2020

Interim Report and Condensed Financial Statements

ARYZTA

Passion for good food

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Interim Report 2020

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Interim Financial and Business Review

1.1 Highlights – Strategic Progress

- Portfolio refocus into frozen B2B bakery business achieved
- Europe and Rest of World regions performing well
- ARYZTA North America underlying EBITDA outcome significantly behind
- Net debt further reduced post Picard disposal; Net Debt: EBITDA of 1.96x
- €(898)m non-cash impairment; €(461)m on strategic disposals/disposal groups held-for-sale; €(437)m on North America goodwill write down
- Near to medium term, North America underlying EBITDA margin expectation revised to high-single digits
- Project Renew gathering momentum; cumulative savings of €57.4m since launch, on track to reach €70m run rate savings

1.2 H1 2020 Financial Summary

- Group organic revenue[1] declined (2.5)%; total revenue declined (3.2)% to €1,656m
  - » Europe organic revenue decline of (2.0)%
  - » North America organic revenue decline of (5.3)%
  - » Rest of World organic revenue growth of +8.6%
- Underlying EBITDA[1] of €169.8m, +12%; like-for-like (6.3)% before effects of IFRS 16
  - » Europe underlying EBITDA[1] of €100.7m; like-for-like +2.8% before IFRS 16
  - » North America underlying EBITDA[1] of €46.5m; like-for-like (22.8)% before IFRS 16
  - » Rest of World underlying EBITDA[1] of €22.7m; like-for-like (3.5)% before IFRS 16
- Group underlying EBITDA[1] margin of 10.3%; like-for-like 8.6% before IFRS 16; down 30 bps before IFRS 16
- Underlying net profit of €34.4m
- Operating free cash generation of €55.7m; Cash flow generated from activities of €23.2m
- IFRS operating loss of €(597.2)m
- IFRS loss for the period of €(899.2)m; non-cash impairment charges and losses on disposal of €(898)m
- IFRS fully diluted loss per share of (93.0) cents

Commenting on the H1 2020 results, ARYZTA AG CEO Kevin Toland said

"Europe has delivered EBITDA and margin growth consistent with its focus on profitable volume and increased operating efficiency. North America, while reporting sequentially improved revenue, is behind in terms of its EBITDA outcome. Factors impacting North America profitability are being addressed and we expect an improved performance in H2.

ARYZTA continues to make strategic and financial progress with our portfolio refocus to a frozen B2B business now complete. Our net debt is at its lowest level since 2013 with a leverage ratio below 2x. We continue to expect to deliver underlying EBITDA growth for FY20, excluding the effects of IFRS 16, as the overall business stabilises and the benefits of Project Renew are further realised."

1 The current financial period includes the impact of the adoption of IFRS 16 – Leases. Comparatives have not been restated in accordance with transitional guidelines. To enable analysis against the prior period, the H1-20 figures are presented before and after the impact of IFRS 16. Certain financial alternative performance measures, that are not defined by IFRS, are used by management to assess the financial and operational performance of ARYZTA. See glossary in section 21 on pages 14-15 for definitions of financial terms and references used in the financial and business review, including a reconciliation of Underlying EBITDA movements by segment before and after the impact from adoption of IFRS 16. Further detail on the adoption of IFRS 16 is presented in note 8 on pages 35–36.

Interim Financial and Business Review (continued)

2 Underlying Income Statement and reconciliation to IFRS

Six month period ended 31 January 2020

in EUR '000	January 2020	January 2019	% Change	% Change before IFRS 16
Group revenue	1,656,205	1,710,705	(3.2)%	(3.2)%
Underlying EBITDA[1]	169,830	151,629	12.0%	(6.3)%
Underlying EBITDA margin	10.3%	8.9%	140 bps	(30) bps
Depreciation and ERP amortisation	(96,112)	(66,031)	45.6%	6.6%
Underlying EBITA[1]	73,718	85,598	(13.9)%	(16.2)%
Joint ventures underlying net profit	18,352	20,592	(10.9)%	(10.9)%
Underlying EBITA including joint ventures	92,070	106,190	(13.3)%	(15.2)%
Finance cost, net	(22,331)	(33,564)	33.5%	49.4%
Hybrid instrument dividend	(22,095)	(18,221)	(21.3)%	(21.3)%
Underlying pre-tax profits	47,644	54,405	(12.4)%	(6.3)%
Income tax	(13,210)	(14,911)	11.4%	11.4%
Underlying net profit[1]	**34,434**	**39,494**	**(12.8)%**	**(4.3)%**
Underlying fully diluted EPS (cent)[2]	3.5	6.0	(41.7)%	(36.5)%

1 Certain financial alternative performance measures, that are not defined by IFRS, are used by management to assess the financial and operational performance of ARYZTA. See glossary in section 21 for definitions of financial terms and references used in the financial and business review, including a reconciliation of Underlying EBITDA movements by segment before and after the impact from adoption of IFRS 16 – Leases.

2 The 31 January 2020 weighted average number of ordinary shares used to calculate underlying earnings per share is 992,305,695 (H1 2019: 657,924,501).

in EUR '000	January 2020	January 2019
Underlying EBITDA	**169,830**	151,629
Depreciation	**(87,800)**	(57,649)
ERP amortisation	**(8,312)**	(8,382)
Underlying EBITA	**73,718**	85,598
Amortisation of other intangible assets	**(65,856)**	(67,704)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**(164,029)**	(847)
Impairment of goodwill	**(437,146)**	–
Gain on fixed asset disposals and impairments	**291**	–
Restructuring-related costs	**(4,223)**	(6,296)
IFRS operating (loss)/profit	**(597,245)**	10,751
Share of profit after interest and tax of joint ventures	**16,135**	19,061
Net loss on disposal of joint venture	**(297,057)**	–
Finance cost, net	**(22,331)**	(33,564)
Loss before income tax	**(900,498)**	(3,752)
Income tax credit/(expense)	**1,288**	(558)
IFRS loss for the period	**(899,210)**	(4,310)
Hybrid instrument dividend	**(22,095)**	(18,221)
Loss used to determine basic EPS	**(921,305)**	(22,531)
IFRS diluted loss per share (cent)[3]	**(93.0) cent**	(3.4) cent

3 The 31 January 2020 weighted average number of ordinary shares used to calculate IFRS diluted loss per share is 990,600,164 (H1 2019: 657,377,825).

Interim Financial and Business Review (continued)

3 Organic revenue

Six month period ended 31 January 2020

in EUR million	ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World	ARYZTA Group
Group revenue	**807.3**	**704.0**	**144.9**	**1,656.2**
Organic movement	**(2.0)%**	**(5.3)%**	**8.6%**	**(2.5)%**
Disposals movement	(4.5)%	–	–	(2.3)%
Currency movement	0.4%	3.4%	0.3%	1.6%
Total revenue movement	**(6.1)%**	**(1.9)%**	**8.9%**	**(3.2)%**

Quarterly organic revenue

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	H1 2020
ARYZTA Europe					
Volume %	0.7%	(3.3)%	(2.0)%	(3.7)%	(2.8)%
Price/Mix %	3.7%	2.7%	1.1%	0.7%	0.8%
Organic movement %	**4.4%**	**(0.6)%**	**(0.9)%**	**(3.0)%**	**(2.0)%**
ARYZTA North America					
Volume %	(4.9)%	(12.5)%	(6.0)%	(6.0)%	(6.0)%
Price/Mix %	1.1%	4.5%	(0.1)%	1.5%	0.7%
Organic movement %	**(3.8)%**	**(8.0)%**	**(6.1)%**	**(4.5)%**	**(5.3)%**
ARYZTA Rest of World					
Volume %	3.3%	6.0%	2.0%	6.2%	4.2%
Price/Mix %	5.6%	7.7%	5.5%	3.5%	4.4%
Organic movement %	**8.9%**	**13.7%**	**7.5%**	**9.7%**	**8.6%**
ARYZTA Group					
Volume %	(1.4)%	(6.3)%	(3.4)%	(3.8)%	(3.6)%
Price/Mix %	2.7%	3.8%	0.9%	1.2%	1.1%
Organic movement %	**1.3%**	**(2.5)%**	**(2.5)%**	**(2.6)%**	**(2.5)%**

Interim Financial and Business Review (continued)

4 Segmental Underlying EBITDA

	Six months ended			
Underlying EBITDA in EUR '000	**January 2020**	**January 2019**	**% Change**	**% Change Before IFRS 16**
ARYZTA Europe	100,654	82,199	22.5%	2.8%
ARYZTA North America	46,514	48,671	(4.4)%	(22.8)%
ARYZTA Rest of World	22,662	20,759	9.2%	(3.5)%
ARYZTA Underlying EBITDA[1]	**169,830**	**151,629**	**12.0%**	**(6.3)%**

	Six months ended			
EBITDA margin	**January 2020**	**January 2019**	**% Change**	**% Change Before IFRS 16**
ARYZTA Europe	12.5%	9.6%	290 bps	90 bps
ARYZTA North America	6.6%	6.8%	(20) bps	(150) bps
ARYZTA Rest of World	15.6%	15.6%	0 bps	(180) bps
ARYZTA Underlying EBITDA margin	**10.3%**	**8.9%**	**140 bps**	**(30) bps**

1 See glossary in section 21 for definitions of financial terms and references used in the financial and business review, including a reconciliation of Underlying EBITDA movements by segment before and after the impact from adoption of IFRS 16 – Leases.

5 Our business

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

Total revenue decreased by (3.2)% to €1,656.2m during the period ended 31 January 2020. Organic revenue declined by (2.5)%, with a positive price/mix impact of 1.1% being offset by volume losses of (3.6)%. Disposals reduced revenue by (2.3)%, and currency had a favourable impact of 1.6%.

ARYZTA Europe organic revenue declined by (2.0)% while ARYZTA North America organic revenue declined by (5.3)%. Both regions reported positive price/mix growth, partially offsetting volume declines. ARYZTA Rest of World reported strong organic revenue growth of 8.6%, driven by price increases and volume growth.

Group Underlying EBITDA reported for the period ended 31 January 2020 was €169.8m, representing an increase of 12.0%, and an improvement in EBITDA margin of 140bps to 10.3% compared to the period ended 31 January 2019. Excluding the effects of IFRS 16, underlying EBITDA decreased by (6.3)%, with EBITDA margins decreasing by (30) bps compared to the period ended 31 January 2019. Please refer to the table in the glossary in section 21 on page 14 providing a reconciliation of pre- and post-IFRS 16 EBITDA movements.

The results for the period ended 31 January 2020 were consistent with the Group's focus on stability and represent the continued commitment to a multi-year turnaround. The business now represents a unified cohesive Group, with a singular focus on core strengths within a growing frozen B2B bakery market, with Project Renew enhancing the operating efficiency and competitive positioning of ARYZTA.

Interim Financial and Business Review (continued)

6 ARYZTA Europe

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

ARYZTA Europe revenue decreased by (6.1)% to €807.3m during the period ended 31 January 2020, largely driven by disposals of (4.5)% as well as the final impacts of planned insourcing. The organic revenue decline of (2.0)% was a result of volume declines of (2.8)%, offset by a price/mix increase of 0.8%.

ARYZTA Europe Underlying EBITDA reported for the period ended 31 January 2020 was €100.7m, representing an increase of 22.5% compared to the period ended 31 January 2019, with an improvement in EBITDA margin of 290 bps to 12.5% for the same period. Excluding the effects of IFRS 16, this represents an increase of 2.8%, with EBITDA margin improving by 90bps when compared to the period ended 31 January 2019.

The solid performance in Europe was supported by Project Renew, which achieved cumulative savings of €26.5m by H1-20. The priority for European management is to further grow EBITDA and continue to achieve margin growth, driven by the consolidation and optimisation of the region's manufacturing footprint.

7 ARYZTA North America

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

ARYZTA North America revenue declined by (1.9)% to €704.0m during the period ended 31 January 2020. Organic revenue declined by (5.3)%, with price/mix growth of 0.7% partially offsetting volume declines of (6.0)%. Trading in the period remained challenging across all channels. However, sequential quarterly organic revenue trends since Q4 FY19 point to positive organic growth returning by Q4 FY20. Favourable currency movements supported revenue by 3.4%.

ARYZTA North America Underlying EBITDA reported for the period ended 31 January 2020 was €46.5m, which represents a decrease of (4.4)% compared to the period ended 31 January 2019, with a decrease in EBITDA margin by (20) bps to 6.6% for the same period. Excluding the effects of IFRS 16, this represents a decrease of (22.8)% in EBITDA, with EBITDA margin decreasing by (150) bps when compared to 31 January 2019.

The North American market was heavily challenged in the period, with EBITDA progress impacted by revenue declines as well as start-up and logistics costs following bakery closures and line transfers. However, the region was supported by Project Renew initiatives, which have seen cumulative savings of €30.9m achieved by H1 FY20. Further key actions are being undertaken in revenue stabilisation with a healthy pipeline of new business opportunities in the large retail channel expected to deliver margin improvements, supported by continued strengthening of the North American leadership team.

Interim Financial and Business Review (continued)

8 ARYZTA Rest of World

ARYZTA's operations in the Rest of World primarily include businesses in Brazil, Australia, Japan, Malaysia, Singapore, New Zealand and Taiwan. While representing only 8.7% of total Group revenue and 13.3% of total Group Underlying EBITDA, these locations provide attractive future growth opportunities and have importance as suppliers to our global QSR customers.

ARYZTA Rest of World revenue increased by 8.9% to €144.9m during the period ended 31 January 2020. Organic revenue increased by 8.6%, as a result of strong volume growth of 4.2% with both global strategic customers, as well as others across the region, combined with positive price/mix of 4.4%. Currency movements increased revenue by 0.3%. Revenue growth was capacity constrained in some regions, but ongoing investments should alleviate these constraints to become a key growth driver over the longer-term.

ARYZTA Rest of World Underlying EBITDA for the period ended 31 January 2020 was €22.7m, which represents an increase of 9.2% compared to the period ended 31 January 2019, with EBITDA margins of 15.6% remaining flat for the same period. Excluding the effects of IFRS 16, EBITDA decreased by (3.5)% and EBITDA margin decreased by (180) bps compared to the period ended 31 January 2019, with margins being impacted by capacity constraints in the region. In Brazil, the strategic bakery investment to support key customers is underway. While concerns exist in Asian markets regarding the overall impact of the Coronavirus outbreak, there has been no material impact to our key QSR channel at this time.

9 Joint ventures

On 23 January 2020, ARYZTA completed the disposal of the majority of its Picard stake to Invest Group Zouari ('IGZ') for gross consideration of €155.9m. ARYZTA retains a 4.6% shareholding in Picard, to be monetised at a later stage.

Picard had revenue of €822.6m for the period to the disposal date and delivered an underlying contribution to ARYZTA of €18.4m, after interest and tax.

in EUR '000	**Picard January 2020**	Picard January 2019
Revenue	**822,622**	800,508
Underlying EBITDA	**121,314**	122,342
EBITDA margin	**14.7%**	15.3%
Depreciation	**(14,970)**	(15,327)
Underlying EBITA	**106,344**	107,015
Finance cost, net	**(28,607)**	(28,898)
Pre-tax profit	**77,737**	78,117
Income tax	**(39,320)**	(35,009)
Joint venture underlying net profit	**38,417**	43,108
ARYZTA's share of JV underlying net profit	**18,352**	20,592

Interim Financial and Business Review (continued)

10 Impairment, disposal and restructuring

During May 2018, the Group announced Project Renew, a three year cumulative €200m restructuring and cost reduction plan aimed at restoring financial flexibility and aligning our asset and cost base with current and expected business conditions. In order to deliver these cost savings, the Group expects an overall investment of €150m, with c. €100m of the investment dedicated to capital investment for automation and the remaining c. €50m for restructuring-related costs.

During the period ended 31 January 2020, Project Renew has delivered cumulative savings of €31.4m since launch (run rate savings €70m). These benefits relate primarily to improvements in the operating model in Europe and North America. The programme remains on-track to deliver target annualised savings of €70m in FY20 and €90m in FY21.

During the six month period ended 31 January 2020, the Group incurred the following amounts related to sale of joint venture, impairment, disposal and restructuring:

in EUR '000	Disposal of joint venture 2020	ARYZTA Europe 2020	ARYZTA North America 2020	ARYZTA Rest of World 2020	Total 2020	Total 2019
Net loss on disposal of businesses and impairment of disposal groups held for sale	–	(61,171)	(102,858)	–	**(164,029)**	(847)
Impairment of goodwill	–	–	(437,146)	–	**(437,146)**	–
Gain/(loss) on sale and impairment of fixed assets	–	1,485	(610)	(584)	**291**	–
Loss on disposal of joint venture	(297,057)	–	–	–	**(297,057)**	–
Net loss on disposal of businesses and impairment of disposal groups held for sale	(297,057)	(59,686)	(540,614)	(584)	**(897,941)**	(847)
Severance and other staff-related costs	–	(349)	(1,165)	–	**(1,514)**	(2,130)
Other costs including advisory	–	(1,316)	(1,393)	–	**(2,709)**	(4,166)
Total restructuring-related costs	–	(1,665)	(2,558)	–	**(4,223)**	(6,296)
Total impairment, disposal and restructuring-related costs	(297,057)	(61,351)	(543,172)	(584)	**(902,164)**	(7,143)

Loss on disposal of joint venture

As announced on 4 October 2019, the Group received a binding offer from Invest Group Zouari ('IGZ') to purchase 43% of its 48% holding in Picard for gross consideration of €155.9m of which €145.9m was received during the period ended 31 January 2020. Net of transaction costs settled to date, net proceeds of €145.4m have been recorded in the Group Consolidated Cash Flow Statement. The remaining €10.0m consideration has been recorded as a Vendor Loan Note receivable at 31 January 2020 and is due by October 2020. ARYZTA retains a 4.6% interest in Picard, recorded as a financial investment at fair value. As the total estimated proceeds net of transaction costs payable of €150.0m and the fair value of the remaining stake held of €16.8m are less than the €463.8m carrying value of the investment in joint venture disposed of, the transaction resulted in a loss on disposal in the amount of €297.1m.

Interim Financial and Business Review (continued)

Net loss on disposal of businesses and impairment of disposal groups held-for-sale
As disclosed in the subsequent events note of the 2019 annual report, during October 2019, the Group completed the disposal of its non-core UK Food Solutions business within the Europe operating segment. As the €7.0m net debt proceeds received, comprising €2.1m cash received and €4.9m lease liabilities disposed, net of associated transaction costs, was less than the €59.4m carrying value of the assets disposed, combined with a €8.8m cumulative foreign currency translation loss since the initial investment, a loss on disposal of €61.2m was recognised.

Certain property assets relating to this business were retained by the Group, and have been classified as assets held-for-sale at fair value less costs to sell of €12.4m, resulting in a gain of €5.4m through other comprehensive income in the revaluation reserve during the period ended 31 January 2020.

During the period ended 31 January 2020, the Group identified non-core businesses in North America, which historically generated approximately 11% of the annual revenues of the segment, for disposal. As plans for this disposal 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 January 2020. As the €18.1m fair value less costs to sell of these businesses are less than the €121.0m carrying value of their combined net assets, a €102.9m loss on impairment of disposal groups held-for-sale has been recognised during the period ended 31 January 2020.

Impairment of goodwill
Following reductions in profitability in North America during the period ended 31 January 2020, the Group recorded goodwill impairment charges of €437.1m in North America. Current period profitability has been impacted by volume declines associated with challenges in the market, while operational margin has been compressed due to costs associated with commissioning and optimisation of the bakery network. Given these difficult trading conditions, management feel it is appropriate to revise downwards its mid-term projections as the optimisation of the North America bakery network and the return to revenue growth is expected to be at a slower pace than had originally been planned. While profitability is expected to improve in the future, after considering goodwill and other assets within this location, as well as the respective future cash flow projections, management determined it was appropriate to record these goodwill impairment charges during the current period.

Further detail on this goodwill impairment is included in note 9 in the Group's condensed financial statements on page 37.

Restructuring-related costs
Severance and other staff-related costs
The Group incurred €1.5m (2019: €2.1m) in severance and other staff-related costs during the period ended 31 January 2020. These costs primarily related to employees whose service was discontinued following certain rationalisation decisions across the various business locations of the Group as part of the implementation of Project Renew.

Other costs including advisory
During the period ended 31 January 2020, the Group incurred €2.7m (2019: €4.2m) in costs related to bakery rationalisation and disposal transactions in the period.

Interim Financial and Business Review (continued)

11 Cash generation

Six month period ended 31 January 2020

in EUR '000	January 2020	January 2019
Underlying EBITDA	169,830	151,629
Working capital movement	(35,328)	(79,105)
Working capital movement from debtor securitisation[1]	2,299	2,945
Capital expenditure	(53,432)	(35,102)
Net payments on lease contracts[2]	(28,467)	–
Proceeds from sale of fixed assets	8,967	1,650
Restructuring-related cash flows	(8,197)	(14,643)
Segmental operating free cash generation[2]	**55,672**	**27,374**
Interest and income tax paid, net[2]	(30,801)	(59,548)
Recognition of deferred income from government grants	(1,961)	(1,977)
Other	334	(2,028)
Cash flow generated from activities	**23,244**	**(36,179)**

1 Total debtor balances securitised as of 31 January 2020 is €194m (31 July 2019: €190m).

2 Following the adoption of IFRS 16, Leases, "Segmental operating free cash generation" has been updated to include payments on leases, net of receipts on sub-leases, which ensures that the Group's reported Segmental operating free cash generation is consistent with those previously reported.

12 Net debt evolution

in EUR '000	January 2020	January 2019
Opening net debt as at 1 August	**(733,276)**	**(1,510,264)**
Impact of adoption of IFRS 16	(320,982)	-
Opening net debt as at 1 August - restated	**(1,054,258)**	**(1,510,264)**
Cash flow generated from activities	23,244	(36,179)
Net movements on lease liabilities	17,408	–
Disposal of businesses, net of cash and leases	7,010	3,283
Disposal of joint venture[1]	145,450	–
Proceeds from issue of shares, net of costs paid[2]	–	748,949
Foreign exchange movement	(2,139)	(13,385)
Other[3]	(3,830)	(3,440)
Closing net debt as at 31 January[4]	**(867,115)**	**(811,036)**

1 Proceeds amounted to c.€140m net, after payment of outstanding fees. Additionally, €10m remains outstanding at period end as a vendor loan note receivable.

2 Proceeds amounted to c.€740m net, after payment of outstanding fees.

3 Other comprises primarily amortisation of upfront borrowing costs.

4 Excluding the €300m impact of adoption of IFRS 16, the Group net debt would be €567m at 31 January 2020.

Interim Financial and Business Review (continued)

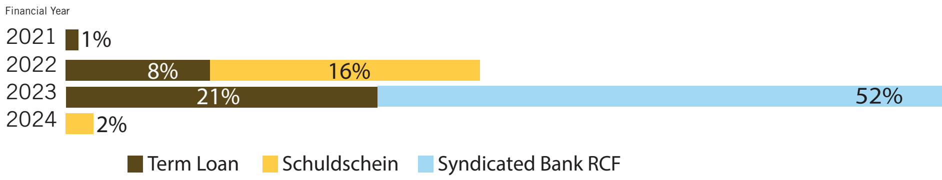
As of 31 January 2020, the Group's gross term debt financing facilities, related capitalised upfront borrowing costs, capitalised lease creditors, and cash, net of overdrafts, were as follows:

in EUR '000	January 2020	July 2019
Syndicated Bank RCF	(550,014)	(394,179)
Term loan facility	(313,368)	(353,368)
Schuldschein	(179,955)	(385,284)
Gross term debt	**(1,043,337)**	**(1,132,831)**
Upfront borrowing costs	19,007	21,966
Term debt, net of upfront borrowing costs	**(1,024,330)**	**(1,110,865)**
Cash and cash equivalents, net of overdrafts	457,191	377,880
Net debt excluding leases	**(567,139)**	**(732,985)**
Leases	(299,976)	(291)
Net debt	**(867,115)**	**(733,276)**

As of 31 January 2020, the weighted average interest cost of the Group debt financing facilities was 1.9% (July 2019: 1.7%) and the weighted average maturity of the Group's gross term debt was 2.48 years.

Gross Term Debt Maturity Profile

January 2020



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

- Leverage covenant (Net Debt: EBITDA[1]):
  - maximum 3.5x
- Interest cover covenant (EBITDA: Net interest, including Hybrid dividend[1]):
  - minimum 3.0x

The Group's key financial ratios were as follows:

	January 2020	July 2019
Net Debt: EBITDA[1]	1.96x	2.43x
EBITDA: Net interest, including Hybrid deferred dividend[1]	3.86x	3.45x

1 Calculated as per Syndicated Bank Facilities Agreement terms.

Interim Financial and Business Review (continued)

13 Hybrid funding

As of 31 January 2020, the Group has €906m of Hybrid funding outstanding, as reflected in the table below.

Perpetual Callable Subordinated Instruments		Coupon	Coupon rate if not called	in EUR '000
Not called	CHF 400m	5.3%	6.045% +3 Month Swiss Libor	(373,263)
Not called	EUR 250m	6.8%	6.77% +5 Year Euro Swap Rate	(250,000)
First call April 2020	CHF 190m	3.5%	4.213% +3 Month Swiss Libor	(177,300)
Hybrid principal outstanding at 31 January 2020 exchange rates				**(800,563)**
Hybrid instrument deferred dividends				(105,768)
Hybrid funding outstanding at 31 January 2020 exchange rates				**(906,331)**

As the instruments have no maturity date and repayment is at the option of ARYZTA, these perpetual callable subordinated 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.

Dividends on these Hybrid instruments accrue at the coupon rate applicable to each respective instrument on an ongoing basis; however, a contractual obligation to pay these dividends in cash only arises when a Compulsory Payment Event, such as payment of a cash dividend to equity shareholders, 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 January 2020 the Group is under no contractual obligation to pay the Hybrid instrument dividends in cash. Therefore, these deferred dividends have not been accrued as separate financial liabilities, but instead remain within equity, in accordance with IAS 32 'Financial Instruments'. Should a Compulsory Payment Event occur in the future, all Hybrid instrument deferred dividends will become due in cash.

Movements related to Hybrid instrument deferred dividends during the period ended 31 January 2020 were as follows:

in EUR '000	January 2020
Balance at 1 August	(81,846)
Hybrid instrument deferred dividend	(22,095)
Translation adjustments	(1,827)
Balance at 31 January	**(105,768)**

Interim Financial and Business Review (continued)

14 Foreign currency

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

Currency	Average H1 2020	Average H1 2019	% Change	Closing H1 2020	Closing FY 2019	% Change
CHF	1.0920	1.1352	3.8%	1.0716	1.1039	2.9%
USD	1.1082	1.1483	3.5%	1.1051	1.1149	0.9%
CAD	1.4625	1.5119	3.3%	1.4510	1.4672	1.1%
GBP	0.8749	0.8904	1.7%	0.8422	0.8955	5.9%

15 Return on invested capital

in EUR million	ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World	ARYZTA Group
31 January 2020				
Segmental net assets[1]	1,276	772	171	2,219
TTM EBITA[1]	102	27	30	159
ROIC[1]	8.0%	3.5%	17.5%	7.2%
31 July 2019				
Segmental net assets[1]	1,315	1,341	175	2,831
TTM EBITA[1]	101	41	31	173
ROIC[1]	7.7%	3.0%	17.8%	6.1%

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

2 Excluding the impact of the goodwill impairment of €437.1 million in the ARYZTA North America segment, the ROIC in North America and the Group would be negatively impacted by 130bps and 120bps respectively.

3 Group WACC on a pre-tax basis is currently 8.5% (July 2019: 8.5%).

16 Net assets, goodwill and intangibles

in EUR '000	January 2020	July 2019
Property, plant and equipment	1,414,040	1,248,835
Investment properties	6,450	12,185
Goodwill and intangible assets	1,350,593	1,964,298
Deferred tax on goodwill and intangibles	(67,801)	(81,634)
Working capital	(221,665)	(246,838)
Other segmental assets	31,000	–
Other segmental liabilities	(57,540)	(66,170)
Lease liabilities	(254,324)	–
Net assets of disposal group held-for-sale	18,097	–
Segmental net assets	2,218,850	2,830,676
Investments in joint ventures	–	447,678
Financial assets at fair value through income statement	16,768	–
Interest bearing loans, net of cash	(567,139)	(733,276)
Deferred tax, excluding tax on goodwill and intangibles	(42,531)	(43,100)
Income tax	(61,907)	(65,528)
Derivative financial instruments	(903)	(303)
Net assets	**1,563,138**	**2,436,147**

17 Dividend

No dividend was proposed for the years ended 31 July 2019 or 31 July 2018, and none has been paid during the period ended 31 January 2020.

Interim Financial and Business Review (continued)

18 Outlook

Group underlying EBITDA expected to improve in FY 2020, excluding the effects of IFRS 16, assuming no material or prolonged impact from COVID-19.

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 71 of the ARYZTA AG 2019 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. In addition, the Board has identified a key risk associated with the effects of a pandemic or epidemic or a natural disaster on consumer demand, and on the Group's operations and supply chain.

20 Forward looking statement

This document contains forward looking statements which reflect the Board of Directors' current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures, the effects of a pandemic or epidemic or a natural disaster, and regulatory developments. You are cautioned not to place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this document. The Company expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements other than as required by applicable laws.

21 Glossary of financial terms and references

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

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

An analysis of the impact of IFRS 16 – Leases on segmental underlying EBITDA is shown here:

Underlying EBITDA in EUR '000	**As reported January 2020**	**IFRS 16 January 2020**	**Before IFRS 16 January 2020**	**January 2019**	**% Change**	**% Change before effects of IFRS 16**
ARYZTA Europe	**100,654**	16,165	84,489	82,199	22.5%	2.8%
ARYZTA North America	**46,514**	8,925	37,589	48,671	(4.4%)	(22.8%)
ARYZTA Rest of World	**22,662**	2,627	20,035	20,759	9.2%	(3.5%)
ARYZTA Group	**169,830**	27,717	**142,113**	**151,629**	**12.0%**	**(6.3%)**
Underlying EBITDA margin						
ARYZTA Europe	**12.5%**		10.5%	9.6%	290 bps	90 bps
ARYZTA North America	**6.6%**		5.3%	6.8%	(20) bps	(150) bps
ARYZTA Rest of World	**15.6%**		13.8%	15.6%	0 bps	(180) bps
ARYZTA Group	**10.3%**		**8.6%**	**8.9%**	**140 bps**	**(30) bps**

Interim Financial and Business Review (continued)

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

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

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

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

'Underlying net profit' – presented as reported net profit, adjusted to include the Hybrid instrument dividend as a finance cost; before non-ERP related intangible amortisation; and before impairment, disposal and restructuring-related costs, net of related income tax impacts. The Group utilises the underlying net profit measure to enable comparability of the results from period to period, without the impact of transactions that do not relate to the underlying business.

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

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

Group Consolidated Income Statement
for the six months ended 31 January 2020

in EUR '000	Notes	Six months ended 31 January 2020 Unaudited	2019 Unaudited
Revenue	3	**1,656,205**	1,710,705
Cost of sales		**(1,205,015)**	(1,247,054)
Distribution expenses		**(195,965)**	(203,337)
Gross profit		**255,225**	260,314
Selling expenses		**(82,919)**	(80,958)
Administration expenses		**(168,376)**	(167,758)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	4	**(164,029)**	(847)
Impairment of goodwill	9	**(437,146)**	–
Operating (loss)/profit	3	**(597,245)**	10,751
Share of profit after interest and tax of joint venture	10	**16,135**	19,061
Net loss on disposal of joint venture	10	**(297,057)**	–
(Loss)/profit before financing income, financing costs and income tax		**(878,167)**	29,812
Financing income		**3,134**	1,799
Financing costs		**(25,465)**	(35,363)
Loss before income tax	3	**(900,498)**	(3,752)
Income tax credit/(expense)		**1,288**	(558)
Loss for the period attributable to equity shareholders		**(899,210)**	(4,310)

Loss per share	Notes	Six months ended 31 January 2020 euro cent	2019 euro cent
Basic loss per share	7	**(93.0) cent**	(3.4) cent
Diluted loss per share	7	**(93.0) cent**	(3.4) cent

The notes on pages 24 to 43 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Comprehensive Income
for the six months ended 31 January 2020

in EUR '000	Notes	Six months ended 31 January **2020 Unaudited**	2019 Unaudited
(Loss) for the period		**(899,210)**	(4,310)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation effects on net investments		**18,926**	21,121
Cash flow hedges			
– Effective portion of changes in fair value of cash flow hedges		**(1,397)**	(1,071)
– Fair value of cash flow hedges transferred to income statement		**700**	(228)
– Deferred tax effect of cash flow hedges		**(16)**	188
Share of joint ventures' other comprehensive loss		**–**	(31)
Total of items that may be reclassified subsequently to profit or loss		**18,213**	19,979
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	4	**5,421**	–
Defined benefit plans			
– Actuarial loss on Group defined benefit pension plans		**(3,525)**	(772)
– Deferred tax credit on actuarial loss		**660**	121
Total of items that will not be reclassified to profit or loss		**2,556**	(651)
Total other comprehensive income		**20,769**	19,328
Total comprehensive (loss)/income for the period attributable to equity shareholders		**(878,441)**	15,018

The notes on pages 24 to 43 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet
as at 31 January 2020

in EUR '000	Notes	31 January 2020 Unaudited	31 July 2019 Audited
Assets			
Non-current assets			
Property, plant and equipment		**1,414,040**	1,248,835
Investment properties		**6,450**	12,185
Goodwill and intangible assets	9	**1,350,593**	1,964,298
Investments in joint ventures	10	**–**	447,678
Financial assets at fair value through income statement	10	**16,768**	–
Other receivables		**18,600**	–
Deferred income tax assets		**67,240**	66,851
Total non-current assets		**2,873,691**	3,739,847
Current assets			
Inventory		**227,630**	247,321
Trade and other receivables		**162,745**	154,362
Derivative financial instruments		**428**	202
Cash and cash equivalents	11	**513,846**	533,782
		904,649	935,667
Asset held-for-sale	4	**12,400**	–
Assets of disposal group held-for-sale	5	**63,749**	–
Total current assets		**980,798**	935,667
Total assets		**3,854,489**	4,675,514

The notes on pages 24 to 43 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet
as at 31 January 2020 (continued)

in EUR '000	Notes	31 January 2020 Unaudited	31 July 2019 Audited
Equity			
Called up share capital		**16,973**	16,973
Share premium		**1,531,229**	1,531,229
Retained earnings and other reserves		**14,936**	887,945
Total equity		**1,563,138**	2,436,147
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	11	**1,235,795**	826,456
Employee benefits		**14,130**	9,661
Deferred income from government grants		**8,520**	10,471
Other payables		**34,890**	46,038
Deferred income tax liabilities		**177,572**	191,585
Total non-current liabilities		**1,470,907**	1,084,211
Current liabilities			
Interest-bearing loans and borrowings	11	**99,514**	440,602
Trade and other payables		**612,040**	648,521
Income tax payable		**61,907**	65,528
Derivative financial instruments		**1,331**	505
		774,792	1,155,156
Liabilities of disposal groups held-for-sale	5	**45,652**	–
Total current liabilities		**820,444**	1,155,156
Total liabilities		**2,291,351**	2,239,367
Total equity and liabilities		**3,854,489**	4,675,514

The notes on pages 24 to 43 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity
for the six months ended 31 January 2020

for the six months ended 31 January 2020 in EUR '000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Revaluation reserve	Share-based payment reserve	Foreign currency trans-lation reserve	Retained earnings	Total
At 1 August 2019	**16,973**	**1,531,229**	**(40)**	**720,456**	**712**	**–**	**2,418**	**(53,276)**	**217,675**	**2,436,147**
IFRS 16 transition adjustment	–	–	–	–	–	–	–	–	(110)	(110)
IFRIC 23 transition adjustment	–	–	–	–	–	–	–	–	2,987	2,987
At 1 August 2019 (restated)	**16,973**	**1,531,229**	**(40)**	**720,456**	**712**	**–**	**2,418**	**(53,276)**	**220,552**	**2,439,024**
Loss for the period	–	–	–	–	–	–	–	–	(899,210)	(899,210)
Other comprehensive income/(loss)	–	–	–	–	(713)	5,421	–	18,926	(2,865)	20,769
Total comprehensive loss	**–**	**–**	**–**	**–**	**(713)**	**5,421**	**–**	**18,926**	**(902,075)**	**(878,441)**
Share-based payments	–	–	–	–	–	–	2,555	–	–	2,555
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**2,555**	**–**	**–**	**2,555**
At 31 January 2020	**16,973**	**1,531,229**	**(40)**	**720,456**	**(1)**	**5,421**	**4,973**	**(34,350)**	**(681,523)**	**1,563,138**

The notes on pages 24 to 43 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 2020

for the six months ended 31 January 2019 in EUR '000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Total
At 1 August 2018	**1,191**	**807,512**	**(46)**	**720,456**	**1,428**	**2,209**	**(105,511)**	**245,621**	**1,672,860**
Loss for the period	–	–	–	–	–	–	–	(4,310)	(4,310)
Other comprehensive (loss)/income	–	–	–	–	(1,111)	–	21,121	(682)	19,328
Total comprehensive loss	**–**	**–**	**–**	**–**	**(1,111)**	**–**	**21,121**	**(4,992)**	**15,018**
Proceeds from issue of shares, net of costs accrued	15,782	723,723	–	–	–	–	–	–	739,505
Release of treasury shares upon vesting of Restricted Stock Unit Plan awards	–	(1)	1	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	915	–	–	915
Transfer of share-based payment reserve to retained earnings	–	–	–	–	–	(2,285)	–	2,285	–
Total transactions with owners recognised directly in equity	**15,782**	**723,722**	**1**	**–**	**–**	**(1,370)**	**–**	**2,285**	**740,420**
At 31 January 2019	**16,973**	**1,531,234**	**(45)**	**720,456**	**317**	**839**	**(84,390)**	**242,914**	**2,428,298**

The notes on pages 24 to 43 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
for the six months ended 31 January 2020

in EUR '000	Notes	Six months ended 31 January **2020** **Unaudited**	 2019 Unaudited
Cash flows from operating activities			
Loss for the period		**(899,210)**	(4,310)
Income tax (credit)/expense		**(1,288)**	558
Financing income		**(3,134)**	(1,799)
Financing costs		**25,465**	35,363
Share of profit after interest and tax of joint ventures	10	**(16,135)**	(19,061)
Net loss on disposal of joint ventures	10	**297,057**	–
Impairment of goodwill	9	**437,146**	–
Net loss on disposal of businesses and impairment of disposal groups held for sale	4	**164,029**	–
Net gain/(loss) on sale and impairment of fixed assets	4	**(291)**	847
Other restructuring-related payments in excess of current-period costs		**(3,972)**	(8,562)
Depreciation of property, plant and equipment	3	**87,800**	57,649
Amortisation of intangible assets	9	**74,168**	76,086
Recognition of deferred income from government grants		**(1,961)**	(1,977)
Share-based payments		**2,555**	915
Other		**(1,265)**	(2,728)
Cash flows from operating activities before changes in working capital		**160,964**	132,981
Decrease/(increase) in inventory		**2,687**	(8,942)
Increase in trade and other receivables		**(11,066)**	(18,292)
Decrease in trade and other payables		**(24,650)**	(48,926)
Cash generated from operating activities		**127,935**	56,821
Income tax paid		**(14,261)**	(9,362)
Net cash flows from operating activities		**113,674**	47,459

The notes on pages 24 to 43 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
(continued)
for the six months ended 31 January 2020

		Six months ended 31 January	
in EUR '000	Notes	**2020 Unaudited**	2019 Unaudited
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**4,071**	1,650
Proceeds from sale of investment property		**4,896**	–
Purchase of property, plant and equipment		**(51,280)**	(33,537)
Grants received		**10**	–
Purchase of intangible assets		**(2,152)**	(1,565)
Disposal of business, net	4	**2,121**	3,283
Disposal of joint venture	10	**145,450**	–
Net cash flows from investing activities		**103,116**	(30,169)
Cash flows from financing activities			
Gross drawdown of loan capital	11	**115,295**	–
Gross repayment of loan capital	11	**(205,723)**	(670,542)
Interest paid		**(25,019)**	(51,985)
Interest received		**3,148**	1,799
Capital element of lease liabilities	11	**(24,183)**	(299)
Proceeds from issue of shares		**–**	748,949
Net cash flows from financing activities		**(136,482)**	27,922
Net increase in cash and cash equivalents	11	**80,308**	45,212
Translation adjustment	11	**(997)**	1,264
Net cash and cash equivalents at start of period	11	**377,880**	341,986
Net cash and cash equivalents at end of period	11	**457,191**	388,462

The notes on pages 24 to 43 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 2020

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 2019, which have been prepared in accordance with International Financial Reporting Standards ('IFRS').

These Interim Financial Statements for the six months ended 31 January 2020 and the comparative figures for the six months ended 31 January 2019 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 2019 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 2020	Average H1 2019	% Change	Closing H1 2020	Closing FY 2019	% Change
CHF	1.0920	1.1352	3.8%	1.0716	1.1039	2.9%
USD	1.1082	1.1483	3.5%	1.1051	1.1149	0.9%
CAD	1.4625	1.5119	3.3%	1.4510	1.4672	1.1%
GBP	0.8749	0.8904	1.7%	0.8422	0.8955	5.9%

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

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 88 to 108 of the ARYZTA AG 2019 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 2019.

The following standards and interpretations, issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee, are effective for the first time in the current financial year and have been adopted by the Group:

- IFRS 16 – Leases
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 – Prepayment features with negative compensation
- Amendments to IAS 28 – Long-term interests in associates and joint ventures
- Amendments to IAS 19 – Plan amendment, curtailment or settlement
- Improvements to IFRS Standards (2015-2017)

While the above standards and interpretations modified certain presentation and disclosure requirements, these new requirements are not significantly different than information presented as part of the 31 July 2019 year-end financial statements and, with the exception of IFRS 16, had no material impact on the consolidated results or financial position of the Group.

Leasing policy applicable before 1 August 2019
Annual rentals payables under operating leases are charged to the Consolidated Income Statement on a straight-line basis over the period of the lease.

IFRS 16 – Leases
IFRS 16, published in January 2016, replaces the existing guidance in IAS 17 – Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases. It introduces a single lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months and to recognise depreciation of lease assets separately from finance costs on lease liabilities in the income statement. Recognising a right-of-use asset represents the lessee's contractual right to use the leased asset for the lease term and recognising a lease liability reflects the lessee's obligation to make payments under the terms of the lease.

The Group applied IFRS 16 from 1 August 2019 using the modified retrospective approach, whereby comparatives do not need to be restated. The Group applied the recognition exemption for low-value leased assets. The Group assessed each lease and applied judgement for the determination of lease term where there are extension or termination options.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

At the date of transition, the Group calculated the lease commitments outstanding at that date and applied appropriate discount rates to calculate the present value of the lease commitment which was recognised as a lease liability and a right-of-use leased asset on the Group's Balance Sheet. The Group recognised right-of-use assets of €292.6 million and lease liabilities of €321.0 million. The difference related to sub leased assets recognised of €22.0m, onerous lease contracts of €1.8m and €4.5m in relation to accruals and prepaids. The Group recorded an adjustment to retained earnings of €0.1 million. Outstanding lease liabilities have been recognised at 1 August 2019, for leases previously classified as operating leases, at the present value of the future lease payments over their reasonably certain lease term. Right-of-use assets have been recognised equal to the net present value of the lease liabilities, adjusted for the amount of any prepaid or accrued lease payments, subleased assets, lease incentives and provisions for onerous leases. The weighted average incremental borrowing rate applied to lease liabilities on the consolidated balance sheet was 3.95% at 31 January 2020. See note 8 for a reconciliation of the right-of-use assets and finance liabilities recognised in the Group Consolidated Balance Sheet.

IFRIC 23 – Uncertainty over Income Tax Treatment
The Group applies IFRIC 23 as of 1 August 2019. IFRIC 23 clarifies the principles of recognition and measurement of tax assets and liabilities when there is uncertainty over income tax treatments. The Group has chosen to apply the partially retrospective transition method that allows the cumulative impact to be recognised in opening equity for the year in which the interpretation is applied for the first time. Upon adoption, the Group has recognised an increase in retained earnings, as presented in the Group Consolidated Statement of Changes in Equity on page 20. The comparative information in the first year of application has not been restated.

IFRSs being adopted in subsequent years
The Group has not applied early adoption of any standards not yet effective.

Reclassifications and adjustments
Certain amounts in the 31 January 2019 and 31 July 2019 comparative financial statement figures and related notes have been reclassified to conform to the 31 January 2020 presentation. These reclassifications were made for presentation purposes and have no effect on total revenue, expenses, profit for the period, total assets, total liabilities, total equity or total cash flow classifications as previously reported.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

3 Segment Information

I) Segment revenue and result	ARYZTA Europe Six months ended 31 January		ARYZTA North America Six months ended 31 January		ARYZTA Rest of World Six months ended 31 January		Total Six months ended 31 January	
in EUR '000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Segment revenue	**807,329**	859,729	**704,002**	717,889	**144,874**	133,087	**1,656,205**	1,710,705
Underlying EBITDA[1]	**100,654**	82,199	**46,514**	48,671	**22,662**	20,759	**169,830**	151,629
Depreciation	**(44,525)**	(29,129)	**(35,295)**	(23,402)	**(7,980)**	(5,118)	**(87,800)**	(57,649)
ERP Amortisation	**(5,446)**	(5,522)	**(2,851)**	(2,845)	**(15)**	(15)	**(8,312)**	(8,382)
Underlying EBITA	**50,683**	47,548	**8,368**	22,424	**14,667**	15,626	**73,718**	85,598
Amortisation of other intangible assets	**(24,323)**	(24,159)	**(38,466)**	(40,394)	**(3,067)**	(3,151)	**(65,856)**	(67,704)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**(61,171)**	830	**(102,858)**	(1,677)	**–**	–	**(164,029)**	(847)
Impairment of goodwill	**–**	–	**(437,146)**	–	**–**	–	**(437,146)**	–
Gain/(loss) on fixed asset disposals and impairments	**1,485**	–	**(610)**	–	**(584)**	–	**291**	–
Restructuring-related costs	**(1,665)**	(3,609)	**(2,558)**	(2,652)	**–**	(35)	**(4,223)**	(6,296)
Operating (loss)/profit[2]	**(34,991)**	20,610	**(573,270)**	(22,299)	**11,016**	12,440	**(597,245)**	10,751
Share of profit after tax of joint venture[3]							**16,135**	19,061
Loss on disposal of joint venture [3]							**(297,057)**	–
Financing income[3]							**3,134**	1,799
Financing costs[3]							**(25,465)**	(35,363)
Loss before income tax as reported in Group Consolidated Income Statement							**(900,498)**	(3,752)

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

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

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

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

II) Segment revenue by location	**Six months ended 31 January 2020**		**Six months ended 31 January 2019**	
in EUR '000	**Revenue**	**% of Group Revenue**	Revenue	% of Group Revenue
Switzerland (ARYZTA's country of domicile)	**115,138**	**7.0%**	108,280	6.3%
Germany	**282,845**	**17.1%**	308,147	18.0%
France	**127,791**	**7.7%**	124,781	7.3%
Other[1]	**281,555**	**17.0%**	318,521	18.6%
ARYZTA Europe segmental revenue	**807,329**	**48.8%**	859,729	50.3%
USA	**555,464**	**33.5%**	559,963	32.7%
Canada	**148,538**	**9.0%**	157,926	9.2%
ARYZTA North America segmental revenue	**704,002**	**42.5%**	717,889	42.0%
ARYZTA Rest of World segmental revenue[2]	**144,874**	**8.7%**	133,087	7.8%
ARYZTA Group revenue[3]	**1,656,205**	**100.0%**	1,710,705	100.0%

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

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

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

4 One single external customer represented greater than 10% of the ARYZTA Group revenue in the current and prior financial period. These revenues were earned across all of the Group's operating segments in the current and prior financial periods. There is no significant credit risk associated with receivables from this customer.

III) Segment revenue by product	**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	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Bread Rolls & Artisan Loaves	**319,334**	349,618	**201,667**	194,123	**104,954**	96,179	**625,955**	639,920
Sweet Baked & Morning Goods	**266,583**	271,880	**421,666**	428,584	**37,110**	33,636	**725,359**	734,100
Savoury & Other	**221,412**	238,231	**80,669**	95,182	**2,810**	3,272	**304,891**	336,685
Revenue	**807,329**	859,729	**704,002**	717,889	**144,874**	133,087	**1,656,205**	1,710,705

IV) Segment revenue by channel	**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	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
QSR	**78,373**	77,538	**311,181**	321,803	**103,738**	92,689	**493,292**	492,030
Convenience & Independent Retail	**163,077**	159,079	**18,383**	17,636	**7,956**	4,929	**189,416**	181,644
Large Retail	**337,750**	348,419	**204,393**	205,740	**4,122**	3,921	**546,265**	558,080
Other Foodservice	**228,129**	274,693	**170,045**	172,710	**29,058**	31,548	**427,232**	478,951
Revenue	**807,329**	859,729	**704,002**	717,889	**144,874**	133,087	**1,656,205**	1,710,705

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

III) Segment assets in EUR '000	ARYZTA Europe as at 31 Jan 2020	as at 31 Jul 2019	ARYZTA North America as at 31 Jan 2020	as at 31 Jul 2019	ARYZTA Rest of World as at 31 Jan 2020	as at 31 Jul 2019	Total as at 31 Jan 2020	as at 31 Jul 2019
Segment assets	**1,781,653**	1,725,413	**1,238,955**	1,667,725	**240,604**	238,849	**3,261,212**	3,631,987

Reconciliation to total assets as reported in the Group Consolidated Balance Sheet		
Investments in joint ventures	**–**	447,678
Financial assets at fair value through income statement	**16,768**	–
Deferred income tax assets	**62,235**	61,866
Derivative financial instruments	**428**	202
Cash and cash equivalents	**513,846**	533,782
Total assets as reported in Group Consolidated Balance Sheet	**3,854,489**	4,675,515

IV) Segment liabilities in EUR '000	ARYZTA Europe as at 31 Jan 2020	as at 31 Jul 2019	ARYZTA North America as at 31 Jan 2020	as at 31 Jul 2019	ARYZTA Rest of World as at 31 Jan 2020	as at 31 Jul 2019	Total as at 31 Jan 2020	as at 31 Jul 2019
Segment liabilities	**505,945**	410,865	**466,666**	326,994	**69,751**	63,452	**1,042,362**	801,311

Reconciliation to total liabilities as reported in the Group Consolidated Balance Sheet		
Interest-bearing loans and borrowings	**1,080,985**	1,267,058
Derivative financial instruments	**1,331**	505
Current and deferred income tax liabilities	**166,673**	170,493
Total liabilities as reported in Group Consolidated Balance Sheet	**2,291,351**	2,239,367

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

4 Impairment, disposal and restructuring

During the period ended 31 January 2020, the Group incurred the following impairment, disposal and restructuring-related costs, which are presented separately when providing information to the Chief Operating Decision Maker, as reflected within the presentation of segmental underlying EBITDA within note 3. Furthermore, this metric forms the basis for Trailing Twelve Month EBITDA utilised in calculating the Net Debt: EBITDA ratio for banking covenant compliance.

		ARYZTA Europe Six months ended 31 January		ARYZTA North America Six months ended 31 January		ARYZTA Rest of World Six months ended 31 January		ARYZTA Group Six months ended 31 January	
in EUR '000	Notes	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Net loss on disposal of businesses and impairment of disposal groups held for sale	4.1	**(61,171)**	830	**(102,858)**	(1,677)		–	**(164,029)**	(847)
Impairment of Goodwill	4.2	**–**	–	**(437,146)**	–	**–**	–	**(437,146)**	–
Gain/(loss) on sale and impairment of fixed assets		**1,485**	–	**(610)**	–	**(584)**	–	**291**	–
Net loss on disposal of businesses and impairment of disposal groups held for sale		**(59,686)**	830	**(540,614)**	(1,677)	**(584)**	–	**(600,884)**	(847)
Severance and other staff-related costs		**(349)**	(1,462)	**(1,165)**	(633)	**–**	(35)	**(1,514)**	(2,130)
Other costs including advisory		**(1,316)**	(2,147)	**(1,393)**	(2,019)	**–**	–	**(2,709)**	(4,166)
Total restructuring-related costs	4.3	**(1,665)**	(3,609)	**(2,558)**	(2,652)	**–**	(35)	**(4,223)**	(6,296)
Total impairment, disposal and restructuring-related costs		**(61,351)**	(2,779)	**(543,172)**	(4,329)	**(584)**	(35)	**(605,107)**	(7,143)

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

As disclosed in the subsequent events note of the 2019 annual report, during October 2019, the Group completed the disposal of its non-core UK Food Solutions business within the Europe operating segment. As the €7,010,000 proceeds received, comprising €2,121,000 cash received and €4,889,000 lease liabilities disposed, net of associated transaction costs, was less than the €59,358,000 carrying value of the assets disposed, combined with a €8,823,000 cumulative foreign currency translation loss since the initial investment, a loss on disposal of €61,171,000 was recognised.

Certain property assets were retained by the Group and have been classified as held for sale at fair value less costs to sell of €12,400,000, resulting in a gain of €5,421,000 through other comprehensive income in the revaluation reserve during the period. The fair value less costs to sell has been measured using inputs not observable within the market, and is therefore within level 3 of the fair value hierarchy.

During January 2020, a non-core business in North America was re-classified as a disposal group held-for-sale. A resulting impairment loss of €102,858,000 on re-measurement to fair value, less costs to sell, has been recognised, as detailed in note 5.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

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

4.2 Impairment of goodwill

Following reductions in profitability in North America during the period ended 31 January 2020, the Group recorded goodwill impairment charges of €437,146,000 in North America. Current period profitability has been impacted by volume declines associated with challenges in the market, while operational margin has been compressed due to costs associated with commissioning and optimisation of the bakery network. Given these difficult trading conditions, management feel it is appropriate to revise downwards its mid-term projections as the optimisation of the North America bakery network and the return to revenue growth is expected to be at a slower pace than had originally been planned. While profitability is expected to improve in the future, after considering goodwill and other assets within this location, as well as the respective future cash flow projections, management determined it was appropriate to record these goodwill impairment charges during the current period.

Further detail on this goodwill impairment is included in note 9 on page 37.

4.3 Restructuring-related costs

Severance and other staff-related costs

The Group incurred €1,514,000 (2019: €2,130,000) in severance and other staff-related costs during the period ended 31 January 2020. These costs primarily related to employees whose service was discontinued following certain rationalisation decisions across the various business locations of the Group as part of the implementation of Project Renew.

Other costs including advisory

During the period ended 31 January 2020, the Group incurred €2,709,000 (2019: €4,166,000) in costs related to bakery rationalisation and disposal transactions in the period.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

5 Disposal groups held-for-sale

During the period ended 31 January 2020, the Group identified non-core businesses in North America, which historically generated approximately 11% of the annual revenues of the segment, for disposal. As plans for this disposal 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 group held-for-sale as of 31 January 2020.

As the €18,097,000 fair value less costs to sell of these businesses is less than the €120,955,000 carrying value of their combined net assets, a €102,858,000 loss on impairment of disposal groups held-for-sale has been recognised during the period ended 31 January 2020.

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 January 2020.

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	January 2020
Carrying value of net assets transferred to disposal groups held-for-sale	120,955
Loss on impairment of disposal groups held-for-sale	(102,858)
Disposal groups held-for-sale at fair value less costs to sell	**18,097**

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

in EUR'000	January 2020
Property, plant and equipment	46,994
Intangible assets	1,912
Inventory	14,843
Lease liabilities	(45,652)
Disposal groups held-for-sale at fair value less costs to sell	**18,097**
Presented in assets of disposal groups held-for-sale	63,749
Presented in liabilities of disposal groups held-for-sale	(45,652)
Disposal groups held-for-sale at fair value less costs to sell	**18,097**

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 within one year from the date of classification as held-for-sale on 31 January 2020.

A cumulative €6m foreign currency translation gain 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 January 2020. This amount will be recalculated upon eventual completion of the transaction and will be recycled from other comprehensive income into the income statement upon disposal.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

6 Dividends

No dividend was proposed for the years ended 31 July 2019 or 31 July 2018, and none has been paid during the period ended 31 January 2020.

7 Earnings per share

	Six months ended 31 January	
	2020	2019
Basic loss per share	in EUR '000	in EUR '000
Loss attributable to equity shareholders	**(899,210)**	(4,310)
Hybrid instrument dividend	**(22,095)**	(18,221)
Loss used to determine basic EPS	**(921,305)**	(22,531)
Weighted average number of ordinary shares	'000	'000
Ordinary shares outstanding at 1 August[1]	**990,587**	89,934
Effect of paid-in shares issued relating to rights issue	**–**	239,415
Effect of exercise of equity instruments	**13**	56
Effect of bonus issue relating to rights issue[2]	**–**	327,973
Weighted average ordinary shares used to determine basic EPS	**990,600**	657,378
Basic loss per share	**(93.0) cent**	(3.4) cent

	2020	2019
Diluted loss per share	in EUR '000	in EUR '000
Loss used to determine basic EPS	**(921,305)**	(22,531)
Weighted average number of ordinary shares (diluted)	'000	'000
Weighted average ordinary shares used to determine basic EPS	**990,600**	657,378
Effect of equity-based incentives with a dilutive impact[3]	**–**	–
Weighted average ordinary shares used to determine diluted EPS	**990,600**	657,378
Diluted loss per share	**(93.0) cent**	(3.4) cent

1 Issued share capital excludes treasury shares.

2 2019 comparative movements before the rights issue in November 2018 restated to include the effect of the bonus issue of shares incorporated in the rights issue.

3 In accordance with IAS 33, potential ordinary shares are treated as dilutive only when their conversion would decrease profit per share or increase loss per share from continuing operations. As the impact related to the conversion of equity-based incentives would decrease the loss per share for the periods ended 31 January 2020 and 31 January 2019, no dilutive effect was given to outstanding equity based incentives.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

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

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

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

	Six months ended 31 January	
	2020	2019
Underlying diluted earnings per share	in EUR '000	in EUR '000
Loss used to determine basic EPS	**(921,305)**	(22,531)
Amortisation of non-ERP intangible assets (note 3)	**65,856**	67,704
Tax on amortisation of non-ERP intangible assets	**(14,392)**	(14,232)
Share of JV intangible amortisation and restructuring costs, net of tax	**2,217**	1,531
Net loss on disposal of businesses and impairment of disposal groups held-for-sale (note 4)	**164,029**	847
Impairment of goodwill (note 9)	**437,146**	–
Gain on fixed asset disposals and impairments (note 4)	**(291)**	–
Restructuring-related costs (note 4)	**4,223**	6,296
Net loss on disposal of joint venture (note 10)	**297,057**	–
Tax on net impairment, disposal and restructuring-related costs	**(106)**	(121)
Underlying net profit	**34,434**	39,494
Weighted average ordinary shares used to determine basic EPS	**990,600**	657,378
Underlying basic earnings per share	**3.5 cent**	6.0 cent
Weighted average ordinary shares used to determine basic EPS	**990,600**	657,378
Effect of equity-based incentives with a dilutive impact	**1,706**	443
Effect of bonus issue relating to rights issue	**–**	104
Weighted average ordinary shares used to determine underlying diluted EPS	**992,306**	657,925
Underlying fully diluted earnings per share	**3.5 cent**	6.0 cent

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

8 Leases

The Group adopted IFRS 16 Leases with effect from 1 August 2019. At the date of transition, the Group calculated the lease commitments outstanding at that date and applied appropriate discount rates to calculate the present value of the lease commitment which was recognised as a lease liability and a right-of-use leased asset on the Group's Balance Sheet. The Group recognised right-of-use assets of €292,617,000 and lease liabilities of €320,982,000. The difference related to sub-leased assets of €22,023,000, onerous lease provisions of €1,787,000 and accruals and prepaids of €4,445,000 which were adjusted against the right-of-use assets balance as of date of transition. The Group recorded an adjustment to retained earnings of €110,000.

Outstanding lease liabilities have been recognised at 1 August 2019, for leases previously classified as operating leases, at the present value of the future lease payments over their reasonably certain lease term. Right-of-use assets have been recognised equal to the net present value of the lease liabilities, adjusted for the amount of any prepaid or accrued lease payments, subleased assets, lease incentives and provisions for onerous leases.

Property, plant and equipment	Half year ended 31 January 2020 €'000
Owned assets	1,189,600
Right-of-use assets	224,440
At 31 January 2020	**1,414,040**

The movement in the Group's right-of-use leased assets during the period is as follows:

	Land and Buildings €'000	Plant and Machinery €'000	Motor Vehicles €'000	Total €'000
At 31 July 2019, net carrying amount				
Effect of adopting IFRS 16	244,037	14,614	33,966	292,617
Net additions	1,376	994	2,373	4,743
Assets of disposal group held-for-sale	(42,643)	(2,294)	-	(44,937)
Arising on disposal of business	(609)	(511)	(3,769)	(4,889)
Depreciation charge for the period	(16,459)	(3,042)	(6,230)	(25,731)
Translation adjustment	2,463	106	68	2,637
At 31 January 2020, net carrying amount	**188,165**	**9,867**	**26,408**	**224,440**

Lease Liabilities

The movement in the Group's lease liabilities during the period is as follows:

	€'000
At 31 July 2019	**291**
Effect of adopting IFRS 16	320,982
Net additions	4,743
Arising on disposal of business, net carrying amount	(4,889)
Payments	(30,026)
Discount unwinding	5,866
Translation adjustment and other	3,009
At 31 January 2020	**299,976**
Presented in interest bearing loans and borrowings	254,324
Presented in liabilities of disposal groups held-for-sale (note 5)	45,652
At 31 January 2020 (note 11)	**299,976**

Notes to the Group Condensed Interim Financial Statements (continued)
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Discounted lease liabilities
The table below shows analysis of the maturity profile of the discounted lease creditor arising from the Group's leasing activities as at 31 January 2020. The projections are based on the foreign exchange rates applicable at the end of the relevant financial period.

	€'000
Within one year	27,143
Between one and five years	131,679
Over five years	141,154
Total	**299,976**

The Group avails of the exemption from capitalising lease costs for short-term leases and low-value assets where the relevant criteria are met. Wholly variable lease payments directly linked to sales or usage are also expensed as incurred. The following lease costs have been charged to the Income Statement as incurred:

	€'000
Short term leases	2,236
Leases of low value assets	435
Wholly variable lease payments	703
Total	**3,374**

As of 31 January 2020, the Group has recognised €21,219,000 of receivables for the net investment in leases where the Group is the lessor on sub-leased land and buildings, and the leases have been accounted for as finance leases under IFRS 16. These are presented in other receivables in the Group Consolidated Balance Sheet. Of this total, €2,169,000 is due within one year, and €18,600,000 is due after more than one year.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

9 Goodwill and intangible assets

31 January 2020 in EUR '000	Goodwill	Customer Relationships	Brands	Computer-related	ERP-related intangibles	Patents and other	Total
Net Book Value at 1 August 2019	**1,458,051**	**312,618**	**42,178**	**15,676**	**128,639**	**7,136**	**1,964,298**
Additions	–	–	–	2,152	–	–	2,152
Impairment of goodwill (note 4)	(437,146)	–	–	–	–	–	(437,146)
Disposals as part of business disposals (note 4)	(45,411)	–	–	(192)	(5,417)	–	(51,020)
Transfer to disposal group classified as held-for-sale (note 5)	(64,973)	–	–	–	(3,394)	–	(68,367)
Amortisation charge for the year	–	(47,943)	(15,021)	(1,810)	(8,312)	(1,082)	(74,168)
Translation adjustments	13,648	(60)	821	233	228	(26)	14,844
Net Book Value at 31 January 2020	**924,169**	**264,615**	**27,978**	**16,059**	**111,744**	**6,028**	**1,350,593**
At 31 January 2020							
Cost	924,169	1,004,685	238,136	40,557	189,538	15,568	2,412,653
Accumulated amortisation	–	(740,070)	(210,158)	(24,498)	(77,794)	(9,540)	(1,062,060)
Net Book Value At 31 January 2020	**924,169**	**264,615**	**27,978**	**16,059**	**111,744**	**6,028**	**1,350,593**

Intangible asset movements

During the period ended 31 January 2020, €59,358,000 of net assets were de-recognised in relation to the disposal of a business in Europe. These included €51,020,000 of intangible assets, of which €45,411,000 related to goodwill, and €5,609,000 related to software.

As set out in note 5, during the period ended 31 January 2020, €102,858,000 of assets related to a businesses in North America were transferred to disposal groups held-for-sale. These included €68,367,000 of intangible assets, of which €64,973,000 related to goodwill and €3,394,000 related to software.

Goodwill impairment testing

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

The Group typically tests goodwill for impairment annually, during the last quarter of the financial year; however, because the carrying amount of the Group's net assets continued to be more than the Group's market capitalisation throughout the period, management determined it appropriate to also conduct impairment testing of selected CGUs as of 31 January 2020.

While positive performance and existing headroom indicated no interim impairment testing was necessary within all other CGUs, testing was performed on the ARYZTA North America CGU and the North West Europe CGU, using the following key assumptions as of 31 January 2020:

in EUR '000	**Pre-tax discount rate January 2020**	Pre-tax discount rate July 2019	**Projection period January 2020**	Projection period July 2019	**Terminal growth rate January 2020**	Terminal growth rate July 2019	**Carrying Value January 2020**	Carrying Value July 2019
North West Europe[1]	**8.1%**	8.0%	**2.5 years**	3 years	**2.0%**	2.0%	**128,100**	173,426
ARYZTA North America	**8.8%**	8.5%	**2.5 years**	3 years	**2.2%**	2.2%	**322,912**	816,875

1 The North West Europe CGU comprises businesses in Ireland, Netherlands and Denmark

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

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 consistent with the methods used as at 31 July 2019 and discounted using the relevant rate, as disclosed in the table above.

Impairment during the period ended 31 January 2020
Following reductions in profitability in North America during the period ended 31 January 2020, the Group recorded goodwill impairment charges of €437,146,000 in North America. Current period profitability has been impacted by volume declines associated with challenges in the market, while operational margin has been compressed due to costs associated with commissioning and optimisation of the bakery network. Given these difficult trading conditions, management feel it is appropriate to revise downwards its mid-term projections as the optimisation of the North America bakery network and the return to revenue growth is expected to be at a slower pace than had originally been planned. While profitability is expected to improve in the future, after considering goodwill and other assets within this location, as well as the respective future cash flow projections, management determined it was appropriate to record these goodwill impairment charges during the current period.

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 the terminal growth rate, the discount rate, future revenue and profitability.

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.

The headroom of the recoverable amounts of the North West Europe and ARYZTA North America CGUs over the respective carrying amounts at 31 January 2020 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. As the goodwill in the ARYZTA North America CGU was written down to recoverable value at January 2020, there is no headroom over carrying value of this CGU at period end, and the recoverable value of the CGU is sensitive to any unfavourable changes in the key assumptions used.

	Headroom over carrying value	Pre-tax discount rate allowable movement	Terminal growth rate allowable movement
North West Europe	€42m	+0.9%	(0.8)%
ARYZTA North America	€0m	0.0%	0.0%

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

An illustration of the sensitivities to reasonably possible changes in key assumptions at 31 January 2020, in isolation, are as follows:

	North West Europe		ARYZTA North America	
in EUR million	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Pre-tax discount rate	(48)	67	(105)	143
Terminal growth rate	77	(52)	178	(120)

Revenue is projected to grow over the plan period in line with industry growth projections, consistent with external market data, with further assumed improvements in annual underlying EBITDA across the plan period. A decrease of 1% in the revenue compound annual growth rate across the projection period within the ARYZTA North America CGU would result in a shortfall in the value-in-use model under carrying value of €46m. A reduction in EBITDA realised of 5% per annum across the projection period within the ARYZTA North America CGU would result in a shortfall in the value-in-use model under carrying value of €85m. A decrease of 1% in the revenue compound annual growth rate across the projection period, or a reduction in EBITDA realised of 5% per annum across the projection period within the North West Europe CGU would not result in an impairment.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

10 Investments in joint ventures

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

31 January 2020 in EUR '000	Share of joint ventures net assets
At 1 August 2019	447,678
Share of Joint Venture's underlying net profit	18,352
Group share of intangible amortisation	(1,658)
Group share of tax on intangible amortisation and associated rate adjustments	818
Group share of restructuring-related costs	(1,377)
Disposal of joint venture	(463,813)
At 31 January 2020	**–**

Loss on sale of joint venture

As announced on 4 October 2019, the Group received a binding offer from Invest Group Zouari ('IGZ') to purchase 43% of its 48% holding in Picard for gross consideration of €155,860,000, of which €145,860,000 was received during the period ended 31 January 2020. Net of transaction costs settled to date, net proceeds of €145,450,000 have been recorded in the Group Consolidated Cash Flow Statement. The remaining €10,000,000 consideration has been recorded as a Vendor Loan Note receivable at 31 January 2020 and is due by October 2020. ARYZTA retains a 4.6% interest in Picard, recorded as a financial investment at fair value. As the total estimated proceeds net of transaction costs payable of €149,988,000 and the fair value of the remaining stake held of €16,768,000, are less than the €463,813,000 carrying value of the investment in joint venture disposed of, the transaction resulted in a loss on disposal in the amount of €297,057,000.

The Group's remaining 4.6% equity investment is presented as a financial assets at fair value through income statement in the Group Consolidated Balance Sheet. 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 share of revenues and results of joint ventures during the period ended 31 January 2020 are as follows:

31 January 2020 in EUR '000	Picard	ARYZTA's share thereof
Revenue	**822,622**	
EBITDA	121,314	
Depreciation	(14,970)	
EBITA	106,344	
Finance costs, net	(28,607)	
Pre-tax profits	77,737	
Income tax	(39,320)	
Joint Venture Underlying net profit	38,417	18,352
Intangible amortisation	(3,472)	(1,658)
Tax on intangible amortisation and associated rate adjustments	1,712	818
Restructuring-related costs	(2,882)	(1,377)
Profit after tax	33,775	16,135
Gains through other comprehensive income	–	–
Total comprehensive income	**33,775**	**16,135**

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

11 Analysis of net debt

Analysis of net debt in EUR '000	**1 August 2019**	**Cash flows**	**Non-cash movements**	**Translation adjustment**	**31 January 2020**
Cash	533,782	(18,585)	–	(1,351)	513,846
Overdrafts	(155,902)	98,893	–	354	(56,655)
Cash and cash equivalents	**377,880**	**80,308**	**–**	**(997)**	**457,191**
Loans	(1,110,865)	90,428	(3,751)	(142)	(1,024,330)
Leases (Note 8)	(321,273)	24,183	(1,886)	(1,000)	(299,976)
Net debt	**(1,054,258)**	**194,919**	**(5,637)**	**(2,139)**	**(867,115)**

12 Post balance sheet events – after 31 January 2020

There have been no significant events, outside the ordinary course of business, affecting the Group since 31 January 2020.

13 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.

14 Related party transactions

During the six months ended 31 January 2020, there have been no significant changes in the related party transactions described in the ARYZTA AG 2019 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 2020

15 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 pages 159 and 160 of the ARYZTA AG 2019 Annual Report and Accounts.

During the period ended 31 January 2020:

- Estimated exposures to credit, liquidity, foreign exchange, interest rate or commodity price risk have remained materially consistent with 31 July 2019;

- Leasing accounting estimates and judgements:

  In determining the incremental borrowing rate for lease contracts, the Group, where possible, has utilised external benchmarked information and taken into consideration the credit risk profile of the Group, the term and currency of the lease and applies a common currency area adjustment where applicable.

  The Group applies judgement in determining whether it is reasonably certain that a renewal or termination option will be exercised. If the Group is reasonably certain to exercise such options this impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. The Group reassesses these estimates and judgements if a significant event or a significant change in circumstances occurs.

- An impairment of goodwill was recorded in the ARYZTA North America CGU. Significant judgements and estimates including sensitivity analysis related to this matter are detailed in note 9;

- The Group disposed of its non-core joint venture investment in Picard, as detailed in note 10;

- Estimates associated with employee benefit schemes have remained materially consistent with 31 July 2019; and

- Estimates associated with the provision for income tax and deferred income tax have remained materially consistent with 31 July 2019.

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 71 of the ARYZTA AG 2019 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. In addition, the Board has identified a key risk associated with the effects of a pandemic or epidemic or a natural disaster on consumer demand, and on the Group's operations and supply chain.

Notes to the Group Condensed Interim Financial Statements (continued)
for the six months ended 31 January 2020

16 Distribution of interim report

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

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

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

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

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

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

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

On behalf of the Board

Gary McGann
Chairman, Board of Directors

Kevin Toland
CEO, Member of the Board of Directors

10 March 2020