

## Company Income Statement

for the year ended 31 July 2016

in CHF '000	2016	2015
Revenues from licences and management fees from Group companies	9,189	7,524
Dividend income from Group companies	126,581	252,705
Personnel expenses	(4,800)	(4,770)
Other operating expenses to Group companies	(4,955)	(8,158)
Other operating expenses	(5,505)	(13,058)
Depreciation and amortisation	(225)	(284)
<b>Operating profit</b>	<b>120,285</b>	<b>233,959</b>
Financial income from Group companies	52,908	50,782
Financial expenses	(64,919)	(79,455)
<b>Profit before income tax expense</b>	<b>108,274</b>	<b>205,286</b>
Income tax expense	(271)	(2,826)
<b>Profit for the year</b>	<b>108,003</b>	<b>202,460</b>

## Company Balance Sheet

as at 31 July 2016

in CHF '000	2016	2015
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,666	1,859
Other current receivables		
– from third parties	1,536	3,968
– from Group companies	83	611
<b>Total current assets</b>	<b>4,285</b>	<b>6,438</b>
<b>Long-term assets</b>		
Financial assets		
– loans to Group companies	2,326,789	2,256,179
Investments		
– investments in Group companies	2,114,367	2,102,203
Property, plant and equipment	2,000	2,123
<b>Total long-term assets</b>	<b>4,443,156</b>	<b>4,360,505</b>
<b>Total assets</b>	<b>4,447,441</b>	<b>4,366,943</b>

## Company Balance Sheet (continued)

as at 31 July 2016

in CHF '000	2016	2015
<b>Liabilities</b>		
<b>Short-term liabilities</b>		
Trade payable		
– to third parties	863	106
Short-term interest bearing liabilities		
– to third parties	193,829	1,029,439
Other short-term liabilities		
– to third parties	178,472	118,088
– to Group companies	563,010	67,377
Accrued expenses	18,474	8,921
<b>Total short-term liabilities</b>	<b>954,648</b>	<b>1,223,931</b>
<b>Long-term liabilities</b>		
Long-term interest-bearing liabilities		
– to third parties	1,666,839	1,366,879
Liabilities to Group companies	278,522	278,522
<b>Total long-term liabilities</b>	<b>1,945,361</b>	<b>1,645,401</b>
<b>Total liabilities</b>	<b>2,900,009</b>	<b>2,869,332</b>
<b>Equity</b>		
Share capital	1,836	1,836
Legal reserves from capital contribution	1,079,391	1,137,573
Legal reserves for own shares from capital contribution	117,871	117,871
Retained earnings	348,334	240,331
<b>Total equity</b>	<b>1,547,432</b>	<b>1,497,611</b>
<b>Total equity and liabilities</b>	<b>4,447,441</b>	<b>4,366,943</b>

# Notes to the Company Financial Statements

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## 1 Basis of presentation

The financial statements of ARYZTA AG, with a registered address of Talacker 41, 8001 Zurich, have been prepared in accordance with the new requirements of Swiss law effective for accounting periods beginning 1 August 2015.

The Company's accounting period for the year is from 1 August 2015 to 31 July 2016. Certain amounts in the Company's 31 July 2015 financial statements and related notes have been reclassified or adjusted to conform to the 31 July 2016 presentation. These reclassifications or adjustments were made for presentation purposes and have no effect on profit for the year, total assets, total liabilities or equity as previously reported.

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## 2 Accounting policies

### Financial Assets

Financial assets are valued at acquisition cost, less adjustments for foreign currency movements and any other impairment of value.

### Investments

Investments are initially recognised at cost. These investments are assessed annually and adjusted to their recoverable amount, where necessary.

### Foreign currency translation

Assets and liabilities in currencies other than Swiss francs are translated to Swiss francs using year-end rates of exchange. Income and expenses denominated in foreign currencies are recognised in Swiss francs at the applicable rate of exchange on the date of the transactions.

### Dividends

Dividend income resulting from financial investments is recorded upon approval of the dividend distribution.

### Revenue from licences and management fees

Revenues from licences and management fees from Group companies are recognised in the period in which they fall due.

### Treasury shares

Treasury shares are recognised at acquisition cost and include shares held directly or by any ARYZTA AG Group company.

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## 3 Full-time equivalents

The number of full-time equivalents in ARYZTA AG is not greater than 50. Please refer to page 97 of the Group Consolidated Financial Statements to view the Group's full-time equivalents.

## Notes to the Company Financial Statements (continued)

### 4 Loans, guarantees and pledges in favour of third parties

The Company has the following outstanding bonds, which are included within interest bearing loans and borrowings.

	2016 in CHF '000	2015 in CHF '000	Interest Rate	Maturity
Hybrid Instrument 2013	<b>400,000</b>	400,000	4.00%	No specified maturity date
Hybrid Instrument 2014	<b>190,000</b>	190,000	3.50%	No specified maturity date

In October 2014, the Company issued a CHF 190m perpetual callable subordinated instrument ('Hybrid Instrument') with a 3.5% coupon. This Hybrid Instrument is undated, with an initial call date in April 2020.

The short-term portion of the Company's interest-bearing loans and borrowings relates primarily to amounts drawn by the Company against positive cash balances of other entities within the Group's overall cash pooling arrangement. These cash pooling overdrafts are repayable on demand and form an integral part of the Group's cash and debt management structure.

The Company is party to cross guarantees on ARYZTA Group borrowings. The Company has also guaranteed the liabilities of subsidiaries within the ARYZTA Group. The Company treats these guarantees as a contingent liability, until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### 5 Details of investments

The Company holds direct investments in the following entities, all of which are intermediate holding companies or intercompany financing entities within the ARYZTA Group.

Company (Domicile)		Share capital millions		Percentage	
		2016	2015	2016	2015
ARYZTA Holdings Asia Pacific BV (Amsterdam, NL)	EUR	<b>0.020</b>	0.020	<b>100</b>	100
ARYZTA Holdings Germany AG (Zurich, CH)	CHF	<b>0.100</b>	0.100	<b>100</b>	100
ARYZTA Holdings Ireland Limited (St Helier, JE)	EUR	–	–	<b>100</b>	100
ARYZTA Finance II AG (Cham, CH)	EUR	<b>0.087</b>	0.087	<b>100</b>	100
Hiestand Beteiligungsholding GmbH & Co. KG (Schweinfurt, DE) <sup>1</sup>	EUR	<b>0.026</b>	0.026	<b>100</b>	100
ARYZTA Food Europe AG (Zurich, CH)	CHF	<b>6.450</b>	6.450	<b>100</b>	100
Summerbake GmbH (Klotze, DE)	EUR	<b>0.025</b>	0.025	<b>100</b>	100

<sup>1</sup> The amount disclosed represents limited liability capital.

## Notes to the Company Financial Statements (continued)

### 6 Share capital

	Year ended 31 July 2016 `000	Year ended 31 July 2016 in CHF'000	Year ended 31 July 2015 `000	Year ended 31 July 2015 in CHF'000
<b>Shares of CHF 0.02 each – authorised, issued and fully paid</b>				
As at 1 August	91,811	1,836	91,811	1,836
Issued during the period	–	–	–	–
As at 31 July	91,811	1,836	91,811	1,836
<b>Shares of CHF 0.02 each</b>				
Conditional capital	–	–	–	–
Authorised capital	9,181	184	9,181	184

At the Annual General Meeting on 8 December 2015, the shareholders approved the resolution to modify Article 5 of the Articles of Association (Authorised capital for general purposes). Pursuant to these modifications, the Board of Directors is now authorised to increase the share capital at any time until 7 December 2017, by an amount not exceeding CHF 183,621.06, through the issue of up to a maximum of 9,181,053 fully paid-up registered shares with a nominal value of CHF 0.02 each.

Furthermore, the Board of Directors was authorised to exclude the subscription rights of the shareholders and to allocate them to third parties, if the shares are used for the following purposes:

- (1) acquisition of companies, parts of companies or equity holdings or for new investment projects or for financing of such transactions (maximum of 9,181,053 fully paid-up registered shares),
- (2) broadening the shareholder constituency (maximum of 4,590,526 fully paid-up registered shares), or
- (3) for the purpose of the participation of employees (maximum of 3,060,351 fully paid-up registered shares).

The registered share capital of the Company as at 31 July 2016, amounts to CHF 1,836,210.68, and is divided into 91,810,534 registered shares with a par value of CHF 0.02 per share, of which 88,758,527 are outstanding and 3,052,007 are classified as treasury shares.

Shareholders are entitled to dividends as declared and approved. The ARYZTA shares rank pari passu in all respects with each other.

## Notes to the Company Financial Statements (continued)

### 7 Treasury shares owned by the Company or one of its subsidiaries

	Year ended 31 July 2016 `000	Year ended 31 July 2016 in CHF'000	Year ended 31 July 2015 `000	Year ended 31 July 2015 in CHF'000
As at 1 August	3,052	117,871	3,636	137,503
Release of treasury shares upon exercise of LTIP shares	–	–	(584)	(19,632)
As at 31 July	3,052	117,871	3,052	117,871

There were no options exercised or other treasury share transactions during the year ended 31 July 2016.

During the year ended 31 July 2015, 501,000 vested Option Equivalent Plan awards were exercised, in exchange for 256,703 shares. The weighted average share price at the time of these exercises was CHF 79.98 per share.

The performance conditions associated with 327,052 Matching Plan awards were fulfilled during the year ended 31 July 2014. Therefore, these awards were approved as vested by the Nomination and Remuneration Committee and were subsequently exercised by management during the period ended 31 July 2015.

The shares issued as part of these exercises were issued out of shares previously held in treasury by ARYZTA Grange Company, a wholly-owned subsidiary within the ARYZTA Group.

### 8 Participations

As at 31 July 2016, the Company has been notified of the following shareholdings or voting rights, which amount to 3% or more of the Company's issued ordinary share capital:

	Number of shares 2016	Number of shares % 2016	Number of shares 2015	Number of shares % 2015
Causeway Capital Management LLC	6,881,741	7.50%	–	–
MassMutual	5,597,654	6.10%	5,450,713	5.94%
BlackRock Inc.	4,531,319	4.94%	4,874,919	5.31%
ARYZTA Treasury shares	3,052,007	3.32%	3,052,007	3.32%
Norges Bank	2,858,242	3.11%	–	–

Any significant shareholder notifications during the year, and since 31 July 2016, are available on the Group's website at:

[www.aryzta.com/investor-centre/shareholder-notifications](http://www.aryzta.com/investor-centre/shareholder-notifications)

### 9 Pension fund liability

The pension fund liability was CHF 20,069 at 31 July 2016 (2015: CHF 18,847).

## Notes to the Company Financial Statements (continued)

### 10 Non-executive Directors and Executive Management share interests

Please refer to the ARYZTA AG Compensation Report on pages 49 to 56 for details on the compensation process and compensation for the year of Non-executive Directors and Group Executive Management.

#### Non-executive Directors' and Executive Management's share interests

The Directors and Company Secretary had no interests, other than those shown below, in the ordinary shares in, or loan stock of, the Company or other Group undertakings.

Beneficial interests at 31 July were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of shares 2016	No. of shares 2015
<b>Non-executive Directors</b>		
Denis Lucey	4,250	4,250
Charles Adair	5,000	3,000
J Brian Davy <sup>1</sup>	N/A	58,186
Dan Flinter <sup>1</sup>	1,200	N/A
Annette Flynn <sup>2</sup>	1,000	1,000
Shaun B. Higgins	2,500	2,500
Andrew Morgan	–	–
Wolfgang Werlé	2,336	2,336
<b>Executive Management</b>		
Owen Killian	216,530	633,816
Patrick McEniff	558,347	553,347
Pat Morrissey	131,922	131,922
John Yamin	47,171	47,171
<b>Total</b>	<b>970,256</b>	<b>1,437,528</b>

<sup>1</sup> Effective 8 December 2015 J.B. Davy resigned from the Board and D. Flinter was elected to the Board.

<sup>2</sup> Effective 2 December 2014 A. Flynn was elected to the Board.

There have been no changes in the interests as shown above between 31 July 2016 and 30 September 2016.

No loans or advances were made to members of the Board of Directors or to Executive Management during the financial year, or were outstanding at 31 July 2016 (2015: none).



## Notes to the Company Financial Statements (continued)

### Executive Management's interests in equity instruments

Details of the interests of Owen Killian, Patrick McEniff, Pat Morrissey and John Yamin in share entitlements under the Option Equivalent Plan are set out below.

	Options carried forward 1 August 2015	Granted during the year <sup>1</sup>	Forfeited during the year <sup>2</sup>	Closing position 31 July 2016	Of which Vesting criteria have been fulfilled <sup>3</sup>
<b>Executive Management</b>					
Owen Killian	1,160,000	410,000	–	<b>1,570,000</b>	750,000
Patrick McEniff	910,000	300,000	–	<b>1,210,000</b>	610,000
Pat Morrissey	220,000	120,000	–	<b>340,000</b>	100,000
John Yamin	150,000	150,000	–	<b>300,000</b>	–
Hilliard Lombard <sup>2</sup>	–	150,000	(150,000)	–	–
<b>Total</b>	<b>2,440,000</b>	<b>1,130,000</b>	<b>(150,000)</b>	<b>3,420,000</b>	1,460,000

1 During the period ended 31 July 2016, an additional 1,130,000 Option Equivalent Plan awards were granted to Executive Management, at a weighted average exercise price of CHF 44.98.

2 During September 2015, the Board of Directors approved that Hilliard Lombard become a member of Executive Management. Effective January 2016, Hilliard Lombard resigned from Executive Management.

3 The weighted average exercise price of all Option Equivalent Plan awards that remain outstanding and for which the vesting conditions have been met is CHF 39.34.

### 11 Post balance sheet events – after 31 July 2016

During August 2016, the Company exercised its option to increase its Revolving Credit Facility ('RCF') by CHF 150m, to a total available capacity of CHF 1,550m (€1,428m). As of 31 July 2016 the balance outstanding on this facility was CHF 1,076.4m (€991.7m).

During August 2016, the Company signed a new CHF 1,085m (€1,000m) Term Loan Facility, which matures in February 2018, with similar financial terms as the RCF.

During September 2016, the ARYZTA Group utilised the available capacity of the RCF, Term Loan Facility and existing cash resources of the Company and other wholly-owned subsidiaries to redeem all of the Group's outstanding Private Placements, which totalled CHF 1,319m (€1,215m) as of 31 July 2016. These Private Placements had been held by IAWS Finance PP, a wholly-owned subsidiary within the ARYZTA Group.

These transactions are expected to result in a significant reduction in the ARYZTA Group weighted average interest cost.

## Company Appropriation of Available Earnings

### Appropriation of available earnings

The Board of Directors will propose to the Annual General Meeting of Shareholders the following appropriation of earnings:

in CHF `000	2016	2015
Balance of retained earnings carried forward	<b>240,331</b>	37,871
Net profit for the year	<b>108,003</b>	202,460
Closing balance of retained earnings	<b>348,334</b>	240,331
Dividend payment from retained earnings	–	–
<b>Balance of retained earnings to be carried forward</b>	<b>348,334</b>	240,331
Proposed release and distribution of legal reserves from capital contribution in the amount of <sup>1</sup>	<b>50,868</b>	58,182

<sup>1</sup> Proposed release and distribution of legal reserves from capital contribution represents an estimated amount. This will be adjusted to take account of actual currency translation rates at the date of payment and of any new shares entitled to dividend, which are issued subsequent to 31 July and prior to dividend ex-date.

## Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2016



As statutory auditor, we have audited the accompanying financial statements of ARYZTA AG (the 'Company'), which comprise the Company Income Statement, Company Balance Sheet and Notes to the Company Financial Statements (pages 145 to 153), for the year ended 31 July 2016.

### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements for the year ended 31 July 2016 comply with Swiss law and the Company's Articles of Association.

## Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2016 (continued)

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### Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's Articles of Association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Patrick Balkanyi  
Audit expert  
Auditor in charge



Carrie Rohner

Zurich, 3 October 2016