Company Income Statement
for the year ended 31 July 2018

in CHF `000	2018	2017
Revenues from licences and management fees from Group companies	**10,974**	8,920
Dividend income from Group companies	**213,040**	139,181
Personnel expenses	**(3,425)**	(2,498)
Other operating expenses to Group companies	**(14,419)**	(4,376)
Other operating expenses	**(16,053)**	(10,660)
Depreciation and amortisation	**(274)**	(226)
Impairment of investment in Group Companies	**(110,000)**	–
Operating profit	**79,843**	130,341
Financial income from Group companies	**86,409**	81,584
Financial expenses	**(129,005)**	(81,920)
Profit before income tax	**37,247**	130,005
Income tax	**(293)**	(1,186)
Profit for the year	**36,954**	128,819

Company Balance Sheet
as at 31 July 2018

in CHF `000	2018	2017
Assets		
Current assets		
Cash and cash equivalents	**1,091**	2,115
Other current receivables		
– from third parties	**14,394**	14,177
– from Group companies	**427**	974
Total current assets	**15,912**	17,266
Long-term assets		
Financial assets		
– loans to Group companies	**3,449,240**	3,482,822
Investments		
– investments in Group companies	**2,004,581**	2,114,581
Property, plant and equipment	**124**	782
Total long-term assets	**5,453,945**	5,598,185
Total assets	**5,469,857**	5,615,451

Company Balance Sheet (continued) as at 31 July 2018

in CHF `000	**2018**	2017
Liabilities		
Short-term liabilities		
Trade payable		
– to third parties	**1,470**	581
Short-term interest bearing liabilities		
– to third parties	**979,233**	2,796,852
Other short-term liabilities		
– to third parties	**197,783**	226,803
– to Group companies	**63,490**	67,935
Accrued expenses	**63,694**	29,374
Total short-term liabilities	**1,305,670**	3,121,545
Long-term liabilities		
Long-term interest-bearing liabilities		
– to third parties	**2,223,327**	590,000
Liabilities to Group companies	**278,522**	278,522
Total long-term liabilities	**2,501,849**	868,522
Total liabilities	**3,807,519**	3,990,067
Equity		
Share capital	**1,858**	1,836
Legal reserves from capital contribution	**1,030,684**	1,028,524
Legal reserves for own shares from capital contribution	**115,689**	117,871
Retained earnings	**514,107**	477,153
Total equity	**1,662,338**	1,625,384
Total equity and liabilities	**5,469,857**	5,615,451

Notes to the Company Financial Statements

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 requirements of Swiss law.

The Company's accounting period for the year is from 1 August 2017 to 31 July 2018.

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.

3 Full-time equivalents

The number of full-time equivalents in ARYZTA AG is not greater than 50. Please refer to page 110 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.

	2018 in CHF '000	2017 in CHF '000	**Interest Rate**	**Maturity**
Hybrid Instrument 2013	**400,000**	400,000	5.3%	No specified maturity date
Hybrid Instrument 2014	**190,000**	190,000	3.5%	No specified maturity date

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. On 22 September 2017, this financing was used to repay the existing revolving credit and term loan facilities outstanding at that time in full.

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.

		Share capital millions		**Percentage**	
Company (Domicile)		**2018**	2017	**2018**	2017
ARYZTA Holdings Asia Pacific BV (Amsterdam, NL)	EUR	**0.020**	0.020	**100**	100
ARYZTA Holdings Germany AG (Zurich, CH)	CHF	**0.100**	0.100	**100**	100
ARYZTA Holdings Ireland Limited (St Helier, JE)	EUR	**–**	–	**100**	100
ARYZTA Finance II AG (Cham, CH)	EUR	**0.087**	0.087	**100**	100
Hiestand Beteiligungsholding AG (CH) & Co. KG (Gerolzhofen, DE)[1]	EUR	**0.026**	0.026	**100**	100
ARYZTA Food Europe AG (Zurich, CH)	CHF	**6.450**	6.450	**100**	100
Summerbake GmbH (Klotze, DE)	EUR	**0.025**	0.025	**100**	100

1 The amount disclosed represents limited liability capital.

As a result of reductions in profitability within Hiestand Beteiligungsholding AG (CH) & Co. KG and its subsidiaries during recent years and reductions in estimated future profitability during the current year, the Company recorded a CHF 110,000,000 impairment of its investment in this wholly-owned subsidiary during the year ended 31 July 2018.

Notes to the Company Financial Statements (continued)

6 Share capital

	2018 `000	2018 in CHF`000	2017 `000	2017 in CHF`000
Shares of CHF 0.02 each – authorised, issued and fully paid				
As at 1 August	**91,811**	**1,836**	91,811	1,836
Issued during the year	**1,110**	**22**	–	–
As at 31 July	**92,921**	**1,858**	91,811	1,836

	2018 `000	2018 in CHF`000	2017 `000	2017 in CHF`000
Shares of CHF 0.02 each				
Conditional capital	**–**	**–**	–	–
Authorised capital	**8,071**	**161**	9,181	184

At the Annual General Meeting on 7 December 2017, the shareholders approved the resolution to modify Article 5 of the Articles of Association (Authorised capital for general purposes). 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 dividend for the year ended 31 July 2017 was proposed to be settled as a scrip dividend via newly issued share capital, based on a ratio of one new share for every 80 shares held, and was approved at the Annual General Meeting held on 7 December 2017. Accordingly, a total of 1,110,253 new shares, with a par value of CHF 0.02 per share.

Pursuant to these modifications, and following the scrip dividend, the Board of Directors is currently authorised to increase the share capital at any time until 9 December 2019, by an amount not exceeding CHF 161,416.00, through the issue of up to a maximum of 8,070,800 fully paid-up registered shares with a nominal value of CHF 0.02 each.

The registered share capital of the Company as at 31 July 2018, amounts to CHF 1,858,415.74, and is divided into 92,920,787 registered shares with a par value of CHF 0.02 per share, of which 89,933,679 are outstanding and 2,987,108 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

	2018 `000	2018 in CHF`000	2017 `000	2017 in CHF`000
As at 1 August	**3,052**	**117,871**	3,052	117,871
Release of treasury shares upon vesting and exercise of equity entitlements	**(65)**	**(2,182)**	–	–
As at 31 July	**2,987**	**115,689**	3,052	117,871

During the year ended 31 July 2018, the performance conditions associated with 64,899 Restricted Stock Unit Plan awards were fulfilled. Therefore, these awards were approved as vested by the Remuneration Committee and were subsequently exercised by employees, in exchange for the same number of shares. The weighted average share price at the time of these exercises was CHF 28.69. These shares were issued out of shares previously held in treasury by ARYZTA Grange Company UC, a wholly-owned subsidiary within the ARYZTA AG Group.

There were no treasury share transactions during the year ended 31 July 2017.

8 Participations

As at 31 July 2018, the Company has been notified of the following shareholdings or voting rights (adjusted, where applicable, for the effects of the scrip dividend), which amount to 3% or more of the Company's issued ordinary share capital:

	Number of shares 2018	Number of shares % 2018	Number of shares 2017	Number of shares % 2017
Cobas Asset Management	**9,309,685**	**10.02%**	2,897,454	3.16%
Causeway Capital Management LLC	**6,967,763**	**7.50%**	6,881,741	7.50%
CI Financial Corp.	**4,673,420**	**5.03%**	2,843,081	3.10%
Black Creek Investment Management Inc.	**4,660,950**	**5.01%**	4,603,407	5.01%
Financière de l'Echiquier	**4,636,210**	**4.99%**	–	–
ARYZTA Treasury shares	**2,987,108**	**3.21%**	3,052,007	3.32%
BlackRock, Inc.	**2,809,135**	**3.02%**	–	–
Norges Bank	**–**	**–**	2,848,734	3.10%

Any significant shareholder notifications during the year, and since 31 July 2018, are available from the Group's website at:
www.aryzta.com/investor-centre/shareholder-notifications.

9 Pension fund liability

The pension fund liability was CHF 20,913 at 31 July 2018 (2017: CHF 17,620).

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 55 to 64 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 2018	No. of shares 2017
Directors		
Gary McGann	**14,700**	5,650
Chuck Adair	**5,062**	5,000
Dan Flinter	**1,215**	1,200
Annette Flynn	**1,012**	1,000
Jim Leighton[1]	–	N/A
Andrew Morgan	–	–
Kevin Toland[1]	**8,840**	N/A
Rolf Watter	**7,137**	7,050
Wolfgang Werlé[1]	**N/A**	2,336
Executive Management		
Claudio Gekker	–	N/A
John Heffernan	**1,274**	N/A
Dave Johnson	–	N/A
Pat Morrissey[2]	**N/A**	131,922
Dermot Murphy[2]	**N/A**	35,000
Anthony Murphy	–	N/A
Robert O'Boyle	**10,127**	10,000
Frederic Pflanz	–	N/A
Gregory Sklikas	–	N/A
Total	**49,367**	199,158

1 Effective 7 December 2017, W. Werlé retired from the Board and J. Leighton and K. Toland were elected to the Board.

2 During FY 2018, P. Morrissey and D. Murphy resigned from Group Executive management.

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 2018 (2017: none).

Notes to the Company Financial Statements (continued)

Executive Management's interests in equity instruments

Executive Management were granted no Option Equivalent Awards under the Option Equivalent Plan during FY 2018. As shown in the ARYZTA AG Compensation Report, Executive Management compensation table on page 61, no expense was recognised for Executive Management LTIP awards in FY 2018 or FY 2017.

The following table details awards outstanding under the Option Equivalent Plan in favour of Executive Management:

	Options carried forward 1 August 2017	Granted during the year	Forfeited during the year	Closing position 31 July 2018	Of which Vesting criteria have been fulfilled[1]
Executive Management					
Kevin Toland	–	–	–	–	–
Frederic Pflanz	–	–	–	–	–
John Heffernan	–	–	–	–	–
Anthony Murphy	–	–	–	–	–
Dave Johnson	–	–	–	–	–
Gregory Sklikas	–	–	–	–	–
Robert O'Boyle	32,500	–	(10,000)	22,500	22,500
Claudio Gekker	20,000	–	(20,000)	–	–
Total current executive management	**52,500**	**–**	**(30,000)**	**22,500**	**22,500**
Owen Killian	1,160,000	–	(410,000)	750,000	750,000
Patrick McEniff	910,000	–	(300,000)	610,000	610,000
Ronan Minahan	120,000	–	(120,000)	–	–
Pat Morrissey	220,000	–	(120,000)	100,000	100,000
Dermot Murphy	125,000	–	(75,000)	50,000	50,000
John Yamin	150,000	–	(150,000)	–	–
Total former executive management	**2,685,000**	**–**	**(1,175,000)**	**1,510,000**	**1,510,000**
Total current and former executive management	**2,737,500**	**–**	**(1,205,000)**	**1,532,500**	**1,532,500**

1 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 39.20.

Notes to the Company Financial Statements
(continued)

11 Post balance sheet events – after 31 July 2018

During September 2018, the Group received the unanimous consent its lenders to amend its existing Facilities Agreement to provide additional flexibility to pursue its new business strategy and implement a share capital increase as part of its deleveraging plan. The amendments to the Facilities Agreement include the following:

- An increase of the leverage covenant (Net Debt: EBITDA[1]) from:
  - 4.0x to 5.75x for the period ending on 31 January 2019;
  - 3.5x to 5.25x for the period ending on 31 July 2019; and
  - reverting to previous ratio of 3.5x for the periods thereafter.

- A decrease of the interest cover covenant (EBITDA: Net interest, including Hybrid dividend[1]) from:
  - 3.0x to 2.0x for the period ending on 31 January 2019;
  - 3.0x to 2.0x for the period ending on 31 July 2019; and
  - reverting to 3.0x for the periods thereafter.

- A margin increase to:
  - 3.5% until 31 December 2018; and
  - 4.0% from 1 January 2019.

Upon the successful completion of the proposed equity raise, the above conditions revert to the conditions as per the Facilities Agreement. If the proposed equity raise has not successfully completed by 31 May 2019, there will be an additional test of the covenants as of the twelve month period ending 31 October 2019.

1 Calculated as per Syndicated Bank Facilities Agreement terms.

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	2018	2017
Balance of retained earnings carried forward	**477,153**	348,334
Net profit for the year	**36,954**	128,819
Closing balance of retained earnings	**514,107**	477,153
Dividend payment from retained earnings	**–**	–
Balance of retained earnings to be carried forward	**514,107**	477,153

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2018

Opinion

We have audited the financial statements of ARYZTA AG, which comprise the balance sheet as at 31 July 2018, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 159 to 168) as at 31 July 2018 comply with Swiss law and the company's articles of incorporation.

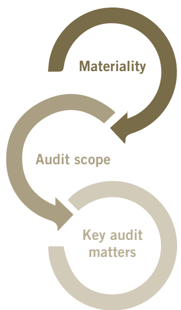
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 27.8 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

– Valuation of investments in subsidiaries

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 27.8 million
How we determined it	0.5% of total assets, rounded
Rationale for the materiality benchmark applied	We chose total assets as the measure because, in our view, it is the benchmark that is most relevant for a holding company that mainly holds investments and is not profit oriented, and is a generally accepted benchmark according to auditing standards.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2018 (continued)

We agreed with the Audit Committee that we would report to them misstatements above CHF 2.78 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
Investments in subsidiaries total CHF 2.0 billion (36.6% of total assets) as of 31 July 2018. Investments are carried at initial cost value and are subject to an annual impairment assessment. To identify indicators of impairment of investments, management compared the carrying value of the investments with the investee's net assets. For investments with indicators of impairment, management prepared an estimate of the recoverable amount using cash flow projections subject to scrutiny and approval by the Board of Directors of ARYZTA AG. In general discrete valuation is made for each single investment. Certain investments are subject to a group valuation approach due to their homogeneous nature. As a result of the current year assessment, the investments in subsidiaries balance was reduced by CHF 110 million. We consider the valuation of investments as a particularly significant area due to the size of the carrying value and judgement involved in assessing the recoverability of these assets. The valuation methods used involve considerable judgment with respect to assumptions about the future performance of the business.	We evaluated and tested management's process to identify impairment indicators by reperforming the comparison for an appropriate sample of investments. We evaluated and challenged the reasonableness of the key assumptions applied by management in its determination of the recoverable amount, specifically: – Cash flow projections in the forecast, by comparing them to the budgets rolled up into the strategic plan approved by the Board of Directors of Aryzta AG. – Assessment of prior year forecast accuracy by comparing actual results with the figures included in the prior year budgets. – Mid and long term growth rates, by comparing them to economic and industry forecasts. – Discount rate, by assessing the cost of capital for the company. We performed our own sensitivity analysis around key assumptions to ascertain the extent of change in those assumptions that either individually or collectively would be result in the investments being impaired. Based on the work performed, we found that the assessments were consistently performed and were based on reasonable assumptions to determine that the investments are recoverable, or that the resulting adjustment to their recoverable amount calculated by management was reasonable.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2018 (continued)

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2018 (continued)

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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 recommend that the financial statements submitted to you be approved.

pwc PricewaterhouseCoopers AG

Sandra Böhm
Audit expert
Auditor in charge

Carrie Rohner

Zurich, 1 October 2018