2018

Interim Report and Accounts

ARYZTA
Passion for good food

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Interim Financial and Business Review

1.1 Key Developments

– Disposals on track to exceed €450 million

– Cloverhill disposed, €201m restructuring related costs largely connected to it

– Signature Foods sale agreed March 2018

– Strategy progressing: Refocus on core and cost efficiencies

– Refinancing completed; FY 2018 hybrid bond will not be called

1.2 Financial Summary

– Revenue decrease of (6.3)% to €1,787m; (2.2)% organic decline, (ex Cloverhill +1.3%)

– ARYZTA Europe revenues increased 0.7% to €868.3m; 1.7% organic growth

– ARYZTA North America revenues (ex Cloverhill) decreased (7.4)% to €724.2m; (0.4)% organic decline

– ARYZTA Rest of World revenues increased 2.2% to €131.9m; 9.1% organic growth

– EBITDA declined by (29.6)% to €161.3m

– EBITDA margin decline of 200bps excl. Cloverhill (300bps incl. Cloverhill)
  – Decline due to previously disclosed issues
  – Butter pricing and insourcing in Europe; and
  – Labour and distribution inflation in US

– Net Debt: EBITDA (Syndicated Bank RCF & Term Loan Facility) of 4.21x

– Underlying net profit decreased (53.5)% to €50.9m

– Underlying fully diluted EPS decreased (53.7)% to 57.1 cent

Commenting on the H1 2018 results, ARYZTA AG Chief Executive Officer Kevin Toland said:

"We are actively implementing a range of measures to improve our EBITDA. We are in a multi-year turnaround programme. Under our new leadership team, we are reshaping the Group's focus on our core B2B frozen bakery customers, improving operational efficiencies and deleveraging the balance sheet."

Interim Financial and Business Review (continued)

2 Underlying Income Statement

Six month period ended 31 January 2018

in EUR `000	January 2018	January 2017	% Change
Group revenue	1,786,549	1,906,036	(6.3)%
EBITDA[1]	161,284	229,017	(29.6)%
EBITDA margin	9.0%	12.0%	(300) bps
Depreciation	(67,977)	(70,484)	3.6%
EBITA[1]	93,307	158,533	(41.1)%
Joint ventures, net of interest and tax	15,928	16,710	(4.7)%
EBITA including joint ventures	109,235	175,243	(37.7)%
Finance cost, net	(36,290)	(29,622)	(22.5)%
Hybrid instrument accrued dividend	(15,344)	(16,022)	4.2%
Pre-tax profits	57,601	129,599	(55.6)%
Income tax	(6,668)	(18,534)	64.0%
Non-controlling interests	–	(1,635)	100.0%
Underlying net profit[1]	**50,933**	**109,430**	**(53.5)%**
Underlying fully diluted EPS (cent)[2]	**57.1**	**123.2**	**(53.7)%**

1 See glossary in section 21 for definitions of financial terms and references used in the financial and business review. See bridge from underlying net profit and EPS to reported net profit and EPS, as included on page 15.

2 The 31 January 2018 weighted average number of ordinary shares used to calculate underlying fully diluted earnings per share is 89,224,630 (H1 2017: 88,846,838).

Interim Financial and Business Review (continued)

3 Organic revenue

Six month period ended 31 January 2018

in EUR million	ARYZTA Europe	ARYZTA North America[1]	ARYZTA Rest of World	ARYZTA Group
Group revenue	868.3	786.4	131.9	1,786.6
Organic growth	1.7%	(7.5)%	9.1%	(2.2)%
Acquisitions/(disposals), net	–	–	–	–
Currency	(1.0)%	(6.6)%	(6.9)%	(4.1)%
Revenue Growth	**0.7%**	**(14.1)%**	**2.2%**	**(6.3)%**

1 ARYZTA North America revenues, excluding Cloverhill (Chicago/Cicero), declined by (7.4)% to €724.2m, comprised of an organic decline of (0.4)% and currency headwinds of (7.0)%.

Quarterly organic revenue

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	H1 2018
ARYZTA Europe							
Volume %	1.8%	(0.1)%	1.3%	(4.7)%	(0.7)%	(1.3)%	(1.0)%
Price/Mix %	(0.4)%	0.7%	3.0%	4.0%	1.3%	4.2%	2.7%
Organic growth %	**1.4%**	**0.6%**	**4.3%**	**(0.7)%**	**0.6%**	**2.9%**	**1.7%**
ARYZTA North America							
Volume %	(5.7)%	(5.5)%	(6.7)%	(16.1)%	(7.1)%	(8.6)%	(7.8)%
Price/Mix %	1.0%	(0.3)%	2.4%	5.5%	0.1%	0.6%	0.3%
Organic growth %	**(4.7)%**	**(5.8)%**	**(4.3)%**	**(10.6)%**	**(7.0)%**	**(8.0)%**	**(7.5)%**
Organic growth % excluding Cloverhill	**(2.5)%**	**(2.9)%**	**(3.0)%**	**(4.7)%**	**1.0%**	**(1.8)%**	**(0.4)%**
ARYZTA Rest of World							
Volume %	4.9%	7.6%	0.7%	7.7%	2.7%	7.9%	5.9%
Price/Mix %	4.8%	1.7%	3.0%	(1.3)%	5.1%	2.3%	3.2%
Organic growth %	**9.7%**	**9.3%**	**3.7%**	**6.4%**	**7.8%**	**10.2%**	**9.1%**
ARYZTA Group							
Volume %	(1.7)%	(2.3)%	(2.7)%	(9.4)%	(3.6)%	(4.2)%	(3.8)%
Price/Mix %	0.5%	0.3%	2.7%	4.4%	1.0%	2.4%	1.6%
Organic growth %	**(1.2)%**	**(2.0)%**	**0.0%**	**(5.0)%**	**(2.6)%**	**(1.8)%**	**(2.2)%**
Organic growth % excluding Cloverhill[1]	**0.1%**	**(0.4%)**	**1.0%**	**(2.0%)**	**1.3%**	**1.4%**	**1.3%**

1 The Group 1.3% organic revenue growth, excluding Cloverhill (Chicago/Cicero), is the result of a (0.4)% volume decline offset by a positive price/mix of 1.7%.

Interim Financial and Business Review (continued)

4 Segmental EBITDA

Six month period ended 31 January 2018

in EUR `000	January 2018	January 2017	% Change	EBITDA Margin 2018	EBITDA Margin 2017	% Change
ARYZTA Europe	90,740	110,283	(17.7)%	10.5%	12.8%	(230) bps
ARYZTA North America	49,962	99,119	(49.6)%	6.4%	10.8%	(440) bps
ARYZTA Rest of World	20,582	19,615	4.9%	15.6%	15.2%	40 bps
ARYZTA Group EBITDA	**161,284**	**229,017**	**(29.6)%**	**9.0%**	**12.0%**	**(300) bps**
ARYZTA Group EBITDA excluding Cloverhill	**161,284**	**201,855**	**(20.1)%**	**9.4%**	**11.4%**	**(200) bps**

5 Our business

ARYZTA is the world's leading global, frozen B2B baking solutions provider, operating in the frozen bakery segment of the overall bakery market. ARYZTA's customer channels consist of a mix of large retail, convenience and independent retail, Quick Service Restaurants ('QSR') and other foodservice categories.

Total Group revenue decreased by (6.3)% to €1,786.6m during the period ended 31 January 2018, due to an organic revenue decline of (2.2%), consisting of volume losses of (3.8)%, partially offset by a positive price/mix impact of 1.6%. Currency headwinds reduced revenue by (4.1)% in the period.

The (2.2)% organic revenue decline primarily related to an organic revenue decline of (7.5)% in ARYZTA North America, driven by volume declines at the Cloverhill Chicago and Cicero bakeries, which were disposed of subsequent to the end of the period. Excluding Cloverhill, Group revenues would have been €1,724.4m, representing Group organic revenue growth of 1.3%, while ARYZTA North America organic revenues would have declined by (0.4%).

ARYZTA Europe revenues experienced 1.7% organic revenue growth, driven primarily by increases in price/mix, and ARYZTA Rest of World organic revenues grew by 9.1%, as a result of strong volume and price/mix growth.

Group EBITDA decreased by (29.6)% to €161.3m, while EBITDA margins declined (300) bps to 9.0%. Excluding Cloverhill, Group EBITDA would have decreased by (20.1)%, while EBITDA margins would have declined (200) bps to 9.4%.

6 ARYZTA Europe

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

ARYZTA Europe revenue increased by 0.7% to €868.3m during the period ended 31 January 2018. Organic revenue growth of 1.7% was a result of a (1.0)% decrease in volumes driven by customer insourcing in Switzerland and Germany, offset by a 2.7% benefit from improved price/mix as a result of increased input costs partially passed through to customers. Unfavourable currency movements also impacted revenues by (1.0)%.

Interim Financial and Business Review (continued)

ARYZTA Europe EBITDA decreased by (17.7)% to €90.7m and EBITDA margins decreased by (230) bps to 10.5%, primarily in connection with the decreased margins on partial pass through of increased raw materials and input costs, and lower operating leverage following customer insourcing.

7 ARYZTA North America

ARYZTA North America is a leading player in the frozen B2B bakery markets in the United States and Canada. It has a diversified customer base, including multiple retail, restaurants, catering, hotels, leisure, hospitals, military, fundraising and QSR. ARYZTA North America is a leader in high-value artisan bakery via La Brea Bakery, which focuses on the premium branded bakery segment.

ARYZTA North America revenues declined by (14.1)% to €786.4m during the period ended 31 January 2018. Unfavourable currency movements reduced revenues by (6.6)%, while organic revenue declined by (7.5)%, due to volume declines of (7.8)%, partially offset by positive price/mix of 0.3%.

Excluding Cloverhill, ARYZTA North America revenues would have been €724.2m, representing a relatively stable organic revenue decline of (0.4%), as the result of a (0.8)% volume decline and a 0.4% price/mix improvement.

ARYZTA North America EBITDA declined by (49.6)% to €50.0m, while EBITDA margins declined (440) bps to 6.4%. Excluding Cloverhill, ARYZTA North America EBITDA would have declined by (30.6)% to €50.0m, while EBITDA margins would have declined (230) bps to 6.9%. Besides Cloverhill, the remaining impacts on ARYZTA North America EBITDA and margins primarily related to negative operating leverage from cumulative volume losses and insufficient cost realignment, combined with continued increases in labour costs and industry wide increases in transport and distribution costs.

8 ARYZTA Rest of World

ARYZTA's operations in the Rest of World primarily includes businesses in Brazil, Australia, New Zealand, Japan, Malaysia, Singapore and Taiwan. While representing only 7% of total Group revenue and 13% of total Group EBITDA, these locations provide attractive future growth opportunities and have importance as suppliers to our global QSR customers.

ARYZTA Rest of World revenues increased by 2.2% to €131.9m during the period ended 31 January 2018. While unfavourable currency movements reduced revenues by (6.9)%, organic revenue increased revenue by 9.1%, as a result of strong 5.9% volume growth with both global strategic customers as well as others across the region, combined with price/mix growth of 3.2%.

ARYZTA Rest of World EBITDA increased by 4.9% to €20.6m, while EBITDA margins increased by 40 bps to 15.6%, as a result of the improved operating leverage resulting from organic revenue growth.

Interim Financial and Business Review (continued)

9 Joint ventures

During August 2015, ARYZTA acquired 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.

During the period ended 31 January 2018 ARYZTA received a cash dividend from Picard in the amount of €53.5m, after which the Group's investment carrying value in Picard totalled €453.9m.

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

As of 31 January 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, which had an investment carrying value of €31.8m.

During March 2018 the Group agreed to sell its 50% interest in Signature Flatbreads to its joint venture partners for net proceeds of approximately €34m. This disposal is consistent with ARYZTA's strategy to focus on its frozen B2B bakery operations and exit non-core businesses. The transaction is expected to be completed during Q3 FY18 and the associated proceeds will be used to reduce net debt.

Joint ventures had combined revenues of €870.7m during the ARYZTA six-month period ended 31 January 2018 and delivered an underlying contribution to ARYZTA of €15.9m, after interest and tax. Both joint ventures performed well, each growing revenues, EBITDA and margins, and generating strong internal cash flows.

in EUR `000	**Picard January 2018**	**Signature January 2018**	**Total January 2018**	Total January 2017
Revenue	810,337	60,402	**870,739**	843,352
EBITDA	130,766	8,343	**139,109**	133,442
EBITDA margin	16.1%	13.8%	**16.0%**	15.8%
Depreciation	(14,980)	(2,401)	**(17,381)**	(17,459)
EBITA	115,786	5,942	**121,728**	115,983
Finance cost, net	(42,186)	(203)	**(42,389)**	(48,214)
Pre-tax profit	73,600	5,739	**79,339**	67,769
Income tax	(45,546)	(1,190)	**(46,736)**	(33,512)
Joint venture underlying net profit	28,054	4,549	**32,603**	34,257
ARYZTA's share of JV underlying net profit	**13,654**	**2,274**	**15,928**	**16,710**

Interim Financial and Business Review (continued)

10 Impairment, disposal and restructuring

During the period ended 31 January 2018, the Group incurred the following amounts related to impairment, disposal and restructuring:

in EUR `000	Non-cash 2018	Cash 2018	Total 2018	Total 2017
Loss on impairment of disposal group held-for-sale	(151,042)	–	**(151,042)**	–
Net gain on disposal of business	1,706	–	**1,706**	–
Impairment and disposal of fixed assets	–	–	**–**	(2,347)
Labour-related business interruption	–	(38,730)	**(38,730)**	–
Severance and other staff-related costs	–	(6,695)	**(6,695)**	(4,190)
Contractual obligations	–	–	**–**	(4,126)
Advisory and other costs	–	(6,391)	**(6,391)**	(2,496)
Net impairment, disposal and restructuring-related costs	**(149,336)**	**(51,816)**	**(201,152)**	(13,159)

Non-cash impairment, disposal and restructuring related costs

Loss on impairment of disposal group held-for-sale

During January 2018, the Group agreed to dispose of the Cloverhill Chicago and Cicero facilities in North America, which historically generated approximately €250m in annual revenues. As these facilities were available-for-sale and negotiations were at an advanced stage, management have recorded these assets as a disposal group held-for-sale as at 31 January 2018. As the agreed proceeds received during February 2018 of €57.2m, net of associated transaction costs, were less than the €208.3m carrying value of the net assets, a loss on impairment of disposal group held-for-sale of €151.0m has been recognised during the period ended 31 January 2018.

A cumulative €19m foreign currency translation gain on net investment, related to the disposal group held-for-sale, has been recognised through other comprehensive income since initial investment, and remains in foreign currency translation reserve as of 31 January 2018. This amount will be recycled from other comprehensive income into the income statement upon completion of the transactions, subsequent to period end.

Net gain on disposal of business

During the period ended 31 January 2018, the Group disposed of a business in Europe, which historically generated approximately €45m in annual revenues. As the €46.8m proceeds received, net of associated transaction costs, exceeded the €45.1m carrying value of the net assets disposed, a net gain on disposal of €1.7m was recognised during the period ended 31 January 2018.

There were no business disposals during the period ended 31 January 2017.

Impairment and disposal of fixed assets

There were no fixed asset impairments during the period ended 31 January 2018.

The Group incurred €2.3m on impairment and disposal of fixed assets during the period ended 31 January 2017, which related to the write-down of certain distribution, manufacturing and administration assets, following the closure and / or reduction in activities expected to be generated from those assets.

Interim Financial and Business Review (continued)

Cash restructuring-related costs

Labour-related business interruption
The €16.3m of labour-related business interruption costs experienced in the North America Cloverhill facilities during the last three months of the financial year ended 31 July 2017 continued into the six month period ended 31 January 2018, during which the Group incurred €38.7m of further losses.

As indicated above, these facilities were disposed of subsequent to period end, during February 2018, for proceeds of €57.2m, net of associated transaction costs.

Severance and other staff-related costs
The Group incurred €6.7m (2017: €4.2m) in severance and other staff-related costs during the period. These costs primarily related to employees whose service was discontinued following certain rationalisation decisions across the various business locations of the Group.

Contractual obligations
There were no contractual obligation costs incurred during the period ended 31 January 2018.

During the period ended 31 January 2017, the Group incurred €4.1m related primarily to ongoing contractual obligations for closed facilities in both Europe and North America.

Advisory and other costs
During the period ended 31 January 2018, the Group incurred €6.4m (2017: €2.5m) in costs related to the reorganisation of the North America business and a group-wide strategic business review.

11 Cash generation

in EUR `000	January 2018	January 2017
EBITDA	161,284	229,017
Working capital movement	(32,594)	(17,551)
Working capital movement from debtor securitisation[1]	10,315	25,252
Capital expenditure	(41,959)	(62,751)
Proceeds from sale of fixed assets and investment property	772	15,748
Restructuring-related cash flows	(54,129)	(28,323)
Segmental operating free cash generation	**43,689**	**161,392**
Dividends received from joint venture	53,540	–
Interest and income tax	(52,490)	(55,675)
Recognition of deferred income from government grants	(1,936)	(2,864)
Other	(3,048)	(3,441)
Cash flow generated from activities	**39,755**	**99,412**

1 Total debtor balances securitised as of 31 January 2018 is €224m (31 July 2017: €219m).

Interim Financial and Business Review (continued)

12 Net debt and investment activity

in EUR `000	January 2018	January 2017
Opening net debt as at 1 August	**(1,733,870)**	**(1,719,617)**
Cash flow generated from activities	39,755	99,412
Disposal of business, net	46,781	–
Contingent consideration paid	–	(896)
Private Placement and RCF early redemption costs	(12,415)	(182,513)
Dividends paid to non-controlling interests	–	(3,350)
Foreign exchange movement[1]	39,524	(42,856)
Other[2]	(2,840)	(1,677)
Closing net debt as at 31 January	**(1,623,065)**	**(1,851,497)**

1 Foreign exchange movement for the period ended 31 January 2018 is primarily attributable to the fluctuation in the US Dollar to euro closing rate from July 2017 (1.1756) to January 2018 (1.2425). Foreign exchange movement for the period ended 31 January 2017 was primarily attributable to the fluctuation in the US Dollar to euro closing rate from July 2016 (1.1162) to January 2017 (1.0674).

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

The Group's new five-year unsecured €1,800m refinancing, comprising a €1,000m amortising term loan and a €800m revolving credit facility, was utilised on 22 September 2017 to repay in full the revolving credit and term loan facilities put in place in September 2016 and all amounts outstanding as of 31 January 2018 have been classified between current and long-term, in accordance with the terms of this new financing agreement.

The refinancing was underwritten by four of the Group's key relationship banks and general syndication was successfully completed during the period ended 31 January 2018.

In order to provide enhanced financial flexibility, the Group has increased the covenant to a maximum 4.75x Net Debt: EBITDA at 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.

Syndicated Bank RCF & Term Loan	January 2018	July 2017
Net Debt: EBITDA	4.21x	4.15x
Interest Cover (including Hybrid interest)	4.16x	4.64x

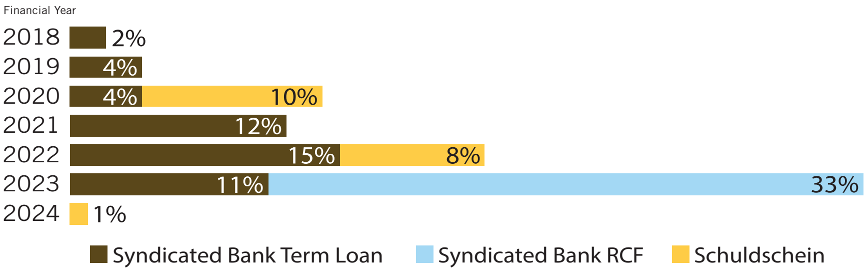
As of 31 January 2018, the Group's financing facilities, related capitalised upfront borrowing costs, finance leases, overdrafts and cash balances outstanding were as follows:

in EUR `000	31 January 2018
Syndicated Bank RCF	(686,951)
Syndicated Bank Term loan	(983,662)
Schuldschein	(383,304)
Gross term debt	**(2,053,917)**
Upfront borrowing costs	26,394
Term debt, net of upfront borrowing costs	**(2,027,523)**
Finance leases	(977)
Cash and cash equivalents, net of overdrafts	405,435
Net debt	**(1,623,065)**

Interim Financial and Business Review (continued)

As of 31 January 2018, the weighted average interest cost of the Group debt financing facilities was 3.2% (July 2017: 2.2%) and the weighted average maturity of the Group's gross term debt is 3.65 years.

Gross Term Debt Maturity Profile



13 Hybrid funding

As of 31 January 2018, the Group has €755m of hybrid funding outstanding, which is accounted for as equity under IFRS, as the instruments have no maturity date and repayment is at the option of ARYZTA. The Group currently does not intend to call the CHF 400m Hybrid on its first call date in April 2018. In the event repayment is not made at the first-call dates, the instruments include a provision for a coupon step-up, as included below.

First call date	Coupon	Step-up if not called	Principal	in EUR `000
April 2018	4.0%	6.045% +3 Month Swiss Libor	CHF 400m	(342,654)
March 2019	4.5%	6.77% +5 Year Euro Swap Rate	EUR 250m	(250,000)
April 2020	3.5%	4.213% +3 Month Swiss Libor	CHF 190m	(162,760)
Hybrid funding at 31 January 2018 exchange rates				**(755,414)**

14 Foreign currency

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

Currency	Average H1 2018	Average H1 2017	% Change	Closing H1 2018	Closing FY 2017	% Change
CHF	1.1573	1.0820	(7.0)%	1.1674	1.1340	(2.9)%
USD	1.1862	1.0910	(8.7)%	1.2425	1.1756	(5.7)%
CAD	1.4923	1.4422	(3.5)%	1.5350	1.4674	(4.6)%
GBP	0.8923	0.8625	(3.5)%	0.8760	0.8933	1.9%

Interim Financial and Business Review (continued)

15 Return on invested capital

in EUR million	ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World	ARYZTA Group
31 January 2018				
Segmental net assets[1]	1,618	1,377	190	3,185
TTM EBITA[1]	122	50	30	202
ROIC[1]	7.5%	3.6%	15.8%	6.3%
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%

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

2 Group WACC on a pre-tax basis is currently 8.0% (2017: 8.1%).

16 Net assets, goodwill and intangibles

in EUR `000	January 2018	July 2017
Property, plant and equipment	1,287,091	1,386,294
Investment properties	20,249	19,952
Goodwill and intangible assets	2,301,445	2,651,937
Deferred tax on goodwill and intangibles	(40,778)	(82,534)
Working capital	(327,199)	(334,078)
Other segmental liabilities	(55,719)	(61,202)
Segmental net assets	3,185,089	3,580,369
Investments in joint ventures	485,695	528,188
Disposal group held-for-sale	57,220	–
Net debt	(1,623,065)	(1,733,870)
Deferred tax, net	(105,945)	(111,863)
Income tax	(58,701)	(63,283)
Derivative financial instruments	(1,191)	2,111
Net assets	**1,939,102**	**2,201,652**

17 Dividend

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 €34.0m being recognised within equity, based on the market price of the shares at the date of approval.

The approved dividend covering the prior year ended 31 July 2016 of CHF 0.5731, resulted in a dividend of €47.6m, which was paid cash on 1 February 2017.

Interim Financial and Business Review (continued)

18 Subsequent events

During February 2018, the Group completed the disposal of its Cloverhill Chicago and Cicero facilities in North America for proceeds of €57m, net of associated transaction costs.

During March 2018, the Group agreed to sell its 50% interest in Signature Flatbreads to its joint venture partners for net proceeds of approximately €34m.

These disposals are consistent with ARYZTA's strategy to focus on its frozen B2B bakery operations and exit non-core businesses. The associated proceeds from these transactions will be used to reduce net debt.

19 Principal risks and uncertainties

The Board and senior management have invested significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Board considers the risks and uncertainties disclosed on page 60 of the ARYZTA AG 2017 Annual Report and Accounts to continue to reflect the principal risks and uncertainties of the Group over the remaining six months of the financial year.

20 Forward looking statement

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

Interim Financial and Business Review (continued)

21 Glossary of financial terms and references

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

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

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

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

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

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

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

'Underlying net profit' – presented as reported net profit, adjusted to include the Hybrid instrument accrued dividend as a finance cost; before non-ERP related intangible amortisation; before private placement and RCF 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. It is also the Group's policy to declare dividends based on underlying fully diluted earnings per share.

Bridge to Group Consolidated Income Statement
for the six months ended 31 January 2018

in EUR `000	**January 2018**	January 2017
Underlying net profit	**50,933**	109,430
Amortisation of non-ERP intangible assets	**(86,186)**	(87,460)
Tax on amortisation of non-ERP intangible assets	**41,548**	16,072
Share of JV intangible amortisation and restructuring costs, net of tax	**(5,058)**	(2,229)
Hybrid instrument accrued dividend	**15,344**	16,022
Private Placement and RCF early redemption costs	**(12,415)**	(182,513)
Loss on impairment of disposal group held-for-sale	**(151,042)**	–
Net gain on disposal of business	**1,706**	–
Impairment and disposal of fixed assets	**–**	(2,347)
Restructuring-related costs	**(51,816)**	(10,812)
Tax on net impairment, disposal and restructuring-related costs	**37**	2,804
Reported net loss attributable to equity shareholders	**(196,949)**	(141,033)
Diluted loss per share (cent)	**(239.1)**	(176.9)

Group Consolidated Income Statement
for the six months ended 31 January 2018

in EUR `000	Notes	Six months ended 31 January 2018 Unaudited	2017 Unaudited
Revenue	3	**1,786,549**	1,906,036
Cost of sales		**(1,332,533)**	(1,340,592)
Distribution expenses		**(207,620)**	(208,910)
Gross profit		**246,396**	356,534
Selling expenses		**(92,220)**	(103,135)
Administration expenses		**(197,165)**	(195,485)
Loss on impairment of disposal group held-for-sale	4	**(151,042)**	–
Operating (loss)/profit	3	**(194,031)**	57,914
Share of profit after interest and tax of joint ventures		**10,870**	14,481
(Loss)/profit before financing income, financing costs and income tax		**(183,161)**	72,395
Financing income		**1,350**	1,903
Financing costs		**(37,640)**	(31,525)
Private Placement and RCF early redemption costs		**(12,415)**	(182,513)
Loss before income tax		**(231,866)**	(139,740)
Income tax credit		**34,917**	342
Loss for the period		**(196,949)**	(139,398)
Attributable as follows:			
Equity shareholders		**(196,949)**	(141,033)
Non-controlling interests		**–**	1,635
Loss for the period		**(196,949)**	(139,398)

Loss per share	Notes	Six months ended 31 January 2018 euro cent	2017 euro cent
Basic loss per share	7	**(239.1) cent**	(176.9) cent
Diluted loss per share	7	**(239.1) cent**	(176.9) cent

The notes on pages 24 to 37 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Comprehensive Income
for the six months ended 31 January 2018

in EUR `000	Six months ended 31 January 2018 Unaudited	2017 Unaudited
Loss for the period	**(196,949)**	(139,398)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation effects on net investments	**(49,982)**	62,826
Cash flow hedges		
– Effective portion of changes in fair value of cash flow hedges	**(2,343)**	8,539
– Fair value of cash flow hedges transferred to income statement	**(834)**	2,611
– Deferred tax effect of cash flow hedges	**461**	(1,219)
Share of joint ventures' other comprehensive (loss)/income	**(21)**	190
Total of items that may be reclassified subsequently to profit or loss	**(52,719)**	72,947
Items that will not be reclassified to profit or loss:		
Defined benefit plans		
– Actuarial gain on Group defined benefit pension plans	**1,662**	3,707
– Deferred tax expense of actuarial gain	**(242)**	(473)
Total of items that will not be reclassified to profit or loss	**1,420**	3,234
Total other comprehensive (loss)/income	**(51,299)**	76,181
Total comprehensive loss for the period	**(248,248)**	(63,217)
Attributable as follows:		
Equity shareholders	**(248,248)**	(65,450)
Non-controlling interests	**–**	2,233
Total comprehensive loss for the period	**(248,248)**	(63,217)

The notes on pages 24 to 37 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet
as at 31 January 2018

in EUR `000	Notes	31 January 2018 Unaudited	31 July 2017 Audited
Assets			
Non-current assets			
Property, plant and equipment		**1,287,091**	1,386,294
Investment properties		**20,249**	19,952
Goodwill and intangible assets	8	**2,301,445**	2,651,937
Investments in joint ventures		**485,695**	528,188
Deferred income tax assets		**149,910**	158,767
Total non-current assets		**4,244,390**	4,745,138
Current assets			
Inventory		**257,762**	252,162
Trade and other receivables		**129,991**	164,271
Derivative financial instruments		**1,019**	4,311
Cash and cash equivalents	9	**535,750**	535,570
		924,522	956,314
Assets of disposal group held-for-sale	4	**57,220**	–
Total current assets		**981,742**	956,314
Total assets		**5,226,132**	5,701,452

The notes on pages 24 to 37 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet
as at 31 January 2018 (continued)

in EUR `000	Notes	**31 January 2018 Unaudited**	31 July 2017 Audited
Equity			
Called up share capital		**1,191**	1,172
Share premium		**807,512**	774,040
Retained earnings and other reserves		**1,130,399**	1,426,440
Total equity		**1,939,102**	2,201,652
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	9	**1,895,809**	383,242
Employee benefits		**6,263**	6,644
Deferred income from government grants		**16,344**	18,280
Other payables		**33,112**	36,278
Deferred income tax liabilities		**296,633**	353,164
Derivative financial instruments		**7**	704
Total non-current liabilities		**2,248,168**	798,312
Current liabilities			
Interest-bearing loans and borrowings	9	**263,006**	1,886,198
Trade and other payables		**714,952**	750,511
Income tax payable		**58,701**	63,283
Derivative financial instruments		**2,203**	1,496
Total current liabilities		**1,038,862**	2,701,488
Total liabilities		**3,287,030**	3,499,800
Total equity and liabilities		**5,226,132**	5,701,452

The notes on pages 24 to 37 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity
for the six months ended 31 January 2018

for the six months ended 31 January 2018 in EUR `000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Total
At 1 August 2017	**1,172**	**774,040**	**(47)**	**720,456**	**2,859**	**2,005**	**(36,617)**	**737,784**	**2,201,652**
Loss for the period	–	–	–	–	–	–	–	(196,949)	(196,949)
Other comprehensive (loss)/income	–	–	–	–	(2,716)	–	(49,982)	1,399	(51,299)
Total comprehensive loss	**–**	**–**	**–**	**–**	**(2,716)**	**–**	**(49,982)**	**(195,550)**	**(248,248)**
Release of treasury shares upon vesting of Restricted Stock Unit Plan awards	–	(1)	1	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	1,512	–	–	1,512
Transfer of share-based payment reserve to retained earnings	–	–	–	–	–	(1,711)	–	1,711	–
Equity dividends (note 6)	19	33,473	–	–	–	–	–	(33,962)	(470)
Dividend accrued on perpetual callable subordinated instruments	–	–	–	–	–	–	–	(15,344)	(15,344)
Total transactions with owners recognised directly in equity	**19**	**33,472**	**1**	**–**	**–**	**(199)**	**–**	**(47,595)**	**(14,302)**
At 31 January 2018	**1,191**	**807,512**	**(46)**	**720,456**	**143**	**1,806**	**(86,599)**	**494,639**	**1,939,102**

The notes on pages 24 to 37 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity (continued)
for the six months ended 31 January 2018

for the six months ended 31 January 2017 in EUR `000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Total shareholders equity	Non controlling interests	Total
At 1 August 2016	**1,172**	**774,040**	**(47)**	**720,456**	**(11,521)**	**(18,114)**	**1,706,686**	**3,172,672**	**15,099**	**3,187,771**
(Loss)/profit for the period	–	–	–	–	–	–	(141,033)	(141,033)	1,635	(139,398)
Other comprehensive income	–	–	–	–	9,931	62,756	2,896	75,583	598	76,181
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**9,931**	**62,756**	**(138,137)**	**(65,450)**	**2,233**	**(63,217)**
Equity dividends (note 6)	–	–	–	–	–	–	(47,595)	(47,595)	–	(47,595)
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	(3,350)	(3,350)
Dividend accrued on perpetual callable subordinated instruments	–	–	–	–	–	–	(16,022)	(16,022)	–	(16,022)
Total contributions by and distributions to owners	**–**	**–**	**–**	**–**	**–**	**–**	**(63,617)**	**(63,617)**	**(3,350)**	**(66,967)**
Acquisition of non-controlling interests	–	–	–	–	–	–	13,982	13,982	(13,982)	–
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**(49,635)**	**(49,635)**	**(17,332)**	**(66,967)**
At 31 January 2017	**1,172**	**774,040**	**(47)**	**720,456**	**(1,590)**	**44,642**	**1,518,914**	**3,057,587**	**–**	**3,057,587**

The notes on pages 24 to 37 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
for the six months ended 31 January 2018

		Six months ended 31 January	
in EUR `000	Notes	**2018 Unaudited**	2017 Unaudited
Cash flows from operating activities			
Loss for the period		**(196,949)**	(139,398)
Income tax credit		**(34,917)**	(342)
Financing income		**(1,350)**	(1,903)
Financing costs		**37,640**	31,525
Private Placement and RCF early redemption costs		**12,415**	182,513
Share of profit after interest and tax of joint ventures		**(10,870)**	(14,481)
Loss on impairment of disposal group held for sale	4	**151,042**	–
Net gain on disposal of business	5	**(1,706)**	–
Impairment and disposal of fixed assets	5	**–**	2,347
Other restructuring-related payments in excess of current-period costs		**(3,825)**	(17,511)
Depreciation of property, plant and equipment		**59,283**	61,801
Amortisation of intangible assets	8	**94,880**	96,143
Recognition of deferred income from government grants		**(1,936)**	(2,864)
Share-based payments		**1,512**	–
Other		**(3,048)**	(3,441)
Cash flows from operating activities before changes in working capital		**102,171**	194,389
Increase in inventory		**(33,734)**	(25,776)
Decrease in trade and other receivables		**23,125**	30,106
(Decrease)/increase in trade and other payables		**(11,670)**	3,371
Cash generated from operating activities		**79,892**	202,090
Income tax paid		**(8,787)**	(8,474)
Net cash flows from operating activities		**71,105**	193,616

The notes on pages 24 to 37 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement (continued) for the six months ended 31 January 2018

		Six months ended 31 January	
in EUR `000	Notes	**2018 Unaudited**	2017 Unaudited
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**772**	11,514
Proceeds from sale of investment property		**–**	4,234
Purchase of property, plant and equipment		**(40,030)**	(57,485)
Purchase of intangible assets		**(1,929)**	(5,266)
Dividend received from joint venture		**53,540**	–
Disposal of business, net	5	**46,781**	–
Contingent consideration paid		**–**	(896)
Net cash flows from investing activities		**59,134**	(47,899)
Cash flows from financing activities			
Gross drawdown of loan capital	9	**1,696,685**	1,031,095
Gross repayment of loan capital	9	**(1,793,059)**	(1,209,472)
Private Placement early redemption and related costs		**–**	(175,647)
Interest paid		**(45,053)**	(49,598)
Interest received		**1,350**	2,397
Capital element of finance lease liabilities	9	**(405)**	(500)
Dividends paid to non-controlling interests		**–**	(3,350)
Net cash flows from financing activities		**(140,482)**	(405,075)
Net decrease in cash and cash equivalents	9	**(10,243)**	(259,358)
Translation adjustment	9	**(6,262)**	3,218
Net cash and cash equivalents at start of period	9	**421,940**	468,973
Net cash and cash equivalents at end of period	9	**405,435**	212,833

The notes on pages 24 to 37 are an integral part of these Group consolidated financial statements.

Notes to the Group Condensed Interim Financial Statements
for the six months ended 31 January 2018

1 Basis of preparation

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

These Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s most recent Annual Financial Statements in respect of the year ended 31 July 2017, which have been prepared in accordance with International Financial Reporting Standards (‘IFRS’).

These Interim Financial Statements for the six months ended 31 January 2018 and the comparative figures for the six months ended 31 January 2017 are unaudited and have not been reviewed by the auditors. The extracts from the Group’s Annual Financial Statements for the year ended 31 July 2017 represent an abbreviated version of the Group’s full accounts for that year, on which the auditors issued an unqualified audit report.

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

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

Currency	Average H1 2018	Average H1 2017	% Change	Closing H1 2018	Closing FY 2017	% Change
CHF	1.1573	1.0820	(7.0)%	1.1674	1.1340	(2.9)%
USD	1.1862	1.0910	(8.7)%	1.2425	1.1756	(5.7)%
CAD	1.4923	1.4422	(3.5)%	1.5350	1.4674	(4.6)%
GBP	0.8923	0.8625	(3.5)%	0.8760	0.8933	1.9%

2 Accounting policies

Except as described below, the Interim Financial Statements have been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates, as set out on pages 76 to 91 of the ARYZTA AG 2017 Annual Report and Accounts.

The IFRS applied by the Group in preparation of these financial statements are those that were effective for accounting periods beginning on or before 1 August 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

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2018

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

Certain amounts in the 31 January 2017 and 31 July 2017 comparative financial statement figures and related notes have been reclassified to conform to the 31 January 2018 presentation. These reclassifications were made for presentation purposes to better align the Group's financial statement presentation to a more commonly used approach and have no effect on total revenues, expenses, profit for the period, total assets, total liabilities, total equity or total cash flow classifications as previously reported.

3 Analysis by business segment

I) Segment revenue and result	ARYZTA Europe Six months ended 31 January		ARYZTA North America Six months ended 31 January		ARYZTA Rest of World Six months ended 31 January		ARYZTA Group Six months ended 31 January	
in EUR `000	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Segment revenue[1]	**868,257**	861,819	**786,424**	915,166	**131,868**	129,051	**1,786,549**	1,906,036
EBITDA[2]	**90,740**	110,283	**49,962**	99,119	**20,582**	19,615	**161,284**	229,017
Depreciation	**(28,156)**	(26,986)	**(26,213)**	(30,177)	**(4,914)**	(4,638)	**(59,283)**	(61,801)
ERP Amortisation	**(5,549)**	(5,212)	**(3,138)**	(3,471)	**(7)**	–	**(8,694)**	(8,683)
EBITA	**57,035**	78,085	**20,611**	65,471	**15,661**	14,977	**93,307**	158,533
Amortisation of other intangible assets	**(35,786)**	(29,129)	**(46,619)**	(54,363)	**(3,781)**	(3,968)	**(86,186)**	(87,460)
Loss on impairment of disposal group held-for-sale	**–**	–	**(151,042)**	–	**–**	–	**(151,042)**	–
Net gain on disposal of business	**1,706**	–	**–**	–	**–**	–	**1,706**	–
Impairment and disposal of fixed assets	**–**	(2,013)	**–**	(334)	**–**	–	**–**	(2,347)
Restructuring-related costs	**(2,024)**	(2,888)	**(49,625)**	(7,235)	**(167)**	(689)	**(51,816)**	(10,812)
Operating profit/(loss)[2]	**20,931**	44,055	**(226,675)**	3,539	**11,713**	10,320	**(194,031)**	57,914
Share of profit after tax of joint ventures[3]							**10,870**	14,481
Financing income[3]							**1,350**	1,903
Financing costs[3]							**(37,640)**	(31,525)
Private Placement and RCF early redemption costs							**(12,415)**	(182,513)
Loss before income tax as reported in Group Consolidated Income Statement							**(231,866)**	(139,740)

1 There were no significant intercompany revenues between business segments.

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

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

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2018

II) Segment assets in EUR `000	**ARYZTA Europe** **as at 31 Jan 2018**	ARYZTA Europe as at 31 Jul 2017	**ARYZTA North America** **as at 31 Jan 2018**	ARYZTA North America as at 31 Jul 2017	**ARYZTA Rest of World** **as at 31 Jan 2018**	ARYZTA Rest of World as at 31 Jul 2017	**ARYZTA Group** **as at 31 Jan 2018**	ARYZTA Group as at 31 Jul 2017
Segment assets	**2,075,319**	2,172,161	**1,759,631**	2,125,089	**250,310**	266,088	**4,085,260**	4,563,338
Reconciliation to total assets as reported in the Group Consolidated Balance Sheet								
Investments in joint ventures							**485,695**	528,188
Deferred income tax assets							**61,188**	70,045
Derivative financial instruments							**1,019**	4,311
Cash and cash equivalents							**535,750**	535,570
Assets of disposal group held-for-sale (note 4)							**57,220**	–
Total assets as reported in Group Consolidated Balance Sheet							**5,226,132**	5,701,452

III) Segment liabilities in EUR `000	**ARYZTA Europe** **as at 31 Jan 2018**	ARYZTA Europe as at 31 Jul 2017	**ARYZTA North America** **as at 31 Jan 2018**	ARYZTA North America as at 31 Jul 2017	**ARYZTA Rest of World** **as at 31 Jan 2018**	ARYZTA Rest of World as at 31 Jul 2017	**ARYZTA Group** **as at 31 Jan 2018**	ARYZTA Group as at 31 Jul 2017
Segment liabilities	**457,205**	495,550	**383,017**	415,041	**59,949**	72,378	**900,171**	982,969
Reconciliation to total liabilities as reported in the Group Consolidated Balance Sheet								
Interest-bearing loans and borrowings							**2,158,815**	2,269,440
Derivative financial instruments							**2,210**	2,200
Current and deferred income tax liabilities							**225,834**	245,191
Total liabilities as reported in Group Consolidated Balance Sheet							**3,287,030**	3,499,800

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2018

4 Disposal group held-for-sale

During January 2018, the Group agreed to dispose of the Cloverhill Chicago and Cicero facilities in North America, which historically generated approximately €250,000,000 in annual revenues. As these facilities were available-for-sale and negotiations were at an advanced stage, management have recorded these assets as a disposal group held-for-sale as at 31 January 2018. As the agreed proceeds received during February 2018 of €57,220,000, net of associated transaction costs, were less than the €208,262,000 carrying value of the net assets, a loss on impairment of disposal group held-for-sale of €151,042,000 has been recognised during the period ended 31 January 2018.

In accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', the assets of the disposal group classified as held for sale are presented separately from other assets in the Group Consolidated Balance Sheet as at 31 January 2018. The liabilities relating to these businesses as at 31 January 2018 did not form part of the transactions and remain within the Group.

Analysis of the disposal group 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	**January 2018**
Carrying value of net assets transferred to disposal group held-for-sale	208,262
Loss on impairment of disposal group held-for-sale	(151,042)
Disposal group held-for-sale at fair value less costs to sell	**57,220**

The assets of the disposal group held-for-sale are as follows:

in EUR '000	**January 2018**
Property, plant and equipment	41,846
Inventory	15,374
Disposal group held-for-sale at fair value less costs to sell	**57,220**

The fair value has been measured using inputs not observable within the market, being the agreed consideration of the transactions, and is therefore within level 3 of the fair value hierarchy. The transactions closed subsequent to period end, during February 2018.

A cumulative €19m foreign currency translation gain on net investment, related to the disposal group held-for-sale, has been recognised through other comprehensive income since initial investment, and remains in foreign currency translation reserve as of 31 January 2018. This amount will be recycled from other comprehensive income into the income statement upon completion of the transactions, subsequent to period end.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2018

5 Impairment, disposal and restructuring-related costs

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

Management has also identified certain 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 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	Impairment, disposal and restructuring-related costs 2018	Intangible amortisation 2018	Financial Business Review 2018	IFRS Income Statement 2017	Impairment, disposal and restructuring-related costs 2017	Intangible amortisation 2017	Financial Business Review 2017
Revenue	**1,786,549**	–	–	**1,786,549**	**1,906,036**	–	–	**1,906,036**
Cost of sales	**(1,332,533)**	38,980	–	**(1,293,553)**	**(1,340,592)**	4,115	–	**(1,336,477)**
Distribution expenses	**(207,620)**	–	–	**(207,620)**	**(208,910)**	(30)	–	**(208,940)**
Gross profit	**246,396**	38,980	–	**285,376**	**356,534**	4,085	–	**360,619**
Selling expenses	**(92,220)**	–	–	**(92,220)**	**(103,135)**	177	–	**(102,958)**
Administration expenses	**(197,165)**	11,130	86,186	**(99,849)**	**(195,485)**	8,897	87,460	**(99,128)**
Loss on impairment of disposal group held-for-sale	**(151,042)**	151,042	–	**–**	**–**	–	–	**–**
Operating (loss)/profit EBITA as per Financial Business Review	**(194,031)**	201,152	86,186	**93,307**	**57,914**	13,159	87,460	**158,533**

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2018

During the period ended 31 January 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 EBITDA within note 3. Furthermore, this metric forms the basis for Trailing Twelve Month EBITDA utilised in calculating the Net Debt: EBITDA ratio for banking covenant compliance.

		ARYZTA Europe Six months ended 31 January		ARYZTA North America Six months ended 31 January		ARYZTA Rest of World Six months ended 31 January		ARYZTA Group Six months ended 31 January	
in EUR `000	Notes	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Loss on impairment of disposal group held-for-sale	4	**–**	–	**(151,042)**	–	**–**	–	**(151,042)**	–
Net gain on disposal of business	5.1	**1,706**	–	**–**	–	**–**	–	**1,706**	–
Impairment and disposal of fixed assets	5.2	**–**	(2,013)	**–**	(334)	**–**	–	**–**	(2,347)
Total net gain/(loss) on disposal of businesses and asset impairments		**1,706**	(2,013)	**(151,042)**	(334)	**–**	–	**(149,336)**	(2,347)
Labour-related business interruption		**–**	–	**(38,730)**	–	**–**	–	**(38,730)**	–
Severance and other staff-related costs		**(959)**	(1,149)	**(5,569)**	(2,490)	**(167)**	(551)	**(6,695)**	(4,190)
Contractual obligations		**–**	(1,400)	**–**	(2,726)	**–**	–	**–**	(4,126)
Advisory and other costs		**(1,065)**	(339)	**(5,326)**	(2,019)	**–**	(138)	**(6,391)**	(2,496)
Total restructuring-related costs	5.3	**(2,024)**	(2,888)	**(49,625)**	(7,235)	**(167)**	(689)	**(51,816)**	(10,812)
Total impairment, disposal and restructuring-related costs		**(318)**	(4,901)	**(200,667)**	(7,569)	**(167)**	(689)	**(201,152)**	(13,159)

5.1 Net gain on disposal of business

During the period ended 31 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 €45,075,000 carrying value of the net assets disposed, a net gain on disposal of €1,706,000 was recognised during the period ended 31 January 2018.

There were no business disposals during the period ended 31 January 2017.

5.2 Impairment and disposal of fixed assets

There were no fixed asset impairments during the period ended 31 January 2018.

The Group incurred €2,347,000 on impairment and disposal of fixed assets during the period ended 31 January 2017, which related to the write-down of certain distribution, manufacturing and administration assets, following the closure and / or reduction in activities expected to be generated from those assets.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2018

5.3 Restructuring-related costs

Labour-related business interruption
The €16,349,000 of labour-related business interruption costs experienced in the North America Cloverhill facilities during the last three months of the financial year ended 31 July 2017 continued into the six month period ended 31 January 2018, during which the Group incurred €38,730,000 of further losses.

As indicated in note 4, these facilities were disposed of subsequent to period end, during February 2018, for proceeds of €57,220,000, net of associated transaction costs.

Severance and other staff-related costs
The Group incurred €6,695,000 (2017: €4,190,000) in severance and other staff-related costs during the period. These costs primarily related to employees whose service was discontinued following certain rationalisation decisions across the various business locations of the Group.

Contractual obligations
There were no contractual obligation costs incurred during the period ended 31 January 2018.

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

Advisory and other costs
During the period ended 31 January 2018, the Group incurred €6,391,000 (2017: €2,496,000) in costs related to the reorganisation of the North America business and a group wide strategic business review.

6 Dividends

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.

The approved dividend covering the prior year ended 31 July 2016 of CHF 0.5731, resulted in a dividend of €47,595,000, which was paid cash on 1 February 2017.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2018

7 Earnings per share

	Six months ended 31 January	
	2018	2017
Basic loss per share	in EUR '000	in EUR '000
Loss attributable to equity shareholders	**(196,949)**	(141,033)
Perpetual callable subordinated instrument accrued dividend	**(15,344)**	(16,022)
Loss used to determine basic EPS	**(212,293)**	(157,055)
Weighted average number of ordinary shares	'000	'000
Ordinary shares outstanding at 1 August[1]	**88,759**	88,759
Effect of exercise of equity instruments during the period	**40**	–
Weighted average ordinary shares used to determine basic EPS	**88,799**	88,759
Basic loss per share	**(239.1) cent**	(176.9) cent

	2018	2017
Diluted loss per share	in EUR '000	in EUR '000
Loss used to determine basic EPS	**(212,293)**	(157,055)
Weighted average number of ordinary shares (diluted)	'000	'000
Weighted average ordinary shares used to determine basic EPS	**88,799**	88,759
Effect of equity-based incentives with a dilutive impact[2]	**–**	–
Effect of ordinary shares issued as scrip dividend[2]	**–**	–
Weighted average ordinary shares used to determine diluted EPS	**88,799**	88,759
Diluted loss per share	**(239.1) cent**	(176.9) cent

1 Issued share capital excludes treasury shares.

2 In accordance with IAS 33, potential ordinary shares are treated as dilutive only when their conversion would decrease profit per share or increase loss per share from continuing operations. As the impact related to the conversion of equity-based incentives and shares issued as scrip dividend would decrease the loss per share for the periods ended 31 January 2018 and 31 January 2017, no dilutive effect was given to outstanding equity based incentives or shares issued as scrip dividend.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 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 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 net impairment, disposal and restructuring-related costs.

	Six months ended 31 January	
	2018	2017
Underlying fully diluted earnings per share	in EUR '000	in EUR '000
Loss used to determine basic EPS	**(212,293)**	(157,055)
Amortisation of non-ERP intangible assets	**86,186**	87,460
Tax on amortisation of non-ERP intangible assets	**(41,548)**	(16,072)
Share of JV intangible amortisation and restructuring costs, net of tax	**5,058**	2,229
Private Placement and RCF early redemption costs	**12,415**	182,513
Loss on impairment of disposal group held-for-sale	**151,042**	–
Net gain on disposal of business	**(1,706)**	–
Impairment and disposal of fixed assets	**–**	2,347
Restructuring-related costs	**51,816**	10,812
Tax on net impairment, disposal and restructuring-related costs	**(37)**	(2,804)
Underlying net profit	**50,933**	109,430
Weighted average ordinary shares used to determine basic EPS	**88,799**	88,759
Underlying basic earnings per share	**57.4 cent**	123.3 cent
Weighted average ordinary shares used to determine basic EPS	**88,799**	88,759
Effect of equity-based incentives with a dilutive impact	**88**	88
Effect of ordinary shares issued as scrip dividend	**338**	–
Weighted average ordinary shares used to determine underlying fully diluted EPS	**89,225**	88,847
Underlying fully diluted earnings per share	**57.1 cent**	123.2 cent

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2018

8 Goodwill and intangible assets

31 January 2018 in EUR '000	Goodwill	Customer Relationships	Brands	Computer-related	ERP-related intangibles	Patents and other	Total
Net Book Value At 31 July 2017	**1,775,000**	**556,293**	**108,453**	**18,721**	**170,996**	**22,474**	**2,651,937**
Additions	–	–	–	785	1,009	–	1,794
Transfer to disposal group held-for-sale (note 4)	(120,724)	(8,049)	(3,219)	(261)	(7,541)	(3,334)	(143,128)
Arising on business disposals (note 5)	(22,200)	(13,221)	(2,132)	–	–	–	(37,553)
Amortisation charge for the period	–	(58,622)	(18,262)	(1,642)	(8,694)	(7,660)	(94,880)
Translation adjustments	(54,179)	(17,129)	(3,538)	(1,100)	(199)	(580)	(76,725)
Net Book Value At 31 January 2018	**1,577,897**	**459,272**	**81,302**	**16,503**	**155,571**	**10,900**	**2,301,445**
At 31 January 2018							
Cost	1,577,897	1,032,933	273,606	37,863	205,083	44,087	3,171,469
Accumulated amortisation	–	(573,661)	(192,304)	(21,360)	(49,512)	(33,187)	(870,024)
Net Book Value At 31 January 2018	**1,577,897**	**459,272**	**81,302**	**16,503**	**155,571**	**10,900**	**2,301,445**

Intangible asset movements
As set out in note 4, during the period, €208,262,000 of assets related to the Cloverhill legacy Chicago and Cicero facilities in the North America business segment were transferred to disposal group held-for-sale. These included €143,128,000 of intangible assets, of which €120,724,000 related to goodwill, and €22,404,000 related to customer relationships, brands and trademarks, software and other intangibles.

As set out in note 5.1, during the period ended 31 January 2018, the Group disposed of a business in Europe resulting in the disposal of €37,553,000 of intangible assets, of which €22,200,000 related to goodwill and €15,353,000 related to customer relationships and brands.

Goodwill Impairment testing
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 write down of goodwill to recoverable value in the Germany and North America cash generating units ('CGUs') in July 2017, the value in use of these CGUs at year end was sensitive to further changes to key assumptions. Given the sensitivities in these CGUs at July 2017, the Directors and management have deemed it appropriate to conduct impairment tests on Germany and North America at January 2018.

The carrying amount of goodwill allocated to the two CGUs where the impairment calculations were updated at 31 January 2018, as well as the key assumptions used, are summarised as follows:

	Goodwill Carrying value		Pre-tax discount rate		Terminal growth rate	
in EUR '000	**2018 January**	2017 July	**2018 January**	2017 July	**2018 January**	2017 July
Germany	**204,906**	204,906	**8.4%**	8.4%	**1.9%**	1.9%
North America	**755,933**	922,496	**8.9%**	8.9%	**2.2%**	2.2%

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2018

The recoverable amount of the two CGUs was determined based on value-in-use calculations using three year projection periods of future operating results and related cash flows, consistent with the methods used as at 31 July 2017. There was no change to the composition of the CGUs or to the level at which goodwill is monitored for internal management purposes. Note 14 of the 2017 Annual Report, pages 109-112, includes further information on the methods used in the impairment testing, and on the background to the goodwill impairments recorded in July 2017.

As the recoverable amounts were in excess of the carrying values, no further impairment losses have been recognised related to the Group's goodwill in Germany or North America during the period ended 31 January 2018.

The headroom of the recoverable amounts of the two CGUs tested over the respective carrying amounts at 31 January 2018 and 31 July 2017 is summarized in the table below, as well as the amounts by which the key assumptions would need to change, in isolation, such that the recoverable amounts would equal the carrying values of the CGUs.

	Headroom over carrying value		Pre-tax discount rate allowable movement		Terminal growth rate allowable movement	
	2018 January	2017 July	**2018 January**	2017 July	**2018 January**	2017 July
Germany	€10m	–	0.1%	0.0%	(0.1)%	0.0%
North America	€27m	–	0.1%	0.0%	(0.1)%	0.0%

As there were no indicators for impairment of any of the other CGUs during the period ended 31 January 2018, management has not updated any of the other impairment calculations previously performed during the year ended 31 July 2017.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2018

9 Analysis of net debt

Analysis of net debt in EUR `000	**1 August 2017**	**Cash flows**	**Non-cash movements**	**Translation adjustment**	**31 January 2018**
Cash	535,570	8,957	–	(8,777)	535,750
Overdrafts	(113,630)	(19,200)	–	2,515	(130,315)
Cash and cash equivalents	**421,940**	**(10,243)**	**–**	**(6,262)**	**405,435**
Loans	(2,154,285)	96,374	(15,397)	45,785	(2,027,523)
Finance leases	(1,525)	405	142	1	(977)
Net debt	**(1,733,870)**	**86,536**	**(15,255)**	**39,524**	**(1,623,065)**

The Group's new five-year unsecured €1,800m refinancing, comprising a €1,000m amortising term loan and a €800m revolving credit facility, was utilised on 22 September 2017 to repay in full the revolving credit and term loan facilities put in place in September 2016 and all amounts outstanding as of 31 January 2018 have been classified between current and long-term, in accordance with the terms of this new financing agreement.

The refinancing was underwritten by four of the Group's key relationship banks and general syndication was successfully completed during the period ended 31 January 2018.

In order to provide enhanced financial flexibility, the Group has increased the covenant to a maximum 4.75x Net Debt: EBITDA at 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.

10 Subsequent events

During February 2018, the Group completed the disposal of its Cloverhill Chicago and Cicero facilities in North America for proceeds of €57m, net of associated transaction costs.

During March 2018, the Group agreed to sell its 50% interest in Signature Flatbreads to its joint venture partners for net proceeds of approximately €34m.

These disposals are consistent with ARYZTA's strategy to focus on its frozen B2B bakery operations and exit non-core businesses. The associated proceeds from these transactions will be used to reduce net debt.

11 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.

12 Related party transactions

During the six months ended 31 January 2018, there have been no significant changes in the related party transactions described in the ARYZTA AG 2017 Annual Report and Accounts, which could have a material impact on the financial position or performance of the Group.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2018

13 Estimates, risks and uncertainties

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those risks outlined on page 145 of the ARYZTA AG 2017 Annual Report and Accounts.

During the period ended 31 January 2018:

- Estimated exposures to credit, liquidity, foreign exchange, interest rate or commodity price risk have remained materially consistent with 31 July 2017;
- No significant changes have occurred in relation to the Group's share based payment plans; and
- No impairment of goodwill, intangibles or other assets has been noted, other than as disclosed within note 8;
- Estimates associated with the provision for income tax and deferred income tax have remained materially consistent with 31 July 2017, with the exception of the impact from the recently announced US tax reform, which was enacted on 22 December 2017 via the US Tax Cuts and Jobs Act ('Tax Act'). The Tax Act transitions the US tax system to a new territorial system and lowers the statutory federal corporate income tax rate from 35% to 21%, together with other additional measures. Based on our preliminary assessment, we have recorded a one-time income tax benefit of €27,316,000, which is included in the Group's overall reported income tax credit of €34,917,000 for the six months ended 31 January 2018. The credit arises mainly as a result of the reduction in the US federal tax rate and the impact that has had on ARYZTA's deferred tax liabilities related to intangible assets.

The Board and senior management have invested significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Board considers the risks and uncertainties disclosed on page 60 of the ARYZTA AG 2017 Annual Report and Accounts to continue to reflect the principal risks and uncertainties of the Group over the remaining six months of the financial year.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2018

14 Distribution of interim report

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

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

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

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

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

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

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

On behalf of the Board

Gary McGann
Chairman, Board of Directors

Kevin Toland
CEO, Member of the Board of Directors

12 March 2018