Annual Report and Accounts 2016

Financial and Business Review

1 ARYZTA Group – Underlying Income Statement

in EUR `000	**July 2016**	**July 2015**	**% Change**
Group revenue	3,878,871	3,820,231	1.5%
EBITA[1]	484,867	513,965	(5.7)%
EBITA margin	12.5%	13.5%	(100) bps
Joint ventures, net of tax	15,682	(1,210)	–
EBITA including joint ventures	500,549	512,755	(2.4)%
Finance cost, net	(103,180)	(83,390)	–
Hybrid instrument accrued dividend	(31,882)	(30,673)	–
Pre-tax profits	365,487	398,692	–
Income tax	(51,169)	(64,035)	–
Non-controlling interests	(2,776)	(4,669)	–
Underlying net profit – continuing operations	311,542	329,988	(5.6)%
Underlying net profit – discontinued operations[2]	–	29,735	(100.0)%
Underlying net profit – total[3]	**311,542**	**359,723**	**(13.4)%**
Underlying fully diluted EPS (cent) – total[4]	**350.3**	**402.2**	**(12.9)%**
Underlying net profit – continuing operations[3]	**311,542**	**329,988**	**(5.6)%**
Underlying fully diluted EPS (cent) – continuing operations[4]	**350.3**	**368.9**	**(5.0)%**

1 See glossary in section 22 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.

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

4 The 31 July 2016 weighted average number of ordinary shares used to calculate underlying earnings per share is 88,929,096 (2015: 89,441,152).

Financial and Business Review (continued)

2 ARYZTA Group – Underlying revenue growth

in EUR million	Europe	North America	Rest of World	Total Group
Group revenue	1,747.1	1,908.1	223.7	3,878.9
Underlying growth	4.0%	(3.1)%	6.2%	0.5%
Acquisitions, net	1.9%	(2.4)%	–	(0.4)%
Currency	0.2%	3.7%	(9.5)%	1.4%
Revenue growth	**6.1%**	**(1.8)%**	**(3.3)%**	**1.5%**

Underlying Volume & Price / Mix Trend

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016
Europe					
Volume %	2.1%	2.7%	3.3%	3.1%	2.8%
Price / Mix %	3.4%	1.1%	0.6%	(0.1)%	1.2%
Underlying growth %	**5.5%**	**3.8%**	**3.9%**	**3.0%**	**4.0%**
North America					
Volume %	(9.4)%	(6.5)%	(4.2)%	(1.2)%	(5.3)%
Price / Mix %	3.8%	4.1%	1.9%	(0.9)%	2.2%
Underlying growth %	**(5.6)%**	**(2.4)%**	**(2.3)%**	**(2.1)%**	**(3.1)%**
Underlying growth excluding contract renewals %	**(1.2)%**	**2.6%**	**4.7%**	**2.9%**	**2.2%**
Rest of World					
Volume %	(3.7)%	(0.8)%	3.7%	0.1%	(0.2)%
Price / Mix %	5.9%	6.5%	3.8%	9.3%	6.4%
Underlying growth %	**2.2%**	**5.7%**	**7.5%**	**9.4%**	**6.2%**
Total Group					
Volume %	(4.0)%	(2.1)%	(0.3)%	0.8%	(1.5)%
Price / Mix %	3.6%	2.9%	1.2%	0.0%	2.0%
Underlying growth %	**(0.4)%**	**0.8%**	**0.9%**	**0.8%**	**0.5%**
Underlying growth excluding contract renewals %	**2.4%**	**3.4%**	**4.4%**	**3.4%**	**3.4%**

Financial and Business Review (continued)

3 ARYZTA Group – Segmental EBITA

in EUR `000	July 2016	July 2015	% Change	EBITA Margin 2016	EBITA Margin 2015	% Change
Europe	215,777	212,031	1.8%	12.4%	12.9%	(50) bps
North America	243,292	275,108	(11.6)%	12.8%	14.2%	(140) bps
Rest of World	25,798	26,826	(3.8)%	11.5%	11.6%	(10) bps
Total Group EBITA	**484,867**	**513,965**	**(5.7)%**	**12.5%**	**13.5%**	**(100) bps**

4 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 1.5% to €3.9bn during the year ended 31 July 2016, mainly due to a favourable currency impact of 1.4%, primarily related to the strengthening of the US Dollar.

Overall underlying revenues increased during the year by 0.5%, reflecting strong underlying growth in Europe of 4.0%, offset by a (3.1)% decline in underlying revenues in North America, due entirely to the impact of long-term contract renewals. Excluding the impact of these long-term contract renewals, underlying revenue growth for the Group would have been 3.4%.

Group EBITA from continuing operations decreased (5.7)% to €484.9m and Group EBITA margins declined by (100) bps to 12.5%. Approximately half of this EBITA margin decline relates to increased investments in marketing of the Group's brands, including La Brea Bakery, Otis Spunkmeyer, Cuisine de France, Hiestand and Fornetti, in order to drive future sales of these higher margin consumer-facing sales. The remainder of the decline primarily relates to the production inefficiencies and negative operating leverage caused by the volume reductions resulting from the North American long-term contract renewals.

As previously indicated, all long-term contracts have now been signed, which significantly increases revenue stability going forward.

5 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's business continues to benefit from growth in In-Store Bakery, driven primarily by growth in the discounter channel, and is well positioned for improved performance.

ARYZTA Europe performed strongly during the year, with revenue growth of 6.1% to €1,747.1m, of which underlying revenue increased by 4.0%. In addition, acquisitions, net of disposals, contributed 1.9% and there was also a favourable currency impact of 0.2%.

Financial and Business Review (continued)

Europe EBITA increased by 1.8% to €215.8m and EBITA margins decreased by (50) bps to 12.4%.

The multi-year investment in additional bakery capacity in Germany was substantially completed during the year, enabling the consolidation of older less efficient capacity into a single highly-automated site by year-end. However, the level of change required during this transition period impacted production efficiencies and new product development, leading to reduced underlying revenue growth and operating leverage during Q4.

There was a good recovery in the ARYZTA Food Solutions businesses in Ireland and the UK during the year. The business performance in France suffered from a significant reduction in tourism, especially in Paris, due to heightened security concerns. In Switzerland, the strong Swiss franc continues to impact pricing strategies, in order to preserve market competitiveness.

ARYZTA Europe completed the divestment of Fresca in France and the acquisition of La Rousse Foods in Ireland during the year. These transactions reflect the ARYZTA Food Solutions strategy to focus on premium, higher-margin business. The recent European acquisitions of Fornetti and La Rousse performed well during the year, fully delivering their acquisition business plans.

During the year, ARYZTA Europe invested €91.1m in capital expansion, primarily related to extending capabilities and centralising production in Germany.

ARYZTA Europe also incurred €5.0m of non-cash asset write-downs of various manufacturing, distribution and administration assets and €57.1m of cash non-recurring costs, primarily related to severance and staff-related costs incurred as a direct result of bakery consolidation in Germany and de-layering of management functions across the region.

6 ARYZTA North America

ARYZTA North America is a leading player in the speciality bakery markets in the United States and Canada. ARYZTA has three routes to market; outsourced supply chain manufacturing, customer own brand manufacturing and ARYZTA brand manufacturing. ARYZTA's key consumer brands in North America are La Brea Bakery and Otis Spunkmeyer.

ARYZTA North America revenues declined by (1.8)% to €1.9bn. Underlying revenue declined by (3.1)% during the year. The disposal of a non-core, fillings and mixes business resulted in a further decline of (2.4)%, while favourable currency movements supported revenues by 3.7% during the year.

The ARYZTA North America decline in underlying revenues is entirely related to the impact of long-term contract renewals, as highlighted in previous announcements. Excluding the impact of these customers, underlying revenue growth in ARYZTA North America would have been 2.2%, reflecting the success of the innovation driven pipeline of new food items, cross-selling and an overall extension of the customer base.

Financial and Business Review (continued)

ARYZTA North America EBITA declined by (11.6)% to €243.3m, while EBITA margins declined (140) bps to 12.8%. These declines reflect the increased investment in consumer facing brands to support the nationwide roll-out of Otis Spunkmeyer. It also reflects the decreased operating leverage created by the decline in underlying revenues during the period.

During the year, ARYZTA North America invested an additional €39.8m to expand and modernise existing capabilities, primarily in the premium artisan bakery segment.

ARYZTA North America also incurred €9.7m of asset write-downs and €24.5m cash non-recurring costs due to continued optimisation and efficiency programmes.

7 ARYZTA Rest of World

ARYZTA's operations in the Rest of World primarily includes businesses in Brazil, Australia, New Zealand, Japan, Malaysia and Singapore. While accounting for less than 6% of the total Group's business, these locations provide attractive future growth opportunities.

ARYZTA Rest of World revenues declined by (3.3)% to €223.7m, entirely due to unfavourable currency movements of (9.5)%, primarily from the weakening of the Brazilian Real. Underlying revenue growth across the region was strong at 6.2%, driven by improved product mix and customer channel diversification.

ARYZTA Rest of World EBITA declined by (3.8)% to €25.8m, entirely due to unfavourable currency movements. Local currency EBITA grew relatively in-line with revenues, as EBITA margins declined by only (10) bps to 11.5%.

8 Joint ventures

During August 2015, the Group invested €450.7m in a 49% interest in Picard, which operates an asset-light business-to-consumer platform, focused on premium speciality food. Picard is located primarily in France, but also has some international franchises.

While the Group retains the right to exercise a call option to acquire the remaining outstanding interest in Picard between FY 2019 and FY 2021, Picard remains separately managed and has separately funded debt structures, which are non-recourse to ARYZTA.

As ARYZTA is entitled to jointly approve key business decisions, including approval of proposed members of Picard management and the annual operating budget, the Group's interest in Picard has been presented as a joint venture.

Financial and Business Review (continued)

During January 2015, the Group exchanged assets with a fair value of GBP 24.0m (€30.6m) for 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.

As ARYZTA is entitled to jointly approve key business decisions, the Group's interest in Signature Flatbreads has been presented as a joint venture.

These joint venture investments, totalling €491.4m as of 31 July 2016, are financed entirely through the hybrid funding perpetual instruments, totalling €793.5m as of 31 July 2016.

Joint ventures had combined revenues of €1,403m during the ARYZTA year ended 31 July 2016 and delivered an underlying contribution to ARYZTA, after interest and tax, of €15.7m. Both joint ventures performed well, growing revenues and margins, while generating strong internal cash flows.

ARYZTA's share of Picard net profit was €13.6m reflecting 11 months of contributions. Pro forma 12 month revenue growth to July 2016 was 0.7% to €1.4 billion, while pro forma 12 month EBITDA growth to July 2016 was 6.3% to €198.8m. Picard incurred an effective tax rate of 60%, which significantly reduced its net profit contribution. Picard generated €40.5m of free cash during the period.

ARYZTA's share of Signature Flatbreads net profit was €2.1m. Following a successful refinancing, Signature repaid €21.5m of its outstanding vendor loan note to ARYZTA, during the year.

in EUR '000	Picard 2016	Signature 2016	**Total July 2016**	Total July 2015
Revenue	1,287,900	115,087	**1,402,987**	55,502
EBITDA	186,743	11,108	**197,851**	(27)
Depreciation	(27,405)	(4,805)	**(32,210)**	(2,227)
EBITA	159,338	6,303	**165,641**	(2,254)
EBITA margin	12.4%	5.5%	**11.8%**	(4.1)%
Finance costs, net	(88,746)	(1,169)	**(89,915)**	(444)
Pre-tax profits/(losses)	70,592	5,134	**75,726**	(2,698)
Income tax	(42,592)	(1,024)	**(43,616)**	278
Joint venture underlying net profit/(loss)	28,000	4,110	**32,110**	(2,420)
ARYZTA's share of underlying net profit	**13,627**	**2,055**	**15,682**	(1,210)

Financial and Business Review (continued)

9 Net acquisition, disposal and restructuring-related costs

During the year ended 31 July 2016, the Group incurred the following amounts related to integration, rationalisation and restructuring:

in EUR `000	Non-cash 2016	Cash 2016	Total 2016	Total 2015
Net gain/(loss) on disposal of businesses	993	–	**993**	(45,685)
Asset write-downs	(14,787)	–	**(14,787)**	(146,289)
Acquisition-related costs	–	(2,330)	**(2,330)**	(9,982)
Severance and other staff-related costs	–	(65,447)	**(65,447)**	(48,642)
Contractual obligations	–	(6,738)	**(6,738)**	(2,087)
Advisory and other costs	–	(8,805)	**(8,805)**	(27,265)
Net acquisition, disposal and restructuring-related costs	**(13,794)**	**(83,320)**	**(97,114)**	**(279,950)**

Continuing operations – non-cash

During the year ended 31 July 2016, the Group disposed of two businesses, which historically generated approximately €100,000,000 in annual revenues. As the €42,060,000 proceeds received, net of associated transaction costs, exceeded the €41,067,000 carrying value of the net assets disposed, a net gain on disposal of €993,000 has been reflected in the financial statements.

The Group incurred €14,787,000 (2015: €146,289,000) of asset write-downs during the year, primarily related to the write-down of various distribution, manufacturing and administration assets within the ARYZTA Europe and ARYZTA North America segments. These write-downs arose as a result of the closure or reduction in activities in these locations and 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.

Continuing operations – cash

The Group also incurred €83,320,000 (2015: €87,976,000) of costs, primarily related to severance and other staff-related costs incurred as a result of the asset closures above, de-layering of management and administrative functions, and further costs associated with the continued integration of acquired businesses into the Group's bakery and distribution network.

As these non-cash gains and losses are added back to net assets, and the cash costs are deducted from EBITA, when calculating ROIC for management compensation purposes, these items had no impact on management compensation during the year ended 31 July 2016.

The Group expects these net acquisition, disposal and restructuring-related costs to decrease significantly going forward, compared to recent periods of the multi-year restructuring programme that was aimed at integrating over 30 separately acquired autonomous business units, replacing obsolete assets, optimising the distribution network and streamlining administrative functions.

Financial and Business Review (continued)

10 Discontinued operations – Origin

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 March 2015 placing, the Group's remaining 29.0% interest in Origin was 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 prior year 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 during the year ended 31 July 2015.

in EUR '000	July 2015
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**

During September 2015, ARYZTA announced the completion of its offering of its remaining 36.3 million ordinary shares of Origin for €6.30 per share, which raised net proceeds for ARYZTA of €225,101,000. As the fair value of the 29.0% investment in associate held-for-sale at 31 July 2015 was €270,870,000, this resulted in a net loss on disposal in the current year of €45,769,000. This divestment simplifies the reporting structure and transforms ARYZTA into a business fully focused on speciality food.

in EUR `000	July 2016
Underlying contribution associate held-for-sale	48
Cash received, net of transaction costs	225,101
Carrying value of 29% interest disposed	(270,870)
Net loss on disposal of associate held-for-sale	**(45,721)**

Financial and Business Review (continued)

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:

in EUR `000	July 2016	July 2015
Revenue	194,721	1,458,098
EBITA	146	78,895
EBITA margin	0.1%	5.4%
Associates and JV, net of tax	881	14,076
EBITA incl. associates and JV	1,027	92,971
Finance cost, net	(1,015)	(4,810)
Pre-tax profits	12	88,161
Income tax	154	(12,690)
Total underlying net profit	166	75,471
Non-ARYZTA portion of discontinued operations	(118)	(45,736)
Underlying contribution associate held-for-sale	(48)	–
Underlying net profit – discontinued operations	**–**	**29,735**

11 Cash generation

in EUR `000	July 2016	July 2015
EBIT	308,626	345,943
Amortisation	176,241	168,022
EBITA	484,867	513,965
Depreciation	124,773	124,306
EBITDA	609,640	638,271
Working capital movement	40,586	(63,319)
Working capital movement from debtor securitisation[1]	54,258	104,077
Maintenance capital expenditure	(80,004)	(80,725)
Segmental operating free cash generation	**624,480**	**598,304**
Investment capital expenditure[2]	(132,901)	(329,412)
Acquisition and restructuring-related cash flows	(81,702)	(101,266)
Segmental operating free cash generation, after investment capital expenditure and integration costs	**409,877**	**167,626**
Dividends received from Origin	–	17,056
Hybrid dividend	(31,788)	(39,107)
Interest and income tax	(113,972)	(117,947)
Other[3]	2,615	(6,200)
Cash flow generated from activities	**266,732**	**21,428**

1 Total debtor balances securitised as of 31 July 2016 is €208m.

2 Includes expenditure on intangible assets.

3 Other cash generated from activities comprises primarily cash received from government grants, net of related amortisation.

Financial and Business Review (continued)

12 Net debt and investment activity

in EUR `000	FY 2016	FY 2015
Group opening net debt as at 1 August	**(1,725,103)**	**(1,642,079)**
Cash flow generated from activities	266,732	21,428
Disposal of businesses, net of cash and finance leases	42,060	22,728
Proceeds from disposal of Origin, net of cash disposed	225,101	398,108
Investment in joint venture	(450,732)	–
Net debt cost of acquisitions	(26,917)	(149,822)
Collection of receivables from joint ventures	21,509	–
Contingent consideration paid	(46,916)	(9,240)
Hybrid instrument proceeds	–	69,334
Dividends paid	(57,313)	(69,364)
Foreign exchange movement[1]	36,038	(363,792)
Other[2]	(4,076)	(2,404)
Group closing net debt as at 31 July	**(1,719,617)**	**(1,725,103)**

1 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). 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).

2 Other comprises primarily amortisation of upfront financing costs.

As of 31 July 2016, the Group's financing facilities, related capitalised upfront borrowing costs, finance leases, overdrafts and cash balances outstanding were as follows:

Debt Funding as at 31 July 2016	Principal	Outstanding in EUR '000
Syndicated Bank Loan	EUR 100m	(100,000)
Syndicated Bank Loan	USD 550m	(492,744)
Syndicated Bank Loan	CAD 80m	(54,936)
Syndicated Bank Loan	GBP 80m	(95,247)
Syndicated Bank Loan	CHF 270m	(248,740)
Private Placements	USD 1,300m	(1,164,666)
Private Placements	EUR 50m	(50,000)
Gross term debt		**(2,206,333)**
Upfront borrowing costs		20,020
Term debt, net of upfront borrowing costs		**(2,186,313)**
Finance leases		(2,277)
Cash and cash equivalents, net of overdrafts		468,973
Net debt		**(1,719,617)**

As of 31 July 2016, the Group's interest cover including hybrid interest was 4.50x (2015: 5.76x). The weighted average maturity of the Group gross term debt was 4.39 years (2015: 4.98 years). The weighted average interest cost of Group debt financing facilities (including overdrafts) is 4.49% (2015: 3.84%).

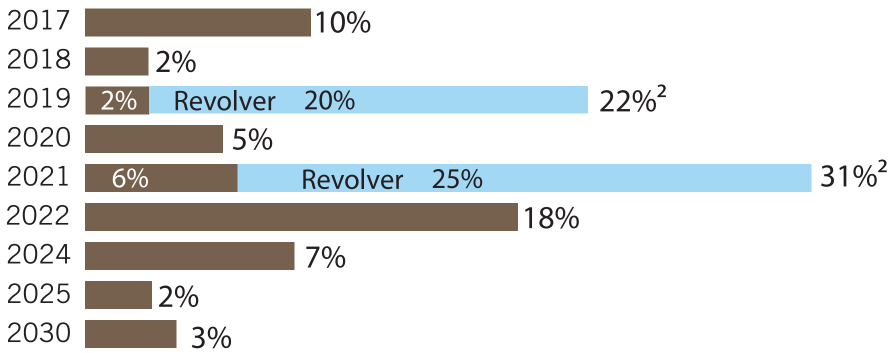
ARYZTA intends to maintain an investment grade position in the range of 2x – 3x Net debt: EBITDA on its syndicated bank loan. The Group's key financial ratio is as follows:

	July 2016	July 2015
Net Debt: EBITDA[1] (syndicated bank loan)	2.90x	2.54x

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

Financial and Business Review (continued)

Gross Term Debt Maturity Profile[1]
Financial Year



1 The term debt maturity profile is set out as at 31 July 2016. Gross term debt at 31 July 2016 is €2,206.3m. Net debt at 31 July 2016 is €1,719.6m, 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 €991.7 m as at 31 July 2016, which represents 45 % of the gross term debt.

13 Hybrid funding

Perpetual Callable Subordinated Instruments as at 31 July 2016		
Hybrid Funding – first call date April 2018	CHF 400m	(319,442)
Hybrid Funding – first call date March 2019	EUR 250m	(245,335)
Hybrid Funding – first call date April 2020	CHF 190m	(155,679)
Hybrid funding at historical cost, net of associated costs		**(720,456)**
Hybrid funding fair value adjustment to year-end exchange rates		(73,087)
Hybrid funding at 31 July 2016 exchange rates		**(793,543)**

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 2016	Average 2015	% Change	Closing 2016	Closing 2015	% Change
CHF	1.0905	1.1191	2.5%	1.0855	1.0635	(2.1)%
USD	1.1106	1.1799	5.9%	1.1162	1.1109	(0.5)%
CAD	1.4748	1.4009	(5.3)%	1.4562	1.4446	(0.8)%
GBP	0.7602	0.7547	(0.7)%	0.8399	0.7091	(18.4)%

Financial and Business Review (continued)

15 ARYZTA Group Return on invested capital

in EUR million	Europe	North America	Rest of World	Total Group
2016				
Group share net assets[1]	1,903	2,488	198	4,589
EBITA[1]	215	243	26	484
ROIC	11.3%	9.8%	13.0%	10.5%
2015				
Group share net assets[1]	1,963	2,602	204	4,769
EBITA[1]	220	275	27	522
ROIC	11.2%	10.6%	13.2%	10.9%

1 See glossary in section 22 for definitions of financial terms and references used.

2 Group WACC on a pre-tax basis is currently 8.0% (2015: 7.4%).

16 Net assets, goodwill and intangibles

Group Balance Sheet in EUR `000	Total Group 2016	Total Group 2015
Property, plant and equipment	1,594,885	1,543,263
Investment properties	24,787	25,916
Goodwill and intangible assets	3,617,194	3,797,269
Deferred tax on acquired intangibles	(210,635)	(246,116)
Working capital	(361,307)	(218,669)
Other segmental liabilities	(76,109)	(132,849)
Segmental net assets	4,588,815	4,768,814
Joint ventures and related receivables	495,402	60,711
Associate held-for-sale	–	270,870
Net debt	(1,719,617)	(1,725,103)
Deferred tax, net	(113,823)	(95,423)
Income tax	(49,118)	(45,813)
Derivative financial instruments	(13,888)	(12,113)
Net assets	**3,187,771**	**3,221,943**

17 Proposed dividend

At the Annual General Meeting on 13 December 2016, shareholders will be invited to approve a proposed dividend of CHF 0.5731 (€0.5255) per share. If approved, the dividend will be paid to shareholders on 1 February 2017. A dividend of CHF 0.6555 per share was paid during the year, as approved by shareholders at the Annual General Meeting on 8 December 2015.

Financial and Business Review (continued)

18 Subsequent Events

During August 2016, the Group 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 €991.7m.

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

During September 2016, the Group utilised the available capacity of the RCF, Term Loan Facility and existing cash resources to redeem all of its outstanding Private Placements, which totalled €1,215m as of 31 July 2016, for a total redemption cost of €1,410m, including the principal balance, early redemption costs of €169m, accrued interest, associated unamortised borrowing costs and other related fees.

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

19 Outlook

During FY17 ARYZTA expects to generate free cash in a range of €225–€275m, excluding Private Placement early redemption costs, and deliver underlying fully diluted EPS in-line with consensus of 358 cent.

20 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 59 to continue to reflect the principal risks and uncertainties of the Group.

21 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)

22 Glossary of financial terms and references

'Joint ventures, net' – presented as profit from joint ventures, 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 related tax credits.

'EBITDA' – presented as earnings before interest, taxation, depreciation and amortisation; before net acquisitions, 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 in the Financial Statements.

'Segmental Net Assets' – Based on segmental net assets, which excludes joint ventures, 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.

'ROIC' – Return On Invested Capital is calculated on a consistent basis year over year using a pro-forma trailing twelve months 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 respective 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 net acquisition, disposal and restructuring-related costs and before any non-controlling interest allocation of those adjustments, 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, as this provides a more consistent basis for returning dividends to shareholders.

Bridge to Group Consolidated Income Statement
for the financial year ended 31 July 2016

in EUR `000	ARYZTA Group 2016	ARYZTA Group 2015
Underlying net profit – continuing operations	**311,542**	329,988
Intangible amortisation	**(176,241)**	(168,022)
Tax on amortisation	**36,715**	35,104
Share of joint venture intangible amortisation and restructuring related costs, net of tax	**(3,966)**	(310)
Hybrid instrument accrued dividend	**31,882**	30,673
Net acquisition, disposal and restructuring-related costs	**(97,114)**	(279,950)
Tax on net acquisition, disposal and restructuring-related costs	**9,911**	47,881
Reported net profit/(loss) – continuing operations	**112,729**	(4,636)
Underlying net profit – discontinued operations	**–**	29,735
Underlying contribution associate held-for-sale	**48**	(17,296)
Intangible amortisation, non-recurring and other	**–**	(6,343)
Profit for the year – discontinued operations	**48**	6,096
(Loss)/gain on disposal of discontinued operations	**(45,769)**	523,300
Reported net profit – discontinued operations	**(45,721)**	529,396
Reported net profit attributable to equity shareholders	**67,008**	524,760