Annual Report and Accounts 2015

Financial and Business Review

1 ARYZTA Group – Underlying Income Statement

in EUR '000	July 2015	July 2014	% Change
Continuing operations			
Group revenue	3,820,231	3,393,783	12.6%
EBITA[1]	513,965	486,294	5.7%
EBITA margin	13.5%	14.3%	(80)bps
Joint venture	(1,210)	–	–
EBITA including joint venture	512,755	486,294	5.4%
Finance cost, net	(83,390)	(62,604)	–
Hybrid instrument accrued dividend	(30,673)	(29,548)	–
Pre-tax profits	398,692	394,142	–
Income tax	(64,035)	(65,754)	–
Non-controlling interests	(4,669)	(3,800)	–
Underlying net profit – continuing operations	329,988	324,588	1.7%
Underlying net profit – discontinued operations[2]	29,735	52,890	(43.8)%
Underlying net profit – total	**359,723[3]**	**377,478[3]**	**(4.7)%**
Underlying fully diluted EPS (cent) – total	**402.2[4]**	**422.2[4]**	**(4.7)%**
Underlying net profit – continuing operations	**329,988**	**324,588**	**1.7%**
Underlying fully diluted EPS (cent) – continuing operations	**368.9[4]**	**363.0[4]**	**1.6%**

1 See glossary in section 18 for definitions of financial terms and references used in the financial and business review.

2 Following the reduction in the Group's investment in Origin during March 2015, the Group's proportion of Origin's results have been presented separately as discontinued operations in both the current and prior year.

3 See bridge from underlying net profit to reported net profit as included on page 24.

4 The 31 July 2015 weighted average number of ordinary shares used to calculate underlying earnings per share is 89,441,152 (2014: 89,407,313).

2 ARYZTA Group – Underlying revenue growth

Continuing operations in EUR million	Food Europe	Food North America	Food Rest of World	Total Group
Group revenue	1,646.6	1,942.3	231.3	3,820.2
Underlying growth	1.0%	(6.2)%	3.3%	(2.2)%
Acquisitions, net	0.4%	14.8%	–	7.1%
Currency	2.4%	13.8%	1.4%	7.7%
Revenue Growth	**3.8%**	**22.4%**	**4.7%**	**12.6%**

Financial and Business Review (continued)

3 ARYZTA Group – Segmental EBITA

Continuing operations in EUR '000	July 2015	July 2014	% Change	EBITA Margin 2015	EBITA Margin 2014	% Change
Food Europe	212,031	230,334	(7.9)%	12.9%	14.5%	(160) bps
Food North America	275,108	230,313	19.4%	14.2%	14.5%	(30) bps
Food Rest of World	26,826	25,647	4.6%	11.6%	11.6%	– bps
Total Group EBITA	**513,965**	**486,294**	**5.7%**	**13.5%**	**14.3%**	**(80) bps**
Joint venture	(1,210)	–	(100.0)%			
Total EBITA incl. joint venture	**512,755**	**486,294**	**5.4%**			

4 Discontinued operations – Origin

During March 2015, ARYZTA announced the completion of its offering of 49 million ordinary shares of Origin Enterprises plc ('Origin') for €8.25 per share, which raised net proceeds for ARYZTA of €398.1m. The divestment simplifies ARYZTA's reporting structure and transforms ARYZTA into a business that is fully focused on speciality food.

Following the placing, the Group's investment in Origin was reduced from 68.1% to 29.0% and Origin has been accounted for as an associate held-for-sale, rather than as a fully-consolidated subsidiary.

As Origin previously represented a significant component and a separately reported segment of the Group, Origin's results have been separately presented as discontinued operations, in both the current and prior years, as shown below:

	Aug – Mar 2015	Apr – Jul 2015	July 2015	July 2014	% Change
Revenue	829,518	628,580	**1,458,098**	1,415,239	3.0%
EBITA	12,803	66,092	**78,895**	79,513	(0.8)%
EBITA margin	1.5%	10.5%	**5.4%**	5.6%	(20)bps
Associates and JV, net of tax	8,172	5,904	**14,076**	13,392	–
EBITA incl. associates and JV	20,975	71,996	**92,971**	92,905	0.1%
Finance cost, net	(3,591)	(1,219)	**(4,810)**	(5,534)	–
Pre-tax profits	17,384	70,777	**88,161**	87,371	–
Income Tax	(1,572)	(11,118)	**(12,690)**	(12,426)	–
Total underlying net profit	15,812	59,659	**75,471**	74,945	0.7%
Non-ARYZTA portion of discontinued operations	(3,373)	(42,363)	**(45,736)**	(22,055)	(107.4)%
Underlying net profit contribution – discontinued operations	12,439	17,296	**29,735**	52,890	(43.8)%

Also see the calculation of the net gain on disposal of discontinued operations included in section 9 and the additional disposal of the remaining 29.0% interest subsequent to year-end, as included in section 14.

Overview

Financial and Business Review (continued)

5 Our business

ARYZTA's business is speciality food with a primary focus on speciality baking, a niche segment of the overall bakery market. Speciality bakery consists of freshly prepared food giving the best value, variety, taste and convenience to consumers at the point of sale. ARYZTA's customer channels consist of a mix of large retail, convenience and independent retail, Quick Serve Restaurants ('QSR') and other foodservice categories.

Total revenue from continuing operations increased by 12.6% to €3.8bn, entirely due to acquisitions and currency. Underlying revenue declined in the year by (2.2)%, reflecting the impact of the volume losses associated with the North American capacity optimisation strategy. As communicated throughout the year, these efforts are aimed at freeing capacity for larger customers, without committing further investment capital. There was a strong 7.1% contribution to revenue from acquisitions, primarily from the prior year acquisitions of Cloverhill and Pineridge in North America. The year also benefited from a favourable currency impact of 7.7%, mostly as a result of the strengthening of the US Dollar.

Group EBITA from continuing operations increased 5.7% to €514.0m, while EBITA margins declined by (80) bps to 13.5%, reflecting the softening of European margin performance due to ARYZTA Food Solutions volume declines during the second half, as well as the reduced operating leverage, as a result of the capacity optimisation efforts in North America.

6 Food Europe

Food Europe has leading market positions in the European speciality bakery market. It has a diversified customer base including convenience retail, gas stations, multiple retail, restaurants, catering, hotels, leisure and QSR.

Food Europe revenue grew by 3.8% to €1.6bn. Underlying revenues grew 1.0% during the year. Acquisition related revenue growth added 0.4% and a favourable currency impact added 2.4%, compared to the prior year. Food Europe EBITA declined by (7.9)% to €212.0m, while EBITA margins decreased by (160) bps to 12.9%.

Within Food Europe the business has experienced notable changes in customer and consumer behaviour, as a result of the hourglass economy. At the lower end of the hourglass, Bakeries Europe delivered strong, volume driven, underlying revenue growth of c. 3% providing quality food offerings at value.

At the top end of the hourglass, Food Solutions Europe is also achieving c. 2% growth rates providing customised speciality food offerings to food professionals. However, in the middle of the hourglass, which is also serviced by Food Solutions, revenues are being squeezed. As a result, the business suffered a significant step change in pricing and volume declines during the year across continental Europe, primarily within the convenience & independent retail channel. These impacts are expected to moderate during FY 2016.

Due to the proportionately higher operating costs required to service incremental Food Solutions revenues, these revenue reductions led to significantly lower operating leverage, as the remaining revenues were left to absorb the existing fixed cost base.

Financial and Business Review (continued)

In response to these challenges, management has not only focused on re-aligning the cost base, but also on opportunities to drive increased sales. These include transferring the existing product offering across regions, investing in technology to enable automated customer re-ordering and driving product innovation to help ARYZTA customers differentiate themselves with their consumers.

During January 2015, the Group agreed to exchange certain assets within the Food Europe operating segment for a 50% interest in Signature Flatbreads, a pioneering flatbread producer in India and the UK. While the assets disposed had historically generated approximately €100m in annual revenues, the associated margins had recently begun to deteriorate. Therefore, management felt the significant opportunities presented through a joint venture in India provided an appropriate exit strategy for that business. During April 2015, the Group also agreed to sell its 100% interest in a non-core business, Carroll Cuisine, which historically generated approximately €45m in annual revenues. These transactions resulted in a non-cash loss on disposals of €45.7m.

During the second half of the year, Food Europe completed the separate acquisitions of Pré Pain, a recognised leader in 'crusty bake-off bread' in the Netherlands, and Fornetti, a leading bakery goods supplier in Hungary, for total combined consideration of €190.9m. These acquisitions have historically generated combined annual revenues of approximately €130m and provide additional well-invested capacities, further customer relationships and new geographic market expansion within Northern and Eastern Europe.

During the year ended 31 July 2015, Food Europe invested €178.5m to add newly automated bakery capacities, primarily in Germany, the UK and Denmark, which are significantly dedicated to strategic customers and in completing or enhancing the ERP roll-out in certain locations.

During the year, Food Europe incurred €72.4m of non-cash asset write-downs of various manufacturing, distribution and administration assets due to the planned reduction in activities expected to be generated from those assets. These reductions are the direct result of the Group's recent integration and rationalisation programme investments, which were aimed at replacing obsolete assets, optimising the distribution network and streamlining administrative functions.

Food Europe incurred cash non-recurring costs of €52.3m, primarily related to advisory, severance and staff-related costs associated with completion of certain ATI programme projects, as well as costs associated with the Group's various acquisition and investment activities.

7 Food North America

Food North America is a leading player in the speciality bakery market. It has a diversified customer base, including multiple retail, restaurants, catering, hotels, leisure, hospitals, military, fundraising and QSR. ARYZTA is the leader in high-value artisan bakery via La Brea Bakery, which focuses on the premium branded bakery segment. ARYZTA's well-established partnerships with key global QSR customers, which dominate the North American convenience food landscape, also provide the Group with a solid customer base from which to further grow market share.

Food North America revenues increased by 22.4% to €1.9bn. While underlying revenue declined by (6.2)% during the year, there was a strong contribution of 14.8% from

Financial and Business Review (continued)

the prior year acquisitions of Cloverhill and Pineridge, which continued to perform to expectation, and a favourable currency impact of 13.8%.

The decline in Food North America underlying revenue reflects the impact of the capacity optimisation strategy to free up capacity for higher volume customers without committing further investment capital. While the business has already replaced more than half of the volume lost as part of the program, this strategy is expected to continue to impact Food North America underlying revenue into FY16. Beginning in H2-16 these underlying declines are expected to subside, as replacement volumes continue to rebuild from the existing customer pipeline, as well as from increased management focus on growth of ARYZTA own-branded product sales.

Food North America EBITA grew by 19.4% to €275.1m, while EBITA margins declined (30) bps to 14.2%. These declines reflect the decreased operating leverage created by the decline in underlying revenues during the period; however, management has done an excellent job containing the cost base during this transition and during the second half of the year was able to maintain margins consistent with prior year.

During the year, Food North America invested an additional €146.4m to expand capabilities in-line with the needs of strong international partners and to focus on higher margin and higher revenue per tonne products going forward.

Food North America also incurred non-cash asset write-downs of €68.5m during the year, as a direct result of these transitions and the resulting closure of multiple aged manufacturing locations, as well as the reduction in use of various other administration equipment or obsolete production assets.

In North America, the cash costs for non-recurring items were €31.4m, related primarily to advisory, severance and staff-related costs associated with the integration of recently acquired businesses supply chain and distribution functions into the Group's network, costs associated with the closure of select facilities and further centralisation of certain administrative functions.

8 Food Rest of World

ARYZTA's operations in the Rest of World include businesses in Australia, Asia, New Zealand and South America. While accounting for less than 10% of the Food Group business, these locations provide attractive future growth opportunities.

Food Rest of World revenues increased by 4.7% to €231.3m, with a strong underlying growth contribution of 3.3% and a favourable currency impact of 1.4%.

Food Rest of World EBITA increased by 4.6% to €26.8m and EBITA margins were stable at 11.6%.

While underlying revenue growth was slightly negative during Q4-15 due to timing issues, the annual run rate remains positive. There was strong revenue growth in Brazil, as the expanded bakery capacities there begin to gain momentum, but there was some weakness within APAC. These trends are reflective of the performance of large QSR customers across these regions.

Financial and Business Review (continued)

9 Net acquisition, disposal and restructuring related costs and fair value adjustments

During the year ended 31 July 2015 the Group incurred the following amounts related to integration, rationalisation and restructuring of the Group:

in EUR '000	Discontinued Operations 2015	Continuing Operations Non-cash 2015	Continuing Operations Cash 2015	Total 2015
Net gain/(loss) on disposal of businesses	523,300	(45,685)	–	**477,615**
Asset write-downs	–	(146,289)	–	**(146,289)**
Acquisition-related costs	–	–	(9,982)	**(9,982)**
Severance and other staff-related costs	–	–	(48,642)	**(48,642)**
Contractual obligations	–	–	(2,087)	**(2,087)**
Advisory and other costs	–	–	(27,265)	**(27,265)**
Year ended 31 July 2015	**523,300**	**(191,974)**	**(87,976)**	**243,350**

Discontinued operations

During March 2015, ARYZTA announced the completion of its offering of 49 million ordinary shares of Origin for €8.25 per share, which raised net proceeds for ARYZTA of €398,108,000. At the time of the placing, the deemed fair value of the Group's remaining 29.0% interest in Origin was also valued at €8.25 per share, resulting in a value of €299,329,000. As the total deemed consideration exceeded the Group's €145,678,000 share of the disposed net assets and cash balances of Origin, the Group recognised a gain on disposal of discontinued operations of €551,759,000.

Following the placing, the Group's remaining 29.0% interest in Origin has been determined to be an associate held-for-sale, recorded at fair value, less costs to sell. Based on the unadjusted quoted price of €7.62 as of 31 July 2015, less estimated costs to sell, a fair value adjustment of €28,459,000 was recorded during the period to reduce the carrying value to €270,870,000 as of 31 July 2015, resulting in a total net gain in relation to the disposal of Origin of €523,300,000, as shown below:

in EUR '000	Total
Cash received, net of transaction costs	398,108
Net cash disposed	(25,133)
Cash received, net of cash disposed	372,975
Fair value of retained 29% interest	299,329
Total consideration	672,304
ARYZTA's share of Origin net assets disposed	(120,545)
Gain on disposal of discontinued operations	551,759
Fair value adjustment to associate held-for-sale	(28,459)
Net gain on disposal of discontinued operations	**523,300**

Also see the additional disposal of the remaining 29.0% interest subsequent to year-end, as included in section 14.

Financial and Business Review (continued)

Continuing operations – non-cash
During January 2015, the Group agreed to exchange certain assets, for a 50% interest in Signature Flatbreads (UK) Ltd. As the €53,106,000 total fair value of the Group's 50% interest and the Vendor Loan Note receivable from the Joint Venture, were less than the €66,659,000 carrying value of the net assets exchanged and related costs incurred, the transaction resulted in a loss on disposal in the amount of €13,789,000, including foreign exchange losses of €236,000.

During April 2015, the Group agreed to sell its 100% interest in Carroll Cuisine, for cash consideration of €37,276,000. As the proceeds received exceeded the €12,970,000 carrying value of the net assets disposed and associated costs incurred, the transaction resulted in a gain on disposal of €24,306,000.

As a result of the two disposals above, the Group also wrote-off a proportionate amount of Goodwill within the UK and Ireland Cash Generating Unit in the amount of €56,202,000. The total of the above disposals and the associated write-down of Goodwill resulted in a net loss on disposal of businesses within continuing operations of €45,685,000 during the year ended 31 July 2015.

The Group also incurred €146,289,000 of asset write-downs during the year, primarily related to the write-down of various manufacturing, distribution and administration assets within the Food Europe and Food North America segments, following the closure and/or reduction in activities expected to be generated from those assets. These reductions are the direct result of the Group's recent integration and rationalisation programme investments, which have replaced obsolete assets, optimised the distribution network and streamlined administrative functions.

As these non-cash gains and losses included above are added back when calculating ROIC for management compensation purposes, they had no impact on management compensation.

Continuing operations – cash
The Group also incurred €87,976,000 of costs related to the continued integration of prior year acquisitions into the Group's bakery network. These estimated integration costs are in-line with the €70,000,000 guidance when adjusted for currency and the incremental costs associated with current year acquisitions.

Financial and Business Review (continued)

10 Financial position

As of 31 July 2015, the Group's financing facilities, related capitalised upfront borrowing costs, finance leases, overdrafts and cash balances outstanding were as follows:

Debt Funding	Principal	Maturity	Outstanding in EUR '000
Feb 2014 – Syndicated Bank Loan	USD 330m	Feb 2019	(297,056)
Feb 2014 – Syndicated Bank Loan	CHF 230m	Feb 2019	(216,267)
Feb 2014 – Syndicated Bank Loan	GBP 100m	Feb 2019	(141,024)
Feb 2014 – Syndicated Bank Loan	CAD 110m	Feb 2019	(76,146)
Feb 2014 – US Private Placement	USD 490m/EUR 25m	Feb 2020–Feb 2024	(466,084)
May 2010 – US Private Placement	USD 350m/EUR 25m	May 2016–May 2022	(340,060)
Dec 2009 – US Private Placement	USD 200m	Dec 2021–Dec 2029	(180,034)
Jun 2007 – US Private Placement	USD 300m	Jun 2017–Jun 2019	(270,051)
Food Group gross term debt			(1,986,722)
Food Group upfront borrowing costs			15,011
Food Group term debt, net of upfront borrowing costs			(1,971,711)
Food Group finance leases			(1,425)
Food Group cash and cash equivalents, net of overdrafts			248,033
Food Group net debt			(1,725,103)

Hybrid Funding			
Nov 2014 – Perpetual callable subordinated instrument	EUR 250m	No maturity – First call date March 2019	(245,335)
Oct 2014 – Perpetual callable subordinated instrument	CHF 190m	No maturity – First call date April 2020	(155,679)
April 2013 – Perpetual callable subordinated instrument	CHF 400m	No maturity – First call date April 2018	(319,442)
Hybrid funding at historical cost, net of associated costs			(720,456)
Hybrid funding fair value adjustment to year-end exchange rates			(84,316)
Hybrid funding at 31 July 2015 exchange rates			**(804,772)**

As of 31 July 2015, the Group's interest cover including hybrid interest was 5.76x (2014: 7.29x). The weighted average maturity of the Group gross term debt was 4.98 years (2014: 5.43 years). The weighted average interest cost of Group debt financing facilities (including overdrafts) was 3.84% (2014: 3.63%).

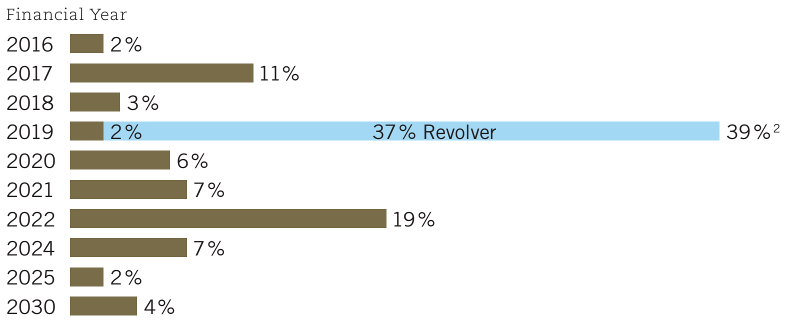
Financial and Business Review (continued)

ARYZTA intends to maintain an investment grade position in the range of 2x – 3x Net debt: EBITDA on its syndicated bank loan. The Group's key financial ratio is as follows:

	July 2015	July 2014
Net Debt: EBITDA[1] (syndicated bank loan)	2.54x	2.49x

1 Calculated based on the terms of the Group Syndicated Bank Loan Revolving Credit Facility.

Food Group Gross Term Debt Maturity Profile (excluding hybrid)[1]



1 The Group term debt maturity profile is set out as at 31 July 2015. Food Group gross term debt at 31 July 2015 is €1,986.7m. Group net debt at 31 July 2015 is €1,725.1m, which also includes overdrafts and finance leases, and is net of cash and related capitalised upfront borrowing costs.

2 Incorporating the drawn amount on the Revolving Credit Facility of €730.5m as at 31 July 2015, which represents 37% of the Group gross term debt.

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

Currency	Average 2015	Average 2014	% Change	Closing 2015	Closing 2014	% Change
CHF	1.1191	1.2250	8.6%	1.0635	1.2169	12.6%
USD	1.1799	1.3601	13.2%	1.1109	1.3430	17.3%
CAD	1.4009	1.4590	4.0%	1.4446	1.4611	1.1%
GBP	0.7547	0.8291	9.0%	0.7091	0.7933	10.6%

Financial and Business Review (continued)

Cash generation – continuing operations

in EUR '000	July 2015	July 2014
EBIT	345,943	362,532
Amortisation	168,022	123,762
EBITA	513,965	486,294
Depreciation	124,306	102,879
EBITDA	638,271	589,173
Working capital movement	(63,319)	12,372
Working capital movement from debtor securitisation	104,077	34,224
Maintenance capital expenditure	(80,725)	(59,970)
Segmental operating free cash generation	**598,304**	**575,799**
Investment capital expenditure[1]	(329,412)	(276,843)
Acquisition and restructuring-related cash flows	(101,266)	(105,561)
Segmental operating free cash generation, after investment capital expenditure and integration costs	**167,626**	**193,395**
Dividends received from Origin	17,056	16,388
Hybrid dividend	(39,107)	(29,388)
Interest and tax	(117,947)	(103,375)
Other non-cash income[2]	(6,200)	(2,941)
Cash flow generated from activities	**21,428**	**74,079**

Net debt and investment activity – continuing operations

in EUR '000	FY 2015	FY 2014
Opening net debt as at 1 August	**(1,642,079)**	**(849,228)**
Cash flow generated from activities	21,428	74,079
Disposal of businesses, net of cash and finance leases	22,728	–
Proceeds from reduction of interest in Origin	398,108	71,789
Net debt cost of acquisitions	(149,822)	(862,792)
Contingent consideration	(9,240)	(4,190)
Hybrid instrument proceeds	69,334	–
Dividends paid	(69,364)	(51,146)
Foreign exchange movement[3]	(363,792)	(22,682)
Other[4]	(2,404)	2,091
Closing net debt as at 31 July	**(1,725,103)**	**(1,642,079)**

1 Includes expenditure on intangible assets.

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

3 Foreign exchange movement for the year ended 31 July 2015 is primarily attributable to the fluctuation in the US Dollar to euro rate from July 2014 (1.3430) to July 2015 (1.1109) and in the Swiss Franc to euro rate from July 2014 (1.2169) to July 2015 (1.0635).

4 Other comprises primarily proceeds on disposal of property, plant and equipment, and amortisation of financing costs.

Financial and Business Review (continued)

11 Return on invested capital

Continuing operations in EUR million	Food Europe	Food North America	Food Rest of World	Total Group
2015				
Group share net assets	2,023	2,602	204	4,829
EBITA & JVs cont.	217	275	27	519
ROIC[1]	10.7%	10.6%	13.2%	10.7%
2014				
Group share net assets	1,811	2,303	243	4,357
EBITA	237	261	26	524
ROIC[1]	13.1%	11.3%	10.6%	12.0%

1 ROIC is calculated on a consistent basis year over year using a pro-forma trailing twelve months segmental EBITA and Profit from Joint Ventures ('TTM EBITA') divided by the respective Segmental Net Assets as of the end of each respective period. See glossary in section 18 for further definitions of financial terms and references used.

2 The Food Group WACC on a pre-tax basis is currently 7.4% (2014: 7.0%).

12 Net assets, goodwill and intangibles

Group Balance Sheet in EUR '000	Total Group 2015	Total Group 2014
Property, plant and equipment	1,543,263	1,374,010
Investment properties	25,916	30,716
Goodwill and intangible assets	3,797,269	3,690,597
Deferred tax on acquired intangibles	(246,116)	(255,639)
Associates and joint ventures	32,067	54,911
Other financial assets	28,644	42,586
Working capital	(218,669)	(197,394)
Other segmental liabilities	(132,849)	(122,708)
Segmental net assets	4,829,525	4,617,079
Associate held-for-sale	270,870	–
Net debt	(1,725,103)	(1,653,991)
Deferred tax, net	(95,423)	(105,799)
Income tax	(45,813)	(60,152)
Derivative financial instruments	(12,113)	(5,680)
Net assets	**3,221,943**	**2,791,457**

Financial and Business Review (continued)

Continuing Operations Balance Sheet in EUR '000	Continuing operations 2015	Continuing operations 2014
Property, plant and equipment	1,543,263	1,283,584
Investment properties	25,916	23,141
Goodwill and intangible assets	3,797,269	3,539,225
Deferred tax on acquired intangibles	(246,116)	(246,717)
Joint venture	32,067	–
Other financial assets	28,644	–
Working capital	(218,669)	(149,277)
Other segmental liabilities	(132,849)	(93,481)
Segmental net assets	4,829,525	4,356,475
Associate held-for-sale	270,870	46,515
Net debt	(1,725,103)	(1,642,079)
Deferred tax, net	(95,423)	(102,102)
Income tax	(45,813)	(41,019)
Derivative financial instruments	(12,113)	(4,465)
Net assets	**3,221,943**	**2,613,325**

13 Proposed dividend

At the Annual General Meeting on 8 December 2015, shareholders will be invited to approve a proposed dividend of CHF 0.6555 (€0.6033) per share. If approved, the dividend will be paid to shareholders on 1 February 2016. A dividend of CHF 0.7646 per share was paid during the year, as approved by shareholders at the Annual General Meeting on 2 December 2014.

14 Subsequent Events

Picard

During August 2015, the Group completed its previously announced agreement to acquire a strategic interest in Picard, a speciality premium food business in France. Based on the terms of the final agreement, total consideration paid was €450,732,000, in exchange for a 49.5% interest in Picard.

ARYZTA also retains the right to exercise a call option to acquire the remaining outstanding interest in Picard in three to five years. Picard remains a separately managed entity, with separately funded debt, which is non-recourse to ARYZTA.

Origin

During September 2015, the Group completed the divestment of its remaining 29.0% interest in Origin, which was classified as an associate held-for-sale as of 31 July 2015.

ARYZTA raised net proceeds of €225m by placing 36.3m shares in Origin at €6.30 per share, resulting in an estimated net loss of €46m compared to the year-end carrying value of €271m. This fair value adjustment will be accounted for within discontinued operations during the year ending 31 July 2016, along with the operating results of Origin up to the date of disposal.

Financial and Business Review (continued)

La Rousse Foods
During September 2015, the Group completed the 100% acquisition of La Rousse Foods ('La Rousse') for an enterprise value of €26,500,000. La Rousse supplies fresh, frozen and ambient goods to various restaurants, hotels and caterers across Ireland.

15 Outlook

Following recent repositioning and investments, ARYZTA's focus in FY 2016 is on delivering the underlying revenue growth potential of the business. This is expected to generate a tenfold expansion in free cash generation to over €200m in FY 2016. We expect to achieve underlying fully diluted EPS in the range of 365 – 385 cent for FY 2016.

16 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 57 to continue to reflect the principal risks and uncertainties of the Group.

17 Forward looking statement

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

Financial and Business Review (continued)

18 Glossary of financial terms and references

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

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

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

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

'Hybrid instrument' – presented as Perpetual Callable Subordinated Instrument in the Financial Statements.

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

'Reported ROIC' – Return On Invested Capital is calculated using pro-forma trailing twelve months segmental EBITA and profit from Joint venture ('TTM EBITA') reflecting the full twelve months contribution from acquisitions, divided by the respective Net Assets.

'Underlying earnings' – presented as reported net profit, adjusted to include the Hybrid instrument accrued dividend as finance cost; before non-ERP related intangible amortisation; before net acquisition, disposal and restructuring-related costs and fair value adjustments and before any non-controlling interest allocation of those adjustments, net of related income tax impacts.

The Group utilises the Underlying earnings measure to enable comparability of the results from period to period, without the impact of transactions that do not relate to the underlying business. It is also the Group's policy to declare dividends based on underlying fully diluted earnings per share, as this provides a more consistent basis for returning dividends to shareholders.