Annual Report and Accounts 2017

Financial and Business Review

1 Underlying Income Statement

in EUR `000	July 2017	July 2016	% Change
Group revenue	3,796,770	3,878,871	(2.1)%
EBITDA[1]	420,307	609,640	(31.1)%
EBITDA margin	11.1%	15.7%	(460) bps
Depreciation	(142,997)	(124,773)	(14.6)%
EBITA[1]	277,310	484,867	(42.8)%
EBITA margin	7.3%	12.5%	(520) bps
Joint ventures, net of interest and tax	21,281	15,682	35.7%
EBITA including joint ventures	298,591	500,549	(40.3)%
Finance cost, net	(58,451)	(103,180)	43.4%
Hybrid instrument accrued dividend	(32,099)	(31,882)	(0.7)%
Pre-tax profits	208,041	365,487	(43.1)%
Income tax	(27,380)	(51,169)	46.5%
Non-controlling interests	(1,635)	(2,776)	41.1%
Underlying net profit[1]	**179,026**	**311,542**	**(42.5)%**
Underlying fully diluted EPS (cent)[2]	**201.6**	**350.3**	**(42.4)%**

1 See glossary in section 21 for definitions of financial terms and references used in the financial and business review. See bridge from underlying net profit to reported net profit, as included on page 22.

2 The 31 July 2017 weighted average number of ordinary shares used to calculate underlying earnings per share is 88,788,494 (2016: 88,929,096).

Financial and Business Review (continued)

2 Organic revenue

in EUR million	ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World	ARYZTA Group
Group revenue	1,738.6	1,799.1	259.1	3,796.8
Organic growth	1.4%	(6.3)%	7.2%	(2.1)%
Acquisitions/(disposals), net	(0.9)%	(0.9)%	–	(0.8)%
Currency	(1.0)%	1.5%	8.6%	0.8%
Revenue Growth	**(0.5)%**	**(5.7)%**	**15.8%**	**(2.1)%**

Quarterly organic revenue

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017
ARYZTA Europe					
Volume %	1.8%	(0.1)%	1.3%	(4.7)%	(0.6)%
Price/Mix %	(0.4)%	0.7%	3.0%	4.0%	2.0%
Organic growth %	**1.4%**	**0.6%**	**4.3%**	**(0.7)%**	**1.4%**
ARYZTA North America					
Volume %	(5.7)%	(5.5)%	(6.7)%	(16.1)%	(8.5)%
Price/Mix %	1.0%	(0.3)%	2.4%	5.5%	2.2%
Organic growth[1] %	**(4.7)%**	**(5.8)%**	**(4.3)%**	**(10.6)%**	**(6.3)%**
ARYZTA Rest of World					
Volume %	4.9%	7.6%	0.7%	7.7%	4.7%
Price/Mix %	4.8%	1.7%	3.0%	(1.3)%	2.5%
Organic growth %	**9.7%**	**9.3%**	**3.7%**	**6.4%**	**7.2%**
ARYZTA Group					
Volume %	(1.7)%	(2.3)%	(2.7)%	(9.4)%	(4.2)%
Price/Mix %	0.5%	0.3%	2.7%	4.4%	2.1%
Organic growth %	**(1.2)%**	**(2.0)%**	**0.0%**	**(5.0)%**	**(2.1)%**

1 The ARYZTA North America organic revenue decline during Q4 2017 relates primarily to volumes with contract renewal customers, as announced at FY 2016, further compounded by insourcing of co-pack customer volumes, as announced at H1 2017.

Financial and Business Review (continued)

3 Segmental EBITDA

in EUR `000	July 2017	July 2016	% Change	EBITDA Margin 2017	EBITDA Margin 2016	Change
ARYZTA Europe	211,128	275,099	(23.3)%	12.1%	15.7%	(360) bps
ARYZTA North America	170,096	300,132	(43.3)%	9.5%	15.7%	(620) bps
ARYZTA Rest of World	39,083	34,409	13.6%	15.1%	15.4%	(30) bps
ARYZTA Group EBITDA	**420,307**	**609,640**	**(31.1)%**	**11.1%**	**15.7%**	**(460) bps**

4 Segmental EBITA

in EUR `000	July 2017	July 2016	% Change	EBITA Margin 2017	EBITA Margin 2016	Change
ARYZTA Europe	147,164	215,777	(31.8)%	8.5%	12.4%	(390) bps
ARYZTA North America	100,453	243,292	(58.7)%	5.6%	12.8%	(720) bps
ARYZTA Rest of World	29,693	25,798	15.1%	11.5%	11.5%	0 bps
ARYZTA Group EBITA	**277,310**	**484,867**	**(42.8)%**	**7.3%**	**12.5%**	**(520) bps**

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 Service Restaurants ('QSR') and other foodservice categories.

Total revenue decreased by (2.1)% to €3.8bn during the year ended 31 July 2017, due to an organic decline of (2.1%), consisting of volume losses of (4.2)%, partially offset by a positive price/mix impact of 2.1%. Prior year disposals, net of acquisitions, reduced revenue by (0.8)%, while there was a positive currency impact of 0.8%.

Overall organic revenues decreased during the year by (2.1)%, primarily related to an organic revenue decline of (6.3)% in ARYZTA North America, significantly related to volume declines with contract renewal customers and earlier than anticipated in-sourcing by co-pack customers. This decline in ARYZTA North America was partially offset by 1.4% organic revenue growth in ARYZTA Europe and strong organic growth of 7.2% in ARYZTA Rest of World.

Group EBITDA decreased by (31.1)% to €420.3m, while EBITDA margins declined (460) bps to 11.1%. Within ARYZTA Europe, the margin decline was primarily due to the ramp-up of new bakery capacity in Germany, as well as the currency impact of Brexit on cross-border revenues and input costs in the UK. Significant butter price inflation also impacted results during the second half of the year. Within ARYZTA North America, margins were affected by reduced operating leverage, combined with increasing labour input costs and increased spend on branding and marketing costs.

In what has been a year of significant change, ARYZTA has made considerable progress in putting the core elements of the new leadership team in place. Kevin Toland has commenced in his role of Group CEO in September 2017. ARYZTA also recently

Financial and Business Review (continued)

announced the appointment of Frederic Pflanz as Group CFO, who will join in January 2018. Kevin and Frederic bring extensive expertise in global food and consumer goods industries, as well as a proven track record of managing businesses undergoing significant transformation.

ARYZTA is committed to improving revenue growth by refocusing on its core strengths as a global leader in B2B Frozen Bakery and European Food Solutions, while continuing to deliver best-in-class customer service, support and food safety to our customers. This revenue focus, when combined with bakery cost alignment, will support the financial aim of restoring operating leverage, improving EBITDA margins and enhancing cash generation.

6 ARYZTA Europe

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

ARYZTA Europe revenue decreased by (0.5)% to €1,738.6m during the year ended 31 July 2017. Organic revenue growth of 1.4% was a result of a (0.6)% decrease in volumes offset by a 2.0% benefit from improved price/mix. Unfavourable currency movements also impacted revenues by (1.0)% and the prior year disposal of a business in France resulted in a (0.9)% decline in year over year revenues. Excluding the previously highlighted impact of in-sourcing by a large customer in Switzerland, volume growth in the segment would have been positive during the year.

ARYZTA Europe EBITDA decreased by (23.3)% to €211.1m and EBITDA margins decreased by (360) bps to 12.1%. ARYZTA Europe has experienced considerable challenges in transferring 225 SKUs in Germany from the Fricopan facility to the new bakery capacity in Eisleben and in optimising the operations around this additional bakery capacity. There was also commodity price inflation during the year, in particular significant butter price increases in the second half of the year, which have not been fully mitigated to date. UK margins were also impacted by the increased cost of products supplied from the Eurozone, as a result of weakening Sterling.

With the exception of the challenges in Germany and the UK, most geographies in Europe performed well, with the impact of in-sourcing by a large customer in Switzerland somewhat mitigated by that transition occurring more slowly than initially anticipated.

As detailed in Section 10, during the year ARYZTA Europe recorded a goodwill impairment charge of €103.0m relating to the Germany business. In addition, ARYZTA Europe incurred €1.3m of non-cash asset write downs and €11.7m of other restructuring-related costs, primarily related to severance and staff-related costs incurred as a direct result of bakery rationalisation in Germany and consolidation of management functions across the region.

7 ARYZTA North America

ARYZTA North America is a leading player in the speciality 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 is a leader in high-value artisan bakery via La Brea Bakery, which focuses on the premium branded bakery segment.

Financial and Business Review (continued)

ARYZTA North America revenues declined by (5.7)% to €1,799.1m during the year ended 31 July 2017. Organic revenue declined by (6.3)%, due to volume declines of (8.5)% partially offset by positive price/mix of 2.2%. The disposal of a non-core, fillings and mixes business in the prior year impacted year over year revenues by (0.9)%, while currency movements supported revenues by 1.5%.

As previously announced, the decline in ARYZTA North America organic revenues during the year was initially driven by declines with contract renewal customers and was further compounded by co-pack customers in-sourcing volumes earlier than anticipated.

ARYZTA North America EBITDA declined by (43.3)% to €170.1m, while EBITDA margins declined (620) bps to 9.5%. These very significant declines are the result of negative operating leverage following an overall reduction in volume and are further impacted by increased labour input costs and additional brand marketing investment behind the business-to-consumer ('B2C') centre aisle food offering, which has not been successful and has now been stopped.

As detailed in Section 10, following the significant reduction in overall profitability during the year, and related reductions in future cash flow projections, ARYZTA North America recorded impairment charges totalling €756.9m in respect of goodwill, intangibles and fixed assets. In addition, ARYZTA North America incurred €37.6m of restructuring-related costs, including costs associated with business interruption challenges at the Cloverhill bakeries acquired in FY 2014, severance and staff-related costs, onerous leases, advisory and other restructuring-related costs.

8 ARYZTA Rest of World

ARYZTA's operations in the Rest of World primarily includes businesses in Brazil, Australia, New Zealand, Japan, Malaysia, Singapore and Taiwan. While representing only 7% of total Group revenue and 9% of total Group EBITDA, these locations provide attractive future growth opportunities and have importance as suppliers to our global QSR customers.

ARYZTA Rest of World revenues increased by 15.8% to €259.1m during the year ended 31 July 2017. Organic revenue increased 7.2%, as a result of 4.7% volume growth across the region, combined with additional price/mix growth of 2.5%. Favourable currency movements also supported revenues by 8.6%.

ARYZTA Rest of World EBITDA increased by 13.6% to €39.1m, while EBITDA margins declined by (30) bps to 15.1%. The continued growth in this segment relates to the ongoing support of our internal customer partnerships, as well as an expansion of the food offering within the convenience and retail channels.

9 Joint ventures

During August 2015, the Group invested €450.7m in a 49% interest in Picard, which operates an asset-light B2C platform focused on premium speciality food. Picard is located primarily in France, is separately managed and has separately funded debt structures, which are non-recourse to ARYZTA.

Financial and Business Review (continued)

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

The Group also owns a 50% interest in Signature Flatbreads, a pioneering flatbread producer in the UK and India, producing an innovative range of authentic Indian breads, as well as high-quality international flatbreads, tortillas, pizza bases and pitas.

Joint ventures had combined revenues of €1,515.8m during the ARYZTA year ended 31 July 2017 and delivered an underlying contribution to ARYZTA, after interest and tax, of €21.3m. Both joint ventures performed well, growing revenues, expanding margins, and generating strong internal cash flows.

in EUR `000	Picard	Signature	July 2017	July 2016
Revenue	1,398,030	117,819	**1,515,849**	1,402,987
EBITDA	203,117	15,902	**219,019**	197,851
EBITDA margin	14.5%	13.5%	**14.4%**	14.1%
Depreciation	(29,580)	(6,397)	**(35,977)**	(32,210)
EBITA	173,537	9,505	**183,042**	165,641
EBITA margin	12.4%	8.1%	**12.1%**	11.8%
Finance cost, net	(95,012)	(922)	**(95,934)**	(89,915)
Pre-tax profit	78,525	8,583	**87,108**	75,726
Income tax	(41,305)	(2,250)	**(43,555)**	(43,616)
Joint venture underlying net profit	37,220	6,333	**43,553**	32,110
ARYZTA's share of JV underlying net profit	**18,115**	**3,166**	**21,281**	**15,682**

10 Impairment, acquisition, disposal and restructuring

During the year ended 31 July 2017, the Group incurred the following amounts related to impairment, integration, rationalisation and restructuring:

in EUR `000	Non-cash 2017	Cash 2017	Total 2017	Total 2016
Net gain on disposal of businesses	–	–	**–**	993
Impairment of goodwill	(594,872)	–	**(594,872)**	–
Impairment of intangibles	(138,642)	–	**(138,642)**	–
Impairment and disposal of fixed assets	(126,202)	–	**(126,202)**	(14,787)
Acquisition-related costs	–	–	**–**	(2,330)
Labour-related business interruption	–	(16,349)	**(16,349)**	–
Severance and other staff-related costs	–	(21,367)	**(21,367)**	(65,447)
Contractual obligations	–	(7,295)	**(7,295)**	(6,738)
Advisory and other costs	–	(5,463)	**(5,463)**	(8,805)
Impairment, acquisition, disposal and restructuring-related costs	**(859,716)**	**(50,474)**	**(910,190)**	**(97,114)**

Financial and Business Review (continued)

Non-cash impairment and disposal-related costs

Impairment of goodwill
Following significant reductions in profitability in Germany and North America during the year ended 31 July 2017, the Group recorded goodwill impairment charges of €103.0m in Germany and €491.9m in North America.

Current year profitability associated with these locations has been significantly impacted, either by the consolidation of 225 SKUs into the new German bakery capacity in Eisleben and the ongoing commissioning and optimisation of that facility, or by the significant volume declines and increased labour costs in North America.

While profitability in each of these locations is expected to improve in the future, after considering goodwill and other assets within these locations, as well as the respective future cash flow projections, management determined it was appropriate to record these goodwill impairment charges during the current year.

Despite these impairments, the bakeries remain world-class production facilities and are expected to make significant future contributions to the group, once spare capacity across the network is optimised and other operational challenges are addressed.

Further detail on these goodwill impairments is included in note 14 in the IFRS financial statements on page 109.

Impairment of intangibles
As outlined above, during the year ended 31 July 2017, ARYZTA North America experienced a significant reduction in volumes, as a result of earlier than anticipated in-sourcing by co-pack customers.

As these customers and the related volumes were primarily associated with the Group's Cloverhill acquisition completed during FY 2014, the Group reviewed the remaining customer relationship and brand-related intangible assets obtained as part of that acquisition and, based on the associated future cash flows, recorded a €138.6m impairment of those intangible assets.

Impairment and disposal of fixed assets
During the year, the Group incurred €126.2m of asset write-downs and impairments, primarily related to assets in ARYZTA North America, including:

- €56.6m in relation to additional production capacity not yet fully completed or in service, which without further investment is expected to remain idle;
- €69.8m in relation to other North American facilities, which have either lost significant activity during the year or which are not projected to achieve sufficient future profitability to recover their carrying value.

Separately, an impairment loss of €1.3m was recorded in Europe primarily related to obsolete production equipment in Switzerland, while a gain of €1.5m was recorded in the Rest of World segment, primarily arising from the sale of land.

Financial and Business Review (continued)

Cash acquisition and restructuring related costs

Labour related business interruption costs
During the year, the Group encountered a significant labour-related business disruption at its Cloverhill facilities.

A substantial number of the legacy labour force at these facilities was supplied through a third-party staffing agency. A federal audit of this third-party agency revealed inadequate documentation, resulting in circa 800 experienced workers leaving the business in Q4-2017 and being progressively replaced with new hires. By merit of these employees being agency workers, ARYZTA did not have the ability to verify documentation of these workers, and the immediacy and extent of the risk that existed was not known to the board.

As these individuals had significant knowledge and experience of the baking process and represented over one-third of the workforce at these facilities, there has been a significant decrease in the labour efficiency and production volumes, as well as an impact on increased waste levels at these facilities, as a result of this disruption.

While the Cloverhill business had been profitable every month since its acquisition, following this disruption these locations incurred €16.3m of losses during June and July 2017. The facility is expected to return to profitability in FY18, but will be loss making for a number of months until then.

Severance and other staff-related costs
The Group provided for a total of €21.4m in severance and other staff-related costs during the year ended 31 July 2017. Of this amount €10.4m has been recognised in relation to the remaining contractual employment period and the 12-month post-contractual term non-compete agreements with four former members of Executive Management, who left the business during the year.

The remaining €11.0m of costs recognised during the year represent severance costs arising from a number of production, distribution and administrative rationalisations, as well as amounts in respect of key employee retention agreements implemented following the Executive Management departures during the year.

During financial year 2016, the Group incurred €65.4m related to costs associated with employees whose service was discontinued following certain rationalisation decisions across the various business locations of the Group, primarily in Europe.

Contractual obligations
The operational decisions made as a result of the Group's integration and rationalisation projects resulted in certain long-term operational contracts becoming onerous. During the year ended 31 July 2017, the Group incurred total costs of €7.3m (2016: €6.7m) to provide for certain long-term contracts determined to be surplus to the Group's operating requirements. The associated provision amounts have been calculated on the basis of the remaining period of the relevant lease, or an estimate to the earliest date at which the lease could be terminated or sublet, if shorter.

Financial and Business Review (continued)

Advisory and other costs
During the year ended 31 July 2017, the Group incurred €5.5m in advisory and other professional services costs, directly arising from the strategic and business review activities following the changes in Executive Management.

During the year ended 31 July 2016, the Group incurred €8.8m in advisory and other costs related directly to the rationalisation of certain bakery assets, integration of the supply chain and distribution functions of recently acquired businesses into the Group's network and costs associated with centralisation of certain administrative functions.

11 Cash generation

in EUR `000	July 2017	July 2016
EBITA	277,310	484,867
Depreciation	142,997	124,773
EBITDA	420,307	609,640
Working capital movement	5,613	40,586
Working capital movement from debtor securitisation[1]	16,766	54,258
Capital expenditure	(102,577)	(213,935)
Proceeds from sale of fixed assets and investment property	36,218	1,030
Acquisition and restructuring-related cash flows	(63,451)	(81,702)
Segmental operating free cash generation	**312,876**	**409,877**
Hybrid dividend	(32,115)	(31,788)
Interest and income tax	(74,628)	(113,972)
Grants received, net of deferred income recognition	(5,665)	6,947
Other	(4,315)	(4,332)
Cash flow generated from activities	**196,153**	**266,732**

1 Total debtor balances securitised as of 31 July 2017 is €219m (2016: €208m).

12 Net debt and investment activity

in EUR `000	FY 2017	FY 2016
Opening net debt as at 1 August	**(1,719,617)**	**(1,725,103)**
Cash flow generated from activities	196,153	266,732
Disposal of businesses, net of cash and finance leases	–	42,060
Proceeds from disposal of Origin, net of cash disposed	–	225,101
Investment in joint venture	–	(450,732)
Net debt cost of acquisitions	–	(26,917)
Purchase of non-controlling interests	(14,485)	–
Collection of receivables from joint ventures	3,277	21,509
Contingent consideration	(896)	(46,916)
Private placement early redemption and related costs	(182,513)	–
Dividends paid	(50,945)	(57,313)
Foreign exchange movement[1]	38,952	36,038
Other[2]	(3,796)	(4,076)
Closing net debt as at 31 July	**(1,733,870)**	**(1,719,617)**

1 Foreign exchange movement for the year ended 31 July 2017 primarily attributable to the fluctuation in the USD to euro rate from July 2016 (1.1162) to July 2017 (1.1756). Foreign exchange movement for the year ended 31 July 2016 primarily attributable to the fluctuation in the GBP to euro rate from July 2015 (0.7091) to July 2016 (0.8399).

2 Other comprises primarily amortisation of upfront financing costs.

Financial and Business Review (continued)

During September 2016, the Group utilised its available financing facilities and existing cash resources to redeem all of its outstanding Private Placements, which totalled €1,209.5m at the time of redemption. In connection with this early redemption the Group incurred €182.5m of costs, including a make-whole costs of €169.4m, other redemption-related cash costs of €6.2m and also wrote-off €6.9m of existing private placement capitalised borrowing costs.

During December 2016, the Group issued a number of Schuldschein tranches totalling €386m, which have maturities between three and seven years. These proceeds were used to reduce the amount outstanding on the Group's term loan facility.

As of 31 July 2017, the Group's financing facilities, related capitalised upfront borrowing costs, finance leases, overdrafts and cash balances outstanding were as follows:

in EUR `000	**31 July 2017**
Syndicated Bank RCF	(1,193,912)
Term loan facility	(590,000)
Schuldschein	(384,289)
Gross term debt	**(2,168,201)**
Upfront borrowing costs	13,916
Term debt, net of upfront borrowing costs	**(2,154,285)**
Finance leases	(1,525)
Cash and cash equivalents, net of overdrafts	421,940
Net debt	**(1,733,870)**

As of 31 July 2017, the weighted average interest cost of the Group debt financing facilities was 2.2% (2016: 4.5%). The Group's interest cover including hybrid interest was 4.64x (2016: 4.50x).

The Group's key financial ratio was as follows:

	July 2017	**July 2016**
Net Debt: EBITDA (Syndicated Bank RCF)	4.15x	2.90x

During July 2017, the Group agreed to the terms of a new five-year unsecured €1,800m refinancing of its Syndicated Bank RCF and term loan facility comprising a €1,000m amortising term loan and a €800m revolving credit facility.

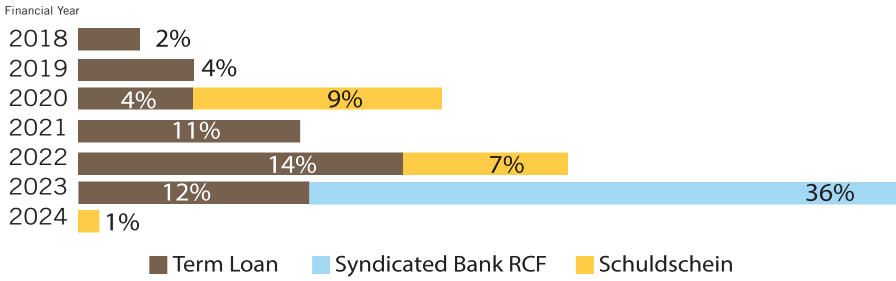
The new financing was utilised on 22 September 2017 to repay in full the revolving credit and term loan facilities put in place last year.

The refinancing is underwritten by four of the Group's key relationship banks, with general syndication to take place over the next two months.

In order to provide enhanced financial flexibility, the Group has increased the covenant to a maximum 4.75x Net Debt: EBITDA at 31 July 2017 and 31 January 2018, reducing to a maximum of 4.00x at 31 July 2018 and a maximum of 3.50x from 31 July 2019. The Group has also reduced the interest cover covenant to 3.0x EBITDA: Interest. The new facility extends the maturity profile of the Group's debt to just over 4 years.

Financial and Business Review (continued)

Gross Term Debt Maturity Profile
September 2017 (pro forma)



13 Hybrid funding

As of 31 July 2017, the Group has €770m of Hybrid funding outstanding, which is accounted for as equity under IFRS, as the instruments have no maturity date and repayment is at the option of ARYZTA. In the event repayment is not made at the first-call dates, the instruments include a provision for a coupon step-up as included below.

Perpetual Callable Subordinated Instruments		Coupon	Step-up if not called	in EUR `000
First call April 2018	CHF 400m	4.0%	6.045% +3 Month Swiss Libor	(352,740)
First call March 2019	EUR 250m	4.5%	6.77% +5 Year Euro Swap Rate	(250,000)
First call April 2020	CHF 190m	3.5%	4.213% +3 Month Swiss Libor	(167,551)
Hybrid funding at 31 July 2017 exchange rates				**(770,291)**

14 Foreign currency

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

Currency	Average 2017	Average 2016	% Change	Closing 2017	Closing 2016	% Change
CHF	1.0818	1.0905	0.8%	1.1340	1.0855	(4.5)%
USD	1.0938	1.1106	1.5%	1.1756	1.1162	(5.3)%
CAD	1.4483	1.4748	1.8%	1.4674	1.4562	(0.8)%
GBP	0.8633	0.7602	(13.6)%	0.8933	0.8399	(6.4)%

Financial and Business Review (continued)

15 Return on invested capital

in EUR million	ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World	ARYZTA Group
2017				
Segmental net assets	1,676	1,710	194	3,580
TTM EBITA	147	100	30	277
ROIC[1]	8.8%	5.9%	15.3%	7.7%
2016				
Segmental net assets	1,903	2,488	198	4,589
TTM EBITA	215	243	26	484
ROIC[1]	11.3%	9.8%	13.0%	10.5%

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

2 Group WACC on a pre-tax basis is currently 8.1% (2016: 8.0%).

16 Net assets, goodwill and intangibles

in EUR `000	July 2017	July 2016
Property, plant and equipment	1,386,294	1,594,885
Investment properties	19,952	24,787
Goodwill and intangible assets	2,651,937	3,617,194
Deferred tax on goodwill and intangibles	(82,534)	(210,635)
Working capital	(334,078)	(361,307)
Other segmental liabilities	(61,202)	(76,109)
Segmental net assets	3,580,369	4,588,815
Joint ventures and related receivables	528,188	495,402
Net debt	(1,733,870)	(1,719,617)
Deferred tax, net	(111,863)	(113,823)
Income tax	(63,283)	(49,118)
Derivative financial instruments	2,111	(13,888)
Net assets	**2,201,652**	**3,187,771**

17 Dividend

At the Annual General Meeting on 7 December 2017, shareholders will be invited to approve a proposed dividend of CHF 0.3489 (€0.3024) per share, to be settled as a scrip dividend via newly issued share capital. If approved, the dividend will be issued to shareholders on 1 February 2018. A dividend of CHF 0.5731 per share was paid during the year, as approved by shareholders at the Annual General Meeting on 13 December 2016.

18 Subsequent Events

During July 2017, the Group agreed to the terms of a new five-year unsecured €1,800m refinancing of its Syndicated Bank RCF and term loan facility comprising a €1,000m amortising term loan and a €800m revolving credit facility.

The new financing was utilised on 22 September 2017 to repay in full the revolving credit and term loan facilities put in place last year.

Financial and Business Review (continued)

19 Principal risks and uncertainties

The Board and senior management have invested significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Board considers the risks and uncertainties disclosed on page 60 to continue to reflect the principal risks and uncertainties of the Group.

20 Forward looking statement

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

21 Glossary of financial terms and references

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

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

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

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

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

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

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

'Underlying net profit' – presented as reported net profit, adjusted to include the Hybrid instrument accrued dividend as a finance cost; before non-ERP related intangible amortisation; before private placement early redemption-related costs; and before impairment, acquisition, disposal and restructuring-related costs, net of related income tax impacts.

The Group utilises the underlying net profit measure to enable comparability of the results from period to period, without the impact of transactions that do not relate to the underlying business. It is also the Group's policy to declare dividends based on underlying fully diluted earnings per share.

Bridge to Group Consolidated Income Statement

for the financial year ended 31 July 2017

in EUR `000	ARYZTA Group July 2017	ARYZTA Group July 2016
Underlying net profit - continuing operations	**179,026**	311,542
Intangible amortisation	**(174,640)**	(176,241)
Tax on amortisation	**32,997**	36,715
Share of JV intangible amortisation and restructuring costs, net of tax	**17,099**	(3,966)
Hybrid instrument accrued dividend	**32,099**	31,882
Private placement early redemption	**(182,513)**	–
Impairment of goodwill	**(594,872)**	–
Impairment of intangibles	**(138,642)**	–
Impairment and disposal of fixed assets	**(126,202)**	(13,794)
Acquisition and restructuring-related costs	**(50,474)**	(83,320)
Tax on impairment, acquisition, disposal and restructuring	**98,349**	9,911
Reported net (loss)/profit - continuing operations	**(907,773)**	112,729
Underlying net profit - discontinued operations	–	–
Underlying contribution associate held-for-sale	–	48
Profit for the year - discontinued operations	–	48
Loss on disposal of associate held-for-sale	–	(45,769)
Reported net loss - discontinued operations	–	(45,721)
Reported net (loss)/profit attributable to equity shareholders	**(907,773)**	67,008