1,467,969	42.73	1,799,059	47.38	1,908,147	49.19
ARYZTA Rest of World	256,791	7.48	259,118	6.82	223,679	5.77
Total	**3,435,422**	**100%**	**3,796,770**	**100%**	**3,878,871**	**100%**

11.8.6 *Underlying EBITDA by Segment*

The table below presents the Group's Underlying EBITDA by segment and as a percentage of total revenue for the years ended 31 July 2018, 2017 and 2016.

	FY 2018		FY 2017		FY 2016	
	Underlying EBITDA	% of Total Revenue	Underlying EBITDA	% of Total Revenue	Underlying EBITDA	% of Total Revenue
ARYZTA Europe	171,977	56.98	211,128	50.23	275,099	45.12
ARYZTA North America	89,902	29.79	170,096	40.47	300,132	49.23
ARYZTA Rest of World	39,943	13.23	39,083	9.30	34,409	5.64
Total	**301,822**	**100%**	**420,307**	**100%**	**609,640**	**100%**

11.8.7 *Financial year ended 31 July 2018 compared to the financial year ended 31 July 2017*

11.8.7.1 Segmental revenues

ARYZTA Europe – ARYZTA Europe revenues declined by €28 million, or 1.6%, to €1,711 million in the financial year ended 31 July 2018 from €1,739 million in the financial year ended 31 July 2017. Organic revenues (e.g. revenue from existing operations) grew by 0.9% due to a 2.5% improved product mix which was partially offset by a 1.6% decline in volumes. The decline in revenues was primarily due to unfavourable changes in currency exchange rates, primarily the strengthening of the Swiss Franc in relation to the euro, and lost revenue due to the disposal of La Rousse. Without giving effect to the changes in currency, ARYZTA Europe revenues would have declined by only 0.4%. This volume decline is primarily due to the continuing effects from insourcing of a customer in Switzerland and a customer in Germany and weaker consumer spending in the United Kingdom.

ARYZTA North America – ARYZTA North America revenues declined by €331 million, or 18.4%, to €1,468 million in the financial year ended 31 July 2018 from €1,799 million in the financial year ended 31 July 2017. Organic revenues declined by 4.7%, primarily due to significant declines in the Cloverhill facilities revenue until its disposal in February 2018. Excluding the effects of the Cloverhill facilities which were sold in February 2018, organic growth would have declined by 1.2%. The overall decline in ARYZTA North America revenue was due primarily to weak revenue prior to the sale, and the lost revenue after the sale of the Cloverhill facilities and the negative impact of changes in currency exchange rates, primarily the strengthening of the euro against the Canadian and US Dollar.

ARYZTA Rest of World – ARYZTA Rest of World revenues decreased by 0.9%, to €256.8 million in the financial year ended 31 July 2018 from €259 million in the financial year ended 31 July 2017. Organic revenue increased 7.9% due to a 6.2% increase in volume and a 1.7% increase in price due to an improved product mix, but was negatively impacted by a significant unfavourable change in foreign currency exchange rates.

11.8.7.2 Segmental Underlying EBITDA

ARYZTA Europe – ARYZTA Europe Underlying EBITDA declined by 18.5%, to €172.0 million in the financial year ended 31 July 2018 from €211 million in the financial year ended 31 July 2017. In addition, ARYZTA Europe Underlying EBITDA Margin declined by 200 basis points to 10.1% in the financial year ended 31 July 2018 from 12.1% in the financial year ended 31 July 2017. The decline in the ARYZTA Europe Underlying EBITDA was primarily due to lower revenues, unfavourable changes in foreign exchange rates, primarily the weakening of the pound sterling in relation to the euro, and increased raw material prices, primarily continuing high butter prices.

ARYZTA North America – ARYZTA North America Underlying EBITDA declined by 47.1%, to €89.9 million in the financial year ended 31 July 2018 from €170 million in the financial year ended 31 July 2017. In addition, ARYZTA North America Underlying EBITDA Margin declined by 340 basis points to 6.1% in the financial year ended 31 July 2018 from 9.5% in the financial year ended 31 July 2017. The decline in the ARYZTA North America Underlying EBITDA was primarily due to lower revenues, unfavourable changes in foreign currency exchange rates, primarily the weakening of the US dollar in relation to the euro, and continued increases in labour costs and industry-wide increases in transport and distribution costs that have not yet been recovered by pricing initiatives.

ARYZTA Rest of World – ARYZTA Rest of World Underlying EBITDA increased by 2.2% to €39.9 million in the financial year ended 31 July 2018 from €39 million in the financial year ended 31 July 2017. In addition, ARYZTA Rest of World Underlying EBITDA Margin increased by 50 basis points to 15.6% in the financial year ended 31 July 2018 from 15.1% in the financial year ended 31 July 2017. The increase in Underlying EBITDA is primarily due to strong organic revenue, in particular, from strong growth in the demand for frozen bakery in Brazil and APMEA, but was negatively impacted by unfavourable changes in foreign currency exchange rates.

11.8.8 ***Financial year ended 31 July 2017 compared to the financial year ended 31 July 2016***

11.8.8.1 **Segmental revenues**

ARYZTA Europe – ARYZTA Europe revenues declined by €8.5 million, or 0.5%, to €1,739 million in the financial year ended 31 July 2017 from €1,747 million in the financial year ended 31 July 2016. Organic revenues grew by 1.4% due to an increase of 2.0% from improved product mix which was partially offset by a 0.6% decrease in volumes. Revenue was also negatively impacted by 1.0% due to unfavourable currency movements, primarily the strengthening of the euro in relation to pound Sterling, and negatively impacted by 0.9% due to the absence of revenue in the financial year ended 31 July 2017 from the disposal of a business in France in the financial year ended 31 July 2016. Excluding the impact of the insourcing by a large customer in Switzerland, volume growth in ARYZTA Europe would have been positive in the financial year ended 31 July 2017.

ARYZTA North America – ARYZTA North America revenues declined by €109.1 million, or 5.7 %, to €1,799 million in the financial year ended 31 July 2017 from €1,908 million in the financial year ended 31 July 2016. Organic revenues declined by 6.3% due to an 8.5% decline in volume which was partially offset by a 2.2% increase attributable to better average prices from an improved product mix. The disposal of a non-core, fillings and mixes business in the financial year ended 31 July 2016 accounted for a reduction of €17 million, or 0.9%, in revenues in the financial year ended 31 July 2017, which was offset by a 1.5%, increase in revenues due to currency movements, primarily the weakening of the euro in relation to the Canadian and US Dollar. The decline in ARYZTA North America organic revenues in the financial year ended 31 July 2017 was primarily due to volume declines with contract renewal customers and the earlier than anticipated insourcing by co-pack customers.

ARYZTA Rest of World – ARYZTA Rest of World revenues increased by €35.4 million, or 15.8%, to €259 million in the financial year ended 31 July 2017 from €224 million in the financial year ended 31 July 2016. Organic revenue increased 7.2% due to a 4.7% increase in volume and a positive price-related impact of 2.5% due to an improved product mix. Favourable currency also supported revenues by 8.6%.

11.8.8.2 **Segmental Underlying EBITDA**

ARYZTA Europe – ARYZTA Europe Underlying EBITDA declined by €64 million, or 23.3%, to €211 million in the financial year ended 31 July 2017 from €275 million in the financial year ended 31 July 2016. In addition, ARYZTA Europe Underlying EBITDA Margin declined by 360 basis points to 12.1% in the financial year ended 31 July 2017 from 15.7% in the financial year ended 31 July 2016. The decline was primarily due to the considerable challenges associated with transferring 225 SKUs in Germany from the Fricopan facility to the new bakery capacity in Eisleben and in optimising the operations in connection with this additional bakery capacity. Increased commodity costs, in particular increases in the cost of butter in the second half of the financial year, also negatively impacted ARYZTA Europe Underlying EBITDA and the corresponding Underlying EBITDA Margin. In addition, the weakening of the pound sterling in relation to the euro also negatively impacted the Underlying EBITDA Margin in the United Kingdom due to the resulting increased cost of products supplied from the eurozone, which also negatively impacted the overall ARYZTA Europe Underlying EBITDA and Underlying EBITDA Margin. With the exception of Germany and the United Kingdom, most of the Group's operations elsewhere in Europe performed well, in part because the impact of insourcing by a large customer in Switzerland occurring more slowly than initially anticipated.

ARYZTA North America – ARYZTA North America Underlying EBITDA declined by €130 million, or 43.3%, to €170 million in the financial year ended 31 July 2017 from €300 million in the financial year ended 31 July 2016. In addition, ARYZTA North America Underlying EBITDA Margin declined by 620 basis points to 9.5% in the financial year ended 31 July 2017 from 15.7% in the financial year ended 31 July 2016. These significant declines are due primarily to the negative operating leverage resulting from the decline in volume, increased labour costs and additional brand marketing costs incurred in connection with the B2C centre aisle food offering, which has not been successful and has subsequently been stopped.

ARYZTA Rest of World – ARYZTA Rest of World Underlying EBITDA increased by €5 million, or 13.6%, to €39 million in the financial year ended 31 July 2017 from €34 million in the financial year ended 31 July 2016. In addition, ARYZTA Rest of World Underlying EBITDA Margin declined by 30 basis points to 15.1% in the financial year ended 31 July 2017 from 15.4% in the financial year ended 31 July 2016. The increase in Underlying EBITDA is primarily due to the ongoing support of our internal customer partnerships and the expansion of the food offering within the convenience and retail channels.

11.8.9 ***Development of Financial Position***

	As of 31 July		
	2018	**2017**	**2016**
		(€ '000)	
Assets			
Non-current assets			
Property, plant and equipment	1,243,692	1,386,294	1,594,885
Investment properties	14,574	19,952	24,787
Goodwill and intangible assets	2,057,703	2,651,937	3,617,194
Investments in joint ventures	420,016	528,188	491,446
Receivables from joint ventures	-	–	3,956
Deferred income tax assets	74,961	158,767	133,176
Total non-current assets	**3,810,946**	**4,745,138**	**5,865,444**
Current assets			
Inventory	244,535	252,162	248,719
Trade and other receivables	153,970	164,271	168,595
Derivative financial instruments	1,268	4,311	669
Cash and cash equivalents	517,854	535,570	647,724
Assets of disposal groups held-for-sale	7,000	–	–
Total current assets	**924,627**	**956,314**	**1,065,707**
Total assets	**4,735,573**	**5,701,452**	**6,931,151**
Equity			
Called up share capital	1,191	1,172	1,172
Share premium	807,512	774,040	774,040
Retained earnings and other reserves	864,157	1,426,440	2,397,460
Total equity attributable to equity shareholders	**1,672,860**	**2,201,652**	**3,172,672**
Non-controlling interests	-	–	15,099
Total equity	**1,672,860**	**2,201,652**	**3,187,771**

	As of 31 July		
	2018	2017	2016
		(€ '000)	
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	1,772,315	383,242	1,963,709
Employee benefits	6,975	6,644	13,470
Deferred income from government grants	14,408	18,280	23,945
Other payables	49,664	36,278	37,678
Deferred income tax liabilities	212,878	353,164	457,634
Derivative financial instruments	–	704	4,618
Total non-current liabilities	**2,056,240**	**798,312**	**2,501,054**
Current liabilities			
Interest-bearing loans and borrowings	255,803	1,886,198	403,632
Trade and other payables	684,335	750,511	778,621
Income tax payable	65,506	63,283	49,118
Derivative financial instruments	829	1,496	9,939
Contingent consideration	–	–	1,016
Total current liabilities	**1,006,473**	**2,701,488**	**1,242,326**
Total liabilities	**3,062,713**	**3,499,800**	**3,743,380**
Total equities and liabilities	**4,735,573**	**5,701,452**	**6,931,151**

11.8.9.1 As at 31 July 2018 compared to as at 31 July 2017

11.8.9.1.1 Non-current assets

As of 31 July 2018, non-current assets decreased by €934.2 million from €4,745.1 million in the prior year to €3,810.9 million. This was due in large part to reduced goodwill and intangible assets following the disposal of Cloverhill and the La Rousse businesses and the €175 million impairment to goodwill of the Group's business in Germany and continued amortisation of intangible assets. In addition, investments in joint ventures declined following the receipt of cash dividends from Picard totalling €91 million in the financial year ended 31 July 2018 and the disposal of the Group's investment in Signature Flatbreads. Property, plant and equipment also declined as a result of the disposals of Cloverhill and the La Rousse businesses and continued depreciation. The reduction in deferred income tax assets was attributable in large part to lower deferred income tax assets related to goodwill and intangible assets following the disposal of Cloverhill as well as the reduction in the statutory rate of US federal corporate income tax from 35% to 21% with effect from 1 January 2018.

11.8.9.1.2 Current assets

As of 31 July 2018, current assets decreased by €31.7 million from €956.3 million in the prior year to €924.6 million. The decrease in current assets was a combination of lower inventory, trade and other receivables following the Cloverhill disposal and a decrease in cash and cash equivalents (€18 million) as at 31 July 2018 compared to the same time the previous year, primarily due to changes in the applicable foreign exchange rates at each respective period end.

11.8.9.1.3 Total assets

As of 31 July 2018, total assets decreased by €965.9 million from €5,701.5 million in the prior year to €4,735.6 million. The decrease was driven primarily by the difference in non-current assets as described above.

11.8.9.1.4 Non-current liabilities

The non-current liabilities as of 31 July 2018 amounted to €2,056.2 million (31 July 2017: €798.3 million). The substantial increase in non-current liabilities was mainly due to the increase in interest-bearing loans and borrowings following the refinancing of the Group's current liabilities in September 2017 (described in more detail in the overview of current liabilities below). This increase was partially offset by a reduction in non-current deferred income tax liabilities which declined again as at 31 July 2018 attributable in large part to lower deferred income tax liabilities related to intangible assets following the disposal of Cloverhill and the related impairment of customer relationships and brand-related intangible assets obtained as part of the original Cloverhill acquisition.

11.8.9.1.5 Current liabilities

The current liabilities as of 31 July 2018 amounted to €1,006.5 million (31 July 2017: €2,701.5 million). The substantial decrease was primarily due to the refinancing of the Group's debt facilities. During July 2017, the

Group agreed to the terms of a new five-year unsecured €1,800 million refinancing of its syndicated bank revolving credit facility and term loan facility comprising a €1,000 million amortising term loan and a €800 million revolving credit facility. The new financing was utilised on 22 September 2017 to repay in full the revolving credit and term loan facilities put in place during 2016.

11.8.9.1.6 **Equity**

Equity as of 31 July 2018 amounted to €1,672.9 million (31 July 2017: €2,201.7 million). The reduction in total equity was attributable to lower retained earnings and other reserves following the issuance of a scrip dividend (fractions paid out in cash) from the Company's reserves(see "*Part 12 Dividend and Dividend Policy – 12.2 Dividend history*"), the accrual of unpaid dividends on the Group's outstanding hybrid debt instruments and after accounting for a loss for the financial year ended 31 July 2018 of €470 million.

11.8.9.1.7 **Total equity and liabilities**

Total liabilities and equity as of 31 July 2018 amounted to €4,735.6 million (31 July 2017: €5,701.5 million). The decrease is a result of the combination of the factors mentioned above.

11.8.9.2 **As at 31 July 2017 compared to as at 31 July 2016**

11.8.9.2.1 **Non-current assets**

As of 31 July 2017, non-current assets decreased by €1,120.3 million from €5,865.4 million in the prior year to €4,745.1 million. The decrease was primarily attributed to the impairment to goodwill and intangible assets, which decreased from €3,617 million in 2016 to €2,652 million in 2017 as a result of a goodwill impairment of €103 million to the Group's Germany business and impairments of €757 million in North America. In addition, there was an increase in deferred income tax assets related to the goodwill impairment in the ARYZTA North America segment as a result of the sale for a loss of the Group's Cloverhill facilities (Chicago and Cicero). Regular depreciation of non-current assets also caused property, plant and equipment to decline. These reductions were partially offset by an increase in the carrying amount of investments in joint ventures attributable to the benefit from an anticipated reduction in the corporate income tax rate in France which becomes effective beginning in 2020, but which reduced the long-term tax rate used to calculate the deferred tax liability associated with the Picard trademark.

11.8.9.2.2 **Current assets**

As of 31 July 2017, current assets decreased by €109.4 million from €1,065.7 million in the prior year to €956.3 million. The decrease in current assets was primarily attributable to lower levels of cash balances held for the purposes of meeting short-term commitments and investments. The decrease was offset slightly by higher inventory levels (unsold finished goods) and higher positive positions on derivative financial assets as at 31 July 2017 compared to the same time the previous year.

11.8.9.2.3 **Total assets**

As of 31 July 2017, total assets decreased by €1,229.7 million from €6,931.2 million in the prior year to €5,701.5 million. The decrease was attributable to lower levels of both current assets and non-current assets as described above.

11.8.9.2.4 **Non-current liabilities**

The non-current liabilities as of 31 July 2017 amounted to €798 million (31 July 2016: €2,501.1 million). The decrease in non-current liabilities was primarily due to the reduction in long-term interest-bearing loans and borrowings from €1,964 million as at 31 July 2016 to €383 million as at 31 July 2017, mainly because all outstanding amounts on the Group's syndicated bank revolving credit facility and term loan borrowings were presented as current liabilities as of 31 July 2017, reflecting the Group's then-existing obligation to repay those facilities within the next 12 months, despite the fact that the terms of a new five-year unsecured facility had been agreed to (but not utilised). The decrease was also partially caused by lower non-current liabilities for employee benefits due to actuarial gains on estimated net pension liabilities, deferred income from government grants due to continued amortisation of these amounts over the term of the associated grants, derivative financial instruments due to changes in foreign exchange rates between the date the respective foreign currency forward contracts were entered into and the rates applicable at each respective year-end, and a decrease in deferred income tax liabilities following the recognition of offsetting deferred tax assets in certain jurisdictions, mostly related to goodwill and intangible assets following the impairment of Cloverhill goodwill and intangible assets..

11.8.9.2.5 **Current liabilities**

The current liabilities as of 31 July 2017 amounted to €2,701.5 million (31 July 2016: €1,242.3 million). The significant increase was due in large part to the Group utilising the available capacity of its syndicated bank revolving credit facility, its term loan facility and its existing cash resources to redeem all of its outstanding private placements, which totalled €1,209.5 million at the time of redemption. As of 31 July 2017, all outstanding amounts on the Group's syndicated bank revolving credit facility and term loan borrowings were presented as current liabilities, reflecting the Group's then-existing obligation to repay those facilities within the next 12 months, despite the fact that the terms of a new five-year unsecured facility had been agreed to (but not utilised). A small part of the increase in current liabilities was offset by a decrease in current liabilities primarily for trade and other payables which was attributable to lower balances due for staff compensation and goods and services not yet invoiced. In addition, derivative financial instrument liabilities and the changes with respect thereto between 31 July 2016 and 31 July 2017 related to changes in foreign exchange rates between the date the respective foreign currency forward contracts were entered into and the rates applicable at each respective year-end.

11.8.9.2.6 **Equity**

Equity as of 31 July 2017 amounted to €2,201.7 million (31 July 2016: €3,187.8 million). The reduction in equity was primarily attributable to the loss for the financial year ended 31 July 2017, which reduced retained earnings and other reserves, as well as dividends to equity shareholders and hybrid instrument accrued dividends.

11.8.9.2.7 **Total equity and liabilities**

Total liabilities and equity as of 31 July 2017 amounted to €5,701.5 million (31 July 2016: €6,931.2 million). The reduction was due primarily to the loss for the year, which impacted equity, and to a reduction in total liabilities as described above.

11.9 Liquidity and Capital Resources

The Group's primary sources of liquidity are the cash flows generated from its operations, along with third party debt, overdrafts and short-term facilities. The primary use of this liquidity is to fund the Group's operations.

11.9.1 *Cash flows*

The table below presents a summary of the Group's cash flows for the periods indicated, which have been extracted without material adjustment from the ARYZTA Consolidated Financial Statements.

	2018	2017	2016
		(€000)	
Cash flows from operating activities before changes in working capital	**225,900**	**346,876**	**520,508**
Changes in working capital[(1)]	(52,900)	22,379	94,844
Cash generated from operating activities	173,000	369,255	615,352
Income tax paid	(22,692)	(13,381)	(18,369)
Net cash flows from operating activities	150,308	355,874	596,983
Net cash flows from investing activities	**156,364**	**(63,978)**	**(438,285)**
Net cash flows from financing activities	**(374,372)**	**(318,155)**	**62,254**
Net (decrease)/increase in cash and cash equivalents	**(67,700)**	**(26,259)**	**220,952**
Translation adjustment	(12,254)	(20,774)	(12)
Net cash and cash equivalents at start of year	421,940	468,973	248,033
Net cash and cash equivalents at end of year	**341,986**	**421,940**	**468,973**

(1) Includes change in inventory and change in trade and other receivables/payables.

11.9.1.1 Net cash flows from operating activities

Net cash inflow from operating activities decreased by €205.6 million, or 57.8%, to €150.3 million in the financial year ended 31 July 2018 from €355.9 million in the financial year ended 31 July 2017. The decrease in net cash inflow from operating activities was attributable to lower revenue from the business, an increase in losses from the Cloverhill operations (up approximately €25 million prior to its disposal over losses in June and July of the financial year ended 31 July 2017), lower profit share from joint ventures, significantly lower income tax credits and higher income tax payments, a significant decrease in changes in working capital (particularly a decline in trade and other payables) and also to year to year changes in RCF termination and private placement early redemption costs and the net loss on disposals and asset write-downs (both of which were greater in the financial year ended 31 July 2017), the latter of which carried greater restructuring, advisory and other cash costs in the financial year ended 31 July 2018.

Net cash inflow from operating activities decreased by €241 million, or 40.4%, to €356 million in the financial year ended 31 July 2017 from €597 million in the financial year ended 31 July 2016 primarily due to lower profit for the year from continuing operations and an income tax credit, which were partially offset by the gain from asset disposals and the costs incurred in connection with the early redemption of the private placement notes.

11.9.1.2 **Net cash flows from investing activities**

Net cash flows from investing activities increased by €220 million to a net cash inflow of €156.3 million in the financial year ended 31 July 2018 from a net cash outflow of €64.0 million in the financial year ended 31 July 2017 primarily due to net receipts of €91 million from joint ventures following a dividend distribution by Picard and proceeds received following several disposals, including La Rousse and Cloverhill.

Net cash outflow from investing activities decreased by €374 million, or 85.4%, to an outflow of €64 million in the financial year ended 31 July 2017 from an outflow of €438 million in the financial year ended 31 July 2016 primarily due to lower outflows related to purchase of property, plant and equipment in the financial year ended 31 July 2017 and to large outflows related to an investment in a joint venture in the financial year ended 31 July 2016 which was not repeated in the financial year ended 31 July 2017, partially offset by inflows from the disposal of Origin shares that occurred in the financial year ended 31 July 2016 and not repeated in the financial year ended 31 July 2017.

11.9.1.3 **Net cash flows from financing activities**

Net cash outflow from financing activities increased by €56.2 million, or 17.7%, to €374.4 million in the financial year ended 31 July 2018 from a net cash outflow of €318.1 million in the financial year ended 31 July 2017 primarily due to the net outflow from the drawdown and repayment of loans, partially offset by lower RCF termination and private placement early redemption outflows and no cash outflows for cash dividends to shareholders, hybrid instrument dividend payments or purchase of non-controlling interests..

Net cash flows from financing activities deteriorated by €380 million to net cash outflows of €318 million in the financial year ended 31 July 2017 compared with net cash inflows of €62 million in the financial year ended 31 July 2016. This deterioration was primarily due to net cash inflows from drawdowns of loan capital in the financial year ended 31 July 2016 which was not repeated in the financial year ended 31 July 2017 and cash outflows for private placement early redemption and related cash costs in the financial year ended 31 July 2017.

11.9.2 ***Borrowings***

The table below presents a breakdown of the Group's interest-bearing loans and borrowings as at the dates indicated.

(EUR '000)	As of 31 July		
	2018	**2017**	**2016**
Included in non-current liabilities			
Loans	1,772,062	382,551	1,962,339
Finance leases	253	691	1,370
Non-current interest-bearing loans and borrowings	**1,772,315**	**383,242**	**1,963,709**
Included in current liabilities			
Loans	79,531	1,771,734	223,974
Bank overdrafts	175,868	113,630	178,751
Total current bank loans and overdrafts	**255,399**	**1,885,364**	**402,725**
Finance leases	404	834	907
Current interest-bearing loans and borrowings	**255,803**	**1,886,198**	**403,632**
Total bank loans and overdrafts	**2,027,461**	**2,267,915**	**2,365,064**
Total finance leases	**657**	**1,525**	**2,277**
Total interest-bearing loans and borrowings	**2,028,118**	**2,269,440**	**2,367,341**

The Group's term loan facilities primarily uses two ratio targets to monitor its financing covenants: Bank Covenant Net Interest Coverage Ratio and Bank Covenant Net Debt: EBITDA Ratio. For more information on these terms, please see "*Part 2 Presentation of Financial and Other Information – 2.2.2.1 Definitions of non-IFRS measures*" and "*Part 23 Unaudited Pro Forma Financial Information – 23.1.2 Notes to the pro forma financial information*", and for more information on the covenant ratio targets, please see "*Part 21 Additional Disclosure – 21.10.2.1 2017 Facilities Agreement*".

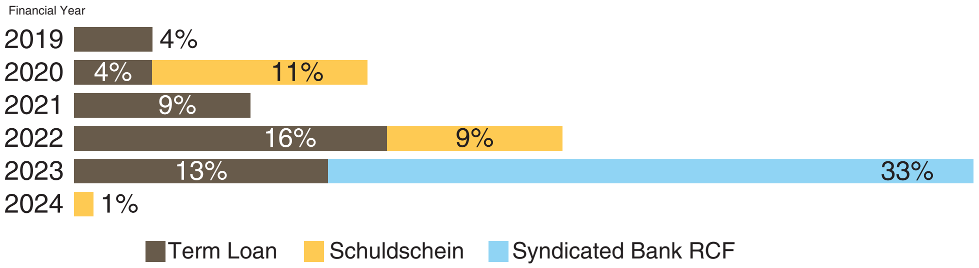
Bank Covenant Net Debt as of 31 July 2018 amounted to €1,506 million, resulting in a Bank Covenant Net Debt: EBITDA Ratio of 3.83x as at 31 July 2018. Bank Covenant Net Interest Coverage Ratio at 31 July 2018 was 3.72x. The Group recently amended and restated certain loan facilities to lighten the covenants for the next two testing periods on 31 January 2019 and 31 July 2019. If the Offering is not completed, or a similar capital increase is not completed thereafter, an additional covenant test (with a Bank Covenant Net Debt: EBITDA Ratio target of 4.0x) will occur on 31 October 2019.

Some of the Group's financing includes restrictions on the use of proceeds from disposals and on the payment of dividends. Please see "*Part 21 Additional Disclosure – 21.10.2 The Group's financing arrangements*" for a more detailed description of the Group's financing arrangements.

11.9.2.1 **Maturity Profile**

The graphic below shows the maturity profile of the Group's gross term debt as at 31 July 2018:

Gross Term Debt Maturity Profile
July 2018



11.9.3 ***Commitments and Contingent Liabilities***

11.9.3.1 **Commitments under operating leases**

The Group's commitments relate to non-cancellable operating lease obligations, representing minimum future lease payments, in aggregate, that the Group is required to make under existing lease agreements. The table below presents a summary of the Group's commitments under operating leases as at 31 July 2018:

(EUR '000)	**As at 31 July 2018**
Within one year	57,121
In two to five years	163,960
After more than five years	107,625
Total	**328,706**

11.9.3.2 **Capital commitments**

The table below presents a breakdown of the Group's capital expenditure contracted for as at 31 July 2018, but which had not yet been incurred:

(EUR'000)	**As at 31 July 2018**
Property, plant and equipment	13,765
Intangibles	-
Total	**13,765**

11.9.3.3 **Indirect liabilities**

The Company is party to cross guarantees on ARYZTA Group borrowings. The Company has also guaranteed the liabilities of subsidiaries within the ARYZTA Group. The Company treats these guarantees as a contingent liability, until such time it becomes probable that the Company will be required to make a payment under the guarantees.

11.9.3.3.1 **Contingent liabilities**

The Group's contingent liabilities relate 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 currently not expected to give rise to any material significant future costs or contingencies. As noted in "*11.9.3.3 Indirect liabilities*" above, the Company is party to cross guarantees on ARYZTA Group borrowings and has also guaranteed the liabilities of subsidiaries within the ARYZTA Group. The Company treats these guarantees as a contingent liability, until such time it becomes probable that the Company will be required to make a payment under the guarantees.

11.9.4 *Capital expenditure*

The table below presents a breakdown of the Group's capital expenditures for the periods indicated:

	Financial year ended 31 July		
		(EUR'000)	
	2018	**2017**	**2016**
Capital expenditure			
Property, plant and equipment	77,331	92,953	184,312
Intangibles	5,359	8,327	30,702
Total capital expenditure	**82,690**	**101,280**	**215,014**

The most significant element of the Group's capital expenditure during the period under review was for property, plant and equipment, with a significantly smaller amount for intangibles.

Budgeted capital expenditure for the financial year ending 31 July 2019 is approximately €120 million, which includes €30 million for a new bakery in Brazil, an additional capital expenditure for Project Renew in the amount of €45 million for which the management has made a firm commitment, with the remainder to be used to fund various other smaller capital investments of no more than €3.5 million each, mostly relating to the replacement of various bakery infrastructure. These investments will be financed through cash flows from operations and net proceeds from this Offering.

11.9.5 *Hybrid funding*

As of 31 July 2018, the Group had €759.6 million of hybrid funding principal outstanding, as reflected in the table below:

Perpetual Callable Subordinated Instruments (Hybrid Instruments)		**Coupon**	**Coupon rate if not called**	*(EUR'000)*
Not called	CHF 400 million	5.3%	6.045% +3 Month Swiss Libor	(345,492)
First call March 2019	EUR 250 million	4.5%	6.77% +5 Year Euro Swap Rate	(250,000)
First call April 2020	CHF 190 million	3.5%	4.213% +3 Month Swiss Libor	(164,109)
Hybrid funding principal outstanding at 31 July 2018 exchange rates				**(759,601)**

As the instruments have no maturity date and repayment is at the option of the Group, these perpetual callable subordinated instruments (hybrid instruments) 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.

As mentioned above, the Company's ability to pay dividends is limited under Swiss law, specifically the CO, which limits a company to only paying cash dividends to the extent that it has distributable reserves and cash available for this purpose. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries. The ability of these subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and covenants in some of the Company's debt facilities. These laws and restrictions could limit the payment of future dividends and distributions to the Company by its subsidiaries, which in turn could restrict the Company's ability to fund other operations or to pay a dividend.

The payment of a cash dividend by the Company triggers its obligation to make cash payments of accrued and deferred dividends on its hybrid instruments on their next interest payment date; the interest payments may be deferred in the absence of such a compulsory payment event. As of 31 July 2018, the Group had deferred dividends in connection with its hybrid instruments in the amount of €41 million. Conversely, the payment of a scrip dividend does not trigger an obligation to make cash payments of accrued dividends on the hybrid instruments. For further information, please see "*11.9.5 Hybrid funding*". Please see "*Part 21 Additional Disclosure – 21.10.2 The Group's financing arrangements*" for a more detailed description of the Group's financing arrangements, including the hybrid instruments in the table above. See "*Part 12 Dividend and Dividend Policy – 12.2 Dividend history*" below for dividends paid historically.

11.9.6 *Off-balance sheet arrangements*

The Group generally does not use off-balance sheet arrangements.

11.10 Quantitative and Qualitative Disclosures about Market Risks

For a description of the Group's management of liquidity, interest rate and foreign exchange risks, see Note 21 of the ARYZTA Consolidated Financial Statements 2018 beginning on page F-137.

11.11 Critical Accounting Policies and Estimates

For a description of the Group's critical accounting judgements and key sources of estimation uncertainty, the Group's statement of accounting policies in the ARYZTA Consolidated Financial Statements 2018 beginning on page F-11.

11.12 Recent Developments

An underwriting agreement was concluded between the Company and underwriters on 10 September 2018. The Underwriting Agreement was amended and restated on 30 September 2018 to include three additional joint bookrunners and to amend the anticipated underwriting quotas of the underwriters named in the Underwriting Agreement and on 31 October 2018 to agree, amongst others, on the Offer Price, a new allocation of commitments, the Subscription Ratio and the number of Offered Shares.

On 13 September 2018, the Company entered into an amended and restated facilities agreement.

Aside from the impact of these material agreements, there has been no significant change in the financial or trading position of the Group since 31 July 2018, the date up to which the last audited consolidated accounts of the Group were prepared.

PART 12.
Dividend and Dividend Policy

12.1 Dividend policy

The Company retains a dividend policy to distribute approximately 15% of the underlying fully diluted earnings per share as a dividend to its shareholders each year, which is subject to the Board of Directors' authority to change the dividend policy and dividend pay-out ratio at any time, particularly if unforeseen circumstances change the view as to the prudent level of cash and capital conservation as well as the Company's financial goals and strategy.

At the Annual Shareholders' Meeting held on 1 November 2018, it was decided that no cash or scrip dividend would be paid out for the financial year ended 31 July 2018. At the Annual Shareholders' Meeting of 7 December 2017, it was decided that no cash dividend would be paid out for the financial year ended 31 July 2017, but the Shareholders approved a scrip dividend in the amount of CHF 0.3489 per then-existing share (the scrip dividend was paid by issuing one new Share per 80 Existing Shares, fractions were paid out in cash). For information on dividend payments in the Company's last five financial years, see "*12.2 Dividend history*" below.

All Offered Shares will have the same dividend rights as the other outstanding Shares, irrespective of the shareholder's domicile. The dividend rights commence at the moment of the issuance of the Offered Shares, currently scheduled to occur on 16 November 2018, whereas holders of the Offered Shares will be entitled to dividends and other distributions, if any, for the financial year ending 31 July 2019 and for all subsequent financial years. The dividends declared by the Company will be declared in Swiss Francs. The Company may pay dividends in the form of a distribution against reserves from capital contributions or as dividend payments from distributable profits. The Company is a holding company, which has no direct operations other than the holding of investments in other Group companies. Apart from own capital resources, the only source of funds for the payment of dividends, if any, will, therefore, be dividends and other payments received from its subsidiaries in the form of dividends, interest, loan repayments, swap payments or repayments of capital. The ability of each subsidiary to pay dividends or make such other payments is determined individually and in accordance with applicable law, including for such subsidiary applicable regulatory capital requirements and any other relevant contractual restrictions.

The actual payment of future dividends, if any, and the amounts thereof, will depend upon a number of factors including, but not limited to, the amount of the Company's distributable profit and distributable reserves on an unconsolidated basis, its earnings, level of profitability and financial condition, regulatory capital requirements, applicable restrictions on the payment of dividends under Swiss law and such other factors as the Board of Directors may deem relevant. See generally "*Part 1 Risk Factors – 1.1 Risks relating to the Group's business*" for risks that may negatively impact the profitability of the Group. Furthermore, the payment of a cash dividend by the Company triggers its obligation to make cash payments of accrued and deferred dividends on its hybrid instruments on their next interest payment date; the interest payments may be deferred in the absence of such a compulsory payment event. Conversely, the payment of a scrip dividend does not trigger an obligation to make cash payments of accrued dividends on the hybrid instruments. For further information, please see *"Part 11 Operating and Financial Review – 11.9.5 Hybrid funding"*. Therefore, the ability of the company to pay cash dividends also depends on its ability to pay the accrued dividends on its hybrid instruments (see "Part 11Operating and Financial Review – *11.9.5 Hybrid funding*" above). Accordingly, the Company's ability to pay dividends in the future may be limited or its dividend policy may change. No dividend is payable other than in accordance with the applicable provisions of Swiss law as more fully described below.

12.2 Dividend history

In the past five years the Company has declared dividends in the form of a shareholder distribution against capital reserves as follows:

	For the financial year ended 31 July					
(CHF)	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Declared dividend per Share	none	0.3489(2)	0.5731	0.6555	0.7646	0.6652
Total dividends paid (in millions)(1)	N/A	N/A(2)	50.87	58.18	68.07	58.61

(1) Paid in following financial year

(2) Scrip dividend: for 80 shares held, one registered share at a par value 0.02 CHF was issued (fractions paid out in cash).

The dividends listed above were paid, in each case, during the following financial year. No cash dividend was paid during the financial year ended 31 July 2018, but a scrip dividend was distributed on or around 29 January 2018, to the shareholders, based on newly issued shares out of the Company's authorised share capital, in the amount of one new share for every 80 shares held (whereas fractions were paid out in cash). 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. A cash dividend of CHF 0.5731 per share of the Company was paid during the financial year ended 31 July 2017 and a cash dividend of CHF 0.6555 per share of the Company was paid during the financial year ended 31 July 2016.

12.3 Legal considerations

Dividends may be paid by the Company only if it has sufficient distributable profits from previous years or freely distributable reserves to allow the distribution of a dividend distribution either against distributable profits or against reserves from capital contributions, in each case, as presented on the Company's annual statutory stand-alone balance sheet prepared in accordance with the CO.

In accordance with the requirements of Swiss law, the Company will retain at least 5% of the annual Group net income as general reserves for so long as these reserves amount to no less than 20% of the Company's paid-in nominal share capital (article 671 CO). Any additional net income is at the disposal of the shareholders' meeting and may be distributed as dividends, except that, if annual dividends exceed 5% of the nominal share capital, an amount equal to 10% of such excess must, in principle, be retained by a company as general reserves. However, this additional requirement does not apply to holding companies, such as the Company. The Company's auditor must confirm that a proposal made by the Board of Directors to shareholders regarding the appropriation of the Company's available earnings conforms to the requirements of the CO and the Articles. Furthermore, in order for the Company to pay dividends to its shareholders out of reserves from capital contributions (*Reserven aus Kapitaleinlagen*), such reserves have to be eligible for classification as freely distributable reserves under the CO and a shareholders' meeting must approve by the absolute majority of votes represented the reclassification of such reserves from capital contributions (*Reserven aus Kapitaleinlagen*) to freely distributable reserves.

The Articles require that the declaration of any dividend, including any distribution against reserves from capital contributions, proposed by the Board of Directors be approved at a shareholders' meeting of the Company by an absolute majority of the votes represented. In addition, the Company's auditors must confirm that the proposal of the Board of Directors conforms to statutory requirements and the Articles. Dividends and distributions against reserves from capital contributions are usually due and payable after the shareholders' resolution relating to the allocation of profit and distribution against reserves from capital contributions (if applicable) has been passed by the shareholders' meeting or at a later date as determined by the shareholders' dividend resolution. Under Swiss law, the statute of limitations with respect to dividend payments is five years. Dividends not collected within five years after their due date accrue to the Company and will be allocated to the Company's general reserves.

Dividends paid on the Shares are subject to Swiss withholding tax. Subject to reserves from capital contributions being recognised as such by the Swiss tax authorities and any changes in tax laws and practice, distributions against reserves from capital contributions can be made to the Company's shareholders without deducting any Swiss withholding tax. As of 31 July 2018, the Company had CHF 1,146.4 million in reserves from capital contribution ("**Legal Reserves**"), including Legal Reserves for own shares from capital contribution. The Company expects, upon completion of the Offering and the sale of the Offered Shares, to receive net cash proceeds of approximately CHF 843.2 million (€739.6 million) in reserves from capital contributions (after the deduction of certain fees, commissions, Swiss issuance stamp duty and costs, which will reduce the amount of Legal Reserves from capital contributions). For further information see "*Part 21 Additional Disclosure – 21.11.2 Tax Considerations with regard to the Holding of Offered Shares*".

A distribution of cash or property that is based upon a reduction of the Company's share capital requires a special audit report confirming that the claims of the Company's creditors remain fully covered by the Company's assets despite the reduction in the share capital recorded in the commercial register. Upon approval by a shareholders' meeting of the capital reduction, the board of directors must give public notice of the capital reduction via publication in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) three times and notify the Company's creditors that they may request, within two months of the third publication, satisfaction of or security for their claims. Distributions of cash or property that are based upon a capital reduction are not subject to Swiss withholding tax.

PART 13.

Capitalisation and Indebtedness

13.1 Capitalisation and indebtedness

The capitalisation and indebtedness information of the Group has been extracted without material adjustment from the Group's financial information included in "*Part 22 Historical Financial Information*" as at 31 July 2018.

	EUR thousands
Total current debt [(1)]	**255,803**
Guaranteed	0
Secured	0
Unguaranteed/unsecured	255,803
Total non-current debt (excluding current portion of long-term debt) [(2)]	**1,772,315**
Guaranteed	0
Secured	0
Unguaranteed/unsecured	1,772,315
Shareholder's equity	**1,672,860**
Share capital [(3)]	1,191
Legal reserve [(4)]	807,512
Other reserves [(5)]	864,157

(1) Referred to as current "interest bearing loans and borrowings" in the ARYZTA Consolidated Financial Statements 2018.

(2) Referred to as non-current "interest bearing loans and borrowings" in the ARYZTA Consolidated Financial Statements 2018.

(3) Referred to as "called up share capital" in the ARYZTA Consolidated Financial Statements 2018.

(4) Referred to as "share premium" in the ARYZTA Consolidated Financial Statements 2018.

(5) Referred to as "retained earnings and other reserves" in the ARYZTA Consolidated Financial Statements 2018, which includes the Group's hybrid debt instruments described in "*Part 11 Operating and Financial Review – 11.9.5 Hybrid funding*" at historical cost.

There has been no material change in the Company's capitalisation since 31 July 2018.

The following table sets out the Group's net indebtedness as at 31 July 2018.

	EUR thousands
Cash	517,854
Cash equivalent	0
Trading securities	0
Liquidity	**517,854**
Current financial receivable	**0**
Current bank debt [(1)]	175,868
Current portion of non-current debt [(2)]	79,531
Other financial debt [(3)]	404
Current finance debt	**255,803**
Net current financial indebtedness	**-262,051**
Non-current bank loans [(4)]	1,772,062
Bond issued	–
Other non-current loans [(5)]	253
Non-current financial indebtedness	**1,772,315**
Net financial indebtedness	**1,510,264**

(1) Referred to as "bank overdrafts" in the ARYZTA Consolidated Financial Statements 2018.

(2) Referred to as current "loans" in the ARYZTA Consolidated Financial Statements 2018.

(3) Comprises current financial leases.

(4) Referred to as non-current "loans" in the ARYZTA Consolidated Financial Statements 2018.

(5) Comprises non-current financial leases.

There has been no material change in the Company's indebtedness since 31 July 2018 other than contractual obligations relating to the term loan facility (Facility A) amounting to repayments for €40 million in September 2018 and the RCF (Facility C) drawings in August 2018 for €90 million and $50 million. The Company expects its net financial indebtedness to be reduced (through a combination of increased cash and decreased non-current bank loans) by an amount equal to the net proceeds of the Offering following its completion.

13.2 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. As noted in "*13.3 Indirect Liabilities*" below, the Company is party to cross guarantees on ARYZTA Group borrowings and has also guaranteed the liabilities of subsidiaries within the ARYZTA Group. The Company treats these guarantees as a contingent liability, until such time it becomes probable that the Company will be required to make a payment under the guarantees.

13.3 Indirect Liabilities

The Company is party to cross guarantees on ARYZTA Group borrowings. The Company has also guaranteed the liabilities of subsidiaries within the ARYZTA Group.

PART 14.
Profit Forecast

14.1 ARYZTA AG 2019 Profit Forecast

On 1 October 2018, ARYZTA AG released its results announcement for the fourth quarter and full year ended 31 July 2018.

Included in the results announcement was the following statement by ARYZTA AG for the financial year ending 31 July 2019 (the "**ARYZTA Profit Forecast**"):

> "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 P&L. The Company expects mid- to high-single-digit organic EBITDA* growth for the financial year ending 31 July 2019 (applying the budgeted exchange rates for the financial year ending 31 July 2019 on a like-for-like basis and excluding any disposals)."
>
> * Underlying EBITDA, being earnings before interest, taxation, depreciation and amortisation; before impairment, disposal and restructuring-related costs.

Basis of preparation

The ARYZTA Profit Forecast has been prepared on a basis consistent with the accounting policies expected to be adopted by ARYZTA AG in its financial statements for the year ending 31 July 2019.

Assumptions

The principal assumptions on which the ARYZTA Profit Forecast is based are set out below.

Factors outside the influence or control of the Company's management:

- There will be no material change in the ownership and control of ARYZTA AG.
- The Offering will be successful.
- There will be continued recovery of the eurozone and world economies.
- There will be no material change in general trading conditions (including selling taxes), competitor activities or the levels of demand in countries in which ARYZTA trades which would adversely affect its business.
- ARYZTA AG will be successful in its negotiations with key customers to recover ingredient cost inflation through related price increases.
- There will be no changes in ARYZTA's creditworthiness which would impact the supply to it of products or services.
- There will be no material adverse events that affect ARYZTA's product offerings, including product recalls.
- There will be no business interruptions that materially affect ARYZTA, its customer or its key suppliers in any of its major markets, including the ability to source raw material inputs at budgeted prices.
- There will be no material changes in exchange rates, interest rates, bases of taxes, legislation or regulatory requirements from those currently prevailing that would have a material impact on ARYZTA AG's operations or its accounting policies. The following main budgeted exchange rates for the financial year ending 31 July 2019 have been assumed:

Euro to CHF	1.1980
Euro to US dollar	1.2112
Euro to Canadian dollar	1.5591
Euro to pound Sterling	0.8698
Euro to Brazilian Real	4.2063

- There will be no material changes to ARYZTA AG's obligations to its customers, or in those customers' respective obligations to ARYZTA or their ability or willingness to meet their obligations to ARYZTA from that currently anticipated by ARYZTA.

Factors within the influence and control of the Company's management:

- Proceeds of up to €285 million from the Offering will be used for working capital purposes and funding initiatives under Project Renew.
- There will be no acquisitions or disposals.
- There will be no material further restructurings other than in connection with Project Renew.

Project Renew:

Project Renew savings of €40 million in the financial year ending 31 July 2019 are budgeted to accrue on a cumulative phased basis as follows:

End Q1	10%
End Q2	25%
End Q3	50%
End Q4	100%

ARYZTA's focus is on delivering a sustainable run-rate from these initiatives in line with the overall targets for Project Renew. This may be at the expense of short-term timing. A number of the Project Renew initiatives also require capital expenditures to deliver the related efficiencies (which is planned to be funded from the Offering). Any delays in implementing the various initiatives may impact the fiscal year 2019 benefit to Underlying EBITDA.

14.2 Accountant's report on the ARYZTA Profit Forecast

The Directors
ARYZTA AG
Talacker 41
8001 Zürich
Switzerland

2 November 2018

Dear Sirs

ARYZTA AG

We report on the profit forecast comprising the statement by ARYZTA AG (the "Company") and its subsidiaries (together the "Group") for the year ending 31 July 2019 (the "Profit Forecast"). The Profit Forecast and the material assumptions upon which it is based, are set out in Paragraph 14.1 of Part 14 of the prospectus issued by the Company dated 2 November 2018 (the "Prospectus").

This report is required by item 13.2 of Annex I to the Commission Regulation (EC) No. 809/2004, as amended (the "EU Prospectus Regulation") and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Profit Forecast in accordance with the requirements of items 13.1 and 13.3 of Annex I to the EU Prospectus Regulation.

It is our responsibility to form an opinion as required by item 13.2 of Annex I to the EU Prospectus Regulation as to the proper compilation of the Profit Forecast and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph 2(2)(f) of Schedule 1 of the Prospectus Directive 2003/71 (EC) Regulations 2005 of Ireland, as amended (the "Irish Prospectus Regulation") to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the EU Prospectus Regulation, consenting to its inclusion in the Prospectus.

Basis of Preparation of the Profit Forecast

The Profit Forecast has been prepared on the basis stated in Paragraph 14.1 of Part 14 of the Prospectus and is based on the unaudited management accounts for the eight week period ended 22 September 2018 and a forecast to 31 July 2019. The Profit Forecast is required to be presented on a basis consistent with the accounting policies of the Group.

Basis of Opinion
We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board. Our work included evaluating the basis on which the historical financial information included in the Profit Forecast has been prepared and considering whether the Profit Forecast has been accurately computed based upon the disclosed assumptions and the accounting policies of the Group. Whilst the assumptions upon which the Profit Forecast are based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Profit Forecast have not been disclosed or if any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Forecast has been properly compiled on the basis stated.

Since the Profit Forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Profit Forecast and differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion
In our opinion, the Profit Forecast has been properly compiled on the basis of the assumptions made by the Directors and the basis of accounting used is consistent with the accounting policies of the Group.

Declaration
For the purposes of paragraph 2(2)(f) of Schedule 1 of the Irish Prospectus Regulation, we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the EU Prospectus Regulation.

Yours faithfully

PricewaterhouseCoopers
Chartered Accountants"

PART 15.
Details of the Offer

15.1 Overview

The offering (the "**Offering**") consists of (i) an offer in which Shareholders who hold Existing Shares (other than the Company or its subsidiaries with respect to the 2,902,293 Existing Shares that are treasury shares) will receive Rights to subscribe on a *pro rata* basis for the Offered Shares (the "**Rights**") at the Offer Price (as defined below) (the "**Subscription Offer**") and (ii) a subsequent international offering, in which Offered Shares in respect of which Rights have not been validly exercised during the Rights Exercise Period (as defined below) may be sold to eligible institutional investors or others, including through a sale on the SIX Swiss Exchange and the Irish Stock Exchange (the "**Share Placement**"). The Offering involves (x) public offerings in Switzerland and Ireland, (y) private placements outside the United States in accordance with applicable securities laws and in reliance on Regulation S, and outside Ireland on the basis of exemptions provided by the Prospectus Directive, in accordance with applicable securities laws, and (z) private placements within the United States to QIBs as defined in, and in reliance upon, the exemption from the registration requirements of the Securities Act provided by Rule 144A.

To the extent all Rights are exercised by existing Shareholders or purchasers of Rights in the Subscription Offer, there will be no subsequent Share Placement.

The Rights and the Offered Shares have not been and will not be registered under the Securities Act and are not transferable except in accordance with the restrictions described under "*Part 21 Additional Disclosure – 21.7.2 Selling and Transfer Restrictions*".

Directors and members of the Executive Committee who hold Existing Shares have the right to exercise the Rights allotted to them and thereby acquire Offered Shares corresponding to those Rights or to sell such Rights in the market.

The Board is fully supportive of the Offering. The Directors who hold Existing Shares intend to take up in full their Rights to acquire Offered Shares.

An expected timetable of principal events is included under "*Part 6 Expected Timetable of Principal Events and Offer Statistics*" above.

15.2 Cut-off Date, Subscription Ratio, Rights Trading Period and Rights Exercise Period

Subject to applicable law and the terms and conditions of this Prospectus and any supplements hereto, holders of Existing Shares (other than the Company or its subsidiaries with respect to the 2,902,293 Existing Shares that are treasury shares), after the later of the close of trading on the SIX Swiss Exchange and the Irish Stock Exchange on Cut-off Date will be allotted 10 Rights per Existing Share held. One Right will grant the holder thereof the right to purchase during the Rights Exercise Period one Offered Share at the Offer Price. Rights may be only exercised in integral multiples of the Subscription Ratio.

The Rights Trading Period is expected to be from (and including) 7 November 2018 to (and including) 13 November 2018 and the Rights Exercise Period is expected to be from 7 November 2018 to 15 November 2018 at 12:00 noon CET.

The Underwriting Agreement entitles the Underwriters to terminate the Offering in certain limited circumstances prior to the Closing Date (for further information, see "*15.13 Underwriting*" below). If the right to terminate the Underwriting Agreement is exercised, the Offering will lapse and the allocation of the Rights and any previously purported purchase of Offered Shares will be deemed not to have been made. In such case, the holders of the Rights will not receive any compensation in respect of any Rights, whether exercised or not.

HOLDERS OF THE RIGHTS MUST EXERCISE THEIR RIGHTS BEFORE THE END OF THE RIGHTS EXERCISE PERIOD. RIGHTS NOT DULY EXERCISED PRIOR TO THE END OF THE RIGHTS EXERCISE PERIOD (INCLUDING RIGHTS WITH RESPECT TO WHICH THE HOLDERS ARE NOT PERMITTED TO EXERCISE SUCH RIGHTS IN ACCORDANCE WITH THE TERMS DESCRIBED IN THIS PROSPECTUS, AND EXERCISED RIGHTS IN EXCESS OF THE NEAREST INTEGRAL MULTIPLE OF THE SUBSCRIPTION RATIO) WILL EXPIRE AND BECOME NULL AND VOID WITHOUT COMPENSATION. THE EXERCISE OF RIGHTS WILL BE EFFECTIVE AT THE OFFER PRICE AND IS IRREVOCABLE AND MAY NOT BE CANCELLED, MODIFIED, RESCINDED OR WITHDRAWN BY THOSE EXERCISING.

Holders of Rights must exercise their Rights according to the instructions of their depositary banks, custodians or other financial intermediaries. The Company, together with the Underwriters, reserves the right to extend or shorten the Rights Trading Period, the Rights Exercise Period or terminate the Offering, without any prior notice, at any time and for any reason. Any such change to the Rights Trading Period or the Rights Exercise Period or any termination of the Offering is announced through the electronic media (including via a regulatory information service). The Company will comply with its obligation to publish a supplementary prospectus containing further updated information if so required by law or by any regulatory authority, including as a result of any such change.

15.3 Offering Restrictions

For further information relating to offering restrictions, see "*Part 21 Additional Disclosure – 21.7.2 Selling and Transfer Restrictions*".

15.4 Reserved Rights of the Company

The Company reserves the right to treat as invalid any acceptance or purported exercise of Rights or acceptance of the offer of Offered Shares which appears to the Company or its agents to have been executed, effected or dispatched in a manner which may involve a breach of the securities laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements.

15.5 Offer Size and Offer Price

The Offered Shares comprise 900,184,940 Shares and are offered at an Offer Price of CHF 1.00. In case of a subsequent Share Placement by way of an international offering, the placement price of the Offered Shares sold in the Share Placement (the "**Share Placement Price**") is expected to be published in the electronic media (including via a regulatory information service) on or around 15 November 2018. The Share Placement Price may not be below the Offer Price.

The Offer Price was determined by the Board of Directors on 31 October 2018 together with the Subscription Ratio and approved by the Annual Shareholder's Meeting held on 1 November 2018.

15.6 Reasons for the Offering and Use of Proceeds

The Company expects to receive gross proceeds from the Offering of approximately CHF 900 million (€790 million assuming an exchange rate of 1:1.14), assuming all Offered Shares are placed at the Offer Price and after deduction of the Swiss issue stamp tax (*Emissionsabgabe*) of 1%, estimated commissions and other expenses associated with the Offering.

The Offer is intended to create the necessary strategic and financial flexibility for the Company to implement its strategy and to sustainably strengthen its capital base. The Company intends to reduce its debt, by repaying approximately €455 million outstanding under the Company's term loan facility (i.e. amounts outstanding under Facility A). In addition to reducing its debt, the Company will use the remainder of the proceeds from the Offering (of up to €285 million) for its working capital, and to secure cost savings through its Project Renew initiatives.

Certain of the Underwriters or their affiliates are lenders under the term loan. See "*15.15 Other Relationships*" below.

15.7 CREST Depository Interests

CDIs are securities created to allow UK or Irish investors to allow dealing and settlement directly in CREST. Subscribers and purchasers of the Offered Shares may request to receive CDIs instead of Shares in the Company. Each CDI represents one Share. CDI holders are exposed to exchange rate risks between the euro and the Swiss Franc because the underlying shares are denominated in Swiss Franc and the primary listing of the Company's Shares is denominated in Swiss Franc.

Rights issued to holders of CDIs as part of the Subscription Offer will only be admitted to trading on the SIX Swiss Exchange, however CDIs representing beneficial interests in the Rights can be held, traded and settled in the CREST system in a similar way to other CREST securities (refer to the CREST International Manual).

15.7.1 ***Rights attaching to CDIs***

CDIs are securities constituted under English law. The terms on which the CDIs are issued and held in the CREST system, operated by EUI, are set out in the CREST International Manual issued by EUI, the global deed poll (the form of which is set out in the CREST International Manual) and the CREST Terms and Conditions issued by EUI.

The CDIs representing beneficial interests in the Offered Shares that it is envisaged will be issued pursuant to the Offering will have the same security code (ISIN number) as the Shares and will not have a separate listing on the SIX Swiss Exchange or Irish Stock Exchange. CDIs representing beneficial interests in the Shares, as well as CDIs representing beneficial interests in the Rights can be held, traded and settled in the CREST system in a similar way to other CREST securities (refer to the CREST International Manual). CDIs are held by CREST members in CREST member accounts. A custody fee, as determined by EUI, as operator of the CREST system is charged, from time to time, for the holding of CDIs in addition to other charges.

The CDI arrangements do not affect the economic rights attached to the Shares or the Rights. Although holders of CDIs representing beneficial interests in the Shares and beneficial interests in the Rights will have, as a matter of the laws of England and Wales, a beneficial interest in the Shares and in the Rights as applicable, they will not be the registered holders of the Shares or the Rights and they are not eligible to become registered holders of the Shares unless they withdraw their CDIs and convert them into registered Shares, as described below under the heading "*15.7.2 Conversion of CDIs and Shares*".

Holders of CDIs representing beneficial interests in the Shares will be able to enforce and exercise the rights relating to their interests in the Shares in accordance with the arrangements described below.

Under an agreement between the EUI and the Company, EUI will make a copy of the register of the names and addresses of CDI holders in respect of the CDIs representing interests in the Shares available to the Company (and/or its Registrar). This enables the Company (or its Registrar) to: (a) send out notices of shareholder meetings and proxy forms to such CDI holders; and (b) produce a definitive list of such CDI holders having transferred their CDIs to an escrow (see below) account as at the record date for the shareholders meeting(s).

In addition, arrangements are made for the balances of CDI holders (be they themselves the ultimate beneficial owners of interests in the Shares or be they holding CDIs on behalf of a further underlying party (or parties) upon whose instructions they may act) wishing to vote at the meeting(s) to be placed in an escrow account in the CREST system pending the meeting(s) while the Company (and/or its registrar) separately contacts such CDI holders to determine their voting preferences.

Accordingly, voting rights held by virtue of CDIs representing interests in the Shares are exercisable by such CDI holders (and/or any further underlying party subject to arrangements in place between such party and the CDI holder) through, and in accordance with, arrangements put in place by the Company (and/or its Registrar). In order to vote in this manner, such CDI holders (or any underlying party or parties) must give appropriate instructions to the Company (and/or its Registrar) disclosing certain beneficial ownership information and the CDI holder must transfer the relevant CDIs to an escrow account in the CREST system for a limited period of time, as indicated by way of Corporate Actions Bulletin issued by EUI, from time to time, upon the direction of the Company, before the meeting(s).

In order to permit holders of CDIs representing beneficial interests in the Shares to exercise rights relating to such Shares, the Company has entered into arrangements (such arrangements, for the avoidance of doubt, do not involve EUI, its affiliates and subsidiaries or the CREST International Settlement Links Service) pursuant to which CDI holders will be able to:

- receive notices, in English, of general shareholder meetings of the Company;
- give directions as to voting at general shareholder meetings of the Company (to the extent they are beneficial owners of the CDIs or are acting upon instructions from the beneficial owners of the CDIs and provided they disclose beneficial ownership information and transfer their CDIs to an escrow account for a limited period of time);
- have made available to them and be sent, at their request, copies of the annual report and accounts of the Company and all other documents issued by the Company to its shareholders generally (in each case, in English); and
- otherwise be treated in substantially the same manner as if they were the registered holders of the Shares in respect of which CDIs are held,

in each case in accordance with applicable law and the Articles.

15.7.2 ***Conversion of CDIs and Shares***

CDI holders will be able to cancel their CDIs and make arrangements to receive Shares, by means of a cross border delivery transaction, in the CREST system, with such Shares to be delivered to a SIX SIS account held by a SIX SIS participant, in accordance with and subject to the rules and practices of the CREST system, EUI and SIX SIS.

Shareholders, who hold their Shares through the SIX SIS custodian system, will be able to convert their Shares into CDIs by means of a cross border delivery transaction in the CREST system with CDIs representing beneficial interest in the Shares to be delivered to a CREST participant member account, in accordance with and subject to the rules and practices of SIX SIS and CREST.

Transaction fees will be payable by a CDI holder or a shareholder who executes any cross border delivery transaction (including a cancellation or an issuance of CDIs).

Euroclear UK and Ireland Limited, its affiliates, related companies or subsidiaries (a) accept no liability whatsoever for any of the content of this document and for any loss incurred by any party in connection with the Shares or any interests in the Company or the Shares and (b) refer holders or prospective holders of CDIs to the CREST International Manual and the CREST Terms and Condition

15.8 Procedures as to Unexercised Rights

Offered Shares in respect of which Rights have not been validly exercised during the Rights Exercise Period may be sold by the Underwriters in the Share Placement, in the open market or in the over-the-counter market at the Share Placement Price, subject to the restrictions set out herein in "*Part 21 Additional Disclosure – 21.7.2 Selling and Transfer Restrictions*". The Company will receive the benefit of the placement of Offered Shares for which Rights were not exercised. To the extent that any such Offered Shares are not sold on SIX Swiss Exchange or the Irish Stock Exchange or in the over-the-counter market or in the Share Placement, the Underwriters have, subject to the conditions set forth in the Underwriting Agreement, undertaken to purchase the relevant number of Offered Shares in proportion to their respective underwriting commitments at the Offer Price. See "*15.13 Underwriting*" for a description of a potential postponement of the capital increase to create the Offered Shares and the settlement of the Offering under certain circumstances.

15.9 Dilution

Rights to subscribe for an aggregate 900,184,940 Offered Shares will be issued to current holders of the Company's 92,920,787 Existing Shares (other than the Company or its subsidiaries with respect to the 2,902,293 Existing Shares that are treasury shares). If an existing equity holder does not exercise their Rights during the Rights Exercise Period, they will experience immediate dilution in an amount of 90.91%.

15.10 Basis for the issuance of the Offered Shares

The Offering consists of 900,184,940 Offered Shares. All Offered Shares will be newly issued by the Company in an ordinary share capital increase against cash contributions as approved by the Annual Shareholders' Meeting held on 1 November 2018. At the date of this Prospectus, it is planned to implement the ordinary capital increase to create the Offered Shares on or around 16 November 2018. The Offered Shares will be fully fungible and will rank *pari passu* with each other and with all Existing Shares.

15.11 Capital Increase

Under Swiss law, an increase of a company's share capital against cash requires a public deed. The notary in charge of the public deed requires a written confirmation by a bank or another financial institution which is subject to the Federal Law on Banks and Savings Banks confirming the deposit of the required cash amount for the capital increase to the exclusive disposal of the Company. The funds required for the capital increase therefore have to be deposited in a bank account designated for the Company at the time of the execution of the capital increase.

15.12 Company's Share Capital after the Offering, Settlement

Upon completion of the Offering, the share capital registered in the Commercial Register is expected to amount to 993,105,727 shares, corresponding to CHF 19,862,114.54. The Offered Shares will represent 90.9% of the issued and outstanding share capital of the Company upon completion of the Offering.

There is no explicit legal requirement with regard to settlement, but market practice suggests that settlement of the Shares occurs on the day after the capital increase, which is also the date on which the newly issued Shares are traded for the first time on the SIX Swiss Exchange.

15.13 Underwriting

Under the terms and subject to the satisfaction of the conditions contained in the Underwriting Agreement, as amended, restated and entered into between the Company and the Underwriters on 30 September 2018 and on 31 October 2018, the Underwriters have agreed to underwrite the Offered Shares at the Offer Price. Subject to the satisfaction of such conditions, UBS AG, acting for the account and on behalf of the Underwriters, has undertaken to subscribe for the Offered Shares and pay up their nominal value on or about 16 November 2018 and to deliver Offered Shares on the Closing Date to holders of Rights against payment of the Offer Price to the extent such holders have validly exercised their Rights during the Rights Exercise Period. Consequently, UBS will hold such Offered Shares from the time of the capital increase (expected to take place on or about 16 November 2018) until the Closing Date (which is expected to take place on or about 19 November 2018).

The Underwriting Agreement provides that the obligations of each Underwriter are subject to certain conditions precedent, including the absence of any material adverse change in the Group's business (see, e.g., below). The Underwriters also have the right to terminate the Offering in certain circumstances prior to the settlement date of the Offered Shares. If the right to terminate the Underwriting Agreement is exercised, the Offering will lapse and the allocation of the Rights and any previously purported purchase of the Offered Shares will be deemed not to have been made. In such case the holder of the Rights will not receive any compensation in respect of any Rights, whether exercised or not. If the settlement date of the Offered Shares has not occurred by 15 December 2018, the Underwriting Agreement will terminate automatically.

In addition, according to the Underwriting Agreement, the Company has made certain representations and warranties and has agreed to indemnify the Underwriters against certain liabilities in connection with the Offering, including liabilities under applicable securities laws.

The Underwriting Agreement requires that if, at the end of the Rights Exercise Period, the aggregate of a) the number of Shares for which Rights have not been validly exercised, plus (b) the Underwriter Shares plus (c) the Offered Shares that would be allocated to the Underwriters assuming that all Rights for the Underwriter Shares are exercised is equal to or exceeds, after having added a cushion of five percent of the Hypothetical Share Capital, 33 1/3 % of the share capital of the Company that were to be registered in the Commercial Register in case the Offering were to be consummated, the Underwriters shall have received an order (*Verfügung*) from the Swiss Takeover Board exempting the Underwriters from making a public takeover bid for all the Shares based on art. 136(1)(e) FMIA that (i) is reasonably satisfactory to the Joint Global Coordinators and (ii) the Joint Global Coordinators shall have reasonable assurance thereby that the Swiss Takeover Board is willing to publish such order upon the request of the Joint Global Coordinators. If such an exemption is not granted by the Swiss Takeover Board, the Offering might not be completed.

Even if such an exemption is granted by the Swiss Takeover Board and published upon the request of the Joint Global Coordinators, the share capital increase to create the Offered Shares and the closing of the Offering could be postponed until the exemption is no longer subject to the possibility of challenge, i.e. is final, or the Underwriters waive the condition that they do not have to consummate the Underwriting Agreement unless the exemption is final. If the exemption does not become non-appealable, or this condition is not waived, prior to 15 December 2018, unless otherwise agreed, the Underwriting Agreement terminates automatically and the Offering will likely not be consummated.

BofA Merrill Lynch and UBS Investment Bank are acting as Process Banks under the terms of the Underwriting Agreement whereby they perform coordinating functions for the syndicate of Underwriters.

Pursuant to the terms and subject to the satisfaction of the conditions of the Underwriting Agreement, the Underwriters have agreed to underwrite the Offered Shares as shown in the table below:

		Underwriting Commitment			
Underwriters	**Address**	**% of the Offering**	**Number of Offered Shares**	**Underwriting commitment as % of the Company's share capital prior to the Offering(1)**	**Underwriting commitment as % of the Company's share capital immediately following the Offering(2)**
BofA Merrill Lynch	2 King Edward Street, London, EC1A 1HQ, United Kingdom	10%	90,018,494	96.9%	9.1%
UBS AG	Bahnhofstrasse 45, 8001 Zurich, Switzerland and Aeschenvorstadt 1, 4051 Basel, Switzerland	18.5%	166,534,215	179.2%	16.8%
Credit Suisse AG	Paradeplatz 8, 8001 Zurich, Switzerland	18.25%	164,283,751	176.8%	16.5%
J.P. Morgan Securities plc	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom	18.25%	164,283,751	176.8%	16.5%
HSBC Bank plc	8 Canada Square, London, E14 5HQ, United Kingdom	10%	90,018,494	96.9%	9.1%
Crédit Agricole Corporate and Investment Bank	12 place des Etats-Unis, CS 70052 92547 Montrouge Cedex, France	5%	45,009,247	48.4%	4.5%
Mizuho International plc	Mizuho House, 30 Old Bailey London, EC4M 7AU, United Kingdom	10%	90,018,494	96.9%	9.1%

Underwriters	Address	Underwriting Commitment % of the Offering	Number of Offered Shares	Underwriting commitment as % of the Company's share capital prior to the Offering(1)	Underwriting commitment as % of the Company's share capital immediately following the Offering(2)
Coöperatieve Rabobank U.A.	Croeselaan 18, 3521 CB Utrecht, The Netherlands	10%	90,018,494	96.9%	9.1%
Total		**100%**	**900,184,940**	**968.8%**	**90.6%**

(1) Based on 92,920,787 Shares registered in the Commercial Register as of the date of this Prospectus.

(2) Based on 993,105,727 Shares which are expected to be recorded in the Commercial Register immediately following the Offering, assuming the issuance of all 900,184,940 Offered Shares.

The Underwriters may sell the Offered Shares in respect of which Rights have not been validly exercised during the Rights Exercise Period in the Share Placement. Any proceeds from the sales of such Offered Shares in excess of the Offer Price, after deduction of the applicable underwriting commission, the Swiss Federal Issuance Stamp Tax (*Emissionsabgabe*) and Swiss Federal Securities Transfer Stamp Tax (*Umsatzabgabe*), if any, and certain costs and expenses, will be for the benefit of the Company. Any Offered Shares which remain unplaced will continue to be held by the Underwriters.

The underwriting commission to be paid by the Company to the Underwriters amounts to CHF of 2.5% of the gross proceeds of approximately €790 million multiplied with the prevailing EUR/CHF exchange rate on 1:00 p.m. on 4 October 2018 or such other date and time as agreed between the Company and the Process Banks.

15.14 Conflicts of Interest

Affiliates of the Underwriters may have an interest in the Offering. In addition, the Underwriters have potential conflicts of interest material to the Offering.The Company recently entered into an amended facilities agreement with, among others, BofA Merrill Lynch International Limited, UBS Switzerland AG, Credit Suisse (Switzerland) Ltd., JP Morgan Chase Bank, N.A., London Branch, HSBC Bank plc, Mizuho Bank Ltd., CA Indosuez (Switzerland) SA (which is an affiliate of the Joint Bookrunner Crédit Agricole CIB) and Coöperatieve Rabobank U.A., trading as Rabobank London. The lenders under the amended facilities agreement have an interest in the offering, as it is anticipated that the majority of the proceeds from this Offering will be used to repay outstanding amounts to the lenders under the amended facilities agreement. The lenders receiving proceeds from this Offering include certain Underwriters or their affiliates. Therefore, the interests of certain Underwriters may conflict with those of the Company, Shareholders exercising their Rights, or other investors purchasing shares in the Offering.

The Underwriters have fully underwritten the Offering, subject to certain conditions. One of these conditions is that the Underwriters will receive—other than the Underwriter Exemption—an exemption from the Swiss Takeover Board (*Übernahmekommission*) from the obligation to make a mandatory takeover offer for the Shares if the aggregate of (a) the number of Shares for which Rights have not been validly exercised, plus (b) the Underwriter Shares plus (c) the number of Offered Shares that would be allocated to the Underwriters assuming that all Rights for the Underwriter Shares are exercised, is equal to or exceeds, after having added a cushion of five percent of the Hypothetical Share Capital, 33 1/3 % of the share capital of the Company that would be registered in the Commercial Register in case the Offering were to be consummated. The Underwriters could acquire up to 90.6% of the Company's share capital. This represents more than 50% of the share capital of the Company and could trigger a change of control. If more than 33 1/3% of the Company's share capital is acquired by the Underwriters, the Underwriters would have de facto control of the Company (depending on the level of attendance of other Shareholders at shareholders' meetings of the Company), but would not have to make a mandatory offer for the remaining outstanding Shares. This represents a potential conflict of interest with the interests of the existing Shareholders or other investors that might acquire Shares.

Pursuant to the Underwriting Agreement, if the Underwriters hold any of the Offered Shares following the completion of the Share Placement, and such Offered Shares are sold at a price higher than the Offer Price, the Underwriters will receive the benefit of such sale. If the Offered Shares, however, are sold during the Share Placement at a price greater than the Offer Price, the Company receives the benefit of such sale. Where the market price for the Offered Shares is greater than the Offer Price at the end of the Rights Exercise Period, the Underwriters will have a financial incentive not to place the Offered Shares in the Share Placement, even though the Underwriters are, in this case, obliged to use commercially reasonable efforts to sell such Offered Shares at a price above the Offer Price. This represents a potential conflict of interest with the Company and its Shareholders.

15.15 Other Relationships and Interests

Due to significant and exceptional challenges facing the business, the Remuneration Committee was unable to confirm targets and make a long term incentive award during the 2018 financial year.

The Underwriters have provided and may continue to provide investment banking and other services in the ordinary course of their respective businesses for which they have been or will be paid customary fees and may have interests that may not be aligned or could potentially conflict with the interests of the Company and its shareholders. In addition, the Underwriters may have held and in the future may hold the Company's securities for investment purposes in the ordinary course of their respective businesses. In connection with the Offering, each of the Underwriters and any affiliate acting as an investor for its own account may take up Offered Shares and in that capacity may retain, purchase or sell for its own account such securities and any of the Company's securities or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to the Rights or Offered Shares being offered or placed should be read as including any offering or placement of securities to any of the Underwriters and any affiliate acting in such capacity. The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

15.16 Lock-up Undertaking

The Company has entered into a lock-up undertaking with Underwriters ending 180 days after the First Day of Trading. During this period, the Company has agreed not to, subject to customary exceptions, issue new shares as described below.

During the period commencing on the date hereof and ending 180 days after the First Day of Trading, the Company shall not, except for the issuance of the Offered Shares, without the prior written consent of the Joint Global Coordinators, (a) execute any capital increase from authorised capital, (b) propose a capital increase to its shareholders, (c) issue, offer, lend, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, pledge, grant instruction rights (*Weisungsrechte nach Artikel 25 FISA*) or otherwise transfer or dispose of directly or indirectly, or file a registration statement under any securities regulation relating to, any other Shares or any securities convertible into or exchangeable or exercisable for Shares or warrants or other rights to purchase any Shares, (d) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, or (e) announce its intention to do any of the foregoing, whether any such transaction described in clause (c) or (d) above is to be settled by delivery of Shares or other securities, in cash or otherwise. The foregoing undertaking shall not apply to (a) any options granted to the Company's employees, management and directors pursuant to any of its existing benefit plans as described in the Prospectus and (b) Shares issued upon the exercise of options granted pursuant to such stock option plan.

All Directors and all members of the Executive Committee have entered into lock-up undertakings with the Underwriters ending 180 days after the First Day of Trading. During this period, the Directors and the members of the Executive Committee have agreed, subject to customary exceptions, not to (i) offer, lend, sell, contract to sell, sell any options or contract to purchase, purchase any options or contract to sell, grant any option, right or warrant to purchase, pledge, grant instruction rights (*Weisungsrechte*) pursuant to article 25 of the FISA, or otherwise transfer or dispose of, directly or indirectly, or publicly file a registration statement under any securities regulation relating to, any Shares or any securities (including options and warrants) of the Company or other rights held by the undersigned, directly or indirectly, on the date hereof that are convertible into or exchangeable or exercisable for Shares or are to purchase Shares; (ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares; or (iii) announce its intention to do any of the foregoing whether or not any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or other securities, in cash or otherwise, in each case without the prior written consent of the Joint Global Coordinators.

15.17 Listing Agent

UBS Investment Bank, acting as recognised representative according to article 43 of the SIX Listing Rules, has filed on behalf of the Company the application for the listing of the Offered Shares in accordance with the International Reporting Standard of SIX Swiss Exchange as well as the application for the admission to trading of the Rights.

15.18 Irish Sponsor

Application will be made to the Irish Stock Exchange by Goodbody, acting as Irish Sponsor to the Company, in respect of the admission of all of the Offered Shares to listing on the official list of the Irish Stock Exchange for all of the Offered Shares to be admitted to trading on its regulated market for listed securities.

15.19 Allocation

The Underwriters have agreed to observe the directives governing the allocation of equity-related securities offered by way of a public offering in Switzerland issued by the Swiss Bankers Association on 29 March 2004, which entered into force on 1 January 2005, as amended in any sale of Offered Shares in the Share Placement. Shareholders will be notified of their allotments on or around 16 November 2018. The Offered Shares are expected to begin trading on the SIX Swiss Exchange on 19 November 2018.

15.20 Listing and Trading

The Existing Shares are listed on the Internal Reporting Standard segment of SIX Swiss Exchange and on the secondary listing segment of the Official List of the Irish Stock Exchange and are traded on the SIX Swiss Exchange and on the Irish Stock Exchange's main market for listed securities. Subject to customary conditions, the Offered Shares have been accepted for listing in accordance with the International Reporting Standard of the SIX Swiss Exchange. The Offered Shares are expected to be listed, and trading in them is expected to commence, on or about 19 November 2018. Application will be made to the Irish Stock Exchange in respect of the admission of all of the Offered Shares to listing on the official list of the Irish Stock Exchange for all of the Offered Shares to be admitted to trading on its regulated market for listed securities. It is expected that such Admission to the main market of the Irish Stock Exchange will become effective and that dealings in the Offered Shares will commence on or around 19 November 2018.

SIX Swiss Exchange Ticker Symbol for the Shares	ARYN
Irish Stock Exchange Ticker Symbol for the Shares	YZA
Swiss Security Number (*Valorennummer*) for the Shares	4.323.836
International Security Identification Number (ISIN) for the Shares	CH0043238366
Swiss Security Number (*Valorennummer*) for the Rights	43.992.155
International Security Identification Number (ISIN) for the Rights	CH0439921559
Irish SEDOL Number of the Shares......................	B39VJ74

15.21 Selling Restrictions and Restrictions on Trading

Please refer to "*Part 21 Additional Disclosure – 21.7.2 Selling and Transfer Restrictions*" for information on selling restrictions. There are no restrictions on trading.

15.22 Payment and Settlement (Closing)

The Company has applied for the Shares to be accepted for clearance through SIS. It is expected that delivery of the Offered Shares against payment of the Offer Price in cash will be made through the facilities of SIS on or around 19 November 2018. If the right to terminate the Underwriting Agreement is exercised, the Offering will lapse and any previously purported allocation and purchase of Offered Shares will be deemed not to have been made. If not all Offered Shares have been placed in the Subscription Offer and the Share Placement, the settlement could be postponed; see "*15.13 Underwriting*".

CDIs will be cleared through Eurex Clearing AG and settled through Euroclear UK & Ireland (CREST). Delivery of requested CDIs is expected concurrently with or promptly following settlement and delivery of the Shares through SIS.

15.23 Form of Shares

The Shares are uncertificated securities (*Wertrechte*), within the meaning of article 973c CO. The Offered Shares will be registered in the main register (*Hauptregister*) maintained by SIS and credited to the securities account of one or more participants of SIS, and thus will become intermediated securities (*Bucheffekten*), within the meaning of the FISA. Shareholders may request from the Company a confirmation relating to their shareholdings in the Company.

Shareholders requesting a CDI will subsequently receive depository interests deposited with CREST, each representing one Share.

15.24 Voting Rights

Each Share carries one vote. Regarding transfers of Shares and restrictions, see "*Part 18 Description of Share Capital and Shares – 18.2.2 Transfer of Shares, 18.2.3 Voting rights*".

15.25 Amendments or Changes, Publications regarding the result of the Offer

The Company will comply with its obligation to publish a supplementary prospectus containing further updated information if so required by law or by any regulatory authority but assumes no further obligation to publish additional information. Any notices containing or announcing amendments or changes to the terms of the Offering or this Prospectus are announced through the electronic media (including via a regulatory information service). Notices required under the SIX Listing Rules will be published in electronic form on the website of SIX Swiss Exchange (currently: https://www.six-exchange-regulation.com/en/home/publications/official-notices.html) in the form of an official notice.

15.26 Dividends

Holders of the Offered Shares will be entitled to dividends and other distributions, if any, for the financial year ending 31 July 2019 and for all subsequent financial years. For further information on past distribution of dividends, see "*Part 12 Dividend and Dividend Policy – 12.2 Dividend history*". Dividends paid on the Shares out of reserves from capital contributions (*Reserven aus Kapitaleinlagen*) and distributions made or paid on Shares based upon a reduction of nominal value of Shares (*Nennwertherabsetzung*) are exempt from Swiss withholding tax. Other dividends paid on the Shares are subject to 35% Swiss withholding tax (see "*Part 21 Additional Disclosure – 21.11.2.1 Swiss Federal Withholding Tax*").

15.27 Price Development of Shares of the Company

The table below shows, for the periods indicated, the market capitalization of the Company and the high and low prices of the Shares on an adjusted basis:

	31 July 2018	31 July 2017	31 July 2016
Market capitalization (in CHF) as of period end(1)	**1,259,521,174**	**2,758,615,019**	**3,235,248,309**
Closing price (CHF)	**14.01**	**31.08**	**36.45**
Share price (CHF) High(2)	**14.40**	**31.34**	**36.58**
Share price (CHF) Low(2)	**13.85**	**30.69**	**35.5636.00**

(1) Based on outstanding shares (defined as issued minus treasury shares) as per respective year end position and year end share price (closing price).

(2) Based on daily closing prices for the respective financial year ended 31 July.

PART 16.
Information on the SIX Swiss Exchange

16.1 International Reporting Standard of SIX Swiss Exchange

For so long as any of the Shares remain listed on SIX Swiss Exchange, the Company is subject to the SIX Listing Rules and any additional regulations enacted by SIX Exchange Regulation.

SIX Swiss Exchange (formerly known as SWX Swiss Exchange AG) was founded in 1993 as the successor to the local stock exchanges in Zurich, Basel and Geneva. Full electronic trading in foreign equities and derivatives began in December 1995. In August 1996, SIX Swiss Exchange introduced full electronic trading in Swiss equities, derivatives and bonds. In 2008, the SWX Swiss Exchange AG changed its name to SIX Swiss Exchange AG. In 2017, the aggregate trading volume of SIX Swiss Exchange for Swiss and foreign equity instruments was CHF 1,048.8 billion. A listing in accordance with the International Reporting Standard of SIX Swiss Exchange requires, *inter alia*, that (i) the articles of association of the issuer comply with applicable law, (ii) the operating and financial track record of the issuer extends over a period of at least three years, (iii) the issuer's consolidated equity capital amounts to at least CHF 2.5 million, (iv) at the time of the listing, at least 20% of the issuer's outstanding securities in the same category are in public ownership and the capitalisation of those securities in public ownership amounts to a minimum of CHF 25 million, (v) the issuer reports according to IFRS or US GAAP and (vi) the securities must have been validly issued at the time of listing. According to SIX Swiss Exchange, as of 1 November 2018, 146 issuers of shares were listed according to the International Reporting Standard of SIX Swiss Exchange (source: https://www.six-group.com/exchanges/shares/companies/issuer_list_en.html).

16.2 General rules on securities trading

Trading on SIX Swiss Exchange occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading in equity securities begins each Business Day at 9:00 am local time and continues until 5:20 pm, at which time the closing auction starts, and continues until 5:30 pm Central European Time ("**CET**") or Central European Summer Time ("**CEST**") (as applicable, with a random close of trading within two minutes). After the close of exchange trading, new orders can be entered or deleted until 10:00 pm CET or CEST (as applicable). From 6:00 am CET or CEST (as applicable), new entries and enquiries can be made until 9:00 am CET or CEST (as applicable). The system is not available between 10:00 pm and 6:00 am CET and CEST (as applicable). For the opening phase (starting at 9:00 am CET or CEST (as applicable)), the system closes the order book and starts opening procedures, it establishes the opening prices and determines orders to be executed according to the matching rules. Closing auctions are held to determine the daily closing price for all equity securities traded on SIX Swiss Exchange. At the start of the closing auction, the status of all equity order books changes from permanent trading to auction. The auction itself consists of a pre-opening period and the actual auction according to rules that are similar to the opening procedure.

Transactions take place through the automatic matching of orders. Each valid order of at least a round lot is entered and listed according to the price limit. A round lot of the shares is expected to consist of one share. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are listed at the same price, they are executed according to the time of entry. SIX Swiss Exchange may provide for a duty to trade on SIX Swiss Exchange in individual market segments. This duty requires the participant, during trading hours, to execute orders on the order book only. The duty to trade on SIX Swiss Exchange for Mid-/Small-Cap equity securities does not apply to (i) orders with a market price of CHF 200,000 or more; (ii) collective orders, if the market price of the order is CHF 1,000,000 or more; or (iii) portfolio orders. Members of SIX Swiss Exchange must observe the principle of best execution for any off-exchange transaction during the trading period. Transactions in shares effected by or through members of SIX Swiss Exchange are subject to a stock exchange levy. This levy includes the reporting fee and is payable per trade and participant. The fee is defined for each trading segment individually.

Banks and broker-dealers doing business in Switzerland are required to report all transactions in listed securities traded on the SIX Swiss Exchange. For transactions effected via the exchange system, reporting occurs automatically. Off-order book transactions during trading hours must be reported to the SIX Swiss Exchange within one minute. Transaction information is collected, processed and immediately distributed by the SIX Swiss Exchange. Transactions outside trading hours must be reported no later than the next opening. The SIX Swiss Exchange distributes a comprehensive range of information through various publications, including in particular the Swiss Market Feed. The Swiss Market Feed supplies SIX Swiss Exchange data in real time to all subscribers as well as to other information providers such as SIX Financial Information Ltd and Reuters.

A quotation may be suspended by SIX Swiss Exchange if large price fluctuations are observed, or if important, price-sensitive information is about to be disclosed, or in other situations that might endanger fair and orderly trading. Surveillance and monitoring is the responsibility of SIX Swiss Exchange as the organiser of the market. The aim of such self-regulation is to ensure transparency, fair trading and an orderly market.

16.3 Clearing, payment and settlement

Clearing and settlement of securities listed on SIX Swiss Exchange is made through SIS.

Exchange transactions are usually settled on a T+2 basis, meaning that delivery against payment of exchange transactions occurs two trading days after the trade date. Exchange transactions in the Rights are settled on a T+1 basis as per the second Business Day of the Rights Trading Period, meaning that delivery against payment of exchange transactions occurs one trading day after the trade date.

16.4 Ad-hoc Publicity

Under the SIX Listing Rules, the Company is required to publish facts that are, with respect to the price of the Shares or other securities issued by the Company, potentially price-sensitive and that have arisen in the sphere of the Company's business activities. Facts that are not known publicly and that, from an ex-ante perspective, are capable of leading to a significant price change are classified as potentially price-sensitive. Potentially price-sensitive facts include, but are not limited to, financial figures and reports, changes in key employee positions including changes affecting the composition of the Board of Directors or the Executive Committee, mergers, takeovers, spin-offs, restructuring operations, changes in capital, takeover bids, changes in business operations (e.g., new sales partners, new and significant products, withdrawal or recall of a significant product, etc.), information on trading results (e.g., significant changes in earnings such as profit decrease/increase or profit warning, cessation of dividends, etc.), changes to the shareholder structure and financial restructuring. As a rule, the Company will be required to disclose any potentially price-sensitive fact immediately as soon as it has become aware of its material elements. Disclosure needs to be made to SIX Swiss Exchange (90 minutes ahead of time if published during trading hours), to no less than two electronic stock market information systems (such as Bloomberg, Reuters or Telekurs), to no less than two Swiss newspapers of nationwide distribution and to all interested parties upon request.

16.5 The DCG and the Swiss Code

In Switzerland, two sets of rules are relevant with respect to corporate governance, specifically the DCG and the Swiss Code. In addition, certain requirements on corporate governance were introduced through the Compensation Ordinance (see "*Part 18 Description of Share Capital and Shares – 18.4 Compensation* ").

The DCG is binding on all Swiss companies whose equity securities have their primary or main listing on SIX Swiss Exchange. The DCG requires issuers to disclose important information on the management and control mechanisms at the highest corporate level or to give specific reasons why this information is not disclosed. The Company is in compliance with all regulations as set forth by the DCG.

The Swiss Code is issued by economiesuisse, the largest umbrella organisation representing Swiss businesses. The Swiss Code is non-binding, but provides recommendations for good corporate standards in line with international business practices on a comply-or-explain basis.

16.6 Directive on the Disclosure of Management Transactions

The Directive on Disclosure of Management Transactions issued by SIX Exchange Regulation (the "**DMT**") requires issuers whose equity securities have their primary listing on SIX Swiss Exchange to ensure that members of their board of directors and senior management disclose transactions they have made in the securities of their own company. Under the DMT, the relevant individuals must disclose any such transaction to the issuer, and the issuer must forward such information to SIX Swiss Exchange. Such transactions are subsequently published on a "no names basis" on SIX Swiss Exchange's website.

PART 17.

The Irish Stock Exchange (Euronext Dublin) and Information for CDI Holders

European directives drive markets and securities regulation in Ireland. The Irish Stock Exchange plc, trading as Euronext Dublin, sets listing requirements for issuers. The Irish Stock Exchange is also authorised by the Central Bank of Ireland to operate its four securities markets – the Main Securities Market ("**MSM**"), the Enterprise Securities Market ("**ESM**"), the Global Exchange Market ("**GEM**") and the Atlantic Securities Market ("**ASM**").

17.1 History and Listing Rules of Euronext Dublin

For so long as any of the Shares remain listed on the Irish Stock Exchange, the Company is subject to the Irish Listing Rules and any additional regulations enacted by the Irish Stock Exchange applicable to an issuer with a secondary listing on the Irish Stock Exchange.

The Irish Stock Exchange traces its roots back to 1793 when the Dublin Stock Exchange was established at the Old Exchange Coffee House, now the City Hall on the site of the Royal Exchange. In 2018, the Irish Stock Exchange was operating as Irish Stock Exchange Plc and was acquired by Euronext, the pan European exchange. The Irish Stock Exchange plc is now trading as Euronext Dublin.

The Irish Listing Rules can be found on the website of the Irish Stock Exchange (currently: http://www.ise.ie/Products-Services/Sponsors-and-Advisors/MSM-Listing-Rules.pdf)

17.2 Secondary Listings

The Company has a secondary listing for its Shares on the Irish Stock Exchange. An issuer with a secondary listing on the Irish Stock Exchange does not need to comply with all of the listing rules of the Irish Stock Exchange, and as thus, the Company is only required to comply with the Irish Listing Rules to the extent they apply to an issuer with a secondary listing on the Irish Stock Exchange.

17.3 CREST Depository Interests

In the context of the merger with Hiestand Holding AG in 2008, former holders of IAWS Group plc shares received registered shares in the Company, delivered initially in the form of Capita Depository Interests and since replaced by CDIs. CDIs are uncertificated securities independent of the Company, constituted under English law, allowing the electronic settlement of trades in the Company's shares via the CREST system operated by EUI.

CDIs were created because the Shares, as Swiss securities, could not be settled within CREST, the usual UK and Ireland electronic settlement system. Furthermore, opening a shareholding account with a depository financial institution which is a participant in SIS (directly or indirectly via a custodian) and trading the Shares through SIS may have involved a number of unfamiliar formalities for certain Irish, UK and other investors. Therefore, in order to facilitate trading of the Shares through CREST, the Shares were delivered, held and settled in CREST by means of the issue of CDIs.

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

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

As of 31 July 2018, there were 8,571,800 CDIs outstanding, representing approximately 9% of the share capital of the Company.

17.4 Clearing, payment and settlement

Clearing of securities listed on the Irish Stock Exchange is made through Eurex Clearing AG. Settlement of the CDIs is made through Euroclear UK & Ireland (CREST).

Exchange transactions are usually settled on a T+2 basis, meaning that delivery against payment of exchange transactions occurs two trading days after the trade date.

PART 18.
Description of Share Capital and Shares

Set out below is certain information concerning the Company's share capital and brief summaries of certain provisions of the Articles, the CO and other Swiss statutes relating to the Shares. This description does not purport to be complete and is qualified in its entirety by reference to the Articles, the CO and such other statutes as in effect on the date of this Prospectus.

18.1 Capital Structure

18.1.1 *Existing Shares*

As of the date of this Prospectus, the Company's share capital registered in the Commercial Register was CHF 1,858,415.74 divided into 92,920,787 Existing Shares. Besides the Existing Shares, there is no other type or class of shares representing share capital.

The development of the share capital during the financial year ended 31 July 2018 is described below:

	As of 1 August 2017	As of 31 July 2018
Amount of share capital issued (in CHF)	1,836,210.68	1,858,415.74
Amount of authorised capital (in CHF)	183,621.06	161,416.00
Number of Shares authorised (but not issued)	9,181,053	8,070,800
Number of Shares issued and fully paid	91,810,534	92,920,787
Number of Shares issued, but not fully paid	0	0
Shares held by the Company (treasury shares)	3,052,007	2,987,108
Par value of the Shares (in CHF)	0.02	0.02

The number of Shares outstanding at the beginning of the year increased by 1,110,253 until the end of the financial year ended 31 July 2018 due to a capital increase out of authorized share capital (see below).

18.1.2 *Changes in share capital*

The Company was incorporated on 28 March 2008. It was registered with the Commercial Register on 4 April 2008 under the registration number CHE-114.160.610 with a share capital of CHF 100,000, divided into 100,000 fully paid-in registered shares with a nominal value of CHF 1.00 each. The Company's shares have been created under Swiss law, specifically, the CO.

Since its incorporation, the Company's share capital and the denomination of the Shares have been altered several times. On 9 June 2008, (date of registration) the Company registered a share split at a ratio of 1:50 of all 100,000 registered Shares with a nominal value of CHF 1.00 into 5,000,000 registered Shares with a nominal value of CHF 0.02 each, fully paid-in; the Company's share capital remained the same at CHF 100,000.

On 21 August 2008 (date of registration), the Company's share capital was increased by CHF 1,451,081.08 to CHF 1,551,081.08 through the issuance of 72,554,054 fully paid-in registered shares with a nominal value of CHF 0.02 each, partially paid in through the contribution of all 141,388,236 shares of IAWS Group plc, at a nominal value of €0.30 each, as contribution in kind, partially paid in through the merger with Hiestand Holding AG, as consideration for which the shareholders of Hiestand Holding AG received a total of 6,859,836 fully paid-in registered shares at a nominal value of CHF 0.02 each (4,999,900 of which were already held as treasury shares of the Company and 1,859,936 of which were newly issued by the Company on behalf of the capital increase).

On 5 January 2009 (date of registration), the Company's share capital was increased by CHF 72,528.12 to CHF 1,623,609.20 through the issuance of 3,626,406 fully paid-in registered shares with a nominal value of CHF 0.02 each, partially paid-in in cash, partially set off against a receivable in the amount of CHF 75,312,000, by ARY LTIP Trustee Limited. On 16 June 2010 (date of registration), the Company's share capital was increased by CHF 77,286.70 to CHF 1,700,895.90 through the issuance of 3,864,335 fully paid-in registered shares with a nominal value of CHF 0.02 each, paid-in in cash. On 21 November 2011 (date of registration), the Company's share capital was increased by CHF 50,270 to CHF 1,751,165.90 through the issuance of 2,513,500 fully paid-in registered shares with a nominal value of CHF 0.02 each, partially paid-in in cash, partially set off against a receivable in the amount of CHF 99,716,795, by ARY LTIP Trustee Limited.

On 13 January 2012 (date of registration), the Company's share capital was increased by CHF 85,044.78 to CHF 1,836,210.68 through the issuance of 4,252,239 fully paid-in registered shares with a nominal value of CHF 0.02 each, paid-in in cash.

On 31 January 2018 (date of registration), the Company's share capital was increased by CHF 22,205.06 to CHF 1,858,415.74 through the issuance of 1,110,253 fully paid-in registered shares with a nominal value of CHF 0.02 each, paid-in through the conversion of freely available reserves of CHF 22,205.06 of the Company.

Below is a table summarising the changes described above:

	Previous Share Capital	New Share Capital	Change in Number of Shares
9 June 2008 (share split)	CHF 100,000.00	CHF 100,000.00	+4,900,000
21 August 2008	CHF 100,000.00	CHF 1,551,081.08	+72,554,054
5 January 2009	CHF 1,551,081.08	CHF 1,623,609.20	+3,626,406
16 June 2010	CHF 1,623,609.20	CHF 1,700,895.90	+3,864,335
21 November 2011	CHF 1,700,895.90	CHF 1,751,165.90	+2,513,500
13 January 2012	CHF 1,751,165.90	CHF 1,836,210.68	+4,252,239
31 January 2018	CHF 1,836,210.68	CHF 1,858,415.74	+1,110,253

18.1.3 *Offered Shares*

The Offered Shares will be newly issued by the Company in an ordinary share capital increase against cash contributions as resolved by the Annual Shareholders' Meeting on 1 November 2018. At the date of this Prospectus, it is planned to implement the ordinary capital increase to create the Offered Shares on or around 16 November 2018. The listing of the Offered Shares on the SIX Swiss Exchange in accordance with the International Reporting Standard and on the main market for listed securities of the Irish Stock Exchange is expected to become effective on or around 19 November 2018. Upon completion of the Offering, the share capital of the Company registered in the Commercial Register of the Canton of Zurich is expected to amount to CHF 19,862,114.54, corresponding to 993,105,727 Shares.

18.1.4 *Authorised Capital (genehmigtes Kapital) & Conditional Capital (bedingtes Kapital)*

Pursuant to article 5 of the Articles, the Board of Directors is authorised to increase the Company's share capital by a maximum amount of CHF 161,416.00 by the issuance of a maximum of 8,070,800 registered fully paid-up Shares with a nominal value of CHF 0.02 each at any point in time until 9 December 2019. Article 5 of the Articles reads as follows:

"Article 5: Authorised capital

The Board of Directors shall be authorised to increase the share capital at any time until 9 December 2019 by a maximum amount of CHF 161,416.00 by issuing a maximum of 8,070,800 registered shares to be paid up in full with a par value of CHF 0.02 per share. A partial increase is admissible.

The Board of Directors shall determine the time of issue, the issue price, the time of dividend entitlement, the allocation of unexercised subscription rights and the manner in which contributions shall be made, which may be made, among other things, by converting freely available reserves (including by an amount of capital contribution reserves exceeding the necessary minimum requirements for statutory reserves).

The Board of Directors is authorised to exclude or restrict subscription rights of existing shareholders if the new shares to be issued are used for the following purposes: (i) mergers or acquisitions (including take-over) of companies, parts of companies or participations, shares in equity capital (equity participations) or new investment projects of the Company or for the financing or refinancing of such transactions; (ii) broadening the shareholder constituency, or (iii) for the purpose of employee participation. The Board of Directors shall determine the details of the exercise of subscription rights.

The newly issued shares are subject to the transfer restrictions pursuant to article 7 of the Articles."

As of the date of this Prospectus, the Articles do not provide for the creation of new Shares out of conditional capital.

18.1.5 *Participation or profit-sharing certificates*

As of the date of this Prospectus, the Company has no participation certificates (*Partizipationsscheine*) or profit sharing certificates (*Genussscheine*) outstanding.

18.1.6 *Convertible bonds and warrants/options*

As of 31 July 2018, the Group has not issued any convertible bonds or warrants.

For information regarding the LTIP and outstanding options, see "*Part 9 Management Bodies and Corporate Governance – 9.3.3.3 Executive Committee Long-Term Incentive Plan (LTIP)*".

18.1.7 *Treasury Shares*

As of the date of this Prospectus, the Company holds 2,902,293 Shares in treasury, all of which are held by a subsidiary of the Company. As disclosed in the table in "*18.1.1 Existing Shares*" above, the Company held 2,987,108 Shares in treasury as at 31 July 2018. As of the date of this Prospectus, 84,815 treasury shares were re-issued by the Company in respect of the Restricted Stock Units which vested on 30 September 2018. The treasury shares are of the same type and class as the Offered Shares. Please see the stand-alone balance sheet of the Company (see "F-255") for the equity value of the treasury shares.

The Company shall not receive Rights in relation to such treasury shares.

18.1.8 *Cross-shareholdings*

As of the date of this Prospectus, the Company is not aware of cross-shareholdings exceeding 5% of the capital or voting rights.

18.2 Description of Shares

Subject to the restrictions laid down in article 7 of the Articles, each Share carries one vote at any shareholders' meeting of the Company. Holders of the Offered Shares will be entitled to dividends and other distributions, if any, for the financial year ending 31 July 2019.

Shareholders have the right to share in the issuer's profits through dividends and to share in any surplus in the event of liquidation. The Shares do not have conversion or redemption provisions. The form of shares and rights attached to them are described in more detail below.

18.2.1 *Form of Shares*

The Shares are registered shares (*Namenaktien*) with a nominal value of CHF 0.02 each and are fully paid-in. Each Share equally carries one vote at a shareholders' meeting of the Company. The Shares rank pari passu in all respects with each other, including, in respect of entitlements to dividends, to a share in the liquidation proceeds in the case of a liquidation of the Company and to subscription rights. Under Swiss law, there are no redemption or conversion provisions applicable to the Shares.

The Company issues its Shares (including the Offered Shares) as uncertificated securities (*Wertrechte*), within the meaning of article 973c CO, and registers them as intermediated securities (*Bucheffekten*), within the meaning of the FISA. Shareholders have no right to request conversion of the form in which Shares are issued into another form. Shareholders may, however, at any time require from the Company the delivery of an attestation certifying their current shareholding. The uncertificated securities (*Wertrechte*), their number and division and the shareholders are registered in a register for uncertificated securities (*Wertrechtebuch*). This register is not public.

To the extent permitted by law, the Company, at its sole discretion and without seeking Shareholder approval, may transform shares issued in one of these forms into another such form at any time. Further, the Company may withdraw Shares registered as intermediated securities from the custodian system.

18.2.2 *Transfer of Shares*

For as long as the Shares are in uncertificated form (*Wertrechte*) and registered as intermediated securities (*Bucheffekten*), any transfer and collateralization of Shares has to be made in accordance with the FISA. The transfer of intermediated securities or the granting of security rights on intermediated securities by way of assignment is excluded.

The Company keeps a share register (*Aktienbuch*) (the "**Share Register**") in which the names and addresses of the owners and beneficiaries with their full names, place of residence, address and nationality (with registered office in the case of legal entities) are entered. Voting rights may be exercised only after a Shareholder has been registered in the Share Register as a Shareholder with voting rights. Article 7 of the Articles requires for the registration as a Shareholder with voting rights that such Shareholder expressly declares that it has acquired said registered Shares on its own behalf and for its own account, and fulfil the reporting obligations pursuant to the FISA. The Company's consent is required for a registration in the Share Register as a Shareholder with voting rights.

Pursuant to article 7(c) of the Articles, individuals who do not expressly declare in the registration application or at the request of the Company that they hold the Shares for their own account (hereafter "**Nominees**"), will be registered with a voting right in the Share Register up to a maximum of 1.5% of the outstanding share capital. Above this limit, registered Shares of Nominees may only be registered with voting rights if the relevant Nominee in the registration application or thereafter, at the request of the Company, gives notice of the names, addresses and shareholdings of those persons on whose account the respective Nominee holds 0.3% or more of the outstanding share capital in each case, and has fulfilled the reporting obligations pursuant to the FMIA. The Board of Directors is authorised to enter into agreements with Nominees concerning their disclosure requirements.

Pursuant to article 7(d) of the Articles, the limit of registration in article 7 c) of the Articles described above also applies to the subscription for, or acquisition of, registered Shares by exercising subscription, option or convertible rights arising from Shares or other securities issued by the Company.

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

Pursuant to article 7(f) of the Articles, the Company may, in special cases, approve exceptions to the aforementioned restrictions. In addition, the Company may, after hearing the persons in question, delete entries in the Share Register as a Shareholder with voting rights, if these are the result of false information or if the person in question does not provide the information requested pursuant to the above.

Until a purchaser becomes a Shareholder with voting rights as defined in article 7 of the Articles, he cannot exercise either the respective voting rights or the rights associated with them, according to article 7 (g) of the Articles. If the Company does not decline the application for registration of the purchaser as a Shareholder with voting rights within 20 days, the latter is deemed to be a Shareholder with voting rights. Purchasers who are not acknowledged are registered as Shareholders without voting rights in the Share Register. The corresponding Shares are deemed not to be represented at the respective shareholders' meeting.

18.2.3 *Voting rights*

Any person entered in the Share Register is deemed to be a Shareholder. With the exception of the regulations regarding Nominees in article 7 of the Articles (see "*Part 18 Description of Share Capital and Shares – 18.2.2 Transfer of Shares*" for further information), no statutory voting right restrictions apply regarding registered Shareholders or statutory group clauses (e.g., restrictions on voting rights for Shareholders acting in concert or similar). Subject to article 7 of the Articles, each Share carries one vote at any shareholders' meeting of the Company.

In line with the legal provisions, any Shareholder with a voting right may have their Shares represented at any Shareholders' meeting of the Company by another person or independent proxies. Such representatives are not required to be Shareholders. The statutory rules on participation in any shareholders' meeting do not differ from applicable legal provisions.

According to Swiss law, the term of office of the independent proxy is one year. It ends with the completion of the annual shareholders' meeting following their election. Re-election is possible. If the independent proxy is not able to continue to hold office, or if the board of directors lawfully suspends the independent proxy from its office, or if a company does not have an independent proxy capable of acting for other reasons, then the board of directors appoints an independent proxy for the next annual shareholders' meeting. Proxies and voting instructions that were already issued remain valid for the new independent proxy as long as a shareholder does not explicitly direct otherwise.

18.2.4 *Shareholders' meetings*

Under Swiss law corresponding to article 9 of the Articles, an Annual Shareholders' Meeting must be held within six months after the end of the Company's preceding financial year. A shareholders' meeting of the Company may be convened by the Board of Directors or, if necessary, by the Company's statutory auditors or liquidators. Extraordinary shareholders' meetings of the Company are convened whenever necessary. The Board of Directors is further required to convene a shareholders' meeting of the Company if requested in writing by one or more Shareholder(s) representing together at least 10% of the Company's share capital, stating the items of business for discussion and the motions. One or more registered Shareholders with voting rights who together represent at least 10% of the share capital of the Company registered in the Commercial Register or holding Shares with a nominal value of at least CHF 1 Million may call for the Board of Directors to put a discussion or decision item on the agenda. The request to include an agenda item must be submitted in writing to the Chairman of the Board of Directors with details and with motions at least 45 days prior to the shareholders' meeting of the Company.

According to article 9 of the Articles, the time and place of the Annual Shareholders' Meeting, which may be abroad or in Switzerland, is determined by the Board of Directors. The Annual Shareholders' Meeting is held in English, with a suitable translation service provided.

According to article 10 of the Articles, the shareholders' meetings of the Company are convened by publishing a notice of such meeting in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*). The invitation must be issued at least 20 days prior to the meeting. The notice of meeting has to include the date, time and place of the meeting as well as the items for discussion and the motions of the Board of Directors and the Shareholders who have called for a shareholders' meeting of the Company or who have asked for an agenda item to be included. The annual report and the external auditor's report must be made available for inspection at the Company's registered office no later than 20 days prior to the Annual Shareholders' Meeting. The invitation must indicate that these are available and must point out the right of Shareholders to request these documents.

Pursuant to Swiss law, the holders or representatives of all shares may, if no objection is raised, hold a shareholders' meeting without observing the formal requirements laid down for convening it. Provided that the holders or representatives of all shares are present, this meeting may validly deliberate and decide on all matters that fall within the remit of the shareholders' meeting.

The Articles do not prescribe that a particular number of Shareholders is required to be present at a shareholders' meeting of the Company in order for it to be quorate.

The shareholders' meeting of the Company is chaired by the Chairman of the Board of Directors or, should he be unable to do so, by another Director. Should no Director be present, the shareholders' meeting of the Company elects an interim chair. The chair designates the secretary for the meeting and vote counters, who do not have to be Shareholders. The Board of Directors ensures that the minutes are kept; these are to be signed by the chair and the secretary.

The shareholders' meeting of the Company makes its decisions and conducts its elections by an absolute majority of the share votes represented, subject to different binding provisions laid down by law, in particular article 704 CO and the Swiss Federal Merger Act. Pursuant to article 704 CO, a resolution of the shareholders' meeting requires at least two-thirds of the voting rights represented and an absolute majority of the nominal value of shares represented (a "**Qualified Majority**") for: (i) any amendment of a company's objects; (ii) the introduction of shares with preferential voting rights (which, under Swiss law, means the introduction of a new class of shares); (iii) any restriction on the transferability of registered shares; (iv) an authorised or contingent capital increase or the creation of reserve capital in accordance with article 12 of the Swiss Banking Act of 8 November 1934 (the "**Banking Act**"); (v) a capital increase funded by equity capital, against contributions in kind or to fund acquisitions in kind and the granting of special privileges; (vi) any restriction or cancellation of subscription rights; (vii) a relocation of the seat of a company; and (viii) the dissolution of a company. Provisions of the articles of association which stipulate that larger majorities than those prescribed by law are required in order to make certain resolutions may themselves be introduced only with the planned majority.

Shareholders may elect to be represented by proxy at shareholders' meetings of the Company by the independent voting rights representative, by their legal representative, or, by means of a written proxy, by another Shareholder with the right to vote or a proxyholder who need not be a Shareholder.

18.2.5 *Shareholders' inspection rights*

Under Swiss law, a shareholder may, upon application to a company, inspect the minutes of the shareholders' meeting. In accordance with Swiss law, a company makes its annual report, annual financial statements, compensation report and the auditor's reports available for inspection to shareholders at its registered address at least 20 days prior to each annual shareholders' meeting. Any shareholder may request a copy of these reports in advance of or after the annual shareholders' meeting. In addition, at a shareholders' meeting, a shareholder may request information from the board of directors concerning the business and operations of the company and may request information from the company's auditors concerning the performance and results of their analysis of the financial statements. The company may refuse to provide certain requested information to a shareholder if, in its opinion, the disclosure of the requested information would reveal confidential business secrets or infringe other protected interests.

Once the inspection rights described above have been exhaustively asserted, to the extent necessary to exercise his, her or its shareholder rights, each shareholder may submit to the shareholders' meeting for approval a motion to have a special auditor (*Sonderprüfer*) carry out an independent investigation (*Sonderprüfung*) of certain specific matters. If the shareholders' meeting adopts a resolution in favour of such motion, i.e., resolves to have such independent investigation carried out, the competent judge will appoint, upon any shareholder's or the Company's request, a special auditor tasked with such investigation. If the shareholders' meeting refuses the motion, one or more shareholders who represent an aggregate of at least 10% of the Company's share capital registered in the commercial register or shares in an aggregate nominal value of CHF 2 million may nevertheless request the competent judge to appoint a special auditor. Under Swiss corporate law, the judge is required to grant approval to the request if such shareholders make a prima facie case that the board of directors, members of the management or founders have violated the law or the Articles, and thereby caused damage to the Company or its shareholders.

18.2.6 *Shareholders' right to bring derivative actions*

Under the CO, an individual shareholder may bring an action in the shareholder's own name, for the benefit of a company, against a company's directors, officers or liquidators, which seek to allow a company to recover any damages it has suffered due to the intentional or negligent breach by such directors, officers or liquidators of their duties.

18.2.7 *Allocation of annual net profit*

Dividends may be paid only if a company has sufficient distributable profit from previous years or sufficient free reserves to allow the distribution of a dividend. Swiss law requires that a company retain at least 5% of its annual net profit as general reserves for so long as these reserves amount to less than 20% of its paid-in nominal share capital. See also "*Part 12 Dividend and Dividend Policy*".

The proposal of a board of directors to distribute dividends requires the approval of the shareholders' meeting. Furthermore, the company's auditors must confirm that the dividend proposal of the board of directors conforms to law and the articles of association. Dividends that have not been collected by the shareholders within five years after the due date prescribed under Swiss law are allocated to free reserves. Dividends are usually due and payable no sooner than three days after the shareholders' resolution relating to the allocation of profit has been passed.

For information about deduction of withholding taxes, see "*Part 21 Additional Disclosure – 21.11.2.1 Swiss Federal Withholding Tax*".

18.2.8 *Pre-emptive subscription rights and advance subscription rights*

Under Swiss law, any share issue, whether for cash or non-cash consideration, requires approval of the shareholders at a shareholders' meeting; even in the context of authorized share capital and conditional share capital, where the competence to issue new shares lies with the board of directors, but the authority of the board of directors to do so is also subject to prior shareholders' approval. Shareholders have certain pre-emptive subscription rights (*Bezugsrechte*) to subscribe for new issues of shares and advance subscription rights (*Vorwegzeichnungsrechte*) to subscribe for warrants, convertible bonds, or similar debt instruments with option rights in proportion to the nominal amount of shares held. A resolution adopted at a shareholders' meeting by a Qualified Majority may repeal, limit or suspend pre-emptive subscription rights in certain limited circumstances.

18.2.9 *Borrowing powers*

Neither Swiss law nor the Articles restrict the Company's power to borrow and raise funds in any way. The decision to borrow funds is made by or under direction of the Board of Directors, with no Shareholders' resolution being required.

18.2.10 *Conflicts of interest, management transactions*

There is no explicit general provision governing conflicts of interests in the CO. However, the CO requires directors and senior management of a company to safeguard the interests of such company and, in this connection, imposes a duty of loyalty and duty of care on the company's directors and officers. This rule is generally understood to disqualify directors and senior officers of a company from participating in decisions that directly affect them. A company's directors and officers are personally liable to the company for a breach of this rule.

According to the CO, directors and all persons engaged in the management of a company are liable to the company, each shareholder and the company's creditors for losses caused by an intentional or negligent breach of their duties. Furthermore, the CO contains a provision under which payments made to any shareholders or directors of a company or any person associated with any such shareholder or director, other than payments made at arm's length, must be repaid to the Company if such shareholder or director was acting in bad faith. In addition, if, in connection with the entering by the company into a contract (except relating to daily business matters of up to CHF 1,000), a company is represented by the person with whom it is entering into the contract, such contract is required to be in writing.

For information on the Swiss law rules governing compensation of the members of the Board of Directors and of the Executive Committee, including the disclosure of such compensation, see "*Part 9 Management Bodies and Corporate Governance – 9.3 Compensation of the Board of Directors and Executive Committee*" information on the reporting of transactions in equity securities by members of the Board and of the Executive Committee and, in some cases, their related parties, see "*Part 16 Information on the SIX Swiss Exchange – 16.6* Directive on the Disclosure of Management Transactions". Furthermore, the DCG also addresses conflict of interests issues, see "*Part 16 Information on the SIX Swiss Exchange – 16.5 The DCG and the Swiss Code*".

18.2.11 *Repurchase of own Shares*

Swiss law limits the right of the Company to purchase and hold its own shares in treasury. The Company or its subsidiaries may purchase Shares only if and to the extent that (a) the Company has freely distributable reserves in the amount of the purchase price, and (b) the aggregate nominal value of all Shares held by the Company does not exceed 10% of the Company's share capital (20% under certain specific circumstances). Furthermore, the Company must present the acquired Shares on its stand-alone "statutory" balance sheet as a negative item in its equity.

Shares held by the Company or its subsidiaries do not carry any voting rights but are entitled to the economic benefits, including dividends, pre-emptive rights in the case of share capital increases and advance subscription rights (*Vorwegzeichnungsrechte*), each attached to the Shares generally.

Selective share repurchases are only permitted under certain circumstances. In particular, publicly announced repurchases of listed shares are subject to certain restrictions promulgated by the Swiss Takeover Board (*Übernahmekommission*) (the regulatory body for takeover bids in Switzerland) under the FMIA, and the implementing ordinances enacted thereunder. Within these limitations, as is customary for Swiss companies, the Company may purchase and sell its own Shares from time to time in order to meet imbalances of supply and demand, to provide liquidity, and to even out variances in the market price of the shares.

18.2.12 *Ordinary capital increase, authorised and conditional share capital*

Under Swiss law, the share capital of a company may be increased in consideration for contributions in cash by a resolution passed at a shareholders' meeting by an absolute majority of the votes represented at the meeting. An increase in share capital in consideration for contributions in-kind or involving the exclusion of the pre-emptive subscription rights of the shareholders or the conversion of reserves into share capital requires an affirmative resolution passed by a Qualified Majority. Furthermore, under the CO, the shareholders of a company may empower its board of directors, by passing a resolution in the manner described in the preceding sentence, to issue shares of a specific aggregate nominal amount, in each case of up to a maximum of 50% of the existing share capital, in the form of:

(a) conditional share capital (*bedingtes Kapital*) for the purpose of issuing shares, *inter alia*, (i) to grant conversion rights or warrants to holders of convertible bonds, or (ii) to grant rights to employees of a company or affiliated companies to subscribe for new shares; or

(b) authorised share capital (*genehmigtes Kapital*) to be utilised by the board of directors within a period not exceeding two years from the approval given in the shareholders' meeting.

18.2.13 *Ownership of Shares by non-Swiss persons*

Subject to government sanctions (see "*18.3 Foreign investment and exchange control regulations in Switzerland*"), there is no limitation under Swiss law or the Articles on the right of non-Swiss residents or nationals to own Shares or to exercise voting rights attached to the Shares applicable to stock corporations of the type of and conducting a business as the Company.

18.2.14 *Duration and liquidation*

The Articles do not limit the Company's duration. Under Swiss law, a company may be dissolved at any time by way of liquidation, or in the case of a merger in accordance with the Swiss Federal Merger Act, based on a resolution of a shareholders' meeting, which must be passed by a Qualified Majority. Dissolution and liquidation by court order is possible if, among other things, (a) a company becomes bankrupt or (b) shareholders holding at least 10% of a company's share capital so request for important reasons. Under Swiss law, any surplus arising out of a liquidation (after the settlement of all claims of all creditors) is distributed in proportion to the paid-up nominal value of shares held. This surplus is subject to Swiss federal withholding tax, except if paid out of reserves from capital contributions (*Reserven aus Kapitaleinlagen*), see "*Part 21 Additional Disclosure – 21.11.2.1 Swiss Federal Withholding Tax*".

18.2.15 *Disclosure of Principal Shareholders*

Under the applicable provisions of FMIA and its implementing ordinances, persons who directly, indirectly or in concert with other parties acquire or dispose of shares or purchase or sale rights relating to shares, and thereby, directly, indirectly or in concert with other parties reach, exceed or fall below a threshold of 3%, 5%, 10%, 15%, 20%, 25%, $33^1/_3$%, 50% or $66^2/_3$% of the Company's voting rights (whether exercisable or not) must notify the Company and SIX Swiss Exchange of such acquisition or disposal in writing within four trading days, regardless of whether the voting rights can be exercised. This also applies to anyone who has discretionary power to exercise the voting rights associated with the relevant shares. Within two trading days after the receipt of such notification, the Company must publish such information through SIX Swiss Exchange's electronic reporting and publishing platform. For purposes of calculating whether a threshold has been reached or crossed, shares, delegated voting rights and acquisition rights or obligations ("**Purchase Positions**") on the one hand and sale rights or obligations ("**Sale Positions**") on the other hand may not be netted. Rather, the Purchase Positions and the Sale Positions must be accounted for separately and may each trigger disclosure obligations if the respective positions reach one of the thresholds. In addition, actual share ownership and delegated voting rights must be reported separately from other Purchase Positions if it reaches one of the thresholds.

Furthermore, under the CO, the Company must disclose the identity of Shareholders and Shareholder groups acting in concert who hold more than 5% of the Company's voting rights in the notes to the financial statements as published in the Company's annual report.

For a list of existing Principal Shareholders, see "*Part 19 Principal Shareholders*".

18.2.16 ***Mandatory bid rules***

Pursuant to the applicable provisions of the FMIA, if a person acquires shares of a Swiss company whose shares are listed at least in part on a Swiss exchange or a foreign company with a primary listing of its shares at least in part on a Swiss exchange, whether directly or indirectly or acting in concert with third parties, which, when taken together with any other shares already held by such person, exceed the threshold of $33^1/_3$% of the voting rights (whether exercisable or not) of such company, that person must make a takeover bid to acquire all of the other listed shares of such company. A company's articles of association may either waive this requirement of the FMIA or may raise the relevant threshold to 49% ("opting-out" or "opting-up" respectively).

The Articles do not provide for an "opting-out" or "opting-up".

A waiver of the mandatory rules may be granted by the Swiss Takeover Board (*Übernahmekommission*) or the Swiss Financial Market Supervisory Authority (*Eidgenössische Finanzmarktaufsicht*) (the "**FINMA**") under certain circumstances. If no waiver is granted, the mandatory takeover bid must be made pursuant to the procedural rules set forth in the FMIA and the implementing ordinances thereunder.

There is no obligation to make a takeover bid under the FMIA if the voting rights in question are acquired as a result of a donation, succession or partition of an estate, a transfer based on matrimonial property law or execution proceedings. However, such acquisitions have to be notified to the Swiss Takeover Board (*Übernahmekommission*).

18.2.17 ***Public Takeover Bids***

There have been no public takeover bids by third parties in respect of the share capital of the Company as at the date of this Prospectus.

18.2.18 ***Cancellation of remaining equity securities***

Under FMIA, any offeror who has made a tender offer for the shares of a listed Swiss target company, and who, as a result of such offer, holds more than 98% of the voting rights of the target company, may petition the court to cancel the remaining equity securities. The petition must be filed against the target company within three months after the expiration of the offer period. The remaining shareholders may join in the proceedings. If the court orders cancellation of the remaining equity securities, the target company will reissue the equity securities and deliver such securities to the offeror against performance of this offer for the benefit of the holders of the cancelled equity securities.

18.2.19 ***Squeeze-out merger***

The Swiss Federal Merger Act allows a squeeze-out of minority shareholders by way of a squeeze-out merger. To the extent that at least 90% of the shareholders of the target company who are entitled to vote give their consent, the target company may be merged into the surviving company and the minority shareholders of the target company may be compensated in cash or other consideration (e.g., securities from another company) instead of receiving shares in the surviving company. However, it is unclear and disputed whether the 90% approval relates to the total number of votes represented by all shares of the target company outstanding, or the total number of shareholders of the target company entitled to vote.

18.3 Foreign investment and exchange control regulations in Switzerland

Other than in connection with government sanctions imposed on certain persons from the Republic of Iraq, the Islamic Republic of Iran, Lebanon, Yemen, Libya, Sudan, the Republic of South Sudan, Burundi, the Democratic Republic of Congo, Somalia, Guinea-Bissau, Eritrea, Syria, Myanmar (Burma), Zimbabwe, Belarus, Guinea, the Democratic People's Republic of Korea (North Korea), the Central African Republic, the Republic of Mali and Venezuela, persons and organisations with connections to Usama bin Laden, the "Al-Qaïda" group or the Taliban, certain persons in connection with the assassination of Rafik Hariri, and certain measures in connection with the prevention of circumvention of international sanctions in connection with the situation in Ukraine, there are currently no government laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on the payment of dividends, interest or liquidation proceeds, if any, to non-resident holders of the Shares.

18.4 Compensation Ordinance

The Compensation Ordinance came into effect on 1 January 2014 and implements a constitutional amendment based on a popular initiative regarding executive compensation that was approved by the Swiss electorate in

2013. The Compensation Ordinance applies to the Company. Set out below is a summary of some of the Compensation Ordinance's key provisions.

18.4.1 *Severance pay, advance payments and transaction bonuses*

The Compensation Ordinance proscribes certain types of compensation arrangements with members of a Swiss public company's board of directors, executive management and advisory board, including severance payments, forms of advance compensation, transaction bonuses and certain other types of compensation and benefits not expressly provided for by a company's articles of association.

The Compensation Ordinance broadly prohibits severance payments in any form. In addition, excessive termination notice periods in employment contracts (i.e., longer than one year) and long-term employment contracts for a fixed duration for more than one year are viewed as types of prohibited severance payments. However, post-employment non-compete covenants and consultancy agreements are not subject to the Compensation Ordinance's severance pay prohibition, unless as a result of their terms they are deemed disguised severance payments (see "*Part 9 Management Bodies and Corporate Governance—9.9 Agreements related to compensation for Directors and members of the Executive Committee*" for further information).

The Compensation Ordinance also restricts certain forms of advance compensation. The decisive element in distinguishing prohibited advance payments from certain types of other advance payments, such as sign-on bonuses, is the point in time at which such payment is made. Consequently, sign-on bonuses compensating benefits and other entitlements that executives forfeit from their previous employers continue to be permissible whereas genuine prepayments of salary (i.e., if the contractual salary is paid in advance) are not permitted.

The Compensation Ordinance also prohibits certain types of transaction bonuses.

18.4.2 *Shareholder approval of compensation for Board of Directors, Executive Committee and Advisory Board*

The Compensation Ordinance requires the shareholders' meeting of Swiss public companies to vote on the compensation of the board of directors, executive management and advisory board (if any). Swiss public companies are required to specify in their articles of association the mechanism for say-on-pay votes, subject to certain minimum requirements. These minimum requirements provide that the say-on-pay vote must be (i) held annually, (ii) binding and (iii) separate for the members of the board of directors, members of executive management and advisory board (if any).

18.4.3 *Compensation report*

The Compensation Ordinance requires a company's board of directors to prepare an annual written compensation report. In substance, the compensation report must include the information that the CO already requires to be disclosed in the notes to a company's annual statutory balance sheet. The disclosure relates to any compensation, loans and credits directly or indirectly awarded by the company during the most recently ended financial year to members of the board of directors, executive management and advisory board (if any) and, to the extent not in line with market standards, to former members of the board of directors, executive management and advisory board and related parties of such current and former members of the board of directors, executive management and advisory board. The compensation report must also include the compensation and the loans and credits paid to members of the board of directors and the advisory board disclosed on an aggregate and individual basis, whereas compensation and loans and credits paid to members of the executive management must only be disclosed on an aggregate basis, together with the name of the executive management member who received the highest compensation and the amount thereof.

18.4.4 *Articles of Association*

Pursuant to the Compensation Ordinance, Swiss public companies are required to include in their articles of association provisions regarding (i) the maximum number of permissible activities that the members of the board of directors, executive management and advisory board may carry out in the supreme governing bodies of other companies that are neither controlled by the company nor control the company, (ii) the maximum duration of and/or the notice period under compensation arrangements with members of the board of directors, executive management and advisory board (which should not, in either case, exceed one year), (iii) the duties and responsibilities of a company's remuneration committees and (iv) the particulars of the say-on-pay vote of the annual shareholders' meeting.

18.4.5 *Election of the members of the Board of Directors, the Chairman of the Board of Directors, the members of the Remuneration Committee and the independent proxy*

The Compensation Ordinance requires that the members of the board of directors, its Chairman, the members of the remuneration committee (who may only be selected among the members of the board of directors) and one or several independent proxies be elected by a company's shareholders at the shareholders' meeting on an individual basis for a term ending at the next annual shareholders' meeting. Re-election in all instances is permitted.

18.4.6 *Independent proxy*

The Compensation Ordinance prohibits the representation of shareholders by corporate proxies (i.e., officers or other company representatives) as well as by proxies of deposited shares. The provisions of the Compensation Ordinance further provide that the board of directors must ensure that the shareholders are able to electronically grant proxies and instruct the independent proxy on both (i) agenda items included in the invitation to the shareholders' meeting and (ii) new motions which were not disclosed in the invitation to the shareholders' meeting. The independent proxy is required to exercise the voting rights granted by shareholders only in accordance with shareholder instructions. Further, absent express voting instructions, the independent proxy is required to abstain from voting.

At the Annual Shareholders' Meeting held on 1 November 2018, Mr. Patrick O'Neill, attorney-at-law, LANTER attorneys & tax advisors, Zurich, was elected as the independent proxy of the Company.

18.5 Criminal provisions

The criminal provisions of the Compensation Ordinance penalise intentional non-compliance by any member of the board of directors, executive management and advisory board who acted against his or her "better knowledge" (*wider besseres Wissen*) and pays out or receives impermissible forms of compensation. The Compensation Ordinance also stipulates criminal liability for certain prohibited actions by a Swiss public company's board of directors. Intentional violations of the Compensation Ordinance can result in imprisonment of up to three years and a fine of up to six times the individual offender's annual salary.

PART 19.
Principal Shareholders

The table below sets out the Shareholders holding more than 3% of the share capital of the Company as recorded in the Commercial Register as of the date of this Prospectus. The information is based on the information provided by the respective Shareholders to SIX Swiss Exchange in accordance with article 120 FMIA.

The positions held by the Underwriters pursuant to the Underwriting Agreement are described in detail in "*Part 15 Details of the Offer –15.13 Underwriting*".

Beneficial owner / persons that can exercise the voting rights at their own discretion	Place of residence / registered office	Notified Interest at the date of this Prospectus Shares held / corresponding % of voting rights(1)
Norges Bank (the Central Bank of Norway)	Oslo, 0151, Norway	2,847,500/ 3.06%(2)
Financière de l'Echiquier SA	53 avenue d'Iéna, 75116/Paris, France	4,636,210/ 4.989%
Francisco Garcia Parames/Maria Angeles Lopez(3)	Madrid, Spain	9,309,685/ 10.02%(4)
Black Creek Investment Management Inc.	123 Front Street, Suite 1200, Toronto, Ontario, M5J 2M2, Canada	4,618,473/ 4.97%(5)
CI Financial Corp.(6)	2 Queen Street East, 20th Floor, Toronto, Ontario M5C 3G7, Canada	4,615,723/ 5.03%
Causeway Capital Management LLC	Los Angeles, CA 90025, United States	6,881,741/ 7.5%(7)
Oppenheimer International Growth Fund	Two World Financial Center, 225 Liberty Street, New York, NY 10080, United States	2,773,679/ 3.021%
ARYZTA AG(8)	Talacker 41, 8001 Zurich, Switzerland	3,772,859/ 4.31%(9)
Total		**39,455,870 / ~43%**

(1) Based on the share capital of the Company registered in the Commercial Register as of the date of this Prospectus.

(2) 0.66% of the voting rights thereof are held due to securities lending and comparable transactions.

(3) Per disclosure notifications on SIX Swiss Exchange, the Shares are legally held by Cobas Asset Management, SGIIC, S.A, Calle Jose Abascal 45, Planta 3, Madrid, 28003, Spain ("**Cobas**"). As at the date of this Prospectus, Cobas has registered in the Share Register voting rights representing a shareholding of 14.5% in the Company.

(4) 1.67% of the voting rights thereof have been delegated to the beneficial owner/person referred to in the table above by a third party and can be exercised at such beneficial owner's/person's discretion.

(5) 4.7% of the voting rights thereof have been delegated to the beneficial owner/person referred to in the table above by a third party and can be exercised at such beneficial owner's/person's discretion.

(6) Per disclosure notifications on SIX Swiss Exchange, the Shares are legally held by Black Creek Global Leaders Fund, Black Creek Global Balanced Fund, Black Creek International Equity Fund, Select International Equity Managed Fund, International Equity Alpha Corporate Class, Select International Equity Managed Corporate Class and Black Creek Global Balanced Corporate Class.

(7) 7.5% of the voting rights thereof have been delegated to the beneficial owner/person referred to in the table above by a third party and can be exercised at such beneficial owner's/person's discretion.

(8) Per disclosure notifications on SIX Swiss Exchange, the Shares are legally held by ARY LTIP Trustee, 151 Thomas Street, Dublin 8, Ireland.

(9) Under Swiss law, the voting rights in treasury shares are suspended.

Subject to the limitations set forth by article 7 of the Articles, each Share carries one vote, and there are no differences in voting rights between the Shares. For further information, see "*Part 18 Description of Share Capital and Shares – 18.2.2 Transfer of Shares*".

See "*Part 15 Details of the Offer – 15.16 Lock-up Undertaking*" for a description of the lock-up undertaking of the Company as well as the Directors and the members of the Executive Committee.

For the disclosure of the underwriting commitment of the Underwriters, see "*Part 15 Details of the Offer – 15.13 Underwriting*".

The Underwriters have fully underwritten the Offering, subject to certain conditions. One of these conditions is that the Underwriters will receive—other than the Underwriter Exemption—an exemption from the Swiss Takeover Board (*Übernahmekommission*) from the obligation to make a mandatory takeover offer for the Shares if the aggregate of (a) the number of Shares for which Rights have not been validly exercised, plus (b) the Underwriter Shares plus (c) the number of Offered Shares that would be allocated to the Underwriters assuming that all Rights for the Underwriter Shares are exercised, is equal to or exceeds, after having added a cushion of five percent of the Hypothetical Share Capital, 33 1/3 % of the share capital of the Company that were to be registered in the Commercial Register in case the Offering were to be consummated. The Underwriters could acquire up to 90.6% of the Company's share capital. This represents more than 50% of the share capital of the Company and could trigger a change of control. If more than 33 1/3% of the Company's share capital is acquired by the Underwriters, the Underwriters would have de facto control of the Company (depending on the level of attendance of other Shareholders at shareholders' meetings of the Company), but would not have to make a mandatory offer for the remaining outstanding Shares. This represents a potential conflict of interest with the interests of the existing Shareholders or other investors that might acquire Shares. Other than the Underwriters who have fully underwritten the Offering and who may jointly exercise control over any Offered Shares they retain, the Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company as at, or immediately following, Admission.

With exception of the Underwriting arrangements described in the preceding paragraph, the Company is not aware of any arrangements which may, at a subsequent date, result in a change of control of the Company.

PART 20.
General Information

20.1 Name, registered office, incorporation, duration

ARYZTA AG is a stock corporation (*Aktiengesellschaft*) organised under Swiss law in accordance with articles 620 et seqq. of the CO and is registered under the registration number CHE-114.160.610. The Company was founded under the name of ANPHI Holding AG on 28 March 2008, registered in the Commercial Register on 4 April 2008. The Company changed its name to ARYZTA AG as of 9 June 2008. The Company has its registered office and corporate legal headquarters at Talacker 41, 8001 Zurich, Switzerland. At the 2018 Annual Shareholders' Meeting, the Shareholders decided to change the Company's registered address to Ifangstrasse 9, 8952 Schlieren-Zurich, Switzerland, which will be effective with the registration in the Commercial Register. Neither the Articles nor the operation of law limit the duration of the Company. The Articles in effect at the date of this Prospectus are dated 1 November 2018.

20.2 Purpose of the Company

The principal purpose of the Company is set out in article 2 of the Articles as follows:

"The purpose of the Company is the acquisition, ongoing management, and sale of equity holdings in domestic and international foreign businesses of all kinds.

The Company may establish branches and subsidiaries in Switzerland and abroad and acquire, hold and sell real property.

The Company may perform all commercial, financial and other activities, which are associated with the corporate object of the Company. In particular, the company may grant loans, guarantees and other types of financing and security to affiliated and associated companies, and accept and invest funds in the money market and capital markets."

20.3 Financial year

The Company's financial year ends on 31 July of each calendar year.

20.4 Auditor

Since the 2010 financial year, the Company's statutory auditors have been PricewaterhouseCoopers AG, Birchstrasse 160, 8050 Zurich, Switzerland. The term of office for the Company's statutory auditors is one year. Mr. Patrick Balkanyi held the position of lead auditor from the financial years 2010 to 2016. Mrs. Sandra Boehm has held the position of lead auditor since the financial year 2017. There is no requirement to rotate the auditing firm. PricewaterhouseCoopers AG is a member of the EXPERTsuisse — Swiss Expert Association for Audit, Tax and Fiduciary.

20.5 Independent proxy

At the Company's Annual Shareholders' Meeting held on 1 November 2018, Mr. Patrick O'Neill, LANTER Attorneys & Tax Advisors, Seefeldstrasse 19, 8032 Zurich, Switzerland, was elected as the independent proxy for the term of office of one year, until the completion of the next Annual Shareholders' Meeting.

20.6 Information policy and weblinks

The Company informs its Shareholders and the public each year by means of the annual and half-year reports, together with press releases, presentations and brochures, as needed. These documents are available to the public in electronic form on the Company's website at https://www.aryzta.com/investor-centre/ and the annual report is available in printed form. Shareholders' meetings of the Company are summoned at least 20 days before the date of the meeting by notice published in the Swiss Office Gazette of Commerce.

Listed below are certain important Company weblinks:

The Company's website:	https://www.aryzta.com/
E-mail distribution list (push system):	https://www.aryzta.com/email-registration/
Financial reports:	https://www.aryzta.com/investor-centre/results-and-reports/
Ad-hoc messages (pull system):	https://www.aryzta.com/investor-centre/
Corporate calendar:	https://www.aryzta.com/investor-centre/
Corporate Governance	https://www.aryzta.com/about-aryzta/corporate-governance/

20.7 Secondary Listing on the Main Market of the Irish Stock Exchange

As the Company is primary listed on SIX Swiss Exchange and secondary listed on the Main Securities Market of the Irish Stock Exchange, the Company is required to comply with the SIX Listing Rules, the Irish Listing Rules to the extent they apply to an issuer with a secondary listing, as well as certain EU law requirements applicable to an issuer with securities listed on a regulated market.

20.8 Listing Agent

UBS Investment Bank, acting as recognised representative according to article 43 of the SIX Listing Rules, has filed on behalf of the Company the application for the listing of the Offered Shares in accordance with the International Reporting Standard SIX Swiss Exchange as well as the application for the admission to trading of the Rights.

20.9 Irish Sponsor

Application will be made to the Irish Stock Exchange by Goodbody, acting as Irish Sponsor to the Company, in respect of the admission of all of the Offered Shares to listing on the official list of the Irish Stock Exchange for all of the Offered Shares to be admitted to trading on its regulated market for listed securities.

20.10 Paying Agent

As long as the Shares are listed on SIX, the Company will maintain a principal paying agent (*Hauptzahlstelle*) in Switzerland. The principal paying agent for the Shares in Switzerland is UBS AG.

20.11 Notices

According to the Articles, notices to Shareholders are validly made by publication in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*).

The Company will comply with its obligation to publish a supplementary prospectus containing further updated information if so required by law or by any regulatory authority but assumes no further obligation to publish additional information. Any notices containing or announcing amendments or changes to the terms of the Offering or this Prospectus are announced through the electronic media (including via a regulatory information service). Notices required under the SIX Listing Rules will be published in electronic form on the website of SIX Swiss Exchange (currently: https://www.six-exchange-regulation.com/en/home/publications/official-notices.html) in the form of an official notice.

20.12 Documents available for inspection

This Prospectus and the Articles are available for inspection during regular business hours at the Company's business seat in Zurich.

20.13 Applicable law/jurisdiction

Swiss law; Zurich, Switzerland.

PART 21.
Additional Disclosure

21.1 Incorporation and share capital

Please refer to "*Part 18 Description of Share Capital and Shares*" above.

21.2 Articles

The Articles include provisions to the following effect:

21.2.1 ***Share rights***

See "*Part 18 Description of Share Capital and Shares – 18.2 Description of Shares*" generally. Under Swiss law (the CO), rights in or to a share comprise (i) the property right in the share itself, (ii) participation rights (including e.g., the right to vote), and (iii) financial rights, consisting of the right to dividend distribution and a portion of liquidation proceeds proportional to the shares par value.

21.2.2 ***Voting rights***

See "*Part 18 Description of Share Capital and Shares – 18.2.3 Voting rights*" generally. Any person entered in the Share Register is deemed to be a Shareholder. With the exception of the regulations regarding Nominees in article 7 of the Articles (see "*Part 18 Description of Share Capital and Shares – 18.2.2 Transfer of Shares*" for further information), no statutory voting right restrictions apply regarding registered Shareholders or statutory group clauses (e.g., restrictions on voting rights for shareholders acting in concert or similar).

According to article 14 of the Articles, subject to the restrictions laid down in article 7 of the Articles, each Share carries one vote at the shareholders' meetings of the Company. The shareholders exercise their voting rights at the shareholders' meetings of the Company.

21.2.3 ***Dividend Rights, dividends and other distributions***

The Offered Shares are entitled to dividends for the period beginning 1 August 2018.

For more information on dividends, see "*Part 12 Dividend and Dividend Policy*" generally.

21.2.4 ***Variation of rights***

See "*Part 18 Description of Share Capital and Shares – 18.2.2 Transfer of Shares*" generally.

21.2.5 ***Transfer of shares***

See "*Part 18 Description of Share Capital and Shares – 18.2.2 Transfer of Shares*" generally.

21.2.6 ***Alteration of share capital***

See "*Part 18 Description of Share Capital and Shares*" generally. Under Swiss law, a company may reduce its share capital without simultaneously replacing the decrease with new, fully paid-up capital if the shareholders' meeting passes a resolution to amend the articles of association by absolute majority. The resolution may be adopted only if it has been ascertained by means of a special audit report that the claims of the company's creditors are fully covered despite the reduction of the share capital. The audit report must be prepared by a licenced audit expert, who must be present at the shareholders' meeting which adopts the resolution. Any book profit arising from the capital reduction must be used solely for write-downs.

The Articles do not further restrict the Company's ability to increase or reduce its share capital.

21.2.7 ***Repurchase of own shares***

See "*Part 18 Description of Share Capital and Shares – 18.2.11 Repurchase of own Shares*".

21.2.8 ***Shareholders' Meeting***

The supreme governing body of a stock corporation is the shareholders' meeting. For further information regarding Swiss law requirements and the content of the Articles, see "*Part 18 Description of Share Capital and Shares*" generally.

21.2.9 ***Directors***

See "*Part 9 Management Bodies and Corporate Governance – 9.1 The Board of Directors*" generally.

21.2.9.1 Appointment of Directors

Under Swiss law, the board of directors comprises one or more members. The annual shareholders' meeting has the inalienable power to elected its members. According to article 16 of the Articles, the Board of Directors of the Company must consist of at least six, but no more than 15 members.

21.2.9.2 No share qualification

A Director is neither by Swiss law nor by the Articles required to hold any shares in the capital of the Company by way of qualification.

21.2.9.3 Term of office

The CO provides that members of the board of directors are elected for a three-year term unless the articles of association provide otherwise. A term must not exceed six years. Re-election is possible. However, in accordance with the Compensation Ordinance, article 16 of the Articles provides that the term of office of the Directors and the Chairman is one year. It ends with completion of the Annual Shareholders' Meeting following their election. As provided for by Swiss law, re-election is possible. There is no limitation on the number of terms that can be served.

21.2.9.4 Remuneration of Directors and the Executive Committee

The Company is subject to the DCG and the Compensation Ordinance as described in "*Part 9 Management Bodies and Corporate Governance – 9.3 Compensation of the Board of Directors and Executive Committee*".

Article 21 of the Articles stipulates the remuneration principles of the Company. The overall policy is designed to attract and retain employees to deliver the Company's strategic plans and sustainable business performance. The Board of Directors or the Remuneration Committee determines the appropriate remuneration levels for the Board of Directors and the Executive Committee, taking into account position, level of responsibility, the achievement of business and individual performance measures and other factors as deemed appropriate. The total remuneration of the Board of Directors consists of an annual base fee and an additional fee for individual assignments to Committees of the Board of Directors. The Board of Directors may at the request of the Remuneration Committee determine that the remuneration of all or individual Directors be paid in part or in full in the form of shares that are either freely tradable or blocked for trading for a specific period. Such shares are valued at their fair value at the date of grant as determined by the Remuneration Committee. The Remuneration Committee has decided that, from February 2019, the Non-Executive Directors will be paid 40% of their fees in Shares rather than cash.

See "*Part 9 Management Bodies and Corporate Governance*" generally for more information and details on remuneration.

21.2.9.5 Permitted interests of Directors and Executive Committee

While there is no explicit general provision prohibiting or permitting interests of the Directors and members of the Executive Committee, the CO nonetheless requires the Directors to safeguard the interests of the company. For more information regarding this duty, see "*Part 18 Description of Share Capital and Shares – 18.2.10 Conflicts of interest, management transactions*".

According to article 25 of the Articles subject to the provisions of the CO, the Directors may hold no more than the following number of additional mandates in the supreme executive bodies of companies and organisations outside of the Company:

(a) up to three mandates in listed companies;

(b) up to three mandates in non-listed companies;

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

The members of the Executive Committee, subject to the approval by the Chairman of the Board of Directors, may hold no more than the following number of additional mandates in the supreme executive bodies of companies and organisations outside of the Company:

(a) up to one mandate in a listed company;

(b) up to two mandates in non-listed companies;

(c) up to four mandates upon instruction of the Company in companies that are not directly or indirectly controlled by the Company (such as in pension funds and joint-ventures); and

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

Several mandates held in different companies of the same group count as one mandate. Mandates within companies under the direct or indirect control of the Company (subsidiaries) or which are not required to be registered in the Swiss Commercial Register or a similar foreign register are not limited by number.

21.2.9.6 Restrictions on voting

In accordance with Swiss law, the Company's Organisational Regulations provide that Directors have to abstain from dealing or exercising their voting rights (if applicable) in matters involving their personal interests or the interests of individuals or entities related to them (excluding their interest as Shareholder of the Company); see "*Part 18 Description of Share Capital and Shares – 18.2.10 Conflicts of interest, management transactions*". The Organisational Regulations of the Company stipulate that each Director and member of the Executive Committee is responsible for organising his private and business relationships in view to avoid conflicts of interests with the Company or the Group, and that a Director or a member of the Executive Committee who is in a permanent conflict of interest no longer fulfils his function and shall resign. For purposes of the Company's Organisational Regulations, a conflicting interest means any special interest which a Director or a member of the Executive Committee has (excluding their interest as Shareholders), which conflicts with or could potentially conflict with the interests of the Company or the Group, with respect to a transaction or matter due to the fact he or a related person has a financial or non-financial interest in, or is otherwise closely linked to, the transaction or matter. In such context, a related person of a of Director means (i) the spouse (or a parent or sibling thereof) of the Director or the member of the Executive Committee, or a child, grandchild, sibling, parent (or spouse of any thereof) of the Director or the member of the Executive Committee, or an individual having the same home as the Director or the member of the Executive Committee, or trust or estate of which an individual as specified above is a substantial beneficiary; (ii) a trust, estate, incompetent or minor of which the Director or the member of the Executive Committee is a trustee, administrator or guardian; or (iii) one of the following persons or entities: (A) an entity of which the Director or the member of the Executive Committee is a director, general partner, agent, major shareholder, consultant or employee; (B) a person or entity that controls one or more of the entities specified in subclause (A) or an entity that is controlled by, or is under common control with, one or more of the entities specified in subclause (A); or (C) an individual who is a general partner, principal or employer of the Director or the member of the Executive Committee.

Furthermore, a Director or a member of the Executive Committee discloses all board memberships he holds, as well as any other interests, mandates, functions or activities which could lead to a conflict of interest with the Group. Directors as well as members of the Executive Committee disclose such interests on a continuing basis to the Company Secretary who conveys them to the Chairman or another Director appointed by the Board of Directors, if the Chairman is making such disclosure. If the Directors determine a potential conflict of interests, the Chairman (or another Director appointed by the Board of Directors, in case of a potential conflict of interests by the Chairman) may conduct supplemental investigations, request from the person concerned the relevant facts and circumstances, and issues a recommendation to the Board of Directors. The Board of Directors treats this recommendation at the latest at its next meeting. In connection with the corporate governance report to be published with the annual report of the Company, the Company Secretary additionally circulates at the beginning of each financial year a questionnaire to all Directors and members of the Executive Committee with respect to such interests, mandates or activities.

21.2.9.7 Indemnity of member of Board of Directors and Executive Committee

Article 21(g) of the Articles provides, to the extent permitted by law, the Company may indemnify Directors and members of the Executive Committee for any disadvantages suffered in connection with proceedings, suits or settlements relating to their activity for the Company, may advance the respective amounts and may enter into respective insurance.

21.3 Directors' and Executive Committee members' interests

The interests in the share capital of the Company of the Directors and Executive Committee members (all of whom, unless otherwise stated, are beneficial and include interests of persons connected with a Director or

Executive Committee member) as at 31 July 2017 and on the date of this Prospectus were, immediately prior to Admission will be, and immediately following Admission are expected to be:

	Beneficial Interest			
Director	**2018 After Admission (expected number of Shares held)**	**2018 Before Admission (number of Shares held)**	**At the date of this Prospectus (number of Shares held)**	**At 31 July 2017 (number of Shares held)**
Director				
Gary McGann[(1)]	161,700	14,700	14,700	5,650
Charles Adair[(3)]	55,682	5,062	5,062	5,000
Dan Flinter	13,365	1,215	1,215	1,200
Annette Flynn	11,132	1,012	1,012	1,000
James B. (Jim) Leighton[(2)]	-	-	-	N/A
Andrew Morgan	-	-	-	-
Kevin Toland[(2)]	97,240	8,840	8,840	N/A
Rolf Watter[(1)]	78,507	7,137	7,137	7,050
Wolfgang Werlé[(2)]	N/A	N/A	N/A	2,336
Michael Andres[(3)]	-	-	-	N/A
Gregory Flack[(3)]	-	-	-	N/A
Tim Lodge[(3)]	-	-	-	N/A
Executive Committee				
Claudio Gekker	-	-	-	N/A
John Heffernan	14,014	1,274	1,274	N/A
Dave Johnson	-	-	-	N/A
Pat Morrissey[(4)]	N/A	N/A	N/A	131,922
Dermot Murphy[(4)]	N/A	N/A	N/A	35,000
Tony Murphy	-	-	-	N/A
Robert O'Boyle	111,397	10,127	10,127	10,000
Frederic Pflanz	-	-	-	N/A
Gregory Sklikas	-	-	-	N/A
Rhona O' Brien	-	-	-	N/A
Total	**543,037**	**49,367**	**49,367**	**199,158**

(1) Gary McGann and Rolf Watter were elected to the Board of Directors on 13 December 2016.

(2) Effective 7 December 2017, Wolfgang Werlé retired from the Board of Directors and James B. (Jim) Leighton and Kevin Toland were elected to the Board of Directors.

(3) Effective 1 November 2018, Charles Adair retired from the Board of Directors and M. Andres, Gregory Flack and Tim Lodge were elected to the Board of Directors.

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

There are no outstanding, unvested options in the share capital of the Company. As at the date of this Prospectus, save for Robert O'Boyle, who holds 22,500 vested but unexercised options at CHF 39.95, no Director or member of the Executive Committee held any options in respect of any Shares.

The Remuneration Committee has decided that, from February 2019, the Non-Executive Directors will be paid 40% of their fees in Shares rather than cash.

21.3.1 *Other Director and Executive Committee member interests*

No Director or Executive Committee member has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors or Executive Committee members.

There are no family relationships between any of the Directors or the Executive Committee of the Company.

With the exception of Dan Flinter, who is a member of the board of directors of Dairygold Co-Operative Society Limited (which is a Shareholder of the Company as well as one of the Group's suppliers), and Annette Flynn, who is a member of the board of directors of Dairygold Co-Operative Society Limited and Dairygold Finance DAC (which is a Shareholder of the Company), there are no Directors or members of the Executive Committee who have any actual or potential conflicts of interest between any duties they have to the Company and the private interests and/or other duties they may also have.

Save as disclosed in this section "*21.3 Directors' and Executive Committee members' interests*", which sets out the interests of the Directors and the members of the Executive Committee in the share capital of the Company, and except for James B. (Jim) Leighton who has been retained to provide advice and consultant services in connection with Project Renew (see "*Part 9 Management Bodies and Corporate Governance – 9.9 Agreements related to compensation for Directors and members of the Executive Committee*" and for further information regarding Project Renew, see "*Part 8 Business Description – 8.7 Project Renew – Cost and Efficiency Improvement Initiatives*"), as at the date of this Prospectus, there are no interests, including conflicting ones, that are material to the Offering.

Except for James B. (Jim) Leighton, for the reasons described above, as at the date of this Prospectus, no Director or member of the Executive Committee holds a material interest in any significant contract with the Group or any of its subsidiaries.

None of the Directors or Executive Committee members were selected to be a Director or Executive Committee Member of the Company pursuant to any arrangement or understanding with any major shareholder, customer, supplier or other person having a business connection with the Group.

21.4 Directors' terms of employment

See "*Part 9 Management Bodies and Corporate Governance – 9.1 The Board of Directors*".

21.4.1 *Directors' and Executive Committee members' remuneration*

See "*Part 9 Management Bodies and Corporate Governance – 9.3 Compensation of the Board of Directors and Executive Committee*".

There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.

21.4.2 *Directors' and Executive Committee members' current and past directorships and partnerships*

Set out below are the directorships and partnerships held by the Directors and the Executive Committee members (other than, where applicable, directorships held in the Company and its subsidiaries and the subsidiaries of the companies listed below), in the five years prior to the date of this Prospectus:

Name	Current directorships / partnerships	Past directorships / partnerships
Director		
Gary McGann	Paddy Power Betfair plc Green Reit plc Sicon Ltd (Sisk Group) Aon Ireland Barnados The Ireland Funds	Smurfit Kappa Group plc Irish Business and Employers´ Confederation (IBEC) Confederation of European Paper Industries (CEPI) Multi Packaging Solutions International Limited
Dan Flinter	PM Group Holdings Ltd. The Irish Times Ltd. VCIM Limited Dairygold Co-Operative Society Ltd Institute of Directors, Ireland Irish Exchange Domain Registry (IEDR)	Centre for Effective Services SkillPages Holdings Limited Dundrum Theatre Management Company Ltd. Duolog Holding plc
Annette Flynn	Canada Life International Assurance Ireland DAC Institute of Directors UK Dairygold Co-Operative Society Ltd Dairygold Finance DAC	UDG Healthcare plc (formerly United Drug plc) Grafton Group plc CL Abbey Ltd
James B. (Jim) Leighton	1908 Brands Boulder CO	Boulder Brands, Inc. 40 North Foods Atlantic General Hospital
Andrew Morgan	University of Leicester Council Beyond Twenty Cafepod The Island Rum Company	Diageo plc European Consumer Goods Association (ECR Europe) AIM London Stock Exchange British Airways

Name	Current directorships / partnerships	Past directorships / partnerships
Kevin Toland	Total Produce plc IBEC	daa plc ARI daa International Glanbia plc
Rolf Watter	Bär & Karrer AG PostFinance AG CEVA Logistics AG AW Faber Castell AG AP AlternativePortfolio AG SIX Swiss Exchange, Regulatory Board Kronstein Foundation Dorave – Foundation Youth Leaders Alumni Foundation	Nobel Biocare Holding AG Zurich Insurance Group AG ("Zurich Financial Services") Cablecom Holdings Syngenta AG Forbo Holding AG Centerpulse AG
Michael Andres	-	Logan's Roadhouse Inc.
Gregory Flack	Green Chile Concepts, LLC	The Schwan Food Company
Tim Lodge	CHOMA Enterprises Ltd. Lantern House Management Ltd. Porthcothan Property Ltd Royal Free Hospital London Nurses and Midwives Trust	Nidera BV Tate& Lyle PLC COFCO International
Executive Committee		
Robert O'Boyle	-	Arthur Andersen KPMG
Rhona O'Brien	Dublin City Council Culture Connects Company Ltd. Shakespeare Advisory Limited	Eir (formerly eircom) Meteor Mobile Holdings Limited Meteor Mobile Communications Limited Lan Communications Unlimited Company(1) Irish Telecommunications Investments Designated Activity Company Service Enterprise Holdings Limited(1) North American Communications Limited(1) Lercie(1) Topsource Recruitment Limited(1) Eircable Limited(1)
Claudio Gekker	Brazilian Institute of Food Service	
John Heffernan	Element Investments Ltd Subiaco VS	daa plc Clearpower Ltd. Aer Rianta International Ltd. ARI US LLC Manzarine Projects Ltd[1] Camden Quay Nominees Limited[1]
Dave Johnson	Jacobs Holding AG Arthur J. Gallagher	Barry Callebaut
Tony Murphy	-	-
Frederic Pflanz	Stiftung Meridian, Advisory Board	Maxingvest AG Beiersdorf AG Remy-Cointreau
Gregory Sklikas	-	Royal Friesland Campina

(1) The company has been dissolved pursuant to the voluntary strike-off procedure under the Irish Companies Act.

21.4.3 *Certain Information Regarding the Directors and Executive Committee members*

Subject to the exceptions disclosed below, within the period of five years preceding the date of this Prospectus, none of the Directors or Executive Committee members:

(a) has had any convictions in relation to fraudulent offenses, finance or business-related crimes or to legal proceedings (excluding traffic violations) by statutory or regulatory authorities (including designated professional associations) that are continuing or have been concluded with a sanction;

(b) has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company; or

(c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of affairs of a company.

Dan Flinter has been the chairman of the board of directors of Skillpages Holdings Limited, a company which has been subject to voluntary liquidation by the board of directors in the winter of 2014/2015. No sanctions were applied or recommended by the liquidators.

In June 2018 the Company entered into a consultancy arrangement with James B. (Jim) Leighton pursuant to which Mr. Leighton will provide advice in relation to the implementation of ARYZTA's three-year €200m cost reduction programme, Project Renew. The compensation payable to James B. (Jim) Leighton under the arrangement is USD 150 thousand (or CHF 145 thousand or €125 thousand), over the course of the consultancy, of which USD 35 thousand (or CHF 34 thousand or €29 thousand) accrued during the financial year ended 31 July 2018. For further information regarding Project Renew, see "*Part 8 Business Description – 8.7 Project Renew – Cost and Efficiency Improvement Initiatives*" above. With the exception of this consultancy arrangement with Mr. Leighton, as at the date of this Prospectus, no Director or Executive Committee member has a material interest in any significant contract with the Group or any of its subsidiaries.

Dr. Rolf Watter is a member of the SIX Swiss Exchange's Regulatory Board (the "**Regulatory Board**"). The Regulatory Board is SIX Swiss Exchange's body responsible for issuing the regulations that apply to issuers and participants of SIX Swiss Exchange.

21.5 Employee share plans

See "*Part 9 Management Bodies and Corporate Governance – 9.3 Compensation of the Board of Directors and Executive Committee*" above.

21.6 Pensions

In accordance with Swiss pension law, the Company maintains a pension scheme.

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

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

Pension contributions by the Company amounted to CHF 786,000 for Executive Committee members in the financial year ended 31 July 2018.

21.7 Underwriting arrangements

21.7.1 *Underwriting Agreement*

On 10 September 2018**,** the Company and underwriters entered into the Underwriting Agreement. The Underwriting Agreement was amended and restated on 30 September 2018 to include Crédit Agricole Corporate and Investment Bank, Mizuho International plc and Coöperative Rabobank as Joint Bookrunners and to amend the anticipated underwriting quotas of the original underwriters accordingly, and on 31 October 2018 to agree, amongst others, on the Offer Price, a new allocation of commitments, the Subscription Ratio and the number of Offered Shares. Pursuant to the Underwriting Agreement:

(a) the Company has agreed, subject to certain conditions, to issue and, at the Offer Price, to sell and deliver the Offered Shares to be issued in connection with the Offer;

(b) the Underwriters have agreed, subject to certain conditions, to provide for the sale by the Company of the Offered Shares by way of the Subscription Offer and, with respect to Offered Shares in respect of which Rights have not been validly exercised during the Rights Exercise Period, the Share Placement;

(c) the Underwriters have, upon the basis of the representations and warranties and subject to the conditions stated in the Underwriting Agreement, severally but not jointly, undertaken to purchase from the Company the Offered Shares not sold in the Subscription Offer or Share Placement at the Offer Price in the percentage of Offered Shares to be purchased by each such Underwriter as set forth opposite the name of such Underwriter in the Underwriting Agreement (see "*Part 15 Details of the Offer – 15.13 Underwriting*");

(d) the obligations of the Underwriters to provide for the sale or, failing which, themselves to purchase Shares, as the case may be, on the terms of the Underwriting Agreement are subject to certain conditions. These conditions include the Underwriters receiving an exemption from the obligation to make a public takeover bid in accordance with the FMIA and the implementing ordinances enacted thereunder, the absence of any breach of representation or warranty under the Underwriting Agreement and Admission occurring on or before 19 November 2018 (or such later time and/or date as the Underwriters and the Company may agree in writing). In addition, the Underwriters have the right to terminate the Underwriting Agreement, exercisable in certain circumstances, prior to Admission;

(e) the Company has agreed to pay the costs, charges, fees and expenses of the Offering (together with any related value added tax), it being understood that this includes, as the case may be, Swiss Federal Issuance Stamp Tax (*Emissionsabgabe*) on the issue of Offered Shares and Swiss Federal Securities Transfer Stamp Tax (*Umsatzabgabe*) levied on the sale of the unplaced Offered Shares by the Underwriters;

(f) the Company has given certain representations, warranties and undertakings, subject to certain limitations, to the Underwriters;

(g) the Company has given an indemnity to the Underwriters on customary terms; and

(h) the parties to the Underwriting Agreement have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Offering in relevant jurisdictions.

In connection with (d) above, the following applies:

The Underwriting Agreement requires that if, at the end of the Rights Exercise Period, the aggregate of a) the number of Shares for which Rights have not been validly exercised, plus (b) the Underwriter Shares plus (c) the Offered Shares that would be allocated to the Underwriters assuming that all Rights for the Underwriter Shares are exercised is equal to or exceeds, after having added a cushion of five percent of the Hypothetical Share Capital, 33 1/3 % of the share capital of the Company that were to be registered in the Commercial Register in case the Offering were to be consummated, the Underwriters shall have received an order (*Verfügung*) from the Swiss Takeover Board exempting the Underwriters from making a public takeover bid for all the Shares based on art. 136(1)(e) FMIA that (i) is reasonably satisfactory to the Joint Global Coordinators and (ii) the Joint Global Coordinators shall have reasonable assurance that the Swiss Takeover Board is willing to publish such order upon the request of the Joint Global Coordinators. If such an exemption is not granted by the Swiss Takeover Board, the Offering might not be completed.

Even if such an exemption is granted by the Swiss Takeover Board and published upon the request of the Joint Global Coordinators, the share capital increase to create the Offered Shares and the closing of the Offering could be postponed until the exemption is no longer subject to the possibility of challenge, i.e. is final, or the Underwriters waive the condition that they do not have to consummate the Underwriting Agreement unless the exemption is final. If the share capital increase and the closing of the Offering is so delayed, this could have an adverse impact on the Company and on the price of the Shares. Moreover, investors may suffer losses, in particular, if they entered into short selling transactions and are unable to meet their obligations to deliver. If the exemption does not become non-appealable, or this condition is not waived, prior to 15 December 2018, unless otherwise agreed, the Underwriting Agreement terminates automatically and the Offering will likely not be consummated.

21.7.2 *Selling and Transfer Restrictions*

21.7.2.1 General Selling and Transfer Restrictions

The offer of the Rights and the Offered Shares to persons resident in jurisdictions other than Switzerland may be affected by the laws of such other jurisdictions. No action has been or will be taken in any jurisdiction other than Switzerland and Ireland that would permit a public offering of the Rights or the Offered Shares or the possession, circulation or distribution of the Prospectus or any other material relating to the Company, the Rights or the Offered Shares in any jurisdiction where action for that purpose is required. Accordingly, the Rights and the Offered Shares may not be sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Rights and the Offered Shares may be distributed or published, in any form or in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

Persons resident in countries other than Switzerland and Ireland should consult their professional advisors as to whether they require any governmental or other consents or need to observe any formalities to enable them to purchase Rights or Offered Shares in the Offering. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction. None of the Company, the Underwriters or any of its or their respective representatives, affiliates or advisors accept any legal responsibility for any violation of applicable securities laws. The comments set out in this section are intended as a general guide only and any shareholder who is in doubt as to his position should consult his professional adviser without delay.

By accepting delivery of this document, each holder of Rights or representative of such holder acknowledges that such holder or representative, including a depositary bank, may not exercise Rights on behalf of any person that is located in a jurisdiction in which it would not be permissible to make an offer of the Offered Shares and any such representative, including a depositary bank, will be required, in connection with any exercise of Rights, to certify that such exercise is not on behalf of such a person and is otherwise in accordance with the restrictions on the offer and sale of Offered Shares set forth in this Prospectus.

21.7.2.2 United States

The Rights and the Offered Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may only be offered or sold within the United States to, and such Rights may only be exercised by, QIBs in transactions exempt from the registration requirements of the US Securities Act or not required to be registered thereunder.

Until 40 days after the commencement of the Offering, an offer, sale or transfer of the Rights or Offered Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the US Securities Act.

Each holder of Rights or Offered Shares, by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

- it: (i) is a QIB; (ii) is aware, and each beneficial owner of such Rights or Offered Shares has been advised, that the sale of such Rights or Offered Shares to it may be being made in reliance on an exemption from the registration requirements of the US Securities Act, which may include Rule 144A thereunder, or in a transaction not subject to, the registration requirements of the US Securities Act; and (iii) is exercising or acquiring such Rights or Offered Shares for its own account or for the account of a "qualified institutional buyer"; or it is exercising, subscribing for or otherwise acquiring the Rights or Offered Shares in an offshore transaction in accordance with Rule 903 or 904 of Regulation S;

- it acknowledges that the Rights and Offered Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and understands that such securities have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged or otherwise transferred except: (i) in accordance with Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (iii) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities law of any state of the United States;

- if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Rights or Offered Shares, such securities may be offered, sold, pledged or otherwise transferred only in accordance with the following legend, which such Rights or Offered Shares, if in certificated form, will bear unless otherwise determined by the Company in accordance with applicable law:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**US SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A OR ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (WITHIN THE MEANING OF RULE 144A) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE US SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY

RULE 144 UNDER THE US SECURITIES ACT FOR RESALES OF THIS SECURITY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SECURITY, SO LONG AS IT IS A "RESTRICTED SECURITY" UNDER RULE 144, MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THIS SECURITY ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK;

- any offer, sale, pledge or other transfer made other than in compliance with the above stated restrictions shall not be recognised by the Company in respect of the Rights or Offered Shares;
- for so long as the Rights or Offered Shares are "restricted securities" under Rule 144 under the US Securities Act, such securities may not be deposited into any unrestricted depositary receipt facility in respect of the any Shares established or maintained by a depositary bank;
- it represents that if, in the future, it offers, resells, pledges or otherwise transfers the Rights or Offered Shares, it shall notify such subsequent transferee of the transfer restrictions set out in paragraphs (1) to (5) above;
- it is not an affiliate (as defined in Rule 501(b) under the US Securities Act) of the Company, and is not acting on behalf of an affiliate of the Company;
- if the subscriber is acquiring any Rights or Offered Shares for the account of one or more other investors, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- the Company, the Underwriters and each of their respective affiliates and agents, and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements.

Persons receiving this document are hereby notified that the Company and other sellers of Rights or Offered Shares may be relying on an exemption from the registration requirements of section 5 of the US Securities Act, which may include Rule 144A or Regulation S thereunder.

21.7.2.3 United Kingdom

This Prospectus is only being distributed to and is only directed at: (i) persons who are outside the United Kingdom; or (ii) investment professionals falling within article 19(5) of the Order; or (iii) persons who are high net worth entities falling within article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). The Rights and Offered Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Rights or Offered Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

21.7.2.4 European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") an offer to the public of any Rights or Offered Shares may not be made in that Relevant Member State, except that the Rights or the Offered Shares may be offered to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive (as defined below), if they have been implemented in that Relevant Member State:

- to any person or legal entity which is a qualified investor as defined under the Prospectus Directive; or
- in any other circumstances falling within article 3(2) of the Prospectus Directive, or
- to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Underwriters;

provided that no such offer of Rights or Offered Shares shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to article 3 of the Prospectus Directive and each person who initially acquires the Rights or the Offered Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Underwriters and the Company that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing rticle 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression "an offer to the public" in relation to any Rights or Offered Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Rights and the Offered Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Rights or the Offered Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression "Prospectus Directive" means Directive 2003/71/EC (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

In the case of any Rights or Offered Shares being offered to a "financial intermediary" as that term is used in article 3(2) of the Prospectus Directive, such financial intermediary will be deemed to have represented, acknowledged and agreed that the Rights or the Offered Shares acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Offered Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Underwriters has been obtained to each such proposed offer or resale.

The Company, the Underwriters and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement, and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the consent of the Underwriters, be permitted to subscribe for or purchase Rights or Offered Shares in the Offering.

21.7.2.5 Hong Kong

The Rights and the Offered Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) no advertisement, invitation or document relating to the Rights or the Offered Shares which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Rights and the Offered Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance has been or will be issued, or has been or will be in the possession of for the purposes of issue, whether in Hong Kong or elsewhere.

21.7.2.6 Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, neither this Prospectus nor any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Rights or the Offered Shares has been circulated or distributed, nor may the Rights or the Offered Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, or will be circulated or distributed, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Rights or Offered Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offered Shares pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;

- where the transfer is by operation of law; or
- as specified in Section 276(7) of the SFA.

21.7.2.7 Australia

No action has been taken to authorise or cause the issue or distribution in the Commonwealth of Australia, any of its states, territories or possessions or any political subdivision thereof, or to any resident of Australia, of this Prospectus or any other document inviting applications or offers to subscribe for or buy the Rights or the Offered Shares and accordingly, neither this Prospectus (whether in draft or definitive form) nor any other such document may be issued or distributed in Australia or to any resident of Australia except to persons to whom an offer of the Offered Shares would not require disclosure to investors under section 708(8) or 708(11) of the Corporations Act 2001 (the Corporations Act).

Any offer of the Rights or the Offered Shares in Australia is only made to institutional investors to whom an offer of securities does not require disclosure to investors under section 708(8) or section 708(11) of the Corporations Act. No offer or issue of the Rights or the Offered Shares has been made or will be made to any person with the purpose of such person selling or transferring those securities, or granting, issuing or transferring interests in, or options over, those securities.

Any institutional investor who acquires the Rights or the Offered Shares must not within 12 months sell or transfer those securities, or grant, issue or transfer interest in, or options over, those securities to any person (other than a person to whom an offer of those securities would be exempt under section 708 of the Corporations Act from the requirement for disclosure to investors) unless the institutional investor issues an appropriate disclosure document (prospectus).

21.7.2.8 Japan

The Rights and the Offered Shares offered hereby have not been and will not be registered under the Financial Instruments and Exchange Act. Accordingly, the Rights and the Offered Shares will not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and all other relevant laws, regulations and ministerial guidelines of Japan.

21.7.2.9 Canada

The Rights and Offered Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

21.7.2.10 DIFC

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**DFSA**"). This Prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Prospectus nor taken steps to verify the information set forth herein and has no responsibility for the Prospectus. The Rights and the Offered Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Rights or the Rights and the Offered Shares should conduct their own due diligence on the Offered Shares. If you do not understand the contents of this Prospectus you should consult an authorised financial advisor.

21.8 Subsidiaries, investments and principal establishments

The Company is the parent company of the Group.

21.8.1 *Subsidiaries and subsidiary undertakings*

The principal subsidiaries and subsidiary undertakings of the Company (excluding any companies in liquidation) are as follows:

	Name	Nature of business	Share capital millions	Group % share	Country (Registered Office)
(a)	*Significant subsidiaries – ARYZTA Europe*				
	ARYZTA Food Solutions Ireland UC	Food distribution	EUR 0.635	100	Ireland(1)
	ARYZTA Bakeries Ireland UC	Food manufacturing and distribution	EUR 1.016	100	Ireland(1)
	ARYZTA Technology Ireland UC	Asset management company	EUR 0.000	100	Ireland(1)
	Delice de France Limited	Food distribution	GBP 0.250	100	United Kingdom(2)
	France Distribution SAS	Food distribution	EUR 0.108	100	France(3)
	ARYZTA Food Solutions Schweiz AG	Food distribution	CHF 3.500	100	Switzerland(4)
	ARYZTA Bakeries Deutschland GmbH	Food manufacturing and distribution	EUR 3.072	100	Germany(5)
	ARYZTA Food Solutions GmbH	Food distribution	EUR 0.025	100	Germany(6)
	Fornetti Kft	Food manufacturing and distribution	HUF 500.000	100	Hungary(7)
	Pré Pain B.V.	Food manufacturing and distribution	EUR 0.018	100	Netherlands(8)
	ARYZTA Polska Sp. z.o.o.	Food manufacturing and distribution	PLN 61.000	100	Poland(9)
(b)	*Significant subsidiaries – ARYZTA North America*				
	ARYZTA LLC	Food manufacturing and distribution	USD 705.000	100	United States(10)
	ARYZTA Limited	Food manufacturing and distribution	CAD 255.818	100	Canada(11)
	ARYZTA Canada Co.	Food manufacturing and distribution	CAD 113.400	100	Canada(12)
(c)	*Significant subsidiaries – ARYZTA Rest of World*				
	ARYZTA Australia Pty Limited	Food manufacturing and distribution	AUD 17.000	100	Australia(13)
	ARYZTA Do Brazil Alimentos Ltda	Food manufacturing and distribution	BRL 33.588	100	Brazil(14)

(1) Grangecastle Business Park, New Nangor Road, Clondalkin, Dublin 22, Ireland.
(2) 149 Brent Road, Southall, Middlesex UB2 5LJ, England.
(3) ZAC de Bel Air, 14 – 16 Avenue Joseph Paxton, Ferrières en Brie, 77164, France.
(4) Ifangstrasse 9, 8952 Schlieren-Zurich, Switzerland.
(5) Industriestraße 4, 06295 Lutherstadt Eisleben, Germany.
(6) Konrad Goldmann Strasse 5 b, 79100 Freiburg im Breisgau, Germany.
(7) 6000 Kecskemét, Városföld 8683/104.hrsz. dulo 92, Hungary.
(8) Kleibultweg 94, Oldenzaal, 7575 BX, the Netherlands.
(9) ul. Zachodnia 10, 05-825 Grodzisk Mazowiecki, Poland.
(10) 6080 Center Drive, Suite 900, Los Angeles, CA 90045, United States of America.
(11) 58 Carluke Road West, Ancaster, Ontario L9G 3L1, Canada.
(12) 1100-1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2, Canada.
(13) 14 Homepride Avenue, Liverpool, NSW 2170, Australia.
(14) Av. Brigadeiro Faria Lima 1.336, 3º Andar 01451-001 São Paulo, Brazil.

21.8.2 *Principal investments/holdings*

The following are the principal investments of the Group:

Name	Country of incorporation (registered office)	Percentage of ownership interest and voting power	Field of activity	Share capital
Lion Polaris Lux Holdco Sàrl (Picard)	France(1)	49%	Food distribution	€100,000

(1) 7, Rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg.

For further information on the Company's investment in Picard Surgelés SAS, please see "*Part 8 Business Description – 8.6.5 Equity Investment in Picard*".

For information on upcoming principal investments, please see the description of Project Renew in "*Part 8 Business Description – 8.7 Project Renew – Cost and Efficiency Improvement Initiatives*".

21.8.3 *Principal establishments*

See "*Part 8 Business Description – 8.9 Properties*".

21.9 Statutory auditors

The statutory auditors of the Company from financial year 2010 to the present have been PricewaterhouseCoopers AG, Birchstrasse 160, 8050 Zurich, Switzerland. The term of office for the Company statutory auditors is one year. Mr. Patrick Balkanyi held the position of lead auditor from financial year 2010 to 2016. Mrs. Sandra Boehm has held the position of lead auditor since and including financial year 2017. There is no requirement to rotate auditing firms.

PricewaterhouseCoopers AG have issued audit opinions on the Company's consolidated financial statements for the financial years ended 31 July 2018, 2017 and 2016 and on the Company's statutory (standalone) financial statements for the financial year ended 31 July 2018, and such reports were unqualified and did not contain a statement of emphasis.

21.10 Material contracts

The material contracts (not being contracts entered into in the ordinary course of business) in this section 21.10 have been entered into by the Company or another member of the Group: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to the Company or any member of the Group, and (b) at any time and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this Prospectus. Below is a summary of each material contract.

21.10.1 *Underwriting Agreement*

The Underwriting Agreement described in "*21.7.1 Underwriting Agreement*".

21.10.2 *The Group's financing arrangements*

As of the date of this Prospectus, the Group depends on the following financing agreements that have been entered into by the Company as well as other companies of the Group:

21.10.2.1 *2017 Facilities Agreement*

On 20 September 2017, the Company entered into a syndicated credit agreement with Bank of America Merrill Lynch International Limited, Coöperatieve Rabobank U.A., trading as Rabobank Dublin, HSBC Bank plc, and UBS Switzerland AG in an initial aggregate amount of €1,800 million (as amended, the "**2017 Facilities Agreement**"). The 2017 Facilities Agreement was amended and restated on 13 September 2018 as described further below.

The following table shows the available and outstanding amounts under the 2017 Facilities Agreement as of 31 July 2018.

	Facility A	Facility B (uncommitted)	Facility C (RCF)
Original Aggregate Facility Amount	€1 billion	€500 million (uncommitted)	€800 million
Outstanding Amount as of 31 July 2018	€878.9 million	€0	€611.8 million
Available amount for further utilisations as of 31 July 2018	€0	(uncommitted)	€188.2 million
Term	5 years	5 years	5 years
Final Maturity Date	20 September 2022	20 September 2022	20 September 2022

As of 31 July 2018, the 2017 Facilities Agreement consisted of:

- a 5 year multicurrency term loan facility with an original amount equal to €1 billion (the "**Facility A**"). Facility A amortises and is repayable in unequal semi-annual instalments with a final maturity on 20 September 2022;
- an uncommitted one-time increase option of a 5 year multicurrency term loan facility up to an aggregate principal amount equal to €500 million (the "**Facility B**"). Facility B amortises and is repayable in unequal semi-annual instalments starting on 20 September 2019 with a final maturity on 20 September 2022; and
- a 5 year multicurrency revolving credit facility in an initial aggregate principal amount equal to €800 million with an uncommitted one-time increase option up to an additional aggregate principal amount equal to €200 million (the "**Facility C**"). Facility C is repayable at the end of each interest period but rolled-over based on a customary roll-over mechanism provided that no default has occurred and is continuing, is imminent or likely to occur. Facility C is to be finally repaid on 20 September 2022.

The purpose of Facility A and Facility C is the refinancing of existing facilities and general corporate purposes. The purpose of the uncommitted Facility B is a potential refinancing of certain hybrid securities (for further information on the hybrid securities see "*21.10.2.2 CHF 400m Instruments*", "*21.10.2.3 CHF 190m Instruments*" and "*21.10.2.5 EUR 250 million Instruments*"). As of the date of this Prospectus, the Company has not made use of any of the increase options set out above.

The interest rate on each borrowing under the 2017 Facilities Agreement is a rate equal to either (i) LIBOR, EURIBOR, CDOR or BBSW (as applicable) plus an applicable margin or (ii) the reference bank rate (as defined in the 2017 Facilities Agreement) plus an applicable margin. The applicable margin is variable and depends on the leverage ratio (as defined in the 2017 Facilities Agreement). In addition to scheduled principal payments, indebtedness outstanding under Facility A and Facility B will be reduced by mandatory prepayments in the case of certain sales of assets, the incurrence of certain additional indebtedness and the raise of equity, with the amount to be repaid depending on the proceeds which are generated by the respective transaction.

The 2017 Facilities Agreement contains a number of customary affirmative and negative covenants and other payment restrictions. These covenants include, among others, limitations on the granting of security, sale of assets and incurrence of debt. The 2017 Facilities Agreement also includes financial covenants (as defined in the 2017 Facilities Agreement) that require the Company and its subsidiaries to maintain a maximum leverage ratio and a minimum interest coverage ratio.

On 13 September 2018, the 2017 Facilities Agreement was amended and restated. The parties agreed to a number of amendments to the 2017 Facilities Agreement including the following:

- An increase of the leverage covenant (Bank Covenant Net Debt: EBITDA Ratio) from:
  - 4.0 to 5.75 for the period ending on 31 January 2019;
  - 3.5 to 5.25 for the period ending on 31 July 2019; and
  - 3.5 for the periods thereafter.
- A decrease of the interest cover covenant (Bank Covenant Net Interest Coverage Ratio) from
  - 3.0 to 2.0 for the period ending on 31 January 2019;
  - 3.0 to 2.0 for the period ending on 31 July 2019; and
  - reverting to 3.0 for the periods thereafter.
- A margin increase to:
  - 3.5% until 31 December 2018; and
  - 4.0% from 1 January 2019.

Other than the interest cover covenant, the above conditions will revert to the conditions existing before the amendments to the 2017 Facilities Agreement upon the successful completion of the Offering. If the Offering or another comparable capital increase is not completed by 31 May 2019, there will be an additional test of the covenants as at the end of the 12 month period ending on 31 October 2019.

21.10.2.2 CHF 400m Instruments

On 25 April 2013, the Company issued perpetual callable subordinated instruments with ISIN CH0200044813 in an aggregate principal amount of CHF 400 million (the "**CHF 400m Instruments**"). The CHF 400m Instruments do not have a fixed maturity date (perpetual) and the Company has a quarterly call option for all (but not parts of) the CHF 400m Instruments at their principal amount plus accrued and deferred interest.

The CHF 400m Instruments constitute obligations of the Company that rank junior to any other subordinated and unsubordinated obligations of the Company except in respect to any future debt expressly ranked *pari passu* or junior to the CHF 400m Instruments. The CHF 400m Instruments do not contain any remedies in case of any defaults other than the bankruptcy, dissolution or liquidation of the Company.

The CHF 400m Instruments bore fixed interest of 4% p.a. until 25 April 2018 and bear floating rate interest of LIBOR plus a margin of 6.045% p.a. for the time thereafter. Interest is to be paid at redemption or if the Company or any of its subsidiaries have paid a dividend or have made other payments in respect of obligations ranking junior to the obligations under the CHF 400m Instruments in the 12 months prior to an interest payment date (as defined in the terms and conditions) unless such payments were made to the Company or any of its subsidiaries. If no such payments have been effected in the relevant period, payment of interest is optional for the Company and interest accrued but not paid on the relevant interest payment date (as defined in the terms and conditions) becomes deferred. The interest payments since (and including) 25 April 2018 have been deferred in accordance with the terms and conditions. The payment of a dividend in the form of newly issued shares however does not trigger mandatory dividend payments under the Company's hybrids.

21.10.2.3 CHF 190m Instruments

On 28 October 2014, the Company issued perpetual callable subordinated instruments with ISIN CH0253592783 in aggregate principal amount of CHF 190 million (the "**CHF 190m Instruments**"). The CHF 190m Instruments do not have a fixed maturity (perpetual) and the Company has a quarterly call option beginning 28 April 2020 for all (but not parts of) the CHF 190m Instruments at their principal amount plus accrued and deferred interest.

The CHF 190m Instruments constitute obligations of the Company that rank junior to any other subordinated and unsubordinated obligations of the Company except in respect to any future debt expressly ranked *pari passu* or junior to the CHF 190m Instruments. The CHF 190m Instruments do not contain any remedies in case of any defaults other than the bankruptcy, dissolution or liquidation of the Company.

The CHF 190m Instruments bear fixed interest of 3.5% p.a. until 28 April 2020 and floating rate interest of LIBOR plus a margin of 4.213% p.a. for the time thereafter. Interest is to be paid at redemption or if the Company or any of its subsidiaries have paid a dividend or have made other payments in respect of obligations ranking junior to the obligations under the CHF 190m Instruments in the 12 months prior to an interest payment date (as defined in the terms and conditions) unless such payments were made to the Company or any of its subsidiaries. If no such payments have been effected in the relevant period, payment of interest is optional for the Company and interest accrued but not paid on the relevant interest payment date (as defined in the terms and conditions) becomes deferred. The interest payments since (and including) 28 April 2018 have been deferred in accordance with the terms and conditions.

21.10.2.4 Promissory Loan Agreements (*Schuldscheindarlehen*)

On 15 December 2016, ARYZTA Euro Finance DAC, Dublin, Ireland ("**ARYZTA Euro Finance**") entered into various promissory loan agreements (*Schuldscheindarlehen*) as borrower, denominated in EUR or USD, with HSBC Trinkaus & Burkhardt AG as first lender in aggregate nominal amounts of €366 million and, respectively, USD 21.5 million, maturing between 16 December 2019 and 15 December 2023 on almost identical terms (the "**Promissory Loan Agreements**"). Certain of these tranches bear fixed interest and others bear floating interest of EURIBOR plus a margin. The Promissory Loan Agreements are guaranteed by the Company.

Overview of Promissory Loan Agreements (*Schuldscheindarlehen*)

Issue Date	**Fixed/Floating Rate**	**Nominal Amount** (*in EUR/USD million*)	**Maturity**
15 December 2016	Floating	€185.5	15 December 2019
15 December 2016	Fixed	€20.0	16 December 2019
15 December 2016	Fixed	€33.0	15 December 2021
15 December 2016	Floating	€119.5	15 December 2021
15 December 2016	Fixed	USD 11.5	15 December 2021
15 December 2016	Floating	€8.0	15 December 2023
15 December 2016	Fixed	USD 10.0	15 December 2023

The Promissory Loan Agreements contain a number of customary affirmative and negative covenants and other payment restrictions. These covenants include, among others, limitations on the granting of security, sale of assets and incurrence of debt. The Promissory Loan Agreements also include financial covenants that require the Company and its subsidiaries to maintain a maximum leverage ratio and a minimum interest coverage ratio. Amendments which are made to the financial covenants in the 2017 Facilities Agreement automatically also apply to the financial covenants in the Promissory Loan Agreements.

21.10.2.5 EUR 250 million Instruments

On 21 November 2014, ARYZTA Euro Finance DAC issued perpetual callable subordinated securities with ISIN XS1134780557 in an aggregate principal amount of €250 million (the "**EUR 250m Instruments**"). The EUR 250m Instruments do not have a fixed maturity (perpetual) and ARYZTA Euro Finance has a quarterly call option beginning 28 March 2019 for all (but not parts of) the EUR 250m Instruments at their principal amount plus accrued and deferred interest. The EUR 250m Instruments are guaranteed on a subordinated basis by the Company (the "**EUR 250m Guarantee**").

The EUR 250m Instruments constitute obligations of ARYZTA Euro Finance that rank junior to any other subordinated and unsubordinated obligations of ARYZTA Euro Finance except in respect to any future debt expressly ranked *pari passu* or junior to the EUR 250m Instruments. The EUR 250m Instruments do not contain any remedies in case of any defaults other than the default in payments due and payable by ARYZTA Euro Finance under the EUR 250 Instruments or the Company under the EUR 250m Guarantee or the bankruptcy, dissolution or liquidation of ARYZTA Euro Finance or the Company.

The EUR 250m Instruments bear fixed interest of 4.5% p.a. until 28 March 2019 and floating rate interest of a swap rate (as defined in the terms and conditions) plus an initial credit spread of 4.27% plus a margin of 2.5% p.a. for the time thereafter. Interest is to be paid if the Company or any of its subsidiaries have paid a dividend or have made other payments in respect of obligations ranking junior to the obligations under the EUR 250m Instruments in the 12 months prior to an interest payment date (as defined in the terms and conditions) unless such payments were made to the Company or any of its subsidiaries. If no such payments have been effected in the relevant period, payment of interest is optional for ARYZTA Euro Finance and interest accrued but not paid on the relevant interest payment date (as defined in the terms and conditions) becomes deferred. The interest payments since (and including) 28 March 2018 have been deferred in accordance with the terms and conditions.

21.10.2.6 Securitisation Programme

In July 2014, a receivables securitization facility was set up allowing the Company and certain of its subsidiaries to sell their receivables (the "**Securitisation Programme**") to Grange Castle AI Receivables Limited, Dublin, Ireland. Under the Securitisation Programme, certain receivables are sold to a bankruptcy remote special purpose vehicle, Grange Castle AI Receivables Limited, Dublin, Ireland, which funds the purchase of such receivables by drawing on a facility provided by Nieuw Amsterdam, an investor in the vehicle, on a limited recourse basis. In connection with the Securitisation Programme, the Company acts as, inter alia, the agent for certain of the originators, master servicer, subordinated investor and an indemnity provider. The Securitisation Programme may be extended annually by one year and, subject to further extensions, is currently set to expire on 13 December 2018. Total debtor balances securitised as of 31 July 2018 were €199 million.

21.11 Swiss Taxation

The following overview contains a description of the principal Swiss tax consequences of the allotment and exercise of Rights and the acquisition, ownership and disposition of Offered Shares, but it does not purport to be a comprehensive description of all of the Swiss tax considerations that may be relevant to a decision to exercise the pre-emptive subscription rights and to purchase, own or dispose of Offered Shares. In particular, the overview does not take into account the specific circumstances of any particular investor.

This overview is based on the tax laws, regulations and regulatory practices of Switzerland as in effect on the date of this Prospectus, all of which are subject to change (or subject to changes in interpretation), possibly with retroactive effect. This overview does not address any aspects of Swiss taxation other than aspects of Swiss Federal Withholding Tax (Verrechnungssteuer), Swiss federal, cantonal and communal income taxes and Swiss Federal Issuance Stamp Tax (Emissionsabgabe) and Swiss Federal Securities Transfer Stamp Tax (Umsatzabgabe) turnover tax. Investors are urged to consult their own tax advisors regarding the Swiss tax consequences of allotting and exercising of pre-emptive subscription rights and of acquiring, owning and disposing of Offered Shares or the receipt of dividends or distributions, if any, on Offered Shares.

21.11.1 *Tax Considerations with regard to the Offering*

21.11.1.1 Taxation of Rights

21.11.1.1.1 Swiss Federal Withholding Tax and Swiss Federal Stamp Taxes

The receiving, exercising and selling or otherwise disposing of the Rights are not subject to Swiss Federal Withholding Tax (*Verrechnungssteuer*), Swiss Federal Issuance Stamp Tax (*Emissionsabgabe*) and Swiss Federal Securities Transfer Stamp Tax (*Umsatzabgabe*).

21.11.1.1.2 Swiss Federal, Cantonal and Communal Individual Income Tax and Corporate Income Tax

A Non-Resident Shareholder (as defined below) and Resident Private Shareholders (as defined below) are in respect of Rights not subject to any Swiss federal, cantonal or communal income tax on receiving, exercising and selling or otherwise disposing of Rights. See "*21.11.3 International Automatic Exchange of Information in Tax Matters*" below for a summary on the exchange of information in respect of holding Rights in an account or deposit with a financial institution or paying agent in Switzerland.

Domestic Commercial Shareholders (as defined below) are required to recognise a gain or loss realised on the sale or other disposition of Rights in their income statement for the respective taxation period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings or income for such taxation period. This taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as "professional securities dealers for tax purposes" for reasons of, inter alia, frequent dealing and leveraged investments in securities.

21.11.2 *Tax Considerations with regard to the Holding of Offered Shares*

21.11.2.1 Swiss Federal Withholding Tax

Dividends or similar distributions that the Company pays on the Offered Shares that are not a repayment of share capital (*Nennwertrückzahlung*) or of legal reserves from qualifying capital contributions (*Reserven aus Kapitaleinlagen*) are, with their gross amount, subject to Swiss Federal Withholding Tax at a rate of 35%. The Company is required to withhold the Swiss Federal Withholding Tax from the dividend and remit it to the Swiss Federal Tax Administration.

The Swiss Federal Withholding Tax on a dividend will be refundable in full to a Resident Private Shareholder (as defined below) and to a Domestic Commercial Shareholder (as defined below), who, in each case, inter alia, as a condition to a refund, duly reports the dividend in his individual income tax return as income or recognises the dividend in his income statement as earnings, as applicable.

A Non-Resident Shareholder (as defined below) may be entitled to a partial or full refund of the Swiss Federal Withholding Tax on a dividend if the country of his or her residence for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and the conditions of such treaty are met. Such shareholders should be aware that the procedures for claiming treaty benefits (and the time required for obtaining a refund) might differ from country to country.

21.11.2.2 Federal Stamp Taxes

Swiss Federal Issuance Stamp Tax of 1% of the Offer Price levied on the issue of the Offered Shares, less certain costs, will be borne by the Company.

Dealings in Offered Shares (secondary market) where a bank or another securities dealer in Switzerland (as defined in the Swiss Federal Stamp Tax Act) acts as an intermediary, or is a party, to the transaction, may be subject to Swiss Federal Securities Transfer Tax at an aggregate rate of up to 0.15% of the consideration paid for such Offered Shares.

21.11.2.3 Federal, Cantonal and Communal Individual Income Tax and Corporate Income Tax

21.11.2.3.1 Non-Resident Shareholders

Shareholders who are not resident in Switzerland for tax purposes, and who, during the respective taxation year, have not engaged in a trade or business carried on through a permanent establishment or a fixed place of business situated in Switzerland for tax purposes (the "**Non-Resident Shareholders**"), are in respect of Offered Shares not subject to any Swiss federal, cantonal and communal income tax neither on dividends (or repayments of share capital or legal reserves from capital contributions) paid to them on Offered Shares nor on any gain realised on the sale or other disposition of Offered Shares. See "*21.11.2.1 Swiss Federal Withholding Tax*" above for a summary on Swiss federal withholding tax on dividend distributions on Offered Shares.

21.11.2.3.2 Resident Private Shareholders

Individuals resident in Switzerland who hold their Offered Shares as private assets (the "**Resident Private Shareholders**") are required to include dividends (but not repayments of the share capital and legal reserves from capital contributions (*Reserven aus Kapitaleinlagen*)) in their personal income tax return for the relevant taxation period and are subject to Swiss federal, cantonal and communal income tax on any net taxable income (including the dividends but not repayments of share capital or legal reserves from capital contributions (*Reserven aus Kapitaleinlagen*)) for such taxation period at the prevailing tax rates. A gain or loss realised by them on the sale or other disposition of Offered Shares will be a tax-free private capital gain or a not tax-deductible capital loss, as the case may be (see below for a summary on the tax treatment of individuals classified as "professional securities dealers").

21.11.2.3.3 Domestic Commercial Shareholders (including individuals classified as "professional securities dealers for tax purposes")

Corporate entities and individuals who hold Offered Shares as part of a trade or business in Switzerland (the "**Domestic Commercial Shareholders**"), in the case of residents abroad, carried on through a permanent establishment or a fixed place of business in Switzerland, are required to recognise dividends (and repayments of share capital) received on Offered Shares and capital gains or losses realised on the sale or other disposition of Offered Shares in their income statement for the respective taxation period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings or income for such taxation period.

This taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as "professional securities dealers for tax purposes" for reasons of, inter alia, frequent dealing and leveraged investments in securities.

Domestic Commercial Shareholders who are corporate taxpayers may be eligible for participation relief (*Beteiligungsabzug*) in respect of dividends (and repayments of share capital) if the Offered Shares held by them as part of a Swiss business have an aggregate market value of at least CHF 1 million.

21.11.2.4 Cantonal and Communal Private Wealth Tax and Capital Tax

Holders of Offered Shares who are Non-Resident Shareholders are not subject to Swiss cantonal and communal private wealth tax or capital tax.

Holders of Offered Shares who are Resident Private Shareholders or individuals that are Domestic Commercial Shareholders are required to report Offered Shares as part of their private wealth or as part of their Swiss business assets, as the case may be, and are subject to annual cantonal and/or communal private wealth tax on any net taxable wealth (including the Offered Shares), in the case of individuals that are Domestic Commercial Shareholders, however, only to the extent aggregate taxable wealth is allocable to Switzerland. Corporate Domestic Commercial Shareholders are required to report Offered Shares as part of their assets in their financial statements and are subject to cantonal and communal capital tax on net taxable equity, in the case of a non-Swiss resident corporate Domestic Commercial Shareholder holding Offered Shares as part of a Swiss permanent establishment, however, only to the extent aggregate taxable equity is allocable to Switzerland. No net worth tax and no capital tax are levied at the federal level.

21.11.3 ***International Automatic Exchange of Information in Tax Matters***

On November 19, 2014, Switzerland signed the Multilateral Competent Authority Agreement (the "**MCAA**"). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of Automatic Exchange of Information (the "**AEOI**"). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the "**AEOI Act**") entered into force on January 1, 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of speciality (i.e., the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Based on such multilateral or bilateral agreements and the implementation of Swiss law, Switzerland collects and exchanges data in respect of financial assets held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in a treaty state.

21.11.4 ***Swiss Facilitation of the Implementation of the US Foreign Account Tax Compliance Act***

Switzerland has concluded an intergovernmental agreement with the US to facilitate the implementation of FATCA. The agreement ensures that the accounts held by US persons with Swiss financial institutions are disclosed to the US tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the US and Switzerland.

21.12 Irish Taxation

The following statements are intended only as a general guide to certain Irish tax considerations and do not purport to be a complete analysis of all potential Irish tax consequences of acquiring, holding or disposing of Offered Shares. They are based on current Irish legislation and what is understood to be the current practice of Irish Revenue Commissioners as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident, and in the case of individual Shareholders domiciled, for tax purposes in (and only in) Ireland (except insofar as express reference is made to the treatment of non-Irish residents), who hold their Offered Shares as an investment (other than under a pension scheme or in an individual savings account), who are the absolute beneficial owners of both the Offered Shares and any dividends paid on them and who do not hold (directly or indirectly) 10% or more of the Offered Shares. The comments may not apply to certain Shareholders, such as dealers in securities, close companies, insurance companies and collective investment schemes, Shareholders who are exempt from taxation and Shareholders who *have (or are deemed to have) acquired their Offered Shares by virtue of an office or employment. Such persons may be subject to special rules. This section is not intended to be, and should not be construed to be, legal or taxation advice to any particular Shareholder. All Shareholders are advised to consult their professional advisers on their tax position, based on their own particular circumstances, before taking any action in respect of the Offered Shares.*

21.12.1 ***Dividend Withholding Tax***

No Irish dividend withholding tax is imposed on dividends paid by non-Irish resident companies.

21.12.2 ***Encashment Tax***

Irish tax will be required to be withheld at the standard rate of income tax (currently 20%) from dividends on any Shares, where such dividends are collected or realised by a bank or encashment agent in Ireland on behalf of any Shareholder. There is an exemption from encashment tax where the beneficial owner of the dividend is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

21.12.3 ***Taxation of dividends***

21.12.3.1 Individuals

Irish tax resident individual Shareholders (i.e. an individual who is resident or ordinarily resident in Ireland for tax purposes) will generally be subject to Irish income tax (plus Universal Social Charge ("**USC**") and pay-related social insurance ("**PRSI**"), if applicable) on dividends.

A Shareholder who is not resident or ordinarily resident in Ireland generally has no liability to Irish income tax, USC or PRSI on a dividend unless he/she holds his/her Offered Shares through a branch or agency in Ireland through which a trade is carried on.

21.12.3.2 Companies

A corporate Shareholder which is resident in Ireland will be subject (with some exceptions) to corporation tax on any dividends received from the Company. Corporate Shareholders within the charge to Irish corporation tax should consult their own professional advisers.

21.12.4 ***Taxation of Subscription Offer***

The issue of Offered Shares to Shareholders who are Irish tax resident individuals or Irish tax resident companies up to their entitlements as shareholders, pursuant to the Subscription Offer should be treated as a reorganisation of the share capital of the Company for the purposes of taxation of chargeable gains. Accordingly, the Offered Shares issued to Shareholders in accordance with their pro rata entitlements as shareholders should be treated as the same asset and as though acquired at the same time as the Existing Shares.

The base cost for tax purposes of the Existing Shares (which will be treated as including the Offered Shares) will be deemed to have been increased by the amount of new consideration paid for the new Shares.

Offered Shares acquired under the Subscription Offer in excess of a Shareholder's entitlement shall be treated as a new and separate acquisition.

If a Shareholder disposes of all or part of the Offered Shares provisionally allotted to him/her, or his/her right to subscribe for Offered Shares, or if he/she allows or is deemed to allow his/her rights to lapse and receives a cash payment in respect of his/her rights, he/she may, depending on his/her circumstances, incur a liability to tax on any capital gain realised.

The rate of capital gains tax in Ireland is currently 33%. An individual is entitled to a small gains exemption annually whereby currently the first €1,270 of an individual's chargeable gain is exempt.

21.12.5 ***Capital Gains Tax on a subsequent disposal of the Offered Shares***

For the purposes of taxation of capital gains and corporation tax on chargeable gains (as appropriate) ("**Irish CGT**"), where a Shareholder disposes of some or all of their Shares they should be treated as having made a disposal of those Shares for Irish tax purposes. This may, subject to the Shareholder's individual circumstances and any available exemption or relief, give rise to a chargeable gain (or allowable loss) for the purposes of Irish CGT (currently at a rate of 33%).

Non-Irish tax resident Shareholders (who do not hold their shares in connection with a trade carried on by them in Ireland) will not be subject to Irish CGT on a disposal of the Shares so long as they remain listed on a recognised stock exchange.

21.12.5.1 Individuals

Individuals wo have ceased to be resident for tax purposes in Ireland for a period of less than five years and who dispose of their Offered Shares during that period may, in certain circumstances (which may be limited by the availability of exemptions, reliefs and/or allowable losses), be subject to tax on their return to Ireland in respect of gains realised whilst they are not resident in Ireland.

21.12.5.2 Companies

Assuming the business of the Group, taken as a whole, consists wholly or mainly of the carrying on of a trade or trades, gains arising on disposal of Offered Shares will generally (subject to exceptions) be exempt from Irish corporation tax where for a consecutive period of 12 months ending not more than two years before the date of disposal the Irish-resident corporate shareholder, either directly or indirectly, holds at least 5% of the Company's ordinary share capital, is beneficially entitled to at least 5% of the profits available for distribution to equity holders of the Company and would be beneficially entitled to at least 5% of the assets available for distribution to equity holders on a winding up.

Shareholders within the charge to Irish corporation tax should consult their own professional advisers.

21.12.6 ***Stamp duty***

No Irish stamp duty should be payable on the issue of the Offered Shares.

21.12.6.1 Subsequent Transfers

No Irish stamp duty will generally be payable on any subsequent transfer of the Offered Shares provided the shares do not derive their value or the greater part of their value, directly or indirectly, from immovable property (other than residential property) in Ireland and the transfer does not relate to any immoveable property situated in Ireland or any right over or interest in such property, or any stocks or marketable securities of an Irish company.

21.12.7 ***Capital Acquisitions Tax***

A gift or inheritance of Offered Shares will be within the charge to capital acquisitions tax (which, subject to available exemptions and reliefs, is currently levied at 33%) if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his/her residence or that of the donee/successor) on the relevant date or (ii) if the Shares are regarded as property situated in Ireland, which is unlikely unless the share register is kept in Ireland.

21.13 US Federal Income Taxation

The following is a summary based on present law of certain US federal income tax considerations relevant to the receipt, exercise and disposition of Rights pursuant to the Subscription Offer as well as the acquisition, ownership and disposition of Offered Shares acquired through exercise of the Rights or purchase in the Share Placement. It addresses only a US Holder (as defined below) that receives Rights with respect to Existing Shares or purchases Offered Shares in the Offering, will hold the Rights and any Offered Shares acquired through exercise of the Rights or purchase in the Share Placement as capital assets and uses the US dollar as its functional currency. This discussion does not address the tax treatment of persons subject to special rules, such as banks and other financial institutions, insurance companies, dealers in currencies and securities, traders in securities that elect to mark-to-market, regulated investment companies, real estate investment trusts, tax-exempt entities, pass-through entities (including S-corporations), persons owning directly, indirectly or constructively 10% or more of the Company's share capital, US expatriates, investors liable for alternative minimum tax, persons holding Existing Shares, Rights or Offered Shares as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction or persons holding Existing Shares, Rights or Offered Shares in connection with a permanent establishment or fixed base outside the United States. It also does not address US federal taxes other than income tax (e.g., estate and gift taxes), US state and local, or non-US tax considerations.

As used in this section, "**US Holder**" means a beneficial owner of Existing Shares, Rights or Offered Shares that is, for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States, any state therein or the District of Columbia, (iii) a trust the administration of which is subject to the control of one or more US persons and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The United States federal income tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds Existing Shares, Rights or Offered Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships that hold Existing Shares and receive Rights in the Subscription Offer or purchase Offered Shares in the Share Placement should consult their own tax advisers regarding the specific US federal income tax consequences to their partners of the acquisition, ownership, exercise and disposition of Rights or the acquisition, ownership and disposition of Offered Shares.

The Company believes, and the following discussion assumes, that the Company is not and will not become a passive foreign investment company ("**PFIC**") for US federal income tax purposes. The tests to determine whether a company is a PFIC apply annually and a company's status can change depending, among other things, on changes in its operations, the composition of its gross receipts and the market value of its assets, which may be determined in large part by reference to the market price of the Shares. Accordingly, no assurance can be provided by the Company that it will not become a PFIC in any future year.

21.13.1 ***Receipt and exercise, disposition or lapse of the Rights***

21.13.1.1 Receipt

The Company believes that a US Holder should treat the receipt of the Rights pursuant to the Subscription Offer as a non-taxable distribution with respect to such holder's Existing Shares for US federal income tax purposes, and the remainder of this discussion assumes that such receipt will not be treated as a taxable distribution. The US Holder's holding period in the Rights will include its holding period in the Existing Shares with respect to which the Rights were distributed. However, except as discussed below under "*21.13.1.3 Dispositions*", a US Holder's holding period in Offered Shares acquired upon exercise of the Rights will not include the holding period in the Existing Shares with respect to which the Rights were distributed.

If the fair market value of the Rights when distributed is less than 15% of the fair market value of the Existing Shares with respect to which the Rights are distributed, the Rights will have a nil tax basis unless the US Holder affirmatively elects to allocate its adjusted tax basis in its Existing Shares to the Rights in proportion to the relative fair market values of the Existing Shares and the Rights distributed (determined on the date the Rights are distributed). A US Holder must make this election in a statement attached to its tax return for the taxable year in which the Rights are received, in respect of all Rights received by the US Holder, and, except as discussed below under "*21.13.1.4 Expiration or lapse*", the election is irrevocable.

If the fair market value of the Rights when distributed is 15% or greater than the fair market value of the Existing Shares with respect to which the Rights are received, then, except as discussed below under "*21.13.1.4 Expiration or lapse*", a US Holder's adjusted tax basis in its Existing Shares must be allocated between the Existing Shares and the Rights in proportion to their relative fair market values determined on the date the Rights are distributed.

21.13.1.2 Exercise and Acquisition of Offered Shares

A US Holder will not recognise taxable income when it subscribes for Offered Shares by exercising the Rights. A US Holder will have a tax basis in such Offered Shares equal to such US Holder's tax basis, if any, in the Rights exercised plus the US dollar value of the Swiss Francs Offer Price on the exercise date (or, if the Shares are traded on an established securities market, in the case of cash basis and electing accrual basis US Holders, the settlement date).

A US Holder's holding period in Offered Shares generally will begin on the date the Rights are exercised. If a US Holder uses previously acquired Swiss Francs to pay the Offer Price for the Offered Shares, any foreign currency gain or loss that it recognises on the exchange of the Swiss Francs for Offered Shares will be US source ordinary income or loss.

21.13.1.3 Dispositions

A US Holder will recognise capital gain or loss on the sale or other disposition of the Rights in an amount equal to the difference between such holder's tax basis, if any, in the Rights and the United States dollar value of the amount realised from the sale or other disposition. Any gain or loss generally will be treated as arising from a US source and will be long-term capital gain or loss if the US Holder's holding period in the Rights exceeds one year. A US Holder's holding period in the Rights will include its holding period in the Existing Shares with respect to which the Rights were distributed.

A US Holder that receives a currency other than US dollars on the disposition of the Rights will realise an amount equal to the US dollar value of the currency received at the spot rate on the date of sale or other disposition. (or, if the Rights are traded on an established securities market, in the case of cash basis and electing accrual basis US Holders, the settlement date). An accrual basis US Holder that does not elect to determine the amount realised using the spot rate on the settlement date generally will recognise foreign currency gain or loss equal to the difference between the US dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US Holder will have a tax basis in the currency received equal to the US dollar value of the currency received at the spot rate on the settlement date. Any gain or loss on a subsequent disposition or conversion of the currency into US dollars will be US source ordinary income or loss.

21.13.1.4 Expiration or lapse

If a US Holder allows the Rights to expire without selling or exercising them, the Rights should be deemed to have a nil tax basis and, therefore, such US Holder should not recognise any loss upon the expiration of the Rights and any tax basis from Existing Shares that was allocated to the Rights will be reallocated back to such Existing Shares.

21.13.2 ***Offered Shares***

21.13.2.1 Dividends

Distributions on the Offered Shares should be included in a US Holder's gross income as ordinary dividend income from foreign sources upon receipt to the extent of the Company's current and accumulated earnings and profits. Distributions in excess of any current and accumulated earnings and profits will be treated first as a non-taxable return of capital, which reduces the tax basis in the Offered Shares to the extent thereof, and then as capital gain. Because the Company will not maintain books and records that account for its earnings and profits under United States federal income tax principles, US Holders should expect that all distributions from the Company will be reported for US federal income tax purposes as dividends.

Dividends will not qualify for the dividends received deduction generally available to US corporations. If the Company qualifies for benefits under the income tax treaty between the United States and Switzerland (the "**Treaty**") and is not a PFIC in the year of distribution or in the preceding year, dividends on the Shares generally will qualify for the reduced rates applicable to qualified dividend income of certain eligible non-corporate US Holders that satisfy a minimum holding period and other generally applicable requirements. Provided that the Shares are regularly traded, the Company believes it will qualify for benefits under the Treaty.

Dividends paid in a currency other than US dollars will be includable in income in a US dollar amount based on the exchange rate in effect on the date of receipt whether or not the currency is converted into US dollars at that time. A US holder's tax basis in the non-US currency will equal the US dollar amount included in income. Any gain or loss on a subsequent conversion of the non-US currency into US dollars for a different amount generally will be US source ordinary income or loss. If dividends paid in a non-US currency are converted into US dollars on the day the dividends are received, a US Holder generally will not be required to recognise exchange gain or loss in respect of the dividend.

21.13.2.2 Dispositions

A US Holder will recognise capital gain or loss on the sale or other disposition of Offered Shares in an amount equal to the difference between the US Holder's adjusted tax basis in the Offered Shares and the US dollar value of the amount realised from the disposition. A US Holder's adjusted tax basis in Offered Shares subscribed for upon exercise of Rights generally will be determined as described above in "*21.13.1 Receipt and exercise, disposition or lapse of the Rights*". A US Holder's adjusted tax basis in Offered Shares purchased in the Share Placement generally will be the US dollar value of any non-US currency paid for such Offered Shares at the spot rate on the date of purchase (or, if the Shares are traded on an established securities market, in the case of cash basis and electing accrual basis US Holders, the settlement date).

Any gain or loss generally will be treated as arising from US sources and treated as long-term capital gain or loss if the holder has held the Offered Shares for more than one year. Deductions for capital loss are subject to limitations.

A US Holder that receives a currency other than US dollars on the disposition of Offered Shares will realise an amount equal to the US dollar value of the currency received at the spot rate on the date of sale or other disposition (or, if the Shares are traded on an established securities market, in the case of cash basis and electing accrual basis US Holders, the settlement date). An accrual basis US Holder that does not elect to determine the amount realised using the spot rate on the settlement date generally will recognise foreign currency gain or loss equal to the difference between the US dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US Holder will have a tax basis in the currency received equal to the US dollar value of the currency received at the spot rate on the settlement date. Any gain or loss on a subsequent disposition or conversion of the currency into US dollars will be US source ordinary income or loss.

21.13.3 ***Medicare Tax on Net Investment Income***

Certain non-corporate US Holders whose income exceeds certain thresholds generally will be subject to a 3.8% surtax on their "net investment income" (which generally includes, among other things, dividends on, and capital gain from the sale or other taxable disposition of Offered Shares and from the sale or other taxable disposition of the Rights). Non-corporate US Holders should consult their own tax advisers regarding the possible effect of such tax on their ownership and disposition of Offered Shares and the Rights.

21.13.4 ***Backup Withholding and Information Reporting***

Dividends in respect of the Offered Shares and proceeds from the sale of Rights or the sale or other taxable disposition of Offered Shares that are paid into the United States or through certain U.S.-related financial intermediaries may be reported to the US Internal Revenue Service ("**IRS**") unless the US Holder is a corporation or otherwise establishes a basis for exemption. Backup withholding at the applicable statutory rate may apply to reportable payments unless the US Holder makes the required certification, including providing its taxpayer identification number or otherwise establishes a basis for exemption. Any amount withheld may be credited against a US Holder's US federal income tax liability or refunded to the extent it exceeds the holder's liability, provided the required information is timely furnished to the IRS.

Certain US Holders are required to report information with respect to the Rights and Offered Shares not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisers about these and any other reporting obligations arising from their receipt, ownership or disposition of Rights and purchase, ownership and disposition of Offered Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF ITS RECEIPT OF RIGHTS IN THE SUBSCRIPTION OFFER OR PURCHASE OF OFFERED SHARES IN THE OFFERING IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

21.14 Enforcement and civil liabilities under US federal securities laws

The Company is a Swiss stock corporation (*Aktiengesellschaft*) incorporated under the laws of Switzerland (the CO). Many of the Directors are citizens of countries of the European Union (or other non-US jurisdictions), and a portion of the Company's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Directors or to enforce against them in the US courts judgments obtained in US courts predicated upon the civil liability provisions of the US federal securities laws. There is doubt as to the enforceability in Switzerland, in original actions or in actions for enforcement of judgments of the US courts, of civil liabilities predicated upon US federal securities laws.

21.15 Litigation

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had, a significant effect on the Company's and/or the Group's financial position or profitability.

Notwithstanding the statement in the prior paragraph regarding litigation which may have a significant effect on the Group, the Group is involved with litigation in the ordinary course of its business. Below are summaries of five of the more prominent cases in which the Group is currently involved:

- Cipres v. ARYZTA LLC, et al., Los Angeles County Superior Court Case No. BC597450, American Arbitration Association Case No. 01-17-0006-5593. This is a wage and hour lawsuit from an employee who was previously employed on a temporary basis. The plaintiff sought class status, but the case was compelled to arbitration.
- Jenny Avalos v. ARYZTA LLC; Los Angeles Superior Court Case No. BC631660. This is a class action dispute filed by a current Van Nuys employee seeking unpaid wages for a variety of reasons, such as missed meal periods or having to remain on work premises during rest breaks.
- McKee Foods Corporation v. ARYZTA LLC, Eastern District of Tennessee (Chattanooga Division), Case No.: 1:17-cv-280. This is a lawsuit filed by a former customer who is seeking damages in lost profits following the cancellation or imprecise order fulfilment following labour disruptions at ARYZTA's Chicago and Cicero bakeries in 2017, prior to their disposal in the financial year ended 31 July 2018.

- International Coffee & Tea, LLC v. ARYZTA LLC. ARYZTA LLC is party to this breach of contract lawsuit filed by a coffee and food retailer who also alleges fraud and negligent misrepresentation in connection with the Group's termination of a business arrangement for the sale of baked good and logistics services.
- Stewart v. ARYZTA LLC, US District Court, Northern District of Illinois, Eastern Division, Case No. 1:18-cv-05346. A former Cloverhill bakery applicant filed a class action lawsuit alleging race discrimination in the hiring practices of the Company and several third party employment brokers.

21.16 Related party transactions

Save as described in Note 28 of the ARYZTA Consolidated Financial Information 2018, Note 31 of the ARYZTA Consolidated Financial Information 2017, and Note 31 of the ARYZTA Consolidated Financial Statements 2016 beginning on pages F-78, F-163 and F-246, respectively, and as described below, there are no related party transactions between the Company or members of the Group and related parties as of the date of the Prospectus.

21.17 Working capital

In the opinion of the Company, taking into account the net proceeds receivable by the Company from the subscription for the Offered Shares in the Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

21.18 No significant change

An underwriting agreement was concluded between the Company and underwriters on 10 September 2018 (the "**Underwriting Agreement**"). The Underwriting Agreement was amended and restated on 30 September 2018 to include three additional Joint Bookrunners and amend the anticipated underwriting quotas of the underwriters named in the Underwriting Agreement and on 31 October 2018 to agree, amongst others, on the Offer Price, a new allocation of commitments, the Subscription Ratio and the number of Offered Shares (also see "*21.7.1 Underwriting Agreement*").

On 13 September 2018, the Company entered into an amended and restated facilities agreement (see "*21.10.2.1 2017 Facilities Agreement*").

Aside from the impact of these material agreements, there has been no significant change in the financial or trading position of the Group since 31 July 2018, the date to which the last audited consolidated accounts of the Group were prepared.

21.19 Consents

The Irish firm of PricewaterhouseCoopers has given and has not withdrawn its written consent to the inclusion of its report in "*Part 14 Profit Forecast*" and "*Part 23 Unaudited Pro Forma Financial Information*" in the form and context in which they appear and has authorised the contents of those parts of this Prospectus which comprise its reports for the purposes of paragraph 2(2)(f) of Schedule 1 of the Irish Prospectus Regulations.

A written consent under the Irish Prospectus Regulations is different from a consent filed with the SEC under section 7 of the Securities Act. As the Shares have not been and will not be registered under the Securities Act, the Irish firm of PricewaterhouseCoopers has not filed and will not be required to file a consent under section 7 of the US Securities Act.

21.20 General

The fees and expenses to be borne by the Company in connection with Admission including the Underwriters' commission, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately €50 million (including VAT).

The Offer Price of each Offered Share exceeds its nominal value of 0.02 CHF by 0.98 CHF.

21.21 Documents available for inspection

Copies of the following documents will be available for inspection in physical or electronic format during usual business hours on any weekday (Saturdays, Sundays, and public holidays excepted) for a period of 12 months following the date of this Prospectus at the offices of the Company at Ifangstrasse 9, 8952 Schlieren-Zurich, Switzerland:

(a) the Articles;

(b) the consolidated financial statements in respect of the financial years ended 31 July 2018, 2017 and 2016 and the statutory financial statements in respect of the financial year ended 31 July 2018, together with the respective independent auditors' reports from PricewaterhouseCoopers AG, which are set out in "*Part 22 Historical Financial Information*";

(c) the report from the Irish firm of PricewaterhouseCoopers on the ARYZTA Profit Forecast, which is set out in "*Part 14 Profit Forecast*";

(d) the report from the Irish firm of PricewaterhouseCoopers on the unaudited pro forma financial information, which is set out in "*Part 23 Unaudited Pro Forma Financial Information*";

(e) the consent letter referred to in "Consents" in paragraph 21.19 above; and

(f) this Prospectus.

PART 22.
Historical Financial Information

2018

Group Consolidated Financial Statements

ARYZTA
Passion for good food

Group Consolidated Income Statement
for the year ended 31 July 2018

in EUR '000	Notes	**2018**	2017
Revenue	1	**3,435,422**	3,796,770
Cost of sales		**(2,543,732)**	(2,766,136)
Distribution expenses		**(402,561)**	(411,702)
Gross profit		**489,129**	618,932
Selling expenses		**(181,635)**	(202,747)
Administration expenses		**(372,492)**	(628,833)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	2	**(183,316)**	–
Impairment of goodwill	14	**(175,000)**	(594,872)
Operating loss	1	**(423,314)**	(807,520)
Share of profit after interest and tax of joint ventures	15	**15,156**	38,380
Net gain on disposal of joint venture	15	**1,468**	–
Loss before financing income, financing costs and income tax		**(406,690)**	(769,140)
Financing income	4	**2,845**	3,821
Financing costs	4	**(76,413)**	(62,272)
RCF termination and private placement early redemption	20	**(12,415)**	(182,513)
Loss before income tax		**(492,673)**	(1,010,104)
Income tax credit	9	**22,697**	103,966
Loss for the year		**(469,976)**	(906,138)
Attributable as follows:			
Equity shareholders		**(469,976)**	(907,773)
Non-controlling interests		**–**	1,635
Loss for the year		**(469,976)**	(906,138)

Loss per share	Notes	**2018 euro cent**	2017 euro cent
Basic loss per share	11	**(561.8)**	(1,058.9)
Diluted loss per share	11	**(561.8)**	(1,058.9)

The notes on pages 83 to 153 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Comprehensive Income
for the year ended 31 July 2018

in EUR '000	Notes	**2018**	2017
Loss for the year		**(469,976)**	(906,138)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation effects			
– Foreign exchange translation effects on net investments		**(67,593)**	(16,901)
– Taxation effect of foreign exchange translation movements	9	**(1,301)**	(1,532)
Cash flow hedges			
– Effective portion of changes in fair value of cash flow hedges		**(1,299)**	9,036
– Fair value of cash flow hedges transferred to income statement		**(442)**	6,991
– Deferred tax effect of cash flow hedges	9	**310**	(1,647)
Share of joint ventures' other comprehensive income	15	**105**	180
Total of items that may be reclassified subsequently to profit or loss		**(70,220)**	(3,873)
Items that will not be reclassified to profit or loss:			
Defined benefit plans			
– Actuarial gain on Group defined benefit pension plans	24	**1,124**	6,135
– Deferred tax effect of actuarial gain	9	**(156)**	(1,204)
Total of items that will not be reclassified to profit or loss		**968**	4,931
Total other comprehensive (loss)/income		**(69,252)**	1,058
Total comprehensive loss for the year		**(539,228)**	(905,080)
Attributable as follows:			
Equity shareholders		**(539,228)**	(907,313)
Non-controlling interests		**–**	2,233
Total comprehensive loss for the year		**(539,228)**	(905,080)

The notes on pages 83 to 153 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet
as at 31 July 2018

in EUR '000	Notes	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	12	**1,243,692**	1,386,294
Investment properties	13	**14,574**	19,952
Goodwill and intangible assets	14	**2,057,703**	2,651,937
Investments in joint ventures	15	**420,016**	528,188
Deferred income tax assets	23	**74,961**	158,767
Total non-current assets		**3,810,946**	4,745,138
Current assets			
Inventory	16	**244,535**	252,162
Trade and other receivables	17	**153,970**	164,271
Derivative financial instruments	21	**1,268**	4,311
Cash and cash equivalents	19	**517,854**	535,570
		917,627	956,314
Assets of disposal groups held-for-sale	3	**7,000**	–
Total current assets		**924,627**	956,314
Total assets		**4,735,573**	5,701,452

The notes on pages 83 to 153 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet (continued)
as at 31 July 2018

in EUR '000	Notes	2018	2017
Equity			
Called up share capital	25	**1,191**	1,172
Share premium		**807,512**	774,040
Retained earnings and other reserves		**864,157**	1,426,440
Total equity		**1,672,860**	2,201,652
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	20	**1,772,315**	383,242
Employee benefits	24	**6,975**	6,644
Deferred income from government grants	22	**14,408**	18,280
Other payables	18	**49,664**	36,278
Deferred income tax liabilities	23	**212,878**	353,164
Derivative financial instruments	21	**–**	704
Total non-current liabilities		**2,056,240**	798,312
Current liabilities			
Interest-bearing loans and borrowings	20	**255,803**	1,886,198
Trade and other payables	18	**684,335**	750,511
Income tax payable		**65,506**	63,283
Derivative financial instruments	21	**829**	1,496
Total current liabilities		**1,006,473**	2,701,488
Total liabilities		**3,062,713**	3,499,800
Total equity and liabilities		**4,735,573**	5,701,452

The notes on pages 83 to 153 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity
for the year ended 31 July 2018

31 July 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 year	–	–	–	–	–	–	–	(469,976)	(469,976)
Other comprehensive (loss)/income	–	–	–	–	(1,431)	–	(68,894)	1,073	(69,252)
Total comprehensive loss	**–**	**–**	**–**	**–**	**(1,431)**	**–**	**(68,894)**	**(468,903)**	**(539,228)**
Release of treasury shares upon vesting of Restricted Stock Unit Plan awards (note 25)	–	(1)	1	–	–	–	–	–	–
Share-based payments (note 8)	–	–	–	–	–	2,005	–	–	2,005
Transfer of share-based payment reserve to retained earnings	–	–	–	–	–	(1,801)	–	1,801	–
Equity dividends (note 10)	19	33,473	–	–	–	–	–	(33,962)	(470)
Hybrid instrument deferred dividend (note 25)	–	–	–	–	–	–	–	8,901	8,901
Total transactions with owners recognised directly in equity	**19**	**33,472**	**1**	**–**	**–**	**204**	**–**	**(23,260)**	**10,436**
At 31 July 2018	**1,191**	**807,512**	**(46)**	**720,456**	**1,428**	**2,209**	**(105,511)**	**245,621**	**1,672,860**

The notes on pages 83 to 153 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity (continued)

for the year ended 31 July 2018

31 July 2017 in EUR '000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
At 1 August 2016	**1,172**	**774,040**	**(47)**	**720,456**	**(11,521)**	**–**	**(18,114)**	**1,706,686**	**3,172,672**	**15,099**	**3,187,771**
Loss for the year	–	–	–	–	–	–	–	(907,773)	(907,773)	1,635	(906,138)
Other comprehensive income/(loss)	–	–	–	–	14,380	–	(18,503)	4,583	460	598	1,058
Total comprehensive income/(loss)	**–**	**–**	**–**	**–**	**14,380**	**–**	**(18,503)**	**(903,190)**	**(907,313)**	**2,233**	**(905,080)**
Share-based payments (note 8)	–	–	–	–	–	2,005	–	–	2,005	–	2,005
Equity dividends	–	–	–	–	–	–	–	(47,595)	(47,595)	–	(47,595)
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	(3,350)	(3,350)
Hybrid instrument accrued dividend (note 25)	–	–	–	–	–	–	–	(32,099)	(32,099)	–	(32,099)
Total contributions by and distributions to owners	**–**	**–**	**–**	**–**	**–**	**2,005**	**–**	**(79,694)**	**(77,689)**	**(3,350)**	**(81,039)**
Acquisition of non-controlling interests	–	–	–	–	–	–	–	13,982	13,982	(13,982)	–
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**2,005**	**–**	**(65,712)**	**(63,707)**	**(17,332)**	**(81,039)**
At 31 July 2017	**1,172**	**774,040**	**(47)**	**720,456**	**2,859**	**2,005**	**(36,617)**	**737,784**	**2,201,652**	**–**	**2,201,652**

The notes on pages 83 to 153 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
for the year ended 31 July 2018

in EUR '000	Notes	**2018**	2017
Cash flows from operating activities			
Loss for the year		**(469,976)**	(906,138)
Income tax credit	9	**(22,697)**	(103,966)
Financing income	4	**(2,845)**	(3,821)
Financing costs	4	**76,413**	62,272
RCF termination and private placement early redemption costs	20	**12,415**	182,513
Share of profit after interest and tax of joint ventures	15	**(15,156)**	(38,380)
Net gain on disposal of joint venture	15	**(1,468)**	–
Net loss on disposal of businesses and asset write-downs	2	**362,783**	859,716
Other restructuring-related payments in excess of current year costs		**(2,064)**	(14,982)
Depreciation of property, plant and equipment	1	**119,850**	126,308
Amortisation of intangible assets	1	**172,678**	191,329
Recognition of deferred income from government grants	22	**(3,871)**	(5,665)
Share-based payments	8	**2,005**	2,005
Other		**(2,167)**	(4,315)
Cash flows from operating activities before changes in working capital		**225,900**	346,876
Increase in inventory		**(23,427)**	(18,038)
(Increase)/decrease in trade and other receivables		**(1,134)**	2,172
(Decrease)/increase in trade and other payables		**(28,339)**	38,245
Cash generated from operating activities		**173,000**	369,255
Income tax paid		**(22,692)**	(13,381)
Net cash flows from operating activities		**150,308**	355,874

The notes on pages 83 to 153 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
(continued)
for the year ended 31 July 2018

in EUR '000	Notes	2018	2017
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**8,348**	21,696
Proceeds from sale of investment property	13	**7,597**	14,522
Purchase of property, plant and equipment		**(81,680)**	(91,552)
Purchase of intangible assets		**(5,466)**	(11,025)
Dividends received from joint venture	15	**91,018**	–
Net receipts from joint ventures		**–**	3,277
Disposal of businesses, net	2	**101,599**	–
Disposal of joint venture	15	**34,948**	–
Contingent consideration paid		**–**	(896)
Net cash flows from investing activities		**156,364**	(63,978)
Cash flows from financing activities			
Gross drawdown of loan capital	20	**1,606,157**	1,226,778
Gross repayment of loan capital	20	**(1,919,180)**	(1,209,472)
RCF termination and private placement early redemption	20	**(501)**	(175,647)
Interest paid		**(62,507)**	(65,635)
Interest received		**2,845**	4,388
Capital element of finance lease liabilities	20	**(716)**	(1,022)
Purchase of non-controlling interests	21	**–**	(14,485)
Dividends paid to non-controlling interests		**–**	(3,350)
Hybrid instrument dividend paid	25	**–**	(32,115)
Dividends paid to equity shareholders		**–**	(47,595)
Equity dividend issuance costs		**(470)**	–
Net cash flows from financing activities		**(374,372)**	(318,155)
Net decrease in cash and cash equivalents	20	**(67,700)**	(26,259)
Translation adjustment	20	**(12,254)**	(20,774)
Net cash and cash equivalents at start of year	20	**421,940**	468,973
Net cash and cash equivalents at end of year	20	**341,986**	421,940

The notes on pages 83 to 153 are an integral part of these Group consolidated financial statements.

Group Statement of Accounting Policies
for the year ended 31 July 2018

Organisation

ARYZTA AG (the 'Company') is domiciled and incorporated in Zurich, Switzerland. The consolidated financial statements for the year ended 31 July 2018 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as the 'Group'), and show the Group's interest in joint ventures using the equity method of accounting.

The Group consolidated financial statements and the ARYZTA AG Company financial statements were authorised for issue by the directors on 1 October 2018, subject to approval by the shareholders at the General Meeting on 1 November 2018.

Statement of compliance

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

The IFRS applied by the Group in preparation of these financial statements are those that were effective for accounting periods beginning on or before 1 August 2017. 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 IAS 7 – Disclosure initiative
– Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
– Amendment to IFRS 12 – Disclosure of interests in other entities

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 2017 year-end financial statements and have no material impact on the consolidated results or financial position of the Group.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

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

Standard / Interpretation	Effective date	Planned implementation by ARYZTA (reporting year to 31 July)
IFRS 9 – Financial Instruments	1 January 2018	2019
IFRS 15 – Revenue from Contracts with Customers	1 January 2018	2019
Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions	1 January 2018	2019
Amendments to IAS 40 – Transfers of Investment Property	1 January 2018	2019
Improvements to IFRS Standards (2014–2016)	1 January 2018	2019
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	1 January 2018	2019
Amendments to IFRS 9 – Prepayment Features with Negative Compensation	1 January 2019	2020
Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures	1 January 2019	2020
Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement	1 January 2019	2020
Improvements to IFRS Standards (2015–2017)	1 January 2019	2020
IFRIC 23 – Uncertainty over Income Tax Treatments	1 January 2019	2020
IFRS 16 – Leases	1 January 2019	2020
IFRS 17 – Insurance Contracts	1 January 2021	2022

The Group has undertaken an initial assessment of the potential impacts of the new standards, amendments and improvements listed above that are effective for the Group for the year ending 31 July 2019, as well as IFRS 16, which becomes effective for the Group for the year ending 31 July 2020. Based on this initial assessment, the Group does not currently believe the adoption of these standards, amendments and interpretations will have a significant impact on the consolidated results or financial position of the Group, except as noted below:

- IFRS 9 ‘Financial Instruments’ will fully replace IAS 39 ‘Financial instruments: Recognition and measurements’ effective 1 January 2018 and is to be implemented by the Group effective 1 August 2018. The new standard requires impairments of financial instruments to be based on a forward-looking model, changes the approach to hedging financial exposures and related documentation, amends the recognition of certain fair value changes and increases disclosure requirements. The Group has performed a review of the business model corresponding to the different portfolios of financial assets and their related characteristics. Based on this review, the impact of the new standard on the financial position or performance of the Group is immaterial; however, the new standard will result in an increased volume of disclosure.

- IFRS 15 ‘Revenue from contracts with customers’ will replace IAS 11 ‘Construction Contracts’, IAS 18 ‘Revenue’ and related interpretations effective 1 January 2018 and is to be implemented by the Group effective 1 August 2018. The new standard defines a five-step model to recognise revenue from customer contracts. The Group has undertaken a review of the main types of commercial arrangements used with customers under this model and has concluded that the application of IFRS 15 will not have a material impact on the Group’s financial position or performance.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

- IFRS 16 ‘Leases’ will replace IAS 17 ‘Leases’ effective on 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. The main effect on the Group is the introduction of a single lessee accounting model and requires a lessee to recognise assets and liabilities for almost all leases. Therefore, 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. The change will also increase depreciation of the leased assets and increase finance costs associated with the interest-bearing loans and borrowings, while decreasing operating lease expenses. Future lease rentals due under existing operating lease commitments of the Group are disclosed in note 26 and operating lease rentals expense is disclosed in note 5. 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.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

Basis of preparation

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Further information on areas involving a higher degree of judgement and accounting estimates is set out in note 31.

Income statement presentation

In accordance with IAS 1, 'Presentation of Financial Statements', the Group Consolidated Income Statement is presented by function of expense, with the exception of net loss on disposal of businesses and impairment of disposal groups held-for-sale and impairment of goodwill. In accordance with IAS 1.85, net loss on disposal of businesses and impairment of disposal groups held-for-sale and impairment of goodwill have been presented separately on the basis of materiality and to distinguish them from other elements of financial performance.

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

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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

Basis of consolidation

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

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

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

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

Equity method
Under the equity method, investments are initially recognised at cost, with the carrying amount increased or decreased thereafter to recognise the Group's share of the profits or losses and movements in other comprehensive income after the date of the acquisition. When the Group's share of losses equals or exceeds its interest in the associate or joint venture, which includes any interests that, in substance, form part of the Group's net investment, the Group does not recognise further losses, unless it has incurred a legal or constructive obligation to do so.
Profits and losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the Group's financial statements, only to the extent of the unrelated investor's interests. Unrealised losses are eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

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

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

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

Revenue is recorded when the collection of the amount due is reasonably assured. An estimate is made on the basis of historical sales returns and is recorded to allocate these returns to the same period as the original revenue is recorded. Rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience. Any unutilised accrual is released after assessment that the likelihood of such a claim being made is no longer probable.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

Segmental reporting

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

Following the resignation of Owen Killian as Group CEO effective 31 March 2017, the CODM in the intervening period up until the appointment of Kevin Toland as Group CEO on 12 September 2017 was comprised of the Board of Directors. Effective 12 September 2017, the CODM has been identified as the Group CEO.

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

ARYZTA Europe has leading market positions in the European frozen B2B bakery market. In Europe, ARYZTA has a diversified customer base within the foodservice, large retail and convenience or independent retail channels.

ARYZTA North America has leading positions in the frozen B2B bakery market in the United States and Canada. It has a diversified customer base within the QSR, large retail and other foodservice channels.

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

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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

Employee benefits

Pension obligations

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

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

Share-based compensation

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

Termination benefits

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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

Income taxes

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

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

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

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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

Foreign currency

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

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

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

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

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

Currency	Average 2018	Average 2017	% Change	Closing 2018	Closing 2017	% Change
CHF	1.1629	1.0818	(7.5)%	1.1578	1.1340	(2.1)%
USD	1.1951	1.0938	(9.3)%	1.1651	1.1756	0.9%
CAD	1.5210	1.4483	(5.0)%	1.5219	1.4674	(3.7)%
GBP	0.8863	0.8633	(2.7)%	0.8888	0.8933	0.5%

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

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

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

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

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

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

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

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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

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

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

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

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

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

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

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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

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

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

Intangible assets

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

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

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

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

Customer relationships	5 to 22 years
Brands	10 to 25 years
Computer-related intangibles	3 to 5 years
ERP-related intangibles	12 years
Patents and other	3 to 15 years

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

There are no intangible assets with an indefinite useful life.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

Impairment of non-financial assets

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

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

Inventory

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

Cash and cash equivalents

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

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

Disposal groups held-for-sale

Disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

The assets of a disposal group classified as held-for-sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the balance sheet.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the disposal group is recognised at the date of derecognition. Non-current assets that are part of a disposal group are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

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

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

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

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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2018

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

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

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

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

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

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

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

Group Statement of Accounting Policies (continued) for the year ended 31 July 2018

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

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

Other equity reserve
As the perpetual callable subordinated instruments ('Hybrid 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 Hybrid 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, has occurred within the last twelve months.

Government grants

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

Transactions with non-controlling interests

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

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

Notes to the Group Consolidated Financial Statements
for the year ended 31 July 2018

1 Segment information

1.1 Analysis by business segment

I) Segment revenue and result	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR '000	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Segment revenue	**1,710,662**	1,738,593	**1,467,969**	1,799,059	**256,791**	259,118	**3,435,422**	3,796,770
Underlying EBITDA[1]	**171,977**	211,128	**89,902**	170,096	**39,943**	39,083	**301,822**	420,307
Depreciation	**(57,954)**	(54,009)	**(51,988)**	(62,909)	**(9,908)**	(9,390)	**(119,850)**	(126,308)
ERP amortisation	**(10,576)**	(9,955)	**(6,438)**	(6,734)	**(22)**	–	**(17,036)**	(16,689)
Underlying EBITA	**103,447**	147,164	**31,476**	100,453	**30,013**	29,693	**164,936**	277,310
Amortisation of other intangible assets	**(68,291)**	(57,816)	**(80,066)**	(108,765)	**(7,285)**	(8,059)	**(155,642)**	(174,640)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**(47,413)**	–	**(135,903)**	–	**–**	–	**(183,316)**	–
Impairment of goodwill	**(175,000)**	(103,000)	**–**	(491,872)	**–**	–	**(175,000)**	(594,872)
Impairment of intangible assets	**–**	–	**–**	(138,642)	**–**	–	**–**	(138,642)
Net loss on fixed asset disposals and impairments	**(1,926)**	(1,320)	**(1,098)**	(126,414)	**(1,443)**	1,532	**(4,467)**	(126,202)
Restructuring-related costs	**(6,058)**	(11,682)	**(63,441)**	(37,639)	**(326)**	(1,153)	**(69,825)**	(50,474)
Operating (loss)/profit[2]	**(195,241)**	(26,654)	**(249,032)**	(802,879)	**20,959**	22,013	**(423,314)**	(807,520)
Share of profit after interest and tax of joint ventures[3]							**15,156**	38,380
Net gain on disposal of joint venture[3]							**1,468**	–
Financing income[3]							**2,845**	3,821
Financing costs[3]							**(76,413)**	(62,272)
RCF termination and private placement early redemption[3]							**(12,415)**	(182,513)
Loss before income tax as reported in Group Consolidated Income Statement							**(492,673)**	(1,010,104)

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 Consolidated Financial Statements (continued) for the year ended 31 July 2018

II) Segment revenue by location

in EUR '000	Revenue 2018	% of Group Revenue 2018	Revenue 2017	% of Group Revenue 2017
Switzerland (ARYZTA's country of domicile)	**201,631**	**5.9%**	255,231	6.7%
Germany	**609,738**	**17.7%**	587,256	15.5%
Other[1]	**899,293**	**26.2%**	896,106	23.6%
ARYZTA Europe segmental revenue	**1,710,662**	**49.8%**	1,738,593	45.8%
USA	**1,154,561**	**33.6%**	1,465,827	38.6%
Canada	**313,408**	**9.1%**	333,232	8.8%
ARYZTA North America segmental revenue	**1,467,969**	**42.7%**	1,799,059	47.4%
ARYZTA Rest of World segmental revenue[2]	**256,791**	**7.5%**	259,118	6.8%
ARYZTA Group revenue[3]	**3,435,422**	**100.0%**	3,796,770	100.0%
ARYZTA Group revenue from major customer[4]	**383,886**	**11.2%**	379,875	10.0%

1 Other includes foreign countries in the ARYZTA Europe segment, which individually did not represent greater than 10% of ARYZTA Group revenue in the current or prior financial year.

2 No country in the ARYZTA Rest of World segment represented greater than 10% of the ARYZTA Group revenue in the current or prior financial year on an individual country basis.

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

4 One single external customer represented greater than 10% of the ARYZTA Group revenue in the current and prior financial year. These revenues were earned across all of the Group's operating segments in the current and prior financial years.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

III) Segment assets	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR '000	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Segment assets	**1,810,766**	2,172,161	**1,680,415**	2,125,089	**236,552**	266,088	**3,727,733**	4,563,338

Reconciliation to total assets as reported in the Group Consolidated Balance Sheet		
Investments in joint ventures	**420,016**	528,188
Deferred income tax assets	**68,702**	70,045
Derivative financial instruments	**1,268**	4,311
Cash and cash equivalents	**517,854**	535,570
Total assets as reported in Group Consolidated Balance Sheet	**4,735,573**	5,701,452

IV) Segment liabilities	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR '000	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Segment liabilities	**456,604**	495,550	**349,641**	415,041	**59,471**	72,378	**865,716**	982,969

Reconciliation to total liabilities as reported in Group Consolidated Balance Sheet		
Interest-bearing loans and borrowings	**2,028,118**	2,269,440
Derivative financial instruments	**829**	2,200
Current and deferred income tax liabilities	**168,050**	245,191
Total liabilities as reported in Group Consolidated Balance Sheet	**3,062,713**	3,499,800

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

V) Other segment information in EUR '000	ARYZTA Europe 2018	2017	ARYZTA North America 2018	2017	ARYZTA Rest of World 2018	2017	ARYZTA Group 2018	2017
Capital expenditure								
– Property, plant and equipment	**42,500**	49,352	**25,014**	33,253	**9,817**	10,348	**77,331**	92,953
– Intangibles	**3,114**	4,417	**1,749**	3,180	**496**	730	**5,359**	8,327
Total capital expenditure	**45,614**	53,769	**26,763**	36,433	**10,313**	11,078	**82,690**	101,280

1.2 Segmental non-current assets

I) Segment non-current assets by segment in EUR '000	ARYZTA Europe 2018	2017	ARYZTA North America 2018	2017	ARYZTA Rest of World 2018	2017	ARYZTA Group 2018	2017
IFRS 8 non-current assets[1]	**2,025,870**	2,505,768	**1,519,916**	1,851,671	**190,199**	228,932	**3,735,985**	4,586,371

1 Non-current assets as reported under IFRS 8, Operating Segments, include all non-current assets as presented in the Group Consolidated Balance Sheet, with the exception of deferred taxes and derivative financial instruments.

II) Segment non-current assets by location

in EUR '000	Non-current assets 2018	% of Group non-current assets 2018	Non-current assets 2017	% of Group non-current assets 2017
Switzerland (ARYZTA's country of domicile)	**287,511**	**7.7%**	295,683	6.4%
Germany	**492,262**	**13.2%**	722,635	15.8%
Other[1]	**1,246,097**	**33.3%**	1,487,450	32.4%
ARYZTA Europe segmental non-current assets	**2,025,870**	**54.2%**	2,505,768	54.6%
USA	**895,381**	**24.0%**	1,179,431	25.7%
Canada	**624,535**	**16.7%**	672,240	14.7%
ARYZTA North America segmental non-current assets	**1,519,916**	**40.7%**	1,851,671	40.4%
ARYZTA Rest of World segmental non-current assets[2]	**190,199**	**5.1%**	228,932	5.0%
ARYZTA Group non-current assets	**3,735,985**	**100.0%**	4,586,371	100.0%

1 Other includes foreign countries in the ARYZTA Europe segment which individually did not represent greater than 10% of ARYZTA Group non-current assets at the end of the current or prior financial year.

2 No country in the ARYZTA Rest of World segment represented greater than 10% of the ARYZTA Group non-current assets in the current or prior financial year on an individual country basis.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

2 Impairment, disposal and restructuring-related costs

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

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

in EUR '000	IFRS Income Statement 2018	Net impairment, disposal, restructuring-related costs 2018	Intangible amortisation 2018	Financial Business Review 2018	IFRS Income Statement 2017	Net impairment, disposal, restructuring-related costs 2017	Intangible amortisation 2017	Financial Business Review 2017
Revenue	**3,435,422**	–	–	**3,435,422**	**3,796,770**	–	–	**3,796,770**
Cost of sales	**(2,543,732)**	44,985	–	**(2,498,747)**	**(2,766,136)**	71,391	–	**(2,694,745)**
Distribution expenses	**(402,561)**	2,022	–	**(400,539)**	**(411,702)**	18	–	**(411,684)**
Gross profit	**489,129**	47,007	–	**536,136**	**618,932**	71,409	–	**690,341**
Selling expenses	**(181,635)**	5,391	–	**(176,244)**	**(202,747)**	1,336	–	**(201,411)**
Administration expenses	**(372,492)**	21,894	155,642	**(194,956)**	**(628,833)**	242,573	174,640	**(211,620)**
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**(183,316)**	183,316	–	**–**	**–**	–	–	**–**
Impairment of goodwill (note 14)	**(175,000)**	175,000	–	**–**	**(594,872)**	594,872	–	**–**
Operating (loss)/profit	**(423,314)**	432,608	155,642	**164,936**	**(807,520)**	910,190	174,640	**277,310**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

During the year ended 31 July 2018, 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 1. Furthermore, this metric forms the basis for Trailing Twelve Month EBITDA utilised in calculating the Net Debt: EBITDA ratio for banking covenant compliance.

		ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR '000	Notes	2018	2017	2018	2017	2018	2017	2018	2017
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	2.1	**(47,413)**	–	**(135,903)**	–	**–**	–	**(183,316)**	–
Impairment of goodwill	2.2	**(175,000)**	(103,000)	**–**	(491,872)	**–**	–	**(175,000)**	(594,872)
Impairment of intangibles	2.3	**–**	–	**–**	(138,642)	**–**	–	**–**	(138,642)
Impairment and disposal of fixed assets and investment property	2.4	**(1,926)**	(1,320)	**(1,098)**	(126,414)	**(1,443)**	1,532	**(4,467)**	(126,202)
Total net gain/(loss) on disposal of businesses and asset write-downs		**(224,339)**	(104,320)	**(137,001)**	(756,928)	**(1,443)**	1,532	**(362,783)**	(859,716)
Labour-related business interruption		**–**	–	**(41,443)**	(16,349)	**–**	–	**(41,443)**	(16,349)
Severance and other staff-related costs		**(3,256)**	(9,423)	**(11,569)**	(10,791)	**(326)**	(1,153)	**(15,151)**	(21,367)
Contractual obligations		**(314)**	(762)	**(102)**	(6,533)	**–**	–	**(416)**	(7,295)
Advisory and other costs		**(2,488)**	(1,497)	(10,327)	(3,966)	**–**	–	**(12,815)**	(5,463)
Total restructuring-related costs	2.5	**(6,058)**	(11,682)	**(63,441)**	(37,639)	**(326)**	(1,153)	**(69,825)**	(50,474)
Total impairment, disposal and restructuring-related costs		**(230,397)**	(116,002)	**(200,442)**	(794,567)	**(1,769)**	379	**(432,608)**	(910,190)

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

During January 2018, the Group disposed of a business in Europe, which historically generated approximately €45,000,000 in annual revenues. As the €46,781,000 proceeds received, net of associated transaction costs, exceeded the €45,432,000 carrying value of the net assets disposed, the transaction resulted in a €1,349,000 net gain on disposal.

In addition, two non-core businesses in Europe were re-classified as disposal groups held-for-sale during July 2018. A resulting impairment loss of €48,762,000 on re-measurement to fair value, less costs to sell, has been recognised, as detailed in note 3.

During February 2018, the Group disposed of the Cloverhill Chicago and Cicero facilities in North America, which historically generated approximately €250,000,000 in annual revenues. As the €54,818,000 proceeds received, net of associated transaction costs, were less than the €209,108,000 carrying value of the net assets prior to the disposal agreement, a loss of €135,903,000 was recognized during the year ended 31 July 2018, net of a €18,387,000 cumulative foreign currency translation gain since the initial investment.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

2.2 Impairment of goodwill

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

Following further reductions in estimated future profitability of the existing business, the Group recorded an additional €175,000,000 goodwill impairment charge in Germany during the year ended 31 July 2018.

Profitability in this business has been significantly impacted by the consolidation of bakery capacity into the Eisleben facility during prior years, which has been further compounded by customer volume insourcing and commodity prices during the current year, while the relatively new capacity at this bakery is also still being optimised.

While profitability is expected to improve in the future, including utilising available capacity to support capacity needs for other geographies within the Group, after considering the goodwill and other assets, as well as the respective future cash flow projections, management determined it was appropriate to record an additional goodwill impairment during the current year.

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

Further detail on these goodwill impairments is included in note 14 in the IFRS financial statements on pages 118 to 121.

2.3 Impairment of intangibles

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

As these customers and the related volumes were primarily associated with the Group's Cloverhill acquisition, the Group reviewed the remaining customer relationship and brand-related intangible assets obtained as part of that acquisition and recorded a €138,642,000 impairment of those intangible assets.

There were no such impairments of intangibles during the year ended 31 July 2018.

2.4 Impairment and disposal of fixed assets and investment property

During the year ended 31 July 2018, the Group incurred a net loss on the disposal of various fixed assets and investment properties totaling €4,467,000.

During the year ended 31 July 2017 the Group incurred €126,202,000 of asset write-downs and impairments, primarily related to assets in ARYZTA North America, including:
- €56,645,000 in relation to additional production capacity not yet fully completed or in service, which without further investment is expected to remain idle;
- €69,769,000 in relation to other North American facilities, which either lost significant activity or which were not projected to achieve sufficient future profitability to recover their carrying value.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

2.5 Restructuring-related costs

During the year ended 31 July 2018, the Group underwent considerable restructuring-related activity as a result of the ongoing consolidation and rationalisation of a number of production, distribution and administrative functions across the Group.

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

Labour related business interruption costs
During the year ended 31 July 2017, the Group encountered significant labour-related business disruption at its Cloverhill facilities in North America.

A substantial number of the legacy labour force at those facilities were supplied through a third-party staffing agency. A federal audit of this third-party agency revealed inadequate documentation, resulting in circa 800 experienced workers leaving the business during Q4 FY2017.

As these individuals had significant knowledge and experience of the baking process and represented over one-third of the workforce at these facilities, a significant decrease in the labour efficiency, waste levels and production volumes occurred at these facilities, as a result of this disruption.

While the Cloverhill business had been profitable every month since its acquisition, following this disruption these locations incurred €16,349,000 of losses during June and July 2017, as well as €41,443,000 of losses during FY 2018, up until disposal in February 2018.

Severance and other staff-related costs
During the year ended 31 July 2018, the Group provided for a total of €15,151,000 (2017: €21,367,000) in severance and other staff-related costs arising from a number of production, distribution and administrative rationalisations across the Group, as well as amounts in respect of key employee retention agreements implemented following the Executive Management departures in March 2017.

Contractual obligations
As a result of decisions made as part of the Group's integration and rationalisation projects, during the year ended 31 July 2018, the Group incurred total costs of €416,000 (2017: €7,295,000) to provide for certain long-term contracts determined to be surplus to the Group's operating requirements.

The associated provision amounts have been calculated on the basis of the remaining period of the relevant lease, or an estimate to the earliest date at which the lease could be terminated or sublet, if shorter.

Advisory and other costs
During the year ended 31 July 2018, the Group incurred €12,815,000 (2017: €5,463,000) in advisory and other professional services costs, arising directly from the strategic and business review activities following the changes in Executive Management.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

3 Disposal groups held-for-sale

During July 2018, the Group identified two non-core businesses in the ARYZTA Europe segment, which historically generated approximately €30,000,000 in annual revenues, for disposal. As plans for these disposals have been approved by the Board of Directors and are sufficiently progressed that they are considered highly probable to be completed within the next 12 months, the assets of these businesses have been accounted for as disposal groups held-for-sale as of 31 July 2018.

As the fair value less costs to sell of these facilities of €7,000,000 was less than the €55,762,000 carrying value of the net assets, a loss on impairment of disposal groups held-for-sale of €48,762,000 has been recognised in the income statement.

In accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', the assets of the disposal groups classified as held-for-sale are presented separately from other assets in the Group Consolidated Balance Sheet as at 31 July 2018.

Analysis of the disposal groups held-for-sale, including the loss recognised on the re-measurement of the assets of the disposal group to fair value less costs to sell, is as follows:

in EUR '000	2018
Carrying value of net assets transferred to disposal groups held-for-sale	**55,762**
Loss on impairment of disposal groups held-for-sale	**(48,762)**
Disposal groups held-for-sale at fair value less costs to sell	**7,000**

The assets of the disposal groups held-for-sale are as follows:

in EUR '000	2018
Property, plant and equipment	**4,208**
Inventory	**2,792**
Disposal groups held-for-sale at fair value less costs to sell	**7,000**

The fair value has been measured using inputs not observable within the market, and is therefore within level 3 of the fair value hierarchy. The transactions are expected to complete during FY 2019, within one year from the date of classification as held-for-sale on 31 July 2018.

A cumulative €0.9m foreign currency translation loss on net investment, related to these disposal groups, has been recognised through other comprehensive income since initial investment, and remains in foreign currency translation reserve as of 31 July 2018. This amount will be recalculated upon eventual completion of the transactions and will be recycled from other comprehensive income into the income statement at that point.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

4 Financing income and costs

in EUR '000	**2018**	2017
Financing income		
Total financing income recognised in Group Consolidated Income Statement	**2,845**	3,821
Financing costs		
Interest cost on bank loans and overdrafts	**(76,316)**	(62,140)
Interest cost under finance leases	**(44)**	(81)
Defined benefit plan: net interest cost on plan liabilities (note 24)	**(53)**	(51)
Total financing costs recognised in Group Consolidated Income Statement	**(76,413)**	(62,272)
RCF termination and private placement early redemption (note 20)	**(12,415)**	(182,513)
Recognised directly in other comprehensive income		
Effective portion of changes in fair value of interest rate swaps[1]	**1,411**	2,756
Fair value of interest rate swaps transferred to income statement	**901**	3,970
Total financing gain recognised directly in other comprehensive income	**2,312**	6,726

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

5 Other information

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

in EUR '000	**2018**	2017
Revenue	**3,435,422**	3,796,770
Raw materials and consumables used	**(1,670,222)**	(1,814,357)
Employment costs (note 7)	**(794,567)**	(846,002)
Storage and distribution costs	**(245,863)**	(254,698)
Amortisation of intangible assets (note 1)	**(172,678)**	(191,329)
Depreciation of property, plant and equipment (note 1)	**(119,850)**	(126,308)
Light, heat and power	**(83,644)**	(89,402)
Operating lease rentals	**(66,876)**	(72,985)
Repairs and maintenance	**(56,550)**	(61,822)
Advertising and marketing	**(43,076)**	(53,741)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale (note 2)	**(183,316)**	–
Impairment of goodwill (note 2)	**(175,000)**	(594,872)
Impairment of intangibles (note 2)	**–**	(138,642)
Asset disposals and impairments (note 2)	**(4,467)**	(126,202)
Labour related business interruption (note 2)	**(41,443)**	(16,349)
Other restructuring-related costs (note 2)	**(13,231)**	(12,758)
Other direct and indirect costs	**(187,953)**	(204,823)
Operating loss	**(423,314)**	(807,520)

Group revenue categories
Group revenue relates primarily to sale of products.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

6 Directors' compensation

Please refer to the ARYZTA AG Compensation Report on pages 55 to 64 for details on the compensation process and compensation for the year of Directors and Group Executive Management. Also see compensation of key management disclosure as included in note 28.

7 Employment

Average number of persons employed by the Group during the year by function	2018	2017
Production	**14,110**	15,046
Sales and distribution	**3,403**	3,596
Management and administration	**1,382**	1,597
Total Group	**18,895**	20,239

Average number of persons employed by the Group during the year by region

	2018	2017
Europe	**8,926**	9,052
North America	**8,019**	9,343
Rest of World	**1,950**	1,844
Total Group	**18,895**	20,239

Aggregate employment costs of the Group

in EUR '000	2018	2017
Wages and salaries	**688,067**	731,676
Social welfare costs	**73,626**	76,399
Severance and other staff-related costs (note 2)	**15,151**	21,367
Defined contribution plans (note 24)	**13,767**	14,233
Defined benefit plans – current service cost (note 24)	**3,225**	3,692
Defined benefit plans – past service gain/(loss) (note 24)	**731**	(1,365)
Employment costs	**794,567**	846,002

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

8 Share-based payments

The Group has outstanding grants of equity-based incentives under the ARYZTA Option Equivalent Plan LTIP and ARYZTA Restricted Stock Unit Plan. The total cost reported in the Group Consolidated Income Statement in relation to equity-settled share-based payments is €2,005,000 (2017: €2,005,000).

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

8.1 ARYZTA Option Equivalent Plan LTIP

Option Equivalent Plan awards	**Weighted conversion price 2018 in CHF**	**Number of equity entitlements 2018**	Weighted conversion price 2017 in CHF	Number of equity entitlements 2017
Outstanding at beginning of the year	**42.30**	**3,660,500**	50.19	4,883,500
Forfeited during the year	**44.66**	**(2,100,000)**	73.82	(1,223,000)
Outstanding at the end of the year	**39.20**	**1,560,500**	42.30	3,660,500
Vested at end of the year	**39.20**	**1,560,500**	39.22	1,565,500

Option Equivalent Plan awards outstanding by conversion price	Conversion price in CHF	**Number of equity entitlements**	**Actual remaining life (years)**
Issued during financial year 2010	37.23	**550,000**	**1.1**
Issued during financial year 2012	39.95	**962,500**	**3.2**
Issued during financial year 2013	46.70	**48,000**	4.3
As of 31 July 2018	39.20	**1,560,500**	2.5

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

Vesting of the awards under the Option Equivalent Plan issued during financial year 2016 was conditional on compound annual growth in underlying diluted EPS (including the associated cost of any awards expected to vest) in three consecutive accounting periods exceeding the compound growth in the Euro-zone Core Consumer Price Index, plus 5%, on an annualised basis. The awards were also subject to additional conditions, including notably:

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

As the above performance conditions were not met, the Option Equivalent Plan awards granted during financial year 2016, for which no expense had been recognised to date, were forfeited during the current year.

The vested Option Equivalent Plan awards still outstanding as of 31 July 2018 can be exercised no longer than ten years after grant date. There were no awards granted under the Option Equivalent Plan during the years ended 31 July 2018 or 31 July 2017.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

8.2 ARYZTA Restricted Stock Unit Plan

Restricted Stock Unit Plan awards outstanding	Weighted conversion price 2018 in CHF	Number of equity entitlements 2018	Weighted conversion price 2017 in CHF	Number of equity entitlements 2017
Outstanding at beginning of the year	**0.00**	**177,957**	–	–
Granted during the year	**–**	**–**	0.00	182,807
Exercised during the year	**0.00**	**(64,899)**	–	–
Forfeited during the year	**0.00**	**(22,777)**	0.00	(4,850)
Outstanding at the end of the year	**0.00**	**90,281**	0.00	177,957
Vested at end of the year	**–**	**–**	–	–

Restricted Stock Unit Plan awards outstanding	Conversion price in CHF	Number of equity entitlements	Actual remaining life (years)
Issued during financial year 2017	0.00	**90,281**	**8.6**
As of 31 July 2018	0.00	**90,281**	**8.6**

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

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

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

There were no awards granted under the ARYZTA Restricted Stock Unit Plan during the year ended 31 July 2018. The weighted average fair value assigned to share option equivalents granted under the ARYZTA Restricted Stock Unit Plan during the year ended 31 July 2017 was CHF 30.58. The fair value assigned to equity entitlements issued under the ARYZTA Restricted Stock Unit Plan represents the full value of an ordinary share on the date of grant, adjusted for the estimated lost dividends between date of issue and vesting date and adjusted for the nominal value of the shares.

During the year ended 31 July 2018, the performance conditions associated with 64,899 Restricted Stock Unit Plan 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 28.69.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

9 Income taxes

Income tax credit

in EUR '000	**2018**	2017
Current tax charge	**(27,071)**	(29,652)
Deferred tax credit (note 23)	**49,768**	133,618
Income tax credit	**22,697**	103,966

Reconciliation of average effective tax rate to applicable tax rate

in EUR '000	**2018**	2017
Loss before income tax	**(492,673)**	(1,010,104)
Less share of profit after interest and tax of joint ventures	**(15,156)**	(38,380)
Loss before tax and before share of profit of joint ventures	**(507,829)**	(1,048,484)
Income tax on loss for the year at 21.2% (2017: 21.2%)[1]	**107,660**	222,279
(Expenses)/income not (deductible)/taxable for tax purposes	**(43,859)**	(75,237)
Income subject to other rates of tax	**31,470**	44,416
Excess deferred tax assets not recognised / derecognised	**(72,076)**	(88,300)
Change in estimates and other prior year adjustments:		
– Current tax	**(37)**	(1,086)
– Deferred tax	**(461)**	1,894
Income tax credit	**22,697**	103,966

Income tax recognised in other comprehensive income

in EUR '000	**2018**	2017
Relating to foreign exchange translation effects	**(1,301)**	(1,532)
Relating to cash flow hedges	**310**	(1,647)
Relating to Group employee benefit plans actuarial (gains)/losses	**(156)**	(1,204)
Tax recognised directly in other comprehensive income	**(1,147)**	(4,383)

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

10 Proposed dividend

No dividend is planned to be 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 Consolidated Financial Statements (continued) for the year ended 31 July 2018

11 Earnings per share

Basic loss per share	**2018** in EUR '000	2017 in EUR '000
Loss attributable to equity shareholders	**(469,976)**	(907,773)
Hybrid instrument dividend (note 25)	**(32,057)**	(32,099)
Loss used to determine basic EPS	**(502,033)**	(939,872)

Weighted average number of ordinary shares	'000	'000
Ordinary shares outstanding at 1 August[1]	**88,759**	88,759
Effect of shares issued as a scrip dividend	**551**	–
Effect of exercise of equity instruments	**51**	–
Weighted average ordinary shares used to determine basic EPS	**89,361**	88,759

Basic loss per share	**(561.8) cent**	(1,058.9) cent

Diluted loss per share	**2018** in EUR '000	2017 in EUR '000
Loss used to determine basic EPS	**(502,033)**	(939,872)

Weighted average number of ordinary shares (diluted)	'000	'000
Weighted average ordinary shares used to determine basic EPS	**89,361**	88,759
Effect of equity-based incentives with a dilutive impact[2]	**–**	–
Weighted average ordinary shares used to determine diluted EPS	**89,361**	88,759

Diluted loss per share	**(561.8) cent**	(1,058.9) cent

1 Issued share capital excludes treasury shares as detailed in note 25.

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 impacts related to the conversion of equity-based incentives would decrease the loss per share for the years ended 31 July 2018 and 2017, no dilutive effect was taken during these years.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

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. It is also the Group's policy to declare dividends based on underlying diluted earnings per share.

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 & private placement early redemption costs; and
- excludes impairment, disposal and restructuring-related costs.

Underlying diluted earnings per share	**2018** in EUR '000	2017 in EUR '000
Loss used to determine basic EPS	**(502,033)**	(939,872)
Amortisation of non-ERP intangible assets (note 1)	**155,642**	174,640
Tax on amortisation of non-ERP intangible assets	**(54,886)**	(32,997)
Share of JV intangible amortisation and restructuring costs, net of tax (note 15)	**7,599**	(17,099)
RCF termination & private placement early redemption (note 20)	**12,415**	182,513
Net gain on disposal of joint venture (note 15)	**(1,468)**	–
Net loss on disposal of businesses and impairment of disposal groups held for sale (note 2)	**183,316**	–
Impairment of goodwill (note 2)	**175,000**	594,872
Impairment of intangibles (note 2)	**–**	138,642
Impairment and disposal of fixed assets and investment property (note 2)	**4,467**	126,202
Restructuring-related costs (note 2)	**69,825**	50,474
Tax on net impairment, disposal and restructuring-related costs	**(260)**	(98,349)
Underlying net profit	**49,617**	179,026
Weighted average ordinary shares used to determine basic EPS	**89,361**	88,759
Underlying basic earnings per share	**55.5 cent**	201.7 cent
Weighted average ordinary shares used to determine basic EPS	**89,361**	88,759
Effect of shares issued as a scrip dividend with a dilutive impact	**170**	–
Effect of equity-based incentives with a dilutive impact	**99**	29
Weighted average ordinary shares used to determine underlying diluted EPS	**89,630**	88,788
Underlying diluted earnings per share	**55.4 cent**	201.6 cent

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

12 Property, plant and equipment

31 July 2018 in EUR '000	Land and buildings	Plant and Machinery	Motor Vehicles	Assets under construction	Total
Net Book Value At 1 August 2017	**480,527**	**878,968**	**4,085**	**22,714**	**1,386,294**
Additions	2,195	17,940	280	56,916	77,331
Transfer from assets under construction	6,127	37,303	438	(43,868)	–
Disposals as part of business disposals	(13,004)	(33,239)	(283)	(1,952)	(48,478)
Transfer to disposal groups classified as held-for-sale	(10,659)	(16,242)	–	(308)	(27,209)
Asset impairments (note 2)	(2,151)	(2,470)	–	518	(4,103)
Asset disposals	(1,416)	(795)	(77)	(85)	(2,373)
Transfer to investment properties (note 13)	(1,168)	–	–	–	(1,168)
Depreciation charge for year	(15,335)	(103,320)	(1,195)	–	(119,850)
Translation adjustments	(6,040)	(10,112)	(175)	(425)	(16,752)
Net Book Value At 31 July 2018	**439,076**	**768,033**	**3,073**	**33,510**	**1,243,692**
At 31 July 2018					
Cost	525,027	1,341,505	7,432	33,510	1,907,474
Accumulated depreciation	(85,951)	(573,472)	(4,359)	–	(663,782)
Net Book Value At 31 July 2018	**439,076**	**768,033**	**3,073**	**33,510**	**1,243,692**

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

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

in EUR '000	Plant and Machinery	Motor Vehicles	Total
At 31 July 2018	**133**	**1,028**	**1,161**
At 31 July 2017	188	1,560	1,748

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

13 Investment properties

in EUR '000	**2018**	2017
Balance at 1 August	**19,952**	24,787
Transfer from property, plant and equipment (note 12)	**1,168**	8,787
Disposals	**(7,375)**	(12,519)
Fair value adjustments (note 2)	**447**	–
Translation adjustment	**382**	(1,103)
Balance at 31 July	**14,574**	19,952

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

During the year ended 31 July 2018, land and building assets that were no longer in operational use were transferred to investment property. The property was located in the ARYZTA Europe segment, and had an estimated fair value of €1,168,000 at the date of transfer, which approximated its carrying value. During the year ended 31 July 2017, land assets in the ARYZTA Rest of World segment that were no longer in operational use were transferred to investment property. The properties had an estimated fair value of €8,787,000 at the date of transfer, which approximated its carrying value.

During the year, a number of properties in the ARYZTA Europe and ARYZTA Rest of World segments were disposed for net cash consideration of €7,597,000. As the proceeds received exceeded the €7,375,000 carrying value of the assets, these transactions resulted in a gain on disposal of €222,000.

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

During the year ended 31 July 2018, a net gain of €447,000 of fair value adjustments related to the carrying value of investment properties was recorded in the ARYZTA Europe and ARYZTA Rest of World segments, based on the results of independent valuations. The valuations were arrived at by reference to location, market conditions and status of planned disposals. The fair values of investment properties are considered a Level 3 fair value measurement. No fair value adjustments were recorded to investment properties during the year 31 July 2017. Rental income and operating expenses recognised related to these properties is not significant.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

14 Goodwill and intangible assets

31 July 2018 in EUR '000	Goodwill	Customer Relationships	Brands	Computer-related	ERP-related intangibles	Patents and other	Total
Net Book Value At 1 August 2017	**1,775,000**	**556,293**	**108,453**	**18,721**	**170,996**	**22,474**	**2,651,937**
Additions	–	–	–	2,749	2,610	–	5,359
Impairment of goodwill (note 2)	(175,000)	–	–	–	–	–	(175,000)
Disposals as part of business disposals (note 2)	(142,924)	(21,270)	(5,351)	(101)	(7,748)	(3,334)	(180,728)
Transfer to disposal groups classified as held-for-sale (note 3)	(15,881)	(11,084)	–	(3)	(454)	–	(27,422)
Asset impairments/disposals	–	–	–	(1,038)	(4,244)	–	(5,282)
Amortisation charge for the year	–	(109,486)	(32,892)	(3,501)	(17,036)	(9,763)	(172,678)
Translation adjustments	(27,186)	(9,641)	(1,050)	(294)	(7)	(305)	(38,483)
Net Book Value At 31 July 2018	**1,414,009**	**404,812**	**69,160**	**16,533**	**144,117**	**9,072**	**2,057,703**
At 31 July 2018							
Cost	1,414,009	1,005,404	262,291	38,416	198,385	15,216	2,933,721
Accumulated amortisation	–	(600,592)	(193,131)	(21,883)	(54,268)	(6,144)	(876,018)
Net Book Value At 31 July 2018	**1,414,009**	**404,812**	**69,160**	**16,533**	**144,117**	**9,072**	**2,057,703**

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

Intangible asset movements

As set out in note 2, during the year ended 31 July 2018, €45,432,000 of net assets were de-recognised in relation to the disposal of a business in Europe, and €209,108,000 of net assets were de-recognised in relation to the disposal of the Cloverhill Chicago and Cicero facilities in North America. These included €180,728,000 of intangible assets, of which €142,924,000 related to goodwill, and €37,804,000 related to customer relationships, brands and trademarks, software and other intangibles.

As set out in note 3, during the year ended 31 July 2018, €55,762,000 of assets related to two non-core businesses in Europe were transferred to disposal groups held-for-sale. These included €27,422,000 of intangible assets, of which €15,881,000 related to goodwill and €11,541,000 related to customer relationships and software.

During the year ended 31 July 2017, ARYZTA North America experienced a significant reduction in volumes, as a result of earlier than anticipated in-sourcing by co-pack customers. As these customers and the related volumes were primarily associated with the

Notes to the Group Consolidated Financial Statements (continued)
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Group's Cloverhill acquisition, the Group reviewed the remaining customer relationship and brand-related intangible assets obtained as part of that transaction and, based on the associated future cash flows, recorded a €138,642,000 impairment of those intangible assets within administration expenses in the Group Consolidated Income Statement. The value-in-use models used to determine the recoverable amounts of these intangible assets were based on management's expectations of the respective future revenues from the acquired customer relationships and brands and applied a discount rate consistent with the rate used in the 2017 ARYZTA North America CGU goodwill impairment testing.

Goodwill Impairment testing

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

The business units shown in the following table represent the lowest level at which goodwill is monitored for internal management purposes. Accordingly, this is also the level at which the 2018 goodwill impairment testing was performed. The carrying amount of goodwill allocated to the relevant CGUs, as well as the key assumptions used in the 2018 impairment testing, are summarised as follows:

in EUR '000	**Pre-tax discount rate 2018**	Pre-tax discount rate 2017	**Projection period 2018**	Projection period 2017	**Terminal growth rate 2018**	Terminal growth rate 2017	**Carrying Value 2018**	Carrying Value 2017
UK, Ireland and Netherlands	**8.0%**	8.0%	**3 years**	3 years	**2.0%**	1.9%	**173,625**	209,478
Germany	**8.4%**	8.4%	**3 years**	3 years	**1.9%**	1.9%	**29,906**	204,906
Switzerland	**7.5%**	7.4%	**3 years**	3 years	**1.0%**	1.0%	**229,259**	234,069
France	**9.0%**	8.8%	**3 years**	3 years	**1.9%**	1.8%	**85,354**	85,354
Other Europe[1]	**8.4%**	8.0%	**3 years**	3 years	**1.9%**	1.9%	**60,329**	62,835
ARYZTA Europe							**578,473**	796,642
ARYZTA North America	**8.9%**	8.9%	**3 years**	3 years	**2.3%**	2.2%	**784,479**	922,496
ARYZTA Rest of World	**12.3%**	11.4%	**3 years**	3 years	**2.8%**	3.0%	**51,057**	55,862
							1,414,009	1,775,000

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

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

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

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for the year ended 31 July 2018

As a result of significant reductions in profitability in Germany and ARYZTA North America during the year ended 31 July 2017, the Group recorded goodwill impairment charges of €103,000,000 in Germany, within the ARYZTA Europe operating segment, and €491,872,000 in ARYZTA North America.

Following further reductions in estimated future profitability of the existing business, the Group recorded an additional €175,000,000 goodwill impairment charge in Germany during the year ended 31 July 2018. The recoverable amount of Germany goodwill after this charge is €29,906,000, as outlined in the table above.

Profitability in this business has been significantly impacted by the consolidation of bakery capacity into the Eisleben facility during prior years, which has been further compounded by customer volume insourcing and commodity prices during the current year, while the relatively new capacity at this bakery is also still being optimised.

While profitability is expected to improve in the future, including utilising available capacity to support capacity needs for other geographies within the Group, after considering the goodwill and other assets, as well as the respective future cash flow projections, management determined it was appropriate to record an additional goodwill impairment charge during the current year.

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

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

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

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

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

As the goodwill in the Germany CGU was written down to recoverable value at July 2018, there is no headroom over carrying value of this CGU at year-end, and the recoverable value of the CGU is sensitive to any unfavourable changes in the key assumptions used.

The headroom of the recoverable amounts of the Germany, Switzerland and ARYZTA North America CGUs over the respective carrying amounts at 31 July 2018 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.

in EUR million	Headroom over carrying value	Pre-tax discount rate allowable movement	Terminal growth rate allowable movement
Germany	€0m	0.0%	0.0%
Switzerland	€32m	+0.9%	(0.7%)
ARYZTA North America	€183m	+0.8%	(0.7%)

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

15 Investments in joint ventures

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

in EUR '000	2018	2017
At 1 August	**528,188**	491,446
Share of joint ventures' underlying net profit	**22,755**	21,281
Group share of intangible amortisation	**(2,669)**	(3,561)
Group share of tax on intangible amortisation and associated rate adjustments	**12,686**	21,318
Group share of refinancing-related costs	**(14,536)**	–
Group share of restructuring-related costs	**(3,080)**	(658)
Disposal of investment in joint venture	**(32,825)**	–
Gains through other comprehensive income	**105**	180
Dividends	**(91,018)**	–
Translation adjustments	**410**	(1,818)
At 31 July	**420,016**	528,188

ARYZTA owns a 49% interest in Picard, which operates an asset-light B2C platform focused on premium speciality food. Picard is located primarily in France, is separately managed and has separately funded debt structures, which are non-recourse to ARYZTA. The Group also retains the right to exercise a call option to acquire the remaining outstanding interest in Picard in September 2019, September 2020 or September 2021.

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

ARYZTA received cash dividends from Picard totaling €91,018,000 during the year, after which the Group's investment carrying value in Picard totals €420,016,000 as of 31 July 2018. While Picard is not considered part of ARYZTA's long-term strategy, disposal of the Group's investment is currently only possible with agreement of both joint venture partners. Therefore, the Group's investment continues to be accounted on a historical cost basis using the equity method of accounting.

The increase in the Group share of restructuring-related costs included in the table above primarily relates to early redemption costs associated with the refinancing of Picard debt structures during FY 2018.

The Group also owned a 50% interest in Signature Flatbreads, a pioneering flatbread producer, producing an innovative range of authentic Indian breads, as well as high-quality international flatbreads, tortillas, pizza bases and pitas. During March 2018, consistent with ARYZTA's strategy to focus on its frozen B2B bakery operations and exit non-core businesses, the Group sold its 50% interest in Signature Flatbreads to its joint venture partners for net proceeds of €34,948,000. This resulted in a net gain on disposal of €1,468,000 compared to the Group's carrying value of €32,825,000, and associated cumulative foreign currency translation reserve losses of €655,000 since the initial investment.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

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

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

31 July 2018 in EUR '000	**Picard**	**Signature**	**Total**
Cash and cash equivalents	15,963	–	15,963
Other current assets	145,193	–	145,193
Total current assets	**161,156**	**–**	**161,156**
Total non-current assets	**1,898,787**	**–**	**1,898,787**
Trade and other payables	(240,542)	–	(240,542)
Other current liabilities	(11,070)	–	(11,070)
Total current liabilities	**(251,612)**	**–**	**(251,612)**
Total non-current liabilities	**(1,730,645)**	**–**	**(1,730,645)**
Balance at 31 July 2018	**77,686**	**–**	**77,686**
ARYZTA's share in %	49%	–	
ARYZTA's share thereof	37,810	–	37,810
Goodwill	382,206	–	382,206
Investment in joint ventures	**420,016**	**–**	**420,016**

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

31 July 2018 in EUR '000	**Picard**	**Signature**	**Total**	**ARYZTA's share thereof**
Revenue	1,449,671	83,844	**1,533,515**	
Underlying EBITDA	207,272	11,689	**218,961**	
Depreciation	(31,201)	(3,299)	**(34,500)**	
Underlying EBITA	176,071	8,390	**184,461**	
Finance costs, net	(84,984)	(260)	**(85,244)**	
Pre-tax profits	91,087	8,130	**99,217**	
Income tax	(50,868)	(1,769)	**(52,637)**	
Joint venture underlying net profit	**40,219**	**6,361**	**46,580**	**22,755**
Intangible amortisation	(4,271)	(1,180)	**(5,451)**	**(2,669)**
Tax on intangible amortisation and associated rate adjustments	25,848	212	**26,060**	**12,686**
Refinancing-related costs	(29,867)	–	**(29,867)**	**(14,536)**
Restructuring-related costs	(6,327)	–	**(6,327)**	**(3,080)**
Joint venture profit after tax	**25,602**	**5,393**	**30,995**	**15,156**
Gains through other comprehensive income	217	–	**217**	**105**
Total comprehensive income	**25,819**	**5,393**	**31,212**	**15,261**
ARYZTA's share in %	49%	50%		
ARYZTA's share thereof	**12,565**	**2,696**		**15,261**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

16 Inventory

in EUR '000	**2018**	2017
Raw materials	**47,375**	54,036
Finished goods	**193,193**	186,468
Packaging and other	**3,967**	11,658
Balance at 31 July	**244,535**	252,162

A total expense of €29,979,000 (2017: €25,437,000) was recognised in the Group Consolidated Income Statement arising from write-down of inventory.

17 Trade and other receivables

in EUR '000	**2018**	2017
Current		
Trade receivables, net	**71,651**	75,312
Amounts due from related parties (note 28)	**135**	5
VAT recoverable	**15,670**	20,897
Prepayments and accrued income	**28,816**	37,275
Other receivables	**37,698**	30,782
Balance at 31 July	**153,970**	164,271

18 Trade and other payables

in EUR '000	**2018**	2017
Non-current		
Other payables	**49,664**	36,278
Balance at 31 July	**49,664**	36,278
Current		
Trade payables	**356,877**	396,864
Amounts due to related parties (note 28)	**228**	220
Accruals and other payables[1]	**304,547**	319,182
Employee-related tax and social welfare	**12,210**	13,746
VAT payable	**10,473**	11,467
Hybrid instrument accrued dividend (note 25)	**–**	9,032
Balance at 31 July	**684,335**	750,511

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

19 Cash and cash equivalents

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

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

in EUR '000	**2018**	2017
Cash at bank and on hand	**517,854**	535,570
Bank overdrafts	**(175,868)**	(113,630)
Included in the Group Consolidated Cash Flow Statement	**341,986**	421,940

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

Notes to the Group Consolidated Financial Statements (continued)
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20 Interest-bearing loans and borrowings

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

in EUR '000	2018	2017
Included in non-current liabilities		
Loans	**1,772,062**	382,551
Finance leases	**253**	691
Non-current interest-bearing loans and borrowings	**1,772,315**	383,242
Included in current liabilities		
Loans	**79,531**	1,771,734
Bank overdrafts (note 19)	**175,868**	113,630
Total bank loans and overdrafts	**255,399**	1,885,364
Finance leases	**404**	834
Current interest-bearing loans and borrowings	**255,803**	1,886,198
Total bank loans and overdrafts	**2,027,461**	2,267,915
Total finance leases	**657**	1,525
Total interest-bearing loans and borrowings	**2,028,118**	2,269,440

Analysis of net debt in EUR '000	1 August 2017	Cash flows	Non-cash movements	Translation adjustment	31 July 2018
Cash and cash equivalents	535,570	(7,397)	–	(10,319)	517,854
Overdrafts	(113,630)	(60,303)	–	(1,935)	(175,868)
Cash, net of overdrafts	**421,940**	**(67,700)**	**–**	**(12,254)**	**341,986**
Loans	(2,154,285)	313,023	(17,857)	7,526	(1,851,593)
Finance leases	(1,525)	716	140	12	(657)
Net debt	**(1,733,870)**	**246,039**	**(17,717)**	**(4,716)**	**(1,510,264)**

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

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

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

On 22 September 2017, this financing was used to repay in full the existing revolving credit and term loan facilities outstanding at that time. In connection with this early repayment, the Group incurred €12.4m of costs, including the write-off of €11.9m of existing RCF and term loan capitalised borrowing costs, and other redemption-related cash costs of €0.5m.

Details on the Group's financial covenants are included in note 25 on pages 148 and 149.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

The terms of outstanding loans are as follows:

2018	Currency	Financial year of maturity	Nominal Value in EUR'000	Carrying amount in EUR'000
Syndicated Bank RCF	Various	2023	611,815	601,205
Syndicated Bank Term Loan[1]	Various	2023	878,937	867,279
Schuldschein Variable	EUR	2020	185,500	184,852
Schuldschein Variable	EUR	2022	119,500	119,082
Schuldschein Variable	EUR	2024	8,000	7,972
Schuldschein Fixed	EUR	2020	20,000	19,930
Schuldschein Fixed	EUR	2022	33,000	32,885
Schuldschein Fixed	USD	2022	9,871	9,835
Schuldschein Fixed	USD	2024	8,583	8,553
Total outstanding loans at 31 July 2018			**1,875,206**	**1,851,593**

1 The schedule of mandatory repayments by financial year on the amortising Syndicated Bank Term Loan is as follows: FY 2019 – €80m; FY 2020 – €80m; FY 2021 – €169m; FY 2022 – €300m and FY 2023 – €250m.

2017	Currency	Financial year of maturity	Nominal Value in EUR'000	Carrying amount in EUR'000
Syndicated Bank RCF[1]	Various	2019	415,951	412,171
Syndicated Bank RCF[1]	Various	2021	777,961	770,023
Term Loan Facility[1]	EUR	2019	590,000	589,540
Schuldschein Variable	EUR	2020	185,500	184,660
Schuldschein Variable	EUR	2022	119,500	118,960
Schuldschein Variable	EUR	2024	8,000	7,964
Schuldschein Fixed	EUR	2020	20,000	19,910
Schuldschein Fixed	EUR	2022	33,000	32,851
Schuldschein Fixed	USD	2022	9,783	9,738
Schuldschein Fixed	USD	2024	8,506	8,468
Total outstanding loans at 31 July 2017			**2,168,201**	**2,154,285**

1 Syndicated Bank RCF and Term Loan Facility included in current liabilities at 31 July 2017.

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

	2018	2017
Total bank loans	**3.2%**	2.2%

The pre-tax weighted average cost of capital associated with the Group's financing structures was 8.5% (2017: 8.1%).

Repayment schedule – loans and overdrafts (nominal values) in EUR '000	2018	2017
Less than one year	**255,868**	1,897,542
Between one and five years	**1,778,623**	367,783
After five years	**16,583**	16,506
	2,051,074	2,281,831

Repayment schedule – finance leases in EUR '000	Minimum lease payments 2018	Interest 2018	Present value of payments 2018	Minimum lease payments 2017	Interest 2017	Present value of payments 2017
Less than one year	**424**	**20**	**404**	875	41	834
Between one and five years	**263**	**10**	**253**	716	25	691
	687	**30**	**657**	1,591	66	1,525

Notes to the Group Consolidated Financial Statements (continued)
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21 Financial instruments and financial risk

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

in EUR '000	Fair value hierarchy	Fair Value through income statement 2018	Hedge instruments 2018	Loans and receivables 2018	Liabilities at amortised cost 2018	Total carrying amount 2018	Fair value 2018
Trade and other receivables (excluding prepayments)		–	–	109,484	–	109,484	109,484
Cash and cash equivalents		–	–	517,854	–	517,854	517,854
Derivative financial assets	*Level 2*	–	1,268	–	–	1,268	1,268
Property, plant and equipment	*Level 3*	7,188	–	–	–	7,188	7,188
Investment properties	*Level 3*	14,574	–	–	–	14,574	14,574
Assets of disposal groups held-for-sale	*Level 3*	7,000	–	–	–	7,000	7,000
Total financial assets		**28,762**	**1,268**	**627,338**	**–**	**657,368**	**657,368**
Trade and other payables (excluding non-financial liabilities)		–	–	–	(711,316)	(711,316)	(711,316)
Bank overdrafts		–	–	–	(175,868)	(175,868)	(175,868)
Bank borrowings		–	–	–	(1,851,593)	(1,851,593)	(1,866,472)
Finance lease liabilities		–	–	–	(657)	(657)	(657)
Derivative financial liabilities	*Level 2*	–	(829)	–	–	(829)	(829)
Total financial liabilities		**–**	**(829)**	**–**	**(2,739,434)**	**(2,740,263)**	**(2,755,142)**

in EUR '000	Fair value hierarchy	Fair Value through income statement 2017	Hedge instruments 2017	Loans and receivables 2017	Liabilities at amortised cost 2017	Total carrying amount 2017	Fair value 2017
Trade and other receivables (excluding prepayments)		–	–	106,099	–	106,099	106,099
Cash and cash equivalents		–	–	535,570	–	535,570	535,570
Derivative financial assets	*Level 2*	–	4,311	–	–	4,311	4,311
Property, plant and equipment	*Level 3*	7,124	–	–	–	7,124	7,124
Investment properties	*Level 3*	19,952	–	–	–	19,952	19,952
Total financial assets		**27,076**	**4,311**	**641,669**	**–**	**673,056**	**673,056**
Trade and other payables (excluding non-financial liabilities)		–	–	–	(761,576)	(761,576)	(761,576)
Bank overdrafts		–	–	–	(113,630)	(113,630)	(113,630)
Bank borrowings		–	–	–	(2,154,285)	(2,154,285)	(2,174,668)
Finance lease liabilities		–	–	–	(1,525)	(1,525)	(1,525)
Derivative financial liabilities	*Level 2*	–	(2,200)	–	–	(2,200)	(2,200)
Total financial liabilities		**–**	**(2,200)**	**–**	**(3,031,016)**	**(3,033,216)**	**(3,053,599)**

Estimation of fair values

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

Fair value hierarchy

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

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

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

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

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

Property, Plant and Equipment at fair value through income statement
Property, Plant and Equipment, includes certain industrial land and machinery, in the North America segment, which was written down in prior years based on fair value, less costs to sell, and which continues to be stated at fair value through the income statement. The fair value of these assets are based on the estimated amount for which the industrial land and machinery could be exchanged in an arm's length transaction. As the fair value is based on inputs not observable within the market, it has been classified as a Level 3 asset.

Investment property
Investment property, principally comprised of land and buildings, is held for capital appreciation. Investment property is stated at fair value through the income statement. The fair value is based on market value, being the estimated amount for which a property could be exchanged in an arm's length transaction, determined based on the results of independent valuations. The valuations were arrived at by reference to location, market conditions including the prices of transactions of similar properties, adjusted as appropriate, and status of planned disposals. As the fair value is based on inputs not observable within the market, it has been classified as a Level 3 asset.

Disposal groups held-for-sale
The assets of disposal groups held-for-sale are held at fair value less costs to sell. The fair value is the estimated recoverable value determined based on the status of the business sale processes and valuations of the underlying land and building assets within the disposal groups. As the fair value is based on inputs not observable within the market, it has been classified as a Level 3 asset.

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

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

Forward purchase obligation
During March 2012, the Group entered into a forward purchase contract 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 participated in the risks and rewards of the business following the final exit date, the remaining non-controlling interest of €13,982,000 was eliminated directly as an increase in retained earnings of the Group.

The liability of €14,485,000 related to the HiCoPain forward purchase contract was carried at fair value through profit and loss until settled during FY 2017. In accordance with the terms of that agreement, the fair value of this financial instrument was based on the estimated net book value of HiCoPain AG upon the final exit of the non-controlling interest shareholder. As the fair value of this obligation was based on inputs not observable within the market, it was classified as a Level 3 financial liability.

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

Movement in level 3 financial liabilities

in EUR '000	**2018**	2017
Balance at 1 August	–	15,894
Purchase of non-controlling interests	–	(14,485)
Payments of contingent consideration	–	(896)
Amounts recognised in profit and loss	–	(51)
Translation adjustments	–	(462)
Balance at 31 July	**–**	–

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

Risk exposures

Group risk management

Risk management is a fundamental element of the Group's business practice at all levels and encompasses different types of risks. This overall Group risk management process includes the performance of a risk assessment that is described in more detail in note 30. Financial risk management specifically is described in further detail below.

Financial risk management

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

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

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

Credit risk

Exposure to credit risk

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

Cash and short-term bank deposits

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

Trade and other receivables

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

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

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

The Group also manages credit risk through the use of a receivables purchase arrangement with a financial institution. Under the terms of this non-recourse agreement, the Group has transferred credit risk and control of certain trade receivables, amounting to €224,658,000 (2017: €239,299,000). The Group has continued to also recognise an asset within Trade and other receivables, of €25,518,000 (2017: €20,034,000), representing the fair value and maximum extent of its continuing involvement or exposure. This maximum exposure was determined based on a Reserve Calculation Ratio (approximately 10%), as per the terms of the receivables purchase arrangement. Total expenses associated with this receivables purchase agreement during the year ended 31 July 2018 were €3,033,000 (2017: €2,287,000).

The undiscounted cash outflows required to repurchase these derecognised financial assets would be equal to the receivables transferred, net of the Group's remaining continuing involvement asset. The estimated maturity of any such cash outflows would be expected to be less than 6 months, as the Group's Trade and other receivables are also generally settled in less than 6 months. As the carrying value of the receivables transferred and the continuing involvement retained both equal fair value, no gain or loss has arisen, either at the date of transfer or in connection with the Group's continuing involvement in these assets.

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

in EUR '000	**Carrying amount 2018**	Carrying amount 2017
Cash and cash equivalents	**517,854**	535,570
Trade and other receivables	**109,484**	106,099
Derivative financial assets	**1,268**	4,311
	628,606	645,980

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

in EUR '000	**Carrying amount 2018**	Carrying amount 2017
Europe	**43,144**	45,555
North America	**4,709**	4,886
Rest of World	**23,798**	24,871
	71,651	75,312

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

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

in EUR '000	**Gross 2018**	**Provision for impairment 2018**	Gross 2017	Provision for impairment 2017
Not past due	**44,031**	**472**	32,394	140
Past due 0–30 days	**21,159**	**294**	36,329	302
Past due 31–120 days	**7,214**	**1,144**	5,744	1,545
Past due more than 121 days	**7,119**	**5,962**	9,970	7,138
	79,523	**7,872**	84,437	9,125

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

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

in EUR '000	**2018**	2017
Balance at 1 August	**9,125**	9,238
Utilised during the year	**(2,736)**	(2,509)
Provided during the year	**1,722**	2,650
Translation adjustment	**(239)**	(254)
Balance at 31 July	**7,872**	9,125

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

Liquidity risk

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

The Group's objective is to maintain a balance between flexibility and continuity of funding, so that not more than 40% of total bank borrowing facilities should mature in the next twelve-month period. At 31 July 2018, 4% of the Group's total borrowings will mature within the next 12 months.

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

2018 in EUR '000	**Carrying amount**	**Contractual cash flows**	**6 mths or less**	**6 – 12 mths**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Non-derivative financial liabilities							
Fixed rate bank loans	(71,203)	(77,862)	(1,252)	(393)	(21,647)	(45,792)	(8,778)
Variable rate bank loans	(1,780,390)	(1,984,487)	(65,416)	(64,785)	(311,920)	(1,534,293)	(8,073)
Finance lease liabilities	(657)	(687)	(276)	(148)	(177)	(86)	–
Bank overdrafts	(175,868)	(175,868)	(175,868)	–	–	–	–
Trade and other payables	(711,316)	(711,316)	(641,991)	(19,661)	(19,224)	(13,265)	(17,175)
Derivative financial instruments							
Currency forward contracts used for hedging							
– Inflows	–	111,678	104,906	6,772	–	–	–
– Outflows	(829)	(112,507)	(105,624)	(6,883)	–	–	–
	(2,740,263)	**(2,951,049)**	**(885,521)**	**(85,098)**	**(352,968)**	**(1,593,436)**	**(34,026)**

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

Accounting for derivatives and hedging activities

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

in EUR '000	**Assets 2018**	**Liabilities 2018**	Assets 2017	Liabilities 2017
Cash flow hedges				
Currency forward contracts	**873**	**(829)**	4,311	(284)
Interest rate swaps	**395**	**–**	–	(1,916)
At 31 July	**1,268**	**(829)**	4,311	(2,200)

Cash flow hedges

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

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

Market risk

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

Foreign exchange risk

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

Net investment hedges

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

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

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

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

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

The following table details the Group's exposure to transactional foreign currency risk at 31 July 2018:

2018 in EUR '000	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	17,914	2,999	–	–	4,996	683	26,592
Other receivables	119	80	–	–	92	1	292
Cash and cash equivalents	1,651	8,444	44	187	7,608	281	18,215
Trade payables	(12,586)	(6,101)	(44)	(29)	(16,297)	(3,878)	(38,935)
Other payables	(8,401)	(2,345)	(776)	(4,165)	(2,515)	1,329	(16,873)
Derivative financial instruments	(5)	552	(46)	–	(137)	7	371
At 31 July 2018	**(1,308)**	**3,629**	**(822)**	**(4,007)**	**(6,253)**	**(1,577)**	**(10,338)**

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

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

Currency sensitivity analysis

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

2018 in EUR '000	**10% strengthening income statement**	**10% strengthening equity**	**10% weakening income statement**	**10% weakening equity**
GBP	118	(519)	(130)	571
USD	(280)	52,889	308	(58,178)
CAD	71	3,524	(78)	(3,876)
CHF	364	–	(401)	–
At 31 July 2018	273	55,894	(301)	(61,483)

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

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

Interest rate risk

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

in EUR '000	**Carrying amount 2018**	Carrying amount 2017
Fixed rate instruments		
Bank borrowings	**(71,203)**	(70,967)
Finance lease liabilities	**(657)**	(1,525)
	(71,860)	(72,492)
Variable rate instruments		
Cash and cash equivalents	**517,854**	535,570
Bank overdrafts	**(175,868)**	(113,630)
Bank borrowings	**(1,780,390)**	(2,083,318)
Total interest-bearing financial instruments	**(1,510,264)**	(1,733,870)

Notes to the Group Consolidated Financial Statements (continued)
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Cash flow sensitivity analysis for variable rate liabilities

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

2018 in EUR '000	**Principal amount**	**Impact of 50 bp increase on income statement**	**Impact of 50 bp increase on equity**
Bank overdrafts	(175,868)	(879)	–
Variable rate bank borrowings	(1,780,390)	(8,902)	–
Interest rate swaps	214,574	–	1,073
Cash flow sensitivity, net	**(1,741,684)**	**(9,781)**	**1,073**

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

Commodity price risk

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

22 Deferred income from government grants

in EUR '000	2018	2017
At 1 August	**18,280**	23,945
Recognised in Group Consolidated Income Statement	**(3,871)**	(5,665)
Translation adjustment	**(1)**	–
At 31 July	**14,408**	18,280

23 Deferred income tax

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

in EUR '000	2018	2017
Deferred income tax assets (deductible temporary differences)		
Goodwill	**6,259**	88,722
Property, plant and equipment and ERP	**5,090**	8,665
Employee compensation	**5,322**	4,656
Pension related	**2,670**	4,570
Financing related	**1,475**	4,599
Tax loss carry-forwards and tax credits	**47,770**	39,502
Other	**6,375**	8,053
	74,961	158,767
Deferred income tax liabilities (taxable temporary differences)		
Intangible assets	**(110,334)**	(171,256)
Property, plant and equipment and ERP	**(82,284)**	(78,674)
Employee compensation	**(37)**	–
Pension related	**(2,434)**	(2,299)
Financing related	**(4,291)**	(8,252)
Unremitted earnings	**–**	(78,457)
Other	**(13,498)**	(14,226)
	(212,878)	(353,164)

Unrecognised deferred income taxes

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

in EUR '000	2018	2017
Within one year	**133**	118
Between one and five years	**1,711**	3,541
After five years	**248,248**	158,314
Total unrecognised tax losses	**250,092**	161,973

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

Deferred income tax liabilities of €5,634,000 (2017: €6,429,000) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as the timing of the reversal of these temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

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

2018 in EUR '000	Goodwill	Intangible assets	Property, plant & equipment and ERP	Employee compensation	Pension related	Financing related	Tax losses, credits and unremitted earnings	Other	**Total**
At 1 August 2017	88,722	(171,256)	(70,009)	4,656	2,271	(3,653)	(38,955)	(6,173)	**(194,397)**
Recognised in Group Consolidated Income Statement	(5,829)	54,886	(9,170)	648	(1,759)	(551)	7,847	3,696	**49,768**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	–	–	(156)	1,279	–	(2,270)	**(1,147)**
Transferred to disposal groups held-for-sale (note 3)	–	1,031	630	–	–	–	–	–	**1,661**
Arising on disposal of business (note 2)	(77,449)	2,233	(47)	–	–	5	77,449	(38)	**2,153**
Translation adjustments and other	815	2,772	1,402	(19)	(120)	104	1,429	(2,338)	**4,045**
At 31 July 2018	6,259	(110,334)	(77,194)	5,285	236	(2,816)	47,770	(7,123)	**(137,917)**

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

On 22 December 2017, the US Tax Cuts and Jobs Act ('the Act') was enacted into law. This Act brings about fundamental changes to the US tax system, both from an individual and corporate tax perspective. As a result of the Act, the statutory rate of US federal corporate income tax was reduced from 35% to 21% with effect from 1 January 2018. The reduction in the US corporate income tax rate to 21% under the Act required revaluation of ARYZTA's US deferred tax assets and liabilities.

The disposal of Cloverhill during FY18 has also resulted in a reduction in deferred tax attributes associated with these assets.

The Act also introduced a one-time mandatory deemed repatriation tax on historical earnings & profits of certain US owned foreign corporations and exempted from tax future dividends paid to the US. As a result, the FY17 unremitted earnings' deferred tax liability, which solely related to the US, was removed in FY18.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

24 Employee benefits

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

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

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

in EUR '000	**2018**	2017
Total deficit in defined benefit plans	**5,053**	4,757
Other[1]	**1,922**	1,887
Total	**6,975**	6,644

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

The valuations of the defined benefit schemes used for the purposes of the following disclosures are those of the most recent actuarial reviews carried out at 31 July 2018 by an independent, qualified actuary. The valuations have been performed using the projected unit method.

Employee benefit plan risks

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

Asset volatility

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

Changes in bond yields

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

Inflation risk

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

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

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

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

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

	2018	2017
Rate of increase in salaries	**1.83%**	1.78%
Discount rate on plan liabilities	**0.98%**	0.65%

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

	2018	2017
Male	**24.3**	24.3
Female	**26.4**	26.3

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

	2018	2017
Male	**22.5**	22.4
Female	**24.5**	24.4

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

The sensitivity of the defined benefit obligation to changes in the principal financial actuarial assumptions is set out below. The present value of the defined benefit obligation has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognised in the Group Consolidated Balance Sheet. The impact on the defined benefit obligation as at 31 July 2018 is on the basis that only one principal financial actuarial assumption is changed, with all other assumptions remaining unchanged.

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

Assumption	**Change in Assumption**	Impact on plan liabilities
Discount rate	**Increase/decrease 0.50%**	Decrease by 4.4% /increase by 5.2%
Salary growth rate	**Increase/decrease 0.50%**	Increase by 0.8% /decrease by 0.9%

Net pension liability
in EUR '000

	2018	2017
Total fair value of assets	**58,411**	59,225
Present value of plan liabilities	**(63,464)**	(63,982)
Deficit in the plans	**(5,053)**	(4,757)
Related deferred tax asset (note 23)	**236**	2,271
Net pension liability	**(4,817)**	(2,486)

Fair value of plan assets
in EUR '000

	Quoted	Non-quoted	**2018**	2017
Cash and cash equivalents	1,634	–	**1,634**	2,280
Equity instruments	19,559	–	**19,559**	17,961
Debt instruments	17,582	138	**17,720**	21,546
Property	4,907	12,355	**17,262**	15,194
Other	–	2,236	**2,236**	2,244
Total fair value of assets	43,682	14,729	**58,411**	59,225

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

	2018	2017
Fair value of plan assets at 1 August	**59,225**	60,050
Interest income	**354**	90
Employer contributions	**2,558**	2,826
Employee contributions	**2,238**	2,479
Benefit payments made	**(2,364)**	(2,463)
Plan settlements	**(3,808)**	(3,392)
Actuarial return on plan assets (excluding interest income)	**2,087**	3,240
Translation adjustments	**(1,879)**	(3,605)
Fair value of plan assets at 31 July	**58,411**	59,225

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

Movement in the present value of plan obligations in EUR '000	**2018**	2017
Present value of plan obligations at 1 August	**(63,982)**	(71,437)
Current service cost	**(3,225)**	(3,692)
Past service (cost)/gain	**(731)**	1,365
Interest expense on plan obligations	**(407)**	(141)
Employee contributions	**(2,238)**	(2,479)
Benefit payments made	**2,364**	2,463
Plan settlements	**3,808**	3,392
Actuarial changes in demographic and financial assumptions	**1,927**	3,878
Actuarial experience adjustments	**(2,890)**	(983)
Translation adjustments	**1,910**	3,652
Present value of plan obligations at 31 July	**(63,464)**	(63,982)

Movement in net liability recognised in the Group Consolidated Balance Sheet in EUR '000	**2018**	2017
Net liability in plans at 1 August	**(4,757)**	(11,387)
Current service cost (note 7)	**(3,225)**	(3,692)
Past service (cost)/gain (note 7)	**(731)**	1,365
Employer contributions	**2,558**	2,826
Net interest expense	**(53)**	(51)
Actuarial gain on Group defined benefit pension plans	**1,124**	6,135
Translation adjustments	**31**	47
Net liability in plans at 31 July	**(5,053)**	(4,757)

The estimated contributions expected to be paid during the year ending 31 July 2019 in respect of the Group's defined benefit plans are €2,616,000.

Analysis of defined benefit expense recognised in the Group Consolidated Income Statement in EUR '000	**2018**	2017
Current service cost (note 7)	**3,225**	3,692
Past service cost/(gain) (note 7)	**731**	(1,365)
Non-financing expense	**3,956**	2,327
Included in financing costs, net	**53**	51
Net charge to Group Consolidated Income Statement	**4,009**	2,378

Additionally, a charge of €13,767,000 (2017: €14,233,000) was recorded in the Group Consolidated Income Statement in respect of the Group's defined contribution plans.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

Defined benefit pension expense recognised in Group Consolidated Statement of Comprehensive Income in EUR '000	**2018**	2017
Return on plan assets (excluding interest income)	**2,087**	3,240
Experience losses on plan liabilities	**(2,890)**	(983)
Changes in demographic and financial assumptions	**1,927**	3,878
Actuarial gain	**1,124**	6,135
Deferred tax effect of actuarial gain (note 9)	**(156)**	(1,204)
Actuarial gain recognised in Group Consolidated Statement of Comprehensive Income	**968**	4,931

History of experience gains and losses:	**2018**	2017
Difference between expected and actual return on plan assets:		
– Amount (in €'000)	**2,087**	3,240
– % of Plan assets	**3.57%**	5.47%
Experience losses on plan obligations:		
– Amount (in €'000)	**(2,890)**	(983)
– % of Plan obligations	**(4.55)%**	(1.54)%
Total actuarial gains recognised in Group Consolidated Statement of Comprehensive Income:		
– Amount (in €'000)	**1,124**	6,135
– % of Plan obligations	**1.77%**	9.59%

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

25 Shareholders equity

Registered shares of CHF 0.02 each – authorised, issued and fully paid	2018 ’000	2018 in EUR ’000	2017 ’000	2017 in EUR ’000
At 1 August	**91,811**	**1,172**	91,811	1,172
Issue of registered shares (CHF 0.02)	**1,110**	**19**	–	–
At 31 July	**92,921**	**1,191**	91,811	1,172

At the Annual General Meeting on 7 December 2017, the shareholders approved the resolution to modify Article 5 of the Articles of Association (Authorised capital for general purposes). The Board of Directors was authorised to exclude the subscription rights of the shareholders and to allocate them to third parties if the shares are used for the following purposes:
(1) acquisition of companies, parts of companies or equity holdings or for new investment projects or for financing of such transactions (maximum of 9,181,053 fully paid-up registered shares),
(2) broadening the shareholder constituency (maximum of 4,590,526 fully paid-up registered shares), or
(3) for the purpose of the participation of employees (maximum of 3,060,351 fully paid-up registered shares).

The dividend for the year ended 31 July 2017 was proposed 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, and was approved at the Annual General Meeting held on 7 December 2017. 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.

Pursuant to these modifications, and following the scrip dividend, the Board of Directors is currently authorised to increase the share capital at any time until 9 December 2019, by an amount not exceeding CHF 161,416.00, through the issue of up to a maximum of 8,070,800 fully paid-up registered shares with a nominal value of CHF 0.02 each.

Treasury shares of CHF 0.02 each - authorised, called up and fully paid	2018 ’000	2018 in EUR ’000	2017 ’000	2017 in EUR ’000
At 1 August	**3,052**	**47**	3,052	47
Release of treasury shares upon vesting and exercise of equity entitlements	**(65)**	**(1)**	–	–
At 31 July	**2,987**	**46**	3,052	47

During the year ended 31 July 2018, the performance conditions associated with 64,899 Restricted Stock Unit Plan 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 28.69. These shares were issued out of shares previously held in treasury by ARYZTA Grange Company UC, a wholly-owned subsidiary within the ARYZTA AG Group.

There were no treasury share transactions during the year ended 31 July 2017.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

Other equity reserve

in EUR '000	2018	2017
At 1 August and 31 July	**720,456**	720,456

In April 2013, the Group raised CHF 400,000,000 through the issuance of a Perpetual Callable Subordinated Instrument ('Hybrid Instrument'), which was recognised at a carrying value of €319,442,000 within equity. 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 6.045%, plus the 3-month CHF LIBOR.

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. In the event that the call option is not exercised, the coupon would be 6.77%, 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 the Hybrid 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 Hybrid 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, has occurred within the last twelve months.

Because the Group has not paid a cash dividend to equity shareholders during the last 12 months, as of 31 July 2018 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 the Hybrid instrument dividends and related cash payments over the last two years were as follows:

in EUR '000	2018	2017
Balance at 1 August	(9,032)	(9,353)
Hybrid instrument dividend	(32,057)	(32,099)
Hybrid instrument dividend paid	–	32,155
Translation adjustments	18	265
Balance at 31 July	**(41,071)**	**(9,032)**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

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

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

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

Capital management
The capital managed by the Group consists of total equity of €1,672,860,000 (2017: €2,201,652,000). The Group has set the following goals for the management of its capital:

- To maintain prudent Net Debt: EBITDA[1] and interest cover (EBITDA: Net interest, including Hybrid dividend[1]) ratios to support a prudent capital base and ensure a long-term sustainable business.
- To achieve a return for investors in excess of the Group's weighted average cost of capital.
- To apply a dividend policy that takes into account the Group's financial performance and position, the Group's future outlook and other relevant factors including tax and other legal considerations.

Net debt amounted to €1,510,264,000 at 31 July 2018 (2017: €1,733,870,000).

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

- The Group's Net Debt: EBITDA[1] ratio is below 4.0x – the ratio was 3.83x at 31 July 2018 (2017: 4.15x).
- The Group's interest cover (EBITDA: Net interest, including Hybrid dividend[1]) is above 3.0x – the ratio was 3.72x at 31 July 2018 (2017: 4.64x).

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

During September 2018, the Group received the unanimous consent of its lenders to amend its existing Facilities Agreement to provide additional flexibility to pursue its new business strategy and implement a share capital increase as part of its deleveraging plan. The amendments to the Facilities Agreement include the following:

- An increase of the leverage covenant (Net Debt: EBITDA[1]) from:
  - 4.0x to 5.75x for the period ending on 31 January 2019;
  - 3.5x to 5.25x for the period ending on 31 July 2019; and
  - reverting to previous ratio of 3.5x for the periods thereafter.

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

– A decrease of the interest cover covenant (EBITDA: Net interest, including Hybrid dividend) from:
  – 3.0x to 2.0x for the period ending on 31 January 2019;
  – 3.0x to 2.0x for the period ending on 31 July 2019; and
  – reverting to 3.0x for the periods thereafter.

– A margin increase to:
  – 3.5% until 31 December 2018; and
  – 4.0% from 1 January 2019.

Upon the successful completion of the proposed equity raise, the above conditions revert to the conditions as per the Facilities Agreement. If the proposed equity raise has not successfully completed by 31 May 2019, there will be an additional test of the covenants as of the twelve month period ending 31 October 2019.

No dividend is planned to be proposed for the year ended 31 July 2018.

26 Commitments

26.1 Commitments under operating leases

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

in EUR '000	2018	2017
Within one year	**57,121**	59,467
In two to five years	**163,960**	171,706
After more than five years	**107,625**	125,866
Total	**328,706**	357,039

26.2 Capital commitments

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

in EUR '000	2018	2017
Property, plant and equipment	**13,765**	5,477
Intangible assets	**–**	692
Total	**13,765**	6,169

26.3 Other commitments

The Company is party to cross guarantees on ARYZTA Group borrowings. The Company has also guaranteed the liabilities of subsidiaries within the ARYZTA Group. The Company treats these guarantees as a contingent liability, until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

27 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.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

28 Related party transactions

In the normal course of business, the Group undertakes transactions with its joint ventures and other related parties. A summary of transactions with these related parties is as follows:

in EUR '000	**2018**	2017
Purchase of goods	**(141)**	(147)
Provision of services	**1,832**	1,937
Receiving of services	**–**	(57)

Purchase of goods and provision of services relate primarily to transactions with joint ventures during the year.

The trading balances owing to the Group from related parties were €135,000 (2017: €5,000) and the trading balances owing from the Group to these related parties were €228,000 (2017: €220,000).

Compensation of key management

For the purposes of the disclosure requirements of IAS 24, 'Related Party Disclosures', the term 'key management personnel' (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group) comprises the Board of Directors and the Group Executive Management, which manage the business and affairs of the Group. A summary of the compensation to key management is as follows:

in EUR '000	**2018**	2017[1]
Short-term employee benefits	**5,515**	10,161
Post-employment benefits	**–**	4,970
Other long-term benefits	**456**	675
Termination benefits	**–**	–
Total key management compensation	**5,971**	15,806

1 Compensation expense recognised during FY 2017 includes the entire remaining contractual employment obligation for former members of executive management that left the Group during FY 2017, as well as the entire associated 12 month, post contractual period, non-compete agreement.

Jim Leighton was elected to the ARYZTA Board of Directors at the 2017 AGM. In June 2018, ARYZTA entered into a consultancy arrangement with him under which he will provide advisory services on the implementation of ARYZTA's three-year €200m cost reduction plan, Project Renew. The compensation payable to Mr Leighton under the arrangement amounts to €125,000, over the period of the consultancy, of which €29,000 accrued during FY18 and is included in the amounts above.

None of the non-executive members of the Board of Directors has fulfilled any operational management functions for companies of the ARYZTA Group in the three years immediately preceding the period. Related-party transactions with any members of the Board of Directors or Executive Management did not exceed €100,000 in aggregate during the year ended 31 July 2018.

Further detailed disclosure in relation to the compensation entitlements of the Board of Directors and Executive Management is provided in the Compensation Report on pages 55 to 64.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

29 Post balance sheet events – after 31 July 2018

During September 2018, the Group received the unanimous consent of its lenders to amend its existing Facilities Agreement to provide additional flexibility to pursue its new business strategy and implement a share capital increase as part of its deleveraging plan. The amendments to the Facilities Agreement are detailed in Note 25 on pages 148 and 149.

30 Risk assessment

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2018

31 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Group consolidated financial statements are described below:

Note	Name
Note 14	Goodwill and intangible assets
Note 15	Joint ventures
Notes 9 & 23	Income taxes and deferred income tax

Testing of assets for impairment, particularly goodwill, involves determination of the cash-generating units, estimating the respective future cash flows and applying the appropriate discount rates, in order to determine an estimated recoverable value of those cash-generating units, as set out in note 14.

As set out in note 15, joint ventures, while Picard is not considered part of ARYZTA's long-term strategy, and is therefore non-core to the group, disposal of the Group's investment is currently only possible with agreement of both joint venture partners. Therefore, the Group's investment continues to be accounted on a historical cost basis using the equity method of accounting.

Income taxes, as set out in note 9, and deferred taxes, as set out in note 23, are subject to management estimate. The Group Consolidated Balance Sheet includes deferred taxes relating to temporary differences, which are based on forecasts of the corresponding entity's taxable income and reversal of these temporary differences, forecasted over a period of several years. As actual results may differ from these forecasts, these deferred taxes may need to be adjusted accordingly.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2018

32 Significant subsidiaries and joint ventures

A list of all of the Group's significant subsidiary and joint venture undertakings, as at 31 July 2018 and 2017, are provided in the table below. For the purposes of this note, a significant subsidiary is one that has third-party revenues equal to, or in excess of, 2% of total Group revenue and / or consolidated Group assets equal to, or in excess of, 2% of total Group assets. A significant joint venture is one in which the Group's share of profits after tax is equal to, or in excess of, 2% of total Group operating profit and/or the carrying value of the investment is equal to, or in excess of, 2% of total Group assets.

Name	Nature of business	Currency	Share capital millions	Group % share 2018	Group % share 2017	Registered office
(a) Significant subsidiaries – Europe						
ARYZTA Food Solutions Ireland UC	Food distribution	EUR	0.635	100	100	1
ARYZTA Bakeries Ireland UC	Food manufacturing and distribution	EUR	1.016	100	100	1
ARYZTA Technology Ireland UC	Asset management company	EUR	0.000	100	100	1
Delice de France Limited	Food distribution	GBP	0.250	100	100	2
France Distribution SAS	Food distribution	EUR	0.108	100	100	3
ARYZTA Food Solutions Schweiz AG	Food distribution	CHF	3.500	100	100	4
ARYZTA Bakeries Deutschland GmbH	Food manufacturing and distribution	EUR	3.072	100	100	5
ARYZTA Food Solutions GmbH	Food distribution	EUR	0.025	100	100	6
Pré Pain B.V.	Food manufacturing and distribution	EUR	0.018	100	100	7
ARYZTA Polska Sp. z o.o.	Food manufacturing and distribution	PLN	61.000	100	100	8
Fornetti Kft	Food manufacturing and distribution	HUF	500.000	100	100	9
(b) Significant subsidiaries – North America						
ARYZTA LLC	Food manufacturing and distribution	USD	705.000	100	100	10
ARYZTA Limited	Food manufacturing and distribution	CAD	255.818	100	100	11
ARYZTA Canada Co.	Food manufacturing and distribution	CAD	113.400	100	100	12
(c) Significant subsidiaries – Rest of World						
ARYZTA Australia Pty Limited	Food manufacturing and distribution	AUD	17.000	100	100	13
ARYZTA Do Brazil Alimentos Ltda	Food manufacturing and distribution	BRL	33.588	100	100	14
(d) Significant joint venture						
Lion/Polaris Lux Holdco S.à r.l. (Picard)	Food distribution	EUR	0.100	49	49	15

Registered Offices:

1. Grangecastle Business Park, New Nangor Road, Clondalkin, Dublin 22, Ireland.
2. 149 Brent Road, Southall, Middlesex UB2 5LJ, England.
3. ZAC de Bel Air, 14–16 Avenue Joseph Paxton, Ferrières en Brie, 77164, France.
4. Ifangstrasse 9, 8952 Schlieren-Zurich, Switzerland.
5. Industriestraße 4, 06295 Lutherstadt Eisleben, Germany.
6. Konrad Goldmann Strasse 5 b, 79100 Freiburg im Breisgau, Germany.
7. Kleibultweg 94, Oldenzaal, 7575 BX, the Netherlands.
8. ul. Zachodnia 10, 05-825 Grodzisk Mazowiecki, Poland.
9. 6000 Kecskemét, Városföld 8683/104.hrsz. dulo 92, Hungary.
10. 6080 Center Drive, Suite 900, Los Angeles, CA 90045, United States of America.
11. 58 Carluke Road West, Ancaster, Ontario L9G 3L1, Canada.
12. 1100-1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2, Canada.
13. 14 Homepride Avenue, Liverpool, NSW 2170, Australia.
14. Av. Brigadeiro Faria Lima 1.336, 3° Andar 01451-001 São Paulo, Brazil.
15. 7, Rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg.

The country of registration is also the principal location of activities in each case.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2018

Opinion

We have audited the consolidated financial statements of ARYZTA AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 July 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 75 to 153) give a true and fair view of the consolidated financial position of the Group as at 31 July 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

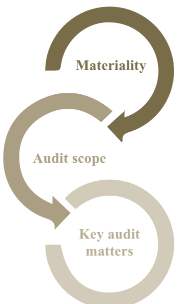
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: EUR 7,425,000

We concluded full scope audit work at six reporting entities in five countries. With our full scope we covered 66% of the Group's revenue. In addition, specified procedures were performed on a further five reporting entities in four countries representing a further 16% of the Group's revenue.

As key audit matter the following area of focus has been identified:

– Recoverability of goodwill

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of over 130 reporting entities, comprising the Group's operating businesses and centralised functions. We identified six reporting entities that, in our view, required a full scope audit, due to their size or risk

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2018 (continued)

profile. These six reporting entities are based in the United States of America, Germany, France, Switzerland and Ireland. Specific audit procedures on certain balances and transactions were performed at a further five reporting entities.

In order to fulfil our responsibilities for the direction, supervision and performance of the Group audit, we were involved in the work performed by reporting entity audit teams by performing selected site visits, reviewing the working papers of selected component audit teams, participating in selected clearance meetings with management and having detailed discussions around audit approach and matters reported to us.

Audit procedures over the consolidation, significant Group functions such as treasury and taxation and goodwill impairment were performed directly by the Group audit team. Overall, our audit scope accounted for 82% of Group revenues and 75% of Group assets.

Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	EUR 7,425,000
How we determined it	2.25% of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), rounded as defined by the bank covenant
Rationale for the materiality benchmark applied	We chose EBITDA as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by the relevant users of the financial statements and because pre-tax results are significantly impacted by depreciation and amortization.

We agreed with the Audit Committee that we would report to them misstatements above EUR 742,500 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons. Misstatements that only result in balance sheet reclassifications are reported to the Audit Committee if they are above EUR 4,800,000.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2018 (continued)

Recoverability of Goodwill

Key audit matter	How our audit addressed the key audit matter

As of 31 July 2018, the carrying value of goodwill was EUR 1.4 billion, which represents approximately 30% of total assets and approximately 85% of net assets. Goodwill is allocated to seven cash generating units (CGUs).
 	
Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate a potential impairment. In performing the impairment, the company compares the recoverable amount, generally determined by estimating the value in use, to the carrying amount.
 	
To the extent that the recoverable amount of a cash generating unit is lower than its carrying amount, an impairment charge is recognised.
 	
The determination of the recoverable amount for each CGU involves significant estimation and judgment, specifically related to the projection of future business performance and profitability for a period of three years, estimation of terminal growth rates and determination of a discount rate for each cash generating unit.
 	
Through the performance of the company's goodwill impairment testing as of 31 July 2018, it was determined that there was an impairment of €175 million within the Germany CGU.
 	
Refer to pages 94-96 (Group Statement of Accounting Policies) and pages 118-121 (Note 14).
	– We assessed the company's allocation of goodwill to the CGUs, by taking into consideration the consistency of the CGUs with the prior year, with internal management reporting and with how the business is managed within and across geographies.
	– We obtained the company's impairment analysis for each CGU and performed the following procedures, among others:
	    – Utilized internal valuation specialists to assess the technical correctness of the value in use model and the consistency of the model with prior years.
	    – Tested the mathematical accuracy of the model and traced amounts to underlying financial statement and other information, as applicable.
	    – Traced the three year projections to the budget that was subject to scrutiny and approval by the Board of Directors and gained an understanding of the process undertaken to develop the projections, in order to determine whether the process was robust, appropriately considered relevant economic and customer-specific factors and involved an appropriate level of oversight and involvement of the Board of Directors. In addition, we discussed the projections with the company in order to obtain an understanding of various factors that were built into the assumptions.
	    – Compared terminal growth rate assumptions to relevant economic forecasts.
	    – Utilized internal valuation specialists to assess the pre-tax discount rates applied by the company, by performing an independent calculation of the weighted average cost of capital.
	
	– We obtained the company's sensitivity analyses around key assumptions to ascertain the effect of changes to those assumptions on the value in use estimates and re-calculated these sensitivities. In addition, we performed our own sensitivity analyses by changing various key assumptions to assess whether these would result in an impairment.
	– We considered the reasonableness of the sum of the value in use estimates in relation to the overall market capitalization of the company.
	
	Based on the work performed, we found the model and the key assumptions used by the company in its determination of the value in use estimates to be reasonable to conclude that the carrying amount of the goodwill of each cash generating unit as per 31 July 2018 is recoverable and the goodwill impairment recorded during the year to be reasonable.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the standalone financial statements and the remuneration report of ARYZTA AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2018 (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2018 (continued)

related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

pwc PricewaterhouseCoopers AG

Sandra Böhm | Carrie Rohner

Audit expert
Auditor in charge

Zurich, 1 October 2018

2017

Group Consolidated Financial Statements

ARYZTA
Passion for good food

Group Consolidated Income Statement
for the year ended 31 July 2017

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

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

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

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

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

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

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

Group Consolidated Balance Sheet
as at 31 July 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Basis of preparation

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

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

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

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

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

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

Income statement presentation

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

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

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

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

Reclassifications and adjustments

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

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

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

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

Basis of consolidation

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

Subsidiary undertakings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Employee benefits

Pension obligations

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

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

Share-based compensation

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

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

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

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

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

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

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

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

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

Foreign currency

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

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

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

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

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

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

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

Dividends

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

Property, plant and equipment

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

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

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

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

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

Investment properties

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

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

Leased assets

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

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

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

Business combinations and goodwill

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

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

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

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

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

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

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

Intangible assets

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

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

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

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

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

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

There are no intangible assets with an indefinite useful life.

Impairment of non-financial assets

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

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

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

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

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

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

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

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Share capital

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

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

Financial assets and liabilities

Trade and other receivables

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

Short-term bank deposits

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

Trade and other payables

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

Provisions

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

Derivatives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Segment information
1.1 Analysis by business segment

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

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

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

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

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

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

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

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

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

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

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

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

1.2 Segmental non-current assets

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

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

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

2 Discontinued operations

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

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

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

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

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

3 Impairment, acquisition, disposal and restructuring-related costs

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

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

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

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

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

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

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

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

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

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

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

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

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

3.3 Impairment of intangibles

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

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

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

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

3.4 Impairment and disposal of fixed assets

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

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

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

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

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

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

3.5 Acquisition and restructuring-related costs

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 Financing income and costs

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

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

5 Other information

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

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

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

Group revenue categories

Group revenue relates primarily to sale of products.

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

6 Directors' compensation

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

7 Employment

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

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

Aggregate employment costs of the Group

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

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

8 Share-based payments

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

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

8.1 ARYZTA Option Equivalent Plan LTIP

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

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

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

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

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

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

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

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

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

8.2 ARYZTA Restricted Stock Unit Plan

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

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

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

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

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

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

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

9 Income taxes

Income tax (credit)/expense

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

Reconciliation of average effective tax rate to applicable tax rate

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

Income tax recognised in other comprehensive income

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

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

10 Proposed dividend

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

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

11 Earnings per share

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 Property, plant and equipment

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

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

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

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

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

13 Investment properties

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

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

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

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

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

14 Goodwill and intangible assets

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

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

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

Goodwill Impairment testing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Intangible asset impairment testing

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

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

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

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

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

15 Investments in joint ventures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 Inventory

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

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

17 Trade and other receivables

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

18 Trade and other payables

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

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

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

19 Contingent consideration

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

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

20 Cash and cash equivalents

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

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

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

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

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

21 Interest-bearing loans and borrowings

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

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

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

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

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

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

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

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

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

The terms of outstanding loans are as follows:

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

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

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

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

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

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

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

Repayment schedule – loans and overdrafts (nominal values)

in EUR '000	2017	2016
Less than one year	**1,897,542**	402,725
Between one and five years	**367,783**	1,339,191
After five years	**16,506**	643,168
	2,281,831	2,385,084

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

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

22 Financial instruments and financial risk

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

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

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

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

Estimation of fair values

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

Fair value hierarchy

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

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

Trade and other receivables/payables

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

Cash and cash equivalents, including short-term bank deposits

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

Derivatives (forward currency contracts and interest rate swaps)

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

Investment property

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

Interest-bearing loans and borrowings

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

Finance lease liabilities

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

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

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

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

Movement in level 3 financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liquidity risk

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

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

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

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

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

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

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

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

Notes to the Group Consolidated Financial Statements (continued)
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Accounting for derivatives and hedging activities
The fair value of derivative financial assets and liabilities at the balance sheet date is set out in the following table:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 Deferred income from government grants

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

24 Deferred income tax

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

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

Unrecognised deferred income taxes

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

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

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

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

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

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

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

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

25 Employee benefits

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

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

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

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

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

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

Employee benefit plan risks

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

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

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

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

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

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

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

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

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

	2017	2016
Rate of increase in salaries	**1.78%**	1.78%
Discount rate on plan liabilities	**0.65%**	0.19%

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

	2017	2016
Male	**24.3**	24.2
Female	**26.3**	26.2

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

	2017	2016
Male	**22.4**	22.3
Female	**24.4**	24.3

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

The sensitivity of the defined benefit obligation to changes in the principal financial actuarial assumptions is set out below. The present value of the defined benefit obligation has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognised in the Group Consolidated Balance Sheet. The impact on the defined benefit obligation as at 31 July 2017 is on the basis that only one principal financial actuarial assumption is changed, with all other assumptions remaining unchanged.

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

Assumption	**Change in Assumption**	Impact on plan liabilities
Discount rate	**Increase/decrease 0.50%**	Decrease by 4.7% /increase by 5.6%
Salary growth rate	**Increase/decrease 0.50%**	Increase/decrease by 0.8%

Net pension liability
in EUR '000

	2017	2016
Total fair value of assets	**59,225**	60,050
Present value of plan liabilities	**(63,982)**	(71,437)
Deficit in the plans	**(4,757)**	(11,387)
Related deferred tax asset (note 24)	**2,271**	3,881
Net pension liability	**(2,486)**	(7,506)

Fair value of plan assets
in EUR '000

	Quoted	Non-quoted	**2017**	2016
Cash and cash equivalents	2,280	–	**2,280**	1,151
Equity instruments	13,600	4,361	**17,961**	16,727
Debt instruments	15,798	5,748	**21,546**	27,322
Property	2,236	12,958	**15,194**	13,537
Other	833	1,411	**2,244**	1,313
Total fair value of assets	34,747	24,478	**59,225**	60,050

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

	2017	2016
Fair value of plan assets at 1 August	**60,050**	66,826
Interest income	**90**	641
Employer contributions	**2,826**	3,113
Employee contributions	**2,479**	2,657
Benefit payments made	**(2,463)**	(3,567)
Plan settlements	**(3,392)**	(6,540)
Actuarial return on plan assets (excluding interest income)	**3,240**	(695)
Translation adjustments	**(3,605)**	(2,385)
Fair value of plan assets at 31 July	**59,225**	60,050

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

Movement in the present value of plan obligations
in EUR '000

	2017	2016
Present value of plan obligations at 1 August	**(71,437)**	(80,313)
Current service cost	**(3,692)**	(4,435)
Past service gain	**1,365**	1,256
Settlement gain	**–**	2,049
Interest expense on plan obligations	**(141)**	(774)
Employee contributions	**(2,479)**	(2,657)
Benefit payments made	**2,463**	3,567
Plan settlements	**3,392**	6,540
Actuarial changes in demographic and financial assumptions	**3,878**	(3,748)
Actuarial experience adjustments	**(983)**	3,981
Arising on disposal of business	**–**	503
Translation adjustments	**3,652**	2,594
Present value of plan obligations at 31 July	**(63,982)**	**(71,437)**

Movement in net liability recognised in the Group Consolidated Balance Sheet
in EUR '000

	2017	2016
Net liability in plans at 1 August	**(11,387)**	(13,487)
Current service cost (note 7)	**(3,692)**	(4,435)
Past service gain (note 7)	**1,365**	1,256
Settlement gain	**–**	2,049
Employer contributions	**2,826**	3,113
Net interest expense (note 4)	**(51)**	(133)
Actuarial gain/(loss) on Group defined benefit pension plans	**6,135**	(462)
Arising on disposal of business	**–**	503
Translation adjustments	**47**	209
Net liability in plans at 31 July	**(4,757)**	**(11,387)**

The estimated contributions expected to be paid during the year ending 31 July 2018 in respect of the Group's defined benefit plans are €2,628,000.

Analysis of defined benefit expense recognised in the Group Consolidated Income Statement
in EUR '000

	2017	2016
Current service cost	**3,692**	4,435
Past service gain	**(1,365)**	(1,256)
Settlement gain	**–**	(2,049)
Non-financing expense	**2,327**	1,130
Included in financing costs, net	**51**	133
Net charge to Group Consolidated Income Statement	**2,378**	**1,263**

Additionally, a charge of €14,233,000 (2016: €13,202,000) was recorded in the Group Consolidated Income Statement in respect of the Group's defined contribution plans.

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

Defined benefit pension expense recognised in Group Consolidated Statement of Comprehensive Income in EUR '000	2017	2016
Return on plan assets (excluding interest income)	**3,240**	(695)
Experience (losses)/gains on plan liabilities	**(983)**	3,981
Changes in demographic and financial assumptions	**3,878**	(3,748)
Actuarial gain/(loss)	**6,135**	(462)
Deferred tax effect of actuarial (gain)/loss (note 9)	**(1,204)**	(23)
Actuarial gain/(loss) recognised in Group Consolidated Statement of Comprehensive Income	**4,931**	(485)

History of experience gains and losses:	2017	2016
Difference between expected and actual return on plan assets and losses:		
– Amount (in €'000)	**3,240**	(695)
– % of Plan assets	**5.47%**	(1.16)%
Experience (losses)/gains on plan obligations:		
– Amount (in €'000)	**(983)**	3,981
– % of Plan obligations	**(1.54)%**	5.57%
Total actuarial gains/(losses) recognised in Group Consolidated Statement of Comprehensive Income:		
– Amount (in €'000)	**6,135**	(462)
– % of Plan obligations	**9.59%**	(0.65)%

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

26 Shareholders equity

Registered shares of CHF 0.02 each – authorised, issued and fully paid	**2017** '000	**2017** in EUR '000	2016 '000	2016 in EUR '000
At 1 August and 31 July	**91,811**	**1,172**	91,811	1,172

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

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

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

Treasury shares of CHF 0.02 each - authorised, called up and fully paid	**2017** '000	**2017** in EUR '000	2016 '000	2016 in EUR '000
At 1 August and 31 July	**3,052**	**47**	3,052	47

There were no options exercised or other treasury share transactions during the years ended 31 July 2017 or 31 July 2016.

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

Other equity reserve

in EUR '000	2017	2016
At 1 August and 31 July	**720,456**	720,456

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

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

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

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

The total coupon recognised for these Hybrid instruments during the year ended 31 July 2017 was €32,099,000 (2016: €31,882,000).

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

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

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

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

Capital management
The capital managed by the Group consists of total equity of €2,201,652,000 (2016: €3,187,771,000). The Group has set the following goals for the management of its capital:

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

Net debt amounted to €1,733,870,000 at 31 July 2017 (2016: €1,719,617,000).

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

– The Group's Net Debt: EBITDA1 ratio is below 4.75 times – the ratio was 4.15 times at 31 July 2017 (2016: 2.90 times).
– The Group's interest cover (EBITDA[1] to interest including hybrid) is above 3.0 times – the ratio was 4.64 times at 31 July 2017 (2016: 4.50 times).

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

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

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

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

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

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

In order to provide enhanced financial flexibility, the Group has increased the covenant to a maximum 4.75x Net Debt: EBITDA at 31 July 2017 and 31 January 2018, reducing to a maximum of 4.00x at 31 July 2018 and a maximum of 3.50x from 31 July 2019. The

[1] Calculated based on the terms of the Group Syndicated Bank RCF.

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

Group has also reduced the interest cover covenant to 3.0x EBITDA: Interest. The new facility extends the maturity profile of the Group's debt to just over 4 years.

The proposed pay-out ratio to shareholders for the Group's financial year to 31 July 2017 is 15% of fully diluted underlying earnings per share. The pay-out will be in the form of a scrip dividend via newly issued share capital. The pay-out ratio and form of pay-out proposed by the Board will be reviewed on an annual basis and is subject to the decision of the Annual General Meeting of the shareholders.

27 Non-controlling interests

in EUR '000	**2017**	2016
Balance at 1 August	**15,099**	18,436
Share of profit for the year	**1,635**	2,776
Share of other comprehensive income	**598**	(1,510)
Dividends paid to non-controlling interests	**(3,350)**	(4,603)
Repurchase of non-controlling interests	**(13,982)**	–
Balance at 31 July	**–**	15,099

During March 2012, the Group entered into an agreement to acquire the remaining 40% interest in HiCoPain AG. Based on the terms of this agreement, the non-controlling interest shareholder continued to participate in the risk and rewards of the business until the final exit date in December 2016, at which time ARYZTA obtained 100% control of the business.

At the time of the agreement, estimated consideration and related costs were recorded as a reduction in retained earnings of the Group. As the non-controlling interest shareholder no longer participates in the risks and rewards of the business following the final exit date, the remaining non-controlling interest of €13,982,000 has been eliminated directly as an increase in retained earnings of the Group.

The remaining liability to the non-controlling interest shareholder of €14,485,000 was settled during the second half of financial year 2017.

28 Commitments

28.1 Commitments under operating leases

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

in EUR '000	**2017**	2016
Within one year	**59,467**	58,713
In two to five years	**171,706**	167,938
After more than five years	**125,866**	116,221
Total	**357,039**	342,872

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

28.2 Capital commitments

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

in EUR '000	**2017**	2016
Property, plant and equipment	**5,477**	9,473
Intangible assets	**692**	1,237
Total	**6,169**	10,710

28.3 Other commitments

The Company is party to cross guarantees on ARYZTA Group borrowings. The Company has also guaranteed the liabilities of subsidiaries within the ARYZTA Group. The Company treats these guarantees as a contingent liability, until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

29 Business combinations

29.1 Acquisitions in financial year 2017

There were no acquisitions completed by the Group during the year ended 31 July 2017.

29.2 Acquisitions in financial year 2016

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

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

in EUR '000	**Final fair values**
Final fair value of net assets acquired:	
Property, plant and equipment (note 12)	4,451
Intangible assets (note 14)	19,300
Inventory	2,068
Trade and other receivables	5,641
Trade and other payables	(7,884)
Finance leases	(470)
Deferred tax (note 24)	(2,413)
Income tax payable	(592)
Net assets acquired	**20,101**
Goodwill arising on acquisitions (note 14)	6,918
Total consideration	**27,019**

Satisfied by:	
Cash consideration	26,772
Cash acquired	(325)
Net cash consideration	**26,447**
Contingent consideration (note 19)	572
Total consideration	**27,019**

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

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

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

The identified intangibles acquired primarily related to customer relationships, which were valued at fair value using the income approach method.

30 Contingent liabilities

The Group is subject to litigation risks and legal claims that arise in the ordinary course of business, for which the outcomes are not yet known. These claims are not currently expected to give rise to any material significant future cost or contingencies.

31 Related party transactions

In the normal course of business, the Group undertakes transactions with its joint ventures and other related parties. A summary of transactions with these related parties is as follows:

in EUR '000	**2017**	2016
Purchase of goods	**(147)**	(136)
Provision of services	**1,937**	3,008
Receiving of services	**(57)**	(686)

Purchase of goods and provision of services relate primarily to transactions with joint ventures during the year.

None of the non-executive members of the Board of Directors has fulfilled any operational management functions for companies of the ARYZTA Group in the three years immediately preceding the period.

Related-party transactions with any members of the Board of Directors or Executive Management did not exceed €100,000 in aggregate during the year ended 31 July 2017.

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

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

The trading balances owing to the Group from related parties were €5,000 (2016: €187,000) and the trading balances owing from the Group to these related parties were €220,000 (2016: €333,000).

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

Compensation of key management
For the purposes of the disclosure requirements of IAS 24, 'Related Party Disclosures', the term 'key management personnel' (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group) comprises the Board of Directors and the Group Executive Management, which manage the business and affairs of the Group. A summary of the compensation to key management is as follows:

in EUR '000	**2017**	2016
Short-term employee benefits	**10,161**	7,584
Post-employment benefits	**4,970**	500
Other long-term benefits	**675**	448
Termination benefits	**–**	–
Total key management compensation	**15,806**	**8,532**

Amounts shown in the table above represent the ongoing wages, salaries and other compensation of Executive Management and the Board of Directors, including the entire €10,368,000 contractual obligation associated with the departure of four former members of executive management, comprised of €5,398,000 for the 12 month contractual employment obligation and €4,970,000 for the 12 month post contractual term non-compete agreements.

Further detailed disclosure in relation to the compensation entitlements of the Board of Directors and Executive Management is provided in the Compensation Report on pages 49 to 57.

32 Post balance sheet events – after 31 July 2017

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

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

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

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

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

33 Risk assessment

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

34 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Group consolidated financial statements are described below:

Note	Name
Note 1	Basis of preparation
Note 8	Share-based payments
Note 14 & 29	Goodwill, intangible assets and business combinations
Notes 9 & 24	Income taxes and deferred income tax

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

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

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

The Group has share-based incentive awards outstanding under various incentive plans. Estimating the value of these awards and the period over which this value is recognised as an expense requires various management estimates and assumptions, as set out in note 8.

Accounting for business combinations is complex in nature, requiring various estimates including: the fair value of assets acquired / liabilities assumed, the identification and valuation of intangible assets received, the estimated contingent consideration to be transferred and the allocation of the excess purchase price to the resulting goodwill, as set out in note 29. Furthermore, testing of assets for impairment, particularly goodwill, involves determination of the cash-generating units, estimating the respective future cash flows and applying the appropriate discount rates, in order to determine an estimated recoverable value of those cash-generating units, as set out in note 14.

Income taxes, as set out in note 9, and deferred taxes, as set out in note 24, are subject to management estimate. The Group Consolidated Balance Sheet includes deferred taxes relating to temporary differences, which are based on forecasts of the corresponding entity's taxable income and reversal of these temporary differences, forecasted over a period of several years. As actual results may differ from these forecasts, these deferred taxes may need to be adjusted accordingly.

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

35 Significant subsidiaries and joint ventures

A list of all of the Group's significant subsidiary and joint venture undertakings, as at 31 July 2017 and 2016, are provided in the table below. For the purposes of this note, a significant subsidiary is one that has third-party revenues equal to, or in excess of, 2% of total Group revenue and / or consolidated Group assets equal to, or in excess of, 2% of total Group assets. A significant joint venture is one in which the Group's share of profits after tax is equal to, or in excess of, 2% of total Group operating profit and / or the carrying value of the investment is equal to, or in excess of, 2% of total Group assets.

	Name	Nature of business	Currency	Share capital millions	Group % share 2017	Group % share 2016	Registered office
(a)	***Significant subsidiaries – Europe***						
	ARYZTA Bakeries Ireland UC	Food manufacturing and distribution	EUR	1.016	100	100	1
	ARYZTA Technology Ireland UC	Asset management company	EUR	0.000	100	100	1
	Delice de France Limited	Food distribution	GBP	0.250	100	100	2
	France Distribution SAS	Food distribution	EUR	0.108	100	100	3
	ARYZTA Food Solutions Schweiz AG	Food distribution	CHF	3.500	100	100	4
	ARYZTA Bakeries Deutschland GmbH	Food manufacturing and distribution	EUR	3.072	100	100	5
	ARYZTA Food Solutions GmbH	Food distribution	EUR	0.025	100	100	6
	Fornetti Kft	Food manufacturing and distribution	HUF	500.000	100	100	7
	Pré Pain B.V.	Food manufacturing and distribution	EUR	0.018	100	100	8
	ARYZTA Polska Sp. z o.o.	Food manufacturing and distribution	PLN	61.000	100	100	9
(b)	***Significant subsidiaries – North America***						
	ARYZTA LLC	Food manufacturing and distribution	USD	705.000	100	100	10
	ARYZTA Limited	Food manufacturing and distribution	CAD	255.818	100	100	11
	ARYZTA Canada Co.	Food manufacturing and distribution	CAD	113.400	100	100	12
(c)	***Significant subsidiaries – Rest of World***						
	ARYZTA Australia Pty Limited	Food manufacturing and distribution	AUD	17.000	100	100	13
	ARYZTA Do Brazil Alimentos Ltda	Food manufacturing and distribution	BRL	33.588	100	100	14
(d)	***Significant joint venture***						
	Lion/Polaris Lux Holdco S.à r.l. (Picard)	Food distribution	EUR	0.100	49	49	15

Registered Offices:

1. Grangecastle Business Park, New Nangor Road, Clondalkin, Dublin 22, Ireland.
2. 149 Brent Road, Southall, Middlesex UB2 5LJ, England.
3. ZAC de Bel Air, 14 –16 Avenue Joseph Paxton, Ferrières en Brie, 77164, France.
4. Ifangstrasse 9, 8952 Schlieren-Zurich, Switzerland.
5. Industriestraße 4, 06295 Lutherstadt Eisleben, Germany.
6. Konrad Goldmann Strasse 5 b, 79100 Freiburg im Breisgau, Germany.
7. 6000 Kecskemét, Városföld 8683/104.hrsz. dulo 92, Hungary.
8. Kleibultweg 94, Oldenzaal, 7575 BX, the Netherlands.
9. ul. Zachodnia 10, 05-825 Grodzisk Mazowiecki, Poland.
10. 6080 Center Drive, Suite 900, Los Angeles, CA 90045, United States of America.
11. 58 Carluke Road West, Ancaster, Ontario L9G 3L1, Canada.
12. 1100-1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2, Canada.
13. 14 Homepride Avenue, Liverpool, NSW 2170, Australia.
14. Av. Brigadeiro Faria Lima 1.336, 3º Andar 01451-001 São Paulo, Brazil.
15. 7, Rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg.

The country of registration is also the principal location of activities in each case.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2017

Opinion

We have audited the consolidated financial statements of ARYZTA AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 July 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a statement of accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

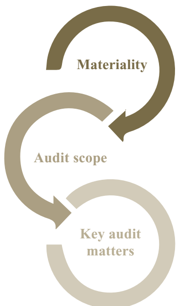
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: EUR 9.45 million

We concluded full scope audit work at eight reporting entities in five countries. With our full audit scope we covered 71% of the Group's revenue. In addition, specified procedures were performed on a further four reporting entities in four countries representing a further 12% of the Group's revenue.

As key audit matter the following area of focus has been identified:

– Recoverability of goodwill

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of over 130 reporting entities, comprising the Group's operating businesses and centralised functions. We identified eight reporting entities that, in our view, required a full scope audit, due to their size or risk profile. These

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2017 (continued)

eight reporting entities are based in the United States of America, Germany, France, Switzerland and Ireland. Specific audit procedures on certain balances and transactions were performed at a further four reporting entities.

In order to fulfil our responsibilities for the direction, supervision and performance of the Group audit, we were involved in the work performed by reporting entity audit teams by performing selected site visits, reviewing the working papers of selected component audit teams, participating in selected clearance meetings with management and having detailed discussions around audit approach and matters reported to us.

Audit procedures over the consolidation, significant Group functions such as treasury and taxation and goodwill impairment were performed directly by the Group audit team. Overall, our audit scope accounted for 83% of Group revenues and 91% of Group assets.

Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	EUR 9.45 million
How we determined it	2.25% of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), rounded, as defined within footnote 'Segment information'
Rationale for the materiality benchmark applied	We chose EBITDA as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by the relevant users of the financial statements and because pre-tax results are significantly impacted by depreciation and amortization.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 0.8 million as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons. Misstatements that only result in balance sheet reclassifications are reported to the Audit Committee if they are above EUR 7.8 million.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2017 (continued)

Recoverability of Goodwill

Key audit matter	How our audit addressed the key audit matter
As of 31 July 2017, the Group's carrying value of goodwill was EUR 1.8 billion, which represents approximately 31% of Group total assets and approximately 81% of Group net assets. Goodwill is allocated to seven cash generating units (CGUs). Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate a potential impairment. In performing the impairment, management compares the recoverable amount, generally determined by estimating the value in use, to the carrying amount. To the extent that the recoverable amount of a cash generating unit is lower than its carrying amount, an impairment charge is recognised. The determination of the recoverable amount for each CGU involves significant estimation and judgment, specifically related to the projection of future business performance and profitability for a period of three years, estimation of terminal growth rates and determination of a discount rate for each cash generating unit. Through the performance of management's goodwill impairment testing as of July 31, 2017, it was determined that there were impairments of €103.0 million and €491.9 million within the Germany and North America CGUs, respectively. Refer to pages 87–88 (Group Statement of Accounting Policies) and pages 109–112 (Note 14).	– We assessed management's allocation of goodwill to the CGUs, by considering the consistency with internal management reporting and how the business is managed within and across geographies. – We obtained management's value in use calculation for each CGU and assessed the consistency of the methodology and model applied with prior years and the adequacy of the model for its purpose. – We tested the mathematical accuracy of the model and traced amounts to supporting documentation, as applicable. – With respect to the projections of future business performance and profitability, we traced the 2018 projections to the board approved budget. In addition, we discussed the three year projections with management in order to obtain an understanding of the key drivers, intentions and the actions planned to achieve expected results. – We assessed management's terminal growth rate assumptions by comparing them to relevant industry and economic forecasts. – We assessed management's assumptions to determine the respective pre-tax discount rates by assessing the adequacy of the weighted average cost of capital calculations, consisting of the split between equity and debt and the input factors for risk-free rate, beta, market risk premium, credit spread. – We utilized the expertise of an internal valuation specialist in order to assess the technical correctness of management's value in use models, as well as to assess the reasonableness of management's discount rates. – In certain cases, we developed an independent expectation of each CGUs budgeted results for FY18, FY19 and FY20 utilizing observable market data, corroborative evidence and the historical results and trends of each CGU in order to compare Management's estimated value in use to that calculated by the engagement team for reasonableness. – We obtained the company's sensitivity analyses around key assumptions to ascertain the effect of changes to those assumptions on the value in use estimates and recalculated these sensitivities. In addition, we performed our own independent sensitivity analyses by changing various key assumptions to reasonable changes of assumptions to assess whether these would result in an impairment. – We considered the reasonableness of the sum of the value in use estimates in relation to the overall market capitalisation of the company. Based on the work performed, we found the underlying model and methodology and the key assumptions used by management in its determination of the value in use to be reasonable to determine that the carrying amount of the goodwill of each cash generating unit to be supportable, or that the resulting impairment of goodwill calculated by management was reasonable.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the standalone financial statements and the remuneration report of ARYZTA AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2017 (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2017 (continued)

our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors. We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Sandra Böhm	Garrett Young
Audit expert Auditor in charge	

Zurich, 2 October 2017

2016

Group Consolidated Financial Statements

ARYZTA
Passion for good food

Group Consolidated Income Statement
for the year ended 31 July 2016

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

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

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

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

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

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

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

Group Consolidated Balance Sheet
as at 31 July 2016

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Organisation

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

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

Statement of compliance

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

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

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

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

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

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

Basis of preparation

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

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

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

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

Income statement presentation

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

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

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

Reclassifications and adjustments

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

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

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

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Segmental reporting

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

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

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

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

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

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

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

Employee benefits

Pension obligations

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

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

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

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

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

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

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

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

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

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

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

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

Foreign currency

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

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

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

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

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

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

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

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

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

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

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

Buildings	25 to 50 years
Plant and machinery	3 to 20 years
Motor vehicles	3 to 7.5 years

The residual value of assets, if significant, and the useful life of assets is reassessed annually. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are recognised on the completion of sale. Gains and losses on disposals are determined by comparing the proceeds received, net of related selling costs, with the carrying amount of the asset and are included in operating profit.

Investment properties
Investment property, principally comprised of land and buildings, is held for capital appreciation and is stated at fair value. The fair value is based on market value, being the estimated amount for which a property could be exchanged in an arm's length transaction. Any gain or loss arising from a change in fair value is recognised in the Group Consolidated Income Statement. When property is transferred to investment property following a change in use, any difference arising at the date of transfer between

Group Statement of Accounting Policies
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the carrying amount of the property immediately prior to transfer and its fair value is recognised in equity if it is a gain. Upon disposal of the property, the gain would be transferred to retained earnings. Any loss arising in this manner, unless it represents the reversal of a previously recognised gain, would be recognised immediately in the Group Consolidated Income Statement.

Leased assets

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

The corresponding rental obligations, net of finance charges, are included in interest-bearing loans and borrowings. The interest element of the payments is charged to the income statement over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. For disclosure purposes, the fair value of finance leases is based on the present value of future cash flows, discounted at appropriate current market rates.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term.

Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. The cost of each acquisition is measured as the aggregate of the fair value of the consideration transferred, as at the acquisition date, and the fair value of any non-controlling interest in the acquiree.

The consideration transferred includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where any part of the consideration for a business combination is contingent, the fair value of that component is determined by discounting the estimated amounts payable to their present value at the acquisition date. The discount is unwound as a finance charge in the Group Consolidated Income Statement over the life of the obligation. Subsequent changes to the estimated amounts payable for contingent consideration are recognised as a gain or loss in the Group Consolidated Income Statement.

Where a business combination is achieved in stages, the Group’s previously held interest in the acquiree is re-measured to fair value at the acquisition date and included within the consideration, with any gain or loss recognised in the Group Consolidated Income Statement.

Goodwill is initially recognised at cost, being the difference between the cost of the acquisition over the fair value of the net identifiable assets and liabilities assumed. Following initial recognition, goodwill is stated at cost, less any accumulated impairment losses.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

When the initial accounting for a business combination is only provisionally determined at the end of the financial year in which the combination occurs, any adjustments to the provisional values allocated to the identifiable assets and liabilities are made within a period of no more than one year from the acquisition date.

Acquisition costs arising in connection with a business combination are expensed as incurred.

Intangible assets

Intangible assets acquired as part of a business combination are initially recognised at fair value being their deemed cost as at the date of acquisition. These generally include brand and customer-related intangible assets.

Computer software that is not an integral part of an item of computer hardware is also classified as an intangible asset. Where intangible assets are separately acquired, they are capitalised at cost. Cost comprises purchase price and other applicable directly attributable costs. Directly attributable costs that are capitalised as part of the ERP and computer-related intangibles include the employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalised, if the product or process is technically and commercially feasible, the attributable expenditure can be reliably measured, and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour or an appropriate proportion of overheads. Capitalised development expenditure is stated at cost, less accumulated amortisation and impairment losses. Other development expenditure is recognised in the income statement as an expense as incurred.

Intangible assets with finite lives are amortised over the period of their expected useful lives in equal annual instalments, generally as follows:

Customer relationships	5 to 25 years
Brands	10 to 25 years
Computer-related intangibles	3 to 5 years
ERP-related intangibles	12 years
Patents and other	3 to 15 years

Subsequent to initial recognition, the expected useful lives and related amortisation of finite life intangible assets are reviewed at least at each financial year-end and, if the expected economic benefits of the asset are different from previous estimates, amortisation is adjusted accordingly. Intangible assets are stated at cost, less accumulated amortisation and any impairment losses incurred.

There are no intangible assets with an indefinite useful life.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

Impairment of non-financial assets

The carrying amounts of the Group's assets, other than inventories (which are carried at the lower of cost and net realisable value), deferred tax assets (which are recognised based on recoverability) and those financial instruments carried at fair value are reviewed to determine whether there is an indication of impairment when an event or transaction indicates that there may be and at least at each reporting date. If any such indication exists, an impairment test is carried out and, if necessary, the asset is written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and an asset's value-in-use. The Group tests goodwill for impairment annually, during the last quarter of the financial year, or more frequently if events or changes in circumstances indicate a potential impairment.

An impairment loss is recognised whenever the carrying amount of an asset, or its cash-generating unit, exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement as an expense. Goodwill is allocated to the various cash-generating units for the purposes of impairment testing. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. An impairment loss for goodwill is not subsequently reversed. An impairment loss for other assets may be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventory

Inventory is stated at the lower of cost, on a first-in, first-out basis, and net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing the products to their present location and condition. Net realisable value is the estimated selling price of inventory on hand, less all further costs to completion and all costs expected to be incurred in marketing, distribution and selling.

Cash and cash equivalents

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents in the balance sheet comprise cash at bank and on hand, call deposits and other short-term highly liquid investments with original maturities of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Group Consolidated Cash Flow Statement.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

Share capital

Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity, net of tax, as a deduction from the proceeds.

If any Group company purchases ARYZTA AG's equity share capital, those shares are accounted for as treasury shares in the consolidated financial statements of the Group. Consideration paid for treasury shares, including any directly attributable incremental cost, net of tax, is deducted from equity attributable to the shareholders of the Company, until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

Financial assets and liabilities

Trade and other receivables

Trade and other receivables (excluding prepayments) are initially measured at fair value and are thereafter measured at amortised cost, using the effective interest method, less any provision for impairment. A provision for impairment is recognised in administration expenses when there is objective evidence that the Group will not be able to collect all amounts due, according to the original terms of the receivables. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Where risks associated with trade receivables are transferred out of the Group under receivables purchase arrangements, such receivables are derecognised from the balance sheet, except to the extent of the Group's continued involvement or exposure.

Short-term bank deposits

Short-term bank deposits with an original maturity of three months or less, which do not meet the definition of cash and cash equivalents, are classified as other receivables within current assets and are stated at amortised cost in the balance sheet.

Trade and other payables

Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method. Trade and other payables are classified as current liabilities, if payment is due within one year or less, otherwise, they are presented as non-current liabilities.

Derivatives

Derivatives, including forward currency contracts, interest rate swaps and commodity futures contracts are used to manage the Group's exposure to foreign currency risk, interest rate risk and commodity price risk. These derivatives are generally designated as cash flow hedges in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement'.

Derivative financial instruments are initially recorded at fair value on the date the contract is entered into and are subsequently re-measured to fair value, as of each reporting date, using quoted market values. The gain or loss arising on re-measurement is recognised in the income statement, except where the instrument is a designated hedging instrument.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

Cash flow hedges
Subject to the satisfaction of certain criteria relating to the documentation of the risk, objectives and strategy for the hedging transaction and the ongoing measurement of its effectiveness, cash flow hedges are accounted for under hedge accounting rules. In such cases, any unrealised gain or loss arising on the effective portion of the derivative instrument is recognised in other comprehensive income, as part of the cash flow hedge reserve. Unrealised gains or losses on any ineffective portion are recognised in the income statement. When the hedged transaction occurs the related gains or losses in the cash flow hedge reserve are transferred to the income statement.

Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of or sold.

Interest-bearing loans and borrowings
Interest-bearing borrowings are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are capitalised as transaction costs of the loan, to the extent that it is probable that some or all of the facility will be drawn down, and are amortised over the period of the facility to which the fees relate.

For interest-bearing loans and borrowings with a contractual re-pricing date of less than six months, the nominal amount is considered to approximate fair value for disclosure purposes. For loans with a re-pricing date of greater than six months, the fair value is calculated based on the expected future principal and interest cash flows, discounted at appropriate current market interest rates.

Other equity reserve
Perpetual callable subordinated instruments are recognised within other equity reserves, net of attributable transaction costs. These amounts are maintained within other equity reserves at historical cost, until such time that management and the Board of Directors have approved the settlement of such amounts. Any difference between the amount paid upon settlement of instruments without a maturity date and the historical cost is recognised directly within retained earnings. Dividends associated with these instruments are recognised directly within retained earnings.

Government grants
Grants that compensate the Group for the cost of an asset are shown as deferred income in the balance sheet and are recognised in the income statement in instalments on a basis consistent with the depreciation policy of the relevant assets. Other grants are credited to the income statement to offset the associated expenditure.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the outflow can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests, which do not result in a loss of control, as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired in the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is then the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the Group Consolidated Financial Statements
for the year ended 31 July 2016

1 Segment information
1.1 Analysis by business segment

I) Segment revenue and result	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		Total Continuing Operations	
in EUR '000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment revenue[1]	**1,747,045**	1,646,635	**1,908,147**	1,942,342	**223,679**	231,254	**3,878,871**	3,820,231
Operating profit/(loss)[2]	**70,443**	(40,881)	**124,954**	96,077	**16,115**	10,797	**211,512**	65,993
Share of profit/(loss) after tax of joint ventures							**11,716**	(1,520)
Financing income[3]							**3,526**	2,137
Financing costs[3]							**(106,706)**	(85,527)
Profit/(loss) before income tax expense as reported in Group Consolidated Income Statement							**120,048**	(18,917)

1 Revenues from external customers attributed to the Group's country of domicile, Switzerland, are 7.0% (2015: 6.8%) of total Group revenues. Revenues from external customers attributed to material foreign countries are United States 40.0% (2015: 40.2%), Germany 15.0% (2015: 15.1%) and Canada 9.2% (2015: 10.6%). For the purposes of this analysis, customer revenues are allocated based on the geographic location of the vendor. As is common in this industry, the Group has a large number of customers, and there is no single customer with a share of revenue greater than 10% of total Group revenue. There were no significant intercompany revenues between business segments.

2 Certain central executive and support costs have been allocated against the operating results of each business segment.

3 Joint ventures, finance income/(costs) and income tax expense are managed on a centralised basis. Therefore, these items are not allocated between business segments for the purposes of presenting information to the Chief Operating Decision Maker.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

II) Segment assets	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		Total Continuing Operations	
in EUR '000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment assets	**2,411,081**	2,513,401	**2,967,117**	3,107,704	**275,982**	269,234	**5,654,180**	5,890,339

Reconciliation to total assets as reported in the Group Consolidated Balance Sheet	**2016**	2015
Investments in joint ventures and related financial assets	**495,402**	60,711
Associate held-for-sale	**–**	270,870
Derivative financial instruments	**669**	653
Cash and cash equivalents	**647,724**	316,867
Deferred income tax assets	**133,176**	105,579
Total assets as reported in Group Consolidated Balance Sheet	**6,931,151**	6,645,019

III) Segment liabilities	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		Total Continuing Operations	
in EUR '000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment liabilities	**508,256**	550,965	**479,005**	505,284	**78,104**	65,276	**1,065,365**	1,121,525

Reconciliation to total liabilities as reported in Group Consolidated Balance Sheet	**2016**	2015
Interest-bearing loans and borrowings	**2,367,341**	2,041,970
Derivative financial instruments	**14,557**	12,766
Current and deferred income tax liabilities	**296,117**	246,815
Total liabilities as reported in Group Consolidated Balance Sheet	**3,743,380**	3,423,076

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

IV) Other segment information in EUR '000	ARYZTA Europe 2016	2015	ARYZTA North America 2016	2015	ARYZTA Rest of World 2016	2015	Total Continuing Operations 2016	2015
Depreciation	**50,143**	57,368	**53,276**	47,547	**8,611**	9,604	**112,030**	114,519
ERP amortisation	**9,179**	5,330	**3,564**	4,457	**–**	–	**12,743**	9,787
Amortisation of other intangible assets	**78,192**	82,550	**90,114**	79,101	**7,935**	6,371	**176,241**	168,022
Capital expenditure								
– Property, plant and equipment	**108,420**	180,113	**64,976**	153,204	**10,916**	10,963	**184,312**	344,280
– Intangibles	**14,273**	39,577	**16,364**	21,328	**65**	316	**30,702**	61,221
Total capital expenditure	**122,693**	219,690	**81,340**	174,532	**10,981**	11,279	**215,014**	405,501

1.2 Segmental non-current assets

in EUR '000	Europe 2016	2015	North America 2016	2015	Rest of World 2016	2015	Total Continuing Operations 2016	2015
IFRS 8 non-current assets[1]	**2,750,410**	2,343,064	**2,737,659**	2,837,326	**244,199**	246,769	**5,732,268**	5,427,159

1 Non-current assets as reported under IFRS 8, 'Operating Segments', include all non-current assets as presented in the Group Consolidated Balance Sheet, with the exception of deferred taxes and derivative financial instruments. Non-current assets attributed to the Group's country of domicile, Switzerland, are 5.9% of total Group non-current assets (2015: 6.6%). Non-current assets attributed to material foreign countries are: United States 35.9% (2015: 39.3%), Germany 13.9% (2015: 14.1%) and Canada 11.8% (2015: 12.9%).

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

2 Discontinued operations

During March 2015, ARYZTA announced the completion of its offering of 49 million ordinary shares of Origin for €8.25 per share, which raised net proceeds for ARYZTA of €398,108,000. At the time of the placing, the deemed fair value of the Group's remaining 29.0% interest in Origin was also valued at €8.25 per share, resulting in a value of €299,329,000. As the total deemed consideration exceeded the Group's €145,678,000 share of the disposed net assets and cash balances of Origin, the Group recognised a gain on disposal of discontinued operations of €551,759,000.

In accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', as Origin previously represented a significant component and separately reported segment of the Group, Origin's results have been separately presented in the Group Financial Statements as Discontinued Operations, in both the current and prior years.

A calculation of the March 2015 gain on disposal is shown below:

in EUR '000	Origin
Net assets of discontinued operation disposed	
Property, plant and equipment (note 12)	96,394
Investment properties (note 13)	7,575
Goodwill and intangible assets (note 14)	160,495
Investment in associates and joint venture (note 15)	62,370
Inventory	220,157
Trade and other receivables	396,520
Trade and other payables	(458,284)
Interest bearing loans and borrowings	(248,774)
Derivative financial liabilities, net	(748)
Employee benefits (note 25)	(24,240)
Deferred income tax liabilities	(10,355)
Income tax payable	(17,166)
Total net assets disposed	183,944
Other comprehensive income recycled on disposal of discontinued operations	1,328
Non-controlling interests disposed as part of discontinued operations (note 27)	(64,727)
ARYZTA's share of Origin net assets disposed	**120,545**
Consideration	
Cash received, net of transaction costs	398,108
Net cash disposed	(25,133)
Cash received, net of cash disposed	372,975
Fair value of retained 29% interest	299,329
Total consideration	**672,304**
Gain on disposal of discontinued operations	551,759
Fair value adjustment to associate held-for-sale	(28,459)
Net gain on disposal of discontinued operations	**523,300**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Following the March 2015 placing, the Group's remaining 29.0% interest in Origin was determined to be an associate held-for-sale, recorded at fair value, less costs to sell. Based on the unadjusted quoted price of €7.62 as of 31 July 2015, less estimated costs to sell, a fair value adjustment of €28,459,000 was recorded during the prior year to reduce the carrying value to €270,870,000 as of 31 July 2015, resulting in a total net gain in relation to the disposal of Origin of €523,300,000 during the year ended 31 July 2015.

During September 2015, ARYZTA announced the completion of its offering of its remaining 36.3 million ordinary shares of Origin for €6.30 per share, which raised net proceeds for ARYZTA of €225,101,000. As the fair value of the 29.0% investment in associate held-for-sale at 31 July 2015 was €270,870,000, this resulted in a net loss on disposal in the current year of €45,769,000. This divestment simplifies the reporting structure and transforms ARYZTA into a business fully focused on speciality food.

Analysis of the result of discontinued operations in both years, including the loss recognised on the disposal of the associate held-for-sale, is as follows:

in EUR '000	**2016**	2015
Revenue	–	829,518
Cost of sales	–	(719,381)
Distribution expenses	–	(18,196)
Gross profit	–	91,941
Selling expenses	–	(32,124)
Administration expenses	–	(52,572)
Operating profit	–	7,245
Share of profit after tax of associates and joint ventures	–	6,026
Profit before financing income, financing costs and income tax expense	–	13,271
Financing income	–	1,951
Financing costs	–	(5,542)
Profit before income tax	–	9,680
Income tax expense	–	(734)
Profit after tax from discontinued operations	–	8,946
Gain on disposal of discontinued operations	–	551,759
Fair value adjustment to associate held-for-sale	–	(28,459)
Underlying contribution associate held-for-sale	**48**	–
Cash received, net of transaction costs	**225,101**	–
Carrying value of 29% interest disposed	**(270,870)**	–
(Loss)/profit for the year from discontinued operations	**(45,721)**	532,246
Attributable as follows:		
Equity shareholders – discontinued operations	**(45,721)**	529,396
Non-controlling interests – discontinued operations	–	2,850
(Loss)/profit for the year from discontinued operations	**(45,721)**	532,246

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

3 Net acquisition, disposal and restructuring-related costs

In accordance with IAS 1, 'Presentation of Financial Statements', the Group Consolidated Income Statement is presented by function of expense.

Management has also identified certain acquisition, disposal and restructuring-related costs within each functional area that do not relate to the underlying business of the Group. Due to the relative size and nature of these items, they have been presented as separate components of operating profit below, in order to enable comparability of the Group's underlying results and performance from period to period, and have been excluded from the calculation of underlying net profit in note 11.

in EUR '000	IFRS Income Statement 2016	Net acquisition, disposal, restructuring-related costs 2016	Intangible amortisation 2016	Financial Business Review 2016	IFRS Income Statement 2015	Net acquisition, disposal, restructuring-related costs 2015	Intangible amortisation 2015	Financial Business Review 2015
Revenue	**3,878,871**	–	–	**3,878,871**	**3,820,231**	–	–	**3,820,231**
Cost of sales	**(2,654,228)**	32,484	–	**(2,621,744)**	**(2,709,763)**	129,974	–	**(2,579,789)**
Distribution expenses	**(414,410)**	3,983	–	**(410,427)**	**(407,658)**	7,706	–	**(399,952)**
Gross profit	**810,233**	36,467	–	**846,700**	**702,810**	137,680	–	**840,490**
Selling expenses	**(188,656)**	5,040	–	**(183,616)**	**(167,646)**	5,545	–	**(162,101)**
Administration expenses	**(410,065)**	55,607	176,241	**(178,217)**	**(469,171)**	136,725	168,022	**(164,424)**
Operating profit of continuing operations	**211,512**	97,114	176,241	**484,867**	**65,993**	279,950	168,022	**513,965**
Joint Ventures	**11,716**	804	3,162	**15,682**	**(1,520)**	–	310	**(1,210)**
Profit of continuing operations before financing income, financing costs and income tax expense	**223,228**	97,918	179,403	**500,549**	**64,473**	279,950	168,332	**512,755**

in EUR '000	Notes	ARYZTA Europe 2016	ARYZTA Europe 2015	ARYZTA North America 2016	ARYZTA North America 2015	ARYZTA Rest of World 2016	ARYZTA Rest of World 2015	Total Continuing Operations 2016	Total Continuing Operations 2015
Net gain/(loss) on disposal of businesses	3.1	**(4,987)**	(45,685)	**5,980**	–	**–**	–	**993**	(45,685)
Asset write-downs	3.2	**(5,040)**	(72,395)	**(9,747)**	(68,544)	**–**	(5,350)	**(14,787)**	(146,289)
Total net gain/(loss) on disposal of businesses and asset write-downs		**(10,027)**	(118,080)	**(3,767)**	(68,544)	**–**	(5,350)	**(13,794)**	(191,974)
Acquisition-related costs		**(2,330)**	(9,467)	**–**	(515)	**–**	–	**(2,330)**	(9,982)
Severance and other staff-related costs		**(48,314)**	(28,367)	**(15,614)**	(18,916)	**(1,519)**	(1,359)	**(65,447)**	(48,642)
Contractual obligations		**(1,402)**	(586)	**(5,305)**	(1,285)	**(31)**	(216)	**(6,738)**	(2,087)
Advisory and other costs		**(5,069)**	(13,862)	**(3,538)**	(10,670)	**(198)**	(2,733)	**(8,805)**	(27,265)
Total acquisition and restructuring-related costs	3.3	**(57,115)**	(52,282)	**(24,457)**	(31,386)	**(1,748)**	(4,308)	**(83,320)**	(87,976)
Total acquisition, disposal and restructuring-related costs		**(67,142)**	(170,362)	**(28,224)**	(99,930)	**(1,748)**	(9,658)	**(97,114)**	(279,950)

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

As these non-cash gains and losses are added back to net assets, and the cash costs are deducted from EBITA, when calculating ROIC for management compensation purposes, these items had no impact on management compensation during the year ended 31 July 2016.

3.1 Net gain/(loss) on disposal of businesses

During the year, the Group disposed of two businesses, which historically generated approximately €100,000,000 in total annual revenues. As the €42,060,000 proceeds received, net of associated transaction costs, exceeded the €41,067,000 carrying value of the net assets disposed (including €20,573,000 of goodwill), a net gain on disposal of €993,000 has been reflected in the financial statements during the year ended 31 July 2016.

During January 2015, the Group agreed to exchange certain assets, which historically generated approximately €100,000,000 in annual revenues, for a 50% interest in Signature Flatbreads. As the €53,106,000 total fair value of the Group's 50% interest and the Vendor Loan Note receivable from the joint venture, were less than the €66,659,000 carrying value of the net assets exchanged and related costs incurred, the transaction resulted in a loss on disposal in the amount of €13,789,000, including foreign exchange losses of €236,000.

During April 2015, the Group agreed to sell its 100% interest in Carroll Cuisine, which historically generated approximately €45,000,000 in annual revenues, for cash consideration of €37,276,000. As the proceeds received exceeded the €12,970,000 carrying value of the net assets disposed and associated costs incurred, the transaction resulted in a gain on disposal of €24,306,000.

As a result of the two disposals above, the Group also wrote-off a proportionate amount of goodwill within the UK and Ireland Cash Generating Unit in the amount of €56,202,000. The total of the above transactions and the associated write-down of Goodwill resulted in a net loss on disposal of businesses within continuing operations of €45,685,000 during the year ended 31 July 2015.

3.2 Asset write-downs

The Group incurred €14,787,000 (2015: €146,289,000) of asset write-downs during the year, primarily related to the write-down of various distribution, manufacturing, and administration assets within the ARYZTA Europe and ARYZTA North America segments. These asset write-downs arise following the closure of and / or reduction in activities in these locations. The reductions are the direct result of the Group's recent integration and rationalisation programme investments, which have replaced obsolete assets, optimised the distribution network and streamlined administrative functions.

3.3 Acquisition and restructuring-related costs

During the year ended 2016, the Group completed its joint venture investment in Picard (note 15), as well as a bolt-on acquisition in Ireland (note 29). During the years ended 2016 and 2015, progress continued on integrating recent acquisitions and aligning the operational processes of those businesses to the Group's existing network.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

As a result of these investments, the Group has recognised costs, including, providing for amounts as required by IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', in the Group Consolidated Income Statement as follows:

Acquisition-related costs
During the year ended 31 July 2016, the Group incurred acquisition-related costs such as share purchase tax, due diligence and other professional services fees totalling €2,330,000 (2015: €9,982,000). These costs primarily related to activities associated with the Group's acquisition of La Rousse Foods, a supplier of fresh, frozen and ambient goods to various restaurants, hotels and caterers in Ireland. It also includes the finalisation of the Group's joint venture interest investment in Picard.

The costs incurred during the year ended 31 July 2015 primarily related to activities associated with the Group's various acquisitions, as well as the Group's investments in the Picard and Signature joint ventures.

Severance and other staff-related costs
The Group incurred and provided for €65,447,000 (2015: €48,642,000) in severance and other staff-related costs during the year. These related primarily to costs associated with employees whose service was discontinued following certain rationalisation decisions across the various business locations of the Group, primarily in Europe.

Contractual obligations
The operational decisions made as a result of the Group's integration and rationalisation projects triggered early termination penalties and resulted in certain long-term operational contracts becoming onerous. The Group incurred total costs of €6,738,000 (2015: €2,087,000) during the year to either exit or provide for such onerous contractual obligations.

Advisory costs and other costs
During the year ended 31 July 2016, the Group incurred €8,805,000 (2015: €27,265,000) in advisory and other costs related directly to the rationalisation of certain bakery assets, integration of the supply chain and distribution functions of recently acquired businesses into the Group's network, and costs associated with centralisation of certain functions.

4 Financing income and costs

in EUR '000	**2016**	2015
Total financing income recognised in Group Consolidated Income Statement	**3,526**	2,137
Financing costs		
Interest cost on bank loans and overdrafts	**(106,475)**	(85,433)
Interest cost under finance leases	**(98)**	(13)
Defined benefit plan: net interest cost on plan liabilities (note 25)	**(133)**	(81)
Total financing costs recognised in Group Consolidated Income Statement	**(106,706)**	(85,527)
Recognised directly in other comprehensive income		
Effective portion of changes in fair value of interest rate swaps[1]	**615**	(6,042)

1 No unrealised gains or losses on any ineffective portion of derivatives have been recognised in the income statement.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

5 Other information

Group Consolidated Income statement by nature of cost through to operating profit

in EUR '000	2016	2015
Revenue	**3,878,871**	3,820,231
Raw materials and consumables used	**(1,809,609)**	(1,782,313)
Employment costs (note 7)	**(788,491)**	(752,818)
Distribution costs	**(209,841)**	(211,157)
Amortisation of intangible assets (note 1)	**(188,984)**	(177,809)
Depreciation of property, plant and equipment (note 1)	**(112,030)**	(114,519)
Light, heat and power	**(80,803)**	(83,241)
Storage, rent and rates	**(77,961)**	(72,073)
Operating lease rentals	**(69,122)**	(61,557)
Recognition of deferred income from government grants (note 23)	**3,098**	4,107
Net gain/(loss) on disposal of businesses (note 3)	**993**	(45,685)
Asset write-downs (note 3)	**(14,787)**	(146,289)
Acquisition-related costs (note 3)	**(2,330)**	(9,982)
Other restructuring-related costs (note 3)	**(15,543)**	(29,352)
Other direct and indirect costs	**(301,949)**	(271,550)
Operating profit from continuing operations	**211,512**	65,993

Group revenue categories

Group revenue relates primarily to sale of products.

6 Directors' compensation

Please refer to the ARYZTA AG Compensation Report on pages 49 to 56 for details on the compensation process and compensation for the year of Directors and Group Executive Management.

7 Employment

Average number of persons employed by the Group during the year	2016	2015
Production	**14,668**	13,926
Sales and distribution	**3,627**	3,317
Management and administration	**1,562**	1,557
Average number of persons employed – continuing operations	**19,857**	18,800

Aggregate employment costs of the Group – continuing operations

in EUR '000	2016	2015
Wages and salaries	**634,844**	616,347
Social welfare costs	**71,819**	68,585
Severance and other staff related costs (note 3)	**65,447**	48,642
Defined contribution plans (note 25)	**13,202**	14,557
Defined benefit plans – current service cost (note 25)	**4,435**	3,618
Defined benefit plans – past service gain (note 25)	**(1,256)**	(636)
Share-based payments (note 8)	**–**	1,705
Employment costs – continuing operations	**788,491**	752,818

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

8 Share-based payments

The Group has outstanding grants of equity-based incentives under the ARYZTA Option Equivalent Plan LTIP. All grants under the ARYZTA Matching Plan LTIP outstanding as of 31 July 2014, were either exercised or forfeited during the year ended 31 July 2015.

The total cost reported in the Group consolidated financial statements in relation to equity settled share-based payments is Nil (2015: €1,705,000).

The analysis of movements within the LTIP plans is as follows:

8.1 ARYZTA Matching Plan LTIP

Matching Plan awards	**Weighted conversion price 2016 in CHF**	**Number of equity entitlements 2016**	Weighted conversion price 2015 in CHF	Number of equity entitlements 2015
Outstanding at beginning of the year	**–**	**–**	0.02	723,000
Exercised during the year	**–**	**–**	0.02	(327,052)
Forfeited during the year	–	–	0.02	(395,948)
Outstanding at the end of the year	**–**	**–**	–	–
Vested at end of the year	–	–	–	–

The performance conditions associated with 327,052 Matching Plan awards (173,359 of which were held by Executive Management) were fulfilled during the year ended 31 July 2014 and these awards were exercised during the year ended 31 July 2015. As the performance criteria for the remaining awards outstanding under the Matching Plan were not met, they were forfeited, as they were no longer capable of vesting.

No new equity entitlements were awarded under the Matching Plan during the years ended 31 July 2016 or 31 July 2015.

8.2 ARYZTA Option Equivalent Plan LTIP

Option Equivalent Plan awards	**Weighted conversion price 2016 in CHF**	**Number of equity entitlements 2016**	Weighted conversion price 2015 in CHF	Number of equity entitlements 2015
Outstanding at beginning of the year	**55.21**	**2,574,500**	39.59	2,095,500
Granted during the year	**44.58**	**2,624,500**	81.00	980,000
Exercised during the year	**–**	**–**	40.57	(501,000)
Forfeited during the year	**44.48**	**(315,500)**	–	–
Outstanding at the end of the year	**50.19**	**4,883,500**	55.21	2,574,500
Vested at end of the year	**39.34**	**1,589,500**	39.36	1,594,500

Option Equivalent Plan awards outstanding by conversion price	Conversion price in CHF	**Number of equity entitlements**	**Actual remaining life (years)**
Issued during financial year 2010	37.23	**550,000**	**3.1**
Issued during financial year 2012	39.95	**962,500**	**5.2**
Issued during financial year 2013	46.70	**77,000**	**6.3**
Issued during financial year 2015	81.00	**980,000**	**8.2**
Issued during financial year 2016	44.62	**2,314,000**	**9.3**
As of 31 July 2016	50.19	**4,883,500**	**7.5**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

The equity instruments granted under the ARYZTA Option Equivalent Plan LTIP are equity-settled share-based payments as defined in IFRS 2, 'Share-based Payment'. The Group has no legal or constructive obligation to repurchase or settle the Option Equivalent awards in cash.

Vesting of the awards under the Option Equivalent Plan is conditional on compound annual growth in underlying fully diluted EPS (including the associated cost of any awards expected to vest) in three consecutive accounting periods exceeding the compound growth in the Euro-zone Core Consumer Price Index, plus 5%, on an annualised basis.

Awards under the Option Equivalent Plan are subject to additional conditions, including notably:

(a) the requirement to remain in service throughout the performance period;
(b) the requirement that the ARYZTA's reported ROIC over the expected performance period is not less than its weighted average cost of capital for awards granted before financial year 2016, and not less than 120% of its weighted average cost of capital for awards granted thereafter; and
(c) the requirement that annual dividends to shareholders are at least 15% of the underlying EPS during the performance period.

The Option Equivalent Plan awards granted in the years before financial year 2015 can be exercised as of the time the performance conditions described above have been met, but no longer than ten years after grant date. Awards granted during financial year 2015, which meet the conditions for vesting after the initial three year performance period, are subject to additional conditions, including notably an additional two year holding period before they can be exercised.

The weighted average fair value assigned to share option equivalents granted under the ARYZTA Option Equivalent Plan LTIP during the year ended 31 July 2016 was CHF 6.80, which was determined using the Black-Scholes valuation model. The significant inputs into the model were the price of the shares as at the grant date, an expected option life of 5.0 years, expected share price volatility of 23.11%, the weighted average exercise price of CHF 44.58 or €40.88, the expected dividend yield of 1.5% and the risk-free rate of (0.54)%.

No Option Equivalent Plan awards were exercised during the year ended 31 July 2016.

The weighted average exercise price of all 1,589,500 Option Equivalent Plan awards that remain outstanding and for which the vesting conditions have been met is CHF 39.34.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

9 Income tax expense

Income tax expense/(credit)

in EUR '000	2016	2015
Current tax charge	**22,657**	32,111
Deferred tax credit (note 24)	**(18,114)**	(51,061)
Income tax expense/(credit) – continuing operations	**4,543**	(18,950)

Reconciliation of average effective tax rate to applicable tax rate

in EUR '000	2016	2015
Profit/(loss) before tax	**120,048**	(18,917)
Less share of (profit)/loss after tax of joint ventures	**(11,716)**	1,520
Profit/(loss) before tax and before share of (profit)/loss of JVs	**108,332**	(17,397)
Income tax on profit/(loss) for the year at 21.2% (2015: 21.2%)[1]	**22,966**	(3,688)
Expenses/(income) not deductible/(taxable) for tax purposes	**(11,164)**	3,596
Income subject to lower rates of tax	**(5,168)**	(17,734)
Recognition of previously unrecognised deferred taxes	**–**	(2,691)
Change in estimates and other prior year adjustments:		
– Current tax	**(1,491)**	1,517
– Deferred tax	**(600)**	50
Income tax expense/(credit) – continuing operations	**4,543**	(18,950)

Current and deferred tax movements recognised directly in other comprehensive income – continuing operations

in EUR '000	2016	2015
Relating to foreign exchange translation effects	**(198)**	(5,265)
Relating to cash flow hedges	**(376)**	(599)
Relating to Group employee benefit plans actuarial gains/(losses) (note 25)	**23**	(1,216)
Tax recognised directly in other comprehensive income	**(551)**	(7,080)

1 21.2% is the standard rate of income tax applicable to trading profits in Zurich, Switzerland.

10 Proposed dividend

At the Annual General Meeting on 13 December 2016, shareholders will be invited to approve a proposed dividend of CHF 0.5731 (€0.5255) per share. If approved, the dividend will be paid to shareholders on 1 February 2017. A dividend of CHF 0.6555 per share was paid during the year, as approved by shareholders at the Annual General Meeting on 8 December 2015.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

11 Earnings per share

Basic earnings per share	**2016** in EUR '000	2015 in EUR '000
Profit/(loss) attributable to equity shareholders – continuing operations	**112,729**	(4,636)
(Loss)/profit attributable to equity shareholders – discontinued operations	**(45,721)**	529,396
Profit attributable to equity shareholders – total	**67,008**	524,760
Profit/(loss) attributable to equity shareholders – continuing operations	**112,729**	(4,636)
Perpetual callable subordinated instrument accrued dividend	**(31,882)**	(30,673)
Profit/(loss) used to determine basic EPS – continuing operations	**80,847**	(35,309)
(Loss)/profit used to determine basic EPS – discontinued operations	**(45,721)**	529,396
Profit used to determine basic EPS – total	**35,126**	494,087

Weighted average number of ordinary shares	'000	'000
Ordinary shares outstanding at 1 August[1]	**88,759**	88,175
Effect of exercise of equity instruments during the year	**–**	481
Weighted average number of ordinary shares used to determine basic earnings per share	**88,759**	88,656
Basic earnings/(loss) per share from continuing operations	**91.1 cent**	(39.8) cent
Basic (loss)/earnings per share from discontinued operations	**(51.5) cent**	597.1 cent
Basic earnings per share	**39.6 cent**	557.3 cent

Diluted earnings per share	**2016** in EUR '000	2015 in EUR '000
Profit/(loss) used to determine diluted EPS – continuing operations	**80,847**	(35,309)
(Loss)/profit used to determine basic EPS – discontinued operations	**(45,721)**	529,396
Effect on non-controlling interests share of reported profits, due to dilutive impact of Origin management equity entitlements	**–**	(27)
(Loss)/profit used to determine diluted EPS – discontinued operations	**(45,721)**	529,369
Profit used to determine diluted EPS – total	**35,126**	494,060

Weighted average number of ordinary shares (diluted)	'000	'000
Weighted average number of ordinary shares used to determine basic earnings per share	**88,759**	88,656
Effect of equity-based incentives with a dilutive impact[2]	**170**	–
Weighted average number of ordinary shares used to determine diluted earnings per share	**88,929**	88,656
Diluted earnings/(loss) per share from continuing operations	**90.9 cent**	(39.8) cent
Diluted (loss)/earnings per share from discontinued operations	**(51.4) cent**	597.1 cent
Diluted earnings per share	**39.5 cent**	557.3 cent

1 Issued share capital excludes treasury shares as detailed in note 26.

2 In accordance with IAS 33, 'Earnings Per Share', potential ordinary shares are treated as dilutive only when their conversion would decrease profit per share or increase loss per share from continuing operations. As the impact related to the conversion of equity-based incentives would decrease the loss per share for the year ended 31 July 2015, no dilutive effect was given to outstanding equity based incentives during that period.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

In addition to the basic and diluted earnings per share measures required by IAS 33, 'Earnings Per Share', as calculated above, the Group also presents an underlying fully diluted earnings per share measure, in accordance with IAS 33 paragraph 73. This additional measure enables comparability of the Group's underlying results from period to period, without the impact of transactions that do not relate to the underlying business. It is also the Group's policy to declare dividends based on underlying fully diluted earnings per share, as this provides a more consistent basis for returning dividends to shareholders.

As shown below, for purposes of calculating this measure, the Group adjusts reported net profit by the following items and their related tax impacts:

– includes the perpetual callable subordinated instrument accrued dividend as a finance cost, as already included in the calculation of basic and diluted EPS;
– excludes intangible amortisation, except ERP intangible amortisation;
– excludes net acquisition, disposal and restructuring-related costs; and
– adjusts for the impact of dilutive instruments on non-controlling interests' share of adjusted profits.

Underlying fully diluted earnings per share	**2016** in EUR '000	2015 in EUR '000
Profit/(loss) used to determine basic EPS – continuing operations	**80,847**	(35,309)
Amortisation of non-ERP intangible assets (note 1)	**176,241**	168,022
Tax on amortisation of non-ERP intangible assets (note 24)	**(36,715)**	(35,104)
Share of joint venture intangible amortisation and restructuring-related costs, net of tax (note 15)	**3,966**	310
Net acquisition, disposal and restructuring-related costs (note 3)	**97,114**	279,950
Tax on net acquisition, disposal and restructuring-related costs	**(9,911)**	(47,881)
Underlying net profit – continuing operations	**311,542**	329,988
(Loss)/profit used to determine basic EPS – discontinued operations	**(45,721)**	529,396
Underlying contribution as associate – discontinuing operations	**(48)**	17,296
Amortisation, non-recurring and other – discontinued operations	**–**	6,343
Loss/(gain) on disposal of discontinued operations	**45,769**	(551,759)
Fair value adjustment – discontinuing operations	**–**	28,459
Underlying net profit – discontinued operations	**–**	29,735
Underlying net profit – total	**311,542**	359,723

Weighted average number of ordinary shares used to determine basic earnings per share	**88,759**	88,656
Underlying basic earnings per share – continuing operations	**351.0 cent**	372.2 cent
Underlying basic earnings per share – discontinued operations	**–**	33.6 cent
Underlying basic earnings per share – total	**351.0 cent**	405.8 cent

Weighted average number of ordinary shares used to determine basic earnings per share	**88,759**	88,656
Effect of equity-based incentives with a dilutive impact	**170**	785
Weighted average number of ordinary shares used to determine underlying fully diluted earnings per share	**88,929**	89,441
Underlying fully diluted earnings per share – continuing operations	**350.3 cent**	368.9 cent
Underlying fully diluted earnings per share – discontinued operations	**–**	33.3 cent
Underlying fully diluted earnings per share – total	**350.3 cent**	402.2 cent

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

12 Property, plant and equipment

31 July 2016 in EUR '000	Land and buildings	Plant and Machinery	Motor Vehicles	Assets under construction	Total
Net Book Value At 1 August 2015	**506,321**	**873,735**	**1,768**	**161,439**	**1,543,263**
Additions	6,427	70,253	1,292	106,340	184,312
Transfer from assets under construction	28,027	87,876	1,235	(117,138)	–
Arising on business combination (note 29)	3,860	30	561	–	4,451
Business disposals	(2,878)	(1,988)	–	–	(4,866)
Asset write-downs/disposals, net	(109)	(3,394)	(115)	(1,551)	(5,169)
Depreciation charge for year	(20,343)	(90,695)	(992)	–	(112,030)
Translation adjustments	(6,238)	(6,959)	(34)	(1,845)	(15,076)
Net Book Value At 31 July 2016	**515,067**	**928,858**	**3,715**	**147,245**	**1,594,885**
At 31 July 2016					
Cost	607,165	1,479,247	8,395	147,245	2,242,052
Accumulated depreciation	(92,098)	(550,389)	(4,680)	–	(647,167)
Net Book Value At 31 July 2016	**515,067**	**928,858**	**3,715**	**147,245**	**1,594,885**

31 July 2015 in EUR '000	Land and buildings	Plant and Machinery	Motor Vehicles	Assets under construction	Total
Net Book Value At 1 August 2014	**534,286**	**688,544**	**3,097**	**148,083**	**1,374,010**
Additions	10,398	52,347	532	286,978	350,255
Transfer from assets under construction	31,632	228,310	62	(260,004)	–
Arising on business combination (note 29)	32,960	42,585	1,113	816	77,474
Business disposals	(680)	(43,054)	(1)	(12,448)	(56,183)
Disposals as part of discontinued operations (note 2)	(70,755)	(23,806)	(1,833)	–	(96,394)
Asset write-downs/disposals, net	(26,248)	(29,473)	(181)	(20,181)	(76,083)
Transfer to investment properties (note 13)	(826)	–	–	–	(826)
Depreciation charge for year	(21,460)	(96,137)	(932)	–	(118,529)
Translation adjustments	17,014	54,419	(89)	18,195	89,539
Net Book Value At 31 July 2015	**506,321**	**873,735**	**1,768**	**161,439**	**1,543,263**
At 31 July 2015					
Cost	589,756	1,385,065	7,204	161,439	2,143,464
Accumulated depreciation	(83,435)	(511,330)	(5,436)	–	(600,201)
Net Book Value At 31 July 2015	**506,321**	**873,735**	**1,768**	**161,439**	**1,543,263**

Assets held under finance leases
The net book value in respect of assets held under finance leases and accordingly capitalised in property, plant and equipment is as follows:

in EUR '000	Plant and Machinery	Motor Vehicles	Total
At 31 July 2016	**263**	**2,306**	**2,569**
At 31 July 2015	264	688	952

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

13 Investment properties

in EUR '000	**2016**	2015
Balance at 1 August	**25,916**	30,716
Development costs	**365**	–
Transfer from property, plant and equipment (note 12)	**–**	826
Disposals as part of discontinued operations (note 2)	**–**	(7,575)
Translation adjustment	**(1,494)**	1,949
Balance at 31 July	**24,787**	25,916

Investment property is principally comprised of properties previously used in operations, which were transferred to investment property upon the determination that the properties would no longer be used in operations, but instead would be held as an investment for capital appreciation. Rental income and operating expenses recognised related to these properties is not significant.

No material fair value adjustments were recorded to investment properties during the years ended 31 July 2016 and 31 July 2015.

14 Goodwill and intangible assets

31 July 2016 in EUR '000	Goodwill	Customer Relationships	Brands	Computer-related	ERP-related intangibles	Patents and other	Total
Net Book Value At 1 August 2015	**2,435,928**	**952,900**	**171,990**	**14,542**	**177,500**	**44,409**	**3,797,269**
Additions	–	–	–	6,766	23,936	–	30,702
Arising on business combination (note 29)	6,918	16,500	2,800	–	–	–	26,218
Business disposals (note 3)	(20,573)	–	–	(62)	–	–	(20,635)
Asset write-downs	–	–	–	(34)	(1,801)	–	(1,835)
Amortisation charge for the year	–	(136,350)	(26,235)	(2,933)	(12,743)	(10,723)	(188,984)
Translation adjustments	(18,602)	(5,854)	(1,457)	845	(346)	(127)	(25,541)
Net Book Value At 31 July 2016	**2,403,671**	**827,196**	**147,098**	**19,124**	**186,546**	**33,559**	**3,617,194**
At 31 July 2016							
Cost	2,403,671	1,496,912	321,446	53,802	213,447	61,290	4,550,568
Accumulated amortisation	–	(669,716)	(174,348)	(34,678)	(26,901)	(27,731)	(933,374)
Net Book Value At 31 July 2016	**2,403,671**	**827,196**	**147,098**	**19,124**	**186,546**	**33,559**	**3,617,194**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

31 July 2015 in EUR '000	Goodwill	Customer Relationships	Brands	Computer-related	ERP-related intangibles	Patents and other	Total
Net Book Value At 1 August 2014	**2,273,382**	**971,897**	**177,116**	**16,042**	**185,792**	**66,368**	**3,690,597**
Additions	–	532	–	5,267	52,514	4,010	62,323
Arising on business combination (note 29)	87,112	47,198	2,878	67	–	5,528	142,783
Business disposals (note 3)	(56,202)	–	–	–	(9,439)	(63)	(65,704)
Disposals as part of discontinued operations (note 2)	(96,124)	(41,769)	(10,056)	(611)	(11,935)	–	(160,495)
Asset write-downs	–	–	–	(3,316)	(36,337)	–	(39,653)
Amortisation charge for the year	–	(116,187)	(19,497)	(4,180)	(9,787)	(34,695)	(184,346)
Translation adjustments	227,760	91,229	21,549	1,273	6,692	3,261	351,764
Net Book Value At 31 July 2015	**2,435,928**	**952,900**	**171,990**	**14,542**	**177,500**	**44,409**	**3,797,269**
At 31 July 2015							
Cost	2,435,928	1,498,014	324,043	49,661	191,670	93,239	4,592,555
Accumulated amortisation	–	(545,114)	(152,053)	(35,119)	(14,170)	(48,830)	(795,286)
Net Book Value At 31 July 2015	**2,435,928**	**952,900**	**171,990**	**14,542**	**177,500**	**44,409**	**3,797,269**

Impairment testing on goodwill

Goodwill acquired through business combinations is allocated at acquisition to the cash-generating units, or groups of cash generating-units, that are expected to benefit from the synergies of the business combination.

The business units shown in the following table represent the lowest level at which goodwill is now monitored for internal management purposes. Accordingly, this is also the level at which the 2016 goodwill impairment testing was performed. The carrying amount of goodwill allocated to the relevant cash-generating units, as well as the key assumptions used in the 2016 impairment testing, are summarised as follows:

in EUR '000	Pre-tax discount rate 2016	Projection period	Terminal growth rate	Carrying Value 2016	Carrying Value 2015
UK, Ireland and Netherlands	**7.8%**	**3 years**	**2%**	**211,409**	210,774
Germany and other[1]	**8.1%**	**3 years**	**2%**	**369,930**	370,393
Switzerland	**6.7%**	**3 years**	**2%**	**244,529**	249,581
France	**8.5%**	**3 years**	**2%**	**85,354**	105,927
ARYZTA Europe				**911,222**	936,675
ARYZTA North America	**8.3%**	**3 years**	**2%**	**1,435,709**	1,443,858
ARYZTA Rest of World	**11.7%**	**3 years**	**3%**	**56,740**	55,395
				2,403,671	2,435,928

1 Other comprise goodwill in a number of cash-generating units which are individually insignificant.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

The Group tests goodwill for impairment annually, during the last quarter of the financial year, or more frequently if changes in circumstances indicate a potential impairment. No impairment losses have been recognised related to the Group's goodwill during the year ended 31 July 2016. During the year ended 31 July 2015, an impairment of €56,202,000 was recorded in the ARYZTA Europe operating segment, as a result of business disposals (note 3).

The recoverable amounts of cash-generating units are based on value-in-use calculations. These calculations use pre-tax cash flow projections based on expected future operating results and related cash flows at the time the impairment test is performed. These projections are based on current operating results of the individual cash-generating units and an assumption regarding future organic growth. For the purposes of the calculation of value-in-use, the cash flows are projected based on current financial budgets, with additional cash flows in subsequent years calculated using a terminal value methodology and discounted using the relevant rate, as disclosed in the table above.

A significant adverse change in the expected future operational results and cash flows may result in the value-in-use being less than the carrying amount of a cash-generating unit and would require that the carrying amount of the cash-generating unit be impaired and stated at the recoverable amount of the business unit. However, based on the results of the impairment testing undertaken, sufficient headroom exists such that any reasonable movement in any of the underlying assumptions would not give rise to an impairment charge. Key assumptions include management's estimates of future profitability, specifically the terminal growth rate and growth estimates for the projection period, as well as the discount rate.

The terminal growth rate within the discounted cash flow model is a significant factor in determining the value-in-use of the cash-generating units. A terminal growth rate is included to take into account the Group's strong financial position, its established history of earnings growth, ongoing cash flow generation and its proven ability to pursue and integrate value-enhancing acquisitions. The terminal growth rates utilised approximated relevant long-term inflation rates within each of the cash-generating units. While the terminal growth rate is a significant factor in the goodwill impairment testing, reducing the terminal growth rate to 0% would not give rise to a material impairment.

The discount rate used is also a significant factor in determining the value-in-use of the cash-generating units. These rates are based on the relevant risk-free rate, adjusted to reflect the risk associated with the respective future cash flows of that cash-generating unit. While the discount rate is a significant factor in the goodwill impairment testing, increasing the discount rate by 1% would not give rise to a material impairment.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

15 Investments in associates and joint ventures

31 July 2016 in EUR `000	Share of associates net assets	Share of joint ventures net assets	Total
At 1 August 2015	–	32,067	32,067
Investment in joint venture	–	450,732	450,732
Share of profit after tax and before intangible amortisation	–	15,682	15,682
Group share of intangible amortisation	–	(3,162)	(3,162)
Group share of restructuring-related costs	–	(804)	(804)
Gains through other comprehensive income	–	304	304
Translation adjustments	–	(3,373)	(3,373)
At 31 July 2016	**–**	**491,446**	**491,446**

31 July 2015 in EUR `000			
At 1 August 2014	41,323	13,588	54,911
Investment in joint ventures	–	30,577	30,577
Share of losses, after tax and before intangible amortisation	–	(1,210)	(1,210)
Group share of intangible amortisation	–	(310)	(310)
Movements in investment in associates and JV in discontinued operations	4,326	3,133	7,459
Disposals as part of discontinued operations (note 2)	(45,649)	(16,721)	(62,370)
Translation adjustments	–	3,010	3,010
At 31 July 2015	**–**	**32,067**	**32,067**

During August 2015, the Group acquired a 49% interest in Picard, which operates an asset light business-to-consumer platform focused on premium speciality food. Picard is located primarily in France, but also has some international franchises outside of France.

While ARYZTA holds only a minority shareholding and voting rights in Picard, the Group is entitled to jointly approve key business decisions, including approval of proposed members of Picard management and the annual operating budget, which are considered relevant activities. Therefore, the Group's interest in Picard has been presented as a joint venture.

The Group also retains the right to exercise a call option to acquire the remaining outstanding interest in Picard between FY2019 and FY2021, Picard remains separately managed and has separately funded debt structures, which are non-recourse to ARYZTA.

During January 2015, the Group exchanged assets with a fair value of GBP 24,000,000 (€30,577,000) for a 50% interest in Signature Flatbreads, a pioneering flatbread producer in the UK and India, producing an innovative range of authentic Indian breads, as well as high quality international flatbreads, tortillas, pizza bases and pitas. As ARYZTA is entitled to jointly approve key business decisions, the Group's interest in Signature Flatbreads has been presented as a joint venture.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

The Group also received a vendor loan note receivable from Signature Flatbreads, with an initial balance of GBP 17,683,000 (€22,529,000), of which GBP 17,700,000 (€21,509,000) was repaid during the year ended 31 July 2016.

The amounts included in these Group consolidated financial statements in respect of the current year post-acquisition profits or losses of joint ventures are taken from their latest financial statements, prepared up to their respective year-ends, together with management accounts for the intervening periods to the Group's year-end. Both Picard and Signature International Foods India Private Ltd have a year-end of 31 March, while Signature Flatbreads (UK) Ltd has a year-end of 31 May.

The assets, liabilities and overall investments in joint ventures are as follows:

31 July 2016 in EUR `000	Picard	Signature	Total	ARYZTA portion
Cash and cash equivalents	122,594	3,769	126,363	61,551
Other current assets	122,413	22,859	145,272	71,008
Total current assets	**245,007**	**26,628**	**271,635**	**132,559**
Total non-current assets	**1,901,773**	**61,663**	**1,963,436**	**956,424**
Trade and other payables	(230,334)	(19,954)	(250,288)	(122,081)
Other current liabilities	(62,241)	(461)	(62,702)	(30,523)
Total current liabilities	**(292,575)**	**(20,415)**	**(312,990)**	**(152,604)**
Total non-current liabilities	**(1,690,737)**	**(23,968)**	**(1,714,705)**	**(834,866)**
Balance at 31 July 2016	**163,468**	**43,908**	**207,376**	**101,513**
Goodwill				389,933
Investment in joint ventures				**491,446**

The share of revenues and results of joint ventures are as follows:

31 July 2016 in EUR `000	Picard	Signature	Total	ARYZTA's share thereof
Revenue	1,287,900	115,087	**1,402,987**	
EBITDA	186,743	11,108	**197,851**	
Depreciation	(27,405)	(4,805)	**(32,210)**	
EBITA	159,338	6,303	**165,641**	
Finance costs, net	(88,746)	(1,169)	**(89,915)**	
Pre-tax profits	70,592	5,134	**75,726**	
Income tax	(42,592)	(1,024)	**(43,616)**	
Joint venture underlying net profit	**28,000**	**4,110**	**32,110**	**15,682**
Intangible amortisation, net of deferred taxes	(4,326)	(2,113)	**(6,439)**	**(3,162)**
Restructuring-related costs	(1,652)	–	**(1,652)**	**(804)**
Profit after tax	**22,022**	**1,997**	**24,019**	**11,716**
Gains through other comprehensive income	626	–	**626**	**304**
Total other comprehensive income	**22,648**	**1,997**	**24,645**	**12,020**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

16 Inventory

in EUR '000	**2016**	2015
Raw materials	**53,475**	56,380
Finished goods	**177,009**	186,520
Packaging and other	**18,235**	16,955
Balance at 31 July	**248,719**	259,855

A total expense of €17,461,000 (2015: €15,169,000) was recognised in the Group Consolidated Income Statement arising from write-down of inventory.

17 Trade and other receivables

in EUR '000	**2016**	2015
Non-current		
Loan notes due from joint venture (note 31)	**3,956**	28,644
Current		
Trade receivables, net	**99,607**	185,777
Amounts due from related parties (note 31)	**187**	789
VAT recoverable	**20,581**	22,123
Prepayments and accrued income	**24,992**	25,947
Other receivables	**23,228**	29,400
Balance at 31 July	**168,595**	264,036

18 Trade and other payables

in EUR '000	**2016**	2015
Non-current		
Other payables	**37,678**	36,732
Forward purchase obligation (note 22)	**–**	15,185
Balance at 31 July	**37,678**	51,917
Current		
Trade payables	**382,560**	372,135
Amounts due to related parties (note 31)	**333**	191
Accruals and other payables[1]	**358,618**	352,159
Employee-related tax and social welfare	**11,716**	9,128
VAT payable	**10,516**	8,947
Forward purchase obligation (note 22)	**14,878**	–
Balance at 31 July	**778,621**	742,560

1 Accruals and other payables consist primarily of balances due for goods and services received not yet invoiced and for staff compensation.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

19 Contingent consideration

Contingent consideration comprises the net present value of amounts expected to be payable arising on business combinations. Residual deferred and contingent consideration is due entirely within five years of the related acquisition and is payable subject to the passage of time or achievement of earnings or revenue-based targets, respectively.

in EUR '000	**2016**	2015
Balance at 1 August	**48,660**	15,254
Arising on business combination (note 29)	**572**	42,366
Payments of contingent consideration	**(46,916)**	(9,240)
Released to income statement	**(1,140)**	–
Translation adjustment	**(160)**	280
Balance at 31 July	**1,016**	48,660

20 Cash and cash equivalents

In accordance with IAS 7, 'Statement of Cash Flows', cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments, which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are included within current interest-bearing loans and borrowings in the Group Consolidated Balance Sheet.

The cash and cash equivalents included in the Group Consolidated Cash Flow Statement are analysed as follows:

in EUR '000	**2016**	2015
Cash at bank and on hand	**647,724**	316,867
Bank overdrafts	**(178,751)**	(68,834)
Included in the Group Consolidated Cash Flow Statement	**468,973**	248,033

Cash at bank and on hand earns interest at floating rates based on daily deposit bank rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

21 Interest-bearing loans and borrowings

Details of the Group's interest bearing loans and borrowings are outlined below.

The bank and private placement borrowings of the Group share security via a security assignment agreement.

in EUR '000	2016	2015
Included in non-current liabilities		
Loans	**1,962,339**	1,935,828
Finance leases	**1,370**	1,348
Non-current interest-bearing loans and borrowings	**1,963,709**	1,937,176
Included in current liabilities		
Loans	**223,974**	35,883
Bank overdrafts (note 20)	**178,751**	68,834
Total bank loans and overdrafts	**402,725**	104,717
Finance leases	**907**	77
Current interest-bearing loans and borrowings	**403,632**	104,794
Total bank loans and overdrafts	**2,365,064**	2,040,545
Total finance leases	**2,277**	1,425
Total interest-bearing loans and borrowings	**2,367,341**	2,041,970

Analysis of net debt in EUR '000	1 August 2015	Cash flows	Arising on business combination / disposal	Non-cash movements	Translation adjustment	31 July 2016
Cash	316,867	319,991	15,613	–	(4,747)	647,724
Overdrafts	(68,834)	(114,652)	–	–	4,735	(178,751)
Cash and cash equivalents	**248,033**	**205,339**	**15,613**	**–**	**(12)**	**468,973**
Loans	(1,971,711)	(246,984)	–	(3,645)	36,027	(2,186,313)
Finance leases	(1,425)	26	(470)	(431)	23	(2,277)
Net debt	**(1,725,103)**	**(41,619)**	**15,143**	**(4,076)**	**36,038**	**(1,719,617)**

During March 2016, the Group agreed new terms for its revolving credit facility, which reduced the Group's revolving credit facility capacity from CHF 1,977m to CHF 1,400m. The facility has a maturity in March 2019 for CHF 500m and March 2021 for the remaining CHF 900m, with an option to extend the entire facility to March 2021. The new facility has substantially unchanged financial covenants.

Also see changes to the Group's interest-bearing loans and borrowings subsequent to year-end, as included in note 32.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

The terms of outstanding loans are as follows:

2016	Currency	Calendar year of maturity	Nominal Value in EUR'000	Carrying amount in EUR'000
Senior secured revolving working capital facility	Various	2019	438,327	433,638
Senior secured revolving working capital facility	Various	2021	553,340	544,901
Private placement 2014				
Series A	USD	2020	89,590	88,954
Series B	USD	2022	223,974	222,381
Series C	USD	2024	125,426	124,534
Series D	EUR	2024	25,000	24,822
Private placement 2010				
Series C	USD	2018	53,754	53,361
Series D	USD	2021	134,385	133,403
Series E	USD	2022	89,590	88,935
Series F	EUR	2020	25,000	24,817
Private placement 2009				
Series A	USD	2021	71,671	71,119
Series B	USD	2024	35,836	35,560
Series C	USD	2029	71,671	71,119
Private placement 2007				
Series B	USD	2017	223,974	223,974
Series C	USD	2019	44,795	44,795
Total outstanding loans at 31 July 2016			**2,206,333**	**2,186,313**

2015	Currency	Calendar year of maturity	Nominal Value in EUR'000	Carrying amount in EUR'000
Senior secured revolving working capital facility	Various	2019	730,493	720,865
Private placement 2014				
Series A	USD	2020	90,017	89,377
Series B	USD	2022	225,043	223,442
Series C	USD	2024	126,024	125,127
Series D	EUR	2024	25,000	24,822
Private placement 2010				
Series B	USD	2016	36,007	35,883
Series C	USD	2018	54,010	53,825
Series D	USD	2021	135,026	134,563
Series E	USD	2022	90,017	89,709
Series F	EUR	2020	25,000	24,914
Private placement 2009				
Series A	USD	2021	72,014	71,653
Series B	USD	2024	36,007	35,826
Series C	USD	2029	72,013	71,653
Private placement 2007				
Series B	USD	2017	225,042	225,043
Series C	USD	2019	45,009	45,009
Total outstanding loans at 31 July 2015			**1,986,722**	**1,971,711**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

The weighted average effective interest rate in respect of the Group's interest-bearing loans was as follows:

	31 July 2016	31 July 2015
Total bank loans	**4.5%**	3.8%

The pre-tax weighted average cost of capital associated with the Group's financing structures was 8.0% (2015: 7.4%).

Repayment schedule – loans and overdrafts (nominal values) in EUR '000	**2016**	**2015**
Less than one year	**402,725**	104,841
Between one and five years	**1,339,191**	1,169,571
After five years	**643,168**	781,144
	2,385,084	2,055,556

Repayment schedule – finance leases in EUR '000	**Minimum lease payments 2016**	**Interest 2016**	**Present value of payments 2016**	Minimum lease payments 2015	Interest 2015	Present value of payments 2015
Less than one year	**966**	**59**	**907**	134	57	77
Between one and five years	**1,412**	**42**	**1,370**	1,358	10	1,348
After five years	**–**	**–**	**–**	–	–	–
	2,378	**101**	**2,277**	1,492	67	1,425

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

22 Financial instruments and financial risk

The fair values of financial assets, liabilities, investment property and assets held-for-sale, together with the carrying amounts shown in the balance sheet, are as follows:

in EUR '000	Fair value hierarchy	Fair Value through income statement 2016	Hedge instruments 2016	Loans and receivables 2016	Liabilities at amortised cost 2016	Total carrying amount 2016	Fair value 2016
Trade and other receivables (excluding prepayments)		–	–	126,978	–	126,978	126,978
Cash and cash equivalents		–	–	647,724	–	647,724	647,724
Derivative financial assets	*Level 2*	–	669	–	–	669	669
Investment properties	*Level 3*	24,787	–	–	–	24,787	24,787
Total financial assets		**24,787**	**669**	**774,702**	**–**	**800,158**	**800,158**
Trade and other payables (excluding non-financial liabilities)		–	–	–	(779,189)	(779,189)	(779,189)
Bank overdrafts		–	–	–	(178,751)	(178,751)	(178,751)
Bank borrowings		–	–	–	(2,186,313)	(2,186,313)	(2,380,949)
Finance lease liabilities		–	–	–	(2,277)	(2,277)	(2,277)
Derivative financial liabilities	*Level 2*	–	(14,557)	–	–	(14,557)	(14,557)
Forward purchase obligation	*Level 3*	(14,878)	–	–	–	(14,878)	(14,878)
Contingent consideration	*Level 3*	(1,016)	–	–	–	(1,016)	(1,016)
Total financial liabilities		**(15,894)**	**(14,557)**	**–**	**(3,146,530)**	**(3,176,981)**	**(3,371,617)**

in EUR '000	Fair value hierarchy	Fair Value through income statement 2015	Hedge instruments 2015	Loans and receivables 2015	Liabilities at amortised cost 2015	Total carrying amount 2015	Fair value 2015
Trade and other receivables (excluding prepayments)		–	–	244,610	–	244,610	244,610
Cash and cash equivalents		–	–	316,867	–	316,867	316,867
Derivative financial assets	*Level 2*	–	653	–	–	653	653
Investment properties	*Level 3*	25,916	–	–	–	25,916	25,916
Associate held-for-sale	*Level 1*	270,870	–	–	–	270,870	270,870
Total financial assets		**296,786**	**653**	**561,477**	**–**	**858,916**	**858,916**
Trade and other payables (excluding non-financial liabilities)		–	–	–	(761,217)	(761,217)	(761,217)
Bank overdrafts		–	–	–	(68,834)	(68,834)	(68,834)
Bank borrowings		–	–	–	(1,971,711)	(1,971,711)	(2,096,779)
Finance lease liabilities		–	–	–	(1,425)	(1,425)	(1,425)
Derivative financial liabilities	*Level 2*	–	(12,766)	–	–	(12,766)	(12,766)
Forward purchase obligation	*Level 3*	(15,185)	–	–	–	(15,185)	(15,185)
Contingent consideration	*Level 3*	(48,660)	–	–	–	(48,660)	(48,660)
Total financial liabilities		**(63,845)**	**(12,766)**	**–**	**(2,803,187)**	**(2,879,798)**	**(3,004,866)**

Notes to the Group Consolidated Financial Statements (continued)
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Estimation of fair values
Set out below are the major methods and assumptions used in estimating the fair values of the financial assets and liabilities disclosed in the preceding tables.

Fair value hierarchy
The tables at the beginning of this note summarise the financial instruments carried at fair value, by valuation method. Fair value classification levels have been assigned to the Group's financial instruments carried at fair value. The different levels assigned are defined as follows:

Level 1:	Prices quoted in active markets
Level 2:	Valuation techniques based on observable market data
Level 3:	Valuation techniques based on unobservable inputs

Trade and other receivables/payables
All trade and other receivables or payables, other than the forward purchase obligation, are carried at amortised cost, less any impairment provision. For any trade and other receivables or payables with a remaining life of less than six months or demand balances, the carrying value, less impairment provision where appropriate, is deemed to reflect fair value.

Cash and cash equivalents, including short-term bank deposits
For short-term bank deposits and cash and cash equivalents, all of which have an original and remaining maturity of less than three months, the nominal amount is deemed to reflect fair value.

Derivatives (forward currency contracts and interest rate swaps)
Forward currency contracts are marked to market using quoted forward exchange rates at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Investment property
Investment property, principally comprised of land and buildings, is held for capital appreciation. Investment property is stated at fair value through the income statement. The fair value is based on market value, being the estimated amount for which a property could be exchanged in an arm's length transaction. As the fair value is based on inputs not observable within the market, it has been classified as a Level 3 asset.

Associate held-for-sale
The Group's 29% investment in Origin was classified as an associate held-for-sale as of 31 July 2015 because its carrying amount was to be recovered principally through a sale transaction. This is stated at fair value, less costs to sell. As the fair value is determined by reference to prices quoted in an active market, it was classified as a Level 1 financial asset.

Interest-bearing loans and borrowings
For interest-bearing loans and borrowings with a contractual re-pricing date of less than six months, the nominal amount is considered to approximate fair value for disclosure purposes. For loans with a re-pricing date of greater than six months, the fair value is

Notes to the Group Consolidated Financial Statements (continued)
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calculated based on the expected future principal and interest cash flows, discounted at appropriate current market interest rates.

Finance lease liabilities
Fair value is based on the present value of future cash flows discounted at implicit interest rates.

Forward purchase obligation
The liability related to the HiCoPain forward purchase contract (notes 18 and 26) is carried at fair value through profit and loss. In accordance with the terms of that agreement, the fair value of this financial instrument is based on the estimated net book value of HiCoPain AG upon the final exit of the non-controlling interest shareholder. As the fair value of this obligation is based on inputs not observable within the market, it has been classified as a Level 3 financial liability.

Contingent consideration
Where any part of the consideration for a business combination is deferred or contingent, the fair value of that component is determined by discounting the estimated amounts payable to their present value at the acquisition date. The discount is unwound as a finance charge in the Group Consolidated Income Statement over the life of the obligation. Subsequent changes to the estimated amounts payable for contingent consideration are recognised as a gain or loss in the Group Consolidated Income Statement. As the fair value of this obligation is based on inputs not observable within the market, it has been classified as a Level 3 financial liability.

Movement in level 3 financial liabilities

in EUR '000	**2016**	2015
Balance at 1 August	**63,845**	44,885
Arising on business combination (note 29)	**572**	42,366
Disposals as part of discontinued operations	**–**	(16,360)
Payments of contingent consideration (note 19)	**(46,916)**	(9,240)
Amounts recognised in profit and loss (note 19)	**(1,140)**	–
Translation adjustments	**(467)**	2,194
Balance at 31 July	**15,894**	63,845

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Risk exposures

Group risk management
Risk management is a fundamental element of the Group's business practice at all levels and encompasses different types of risks. This overall Group risk management process includes the performance of a risk assessment that is described in more detail in note 33. Financial risk management specifically is described in further detail below.

Financial risk management
The Group's international operations expose it to different financial risks that include:

- credit risks;
- liquidity risks;
- foreign exchange rate risks;
- interest rate risks; and
- commodity price risks.

The Group has a risk management programme in place, which seeks to limit the impact of these risks on the financial performance of the Group. The Board has determined the policies for managing these risks. It is the policy of the Board to manage these risks in a non-speculative manner.

Credit risk

Exposure to credit risk
Credit risk arises from credit issued to customers on outstanding receivables and outstanding transactions, as well as cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions.

Cash and short-term bank deposits
Cash and short-term bank deposits are invested with institutions with the highest short-term credit rating, with limits on amounts held with individual banks or institutions at any one time. Management does not expect any losses from non-performance by these counterparties.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk by dependence on individual customers or geographies.

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables based on experience, customer's track record and historic default rates. Individual risk limits are generally set by customer, and risk is only accepted above such limits in defined circumstances. The utilisation of credit limits is regularly monitored. Impairment provisions are used to record impairment losses, unless the Group is satisfied that no recovery of the amount owed is possible. At that point the amount is considered irrecoverable and is written off directly against the trade receivable.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The Group also manages credit risk through the use of a receivables purchase arrangement with a financial institution. Under the terms of this non-recourse agreement, the Group has transferred credit risk and control of certain trade receivables, amounting to €226,256,000 (2015: €176,574,000). The Group has continued to recognise an asset of €17,797,000 (2015: €17,948,000), representing the maximum extent of its continuing involvement or exposure.

The carrying amount of financial assets, net of impairment provisions, represents the Group's maximum credit exposure. The maximum exposure to credit risk at year-end was as follows:

in EUR '000	**Carrying amount 2016**	Carrying amount 2015
Cash and cash equivalents	**647,724**	316,867
Trade and other receivables	**126,978**	244,610
Derivative financial assets	**669**	653
	775,371	562,130

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

in EUR '000	**Carrying amount 2016**	Carrying amount 2015
Europe	**69,260**	127,813
North America	**6,483**	34,002
Rest of World	**23,864**	23,962
	99,607	185,777

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

The aging of trade receivables at the reporting date was as follows:

in EUR '000	**Gross 2016**	**Provision for impairment 2016**	Gross 2015	Provision for impairment 2015
Not past due	**42,312**	**417**	124,196	412
Past due 0–30 days	**47,282**	**195**	49,678	411
Past due 31–120 days	**11,202**	**1,596**	8,285	524
Past due more than 121 days	**8,049**	**7,030**	10,121	5,156
	108,845	**9,238**	192,280	6,503

The Group payment terms are typically 0 – 60 days. With the exception of the long-term vendor loan note due from a joint venture, all other receivables are due in less than six months. Other than the receivables provided for in the impairment above, receivables are deemed to be fully recoverable.

The analysis of movement in impairment provisions in respect of trade receivables was as follows:

in EUR '000	**2016**	2015
Balance at 1 August	**6,503**	18,163
Arising on business combination	**439**	1,308
Business disposals	**–**	(1,550)
Disposals as part of discontinued operations	**–**	(11,121)
Provided/(utilised) during the year	**2,481**	(593)
Translation adjustment	**(185)**	296
Balance at 31 July	**9,238**	6,503

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's objective is to maintain a balance between flexibility and continuity of funding. The Group's policy is that generally not more than 40% of total bank borrowing facilities should mature in any twelve-month period. At 31 July 2016, 17% of the Group's total borrowings will mature within the next 12 months.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

The following are the contractual maturities of financial liabilities, including estimated interest payments:

2016 in EUR '000	**Carrying amount**	**Contractual cash flows**	**6 mths or less**	**6 – 12 mths**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Non-derivative financial liabilities							
Fixed rate bank loans	(1,207,774)	(1,525,328)	(30,182)	(254,156)	(100,992)	(417,958)	(722,040)
Variable rate bank loans	(978,539)	(1,051,889)	(6,570)	(6,570)	(13,140)	(1,025,609)	–
Finance lease liabilities	(2,277)	(2,378)	(518)	(448)	(961)	(451)	–
Bank overdrafts	(178,751)	(178,751)	(178,751)	–	–	–	–
Trade and other payables	(779,189)	(779,189)	(707,649)	(33,862)	(4,369)	(10,284)	(23,025)
Forward purchase obligation	(14,878)	(14,878)	(14,878)	–	–	–	–
Derivative financial instruments							
Interest rate swaps used for hedging	(8,642)	(8,642)	(2,012)	(2,012)	(2,921)	(1,697)	–
Currency forward contracts used for hedging							
– Inflows	–	326,789	316,414	10,375	–	–	–
– Outflows	(5,915)	(332,704)	(321,758)	(10,946)	–	–	–
	(3,175,965)	**(3,566,970)**	**(945,904)**	**(297,619)**	**(122,383)**	**(1,455,999)**	**(745,065)**

2015 in EUR '000	**Carrying amount**	**Contractual cash flows**	**6 mths or less**	**6 – 12 mths**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Non-derivative financial liabilities							
Fixed rate bank loans	(1,250,846)	(1,630,568)	(31,124)	(67,131)	(285,685)	(348,305)	(898,323)
Variable rate bank loans	(720,865)	(776,672)	(6,445)	(6,444)	(12,887)	(750,896)	–
Finance lease liabilities	(1,425)	(1,492)	(36)	(98)	(1,333)	(25)	–
Bank overdrafts	(68,834)	(68,834)	(68,834)	–	–	–	–
Trade and other payables	(761,217)	(761,217)	(696,374)	(28,111)	(4,821)	(7,093)	(24,818)
Forward purchase obligation	(15,185)	(15,185)	–	–	(15,185)	–	–
Derivative financial instruments							
Interest rate swaps used for hedging	(9,258)	(9,258)	(1,928)	(1,929)	(2,631)	(2,770)	–
Currency forward contracts used for hedging							
– Inflows		204,840	174,837	30,003	–	–	–
– Outflows	(3,508)	(208,348)	(178,147)	(30,201)	–	–	–
	(2,831,138)	**(3,266,734)**	**(808,051)**	**(103,911)**	**(322,542)**	**(1,109,089)**	**(923,141)**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Accounting for derivatives and hedging activities
The fair value of derivative financial assets and liabilities at the balance sheet date is set out in the following table:

in EUR '000	**Assets 2016**	**Liabilities 2016**	Assets 2015	Liabilities 2015
Cash flow hedges				
Currency forward contracts	**669**	**(5,915)**	653	(3,508)
Interest rate swaps	**–**	**(8,642)**	–	(9,258)
At 31 July	**669**	**(14,557)**	653	(12,766)

Cash flow hedges
Cash flow hedges are those of highly probable forecasted future income or expenses. In order to qualify for hedge accounting, the Group is required to document the relationship between the item being hedged and the hedging instrument and demonstrate, at inception, that the hedge relationship will be highly effective on an ongoing basis. The hedge relationship must be tested for effectiveness on subsequent reporting dates.

There is no significant difference between the timing of the cash flows and the income statement effect of cash flow hedges.

Market risk
Market risk is the risk that changes in market prices and indices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments.

Foreign exchange risk
In addition to the Group's operations carried out in eurozone economies, it has significant operations in the UK, Switzerland and North America. As a result, the Group Consolidated Balance Sheet is exposed to currency fluctuations including, in particular, Sterling, US dollar, Canadian dollar and Swiss franc movements. The Group manages its balance sheet having regard to the currency exposures arising from its assets being denominated in a wide range of currencies.

Net investment hedges
As part of its approach towards mitigating its exposure to foreign currency risk, the Group will, when required, fund foreign currency assets in the currency of the related assets.

These relationships are typically designated by the Group as net investment hedges of foreign currency exposures on net investments in foreign operations using the borrowings as the hedging instrument. These hedge designations allow the Group to mitigate the risk of foreign currency exposures on the carrying amount of net assets in foreign operations in its Group consolidated financial statements.

The borrowings designated in net investment hedge relationships are measured at fair value, with the effective portion of the change in value of the borrowings being recognised directly through other comprehensive income in the foreign currency translation reserve. Any ineffectiveness arising on such hedging relationships is recognised immediately in the income statement.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Currency swaps
The Group also hedges a portion of its transactional currency exposure through the use of currency swaps. Transactional exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Group uses forward currency contracts to eliminate the currency exposures on certain foreign currency purchases. The forward currency contracts must be in the same currency and match the settlement terms of the hedged item.

The following table details the Group's exposure to transactional foreign currency risk at 31 July 2016:

2016 in EUR '000	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	9,214	1,387	1,086	6,764	7,884	4,232	30,567
Other receivables	187	91	98	–	233	20	629
Cash and cash equivalents	5,146	5,327	46	83	15,389	509	26,500
Trade payables	(3,453)	(26,852)	(4,874)	(102)	(24,672)	(3,744)	(63,697)
Other payables	(1,021)	(5,319)	(544)	(23)	(2,766)	(5)	(9,678)
Derivative financial instruments	(1,765)	(10,380)	(318)	–	(1,267)	(18)	(13,748)
At 31 July 2016	**8,308**	**(35,746)**	**(4,506)**	**6,722**	**(5,199)**	**994**	**(29,427)**

The following table details the Group's exposure to transactional foreign currency risk at 31 July 2015:

2015 in EUR '000	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	8,520	6,753	1,424	6,764	9,494	2,720	35,675
Other receivables	–	2	–	–	3,444	88	3,534
Cash and cash equivalents	306	4,601	45	1,849	9,940	594	17,335
Trade payables	(8,534)	(23,674)	(491)	(1,090)	(28,339)	(3,468)	(65,596)
Other payables	(623)	(165)	–	(339)	(1,017)	–	(2,144)
Derivative financial instruments	(264)	(8,322)	(88)	–	(2,295)	9	(10,960)
At 31 July 2015	**(595)**	**(20,805)**	**890**	**7,184**	**(8,773)**	**(57)**	**(22,156)**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Currency sensitivity analysis

A 10% strengthening or weakening of the foreign currencies below against the euro at 31 July would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as in the prior year.

2016 in EUR '000	**10% strengthening income statement**	**10% strengthening equity**	**10% weakening income statement**	**10% weakening equity**
GBP	(916)	11,255	1,119	(13,756)
USD	2,306	48,159	(2,818)	(58,861)
CAD	381	7,036	(465)	(8,600)
CHF	(611)	–	747	–
At 31 July 2016	1,160	66,450	(1,417)	(81,217)

2015 in EUR '000	**10% strengthening income statement**	**10% strengthening equity**	**10% weakening income statement**	**10% weakening equity**
GBP	30	14,720	(37)	(17,991)
USD	1,135	35,375	(1,387)	(43,236)
CAD	(89)	11,473	109	(14,022)
CHF	(653)	–	798	–
At 31 July 2015	423	61,568	(517)	(75,249)

The impact on equity from changing exchange rates results principally from foreign currency loans designated as net investment hedges. This impact would be offset by the revaluation of the hedged net assets, which would also be recorded in equity.

Interest rate risk

The Group's debt bears both variable and fixed rates of interest as per the original contracts. Fixed rate debt is achieved through the issuance of fixed rate debt or the use of interest rate swaps. At 31 July, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

in EUR '000	**Carrying amount 2016**	Carrying amount 2015
Fixed rate instruments		
Bank borrowings	**(1,207,774)**	(1,250,846)
Finance lease liabilities	**(2,277)**	(1,425)
	(1,210,051)	(1,252,271)
Variable rate instruments		
Cash and cash equivalents	**647,724**	316,867
Bank overdrafts	**(178,751)**	(68,834)
Bank borrowings	**(978,539)**	(720,865)
Total interest-bearing financial instruments	**(1,719,617)**	(1,725,103)

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Cash flow sensitivity analysis for variable rate liabilities
A change of 50 bps in interest rates at the reporting date would have had the effect as shown below on the Group Consolidated Income Statement and equity. This analysis assumes that all other variables, in particular interest earned on cash and cash equivalents and foreign currency exchange rates, remain constant. The analysis is performed on the same basis as in the prior year.

2016 in EUR '000	Principal amount	Impact of 50 bp increase on income statement	Impact of 50 bp increase on equity
Bank overdrafts	(178,751)	(894)	–
Variable rate bank borrowings	(978,539)	(4,893)	–
Interest rate swaps	508,359	–	2,542
Cash flow sensitivity, net	**(648,931)**	**(5,787)**	**2,542**

2015 in EUR '000	Principal amount	Impact of 50 bp increase on income statement	Impact of 50 bp increase on equity
Bank overdrafts	(68,834)	(344)	–
Variable rate bank borrowings	(720,865)	(3,604)	–
Interest rate swaps	510,068	–	2,550
Cash flow sensitivity, net	**(279,631)**	**(3,948)**	**2,550**

Commodity price risk
The Group purchases and sells certain commodities for the purposes of receipt or delivery and uses derivative contracts to protect itself from movements in prices other than exchange differences. These contracts are classified as 'own use' contracts, as they were entered into and continue to be held for the purpose of the receipt or delivery of the non-financial item, in accordance with the business unit's expected purchase, sale or usage requirements. 'Own use' contracts are outside the scope of IAS 39, 'Financial Instruments: Recognition and Measurement', and are accounted for on an accrual basis. Where a commodity contract is not entered into, or does not continue to be held to meet the Group's own purchase, sale or usage requirements, it is treated as a derivative financial instrument, and the recognition and measurement requirements of IAS 39 are applied.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

23 Deferred income from government grants

in EUR '000	**2016**	2015
At 1 August	**16,998**	21,261
Received during the year	**10,045**	193
Arising on business disposals	**–**	(373)
Recognised in Group Consolidated Income Statement	**(3,098)**	(4,107)
Translation adjustment	**–**	24
At 31 July	**23,945**	16,998

24 Deferred income tax

The deductible and taxable temporary differences at the balance sheet date, in respect of which deferred income tax has been recognised, are analysed as follows:

in EUR '000	**2016**	2015
Deferred income tax assets (deductible temporary differences)		
Property, plant and equipment and ERP	**8,856**	11,427
Employee compensation	**4,682**	4,725
Pension related	**4,967**	5,161
Financing related	**1,341**	1,165
Tax loss carry-forwards and tax credits	**92,429**	71,856
Other	**20,901**	11,245
	133,176	105,579
Deferred income tax liabilities (taxable temporary differences)		
Property, plant and equipment and ERP	**(123,049)**	(103,530)
Intangible assets	**(210,635)**	(246,116)
Pension related	**(1,086)**	(432)
Financing related	**(3,962)**	(11,269)
Unremitted earnings	**(78,826)**	(75,293)
Other	**(40,076)**	(10,478)
	(457,634)	(447,118)

Unrecognised deferred income taxes

The deductible temporary differences, as well as the unused tax losses and tax credits, for which no deferred tax assets are recognised expire as follows:

in EUR '000	**2016**	2015
Within one year	**–**	–
Between one and five years	**3,187**	676
After five years	**23,348**	19,974
Total unrecognised tax losses	**26,535**	20,650

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Deferred income tax liabilities of €8,560,000 (2015: €15,745,000) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as the timing of the reversal of these temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Movements in net deferred tax assets / (liabilities), during the year, were as follows:

2016 in EUR '000	Property, plant and equipment and ERP	Employee compensation	Pension related	Financing related	Tax losses, credits and unremitted earnings	Other	**Sub-Total**	Intangible assets	**Total**
At 1 August 2015	(92,103)	4,725	4,729	(10,104)	(3,437)	767	**(95,423)**	(246,116)	**(341,539)**
Recognised in Group Consolidated Income Statement	(23,672)	(20)	(822)	6,979	16,889	(17,955)	**(18,601)**	36,715	**18,114**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	(23)	376	–	198	**551**	–	**551**
Arising on business combination (note 29)	–	–	–	–	–	–	**–**	(2,413)	**(2,413)**
Translation adjustments and other	1,582	(23)	(3)	128	151	(2,185)	**(350)**	1,179	**829**
At 31 July 2016	(114,193)	4,682	3,881	(2,621)	13,603	(19,175)	**(113,823)**	(210,635)	**(324,458)**

2015 in EUR '000	Property, plant and equipment and ERP	Employee compensation	Pension related	Financing related	Tax losses, credits and unremitted earnings	Other	**Sub-Total**	Intangible assets	**Total**
At 1 August 2014	(88,853)	4,091	1,611	(11,132)	(13,133)	5,314	**(102,102)**	(246,717)	**(348,819)**
Recognised in Group Consolidated Income Statement	9,969	2	1,908	(310)	12,274	(7,886)	**15,957**	35,104	**51,061**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	1,216	2,914	–	2,950	**7,080**	–	**7,080**
Arising on business combination (note 29)	(4,642)	–	–	–	–	–	**(4,642)**	(12,869)	**(17,511)**
Translation adjustments and other	(8,577)	632	(6)	(1,576)	(2,578)	389	**(11,716)**	(21,634)	**(33,350)**
At 31 July 2015	(92,103)	4,725	4,729	(10,104)	(3,437)	767	**(95,423)**	(246,116)	**(341,539)**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

25 Employee benefits

The Group operates a number of defined benefit and defined contribution pension plans in various jurisdictions. The majority of plans are externally funded with plan assets held in corresponding separate trustee-administered funds, governed by local regulations and practice in each country.

The trustees of the various pension funds are required by law to act in the best interests of the plan participants and are responsible for investment strategy and plan administration. The level of benefits available to members depends on length of service and either their average salary over their period of employment, their salary in the final years leading up to retirement or in some cases historical salaries, depending on the rules of the individual plan.

Long-term employee benefits included in the Group Consolidated Balance Sheet comprises the following:

in EUR '000	**2016**	2015
Total deficit in defined benefit plans	**11,387**	13,487
Other[1]	**2,083**	1,787
Total	**13,470**	15,274

1 Other includes provisions to meet unfunded pension fund deficiencies in a variety of insignificant subsidiaries.

The valuations of the defined benefit schemes used for the purposes of the following disclosures are those of the most recent actuarial reviews carried out at 31 May 2016 by an independent, qualified actuary. The valuations have been performed using the projected unit method.

Employee benefit plan risks

The employee benefit plans expose the Group to a number of risks, the most significant of which are:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The plans hold a significant proportion of equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk. The allocation to equities is monitored to ensure it remains appropriate given the long-term objectives of the plans.

Changes in bond yields

An increase in corporate bond yields will decrease the value placed on liabilities of the plans, although this will be partially offset by a decrease in the value of the bond holdings within the plans.

Inflation risk

In certain plans the benefit obligations are linked to inflation, with the result that higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Life expectancy
In the event that members live longer than assumed, a further deficit will emerge.

The Group ensures that the investment positions are managed with an asset-liability matching ('ALM') framework that has been developed to achieve long-term investments that are in line with the obligations under the pension plans. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

Financial assumptions
The main assumptions used were determined based on management experience and expectations in each country, as well as actuarial advice based on published statistics.

An average of these assumptions across all plans were as follows:

	2016	2015
Rate of increase in salaries	**1.78%**	1.78%
Rate of increases in pensions in payment and deferred benefits	**0.00%**	0.00%
Discount rate on plan liabilities	**0.19%**	1.04%

The mortality assumptions imply the following life expectancies, in years, of an active member on retiring at age 65, 20 years from now:

	2016	2015
Male	**24.2**	23.2
Female	**26.2**	25.7

The mortality assumptions imply the following life expectancies, in years, of an active member, aged 65, retiring now:

	2016	2015
Male	**22.3**	21.5
Female	**24.3**	24.0

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

The sensitivity of the defined benefit obligation to changes in the principal financial actuarial assumptions is set out below. The present value of the defined benefit obligation has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognised in the Group Consolidated Balance Sheet. The impact on the defined benefit obligation as at 31 July 2016 is on the basis that only one principal financial actuarial assumption is changed, with all other assumptions remaining unchanged.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Assumption	Change in Assumption	Impact on plan liabilities
Discount rate	**Increase / decrease 0.15%**	Decrease / increase by 1.9%
Salary growth rate	**Increase / decrease 0.50%**	Increase / decrease by 1.0%

Net pension liability
in EUR '000

	2016	2015
Fair value of plan assets:		
Equities	**16,727**	18,617
Bonds	**27,322**	26,979
Property	**13,537**	14,155
Other	**2,464**	7,075
Total fair value of assets	**60,050**	66,826
Present value of plan liabilities	**(71,437)**	(80,313)
Deficit in the plans	**(11,387)**	(13,487)
Related deferred tax asset (note 24)	**3,881**	4,729
Net pension liability	**(7,506)**	(8,758)

Movement in the fair value of plan assets
in EUR '000

	2016	2015
Fair value of plan assets at 1 August	**66,826**	131,374
Interest income	**641**	1,004
Employer contributions	**3,113**	3,079
Employee contributions	**2,657**	2,612
Benefit payments made	**(3,567)**	(417)
Plan settlements	**(6,540)**	(1,287)
Actuarial return on plan assets (excluding interest income)	**(695)**	2,982
Movements in discontinued operations	**–**	6,960
Disposals as part of discontinued operations	**–**	(87,310)
Translation adjustments	**(2,385)**	7,829
Fair value of plan assets at 31 July	**60,050**	66,826

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Movement in the present value of plan obligations
in EUR '000

	2016	2015
Present value of plan obligations at 1 August	**(80,313)**	(142,259)
Current service cost	**(4,435)**	(3,618)
Past service gain	**1,256**	636
Settlement gain	**2,049**	–
Interest expense on plan obligations	**(774)**	(1,085)
Employee contributions	**(2,657)**	(2,612)
Benefit payments made	**3,567**	417
Plan settlements	**6,540**	1,287
Actuarial changes in demographic and financial assumptions	**(3,748)**	(6,393)
Actuarial experience adjustments	**3,981**	(3,471)
Arising on disposal of business	**503**	–
Movements in discontinued operations	**–**	(26,007)
Disposals as part of discontinued operations	**–**	111,550
Translation adjustments	**2,594**	(8,758)
Present value of plan obligations at 31 July	**(71,437)**	(80,313)

Movement in net liability recognised in the Group Consolidated Balance Sheet
in EUR '000

	2016	2015
Net liability in plans at 1 August	**(13,487)**	(10,885)
Current service cost	**(4,435)**	(3,618)
Past service gain	**1,256**	636
Settlement gain	**2,049**	–
Employer contributions	**3,113**	3,079
Net interest expense	**(133)**	(81)
Actuarial loss on Group defined benefit pension plans	**(462)**	(6,882)
Arising on disposal of business	**503**	–
Movements in discontinued operations	**–**	(19,047)
Disposals as part of discontinued operations (note 2)	**–**	24,240
Translation adjustments	**209**	(929)
Net liability in plans at 31 July	**(11,387)**	(13,487)

The estimated contributions expected to be paid during the year ending 31 July 2017 in respect of the Group's defined benefit plans are €3,985,650.

Analysis of defined benefit expense recognised in the Group Consolidated Income Statement
in EUR '000

	2016	2015
Current service cost	**4,435**	3,618
Past service gain	**(1,256)**	(636)
Settlement gain	**(2,049)**	–
Non-financing expense recognised in Group Consolidated Income Statement	**1,130**	2,982
Included in financing costs, net	**133**	81
Net charge to Group Consolidated Income Statement	**1,263**	3,063

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Additionally, a charge of €13,202,000 (2015: €14,557,000) was recorded in the Group Consolidated Income Statement in respect of the Group's defined contribution plans within continuing operations.

Defined benefit pension expense recognised in Group Consolidated Statement of Comprehensive Income

in EUR '000	**2016**	2015
Return on plan assets (excluding interest income)	**(695)**	2,982
Experience gains/(losses) on plan liabilities	**3,981**	(3,471)
Changes in demographic and financial assumptions	**(3,748)**	(6,393)
Actuarial loss	**(462)**	(6,882)
Deferred tax effect of actuarial loss (note 9)	**(23)**	1,216
Actuarial loss recognised in Group Consolidated Statement of Comprehensive Income	**(485)**	(5,666)

History of experience gains and losses:	**2016**	2015
Difference between expected and actual return on plan assets and losses:		
– Amount (in €'000)	**(695)**	2,982
– % of Plan assets	**(1.16)%**	4.46%
Experience gains/ (losses) on plan obligations:		
– Amount (in €'000)	**3,981**	(3,471)
– % of Plan obligations	**5.57%**	(4.32) %
Total actuarial losses recognised in Group Consolidated Statement of Comprehensive Income:		
– Amount (in €'000)	**(462)**	(6,882)
– % of Plan obligations	**(0.65)%**	(8.57) %

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

26 Shareholders equity

Registered shares of CHF 0.02 each – authorised, issued and fully paid	2016 '000	2016 in EUR '000	2015 '000	2015 in EUR '000
At 1 August	**91,811**	**1,172**	91,811	1,172
Issue of registered shares (CHF 0.02)	**–**	**–**	–	–
At 31 July	**91,811**	**1,172**	91,811	1,172

At the Annual General Meeting on 8 December 2015, the shareholders approved the resolution to modify Article 5 of the Articles of Association (Authorised capital for general purposes). Pursuant to these modifications, the Board of Directors is now authorised to increase the share capital at any time until 7 December 2017, by an amount not exceeding CHF 183,621.06, through the issue of up to a maximum of 9,181,053 fully paid-up registered shares with a nominal value of CHF 0.02 each.

Furthermore, the Board of Directors was authorised to exclude the subscription rights of the shareholders and to allocate them to third parties if the shares are used for the following purposes:

(1) acquisition of companies, parts of companies or equity holdings or for new investment projects or for financing of such transactions (maximum of 9,181,053 fully paid-up registered shares),
(2) broadening the shareholder constituency (maximum of 4,590,526 fully paid-up registered shares), or
(3) for the purpose of the participation of employees (maximum of 3,060,351 fully paid-up registered shares).

Treasury shares of CHF 0.02 each – authorised, called up and fully paid	2016 '000	2016 in EUR '000	2015 '000	2015 in EUR '000
At 1 August	**3,052**	**47**	3,636	55
Release of treasury shares upon vesting and exercise of equity entitlements	**–**	**–**	(584)	(8)
At 31 July	**3,052**	**47**	3,052	47

There were no options exercised or other treasury share transactions during the year ended 31 July 2016.

During the year ended 31 July 2015, 501,000 vested Option Equivalent Plan awards were exercised, in exchange for 256,703 shares. The weighted average share price at the time of these exercises was CHF 79.98 per share.

The performance conditions associated with 327,052 Matching Plan awards were fulfilled during the year ended 31 July 2014. Therefore, these awards were approved as vested by the Nomination and Remuneration Committee and were subsequently exercised by management during the year ended 31 July 2015.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Other equity reserve
In October 2010, the Group raised CHF 400,000,000 through the issuance of a perpetual Callable Subordinated Instrument ('Hybrid Instrument'), which was recognised at a carrying value of €285,004,000 within equity, net of transaction costs. This Hybrid Instrument offered a coupon of 5.0% and had no maturity date, with an initial call date by ARYZTA in October 2014. In October 2014, the Group repaid the CHF 400,000,000 (€331,680,000) Hybrid Instrument, in line with the initial call date.

In April 2013, the Group raised CHF 400,000,000 through the issuance of an additional Hybrid Instrument, which was recognised at a carrying value of €319,442,000 within equity, net of transaction costs of €4,865,000. This Hybrid Instrument offers a coupon of 4.0% and has no maturity date, with an initial call date by ARYZTA in April 2018. In the event that the call option is not exercised, the coupon would be 605 bps, plus the 3-month CHF LIBOR.

In October 2014, the Group raised CHF 190,000,000 through the issuance of an additional Hybrid Instrument. This Hybrid Instrument offers a coupon of 3.5% and has no maturity date, with an initial call date by ARYZTA in April 2020. In the event that the call option is not exercised, the coupon would be 421 bps, plus the 3-month CHF LIBOR.

In November 2014, the Group raised €250,000,000 through the issuance of an additional Hybrid Instrument. This Hybrid Instrument offers a coupon of 4.5% and has no maturity date, with an initial call date by ARYZTA in March 2019. In the event that the call option is not exercised, the coupon would be 677 bps, plus the 5 year swap rate.

The two Hybrid instruments issued during the year ended 31 July 2015 were recognised at a combined value of €401,014,000 within equity, net of related transaction costs of €6,534,000.

Other equity reserve
in EUR '000

	2016	2015
At 1 August	**720,456**	604,446
Redemption of perpetual callable subordinated instrument	**–**	(285,004)
Issuance of hybrid instruments, net of transaction costs	**–**	401,014
At 31 July	**720,456**	720,456

The total coupon recognised for these Hybrid instruments during the year ended 31 July 2016 was €31,882,000 (2015: €30,673,000).

Cash flow hedge reserve
The cash flow hedge reserve comprises of the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

Share-based payment reserve
This reserve comprises amounts credited to reserves in connection with equity awards, less the amount related to any such awards that become vested.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign exchange differences, since the date of the Group's transition to IFRS, arising from translation of the net assets of the Group's non-euro-denominated functional currency operations into euro, the Group's presentation currency.

Transaction with non-controlling interest
During March 2012, the Group entered into an agreement to acquire the remaining 40% interest in HiCoPain AG. Based on this agreement, the non-controlling interest shareholder continues to participate in the risk and rewards of the business until the final exit date, which is expected to occur during financial year 2017. At that time, consideration based on the net book value of HiCoPain AG, will be paid to the non-controlling interest shareholder.

Total estimated future consideration and related costs to be paid in connection with this transaction of CHF 17,349,000 (€14,412,000) were recorded as a reduction in retained earnings of the Group at the time of the agreement. As of 31 July 2016, the remaining estimated liability is €14,878,000 (2015: €15,185,000). Upon payment of the consideration and final exit of the minority shareholder, the carrying value of the related non-controlling interest will then be eliminated directly as an increase in retained earnings.

Capital management
The capital managed by the Group consists of total equity of €3,187,771,000 (2015: €3,221,943,000). The Group has set the following goals for the management of its capital:

- To maintain prudent net debt (as set out in note 21 of these Group consolidated financial statements) to EBITDA[1] and interest cover (EBITDA1 to interest) ratios to support a prudent capital base and ensure a long-term sustainable business.
- To achieve a return for investors in excess of the Group's weighted average cost of capital.
- To apply a dividend policy which takes into account the Group's financial performance and position, the Group's future outlook and other relevant factors including tax and other legal considerations.

Net debt amounted to €1,719,617,000 at 31 July 2016 (2015: €1,725,103,000).

The Group employs two ratio targets to monitor its financing covenants:

- The Group's net debt to EBITDA[1] ratio is below 3.5 times – the ratio was 2.90 times at 31 July 2016 (2015: 2.54 times).
- The Group's interest cover (EBITDA1 to interest including hybrid) is above 4 times – the ratio was 4.50 times at 31 July 2016 (2015: 5.76 times).

These ratios are reported to the Board of Directors at regular intervals through internal financial reporting.

The proposed pay-out ratio to shareholders for the Group's financial year to 31 July 2016 is 15% of fully diluted underlying earnings per share. The pay-out will be in the form of a dividend. The pay-out ratio and form of pay-out proposed by the Board will be reviewed on an annual basis and is subject to the decision of the Annual General Meeting of the shareholders.

1 Calculated based on the terms of the Group Syndicated Bank Loan Revolving Credit Facility.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

27 Non-controlling interests

in EUR '000	2016	2015
Balance at 1 August	**18,436**	87,752
Share of profit for the year	**2,776**	7,519
Share of other comprehensive income	**(1,510)**	333
Dividends paid to non-controlling interests – continuing operations	**(4,603)**	(4,330)
Dividends paid to non-controlling interests – discontinued operations	**–**	(7,977)
Acquisition of non-controlling interests	**–**	(134)
Disposal as part of discontinued operations (note 2)	**–**	(64,727)
Balance at 31 July	**15,099**	18,436

Transactions with non-controlling interests
During financial year 2015, the Group completed an offering of 49 million ordinary shares in Origin on 25 March 2015, thereby reducing the Group's holding from 68.1% to 29.0%. Thereafter, the related non-controlling interests balance of €64,727,000 was de-recognised and Origin was presented as an associate asset held-for-sale.

28 Commitments

28.1 Commitments under operating leases

Non-cancellable operating lease rentals are payable as set out below. These amounts represent minimum future lease payments, in aggregate, that the Group is required to make under existing lease agreements.

in EUR '000	2016	2015
Operating lease commitments payable:		
Within one year	**58,713**	54,256
In two to five years	**167,938**	155,322
After more than five years	**116,221**	120,699
Total	**342,872**	330,277

28.2 Capital commitments

Capital expenditure contracted for at the end of the year, but not yet incurred, is as follows:

in EUR '000	2016	2015
Property, plant and equipment	**9,473**	37,293
Intangible assets	**1,237**	6,487
Total	**10,710**	43,780

28.3 Other commitments

The bank and private placement borrowings of the Group share security via a security assignment agreement. In addition to this, the private placement borrowings of the Group are secured by guarantees from ARYZTA AG and upstream guarantees from various companies within the Group.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

29 Business combinations

29.1 Acquisitions in financial year 2016

During the year ended 31 July 2016, the Group completed the 100% acquisition of La Rousse Foods, a supplier of fresh, frozen and ambient goods to various restaurants, hotels and caterers across Ireland.

The details of the net assets acquired and goodwill arising from this business combination are set out below. The goodwill arising on this business combination is attributable to the skills and talent of the in-place work-force and the synergies expected to be achieved from integrating the acquired operations into the Group's existing businesses.

in EUR '000	Provisional fair values
Provisional fair value of net assets acquired:	
Property, plant and equipment (note 12)	4,451
Intangible assets (note 14)	19,300
Inventory	2,068
Trade and other receivables	5,641
Trade and other payables	(7,884)
Finance leases (note 21)	(470)
Deferred tax (note 24)	(2,413)
Income tax payable	(592)
Net assets acquired	**20,101**
Goodwill arising on acquisitions (note 14)	6,918
Consideration	**27,019**

Satisfied by:	
Cash consideration	26,772
Cash acquired	(325)
Net cash consideration	**26,447**
Contingent consideration	572
Total consideration	**27,019**

The net cash outflow on these acquisitions during the year is disclosed in the Group Consolidated Cash Flow Statement as follows:

in EUR '000	Total
Cash flows from investing activities	
Cash consideration	26,772
Cash acquired	(325)
Net cash consideration within investment activities	**26,447**
Finance leases acquired within net debt	470
Net debt consideration	**26,917**

Acquisition-related costs of €2,330,000 related to the Group's acquisition and joint venture investment related activities were charged to the Group Consolidated Income Statement during the year ended 31 July 2016, as included in note 3, net acquisition disposal and restructuring-related costs.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

The impact of this business combination during the year on the Group Consolidated Income Statement is set out in the following table:

in EUR '000	**Total**
Revenue	35,720
Profit for the year	1,769

No material difference exists between the consolidated revenue and profit reported and the consolidated revenue and profit that would have been reported if this acquisition had occurred on 1 August 2015. In making this determination, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same if the acquisition had occurred on 1 August 2015.

The identified intangibles associated with this acquisition primarily includes the fair value of customer relationships. The income approach method was the basis for the fair value of these intangibles.

The fair values presented in this note are based on provisional valuations due to the complexity of the transaction.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

29.2 Acquisitions in financial year 2015

During the year ended 31 July 2015, the Group completed the 100% acquisition of two businesses in the ARYZTA Europe segment.

The details of the net assets acquired and goodwill arising from these business combinations are set out below. The goodwill arising on these business combinations is attributable to the skills and talent of the in-place work-force and the synergies expected to be achieved from integrating the acquired operations into the Group's existing businesses.

in EUR '000	Final fair values
Final fair value of net assets acquired:	
Property, plant and equipment (note 12)	77,474
Intangible assets (note 14)	55,671
Inventory	7,703
Trade and other receivables	15,926
Trade and other payables	(31,515)
Finance leases	(1,292)
Deferred tax (note 24)	(17,511)
Income tax payable	(2,672)
Net assets acquired	**103,784**
Goodwill arising on acquisitions (note 14)	87,112
Consideration	**190,896**

Satisfied by:	
Cash consideration	155,713
Cash acquired	(7,183)
Net cash consideration	**148,530**
Contingent consideration	42,366
Total consideration	**190,896**

The net cash outflow on acquisitions during the prior year was disclosed in the Group Consolidated Cash Flow Statement as follows:

in EUR '000	Total
Cash flows from investing activities	
Cash consideration	155,713
Cash acquired	(7,183)
Net cash consideration within investment activities	**148,530**
Finance leases acquired within net debt	1,292
Net debt consideration	**149,822**

Costs of €9,982,000 related to the Group's acquisition and joint venture investment related activities were charged to the Group Consolidated Income Statement during the year ended 31 July 2015, as included in note 3.

For the identification and estimation of the fair value of the intangibles acquired as part of these acquisitions, ARYZTA was assisted by an independent non-audit appraisal firm. The identified intangibles acquired primarily related to customer relationships, which were valued using the income approach method.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

30 Contingent liabilities

The Group is subject to litigation risks and legal claims that arise in the ordinary course of business, for which the outcomes are not yet known. These claims are not currently expected to give rise to any material significant future cost or contingencies.

31 Related party transactions

In the normal course of business, the Group undertakes transactions with its joint ventures and other related parties. A summary of transactions with these related parties is as follows:

in EUR '000	**2016**	2015
Purchase of goods	**(136)**	(64)
Provision of services	**3,008**	578
Receiving of services	**(686)**	(2,521)

Purchase of goods and provision of services relate primarily to transactions with joint ventures during the year.

Services received during the year ended 31 July 2016 related to broker fees paid totalling €686,000 (2015: €2,521,000) to J & E Davy, primarily in connection with its placing of Origin shares. J. Brian Davy, a member of the ARYZTA Board of Directors until December 2015, also served as Chairman of J & E Davy, up to his retirement from that board in March 2015. These fees were based on arm's length negotiations and were consistent with costs paid to other providers for similar services.

The trading balances owing to the Group from related parties were €187,000 (2015: €789,000) and the trading balances owing from the Group to these related parties were €333,000 (2015: €191,000).

Non-current other receivables comprises €3,956,000 (2015: €28,644,000), which relates to a vendor loan note made to Signature Flatbreads (UK) Ltd, a joint venture undertaking. The coupon rate on the vendor loan note is 5.84% compounding. Unless previously repaid, redeemed or repurchased, the vendor loan note will be repaid in full in March 2020.

Compensation of key management

For the purposes of the disclosure requirements of IAS 24, 'Related Party Disclosures', the term 'key management personnel' (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group) comprises the Board of Directors and the Group Executive Management, which manage the business and affairs of the Group. A summary of the compensation to key management is as follows:

in EUR '000	**2016**	2015
Short-term employee benefits	**4,780**	4,187
Post-employment benefits	**448**	394
Performance-related bonus	**2,804**	–
Non-compete compensation and pension	**500**	–
Long-term incentives (LTIP)	**–**	881
Total key management compensation	**8,532**	5,462

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Further detailed disclosure in relation to the compensation entitlements of the Board of Directors and Executive Management is provided in the Compensation Report on pages 49 to 56.

32 Post balance sheet events – after 31 July 2016

During August 2016, the Group exercised its option to increase its Revolving Credit Facility (‘RCF’) by CHF 150m, to a total available capacity of CHF 1,550m (€1,428m). As of 31 July 2016 the balance outstanding on this facility was €991.7m.

During August 2016, the Group signed a new €1,000m Term Loan Facility, which matures in February 2018, with similar financial terms as the RCF.

During September 2016, the Group utilised the available capacity of the RCF, Term Loan Facility and existing cash resources to redeem all of its outstanding Private Placements, which totalled €1,215m as of 31 July 2016, for a total redemption cost of €1,410m, including the principal balance, early redemption costs of €169m, accrued interest, associated unamortised borrowing costs and other related fees.

These transactions are expected to result in a significant reduction in the Group’s weighted average interest cost.

33 Risk assessment

The Board and senior management continue to invest significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Group has formal risk assessment processes in place through which risks are identified and associated mitigating controls are evaluated. These processes are driven by local management, who are best placed to identify the significant ongoing and emerging risks facing the business. The outputs of these risk assessment processes are subject to various levels of review by Group management and Internal Audit, and a consolidated Risk Map denoting the potential frequency, severity and velocity of identified risks is reviewed by the Board of Directors on an annual basis. Risks identified, and associated mitigating controls, are also subject to audit as part of various operational, financial, health and safety audit programmes.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

34 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Group consolidated financial statements are described below:

Note	**Name**
Note 8	Share-based payments
Note 14 & 29	Goodwill, intangible assets and business combinations
Notes 9 & 24	Income tax expense and deferred income tax

The Group has share-based incentive awards outstanding under various incentive plans. Estimating the value of these awards and the period over which this value is recognised as an expense requires various management estimates and assumptions, as set out in note 8.

Accounting for business combinations is complex in nature, requiring various estimates including: the fair value of assets acquired / liabilities assumed, the identification and valuation of intangible assets received, the estimated contingent consideration to be transferred and the allocation of the excess purchase price to the resulting goodwill, as set out in note 29. Furthermore, testing of assets for impairment, particularly goodwill, involves determination of the cash-generating units, estimating the respective future cash flows and applying the appropriate discount rates, in order to determine an estimated recoverable value of those cash-generating units, as set out in note 14.

Income tax expense, as set out in note 9, and deferred taxes, as set out in note 24, are subject to management estimate. The Group Consolidated Balance Sheet includes deferred taxes relating to temporary differences, which are based on forecasts of the corresponding entity's taxable income and reversal of these temporary differences, forecasted over a period of several years. As actual results may differ from these forecasts, these deferred taxes may need to be adjusted accordingly.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

35 Significant subsidiaries and joint ventures

A list of all of the Group's significant subsidiary and joint venture undertakings, as at 31 July 2016 and 2015, are provided in the table below. For the purposes of this note, a significant subsidiary is one that has third-party revenues equal to, or in excess of, 2% of total Group revenue and / or consolidated Group assets equal to, or in excess of, 2% of total Group assets. A significant joint venture is one in which the Group's share of profits after tax is equal to, or in excess of, 2% of total Group operating profit and / or the carrying value of the investment is equal to, or in excess of, 2% of total Group assets.

	Name	Nature of business	Currency	Share capital millions	Group % share 2016	Group % share 2015	Registered office
(a)	***Significant subsidiaries – Europe***						
	ARYZTA Bakeries Ireland	Food manufacturing and distribution	EUR	1.016	100	100	1
	ARYZTA Technology Ireland	Asset management company	EUR	0.000	100	100	1
	Delice de France Limited	Food distribution	GBP	0.250	100	100	2
	France Distribution SAS	Food distribution	EUR	0.108	100	100	3
	ARYZTA Food Solutions Schweiz AG	Food distribution	CHF	3.500	100	100	4
	ARYZTA Bakeries Deutschland GmbH	Food manufacturing and distribution	EUR	3.072	100	100	5
	Hiestand & Suhr Handels und Logistik GmbH	Food distribution	EUR	0.025	100	100	6
	Pré Pain B.V.	Food manufacturing and distribution	EUR	0.018	100	100	7
(b)	***Significant subsidiaries – North America***						
	ARYZTA LLC	Food manufacturing and distribution	USD	705.000	100	100	8
	ARYZTA Limited	Food manufacturing and distribution	CAD	255.818	100	100	9
	ARYZTA Canada Co.	Food manufacturing and distribution	CAD	113.400	100	100	10
(c)	***Significant subsidiaries – Rest of World***						
	ARYZTA Australia Pty Limited	Food manufacturing and distribution	AUD	17.000	100	100	11
(d)	***Significant joint venture***						
	Lion/Polaris Lux Holdco S.à.r.l. (Picard)	Food distribution	EUR	0.100	49	–	12

Registered Offices:

1. Grangecastle Business Park, New Nangor Road, Clondalkin, Dublin 22, Ireland.
2. 149 Brent Road, Southall, Middlesex UB2 5LJ, England.
3. ZAC de Bel Air, 14 –16 Avenue Joseph Paxton, Ferrières en Brie, 77164, France.
4. Ifangstrasse 9 –11, 8952 Schlieren-Zurich, Switzerland.
5. Industriestraße 4, 06295 Lutherstadt Eisleben, Germany.
6. Konrad Goldmann Strasse 5 b, 79100 Freiburg im Breisgau, Germany.
7. Kleibultweg 94, Oldenzaal, 7575 BX, the Netherlands.
8. 6080 Center Drive, Suite 900, Los Angeles, CA 90045, United States of America.
9. 58 Carluke Road West, Ancaster, Ontario L9G 3L1, Canada.
10. 1100-1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2, Canada.
11. 14 Homepride Avenue, Liverpool, NSW 2170, Australia.
12. 7, Rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg.

The country of registration is also the principal location of activities in each case.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2016

As statutory auditor, we have audited the Group consolidated financial statements of ARYZTA AG, which comprise the Group Consolidated Income Statement, Group Consolidated Statement of Comprehensive Income, Group Consolidated Balance Sheet, Group Consolidated Statement of Changes in Equity, Group Consolidated Cash Flow Statement, Group Statement of Accounting Policies and Notes to the Group Consolidated Financial Statements (pages 67 to 142), for the year ended 31 July 2016.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the Group consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of Group consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these Group consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Group consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Group consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Group consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the Group consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the Group consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2016 (continued)

Opinion
In our opinion, the Group consolidated financial statements for the year ended 31 July 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of Group consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the Group consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Patrick Balkanyi
Audit expert
Auditor in charge

Carrie Rohner

Zurich, 3 October 2016

2018

Unconsolidated Accounts

ARYZTA
Passion for good food

Company Income Statement
for the year ended 31 July 2018

in CHF '000	**2018**	2017
Revenues from licences and management fees from Group companies	**10,974**	8,920
Dividend income from Group companies	**213,040**	139,181
Personnel expenses	**(3,425)**	(2,498)
Other operating expenses to Group companies	**(14,419)**	(4,376)
Other operating expenses	**(16,053)**	(10,660)
Depreciation and amortisation	**(274)**	(226)
Impairment of investment in Group Companies	**(110,000)**	–
Operating profit	**79,843**	130,341
Financial income from Group companies	**86,409**	81,584
Financial expenses	**(129,005)**	(81,920)
Profit before income tax	**37,247**	130,005
Income tax	**(293)**	(1,186)
Profit for the year	**36,954**	128,819

Company Balance Sheet
as at 31 July 2018

in CHF '000	**2018**	2017
Assets		
Current assets		
Cash and cash equivalents	**1,091**	2,115
Other current receivables		
– from third parties	**14,394**	14,177
– from Group companies	**427**	974
Total current assets	**15,912**	17,266
Long-term assets		
Financial assets		
– loans to Group companies	**3,449,240**	3,482,822
Investments		
– investments in Group companies	**2,004,581**	2,114,581
Property, plant and equipment	**124**	782
Total long-term assets	**5,453,945**	5,598,185
Total assets	**5,469,857**	5,615,451

Company Balance Sheet (continued)
as at 31 July 2018

in CHF '000	**2018**	2017
Liabilities		
Short-term liabilities		
Trade payable		
– to third parties	**1,470**	581
Short-term interest bearing liabilities		
– to third parties	**979,233**	2,796,852
Other short-term liabilities		
– to third parties	**197,783**	226,803
– to Group companies	**63,490**	67,935
Accrued expenses	**63,694**	29,374
Total short-term liabilities	**1,305,670**	3,121,545
Long-term liabilities		
Long-term interest-bearing liabilities		
– to third parties	**2,223,327**	590,000
Liabilities to Group companies	**278,522**	278,522
Total long-term liabilities	**2,501,849**	868,522
Total liabilities	**3,807,519**	3,990,067
Equity		
Share capital	**1,858**	1,836
Legal reserves from capital contribution	**1,030,684**	1,028,524
Legal reserves for own shares from capital contribution	**115,689**	117,871
Retained earnings	**514,107**	477,153
Total equity	**1,662,338**	1,625,384
Total equity and liabilities	**5,469,857**	5,615,451

Notes to the Company Financial Statements

1 Basis of presentation

The financial statements of ARYZTA AG, with a registered address of Talacker 41, 8001 Zurich, have been prepared in accordance with the requirements of Swiss law.

The Company's accounting period for the year is from 1 August 2017 to 31 July 2018.

2 Accounting policies

Financial Assets
Financial assets are valued at acquisition cost, less adjustments for foreign currency movements and any other impairment of value.

Investments
Investments are initially recognised at cost. These investments are assessed annually and adjusted to their recoverable amount, where necessary.

Foreign currency translation
Assets and liabilities in currencies other than Swiss francs are translated to Swiss francs using year-end rates of exchange. Income and expenses denominated in foreign currencies are recognised in Swiss francs at the applicable rate of exchange on the date of the transactions.

Dividends
Dividend income resulting from financial investments is recorded upon approval of the dividend distribution.

Revenue from licences and management fees
Revenues from licences and management fees from Group companies are recognised in the period in which they fall due.

Treasury shares
Treasury shares are recognised at acquisition cost and include shares held directly or by any ARYZTA AG Group company.

3 Full-time equivalents

The number of full-time equivalents in ARYZTA AG is not greater than 50. Please refer to page 110 of the Group Consolidated Financial Statements to view the Group's full-time equivalents.

Notes to the Company Financial Statements
(continued)

4 Loans, guarantees and pledges in favour of third parties

The Company has the following outstanding bonds, which are included within interest bearing loans and borrowings.

	2018 in CHF '000	2017 in CHF '000	**Interest Rate**	**Maturity**
Hybrid Instrument 2013	**400,000**	400,000	5.3%	No specified maturity date
Hybrid Instrument 2014	**190,000**	190,000	3.5%	No specified maturity date

During July 2017, the Group agreed to the terms of a new five-year unsecured €1,800m refinancing of its Syndicated Bank RCF and term loan facility, comprising a €1,000m amortising term loan and a €800m revolving credit facility. On 22 September 2017, this financing was used to repay the existing revolving credit and term loan facilities outstanding at that time in full.

The short-term portion of the Company's interest-bearing loans and borrowings relates primarily to amounts drawn by the Company against positive cash balances of other entities within the Group's overall cash pooling arrangement. These cash pooling overdrafts are repayable on demand and form an integral part of the Group's cash and debt management structure.

The Company is party to cross guarantees on ARYZTA Group borrowings. The Company has also guaranteed the liabilities of subsidiaries within the ARYZTA Group. The Company treats these guarantees as a contingent liability, until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

5 Details of investments

The Company holds direct investments in the following entities, all of which are intermediate holding companies or intercompany financing entities within the ARYZTA Group.

		Share capital millions		**Percentage**	
Company (Domicile)		**2018**	2017	**2018**	2017
ARYZTA Holdings Asia Pacific BV (Amsterdam, NL)	EUR	**0.020**	0.020	**100**	100
ARYZTA Holdings Germany AG (Zurich, CH)	CHF	**0.100**	0.100	**100**	100
ARYZTA Holdings Ireland Limited (St Helier, JE)	EUR	**–**	–	**100**	100
ARYZTA Finance II AG (Cham, CH)	EUR	**0.087**	0.087	**100**	100
Hiestand Beteiligungsholding AG (CH) & Co. KG (Gerolzhofen, DE)[1]	EUR	**0.026**	0.026	**100**	100
ARYZTA Food Europe AG (Zurich, CH)	CHF	**6.450**	6.450	**100**	100
Summerbake GmbH (Klotze, DE)	EUR	**0.025**	0.025	**100**	100

1 The amount disclosed represents limited liability capital.

As a result of reductions in profitability within Hiestand Beteiligungsholding AG (CH) & Co. KG and its subsidiaries during recent years and reductions in estimated future profitability during the current year, the Company recorded a CHF 110,000,000 impairment of its investment in this wholly-owned subsidiary during the year ended 31 July 2018.

Notes to the Company Financial Statements
(continued)

6 Share capital

	2018 '000	2018 in CHF'000	2017 '000	2017 in CHF'000
Shares of CHF 0.02 each – authorised, issued and fully paid				
As at 1 August	**91,811**	**1,836**	91,811	1,836
Issued during the year	**1,110**	**22**	–	–
As at 31 July	**92,921**	**1,858**	91,811	1,836

	2018 '000	2018 in CHF'000	2017 '000	2017 in CHF'000
Shares of CHF 0.02 each				
Conditional capital	**–**	**–**	–	–
Authorised capital	**8,071**	**161**	9,181	184

At the Annual General Meeting on 7 December 2017, the shareholders approved the resolution to modify Article 5 of the Articles of Association (Authorised capital for general purposes). The Board of Directors was authorised to exclude the subscription rights of the shareholders and to allocate them to third parties if the shares are used for the following purposes:
(1) acquisition of companies, parts of companies or equity holdings or for new investment projects or for financing of such transactions (maximum of 9,181,053 fully paid-up registered shares),
(2) broadening the shareholder constituency (maximum of 4,590,526 fully paid-up registered shares), or
(3) for the purpose of the participation of employees (maximum of 3,060,351 fully paid-up registered shares).

The dividend for the year ended 31 July 2017 was proposed 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, and was approved at the Annual General Meeting held on 7 December 2017. Accordingly, a total of 1,110,253 new shares, with a par value of CHF 0.02 per share.

Pursuant to these modifications, and following the scrip dividend, the Board of Directors is currently authorised to increase the share capital at any time until 9 December 2019, by an amount not exceeding CHF 161,416.00, through the issue of up to a maximum of 8,070,800 fully paid-up registered shares with a nominal value of CHF 0.02 each.

The registered share capital of the Company as at 31 July 2018, amounts to CHF 1,858,415.74, and is divided into 92,920,787 registered shares with a par value of CHF 0.02 per share, of which 89,933,679 are outstanding and 2,987,108 are classified as treasury shares.

Shareholders are entitled to dividends as declared and approved. The ARYZTA shares rank pari passu in all respects with each other.

Notes to the Company Financial Statements
(continued)

7 Treasury shares owned by the Company or one of its subsidiaries

	2018 **'000**	**2018** **in CHF'000**	2017 '000	2017 in CHF'000
As at 1 August	**3,052**	**117,871**	3,052	117,871
Release of treasury shares upon vesting and exercise of equity entitlements	**(65)**	**(2,182)**	–	–
As at 31 July	**2,987**	**115,689**	3,052	117,871

During the year ended 31 July 2018, the performance conditions associated with 64,899 Restricted Stock Unit Plan 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 28.69. These shares were issued out of shares previously held in treasury by ARYZTA Grange Company UC, a wholly-owned subsidiary within the ARYZTA AG Group.

There were no treasury share transactions during the year ended 31 July 2017.

8 Participations

As at 31 July 2018, the Company has been notified of the following shareholdings or voting rights (adjusted, where applicable, for the effects of the scrip dividend), which amount to 3% or more of the Company's issued ordinary share capital:

	Number of shares 2018	**Number of shares % 2018**	Number of shares 2017	Number of shares % 2017
Cobas Asset Management	**9,309,685**	**10.02%**	2,897,454	3.16%
Causeway Capital Management LLC	**6,967,763**	**7.50%**	6,881,741	7.50%
CI Financial Corp.	**4,673,420**	**5.03%**	2,843,081	3.10%
Black Creek Investment Management Inc.	**4,660,950**	**5.01%**	4,603,407	5.01%
Financière de l'Echiquier	**4,636,210**	**4.99%**	–	–
ARYZTA Treasury shares	**2,987,108**	**3.21%**	3,052,007	3.32%
BlackRock, Inc.	**2,809,135**	**3.02%**	–	–
Norges Bank	**–**	**–**	2,848,734	3.10%

Any significant shareholder notifications during the year, and since 31 July 2018, are available from the Group's website at:
www.aryzta.com/investor-centre/shareholder-notifications.

9 Pension fund liability

The pension fund liability was CHF 20,913 at 31 July 2018 (2017: CHF 17,620).

Notes to the Company Financial Statements
(continued)

10 Non-executive Directors and Executive Management share interests

Please refer to the ARYZTA AG Compensation Report on pages 55 to 64 for details on the compensation process and compensation for the year of Non-executive Directors and Group Executive Management.

Non-executive Directors' and Executive Management's share interests
The Directors and Company Secretary had no interests, other than those shown below, in the ordinary shares in, or loan stock of, the Company or other Group undertakings.

Beneficial interests at 31 July were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of shares 2018	No. of shares 2017
Directors		
Gary McGann	**14,700**	5,650
Chuck Adair	**5,062**	5,000
Dan Flinter	**1,215**	1,200
Annette Flynn	**1,012**	1,000
Jim Leighton[1]	**–**	N/A
Andrew Morgan	**–**	–
Kevin Toland[1]	**8,840**	N/A
Rolf Watter	**7,137**	7,050
Wolfgang Werlé[1]	**N/A**	2,336
Executive Management		
Claudio Gekker	**–**	N/A
John Heffernan	**1,274**	N/A
Dave Johnson	**–**	N/A
Pat Morrissey[2]	**N/A**	131,922
Dermot Murphy[2]	**N/A**	35,000
Anthony Murphy	**–**	N/A
Robert O'Boyle	**10,127**	10,000
Frederic Pflanz	**–**	N/A
Gregory Sklikas	**–**	N/A
Total	**49,367**	199,158

1 Effective 7 December 2017, W. Werlé retired from the Board and J. Leighton and K. Toland were elected to the Board.
2 During FY 2018, P. Morrissey and D. Murphy resigned from Group Executive management.

No loans or advances were made to members of the Board of Directors or to Executive Management during the financial year, or were outstanding at 31 July 2018 (2017: none).

Notes to the Company Financial Statements
(continued)

Executive Management's interests in equity instruments

Executive Management were granted no Option Equivalent Awards under the Option Equivalent Plan during FY 2018. As shown in the ARYZTA AG Compensation Report, Executive Management compensation table on page 61, no expense was recognised for Executive Management LTIP awards in FY 2018 or FY 2017.

The following table details awards outstanding under the Option Equivalent Plan in favour of Executive Management:

	Options carried forward 1 August 2017	Granted during the year	Forfeited during the year	Closing position 31 July 2018	Of which Vesting criteria have been fulfilled[1]
Executive Management					
Kevin Toland	–	–	–	–	–
Frederic Pflanz	–	–	–	–	–
John Heffernan	–	–	–	–	–
Anthony Murphy	–	–	–	–	–
Dave Johnson	–	–	–	–	–
Gregory Sklikas	–	–	–	–	–
Robert O'Boyle	32,500	–	(10,000)	22,500	22,500
Claudio Gekker	20,000	–	(20,000)	–	–
Total current executive management	**52,500**	**–**	**(30,000)**	**22,500**	**22,500**
Owen Killian	1,160,000	–	(410,000)	750,000	750,000
Patrick McEniff	910,000	–	(300,000)	610,000	610,000
Ronan Minahan	120,000	–	(120,000)	–	–
Pat Morrissey	220,000	–	(120,000)	100,000	100,000
Dermot Murphy	125,000	–	(75,000)	50,000	50,000
John Yamin	150,000	–	(150,000)	–	–
Total former executive management	**2,685,000**	**–**	**(1,175,000)**	**1,510,000**	**1,510,000**
Total current and former executive management	**2,737,500**	**–**	**(1,205,000)**	**1,532,500**	**1,532,500**

1 The weighted average exercise price of all Option Equivalent Plan awards that remain outstanding and for which the vesting conditions have been met is CHF 39.20.

Notes to the Company Financial Statements (continued)

11 Post balance sheet events – after 31 July 2018

During September 2018, the Group received the unanimous consent its lenders to amend its existing Facilities Agreement to provide additional flexibility to pursue its new business strategy and implement a share capital increase as part of its deleveraging plan. The amendments to the Facilities Agreement include the following:

- An increase of the leverage covenant (Net Debt: EBITDA1) from:
  - 4.0x to 5.75x for the period ending on 31 January 2019;
  - 3.5x to 5.25x for the period ending on 31 July 2019; and
  - reverting to previous ratio of 3.5x for the periods thereafter.

- A decrease of the interest cover covenant (EBITDA: Net interest, including Hybrid dividend[1]) from:
  - 3.0x to 2.0x for the period ending on 31 January 2019;
  - 3.0x to 2.0x for the period ending on 31 July 2019; and
  - reverting to 3.0x for the periods thereafter.

- A margin increase to:
  - 3.5% until 31 December 2018; and
  - 4.0% from 1 January 2019.

Upon the successful completion of the proposed equity raise, the above conditions revert to the conditions as per the Facilities Agreement. If the proposed equity raise has not successfully completed by 31 May 2019, there will be an additional test of the covenants as of the twelve month period ending 31 October 2019.

1 Calculated as per Syndicated Bank Facilities Agreement terms.

Company Appropriation of Available Earnings

Appropriation of available earnings

The Board of Directors will propose to the Annual General Meeting of Shareholders the following appropriation of earnings:

in CHF '000	**2018**	2017
Balance of retained earnings carried forward	**477,153**	348,334
Net profit for the year	**36,954**	128,819
Closing balance of retained earnings	**514,107**	477,153
Dividend payment from retained earnings	**–**	–
Balance of retained earnings to be carried forward	**514,107**	477,153

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2018

Opinion

We have audited the financial statements of ARYZTA AG, which comprise the balance sheet as at 31 July 2018, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 159 to 168) as at 31 July 2018 comply with Swiss law and the company's articles of incorporation.

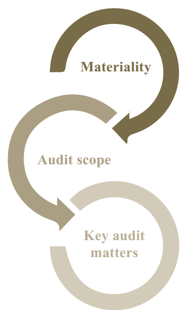
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 27.8 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

– Valuation of investments in subsidiaries

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 27.8 million
How we determined it	0.5% of total assets, rounded
Rationale for the materiality benchmark applied	We chose total assets as the measure because, in our view, it is the benchmark that is most relevant for a holding company that mainly holds investments and is not profit oriented, and is a generally accepted benchmark according to auditing standards.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2018 (continued)

We agreed with the Audit Committee that we would report to them misstatements above CHF 2.78 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
Investments in subsidiaries total CHF 2.0 billion (36.6% of total assets) as of 31 July 2018. Investments are carried at initial cost value and are subject to an annual impairment assessment. To identify indicators of impairment of investments, management compared the carrying value of the investments with the investee's net assets. For investments with indicators of impairment, management prepared an estimate of the recoverable amount using cash flow projections subject to scrutiny and approval by the Board of Directors of ARYZTA AG. In general discrete valuation is made for each single investment. Certain investments are subject to a group valuation approach due to their homogeneous nature. As a result of the current year assessment, the investments in subsidiaries balance was reduced by CHF 110 million. We consider the valuation of investments as a particularly significant area due to the size of the carrying value and judgement involved in assessing the recoverability of these assets. The valuation methods used involve considerable judgment with respect to assumptions about the future performance of the business.	We evaluated and tested management's process to identify impairment indicators by reperforming the comparison for an appropriate sample of investments. We evaluated and challenged the reasonableness of the key assumptions applied by management in its determination of the recoverable amount, specifically: – Cash flow projections in the forecast, by comparing them to the budgets rolled up into the strategic plan approved by the Board of Directors of Aryzta AG. – Assessment of prior year forecast accuracy by comparing actual results with the figures included in the prior year budgets. – Mid and long term growth rates, by comparing them to economic and industry forecasts. – Discount rate, by assessing the cost of capital for the company. We performed our own sensitivity analysis around key assumptions to ascertain the extent of change in those assumptions that either individually or collectively would be result in the investments being impaired. Based on the work performed, we found that the assessments were consistently performed and were based on reasonable assumptions to determine that the investments are recoverable, or that the resulting adjustment to their recoverable amount calculated by management was reasonable.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2018 (continued)

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2018 (continued)

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

pwc PricewaterhouseCoopers AG

Sandra Böhm | Carrie Rohner

Audit expert
Auditor in charge

Zurich, 1 October 2018

PART 23.
Unaudited Pro Forma Financial Information

23.1 Unaudited pro forma financial information

The unaudited pro forma financial information of the Group set out below has been prepared on the basis set out in the notes below to illustrate the impact of the net proceeds raised through the Offering on the consolidated balance sheet of the Group as if the Offering had taken place on 31 July 2018.

No adjustment has been made to take account of trading results or financial performance of the Group since 31 July 2018.

The pro forma financial information has been prepared for illustrative purposes only in accordance with Annex II of the EU Prospectus Regulation. By its nature it addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

23.1.1 *Unaudited pro forma balance sheet*

	As of 31 July 2018	Pro forma adjustments for the capital raise and net proceeds of the Offering (note 2)	Pro forma financial position
Assets		(€ '000)	
Non-current assets			
Property, plant and equipment	1,243,692	-	1,243,692
Investment properties	14,574	-	14,574
Goodwill and intangible assets	2,057,703	-	2,057,703
Investments in joint ventures	420,016	-	420,016
Deferred income tax assets	74,961	-	74,961
Total non-current assets	**3,810,946**	**-**	**3,810,946**
Current assets			
Inventory	244,535	-	244,535
Trade and other receivables	153,970	-	153,970
Derivative financial instruments	1,268	-	1,268
Cash and cash equivalents	517,854	285,000	802,854
Assets of disposal groups held-for-sale	7,000	-	7,000
Total current assets	**924,627**	**285,000**	**1,209,627**
Total assets	**4,735,573**	**285,000**	**5,020,573**
Equity			
Called up share capital	1,191	15,800	16,991
Share premium	807,512	774,200	1,581,712
Retained earnings and other reserves	864,157	(50,000)	814,157
Total equity	**1,672,860**	**740,000**	**2,412,860**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	1,772,315	(455,000)	1,317,315
Employee benefits	6,975	-	6,975
Deferred income from government grants	14,408	-	14,408
Other payables	49,664	-	49,664
Deferred income tax liabilities	212,878	-	212,878
Total non-current liabilities	**2,056,240**	**(455,000)**	**1,601,240**
Current liabilities			
Interest-bearing loans and borrowings	255,803	-	255,803
Trade and other payables	684,335	-	684,335
Income tax payable	65,506	-	65,506
Derivative financial instruments	829	-	829
Total current liabilities	**1,006,473**	**-**	**1,006,473**
Total liabilities	**3,062,713**	**(455,000)**	**2,607,713**
Total equities and liabilities	**4,735,573**	**285,000**	**5,020,573**

23.1.2 *Notes to the pro forma financial information*

Note 1. Basis of presentation

The pro forma financial information is based on the consolidated balance sheet of the Group as at 31 July 2018. It assumes that the Offering took place on that date. The adjustments reflected in the pro forma financial information are based on items that are factually supportable and directly attributable to the Offering.

The pro forma financial information has been prepared on the basis of the accounting policies applied by the Company in preparing its consolidated financial statements for the year ended 31 July 2018.

Note 2. The Offering

The Company expects to receive gross proceeds from the Offering of approximately CHF 900 million (€790 million assuming an exchange rate of 1:1.14), assuming all Offered Shares are placed at the Offer Price and after deduction of the Swiss issue stamp tax (*Emissionsabgabe*) of 1%, estimated commissions and other expenses associated with the Offering. The total costs of the Offering are estimated at €50 million, including Swiss issue stamp tax, underwriting charges and related fees (see "*Part 15 Details of the Offer – 15.13 Underwriting*") and other costs associated with the Offering.

The Offer is intended to create the necessary strategic and financial flexibility for the Company to implement its strategy and to sustainably strengthen its capital base. The Company intends to reduce its debt, by repaying approximately €455 million outstanding under the Company's term loan facility (i.e. amounts outstanding under Facility A). In addition to reducing its debt, the Company will use the remainder of the proceeds from the Offering (of up to €285 million) for its working capital and to secure cost savings through its Project Renew initiatives. For the purposes of the pro forma financial information the entire net proceeds of the Offering which is not used to repay debt has been included in cash and cash equivalents.

Total equity has been adjusted for the net proceeds of the Offering.

Note 3: Bank Covenant Net Debt: EBITDA Ratio

The Group's term loan facilities primarily uses ratio targets to monitor its financing covenants.

As disclosed in Note 25 to the ARYZTA Consolidated Financial Statements 2018 (see page F-76), Bank Covenant Net Debt as of 31 July 2018 amounted to €1,506 million, resulting in a Bank Covenant Net Debt: EBITDA Ratio of 3.83x as at 31 July 2018. Taking the net proceeds of the Offering into account, Bank Covenant Net Debt as of 31 July 2018 would reduce by €740 million. Bank Covenant EBITDA would remain unchanged. This would result in a reduced pro forma Bank Covenant Net Debt: EBITDA Ratio of 1.95x as at 31 July 2018. The information presented in this Note 3 is a non-IFRS measure which is being presented to show the pro forma effect of the Offering on the Bank Coventant Net Debt: EBITDA Ratio. It is calculated in accordance with the 2017 Facilities Agreement and, therefore, is not sourced directly to the pro forma financial information set out above.

For more information on these terms, please see "*Part 2 Presentation of Financial and Other Information – 2.2.2.1 Definitions of non-IFRS measures*" and for more information on the covenant target ratios, please see "*Part 21 Additional Disclosure – 21.10.2.1 2017 Facilities Agreement*" .

23.2 Accountant's report on the unaudited pro forma financial information

The Directors
ARYZTA AG
Talacker 41
8001 Zurich
Switzerland

2 November 2018

Dear Sirs

ARYZTA AG (the "Company")

We report on the pro forma financial information (the "**Pro Forma Financial Information**") set out in paragraph 23.1 of Part 23 of the Company's prospectus dated 2 November 2018 (the "**Prospectus**") which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the proposed Offering might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 July 2018. This report is required by item 7 of Annex II to the EU Prospectus Regulation and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Annex II of the EU Prospectus Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the EU Prospectus Regulation as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 2(2)(f) of Schedule 1 of the Prospectus (Directive 2003/71/EC) Regulations 2005 (S.I. No. 324 of 2005) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the EU Prospectus Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion
In our opinion:

a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
b) such basis is consistent with the accounting policies of the Company.

Declaration
For the purposes of item 2(2)(f) of Schedule 1 of the Prospectus (Directive 2003/71/EC) Regulations 2005 (S.I. No. 324 of 2005), we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the EU Prospectus Regulation.

Yours faithfully

PricewaterhouseCoopers
Chartered Accountants

PART 24.
Questions and Answers on the Offering

The following questions and answers were produced by the Company in preparation for the Annual Shareholders' Meeting at which the capital increase was approved. The questions and answers set out in this "Part 24 Questions and Answers on the Offering" are intended to act as guidance only and, as such, you should also read this Prospectus, including the terms and conditions of the Subscription Offer set out in "Part 15 Details of the Offer" for full details of what action you should take.

If you are resident in Ireland, from a person, organisation or firm authorised or exempted pursuant to the European Union (Markets in Financial Instruments) Regulations 2017 of Ireland (as amended) or the Investment Intermediaries Act 1995 of Ireland (as amended), you should take professional advice as to whether you need to observe any formalities to enable you to take up your Rights, or, if you are resident in a territory outside Ireland, from another appropriately authorised independent financial adviser.

Existing Shares can be held in the form of intermediated securities (*Bucheffekten*) or in uncertificated form (that is, through CREST) with beneficial interests in the Shares represented as CDIs. Accordingly, these questions and answers are split into three sections:

- ***(General)*** answers general questions about the Subscription Offer.
- ***(Shares in the form of intermediated securities)*** answers questions relating to the Offering specifically for Shareholders (e.g. Shareholders who hold their Existing Shares in the form of intermediated securities).
- ***(Shares in CREST with beneficial interests represented by CDIs)*** answers questions relating to the Offering specifically for CDI holders (e.g. persons who have beneficial interests in Existing Shares held in uncertificated form through CDIs).

24.1 General

24.1.1 *Summary – What has been proposed?*

The Underwriters have underwritten the Offering subject to conditions in line with market practice for similar transactions, including the absence of any material adverse developments relating to the Group. The Offered Shares will initially be offered to ARYZTA's existing Shareholders for subscription by means of this Prospectus. The number of Offered Shares is intended to be sufficient to raise approximately EUR 790 million in gross proceeds.

Holders of Existing Shares (other than the Company or its subsidiaries with respect to the 2,902,293 Existing Shares that are treasury shares) and holders of CDIs, after close of trading on the SIX Swiss Exchange and the Irish Stock Exchange on 6 November 2018, will receive tradable rights (referred to herein simply as 'Rights'), which will allow them, subject to restrictions under applicable securities laws, to purchase Offered Shares or CDIs in the Company during the subscription period on a pro rata basis at the Offer Price of CHF 1.00 per Share which has been determined by the Board of Directors and the Underwriters.

Rights are expected to be traded on the SIX Swiss Exchange from 7 November 2018 to 13 November 2018. The subscription period is expected to start on 7 November 2018, and to expire on 15 November 2018, 12:00 noon (CET). Rights that are not validly exercised during the subscription period will expire without compensation at the end of the subscription period and, as a result, such Rights holder's existing shareholdings will be diluted. Rights will not be traded on the Irish Stock Exchange. Holders of CDIs should refer to "24.3- *Frequently Asked Questions relating specifically to CREST Depository Interest holders*" hereof.

Subject to certain restrictions under applicable securities laws, Shareholders may exercise their Rights for the purchase of new Shares or CDIs, sell their Rights, purchase additional Rights, or exercise a portion of their Rights and sell the remainder.

If you do not exercise your rights before the expiry of the subscription period on 15 November 2018, 12:00 noon (CET), the Rights will expire and become worthless, null and void. You will not receive any compensation for expired Rights.

24.1.2 *What is a rights offering?*

A rights offering is a capital increase in which existing Shareholders receive rights to pre-emptively subscribe for Offered Shares or CDIs pro-rata to the number of Shares or CDIs he or she holds at a specified time and date. By exercising allocated Rights, the shareholder can subscribe for a specified number of new Shares or CDIs for a given number of Rights (referred to herein as the "**Subscription Ratio**") against payment of the Offer Price. This is a common way to raise equity in Switzerland and elsewhere in Europe.

A rights offering gives existing Shareholders the opportunity to maintain their proportionate shareholding in the Company by exercising their Rights (subject to restrictions under applicable securities laws). Alternatively, Shareholders who do not want to exercise their Rights can sell them in the market during the Rights trading period which will expire on 13 November 2018, which will, following the capital increase, result in a dilution of their proportionate shareholding. The proceeds received from the sale of Rights will partially compensate Shareholders economically for such dilution.

24.1.3 ***What are the reasons for the Rights offering?***

The Offering is intended to create the necessary strategic and financial flexibility for the Company to implement its strategy and sustainably strengthen its capital base. The Company intends to reduce its debt, specifically to repay approximately €455 million outstanding under the Company's term loan facility (specifically, amounts outstanding under Facility A). In addition to reducing its debt, the Company will use the remainder of the proceeds from the Offering (approximately €285 million) for its working capital and to secure cost savings through its "Project Renew" initiatives.

24.1.4 ***How many Rights will I receive?***

Shareholders will receive 10 Rights in respect of each Existing Share or CDI they own on 6 November 2018. These Rights entitle their holders to acquire Offered Shares or CDIs in accordance with the Subscription Ratio and at the Offer Price.

24.1.5 ***What is the Offer Price of the Rights?***

The Offer Price was determined by the Board of Directors and the Underwriters. As is standard in such transactions, the final Offer Price reflects a discount to the then-current stock market price. Therefore, the Rights are expected to have a monetary value and are expected to be admitted to trading on the SIX Swiss Exchange. Rights will not be traded on the Irish Stock Exchange. Holders of CDIs should refer to "*24.3 Frequently Asked Questions relating specifically to CREST Depository Interest holders*" below.

24.1.6 ***What is the subscription ratio of the Rights offering?***

The Subscription Ratio is 10:1. Shareholders and holders of CDIs will be entitled to acquire 10 Offered Shares or CDIs representing Offered Shares for every one Existing Share or CDI which they own at close of business on 6 November 2018, at the Offer Price.

24.1.7 ***When will the Rights be admitted to trading?***

Rights are expected to be admitted to trading on the SIX Swiss Exchange between 7 November 2018 and 13 November 2018. Shareholders to whom Rights have been allotted may sell their Rights instead of exercising them, subject to restrictions under applicable law, during this Rights Trading Period. Rights will not be traded on the Irish Stock Exchange. Holders of CDIs should refer to "*24.3 Frequently Asked Questions relating specifically to CREST Depository Interest holders*" below.

24.2 Frequently Asked Questions relating specifically to holders of Shares in the form of intermediated securities

24.2.1 ***How will the Rights be allotted and when is the relevant Cut-off Date?***

The allotment of Rights depends on the number of Shares held by Shareholders on the Cut-off Date. The Cut-off date is expected to be 6 November 2018, after close of trading on the SIX Swiss Exchange and the Irish Stock Exchange. Custodian banks will allot the Rights (in the form of subscription right certificates (*Bezugsrechtsausweise*)) directly to the respective shareholder's account.

Shareholders who are entitled to subscribe for Offered Shares will, subject to restrictions of applicable law, be notified in writing of the allotment of Rights. They will be contacted by their relevant financial intermediary maintaining the securities account into which their respective Existing Shares are credited.

24.2.2 ***Is there a particular period during which I must exercise my Rights?***

Yes. If you wish to exercise your Rights, you must do so during the rights exercise period (which is expected to be from (and including) 7 November 2018, until 12:00 noon (CET) on 15 November 2018). The relevant financial intermediary maintaining the securities account into which your respective Existing Shares are credited may, however, set an earlier deadline for the receipt of instructions to exercise the Rights. Please follow the instructions to be provided to you.

Rights which have not been duly exercised by the end of the rights exercise period will lapse and any holder thereof will not receive any compensation in respect of any such unexercised Rights. Each exercise of Rights will be effective at the Offer Price and is irrevocable and may not be withdrawn, cancelled, rescinded or modified.

24.2.3 ***When will I receive the documents needed to exercise Rights?***

You will receive written instructions from your relevant financial intermediary maintaining the securities account into which your respective Shares are credited. You are requested to follow the instructions to be provided to you.

24.2.4 ***What should I do if I do not wish to subscribe for any Offered Shares and would like to sell my Rights?***

Please follow the instructions from your relevant financial intermediary maintaining the securities account into which your respective Existing Shares are credited, or otherwise contact your client advisor at your relevant financial intermediary.

24.2.5 ***Can I use some of my Rights to subscribe for Offered Shares and sell the remaining Rights?***

Yes, you may do so (subject to restrictions under applicable securities laws). For this purpose, you should follow the instructions to be received from your relevant financial intermediary maintaining the securities account into which your respective Existing Shares are credited, or otherwise contact your client advisor at your relevant financial intermediary.

24.2.6 ***What will happen if I do nothing?***

If your Rights are not duly exercised by 12:00 noon (CET) on 15 November 2018, your Rights will lapse and become null and void without any right to compensation, subject to any other arrangements made by relevant financial intermediary maintaining the securities account into which your respective Existing Shares are credited.

24.2.7 ***How do I pay for the Offered Shares?***

You will receive written instructions from your relevant financial intermediary maintaining the securities account into which your respective Existing Shares are credited explaining how payment is to be effected.

24.2.8 ***When will trading in the Offered Shares begin?***

Trading in the Offered Shares on the SIX Swiss Exchange and the Irish Stock Exchange is expected to commence on or around 19 November 2018.

24.2.9 ***When will I receive the Offered Shares for which I have subscribed?***

The Offered Shares are expected to be delivered against payment on or around 19 November 2018.

Shareholders who subscribe for Offered Shares will receive the relevant instructions from their relevant financial intermediary maintaining the securities account into which their respective Existing Shares are credited.

24.2.10 ***Do the Offered Shares have the same entitlements as the existing shares of ARYZTA?***

Yes, the Offered Shares have the same voting and economic rights, and will be tradable on the SIX Swiss Exchange and the Irish Stock Exchange in the same manner, as the Existing Shares.

To exercise voting rights in respect of any Offered Shares, Shareholders must arrange to be entered as a shareholder with voting rights in the Share Register in accordance with ARYZTA's Articles.

24.2.11 ***Do the Offered Shares have a different security number?***

No, the Offered Shares will have the same security number as the Existing Shares (Swiss security number: 4323836; ISIN: CH0043238366).

24.2.12 ***The share capital increase is firmly underwritten. What exactly does this mean?***

Subject to certain conditions in line with market practice for similar transactions, including the absence of any material adverse developments relating to the Group, a banking syndicate has firmly underwritten the entire amount of the share capital increase. This means that the banking syndicate has undertaken to subscribe for the Offered Shares and to deliver these Offered Shares upon settlement of the Offering to holders of Rights who have validly exercised their Rights during the subscription period against payment of the Offer price. Further, the underwriting commitment by the banking syndicate means that it has undertaken to purchase any Offered Shares for which Rights have not been validly exercised or that have not been validly paid for in the Rights offering if such Offered Shares cannot be sold to other investors.

24.2.13 ***Can I buy Rights even if I am currently not an ARYZTA shareholder?***

Yes, subject to restrictions under applicable securities laws. It is expected that between 7 November 2018 and 13 November 2018, the Rights will be traded on the SIX Swiss Exchange.

The Rights will not be traded on the Irish Stock Exchange. Holders of CDIs should refer to "*24.3 Frequently Asked Questions relating specifically to CREST Depository Interest holders*" below.

Rights that have not been validly exercised by the end of the subscription period will expire without compensation to the holder of such unexercised Rights. As a result, the shareholdings of Shareholders who do not exercise the Rights allotted to them, will be diluted. The exercise of a Right is irrevocable and effective at the offer price and cannot be withdrawn, cancelled or modified.

24.2.14 ***Where can I obtain further information?***

Please contact your relevant financial intermediary maintaining the securities account into which your respective Existing Shares are credited.

24.3 Frequently Asked Questions relating specifically to CREST Depository Interest holders

24.3.1 ***What is a CREST Depository Interest?***

CDIs are uncertificated securities independent of ARYZTA, constituted under English law, which are delivered, held and settled in CREST and linked to the underlying Shares by means of the CREST International Settlement Links Service and, in particular, the established link with SIX SIS AG. This link operates via the services of CREST International Nominees Limited, which is a participant in SIX SIS AG. Under the CREST International Settlement Links Services, Euroclear UK & Ireland Limited ("**EUI**"), issues dematerialised depository interests representing entitlements to non-UK securities (such as the Shares) called CDIs, which may be held, transferred and settled exclusively through the CREST system. EUI operates and owns CREST which is an application and platform used, amongst other things, to service corporate actions and settlement on CDIs. The terms on which CDIs are issued and held in CREST are set out in the CREST International Manual issued by EUI, the global deed poll (the form of which is set out in the CREST International Manual) and the CREST Terms and Conditions issued by EUI. For further information on the rights attaching to CDIs, see "*Part 15 Details of the Offer – 15.7.1 Rights attaching to CDIs*".

24.3.2 ***I am not sure if I hold my shares in CDI format, what should I do?***

As part of the establishment of ARYZTA, former holders of IAWS Group plc shares and options received ARYZTA registered shares, delivered initially in the form of Capita Depository Interests and since replaced by CDIs. Shareholders who are not sure if their shares are in CDI format or not, should contact their relevant financial intermediary maintaining the securities account into which their respective ARYZTA interests are credited.

24.3.3 ***If I am a CDI holder, can I still participate in the Offering?***

If you are a CDI holder with a beneficial interest in the Shares on the Cut-off Date, and on the assumption that the Subscription Offer proceeds as planned, your CREST stock account is expected to be credited with your entitlement to Rights on or around 8 November 2018.

The stock account to be credited will be the account under the participant ID and member account ID that apply to your CDIs on the Cut-off Date.

The Rights are expected to be enabled as soon as practicable, but may be delayed as they are transferred from your nominee company, broker or CREST sponsor (as appropriate). If you are a CREST sponsored member, consult your CREST sponsor if you wish to check whether your account has been credited with your entitlement to Rights.

24.3.4 ***How will the Rights be allotted and when is the relevant Cut-off Date?***

The number of Rights to be allotted to a CDI holder depends on the number of CDIs held by such holder on the Cut-off Date. The Cut-off Date is expected to be 6 November 2018, after close of trading on the SIX Swiss Exchange and the Irish Stock Exchange. EUI will receive the Rights on behalf of the existing CDI holders and credit the appropriate stock accounts of the existing CDI holders with CDIs representing beneficial interests in the Rights. The Subscription Ratio and Offer Price will be the same for the CDI holders and the ARYZTA shareholders.

CDI holders, whose CDIs are held by a nominee company or broker, should speak directly to their nominee company or broker. CDI holders, who are CREST-sponsored members, should speak directly to their CREST sponsor.

24.3.5 ***Is there a particular period during which I must exercise my Rights?***

Yes. CDI holders should note that for logistical reasons the time period during which they must exercise their Rights is considerably shorter than for holders of Shares. CDI holders should therefore ensure that an instruction to either exercise or sell their Rights is made to their nominee company, broker or CREST sponsor (as appropriate) as soon as practicably possible post the beginning of the subscription period on 7 November 2018.

Rights that have not been validly exercised by the end of the subscription period will expire without compensation to the holder of such unexercised Rights. As a result, CDI holders and Shareholders who do not exercise the Rights allotted to them, will be diluted. The exercise of a Right is irrevocable and effective at the Offer Price and cannot be withdrawn, cancelled or modified.

24.3.6 ***Why is the subscription period shorter for CDI holders?***

The logistics involving EUI receiving the Rights on behalf of the existing CDI holders and then crediting the appropriate stock accounts of the existing CDI holders with CDIs representing beneficial interests in the Rights are extensive and thus, shorten the potential subscription period for CDI holders. As a result, CDI holders should ensure that an instruction to either sell or exercise their Rights is made to their nominee company, broker or CREST sponsor (as appropriate) as soon as practicably possible post the beginning of the subscription period on 7 November 2018.

Rights that have not been validly exercised by the end of the subscription period will expire without compensation to the holders of such rights. As a result, the CDI holder's existing holdings will be diluted to the extent he or she does not exercise the Rights allotted to him or her. The exercise of a Right is irrevocable and effective at the Offer Price and cannot be withdrawn, cancelled or modified.

24.3.7 ***When will I receive the documents needed to exercise Rights?***

CDI holders whose CDIs are held by a nominee company or broker should receive instructions in respect of their Rights from their nominee company or broker. CDI holders who are CREST-sponsored members, should receive instructions in respect of their Rights from their CREST sponsor (as appropriate). EUI will load information in CREST to trigger this instruction once it has fully confirmed details of the Rights, from its agent SIX SIS.

24.3.8 ***What should I do if I do not wish to subscribe for any Offered Shares and would like to sell my Rights?***

CDIs representing beneficial interests in the Rights can be held, traded and settled in the CREST system in a similar way to other CREST securities (refer to the CREST International Manual). CDI holders whose CDIs are held by a nominee company or broker should speak directly to their nominee company or broker in order to sell their Rights. CDI holders who are CREST-sponsored members should speak directly to their CREST sponsor in order to sell their Rights.

Rights that have not been validly exercised by the end of the subscription period will expire without compensation to the holders of such Rights. As a result, the CDI holder's existing holdings will be diluted to the extent the holder does not exercise the Rights allotted to him or her. The exercise of a Right is irrevocable and effective at the offer price and cannot be withdrawn, cancelled or modified.

24.3.9 ***Can I use some of my Rights to subscribe for Offered Shares and sell the remaining Rights?***

Yes, you may do so (subject to restrictions under applicable securities laws). CDI holders whose CDIs are held by a nominee company or broker should speak directly to their nominee company or broker. CDI holders who are CREST-sponsored members, should speak directly to their CREST sponsor (as appropriate).

24.3.10 ***What will happen if I do nothing?***

If your Rights are not duly sold by 13 November 2018 or exercised or sold by 12:00 noon (CET) on 15 November 2018, your Rights will lapse and become null and void without any right to compensation, subject to any other arrangements made by your nominee company, broker or CREST sponsor (as appropriate). However, your nominee company, broker or CREST sponsor (as appropriate) may set an earlier deadline for the receipt of instructions to exercise or sell the Rights.

24.3.11 ***How do I pay for the Offered Shares?***

CDI holders whose CDIs are held by a nominee company or broker should receive information explaining how payment is to be effected from their nominee company or broker. CDI holders who are CREST-sponsored members, should receive information explaining how payment is to be effected from their CDI account provider or their CREST sponsor (as appropriate).

24.3.12 ***When will trading in the Offered Shares begin?***

Trading in the Offered Shares on the SIX Swiss Exchange and the Irish Stock Exchange is expected to commence on or around 19 November 2018.

24.3.13 ***When will I receive the Offered Shares for which I have subscribed?***

New CDIs representing beneficial interests in the Offered Shares are expected to be credited to the CREST accounts of the CDI holders who have successfully exercised their Rights on or around 19 November 2018.

CDI holders whose CDIs are held by a nominee company or broker should speak directly to their nominee company or broker. CDI holders who are CREST-sponsored members, should speak directly to their CREST sponsor (as appropriate).

24.3.14 ***Do the Offered Shares (in the form of CDIs) have the same entitlements as the existing CDIs of ARYZTA?***

Yes, the new CDIs will have the same rights as the existing CDIs. For further information on the rights attaching to CDIs, see "*Part 15 Details of the Offer – 15.7.1 Rights attaching to CDIs*".

24.3.15 ***Do the offered shares (in the form of CDIs) have a different security number?***

No, the new CDIs will have the same security number as the existing CDIs (ISIN: CH0043238366).

24.3.16 ***The share capital increase is firmly underwritten. What exactly does this mean?***

Subject to certain conditions in line with market practice for similar transactions, including the absence of any material adverse developments relating to the Group, a banking syndicate has firmly underwritten the entire amount of the share capital increase. This means that the banking syndicate has undertaken to subscribe for the Offered Shares and to deliver these Offered Shares upon settlement of the Offering to holders of Rights or holders of CDIs representing beneficial interests in the Rights who have validly exercised their Rights during the subscription period against payment of the Offer Price. Further, the underwriting commitment by the banking syndicate means that it has undertaken to purchase any Offered Shares for which Rights have not been validly exercised or that have not been validly paid for in the Rights Offering if such Offered Shares cannot be sold to other investors.

24.3.17 ***Can I buy Rights even if I am currently not an ARYZTA shareholder?***

Yes, subject to restrictions under applicable securities laws. It is expected that between 7 November 2018 and 13 November 2018, the Rights will be traded on the SIX Swiss Exchange.

Rights will not be traded on the Irish Stock Exchange. CDIs representing beneficial interests in the Rights can be held, traded and settled in the CREST system in a similar way to other CREST securities (refer to the CREST International Manual). Individuals wishing to purchase CDIs representing beneficial interests in the Rights should speak directly to their nominee company, broker or CREST sponsor (as appropriate).

Rights that have not been validly exercised by the end of the subscription period will expire without compensation to the holders of such Rights. As a result, the CDI holder's existing holdings will be diluted to the extent such holder does not exercise the Rights allotted to him or her. The exercise of a Right is irrevocable and effective at the Offer Price and cannot be withdrawn, cancelled or modified.

24.3.18 ***Where can I obtain further information?***

If CDI holders whose CDIs are held by a nominee company or broker have further questions, particularly of a technical nature regarding acceptance, they should speak directly to their nominee company or broker. If CDI holders who are CREST-sponsored members have further questions, particularly of a technical nature regarding acceptance through CREST, they should call their CREST Sponsor.

Your attention is drawn to the terms and conditions of the Subscription Offer in this Prospectus. You should also read the Risk Factors and the rest of this Prospectus before making an investment in the Offered Shares.

PART 25.
Definitions and Glossary

The following definitions apply throughout this Prospectus unless the context requires otherwise:

"2010 PD Amending Directive"	Directive 2010/73/EU
"2017 Facilities Agreement"	The syndicated credit agreement made between the Company, Bank of America Merrill Lynch International Limited, Coöperatieve Rabobank U.A., trading as Rabobank Dublin, HSBC Bank plc and UBS Switzerland AG in an initial aggregate amount of EUR 1,800 million, as amended.
"3PL"	Third-party logistics
"Admission"	The Irish Admission together with the Swiss Admission
"AEOI"	Automatic Exchange of Information
"AEOI Act"	The Federal Act on the International Automatic Exchange of Information in Tax Matters
"Alchemy"	The Company's group-wide training platform
"AIB"	American Institute of Baking
"Annual Shareholders' Meeting"	The annual shareholders' meeting of the Company
"APMEA"	Asia-Pacific, Middle East and Africa
"Articles"	The articles of association of the Company to be adopted upon Admission
"ARYZTA"	ARYZTA AG, Zurich, Switzerland
"ARYZTA Consolidated Financial Statements	The ARYZTA Consolidated Financial Statements 2018, ARYZTA Consolidated Financial Statements 2017 and ARYZTA Consolidated Financial Statements 2016
"ARYZTA Consolidated Financial Statements 2016"	Audited consolidated financial statements of the Group as of and for the financial year ended 31 July 2016 including comparative figures for the financial year ended 31 July 2015
"ARYZTA Consolidated Financial Statements 2017"	Audited consolidated financial statements of the Group as of and for the financial year ended 31 July 2017, including comparative figures for the financial year ended 31 July 2016
"ARYZTA Consolidated Financial Statements 2018"	Audited consolidated financial statements of the Group as of and for the financial year ended 31 July 2018 including comparative figures for the financial year ended 31 July 2017
"ARYZTA Euro Finance"	ARYZTA Euro Finance DAC, Dublin, Ireland
"ARYZTA Europe"	ARYZTA's reporting segment in respect of Europe
"ARYZTA North America"	ARYZTA's reporting segment in respect of North America
"ARYZTA Rest of World"	ARYZTA's reporting segment in respect of the rest of the world
"ARYZTA Statutory Financial Statements"	Audited statutory financial statements of the Company as of and for the financial year ended 31 July 2018, including comparative figures for the financial year ended 31 July 2017
"ASM"	Atlantic Securities Market, one of the four securities markets operated by the Central Bank of Ireland
"AUD"	The Australian Dollar, the official currency of the Commonwealth of Australia
"Banking Act"	Swiss Banking Act of 8 November 1934
"B2B"	Business-to-business
"B2C"	Business-to-consumer
"Bank Covenant Net Interest Coverage Ratio"	See the definition in "*Part 2 Presentation of Financial and Other Information – 2.2.2.1 Definitions of non-IFRS measures*"
"Bank Covenant Net Debt: EBITDA Ratio"	See the definition in "*Part 2 Presentation of Financial and Other Information – 2.2.2.1 Definitions of non-IFRS measures*"
"Board of Directors"	The board of directors of the Company
"Board Member"	A member of the Board of Directors of the Company
"BRL"	The Brazilian real, the official currency of Brazil
"Business Day"	A day, not being a public holiday, Saturday or Sunday, on which banks in Zurich are open for normal business
"Carbon Disclosure Project"	A global disclosure system designed for companies and communities to publicly report, manage and continuously improve their environmental impacts
"CAD"	The Canadian Dollar, the official currency of Canada
"CAGR"	Compound annual growth rate, calculated as the average annual growth over a certain period of time
"CDI"	A CREST depository interest as such term is defined in the CREST International Manual
"Central Bank"	The Central Bank of Ireland
"CEO"	Chief executive officer

"CEST"	Central European Summer Time
"CET"	Central European Time
"CGU"	Cash generating units
"Chairman"	The chairman of the Board of Directors
"CHF" or "Swiss Francs"	The lawful currency of Switzerland
"CHF 190m Instruments"	Perpetual callable subordinated instruments with ISIN CH0253592783 in aggregate principal amount of CHF 190 million issued by the Company on 28 October 2014
"CHF 400m Instruments"	Perpetual callable subordinated instruments with ISIN CH0200044813 in an aggregate principal amount of CHF 400 million issued by the Company on 25 April 2013
"CO"	The Swiss Code of Obligations
"Codex Alimentarius"	General Standard for Contaminants in Food and Feed
"Commercial Register" or "Swiss Commercial Register"	The commercial register of the Canton of Zurich
"Company"	ARYZTA AG, Zurich, Switzerland
"Company Secretary"	The secretary of the Board of Directors
"Compensation Ordinance"	The Ordinance against Excessive Compensation in Public Companies
"Corporations Act"	The Corporations Act 2001 of Australia
"CREST"	The computerised settlement system operated by EUI which facilitates the transfer of title to shares in uncertificated form
"CREST International Manual"	The CREST international manual which forms part of the CREST Manual
"CREST Manual"	The CREST manual issued by EUI, as amended from time to time
"Cut-off Date"	6 November 2018
"DCG"	The Directive on Information Relating to Corporate Governance and its annex and commentary, issued by SIX Swiss Exchange
"DFSA"	Dubai Financial Services Authority
"Directors"	The Executive Directors and the Non-Executive Directors
"DMT"	The Directive on Disclosure Management
"Domestic Commercial Shareholders"	Corporate entities and individuals who hold Offered Shares as part of a trade or business in Switzerland
"DSD"	Direct store delivery
"EEA"	The European Economic Area
"EPS"	Earnings per share
"ERP"	Enterprise resource planning
"ESG"	Environmental, Social and Governance
"ESM"	Enterprise Securities Market, one of the four securities markets operated by the Central Bank of Ireland
"EU"	The European Union
"EUI"	Euroclear UK & Ireland Limited
"EU Prospectus Regulation"	Commission Regulation (EU) No. 809/2004 of 29 April 2004
"Euroclear UK & Ireland" or "EUI"	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales and the operator of CREST
"EUR" or "Euro" or "€"	The lawful currency of Ireland and certain other countries within the EEA
"EUR 250m Guarantee"	The guarantee given by the Company in respect of the EUR 250m Instruments
"EUR 250m Instruments"	Perpetual callable subordinated securities with ISIN XS1134780557 in an aggregate principal amount of €250 million issued by ARYZTA Euro Finance DAC on 21 November 2014
"eurozone"	The eurozone (officially also known as the euro area) is the group of EU countries that have the euro as their official currency.
"Exchange Act"	The United States Securities Exchange Act of 1934, as amended
"Executive Directors"	The executive Directors of the Company
"Executive Committee"	The executive management of the Company
"Exempt Offer"	Has the meaning given to it under the Offered Securities Rules of the Dubai Financial Services Authority
"Existing Shares"	All previously issued and outstanding registered shares of the Company as of the date of this Prospectus

"Facility A"	The five year multicurrency term loan facility in an aggregate principal amount equal to €920 million
"Facility B"	The uncommitted one-time increase option of a five year multicurrency term loan facility up to an aggregate principal amount equal to €500 million
"Facility C"	The five year multicurrency revolving credit facility in an initial aggregate principal amount equal to €800 million with an uncommitted one-time increase option of up to an additional aggregate principal amount
"FATCA"	The Foreign Account Tax Compliance Act of the United States
"First Day of Trading"	First day of trading of the Offered Shares on SIX Swiss Exchange and the Irish Stock Exchange
"FISA"	Federal Act on Intermediated Securities of 3 October 2008, as amended
"FINMA"	Swiss Financial Market Supervisory Authority
"FDA"	US Food and Drug Administration
"FMIA"	Swiss Financial Market Infrastructure Act
"GBP"	Pound sterling, official currency of the United Kingdom
"GDPR"	The General Data Protection Regulation
"GFSI"	Global Food Safety Initiative
"GEM"	Global Exchange Market, one of the four securities markets operated by the Central Bank of Ireland
"GHG"	Green House gas
"GMP"	Good Manufacturing Practice
"Governance and Nomination Committee"	The governance and nomination committee of the Company
"Group"	ARYZTA AG and its subsidiaries and affiliated companies
"HACCP"	Hazard Analysis and Critical Control Point
"Hiestand"	Hiestand Holding AG
"HUF"	Hungarina forint, the official currency of Hungary
"IASB"	International Accounting Standards Board
"IAWS"	IAWS Group plc
"IFRS"	International Financial Reporting Standards, as issued by the International Accounting Standards Board
"International Reporting Standard"	The international reporting standard of SIX Swiss Exchange
"Irish Admission"	The approval given by the Irish Stock Exchange for the Offered Shares, subject to certain conditions, to (i) listing on the secondary listing segment of the Official List of the Irish Stock Exchange and (ii) trading on the Main Securities Market of the Irish Stock Exchange
"Irish CGT"	Irish Capital Gains Tax
"Irish Companies Act"	The Companies Act 2014 of Ireland (as amended)
"Irish Listing Rules"	The main securities market listing rules of Euronext Dublin
"Irish Prospectus Regulations"	The Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland
"Irish Prospectus Rules"	The prospectus rules and the prospectus handbook issued by the Central Bank under Section 1363 of the Irish Companies Act (each as amended from time to time)
"Irish Stock Exchange"	The Irish Stock Exchange PLC trading as Euronext Dublin
"IRS"	The United States Internal Revenue Service
"ISB"	In-store bakeries
"JV"	Joint venture
"LEED"	Leadership in Energy and Environmental Design, a green certification program for building design, construction, operations and maintenance
"Legal Reserves"	Under Swiss tax law, the amount of legal reserves from capital contributions, which has been confirmed by the Swiss Federal Tax Administration, can be paid out as dividends exempt from Swiss withholding tax, and for Swiss Resident individual shareholders holding shares in private wealth also exempt from Swiss income taxes
"Listing Rules"	Irish Listing Rules and the SIX Listing Rules
"LTIP"	Long-term Incentive Plan for the Executive Committee and certain other employees of the Company
"Main Markets"	The SIX Swiss Exchange's main market for listed securities and the Irish Stock Exchange's Main Securities Market
"Market Abuse Regulation"	The Market Abuse Regulation (EU) 596/2014

"Matching Plan"	One of the two original plans foreseen by the Company's LTIP scheme—has the meaning given in "*Part 9 Management Bodies and Corporate Governance*"
"MCAA"	The multilateral competent authority agreement on the automatic exchange of financial account information
"Member State"	A member state of the EEA
"MiFID II"	EU Directive 2014/65/EU on markets in financial instruments, as amended
"MiFID II Product Governance Requirements"	MiFID II, articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures
"MSM"	Main Securities Markets, one of the four securities markets operated by the Central Bank of Ireland
"Non-Executive Directors"	The non-executive Directors of the Company
"Offer"	The issue of the Offered Shares by the Company described in "*Part 15 Details of the Offer*"
"Offer Price"	The price at which each Share is to be issued or sold pursuant to the Offer
"Offered Shares"	New Shares in the Company to be allotted and issued as part of the Offering
"Offering"	The Subscription Offer and the Share Placement
"Official List"	The Official List of the Irish Stock Exchange
"Option Equivalent Awards"	Has the meaning given in "*Part 9 Management Bodies and Corporate Governance*"
"Option Equivalent Plan"	One of the two original plans foreseen by the Company's LTIP scheme—has the meaning given in "*Part 9 Management Bodies and Corporate Governance*"
"Order"	The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
"Ordinary Shares"	Ordinary shares of the Company
"Organisational Regulations"	The organisational regulations of the Company
"PCAOB"	The Public Company Accounting Oversight Board (United States)
"PFIC"	Passive foreign investment company
"Picard"	Refers to the Group's 49% stake in the voting rights of Lion/Polaris Lux Holdco S.à r.l, the indirect parent company of the Picard Group. See "*Part 8 Business Description – 8.6.5 Equity Investment in Picard*" for further information.
"PLN"	Polish złoty, the official currency of the Republic of Poland
"Principal Shareholders"	The principal shareholders of the Company, as set out in "*Part 19 Principal Shareholders*"
"Process Banks"	BofA Merrill Lynch and UBS Investment Bank
"Project Renew"	The group-wide strategy for cost saving and efficiency improvement measures
"Promissory Loan Agreements"	Various promissory loan agreements entered into by ARYZTA Euro Finance as borrower with HSBC Trinkaus & Burkhardt AG on 15 December 2016
"Prospectus"	This Prospectus
"Prospectus Directive"	When used in this Prospectus, Directive 2003/71/EC of the European Parliament and Council of 4 November 2003 (and amendments thereto, including Directive 2010/73/EU and any relevant implementing measure in a Member State)
"PRSI"	Pay-related social insurance
"Purchase Positions"	Shares, delegated voting rights and acquisition rights or obligations
"QIBs"	Qualified institutional buyers, as defined in, and in reliance upon, the exemption from the registration requirements of the Securities Act provided by Rule 144A
"QSR"	Quick-service restaurants
"Qualified Investors"	Persons who are "qualified investors" within the meaning of article 2(1)(e) of the Prospectus Directive
"Qualified Majority"	At least two-thirds of the voting rights and an absolute majority of the nominal value of the Shares represented at a shareholders' meeting
"RCF"	Revolving Credit Facility
"Registrars"	Computershare AG
"Regulation S"	Regulation S under the US Securities Act
"Relevant Implementation Date"	The date on which the Prospectus Directive is implemented in a Relevant Member State
"Relevant Member State"	Each Member State of the EEA which has implemented the Prospectus Directive
"Relevant Persons"	Persons who are outside the United Kingdom, or investment professionals falling within article 19(5) of the Order, or persons who are high net worth entities falling within article 49(2)(a) to (d) of the Order
"Remuneration Committee"	The remuneration committee of the Company
"Resident Private Shareholders"	Individuals resident in Switzerland who hold their Offered Shares as private assets

"ROIC"	Return on invested capital. See the definition in "*Part 2 Presentation of Financial and Other Information – 2.2.2.1 Definitions of non-IFRS measures*"
"Rights"	Rights to subscribe on a pro rata basis for the Offered Shares
"Rights Exercise Period"	The period between 7 November 2018 and 15 November 2018, 12.00 noon (CET)
"Rights Trading Period"	The period from 7 November 2018 to (and including) 13 November 2018
"Rule 144A"	Rule 144A under the US Securities Act
"Sale Positions"	Sale rights or obligations
"ROIC"	See the definition in "*Part 2 Presentation of Financial and Other Information – 2.2.2.1 Definitions of non-IFRS measures*"
"SaaS"	SaaS is an acronym for Software as a Service, a model for the distribution of software over the Internet
"SAP"	SAP is an acronym for Systems, Applications and Products. SAP is especially well-known for its ERP and data management programs
"SEC"	The US Securities and Exchange Commission
"Securities Act"	The US Securities Act 1933, as amended
"Securitisation Programme"	The securitisation programme established in July 2014 allowing the Company and certain of its Subsidiaries to sell their receivables
"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
"SFA"	Securities and Futures Act of Singapore
"Share Placement"	An international offering, in which Offered Shares in respect of which Rights have not been validly exercised during the Rights Exercise Period may be sold to institutional investors or others, including through a sale on the SIX Swiss Exchange and the Irish Stock Exchange
"Share Placement Price"	The placement price of Offered Shares sold in a Share Placement
"Share Register"	The Company's register of shareholders
"Shareholders"	The holders of Shares in the capital of the Company
"Shares"	The ordinary shares of the Company, having the rights set out in the Articles and, more specifically, the Offered Shares, together with the Existing Shares (including Existing Shares for which CDI's are outstanding)
"SIS"	SIX SIS Ltd.
"SIX Listing Rules"	The listing rules of the SIX Swiss Exchange
"SIX Swiss Exchange"	SIX Swiss Exchange Ltd
"SKU"	A stock keeping unit, or SKU, is a term used in inventory management. Each SKU refers to a specific item for sale.
"Subscription Offer"	An offer of rights in which the existing shareholders of the Company receive the right, subject to certain limitations, to subscribe on a pro rata basis for shares at a specific price.
"Subscription Ratio"	10:1 - Shareholders and holders of CDIs will be entitled to acquire 10 Offered Shares or CDIs representing Offered Shares for every one Existing Share or CDI which they own at close of business on 6 November 2018, at the Offer Price.
"Subsidiary"	A subsidiary of the Company
"Swiss Admission"	The approval given by the SIX Swiss Exchange for the Rights to be admitted to trading and for the Offered Shares to be listed in accordance with the International Reporting Standard on SIX Swiss Exchange
"Swiss Code"	The Swiss Code of Best Practice for Corporate Governance
"Swiss Federal Merger Act"	Swiss Federal Law on Merger, Demerger, Conversion and Transfer of Assets and Liabilities (*Bundesgesetz über die Fusion, Spaltung, Umwandlung und Vermögensübertragung*)
"Target Market Assessment"	The product approval process by each "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) established in the EEA, which has determined that the Offered Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II
"Treaty"	The United States-United Kingdom tax treaty
"Transparency Regulations"	The Transparency (Directive 2004/109/EC) Regulations 2007 (SI No. 277 of 2007) issued under section 1383 of the Irish Companies Act and the Transparency Rules issued by the Central Bank
"TTM EBITA"	See the definition in "*Part 2 Presentation of Financial and Other Information – 2.2.2.1 Definitions of non-IFRS measures*"
"UK"	The United Kingdom of Great Britain and Northern Ireland

"Underlying EBITA"	See the definition in "*Part 2 Presentation of Financial and Other Information – 2.2.2.1 Definitions of non-IFRS measures*"
"Underlying EBITDA"	See the definition in "*Part 2 Presentation of Financial and Other Information – 2.2.2.1 Definitions of non-IFRS measures*"
Underlying EBITDA Margin"	See the definition in "*Part 2 Presentation of Financial and Other Information – 2.2.2.1 Definitions of non-IFRS measures*"
Underlying Net Profit"	See the definition in "*Part 2 Presentation of Financial and Other Information – 2.2.2.1 Definitions of non-IFRS measures*"
"Underwriters"	BofA Merrill Lynch, UBS AG, Credit Suisse AG, J.P. Morgan Securities plc, HSBC Bank plc, Crédit Agricole Corporate and Investment Bank, Mizuho International plc and Coöperatieve Rabobank U.A.
"Underwriting Agreement"	The underwriting agreement entered into between the Company and the Underwriters described in "*Part 21 Additional Disclosure – 21.7 Underwriting arrangements*"
"Underwriter Exemption"	Refers to a general 3-month exemption for underwriters in capital increases according to which the underwriters are exempted from a mandatory takeover bid even if (during these 3 months) their holdings, alone or as a group, of shares of the respective company's share capital exceed the threshold of 33 1/3% of the share capital of the Company that would be registered in the Commercial Register in case the Offering were to be consummated, which was filed with the Swiss Takeover Board (*Übernahmekommission*) on 25 October 2018 and granted on 1 November 2018
"United States" or "US"	The United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
"US Exchange Act"	United States Securities Exchange Act of 1934, as amended
"US GAAP"	Accounting principles generally accepted in the United States
"US GAAS"	Auditing standards generally accepted in the United States
"US Holder"	A beneficial owner of Shares that is, for US federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or more US persons and the primary supervision of a US court, or (iv) an estate the income of which is subject to US federal income tax without regard to its source
"US Securities Act"	United States Securities Act of 1933, as amended
"USC"	The Universal Social Charge of Ireland
"USGBC"	The US Green Building Council
"WACC"	Weighted average cost of capital