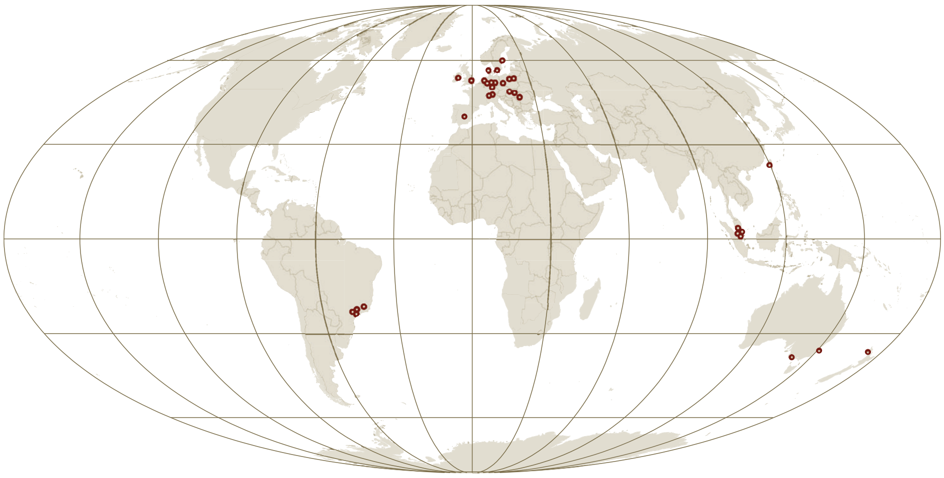
2021
Annual Report and Accounts

ARYZTA
SERVING INSPIRATION



WELCOME TO ARYZTA AG

ARYZTA AG ('ARYZTA') is a global food business with a leadership position in Convenience bakery.
ARYZTA is based in Schlieren, Switzerland, with operations in Europe, Asia, Australia, New Zealand and South America. ARYZTA is listed on the SIX Swiss Exchange (SIX: ARYN).

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Financial Highlights

Group

Underlying

Revenue
in EUR million

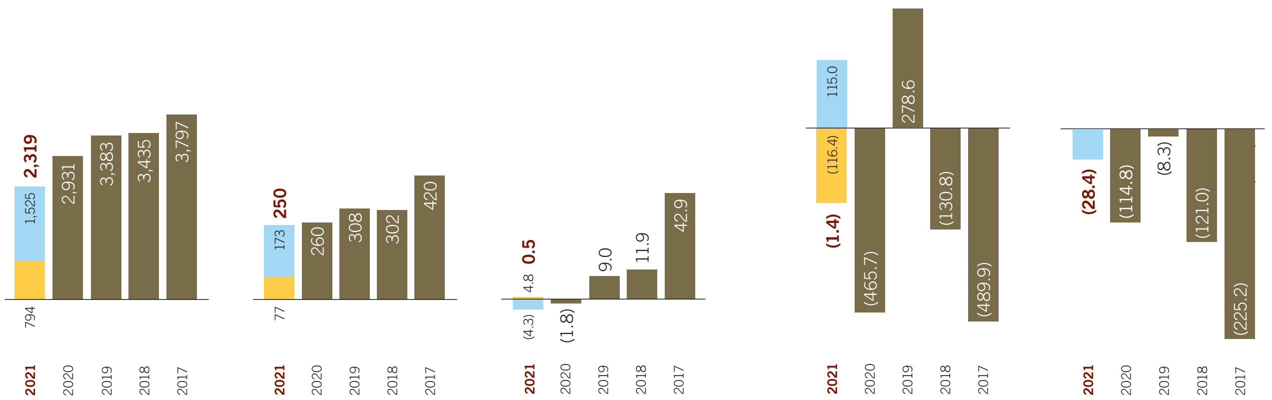
Underlying EBITDA[1]
in EUR million

Underlying diluted EPS[2]
in EUR cent

IFRS

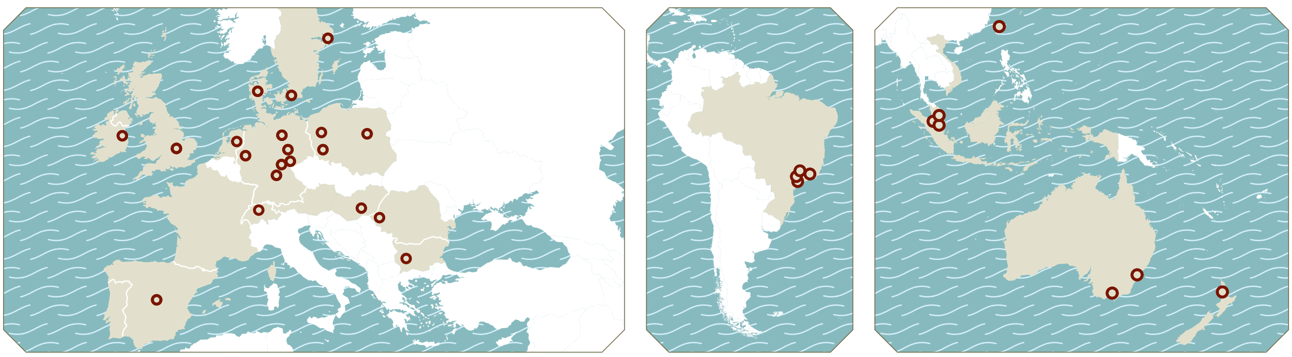
IFRS EBITDA[1]
in EUR million

IFRS Diluted loss per share
in EUR cent



continuing operations *discontinued operations* *legacy Group*

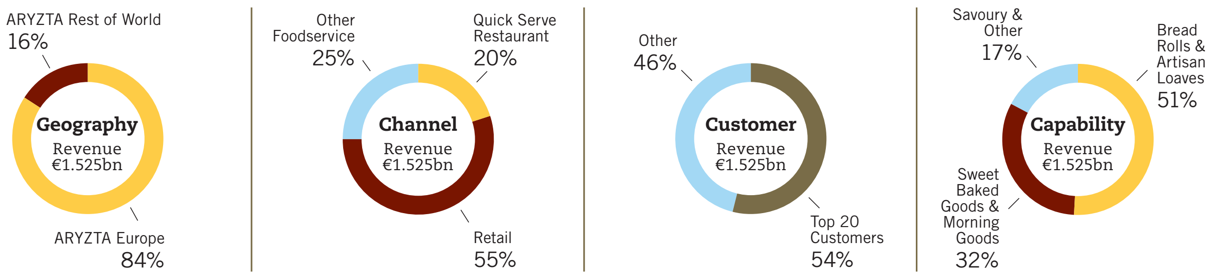
ARYZTA Group (Continuing Operations)



Revenue €1.525bn

32 Bakeries

28 Countries



1 Underlying and IFRS EBITDA from continuing operations includes central costs previously allocated to ARYZTA North America discontinued operations.

Annual Report and Accounts 2021
Letter to Shareholders

Dear Shareholder,

On behalf of the Board of Directors of ARYZTA AG, I wish to thank you for the overwhelming support and trust that you placed in us and our strategy to rebuild shareholder value after years of disappointment and value destruction.

I am happy to report that good progress on delivering this strategy has been achieved. The journey to rebuild ARYZTA has started, the turnaround is on track but much remains to be done.

Swift implementation of new strategy pays off
ARYZTA has a board with robust bakery, financial, governance, and turnaround expertise. We have also implemented a new, agile management structure that was completed recently with the appointment of our new CFO.

ARYZTA is evolving towards a solid business with dedicated high calibre employees, well-invested assets and leading market positions, serving the world's most successful retailers, QSRs and food service customers. Our plan focuses on reshaping our core business in our core markets striving to achieve the gold standard for oven baked freshness.

In the past year we have reorganised the business from an inefficient and costly global structure to a lean, multi-local business model with local responsibility for profitability and customer engagement. This has removed substantial costs and complexity and allows us to reduce group overhead costs by at least 25% on an annual basis. This has also enhanced employee morale and commitment to our new strategy.

Substantially strengthened financial position
In March 2021 we announced the disposal of our business in North America for $850m and in August 2021 we announced the signing of a binding agreement for the disposal of our Brazilian business. These transactions were achieved ahead of time and the overall proceeds secured are also ahead of expectations, reflecting the strong buyer interest in the well invested assets being sold.

These disposals enabled ARYZTA to significantly improve its financial position as net debt was reduced from €1,010.7m to €220.1m. In addition we agreed a new five year €500m revolving credit facility with our lenders. This, combined with significant improvements in the underlying business performance, allows us to take the next step in improving our balance sheet with the announcement to pay deferred and actual interest payments on all Hybrid Instruments. This enables us to consider future options such as repaying current Hybrid principals to the extent of our financial capacity.

Return to organic growth and sustainable profitability increase
As a result of the immediate implementation of our multi-local, lean, and more agile business model, ARYZTA returned to organic growth for the first time in many years in the second half of our financial year 2021. Organic growth for the continuing operations amounted to 2.6% in Q3 and 22.8% in Q4 of FY 2021 and we are optimistic that this encouraging development sustains.

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Letter to Shareholders (continued)

Overall, continuing operations of ARYZTA achieved revenues of €1,525.4m and an Underlying EBITDA of €173.4m corresponding to a slightly improved operating margin of 11.4% despite the strong negative volume decrease of (7.0)% driven by COVID. Total Group Underlying net profit was €5.2m, up from a prior year loss of (€18.0m). Cash flow from operating activities improved significantly due to disciplined working capital management and reached €10.6m versus (€84.5m) a year ago.

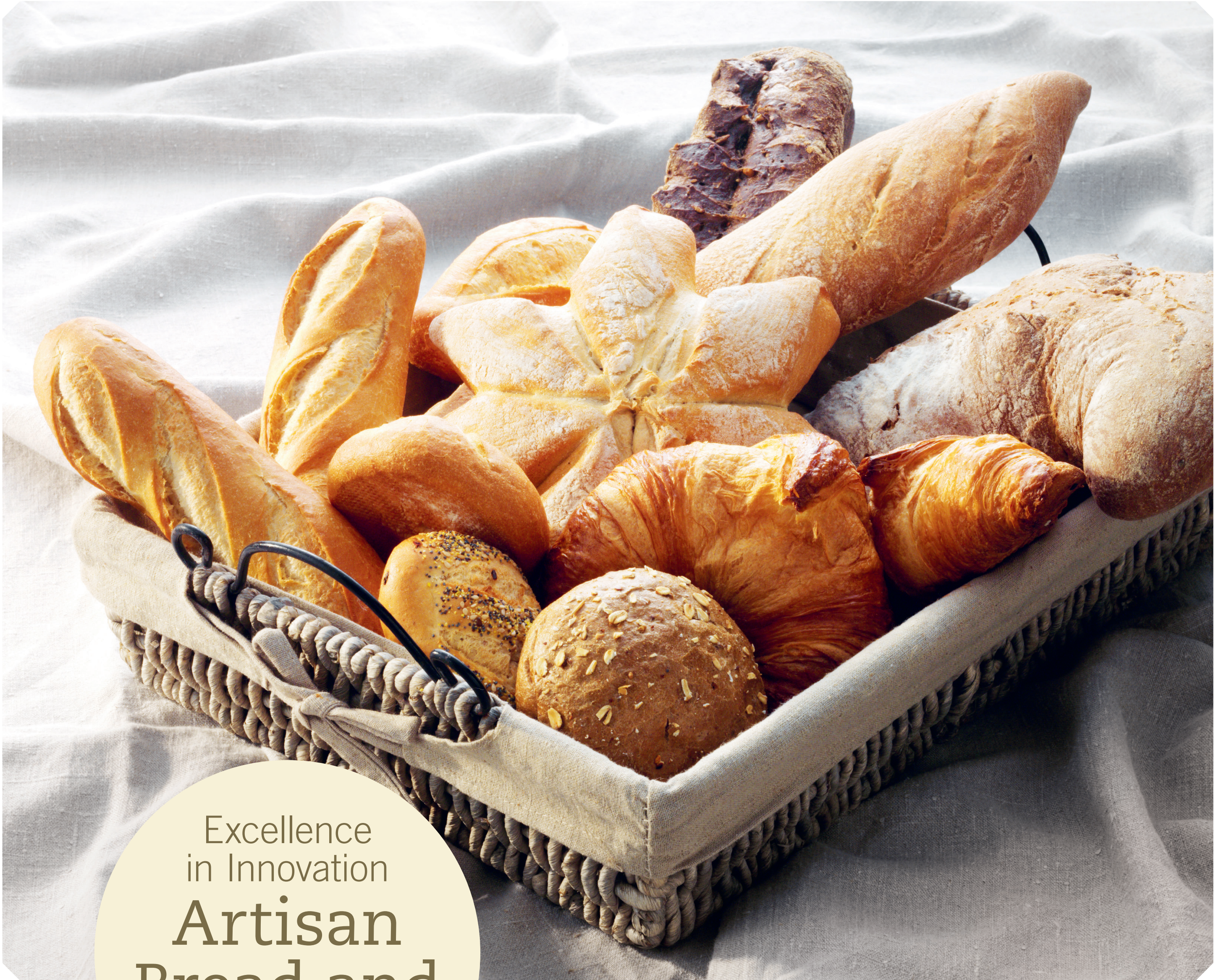
Outlook

For FY 2022 we expect to achieve mid-single digit organic growth and return to a sustainable net profit as the benefits of the significant restructuring and re-organisation continue to bear fruit. We have clear objectives to strengthen our European business performance to at least in line or better than our comparable European bakery peers, to continue to grow our footprint in Asia and to improve the Group EBITDA towards the run rate target.

Board and Management would like to thank all our employees for their professional commitment to the business and our customers during these challenging times.

We look forward to reporting further progress in the current year, delivering on our commitment to create a strong ARYZTA.

Urs Jordi
Chair, Board of Directors
4 October 2021



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Business Overview
About ARYZTA

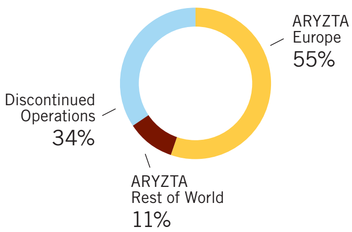
Reporting Segments

ARYZTA AG

ARYZTA Europe | ARYZTA Rest of World | Discontinued Operations

ARYZTA Europe	ARYZTA Rest of World	Discontinued Operations
REVENUE 2021 €1.284bn	REVENUE 2021 €241m	REVENUE 2021 €794m
Underlying EBITDA 2021 €140m	Underlying EBITDA 2021 €33m	Underlying EBITDA 2021 €77m
Underlying EBITDA margin 2021 10.9%	Underlying EBITDA margin 2021 13.6%	Underlying EBITDA margin 2021 9.6%

Segmental Revenue

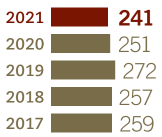


Revenue ARYZTA Europe

in EUR million

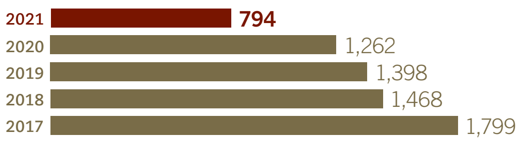
Revenue ARYZTA Rest of World

in EUR million

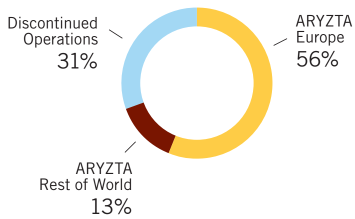


Revenue Discontinued Operations

in EUR million



Segmental Underlying EBITDA

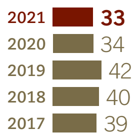


Underlying EBITDA[1] ARYZTA Europe

in EUR million

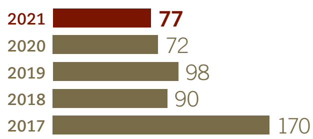
Underlying EBITDA[1] ARYZTA Rest of World

in EUR million



Underlying EBITDA[1] Discontinued Operations

in EUR million



1 FY 2020 underlying EBITDA from continuing operations includes central costs previously allocated to ARYZTA North America discontinued operations.

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Annual Report and Accounts 2021

Financial and Business Review

1 Underlying Income Statement and reconciliation to IFRS

	FY 2021 €m	FY 2020 Re-presented €m	% Change
Continuing Operations			
Group revenue	1,525.4	1,669.0	(8.6)%
Underlying EBITDA[1]	173.4	188.3	(7.9)%
Underlying EBITDA margin	11.4%	11.3%	10 bps
Depreciation & ERP Amortisation	(109.9)	(112.7)	2.5%
Underlying EBITA[1]	63.5	75.6	(16.0)%
Joint ventures underlying profit, net of interest and tax	-	18.4	(100.0)%
Underlying EBITA including joint ventures	63.5	94.0	(32.4)%
Finance cost, net	(32.8)	(38.2)	14.1%
Hybrid instrument dividend	(46.2)	(46.1)	(0.2)%
Pre-tax (loss)/profit	(15.5)	9.7	(259.8)%
Income tax	(26.7)	(26.9)	0.7%
Underlying net loss - continuing operations[1]	**(42.2)**	**(17.2)**	**(145.3%)**
Underlying net profit/(loss) - discontinued operations[1,2]	47.4	(0.8)	6,025.0%
Underlying net profit/(loss) - total[1]	**5.2**	**(18.0)**	**128.9%**
Underlying diluted EPS (cent) - continuing operations[3]	**(4.3)**	**(1.7)**	**(152.9%)**
Underlying diluted EPS (cent) - total[3]	**0.5**	**(1.8)**	**127.8%**

1 Certain financial alternative performance measures, that are not defined by IFRS, are used by management to assess the financial and operational performance of ARYZTA. See glossary in section 19 for definitions of financial terms and references used in the financial and business review.

2 Following the reclassification of the Group's North America segment to disposal group held-for-sale in January 2021, its results have been presented separately as discontinued operations in both the current and prior periods.

3 The 31 July 2021 weighted average number of ordinary shares used to calculate underlying earnings per share is 991,493,662 (2020: 990,860,563).

Financial and Business Review (continued)

Reconciliation of Underlying EBITDA to IFRS result:

	FY 2021 €m	FY 2020 Re-presented €m
Continuing Operations		
Underlying EBITDA	**173.4**	188.3
Depreciation	**(99.1)**	(101.9)
ERP amortisation	**(10.8)**	(10.8)
Underlying EBITA	**63.5**	75.6
Amortisation of other intangible assets	**(17.7)**	(48.0)
Net loss on disposal of businesses	**–**	(61.2)
Impairment of goodwill	**–**	(65.0)
Net (loss)/gain on fixed asset disposals and impairments	**(4.3)**	1.0
Restructuring-related costs	**(52.8)**	(1.4)
COVID-19 related costs	**(1.3)**	(14.1)
IFRS operating loss	**(12.6)**	(113.1)
Share of profit after interest and tax of joint ventures	**–**	16.1
Net loss on disposal of joint venture	**–**	(297.1)
Gain on equity instruments at fair value through profit or loss	**8.6**	–
Finance cost, net	**(32.8)**	(38.2)
Loss before income tax	**(36.8)**	(432.3)
Income tax expense	**(13.5)**	(10.5)
IFRS loss for the period from continuing operations	**(50.3)**	(442.8)
IFRS loss for the period from discontinued operations	**(185.5)**	(648.7)
IFRS loss for the period	**(235.8)**	(1,091.5)
Hybrid instrument dividend	**(46.2)**	(46.1)
Loss used to determine basic EPS	**(282.0)**	(1,137.6)
IFRS diluted loss per share (cent) - continuing operations[1]	**(9.7) cent**	(49.3) cent
IFRS diluted loss per share (cent)[1]	**(28.4) cent**	(114.8) cent

1 The 31 July 2021 weighted average number of ordinary shares used to calculate IFRS diluted loss per share is 991,493,662 (2020: 990,860,563).

A reconciliation of Underlying EBITDA to IFRS EBITDA is presented below:

	Continuing Operations		Discontinued Operations		ARYZTA Group	
	FY 2021 €m	FY 2020 €m	FY 2021 €m	FY 2020 €m	FY 2021 €m	FY 2020 €m
Underlying EBITDA	**173.4**	188.3	**76.6**	71.9	**250.0**	260.2
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**–**	(61.2)	**4.6**	(103.4)	**4.6**	(164.6)
Loss on disposal of discontinued operations	**–**	–	**(189.3)**	–	**(189.3)**	–
Impairment of goodwill	**–**	(65.0)	**–**	(437.1)	**–**	(502.1)
Impairment of intangible assets	**–**	–	**–**	(28.3)	**–**	(28.3)
Net (loss)/gain on fixed asset disposals and impairments	**(4.3)**	1.0	**(0.8)**	3.4	**(5.1)**	4.4
Disposal and restructuring-related costs	**(52.8)**	(1.4)	**(2.8)**	(8.3)	**(55.6)**	(9.7)
COVID-19 related costs	**(1.3)**	(14.1)	**(4.7)**	(11.5)	**(6.0)**	(25.6)
IFRS EBITDA[1]	**115.0**	47.6	**(116.4)**	(513.3)	**(1.4)**	(465.7)

1 See glossary in section 19 for definitions of financial terms and references used in the financial and business review.

Financial and Business Review (continued)

2 Organic revenue

	ARYZTA Europe €m	ARYZTA Rest of World €m	Total Continuing Operations €m	Total Discontinued Operations €m	Total ARYZTA Group €m
Revenue	**1,284.2**	**241.2**	**1,525.4**	**794.3**	**2,319.7**
Organic movement[1]	(7.9)%	2.3%	(6.4)%	(5.8)%	(6.1)%
Disposals movement	(1.0)%	–	(0.9)%	(27.0)%	(12.1)%
Currency movement	(0.6)%	(6.1)%	(1.3)%	(4.3)%	(2.7)%
Total revenue movement	**(9.5)%**	**(3.8)%**	**(8.6)%**	**(37.1)%**	**(20.9)%**

1 Fiscal year 2021 comprised of the 52 week period ended 31 July 2021, and 2020 comprised of the 53 week period ended on 1 August 2020. Please refer to glossary in section 19 for further information.

Quarterly organic revenue

	Q1 2021	Q2 2021	Q3 2021	Q4 2021[1]	FY 2021
ARYZTA Europe					
Volume %	(15.6)%	(23.4)%	(0.3)%	20.5%	(8.5)%
Price/Mix %	(0.1)%	(0.1)%	0.9%	2.0%	0.6%
Organic movement %	**(15.7)%**	**(23.5)%**	**0.6%**	**22.5%**	**(7.9)%**
ARYZTA Rest of World					
Volume %	(10.1)%	(5.1)%	14.8%	20.8%	1.3%
Price/Mix %	0.2%	1.0%	(0.7)%	4.1%	1.0%
Organic movement %	**(9.9)%**	**(4.1)%**	**14.1%**	**24.9%**	**2.3%**
Total Continuing Operations					
Volume %	(14.8)%	(20.5)%	1.9%	20.6%	(7.0)%
Price/Mix %	–	0.1%	0.7%	2.2%	0.6%
Organic movement %	**(14.8)%**	**(20.4)%**	**2.6%**	**22.8%**	**(6.4)%**
Discontinued Operations					
Volume %	(15.7)%	(16.9)%	6.8%	–	(7.5)%
Price/Mix %	(0.5)%	3.5%	4.0%	–	1.7%
Organic movement %	**(16.2)%**	**(13.4)%**	**10.8%**	**–**	**(5.8)%**
ARYZTA Group					
Volume %	(15.2)%	(19.0)%	4.1%	11.8%	(7.2)%
Price/Mix %	(0.2)%	1.5%	2.1%	1.2%	1.1%
Organic movement %	**(15.4)%**	**(17.5)%**	**6.2%**	**13.0%**	**(6.1)%**

1 Fiscal year 2021 comprised of the 52 week period ended 31 July 2021, and 2020 comprised of the 53 week period ended on 1 August 2020. Q4 2021 organic growth is based on 13 weeks in 2021 vs. 13 weeks in 2020. Please refer to glossary in section 19 for further information.

Financial and Business Review (continued)

3 Segmental Underlying EBITDA

Underlying EBITDA	FY 2021 €m	FY 2020[1] Re-presented €m	% Change
ARYZTA Europe	140.5	153.9	(8.7)%
ARYZTA Rest of World	32.9	34.4	(4.4)%
Continuing Operations[1]	**173.4**	**188.3**	**(7.9)%**
Discontinued Operations[1]	76.6	71.9	6.5%
Total ARYZTA Group	**250.0**	**260.2**	**(3.9)%**

Underlying EBITDA margin	FY 2021 €m	FY 2020[1] Re-presented €m	% Change
ARYZTA Europe	10.9%	10.8%	10 bps
ARYZTA Rest of World	13.6%	13.7%	(10) bps
Continuing Operations[1]	**11.4%**	**11.3%**	**10 bps**
Discontinued Operations[1]	9.6%	5.7%	390 bps
Total ARYZTA Group	**10.8%**	**8.9%**	**190 bps**

1 Underlying EBITDA from continuing operations includes central costs previously allocated to ARYZTA North America discontinued operations.

2 See glossary in section 19 for definitions of financial terms and references used in the financial and business review.

4 Our business

ARYZTA is a global food business with a leadership position in convenience bakery. ARYZTA is based in Schlieren, Switzerland, with operations in Europe, Asia, Australia, New Zealand and South America. ARYZTA has three channels and routes to market: Retail, Quick Service Restaurants (QSR) and Other Foodservice.

Across all of ARYZTA's markets, the effects of COVID-19 in the year continued to materially impact revenue. Total revenue from continuing operations decreased by (8.6)% to €1,525.4m from FY 2020 to FY 2021. Organic revenue declined by (6.4)%, with volume losses of (7.0)% and a price/mix positive impact of 0.6%. Disposals reduced revenue by (0.9)% and currency had a negative impact of (1.3)%. Total revenue from Group including discontinued operations decreased by (20.9)% to €2,319.7m from FY 2020 to FY 2021. Organic revenue declined by (6.1)%, with volume losses of (7.2)% and a price/mix positive impact of 1.1%. Disposals reduced revenue by (12.1)% and currency had a negative impact of (2.7)%.

Group Underlying EBITDA from continuing operations for FY 2021 was €173.4m, which represents a decrease of (7.9)% compared to FY 2020, while EBITDA margins increased by 10 bps to 11.4%. Group Underlying EBITDA including discontinued operations for FY 2021 was €250.0m, which represents a decrease of (3.9)% compared to FY 2020, while EBITDA margins increased by 190 bps to 10.8%.

The COVID-19 crisis continued to materially impact the performance of the Group in all channels and geographies in FY 2021. This has had a particularly strong impact on our Foodservice and to a lesser extent, Retail channels. The QSR channel showed robust performance throughout the period. Despite the challenges faced during the crisis, ARYZTA has responded rapidly to the changed consumer environment through closely supporting its customers and efficiently calibrating its operational needs. This has led to an improved

Financial and Business Review (continued)

sequential performance as the year progressed, with positive growth returning to all channels by the final quarter of the year.

5 ARYZTA Europe

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

ARYZTA Europe revenue decreased by (9.5)% to €1,284.2m from FY 2020 to FY 2021. Organic revenue decline of (7.9)% was a result of a (8.5)% decline in volumes offset by an improvement of 0.6% in price/mix.

ARYZTA Europe Underlying EBITDA for FY 2021 was €140.5m, which represents a decrease of (8.7)% compared to FY 2020, while EBITDA margins increased by 10 bps to 10.9%.

COVID-19 restrictions and lockdowns continued to impact the region, in particular in those geographies operating in the Foodservice channel, with Retail and QSR proving to be more resilient to government restrictions. The second half of the year saw continued improved sequential performance, with organic revenue returning to positive growth. While it remains a challenging environment, there is clear focus on driving improved performance, supported by the delayering and simplifying of reporting structures during H2 FY 2021, that enabled local empowerment over customer decision making while improving the cost base.

6 ARYZTA Rest of World

ARYZTA's operations in the Rest of World includes businesses in Brazil, Australia, Japan, Malaysia, Singapore, New Zealand and Taiwan. While representing only 10.4% of total Group revenue and 13.2% of total Group Underlying EBITDA, these locations provide attractive future growth opportunities and have importance as suppliers to our global QSR customers.

ARYZTA Rest of World revenue decreased by (3.8)% to €241.2m in FY 2021. Organic revenue increased by 2.3% as a result of 1.3% volume increase and a positive price/mix of 1.0%. This was offset by unfavourable currency movements which reduced revenue by (6.1)%.

ARYZTA Rest of World Underlying EBITDA for FY 2021 was €32.9m, which represents a (4.4)% overall decrease, while Underlying EBITDA margins decreased by (10) bps to 13.6%.

ARYZTA's performance in the Asia Pacific region was impacted by the COVID-19 crisis with the Foodservice channel being materially impacted in key markets such as Japan. The key QSR channel in both the Asia Pacific and LATAM region was also impacted through government restrictions, nevertheless positive growth was delivered.

On 19 August 2021, ARYZTA announced it has successfully signed binding documentation concerning the disposal of its Brazil businesses to Grupo Bimbo SAB de CV. The transaction is expected to complete by the end of Q2 of ARYZTA's financial year 2022, and is subject to closing conditions customary for this type of transaction.

Financial and Business Review (continued)

7 ARYZTA North America - Discontinued Operations

As announced during the period ended 31 July 2021, the Board of Directors confirmed the disposal of the Group's businesses in North America, in order to reduce debt levels, and in order to focus on the Group's Europe and APAC markets.

On 12 March 2021, the Group publicly announced the sale of its North American businesses in the USA and Canada to an affiliate of Lindsay Goldberg LLC for a cash consideration of US$850m, which completed on 3 May 2021. After adjustments for cash, debt and working capital, net proceeds of €659.1m were recorded in the Group Consolidated Cash Flow Statement at 31 July 2021. Transaction costs of €11.7m remain outstanding and are expected to be settled within the next 12 months, with net proceeds received for the transaction expected to be €647.4m.

The ARYZTA North America business previously represented a significant component and separately reported segment of the Group, its results have been separately presented in the Group Balance Sheet as Discontinued Operations, in both the current and prior periods.

Aryzta North America was a leading player in the convenience bakery markets in the United States and Canada. It had a diversified customer base, including multiple retail, restaurants, catering hotels, leisure, hospitals, military, fundraising and QSRs. ARYZTA North America was a leader in high-value artisan bakery via La Brea Bakery, which focused on the premium branded bakery segment.

ARYZTA North America revenue was €794.3m and underlying EBITDA was €76.6m during FY 2021.

Financial and Business Review (continued)

8 Impairment, disposal, restructuring and COVID-19 related costs

During the period ended 31 July 2021, the Group incurred the following amounts related to impairment, disposal, restructuring and COVID-19 in continuing operations:

	Disposal of equity investment FY 2021 €m	ARYZTA Europe FY 2021 €m	ARYZTA Rest of World FY 2021 €m	Total Continuing Operations FY 2021 €m	Total Continuing Operations FY 2020 €m
Net loss on disposal of businesses	–	–	–	**–**	(61.2)
Impairment of goodwill	–	–	–	**–**	(65.0)
(Loss)/gain on sale and impairment of fixed assets	–	(3.8)	(0.5)	**(4.3)**	1.0
Loss on disposal of joint venture	–	–	–	**–**	(297.1)
Gain on equity investment at fair value	8.6	–	–	**8.6**	–
Net loss on disposal of businesses and impairment of disposal groups held for sale	**8.6**	**(3.8)**	**(0.5)**	**4.3**	**(422.3)**
Legal & financial obligations related to takeover of Group, rejected by Board in December 2020	–	(13.6)	(2.5)	**(16.1)**	–
Severance and other staff-related costs		(24.2)	(4.2)	**(28.4)**	(1.2)
Other costs including advisory	–	(7.1)	(1.2)	**(8.3)**	(0.2)
Total restructuring-related costs	**–**	**(44.9)**	**(7.9)**	**(52.8)**	**(1.4)**
COVID-19 related costs	**–**	**(0.7)**	**(0.6)**	**(1.3)**	**(14.1)**
Total impairment, disposal, restructuring and COVID-19 related costs	**8.6**	**(49.4)**	**(9.0)**	**(49.8)**	**(437.8)**

Impairment and disposal-related costs - continuing operations

Net loss on disposal of businesses and impairment of disposal groups held for sale
During the period ended 1 August 2020, the Group completed the disposal of its non-core UK Food Solutions business within the Europe operating segment. As the €7.0m net debt proceeds received, comprising €2.1m cash received and €4.9m lease liabilities disposed, net of associated transaction costs, was less than the €59.4m carrying value of the assets disposed, combined with a €8.8m cumulative foreign currency translation loss since the initial investment, a loss on disposal of €61.2m was recognised.

Impairment of goodwill
There was no impairment of goodwill during FY 2021.

The North West Europe CGU comprises of businesses in Ireland, the Netherlands and Denmark. A significant part of the manufacturing business in Ireland hinges on exports to the UK market and the projections for this business were negatively impacted during the period ended 1 August 2020 by an increased likelihood of trade tariffs related to Brexit in the short and medium term. Furthermore, the challenging trading conditions in the Foodservice channel following the continued government restrictions on working from home and travel within Ireland resulted in a reduction in the cash flow projections for this CGU during the period ended 1 August 2020. In addition to these reduced projections, an increase in the discount rate of 70bps compared to the prior period further reduced the

Financial and Business Review (continued)

recoverable amount in FY 2020. As the recoverable amount of the CGU was lower than its carrying value, a goodwill impairment of €65.0m was recorded in the period ended 1 August 2020.

(Loss)/gain on sale and impairment of fixed assets and investment property
During the period ended 31 July 2021, the Group realised a net loss on the disposal and impairment of various fixed assets and investment properties totalling €4.3m, primarily related to closure of a production facility in the ARYZTA Europe segment, resulting in the write-down of land and building assets to recoverable value (2020: net gain of €1.0m).

Loss on disposal of joint venture
As announced on 4 October 2019, the Group received a binding offer from Invest Group Zouari ('IGZ') to purchase 43% of its 48% holding in Picard for gross consideration of €155.9m of which €145.9m was received during the period ended 1 August 2020. Net proceeds of €139.9m were recorded in the Group Consolidated Cash Flow Statement. The remaining €10.0m consideration was received during the period ended 31 July 2021. For the period ended 1 August 2020 ARYZTA retained a 4.6% interest in Picard, recorded as a financial investment at fair value through profit or loss. As the total proceeds net of transaction costs payable of €149.9m and the fair value of the remaining stake held of €16.8m were less than the €463.8m carrying value of the investment in joint venture disposed of, the transaction resulted in a loss on disposal in the amount of €297.1m during the period ended 1 August 2020.

Gain on equity investment at fair value
In January 2021, ARYZTA completed the disposal of its remaining 4.6% shareholding in Picard for net proceeds of €24.3m. During the period ended 31 July 2021, a fair value gain through profit or loss of €8.6m was recorded in the Group Consolidated Income Statement in respect of this investment, comprising the gain on disposal and also a dividend of €1.1m received during the period.

Restructuring-related costs - continuing operations

During the period ended 31 July 2021, the Group has recognised costs, including providing for amounts as required by IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', in the Group Consolidated Income Statement as follows:

Legal & financial obligations related to takeover of Group, rejected by Board in December 2020
During the period ended 31 July 2021, the Group incurred €16.1m (2020: Nil) in committed financial and legal services prior to the rejection by the Board of the proposed takeover of the Group in December 2020.

Severance and other staff related costs
During the period ended 31 July 2021, the Group incurred €28.4m (2020: €1.2m) in severance and other staff-related costs. These costs primarily relate to the termination of executive roles as a delayering of reporting structures was implemented across the two remaining regions of the Group and to employees whose services were

Financial and Business Review (continued)

discontinued following the removal of complex regional structures across the two remaining regions of the Group.

Other costs including advisory
During the period ended 31 July 2021, the Group incurred €8.3m in advisory and other costs (2020: €0.2m) associated with the ongoing bakery rationalisation and disposal transactions in Europe and Rest of World.

COVID-19 related costs - continuing operations

COVID-19 related costs are costs arising due to the effect of the COVID-19 pandemic, including any government-imposed restrictions impacting consumer demand and the production processes. These costs have been identified as quantifiable, distinguishable and separable from normal operations. As a result, in order to improve the transparency and usefulness of the financial information presented and improve year-on-year comparability, the Group has presented €1.3m (2020: €14.1m) of COVID-19 related costs. These were primarily costs associated with incidental labour-related costs, costs associated with implementing safety measures across the Group's bakery network and incremental inventory write-offs arising from the impact of the COVID-19 and government-imposed restrictions.

Financial and Business Review (continued)

9 Cash generation

	FY 2021 €m	FY 2020 €m
Underlying EBITDA - continuing operations	173.4	188.3
Underlying EBITDA - discontinued operations	76.6	71.9
ARYZTA Underlying EBITDA	**250.0**	**260.2**
Working capital movement	(18.7)	(106.1)
Working capital movement from debtor securitisation[1]	(41.2)	(69.3)
Capital expenditure	(88.0)	(99.7)
Net payments on lease contracts	(45.4)	(56.8)
Proceeds from sale of fixed assets and investment property	8.1	26.8
Restructuring related cash flows	(54.2)	(39.6)
Operating free cash generation	**10.6**	**(84.5)**
Dividends received from joint venture	1.1	-
Interest and income tax	(42.0)	(46.0)
Recognition of deferred income from government grants	(3.3)	(3.9)
Other	(0.5)	0.2
Cash flow generated from activities	**(34.1)**	**(134.2)**

1 Total debtor balances securitised as of 31 July 2021 is €85m (2020: €117m).

10 Net debt and investment activity

	FY 2021 €m	FY 2020 €m
Opening net debt	**(1,010.7)**	**(1,054.3)**
Cash flow generated from activities	(34.1)	(134.2)
Net movements on lease liabilities	1.2	38.9
Disposal of businesses, net of cash and leases	791.6	7.0
Disposal of joint venture	-	139.9
Disposal of equity investment	24.3	-
Receipt of vendor loan note	10.0	-
Foreign exchange movement	5.1	(0.4)
Other[1]	(7.5)	(7.6)
Closing net debt[2]	**(220.1)**	**(1,010.7)**

1 Other comprises primarily amortisation of upfront financing costs.

2 Excluding the €154.6m lease creditors arising from IFRS 16 at 31 July 2021 (2020: €268.5m), the Group net debt would be €65.5m (2020: €742.2m).

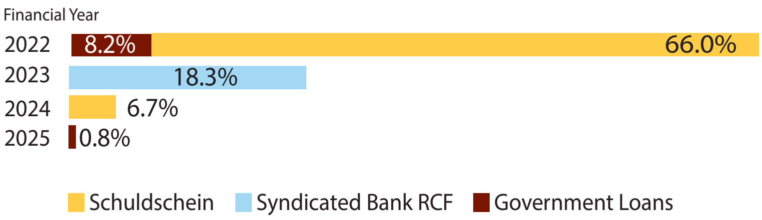
Financial and Business Review (continued)

As of 31 July 2021, the Group's gross term debt financing facilities, related capitalised upfront borrowing costs, finance leases, net of overdrafts and cash balances were as follows:

	2021 €m	2020 €m
Syndicated Bank RCF	(45.0)	(790.8)
Term loan facility	-	(210.0)
State sponsored COVID-19 related loans	(21.9)	(2.0)
Schuldschein	(178.6)	(178.6)
Gross term debt	**(245.5)**	**(1,181.4)**
Upfront borrowing costs	9.1	15.6
Term debt, net of upfront borrowing costs	**(236.4)**	**(1,165.8)**
Cash and cash equivalents	170.9	423.6
Net debt excluding leases	**(65.5)**	**(742.2)**
Leases	(154.6)	(268.5)
Net debt	**(220.1)**	**(1,010.7)**

As of 31 July 2021, the weighted average interest cost of the Group debt financing facilities is 1.7% (2020: 1.6%) and the weighted average maturity of the Group gross term debt is 0.65 years.

Gross Term Debt Maturity Profile
FY 2021



In August 2021 ARYZTA announced that it had entered into an underwritten agreement with three banks for a new €500m revolving credit facility. The facility, which is expected to be utilised in Q1 2022 is underwritten by Credit Suisse, Rabobank and UBS and has replaced the current €800m revolving credit facility that was due to mature in September 2022.

Following the amendment of the Group's Syndicated Bank Facilities Agreement in September 2018, and successful completion of the capital raise during November 2018, the group's financial covenants were as follows:

– Leverage covenant (Net Debt: EBITDA): maximum 3.5x
– Interest cover covenant (EBITDA: Net interest, incl. Hybrid dividend): minimum 3.0x

As announced on 4 May 2020, in response to the COVID-19 pandemic, the Group received the requisite consent of the majority of its lenders for an amendment of its financial covenants relating to the annual financial statements for the period ended 1 August 2020 and the semi-annual statements for the period ended 30 January 2021. The financial covenants defined under this amendment are a leverage covenant being a maximum of 6.0x and an interest cover covenant being greater than 1.5x.

Financial and Business Review (continued)

As announced on 28 September 2020, the Group received the requisite consent of the majority of its lenders for a further amendment of its financial covenants relating to the semi-annual period ending 30 January 2021 and the annual financial statements ending 31 July 2021. The financial covenants defined under this amendment are a leverage covenant being a maximum of 6.0x and interest cover covenant being greater than 1.0x.

The covenants are summarised in the table below:

	Prior agreement			New agreement	
	FY 2020	**H1 FY 2021**	**FY 2021**	**H1 FY 2022**	**FY 2022**
Leverage covenant (maximum)	6.0x	6.0x	6.0x	3.5x	3.5x
Interest cover covenant (minimum)	1.5x	1.0x	1.0x	1.5x	2.0x

The Group's key financial ratios at 31 July 2021 were as follows:

	FY 2021	**FY 2020**
Leverage covenant (Net Debt: EBITDA)[1]	0.58x	3.68x
Interest cover covenant (EBITDA: Net interest, including Hybrid dividend)[1]	1.88x	2.63x

1 Calculated as per Syndicated Bank Facilities Agreement terms.

11 Hybrid funding

As of 31 July 2021, the Group has €973.3m of Hybrid funding principal outstanding, as reflected in the table below.

Perpetual Callable Subordinated Instruments		**Coupon**	**Coupon rate if not called**	**FY 2021 €m**
Not called	CHF 400m	5.3%	6.045% +3 Month Swiss Libor	(371.2)
Not called	EUR 250m	6.8%	6.77% +5 Year Euro Swap Rate	(250.0)
Not called	CHF 190m	3.5%	4.213% +3 Month Swiss Libor	(176.4)
Hybrid funding principal outstanding at 31 July 2021 exchange rates				**(797.6)**
Hybrid instrument deferred dividends				(175.7)
Total Hybrid funding outstanding at 31 July 2021 exchange rates				**(973.3)**

As the instruments have no maturity date and payment is at the option of ARYZTA, these perpetual callable subordinated instruments are recognised within other equity reserves at historical cost, net of attributable transaction costs, until such time that management and the Board of Directors have approved settlement of the applicable instrument. Any difference between the amount paid upon settlement of these instruments and the historical cost is recognised directly within retained earnings.

Dividends on these Hybrid instruments accrue at the coupon rate applicable to each respective instrument on an ongoing basis; however, a contractual obligation to pay these dividends in cash only arises when a Compulsory Payment Event, such as payment of a cash dividend to equity shareholders, has occurred within the last twelve months.

Financial and Business Review (continued)

Because the Group has not paid a cash dividend to equity shareholders during the last twelve months, as of 31 July 2021 the Group is under no contractual obligation to pay the Hybrid instrument dividends in cash. Therefore, these deferred dividends have not been accrued as separate financial liabilities, but instead remain within equity, in accordance with IAS 32 'Financial Instruments'. Should a Compulsory Payment Event occur in the future, all Hybrid instrument deferred dividends will become due in cash.

Movements related to the Hybrid instrument deferred dividends over the last two years were as follows:

	FY 2021 €m	FY 2020 €m
Balance at start of period	(129.2)	(81.8)
Hybrid instrument deferred dividend	(46.2)	(46.1)
Translation adjustments	(0.3)	(1.3)
Balance at end of period	**(175.7)**	**(129.2)**

12 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 FY 2021	Average FY 2020	% Change	Closing FY 2021	Closing FY 2020	% Change
CHF	1.0868	1.0776	(0.9)%	1.0773	1.0783	0.1%
USD	1.1947	1.1082	(7.8)%	1.1882	1.1894	0.1%
CAD	1.5403	1.4908	(3.3)%	1.4793	1.5957	7.3%
GBP	0.8820	0.8790	(0.3%)	0.8515	0.9054	6.0%
BRL	6.4316	5.0917	(26.3)%	6.0401	6.1072	1.1%

Financial and Business Review (continued)

13 Return on invested capital

Continuing operations	ARYZTA Europe €m	ARYZTA Rest of World €m	ARYZTA Group €m
31 July 2021			
Segmental net assets[1]	1,164.0	148.6	1,312.6
TTM EBITA[1]	45.1	18.4	63.5
ROIC[1, 2]	3.9%	12.4%	4.8%
1 August 2020			
Segmental net assets[1, 3]	1,255.1	145.9	1,401.0
TTM EBITA[1, 4]	57.0	18.8	75.8
ROIC[1, 2]	4.5%	12.9%	5.4%

1 See glossary in section 19 for definitions of financial terms and references used.

2 Group WACC on a pre-tax basis is currently 8.3% (2020: 9.5%).

3 Total segmental net assets for the period ended 1 August 2020 excludes ARYZTA North America segmental net assets of €717.8m. These assets and liabilities were disposed of in FY 2021.

4 Underlying EBITA from continuing operations includes central costs previously allocated to ARYZTA North America discontinued operations.

14 Net assets, goodwill and intangibles

	FY 2021 €m	FY 2020[1] €m
Property, plant and equipment	849.8	1,323.4
Investment properties	3.7	6.4
Goodwill and intangible assets	660.3	1,143.1
Deferred tax on goodwill and intangibles	(16.4)	(37.1)
Working capital	(94.1)	(70.9)
Other segmental assets	6.0	16.3
Other segmental liabilities	(21.9)	(53.3)
Lease liabilities	(136.9)	(228.3)
Net assets of disposal group held-for-sale	62.1	19.2
Segmental net assets[1]	1,312.6	2,118.8
Financial assets at fair value through income statement	–	16.8
Interest bearing loans, net of cash	(65.5)	(742.2)
Deferred tax, net	(61.8)	(61.8)
Income tax	(82.9)	(63.5)
Derivative financial instruments	(0.3)	(0.2)
Net assets	**1,102.1**	**1,267.9**

1 Total segmental net assets for the period ended 1 August 2020 includes ARYZTA North America segmental net assets of €717.8m. These assets and liabilities were disposed of in FY 2021.

15 Dividend

No dividend is planned to be proposed for FY 2021. No dividend was proposed or paid for during FY 2020.

Financial and Business Review (continued)

16 Post balance sheet events – after 31 July 2021

As announced on 19 August 2021, the Group has successfully signed binding documentation concerning the disposal of its Brazil businesses to Grupo Bimbo SAB de CV. The transaction is expected to complete by the end of Q2 of ARYZTA's financial year 2022, and is subject to closing conditions customary for this type of transaction.

As announced on 19 August 2021, ARYZTA has entered into an underwritten agreement with three banks for a new €500m revolving credit facility. The facility, which is expected to be utilised in Q1 2022 is underwritten by Credit Suisse, Rabobank and UBS and has replaced the current €800m revolving credit facility that was due to mature in September 2022.

In October 2021, the Group announced that it will pay all deferred and actual dividends on its CHF Hybrids and the deferred, actual and compound dividends on its Euro Hybrid in FY 2022, totalling approximately CHF 143m and €81m respectively.

17 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 pages 75-76 to reflect the principal risks and uncertainties of the Group.

18 Forward looking statement

This document contains forward looking statements which reflect the Board of Directors' 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, the effects of a pandemic or epidemic or a natural disaster, and regulatory developments. You are cautioned not to place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this document. The Company expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements other than as required by applicable laws.

19 Glossary of financial terms and references

'Organic revenue' – presents the revenue movement during the period, excluding impacts from acquisitions/(disposals) and foreign exchange translation. Fiscal year 2021 comprised of the 52 week period ended on 31 July 2021 and 2020 comprised of the 53 weeks ended 1 August 2020. Please refer to "Basis of Preparation" on page 89-90 for further information.

'Underlying EBITDA' – presented as earnings before interest, taxation, depreciation and amortisation; before impairment, disposal, restructuring and COVID-19 related costs.

'IFRS EBITDA' – presented as earnings before interest, taxation, depreciation and amortisation. A reconciliation of IFRS EBITDA to Underlying EBITDA from continuing operations by segment is presented in note 2 on page 108.

Financial and Business Review (continued)

‘Underlying EBITA’ – presented as earnings before interest, taxation and non-ERP related intangible amortisation; before impairment, disposal, restructuring and COVID-19 related costs.

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

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

‘Hybrid instrument’ – presented as Perpetual Callable Subordinated Instruments, which have no contractual maturity date and for which the Group controls the timing of settlement; therefore, these instruments are accounted for as equity instruments in accordance with IAS 32 ‘Financial Instruments’.

‘Underlying net (loss)/profit’ – presented as reported net (loss)/profit, adjusted to include the Hybrid instrument dividend as a finance cost; before non-ERP related intangible amortisation; and before impairment, disposal, restructuring and COVID-19 related costs, net of related income tax impacts. The Group utilises the Underlying net (loss)/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.

'Segmental Net Assets’ – Excludes joint ventures, financial assets at fair value, 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 Underlying 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.

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Annual Report and Accounts 2021
Corporate Governance Report

ARYZTA Board and Executive Management

There were a significant number of changes to the Board of Directors (the 'Board') and Executive Management in the 2021 financial period (1 August 2020-31 July 2021).

On 16 September 2020, ARYZTA held an Extraordinary General Meeting ('EGM') upon the requisition of Cobas Asset Management, SGIIC, S.A., acting in its capacity as fund manager for COBAS SELECCION, FI and COBAS INTERNACIONAL, FI, and VERAISON SICAV (together, the 'Shareholder Group'), where the Shareholder Group and the Board proposed a number of resolutions to the ARYZTA shareholders which resulted in further changes to the composition of the Board and Committees of the Board.

Prior to the EGM, Gary McGann, Dan Flinter, Rolf Watter and Annette Flynn announced their respective resignations as members of the Board with effect from the conclusion of the EGM. As a result, Gary McGann also resigned as Chair of the Board. Gary McGann, Dan Flinter and Rolf Watter each resigned as members of the Remuneration Committee and Annette Flynn resigned as a member and chair of the Audit Committee. In addition, Kevin Toland (Group CEO) was not re-elected as a member of the Board at the EGM.

At the EGM, Urs Jordi, Armin Bieri and Heiner Kamps were each elected by the shareholders as non-executive directors to the Board. Armin Bieri and Heiner Kamps were each elected as members of the Remuneration Committee, and Urs Jordi was elected as Chair of the Board.

With effect from the conclusion of the EGM on 16 September 2020, the Board of ARYZTA was comprised as follows: Urs Jordi (Chair), Mike Andres, Armin Bieri, Luisa Delgado, Greg Flack, Heiner Kamps, Jim Leighton, Tim Lodge, and Alejandro Legarda Zaragüeta, all of whom are non-executive directors.

On 6 November 2020 ARYZTA announced that Armin Bieri had stepped down from the Board for private reasons.

At the ARYZTA 2020 Annual General Meeting ('AGM') on 15 December 2020, Mike Andres, Greg Flack, Jim Leighton and Tim Lodge retired without seeking re-election. Gordon Hardie, Jörg Riboni and Hélène Weber-Dubi were elected to the Board. Urs Jordi was re-elected member and as Chair of the Board and Luisa Delgado, Heiner Kamps and Alejandro Legarda Zaragüeta were re-elected as members of the Board. Heiner Kamps was re-elected as a member of the Remuneration Committee and Hélène Weber-Dubi and Gordon Hardie were both elected as members of the Remuneration Committee.

With effect from the conclusion of the AGM, the Board of ARYZTA is comprised as follows: Urs Jordi (Chair), Luisa Delgado (Lead Independent Director), Gordon Hardie, Heiner Kamps, Jörg Riboni, Hélène Weber-Dubi and Alejandro Legarda Zaragüeta. Full biographical details of each director is set out on pages 36 to 38.

We believe that ARYZTA has the requisite expertise and skills in place at Board level to oversee and support senior management's implementation of our multi-local turnaround plan.

As of 1 August 2020, the Executive Management was comprised as follows: Kevin Toland (Group CEO); Frederic Pflanz (Group CFO); Gregory Sklikas (CEO Europe); Tyson Yu (CEO

Corporate Governance Report (continued)

North America); Claudio Gekker (COO Latin America); Chris Plüss (COO APMEA); John Heffernan (President and Chief Commercial Officer North America); Tony Murphy (Chief People Officer); and Rhona Shakespeare (nee O'Brien) (General Counsel and Company Secretary).

On 19 November 2020, Kevin Toland ceased his role as CEO and the Board appointed Urs Jordi as interim CEO. Additionally, the Board appointed Jonathan Solesbury as interim CFO in view of the previously announced resignation of Frederic Pflanz who ceased his role on 30 November 2020. On 9 December 2020, Gregory Sklikas, CEO Europe ceased his role with the Group.

On 1 December 2020, ARYZTA announced plans to restructure its business model into a multi-local, lean and agile structure. As part of these restructuring plans, ARYZTA announced that Tony Murphy, Chief People Officer and John Heffernan, President and Chief Commercial Officer, ARYZTA North America, ceased their roles with immediate effect and would not be replaced.

On 13 January 2021 announced the appointment of Chris Plüss as Managing Director ARYZTA Germany commencing 1 March 2021.

On 4 May 2021 ARYZTA completed the sale of its North America business and Tyson Yu (CEO North America) remained with the disposed business.

As of 1 August 2021, the Executive Management was comprised as follows: Urs Jordi (Interim Group CEO); Martin Huber (Group CFO) and Rhona Shakespeare (nee O'Brien) (General Counsel and Company Secretary).

The Board believes that ARYZTA is in a strong position in terms of the range of talented leaders within the organisation who have the skills and commitment to deliver on its new multi-local strategy.

Governance Framework

Details of the corporate governance framework adopted by ARYZTA (namely the Articles of Association, Organisational Regulations and Terms of Reference for the Committees of the Board) are available on the ARYZTA website at www.aryzta.com/about-aryzta/corporate-governance.

Leadership

The Board

The Board is responsible for stewardship, governance and oversight, and for setting the strategic direction of ARYZTA, in order to deliver sustainable value. The Board is also responsible for defining risk appetite and risk mitigation/management. The Board is committed to the highest standards of corporate governance in its management of ARYZTA and its accountability to shareholders and other stakeholders. Strong leadership and strong corporate governance are integral parts of our corporate culture and the Board recognises its obligation to lead by example. Biographical details of the directors are provided on pages 36 to 38.

Corporate Governance Report (continued)

When assessing its composition, as well as the composition of its main Committees, the Board continuously reviews international best-practice standards and global corporate governance developments.

Board Independence

All non-executive directors are considered by the Board to be independent in character and judgement within the meaning of the Swiss Code of Best Practice ('Swiss Code') and none of the non-executive directors are party to relationships or circumstances with ARYZTA which, in the Board's opinion, are likely to affect their independence or judgement. All of the current Board members are independent non-executive directors, with the exception of the Chair who is Interim CEO. The Chairman's role as interim CEO will not exceed a total 24 month duration and will therefore end no later than 19 November 2022. The Governance and Nomination Committee is progressing its search for the new CEO in line with this timeline.

To ensure the effective oversight of financial reporting, risk management, remuneration and the future leadership of the business, the Board delegates certain functions to three main Board Committees. Further details on the role of these key Committees are provided on pages 40 to 45.

The Chair

The Chair is responsible for the effective leadership, operation and governance of the Board and its Committees. It is the Chair's responsibility to ensures that all directors contribute effectively in the development and implementation of the Group's strategy whilst ensuring that the nature and extent of the significant risks the Group is willing to embrace in the implementation of its strategy, are assessed, challenged, justified and where appropriate, accepted.

Lead Independent Director

In line with the Swiss Code of Best Practice for Corporate Governance ("the Code") guidance, the Board appointed a Lead Independent Director ("LID") in November, 2020. The Code recommends a LID if there is a dual role of Chair and CEO. The Organizational Regulations were amended in November, 2020 to establish the role and responsibilities of the LID. Luisa Delgado was reappointed in the role as LID post the AGM in December, 2020. Please see our organisation regulations on our website: https://www.aryzta.com/about-aryzta/corporate-governance/

Governance and Culture

As a Board, we are committed to ensuring we adhere to best-practice corporate governance principles and apply them in a pragmatic way that adds value to ARYZTA. Continually enhancing our corporate governance is central to our aim of ensuring the stability of ARYZTA and returning the business to a satisfactory level of performance and growth.

An inclusive culture and the fostering of a performance-based organisation are key focus areas for us as part of our wider governance framework. The Board will continue to work to ensure that ARYZTA's revised strategy, operating model and remuneration framework are aligned with our cultural focus. The success of our strategy is dependent on developing a culture across ARYZTA that supports the pursuit of teamwork and excellence. We continue to focus on ensuring ARYZTA's core vision and values are

Corporate Governance Report (continued)

developed and clearly understood by all our stakeholders, particularly our colleagues in all parts of the organisation. We recognise that the Board and Senior Executives must lead by example to ensure these values are embedded not just in the boardroom, but are shared and understood throughout the business and form an integral part of interaction with all stakeholders.

A unifying culture embraced by the entire organisation leads to success for the business and pride for our people. At ARYZTA we are proud of our rich baking heritage and seek to passionately fulfil the needs and ambitions of our customers, our people and the environment in which we operate in an increasingly sustainable fashion. We will continue to foster a culture that: delivers on our commitments; is focused on our customers and operational excellence; relentlessly prioritizes food safety and quality; and creates a safe, accepting and inspired workplace.

Board Renewal

The past year has seen significant change on the Board, with a new Chair and five new non-executive directors elected, which reflects an ongoing programme of refreshment and renewal as well as the changes driven by the 2020 EGM. Board refreshment is a fundamental aspect of fostering and sharing diverse perspectives in the boardroom and generating new ideas and business strategies while maintaining an appropriate level of bakery and financial knowledge and expertise.

Central to effectively setting and overseeing ARYZTA's refocused strategy and determining our approach to risk is our Board's thorough understanding of our business and industry. Throughout the 2021 financial period, led by the Governance & Nomination Committee, the Board continued to review its composition to ensure it meets our objective of having the diversity of skills, experience, gender and geographic background relevant to ARYZTA's strategy and business profile. In the context of the challenges facing the business, the priority was to recruit directors who would add to the existing skills and experience of the Board. With the help of international recruitment firms, significant emphasis was placed on the diversity of skills and expertise required for new appointments and the importance of a strong cultural fit with ARYZTA, as it pursues its future strategy and objectives. A cornerstone of the recruitment process was the identification of individuals with relevant industry experience, but also focusing on candidates who had success in implementing business transformations or turnaround plans.

Given the level of recent Board refreshment in 2021, a particular focus for the Chair and the Board will be the induction and development of non-executive directors to ensure the Board and its main Committees continue to evolve in line with our strategy and business.

Shareholder Engagement

The Board is committed to ongoing dialogue with shareholders to enable clear communication of ARYZTA's objectives and to foster mutual understanding of what is important to the Board and the shareholders. In addition, the Board is continually apprised of shareholder interaction by the Chair and Interim Group CEO, the Group CFO and the Investor Relations team, consistent with the obligation to develop an understanding of the views and concerns of major shareholders.

Corporate Governance Report (continued)

Risk Management

The Board is and will continue to be focused on ensuring that the Group's risk management and internal control systems are effective in identifying, managing and mitigating potential risks, and thereby underpinning robust decision-making on all capital allocation decisions. The Board has continued to debate and develop its understanding of risk, including appetite, tolerance and testing of risks and how to maximise business opportunities. Supported by the Audit Committee, the Board continues to strive for a better understanding of the risks the Group faces and the actions taken to mitigate them.

Compensation Report

At the 2020 AGM, shareholders ratified the 2020 Compensation Report through an advisory vote. Further, in line with Swiss law, shareholders approved the maximum aggregate amount of remuneration of the Board for the period ending at the 2021 AGM and for the Executive Management for the 2022 financial period end.

ARYZTA Corporate Governance Report format

The ARYZTA Corporate Governance Report follows the SIX Swiss Exchange Directive on Information relating to Corporate Governance and takes into account the Swiss Code.

The ARYZTA Group consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') and the requirements of Swiss law. The ARYZTA AG company financial statements are prepared in accordance with the requirements of Swiss Law and the Company's Articles of Association. Where necessary, the financial statement disclosures have been extended to comply with the requirements of the SIX Swiss Exchange Directive on Information relating to Corporate Governance.

In this report, the terms 'ARYZTA' and the 'Company' refer to ARYZTA AG, whereas the 'Group' and the 'ARYZTA Group' refer to ARYZTA AG and its subsidiaries.

To avoid duplication in some sections, cross-references are made to the 2021 Financial Statements (comprising the Group consolidated financial statements and company financial statements of ARYZTA AG), as well as to the Articles of Association of ARYZTA AG (available on the ARYZTA website at www.aryzta.com/about-aryzta/corporate-governance)

1 Group structure and shareholders

1.1 Group structure

The ARYZTA General Meeting is the ultimate governing body of the Group and the Board is accountable and reports to the shareholders, by whom it is elected. The Board, while entrusted with the ultimate direction of ARYZTA, as well as the supervision of management, has delegated responsibility for the day-to-day management of the Group, to the extent allowed under Swiss law, through the Group Chief Executive Officer ('CEO'), to Executive Management. The Group's management and organisational structure corresponds to its current segmental reporting lines: ARYZTA Europe, ARYZTA Rest of World and Discontinued Operations. Please refer to the section 'Segmental Reporting' in note 2 to the ARYZTA Group Consolidated financial statements on pages 107 to 111, for further details regarding the Group's reporting segments.

Corporate Governance Report (continued)

Each segment's management team is responsible for the day-to-day activities of their segment and reports to Executive Management, which in turn reports through the CEO to the Board.

1.1.1 Listed companies of the ARYZTA Group ARYZTA AG

Name and domicile:	ARYZTA AG, 8952 Schlieren, Switzerland
Primary listing:	SIX Swiss Exchange, Zurich, Switzerland
Swiss Security number:	4 322 836
ISIN:	CH0043228366
Cedel/Euroclear common code:	037252298
SEDOL Code:	B39VJ74
Swiss Stock Exchange symbol:	ARYN

Stock market capitalisation as of 31 July 2021
CHF 1,198,076,542 based on 991,785,217 registered shares outstanding (i.e. disregarding 1,320,510 treasury shares) and closing price of CHF 1.208 per share.

Stock market capitalisation as of 1 August 2020
CHF 572,374,008 based on 991,123,823 registered shares outstanding (i.e. disregarding 1,981,904 treasury shares) and closing price of CHF 0.5775 per share.

1.1.2 Non-listed companies of the ARYZTA Group

Details of the significant subsidiaries and associated companies of ARYZTA (being their company names, domicile, share capital, and the Company's participation therein) as well as the basis for classifying such subsidiaries as significant are set out in note 34 of the 2021 ARYZTA Group consolidated financial statements on page 162.

1.2 Significant shareholders

As at 31 July 2021, the Company has been notified of the following shareholdings or voting rights, which amount to 3% or more of the Company's issued ordinary share capital:

	Number of shares 2021	Number of shares % 2021
Francisco Garcia Parames and Maria Angeles Leon Lopez[1]	**93,332,990**	**9.40%**
Credit Suisse Funds AG	**30,703,083**	**3.09%**
Lodbrok Capital, LLP	**30,181,273**	**3.04%**

1 Francisco Garcia Parames and Maria Angeles Leon Lopez, direct shareholder: Cobas Asset Management, SGIIC, S.A.

Any significant shareholder notifications during the period, and since 31 July 2021, are available from the ARYZTA website at: www.aryzta.com/investor-centre/shareholder-notifications and also on the SIX Exchange Regulation's website at: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Corporate Governance Report (continued)

1.3 Cross-shareholdings
The ARYZTA Group has no interest in any other company exceeding 5% of voting rights of that other company, where that other company has an interest in the ARYZTA Group exceeding 5% of the voting rights in ARYZTA.

2 Capital structure

2.1 Capital
The registered share capital of the Company, as at financial period end 2021, amounts to CHF 19,862,115.54 and is divided into 993,105,727 (inclusive of treasury shares) registered shares with a par value of CHF 0.02 per share. The share capital is fully paid-up.

2.2 Authorised and conditional capital
At the 2019 AGM, the shareholders voted in favour of the amendment of the Articles of Association of the Company, to introduce a new Article 4 to create conditional share capital for issuance of shares, options or subscription rights to employees.

The registered share capital may be increased in an amount not to exceed CHF 993,105.72 by issuing up to 49,655,286 fully paid-up registered shares with a par value of CHF 0.02 each (representing 5% of the currently issued share capital) through the direct or indirect issuance of shares, options or related subscription granted to members of the Board of Directors in lieu of cash fees, members of the Executive Management and employees of the Company and its Group companies. For further details, refer to Article 4 of the Articles of Association, which is available on the ARYZTA website at www.aryzta.com/about-aryzta/corporate-governance.

Pursuant to Article 5 of the Articles of Association (governing authorised share capital), the Board is currently authorised to increase the share capital of the Company by an amount not exceeding CHF 1,986,211.44 through the issue of up to 99,310,572 registered shares (representing 10% of the existing issued share capital of the Company) to be paid up in full with a par value of CHF 0.02 per share. Authority for this purpose expires on 14 November 2021.

The Board has the power to determine the issue price, the date of issue, the date of entitlement to dividends, the allocation of non-exercised pre-emptive rights and the type of contribution to be made in respect of the issue of new shares in the Company. The Board may withdraw or limit the pre-emptive rights in the event of the use of those shares: (1) for acquisitions, (2) to broaden the shareholder constituency, or (3) for the purposes of employee participation.

For further details, refer to Article 5 of the Articles of Association, which is available on the ARYZTA website at www.aryzta.com/about-aryzta/corporate-governance.

Corporate Governance Report (continued)

2.3 Changes in capital

Changes in share capital, treasury shares and the allocation of treasury shares to awards granted in connection with the ARYZTA Long-Term Incentive Plans (performance share units, restricted stock units, options and option equivalents) over the last three financial periods are as follows:

	Nominal value CHF	Shares in issue	Shares outstanding	Treasury shares	Performance share unit and restricted stock unit award allocation	Option and option equivalent allocation	Unallocated Treasury shares
FY 2018	**0.02**	**92,920,787**	**89,933,679**	**2,987,108**	**90,281**	**1,560,500**	**1,336,327**
Issuance of shares	0.02	900,184,940	900,184,940	–	–	–	–
Exercise of LTIP awards		–	84,815	(84,815)	(84,815)	–	–
Release of treasury shares as restricted shares		–	383,888	(383,888)	–	–	(383,888)
Modification of LTIP awards		–	–	–	20,241	5,777,930	(5,798,171)
Granting of LTIP awards		–	–	–	13,098,422	19,133,076	(32,231,498)
Forfeitures of LTIP awards		–	–	–	(69,506)	(60,140)	129,646
FY 2019	**0.02**	**993,105,727**	**990,587,322**	**2,518,405**	**13,054,623**	**26,411,366**	**(36,947,584)**
Exercise of LTIP awards		–	25,684	(25,684)	(25,684)	–	–
Release of treasury shares as restricted shares		–	510,817	(510,817)	–	–	(510,817)
Granting of LTIP awards		–	–	–	15,299,880	464,067	(15,763,947)
Forfeitures of LTIP awards		–	–	–	(1,640,431)	(4,264,665)	5,905,096
FY 2020	**0.02**	**993,105,727**	**991,123,823**	**1,981,904**	**26,688,388**	**22,610,768**	**(47,317,252)**
Exercise of LTIP awards		–	167,902	(167,902)	(167,902)	–	–
Release of treasury shares as restricted shares		–	493,492	(493,492)	–	–	(493,492)
Forfeitures of LTIP awards		–	–	–	(17,186,923)	(17,964,585)	35,151,508
FY 2021	**0.02**	**993,105,727**	**991,785,217**	**1,320,510**	**9,333,563**	**4,646,183**	**(12,659,236)**

Of the 993,105,727 registered shares, 991,785,217 are outstanding and 1,320,510 are classified as treasury shares.

2.4 Shares and participation certificates

ARYZTA's capital is composed of registered shares only. As at 31 July 2021, ARYZTA has 993,105,727 fully paid-up, registered shares (including 1,320,510 treasury shares) with a nominal value of CHF 0.02 each. Each share entered in the share register with voting rights entitles the holder to one vote at the General Meeting and all shares have equal dividend rights. ARYZTA has not issued any participation certificates[1].

2.5 Profit-sharing certificates

ARYZTA has not issued any profit-sharing certificates[1].

1 Participation and profit-sharing certificates are instruments which have similar features to shares, but may differ with regard to their entitlement to dividend payments, voting rights, preferential rights to company assets or other similar rights.

Corporate Governance Report (continued)

2.6 Restrictions on transferability and nominee registrations

Article 7 of the Articles of Association deals with the Shareholders' Register and Restrictions on Transferability, and is available on the ARYZTA website at www.aryzta.com/about-aryzta/corporate-governance.

2.6.1 Limitations on transferability

Pursuant to Article 7 b) of the Articles of Association, persons acquiring registered shares are, on application, entered in the share register without limitation as shareholders with voting power, provided they comply with the disclosure requirement stipulated by the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act) of 19 June 2015 ('FMIA') and expressly declare that they have acquired the shares in their own name and for their own account. Pursuant to Article 7 f) of the Articles of Association, the Company may in special cases approve exceptions to the regulations described in section 2.6 above. The decision to grant exceptions is at the Board's discretion.

2.6.2 Exceptions granted in the period under review

As part of the establishment of ARYZTA, former holders of IAWS Group plc shares and options received ARYZTA registered shares, delivered initially in the form of Capita Depository Interests and since replaced by CREST[1] Depository Interests ('CDIs')[2]. A CDI represents an entitlement to an ARYZTA registered share. CDI holders are not the legal owners of the shares represented by the CDIs. They are not in a position to directly enforce or exercise rights like a shareholder. However, CDI holders do maintain an interest in the shares represented by the CDIs. On 1 March 2021 ARYZTA cancelled its secondary listing on The Euronext Dublin Exchange. The CDIs continue to represent an entitlement to an ARYZTA registered share.

1 The CREST system, operated by Euroclear UK and Ireland, is the system for the holding and settlement of transactions in uncertificated (UK, Irish and Channel Island) securities.

2 ARYZTA shares are held in trust by Euroclear UK and Ireland for the benefit of CREST members who have been issued with dematerialised interests representing entitlements to ARYZTA registered shares in the form of CDIs.

2.6.3 Admissibility of nominee registrations

Pursuant to Article 7 c) of the Articles of Association, nominee shareholders are entered in the share register with voting rights without further inquiry up to a maximum of 1.5% of the outstanding share capital available at the time. Above this 1.5% limit, registered shares held by nominees are entered in the share register with voting rights only if the nominee in question (at the application for registration or thereafter upon request by the Company) discloses the names, addresses and shareholdings of the persons for whose account the nominee holds 0.3% or more of the outstanding share capital available at that time, and provided that the disclosure requirement stipulated by the FMIA is complied with. The Board has the right to conclude agreements with nominees concerning their disclosure requirements.

Corporate Governance Report (continued)

Pursuant to Article 7 d) of the Articles of Association, the limit of registration in Article 7 c) of the Articles of Association described above also applies to the subscription for, or acquisition of, registered shares by exercising option or convertible rights arising from registered or bearer securities issued by the Company, as well as by means of purchasing pre-emptive rights arising from either registered or bearer shares.

Pursuant to Article 7 e) of the Articles of Association, legal entities, or partnerships, or other associations or joint ownership arrangements, which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships that act in concert with intent to evade the entry restriction, are considered as one shareholder or nominee.

2.6.4 Procedure and conditions for cancelling transferability privileges

After due consultation with the person concerned, the Company is authorised to delete entries in the share register as a shareholder with voting rights, with retroactive effect, if they were effected on the basis of false information, or if the respective person does not provide the information pursuant to Article 7 c) described in section 2.6.3 above.

2.7 Convertible bonds, warrants and options

As of 31 July 2021, ARYZTA has not issued any convertible bonds or warrants.

As of 31 July 2021, a total of 9,333,563 Performance Share Unit and Restricted Stock Unit awards and 4,646,183 option and Option Equivalent Plan awards were outstanding, subject to fulfilment of predefined vesting conditions in connection with the ARYZTA Long Term Incentive Plan.

Please refer to the Compensation Report on pages 56 to 72 of this Annual Report for further information pertaining to any Long Term Incentive Plan awards granted as an element of Executive Management compensation.

Corporate Governance Report (continued)

3 Board of Directors

3.1 Members of the Board of Directors

The composition of the Board has changed significantly since the start of the 2021 financial period, which reflects an ongoing programme of refreshment and renewal as well as the changes driven by the 2020 EGM.

On 16 September 2020, ARYZTA held an EGM upon the requisition of the Shareholder Group, where the Shareholder Group and the Board proposed a number of resolutions to the ARYZTA shareholders which resulted in changes to the composition of the Board. Prior to the EGM, Gary McGann, Dan Flinter, Rolf Watter and Annette Flynn announced their respective resignations as members of the Board with effect from the conclusion of the EGM. At the EGM, Urs Jordi, Armin Bieri and Heiner Kamps were elected as non-executive directors to the Board and Armin Bieri and Heiner Kamps were elected as members of the Remuneration Committee with Urs Jordi being elected as Chair of the Board. Kevin Toland was not re-elected as a member of the Board at the EGM.

With effect from the conclusion of the EGM, the Board of ARYZTA was comprised as follows: Urs Jordi (Chair), Mike Andres, Armin Bieri, Luisa Delgado, Greg Flack, Heiner Kamps, Jim Leighton and Alejandro Legarda Zaragüeta.

On 6 November 2020 ARYZTA announced that Armin Bieri had stepped down from the Board for private reasons.

At the ARYZTA 2020 AGM on 15 December 2020, Mike Andres, Greg Flack, Jim Leighton and Tim Lodge retired without seeking re-election. Gordon Hardie, Jörg Riboni, Hélène Weber-Dubi were elected to the Board. Urs Jordi was re-elected as member and as Chair of the Board, while Luisa Delgado, Heiner Kamps and Alejandro Legarda Zaragüeta were all re-elected as members of the Board.

With effect from the conclusion of the AGM, the Board of ARYZTA comprised of the Chair and six non-executive directors as follows: Urs Jordi (Chair), Luisa Delgado (Lead Independent Director), Gordon Hardie, Heiner Kamps, Jörg Riboni, Hélène Weber-Dubi and Alejandro Legarda Zaragüeta. Full biographical details of each of the directors is set out on pages 36 to 38.

Board policy is that a majority of its membership consists of independent non-executive Directors, as determined in accordance with the Swiss Code. The Board confirms that it is fully compliant with the Swiss Code.

The Chair also holds the position of Interim Group CEO. All six other non-executive directors are considered by the Board to be fully independent in character and judgement and none of these non-executive directors are party to relationships or circumstances with ARYZTA which, in the Board's opinion, are likely to affect their judgement.

Corporate Governance Report (continued)

With effect from the conclusion of the 2020 AGM, the Board of ARYZTA was comprised as follows:

Urs Jordi (1965, Swiss)
Chair and Executive member
Business economist, NKS (Aarau, Baden)
Urs Jordi has more than 25 years of experience in various national and international food companies at management and board level. He held various management positions within the Hiestand and ARYZTA Group, most recently as CEO of the listed Hiestand Holding AG (from 2008 within ARYZTA AG), and from 2010 to 2013 as CEO ARYZTA Food Europe & Asia Pacific. Since 2014, Urs Jordi has been involved in various own investments. For this purpose, he serves on the boards of Schweizer Zucker AG and Unipektin Ingredients AG. Urs Jordi is a trained baker and confectioner. Urs became a member and Chair of the ARYZTA Board in September 2020 and was appointed by the ARYZTA Board as interim CEO on 19 November 2020.

Luisa Deplazes de Andrade Delgado (1966, Swiss)
Non-executive member
Lead Independent Director
License en droit lic.iur. from University of Geneva; Master of Laws LL.M from Kings College University of London; Postgraduate Diploma European Studies Universiade Lusíada Lisbon
Luisa Delgado has nearly 30 years of international executive experience across multiple industries including luxury retail, optical, IT and particularly FMCG. Luisa brings significant B2B commercial experience, especially in Europe, having worked in a variety of roles with Procter & Gamble ('P&G') over a 20-year international career. Luisa initially held HR leadership roles in Portugal, UK and Belgium, most recently as Vice President of Europe through a business transformation (2002 to 2007). From 2007 to 2012 she spent 5 years as General Manager/Vice President for the Nordics region at P&G, also in a turnaround transformation. In 2012, Luisa joined SAPAG as an executive board member and Chief Human Resources Officer (CHRO) and also became a Non-Executive Director at SAFILO Group, the Milan listed global luxury eyewear leader. In 2013 she was appointed CEO of SAFILO Group, and led until 2018 the worldwide Group's transformation of its end-to-end product design and engineering, manufacturing, B2B distribution in optical stores, chains and travel retail, license partnership management and multichannel marketing. Luisa is currently a member of the supervisory board of INGKA Holding BV (the holding company of IKEA) and Zertus Group. She is a board member of Barclays Bank Suisse SA and AO World plc, where she is also Chair of the Remuneration Committee. Luisa is also an investor and entrepreneur in the luxury and retail sector. Luisa became a member of the Board in November 2019 and was appointed Lead Independent Director in November 2020.

Corporate Governance Report (continued)

Gordon Hardie (1964, Dual Irish & Australian)

Non-executive member

BA in languages and psychology and a higher diploma in education from University College Cork, as well as a MBA from University College Dublin's Smurfit Graduate School of Business

Gordon Hardie has had a 30 year career in the global food & ingredients and fast moving consumer goods industries. Most recently, he was President of Bunge Food & Ingredients, Bunge Ltd, a global agri-food business from 2011 until 2018. Prior to Bunge Ltd, Mr. Hardie served as Managing Director of Goodman Fielder Bakeries Australia / New Zealand. Since 2015, Mr. Hardie serves as a Non-Executive Director at Owens-Glass Inc., the global leader in glass packaging for the food and beverage industries and is Chair of its Risk Oversight Committee. He is also a Non-Executive Director of Greencore Plc and is a member of Greencore's Nomination & Governance Committee and of its Remuneration Committee. He previously served as Chairman of Bunge Loders Croklaan B.V, Chairman of Walter Rau Neusser AG, Non-Executive Director of Z.T Kruswizca and Non-Executive Director of Foodbank New South Wales. Mr. Hardie also is a member on the North American Advisory Board of the Smurfit Graduate School of Business. Mr. Hardie serves as a Strategic Advisor to Temasek Holdings and Lodbrok Capital. His role at Lodbrok specifically precludes involvement in their ARYZTA AG investment. Mr. Hardie has completed the Advanced Management Programme at INSEAD and the Corporate Board Effectiveness program at Harvard Business School. Gordon became a member of the Board in December 2020.

Heiner Kamps (1955, German)

Non-executive member

Masterbaker and Business Degree

Heiner Kamps is a successful food entrepreneur with over 40 years of industrial experience. He founded the bakery chain Kamps AG, which he led as CEO until 2002. Since 2003, Heiner Kamps has held shares in various companies. From 2005 to 2018, he and other investors, owned a majority stake in the Nordsee GmbH fast food chain. From 2011 to 2015, he was CEO of the Müller Milch Group and from 2015 to 2018 chairman of its supervisory board. Heiner Kamps founded the charitable foundation Brot gegen Not (Bread against misery), which supports training in the bakery trade in needy regions. He is a trained baker and confectioner. Heiner became a member of the ARYZTA Board in September 2020.

Jörg Riboni (1957, Swiss)

Non-executive member

Masters in economics from the University of St. Gallen (lic. oec. HSG) and is a certified public accountant

From 2013 to 2019, Jörg Riboni was CFO of the Emmi Group, Lucerne. Prior to that, he was CFO of the Forbo Group (2005 to 2012). His previous roles include CFO of the Sarna Group, Sarnen (1997 to 2005) and CFO of Jelmoli, Zurich (1995 to 1997). He is a professional Board Director since May 2019. He was deputy chair of the Board of Directors of Hochdorf until June 2020. Today Jörg is Chairman of the Board of the privately held company Rothorn Group AG. He is also a member of the Board of Directors of privately held companies, Glas Trösch Holding AG, HERITAGE B Group, Erni Group Holding AG, Dr. Pirmin Hotz Vermögensverwaltungen AG and Raiffeisenbank Cham-Steinhausen. Jörg became a member of the Board in December 2020.

Corporate Governance Report (continued)

Hélène Weber-Dubi (1955, Swiss)
Non-executive member
Masters in Economics from the University of St. Gallen (lic. oec. HSG)
Hélène Weber-Dubi has over 20 years' experience in the food industry with a focus on focus on Finance and Accounting, as well as Management Buy-Out, Mergers and Acquisitions and IPO. From 1999-2015, Ms. Weber-Dubi was CFO of the ORIOR-Group, a major Swiss food company and was a member of the Group Management Board. In 1996, Ms. Weber-Dubi accepted a position as financial controller with Bally. That same year, she was promoted to Managing Director of Bally Switzerland, Bally Italy and Bally Spain with a seat on the international Executive Board. In 1999 she was put in charge of financial control of Bally International and was primarily tasked with executing the sale of Bally to Texas Pacific Group. From 1982 to 1995 she held various management positions with Unilever in Switzerland and the UK, mostly in auditing and finance. Ms. Weber-Dubi is a member of the Board of Directors of Medela Holding AG in Baar (CH), Medela AG in Baar (CH) and Ospelt Anstalt in Bendern (FL). Hélène became a member of the Board in December 2020.

Alejandro Legarda Zaragüeta (1956, Spanish)
Non-executive member
Graduate in Mechanical Engineering, Master in Business Administration from IESE University of Navarra, Spain, PhD in Economics and Innovation Management from Polytechnic University, Madrid
Alejandro Legarda Zaragüeta is a highly experienced senior executive with significant management and non-executive director experience within various sectors, including transport, gas and food related industries. From 1994 to 2004 he was managing director of Construcciones y Auxiliar de Ferrocarriles S.A. ('CAF'), a listed group which manufactures railway vehicles and signalling equipment and stayed on as a director of the non-executive board until 2019. His responsibilities were the management of the company's global business. From 2006 to 2018, Alejandro was an independent director of Viscofan S.A., a listed group and the world leader in the manufacturing of casings for meat products, with commercial presence in over 100 countries around the world. He was independent director for Pescanova and Nueva Pescanova, a multinational fishing, farming and processing group from 2014 to 2017. Amongst the boards he has served on, Alejandro was executive chairman of the board of Nortegas Energıa y Distribución S.A. from 2017 to 2019 and an independent director of Duro Felguera S.A. from 2018 to 2019. Alejandro became a member of the Board in November 2019.

Retired Board Members (2016-2020)

Armin Bieri resigned from the Board on 6 November 2020 for private reasons. His biographical details are available in the 2020 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2020/10/Corporate-Governance-Report.pdf

Mike Andres retired from the Board without seeking re-election at the 2020 AGM. His biographical details are available in the 2020 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2020/10/Corporate-Governance-Report.pdf

Greg Flack retired from the Board without seeking re-election at the 2020 AGM. His biographical details are available in the 2020 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2020/10/Corporate-Governance-Report.pdf

Corporate Governance Report (continued)

Jim Leighton retired from the Board without seeking re-election at the 2020 AGM. His biographical details are available in the 2020 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2020/10/Corporate-Governance-Report.pdf

Tim Lodge retired from the Board without seeking re-election at the 2020 AGM. His biographical details are available in the 2020 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2020/10/Corporate-Governance-Report.pdf

Gary McGann retired from the Board without seeking re-election at the 2020 EGM. His biographical details are available in the 2020 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2020/10/Corporate-Governance-Report.pdf

Dan Flinter retired from the Board without seeking re-election at the 2020 EGM. His biographical details are available in the 2020 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2020/10/Corporate-Governance-Report.pdf

Annette Flynn retired from the Board without seeking re-election at the 2020 EGM. Her biographical details are available in the 2020 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2020/10/Corporate-Governance-Report.pdf

Rolf Watter retired from the Board without seeking re-election at the 2020 EGM. His biographical details are available in the 2020 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2020/10/Corporate-Governance-Report.pdf

Kevin Toland was not re-elected to the Board at the 2020 EGM. His biographical details are available in the 2020 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2020/10/Corporate-Governance-Report.pdf

Andrew Morgan retired from the Board without seeking re-election at the 2019 AGM. His biographical details are available in the 2019 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2019/10/Corporate-Governance-Report.pdf

Chuck Adair retired from the Board without seeking re-election at the 2018 AGM. His biographical details are available in the 2018 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2018/10/Corporate-Governance-Report.pdf

Wolfgang Werlé retired from the Board without seeking re-election at the 2017 AGM. His biographical details are available in the 2017 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2017/10/Corporate-Governance-1.pdf

Owen Killian retired from the Board in March 2017. His biographical details are available in the 2017 Corporate Governance Report: Report: https://www.aryzta.com/wp-content/uploads/2016/10/Corporate-Governance-Report.pdf

Denis Lucey and Shaun B. Higgins retired from the Board without seeking re-election at the 2016 AGM. Their biographical details are available in the 2016 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2016/10/Corporate-Governance-Report.pdf

Corporate Governance Report (continued)

3.2 Other activities and functions
None of the non-executive members of the Board has fulfilled any operational management functions for companies of the ARYZTA Group in the three years immediately preceding the period. Related-party transactions with any members of the Board or Executive Management did not exceed €100,000 in aggregate during the years ended 31 July 2021 and 1 August 2020.

3.3 Number of activities permitted outside the Group
Pursuant to Article 25 of the Articles of Association, the members of the Board currently may hold no more than the following number of additional mandates in the supreme executive bodies of companies and organisations outside of the Company:

- up to four mandates in listed companies;
- up to five mandates in non-listed companies;
- up to four mandates in (i) charitable organisations, (ii) associations or foundations and (iii) other non-profit institutions.

For further details, refer to Article 25 of the Articles of Association, which is available on the ARYZTA website at www.aryzta.com/about-aryzta/corporate-governance.

3.4 Elections and terms of office
The General Meeting has the competence to appoint and remove the members of the Board. All directors are subject to individual annual election by the General Meeting.

3.5 Internal organizational structure
3.5.1 Allocation of tasks within the Board of Directors
The Board has adopted Organizational Regulations that define the essential roles and responsibilities of the Board, the Chair, the Committees of the Board and the Executive Management. By virtue of Swiss law, the office of Chair and the members of the Remuneration Committee are subject to annual election by the General Meeting. The Chair of the Remuneration Committee and membership of the Audit Committee, the Governance and Nomination Committee and the respective Chairs thereof, are determined annually by the Board, following the Annual General Meeting, in accordance with the Organizational Regulations, which are available on the ARYZTA website at www.aryzta.com/about-aryzta/ corporate-governance.

3.5.2 Tasks and areas of responsibility for each Committee of the Board of Directors
ARYZTA has an Audit Committee, a Governance and Nomination Committee, a Remuneration Committee and a Strategy Committee which was dissolved in December 2020. The powers and responsibilities of each Committee are set out in their respective Terms of Reference, as approved by the Board and which are available on the ARYZTA website at www.aryzta.com/about-aryzta/corporate-governance.

Corporate Governance Report (continued)

As of 1 August 2020, these Board Committees were comprised as follows:

	Governance and Nomination Committee	Audit Committee	Remuneration Committee
Gary McGann (Chair)	X		X
Mike Andres			X
Luisa Delgado		X	
Greg Flack		X	
Dan Flinter	X[1]		X
Annette Flynn		X[1]	
Tim Lodge		X	
Rolf Watter	X		X[1]
Jim Leighton	X		
Alejandro Legarda Zaragüeta	X		

As of 16 September 2020, the Board Committees were comprised as follows:

	Governance and Nomination Committee	Audit Committee	Remuneration Committee	Strategy Committee
Urs Jordi (Chair)	X			X
Mike Andres				
Armin Bieri			X	X[1]
Luisa Delgado		X		X
Greg Flack		X		
Heiner Kamps			X[1]	X
Tim Lodge		X[1]		
Jim Leighton	X			
Alejandro Legarda Zaragüeta	X[1]			X

As of 15 December 2020, the Board Committees were comprised as follows:

	Governance and Nomination Committee	Audit Committee	Remuneration Committee
Urs Jordi (Chair)			
Heiner Kamps			X
Luisa Delgado	X[1]	X	
Gordon Hardie		X	X
Jörg Riboni		X[1]	
Hélène Weber-Dubi	X	X	X[1]
Alejandro Legarda Zaragüeta	X		

X denotes that the Board Member is on the applicable Committee.

1 denotes the Board Member who chairs the applicable Committee.

Audit Committee

From 1 August 2020 until the EGM on September 2020, the Audit Committee was comprised of four non-executive directors, namely Annette Flynn (Chair), Greg Flack, Tim Lodge and Luisa Delgado. At the 2020 AGM, Annette Flynn resigned from the Board. From the EGM on 16 September 2020, the Audit Committee was comprised of three non-executive Directors, namely Tim Lodge (Chair), Luisa Delgado and Greg Flack. From the date of the AGM on 15 December 2021, the Audit Committee was comprised of three

Corporate Governance Report (continued)

newly non-executive Directors, namely Jörg Riboni (Chair), Gordon Hardie and Hélène Weber-Dubi as well as Luisa Delgado. Each of these directors is considered by the Board to be independent in judgment and character. In the financial year ending on 31 July 2021, the Audit Committee met 10 times and the average duration of the meetings was approximately three hours.

The Audit Committee's role includes reviewing the Group consolidated financial statements and Company financial statements, the interim and full-year results and the significant financial reporting judgements contained therein. The Audit Committee reports its recommendations to the Board and any decision is made by the entire Board. The Audit Committee also reviews the Group's internal controls, and the scope and effectiveness of the Group's Internal Audit function. The Head of Internal Audit has access to the Audit Committee at all times and he, as well as the Group CFO, attend meetings of the Audit Committee by invitation. The Head of Internal Audit meets regularly with the Chair of the Audit Committee for interim updates and he participated in all Audit Committee meetings during the 2021 financial period and has regular meetings with the Group.

In the financial period 2021 the Audit Committee, operating under its Terms of Reference, discharged its responsibilities by reviewing:

- the draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's reports thereon;
- the appropriateness of the Group's accounting policies;
- the audit and non-audit fees payable to the external auditor;
- the external auditor's plan for the audit of the Group's accounts, which included key areas of extended scope work, key risks to the accounts, confirmations of the external auditor independence and the proposed audit fee, and approving the terms of engagement for the audit;
- the tender process and appointment of the external auditor;
- the Group's financial controls and risk systems;
- the Internal Audit function's terms of reference, resources and work programme and reports on its work during the year;
- the arrangements by which, and the effectiveness of how, members of staff may, in confidence, raise matters of concern, including potential fraud; and
- the quality of underlying earnings reported by ARYZTA.

Remuneration Committee

From 1 August 2020 to the EGM, the Remuneration Committee was comprised of four non-executive Directors, namely Rolf Watter (Chair), Mike Andres, Dan Flinter and Gary McGann. With effect from the conclusion of the EGM until the AGM on 15 December, the Remuneration Committee was comprised of three non-executive Directors, namely Heiner Kamps (Chair), Mike Andres, and Armin Bieri.

Following the resignation from the Board of Armin Bieri and the election of new non-executive directors at the AGM, the Remuneration Committee was comprised of three non-executive Directors, namely Hélène Weber-Dubi (Chair), Gordon Hardie and Heiner Kamps. Each of these directors is considered by the Board to be independent in judgement and character. In the 2021 financial period, the Remuneration Committee met nine times and the average duration of the meetings was approximately two hours.

The Remuneration Committee is responsible for determining all elements of the remuneration of the members of the Board and the Group CEO, and for approving the

Corporate Governance Report (continued)

remuneration of other members of the Executive Management, upon the recommendation of the Group CEO. The Remuneration Committee also reviews and makes recommendations to the Board on an annual basis regarding the proposed total remuneration of the Board and the Executive Management for future financial periods for approval at the Annual General Meeting of shareholders. The Group's remuneration policy for executive and non-executive directors and details of directors' remuneration are contained in the Compensation Report on pages 56 to 72 of this Annual Report, in accordance with the Swiss Code of Obligations ('CO') and the SIX Directive on Information relating to Corporate Governance.

Governance and Nomination Committee
From 1 August 2020 to the EGM, the Governance and Nomination Committee was comprised of four non-executive directors, namely Dan Flinter (Chair), Jim Leighton, Gary McGann and Rolf Watter. Following the resignations of Dan Flinter, Gary McGann and Rolf Watter from the Board with effect from the conclusion of the EGM and until the AGM, the Governance and Nomination Committee was comprised of three non-executive directors, namely Alejandro Legarda Zaragüeta (Chair), Jim Leighton and Urs Jordi. From the AGM on 15 December 2020 the committee comprised of three non-executive directors, Luisa Delgado (Chair), Hélène Weber-Dubi and Alejandro Legarda Zaragüeta. Each of these directors is considered by the Board to be independent in judgement and character. In the 2020 financial period, the Governance and Nomination Committee met 15 times and the average duration of the meetings was approximately two hours. The Board as a whole also discussed matters relating to the Governance and Nomination Committee on a number of occasions in the 2021 financial period in relation to the election of new directors to the Board.

The Governance and Nomination Committee is responsible for identifying and nominating, for approval by the Board and ultimately the shareholders, candidates to fill Board vacancies and for the continuous review of senior management succession plans. In addition, the Governance and Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board and making appropriate recommendations to the Board in order to ensure an adequate size and a well-balanced composition of the Board. The Governance and Nomination Committee is also responsible for making determinations regarding the independence of members of the Board. The Governance and Nomination Committee (together with other directors) engaged in a number of interviews over the course of financial period 2020 to identify and recommend for approval to the full Board, Jörg Riboni, Gordon Hardie and Hélène Weber-Dubi for election by shareholders at the 2020 AGM as part of the Board renewal programme.

The Governance and Nomination Committee is charged with monitoring the Company's compliance with corporate governance best practices and with applicable legal, regulatory and listing requirements and recommending to the Board such changes or actions as it deems necessary. The Chair of the Governance and Nomination Committee is responsible for reviewing the performance and effectiveness of the Chair in consultation with each member of the Board, and of the full Board. In the financial period 2021, the Governance and Nomination Committee worked collaboratively with the Remuneration Committee on matters which were of common interest and relevance.

Strategy Committee
Post the EGM, the Board formed a new Committee which focused on the plan to change ARYZTA. The Strategy Committee comprised Armin Bieri (Chair), Luisa Delgado, Urs Jordi, Heiner Kamps and Alejandro Legarda Zaragüeta. The committee met four times to review the Group strategic plans. On 18 December 2020, the Board announced its strategic plan to focus on Europe and APAC markets and to dispose of ARYZTA's businesses in both North America and Latin America. The Committee was thereafter dissolved.

Corporate Governance Report (continued)

Ad hoc Committee
In addition, in the financial period 2021 the Board from time to time delegated authority to an ad hoc committee comprising chiefly, Urs Jordi, Luisa Delgado, Jörg Riboni and Gordon Hardie to prepare announcements to be made on behalf of the Company to comply with the Company's disclosure and other obligations under the EU Market Abuse Regime and certain Swiss securities laws, including the Swiss Financial Market Infrastructure Act and the Listing Rules of the SIX Stock Exchange.

3.5.3 Work methods of the Board and its Committees

A total of 34 Board meetings and update calls were held during the 2021 financial period. These included meetings held in person and, as a result of travel and social distancing restrictions imposed by COVID-19 related regulations, by conference and video call. Board and Committee meetings were attended by members of the senior management team on the invitation of the Board when the Board discussed matters in relation to their respective responsibilities. External subject matter experts were invited to attend Board and Committee meetings when appropriate. Furthermore, both the external auditor and the Head of ARYZTA Internal Audit participated in the Audit Committee meetings. The increased volume of Board meetings and update calls held during the 2021 financial period was directly related to (i) the conditional offer from Elliott Advisors (UK) to acquire all publicly held shares in ARYZTA; (ii) the new multi-local strategy review initiated by the Board in December 2020; (iii) the disposal of the North American business completed in May 2021 and (iv) the continued significant impact of COVID-19 on the business. The average duration of the Board meetings (i) held in person was approximately six hours, and (ii) held by conference or video call was approximately three hours. At the Board meetings, the Chairs of the Committees reported to the Board on their activities and recommendations to the Board. Details of the remit of the Committees are set out in section 3.5.2. The attendance rates for the Board and Committee meetings held during the 2021 financial period are set out below and on page 45:

Board of Directors[1]

	Eligible to attend	Attended
Urs Jordi (Chair)	30	30
Heiner Kamps	30	30
Jörg Riboni	11	11
Gordon Hardie	11	11
Hélène Weber-Dubi	11	11
Luisa Delgado	34	33
Alejandro Legarda Zaragüeta	34	33
Armin Bieri	10	10
Gary McGann	3	3
Mike Andres	23	23
Greg Flack	23	23
Dan Flinter	3	3
Annette Flynn	3	3
Jim Leighton	23	23
Tim Lodge	23	23
Kevin Toland	3	3
Rolf Watter	3	3

1. There were 34 Board meetings

Corporate Governance Report (continued)

Audit Committee[2]

	Eligible to attend	Attended
Jörg Riboni (Chair)	4	4
Luisa Delgado	10	10
Gordon Hardie	4	4
Hélène Weber-Dubi	4	4
Tim Lodge	6	6

2. There were 10 Audit Committee meetings

Governance and Nomination Committee[3]

	Eligible to attend	Attended
Luisa Delgado (Chair)	9	9
Hélène Weber-Dubi	9	9
Alejandro Legarda Zaragüeta	15	15
Jim Leighton	6	6
Urs Jordi	6	6

3. There were 15 Governance and Nomination Committee meetings

Remuneration Committee[4]

	Eligible to attend	Attended
Hélène Weber-Dubi (Chair)	4	4
Heiner Kamps	9	9
Gordon Hardie	4	4
Armin Bieri	5	5

4. There were 9 Remuneration Committee meetings

Strategy Committee[5]

	Eligible to attend	Attended
Armin Bieri (Chair)	4	4
Luisa Delgado	4	4
Heiner Kamps	4	4
Urs Jordi	4	4
Alejandro Legarda Zaragüeta	4	4

5. There were 4 Strategy Committee Meetings

3.6 Definition of areas of responsibility

The Board is the ultimate governing body of ARYZTA AG. It has the power and competencies afforded by Swiss law (art. 716a of the CO) including in particular:

1) to approve the strategic objectives, annual budget and capital allocations;
2) to appoint and remove executive management; and
3) to act as the ultimate supervisory authority.

The following matters fall within the exclusive competency of the Board of Directors:
- To ultimately direct the Company and issue necessary directives;
- To determine the organisation of the Company;
- To organise the accounting, the internal control system, the financial control and the financial planning system, as well as perform a risk assessment;
- To appoint and remove the persons entrusted with the management and the representation of the Company and to grant signatory power;

Governance

Corporate Governance Report (continued)

- To ultimately supervise the persons entrusted with the management, in particular with respect to compliance with the law and with the Articles of Association, regulations and directives;
- To prepare the business report, as well as to convene the General Meeting and to implement its resolutions;
- To inform the judge in the event of over-indebtedness;
- To pass resolutions regarding the subsequent payment of capital with respect to non-fully paid-up shares;
- To pass resolutions confirming increases in share capital and the amendments to the Articles of Association entailed thereby;
- To examine compliance with the legal requirements regarding the appointment, election and the professional qualifications of the external auditors; and
- To execute the agreements pursuant to art. 12, 36 and 70 of Swiss merger law.

The Board has delegated responsibility for the day-to-day management of the Group, through the Group CEO, to Executive Management, to the extent allowed by Swiss law.

3.7 Information and control instruments pertaining to Group Executive Management

The Executive Management reports in a structured manner to the Board through the Group CEO and Group CFO. In particular, at each Board meeting, the Group CEO informs the Board of the status of current business operations, significant developments and major business transactions and the Group CFO reports on financial performance across the Group and on key financial figures and parameters. In addition, other executives within the Group deliver presentations directly to the Board as and when appropriate.

As detailed in the Group Risk Statement, on pages 75 to 76, the Group has formal risk assessment processes in place through which risks are identified that could prevent the Group from achieving its strategic objectives and associated mitigating controls are evaluated. The Board of Directors is ultimately responsible for risk management with the Audit Committee taking ownership for monitoring the risk assessment process. Group Risk work with business unit, regional and Executive Management to identify and assess the risks faced by the Group and determine appropriate risk mitigation strategies and controls for each. The Group Risk Statement details the principal risks and uncertainties faced by the Group.

The Board approves the formal Risk Assessment, as well as the design, implementation and maintenance of the Internal Control System on an annual basis. The Internal Control System risk control matrices details the required controls across a range of defined financial, operational and IT processes to minimize and/or mitigate risk in each of these areas. The risk control matrices are updated annually or as material business/process changes necessitate. All business units and Group functions are required to maintain completed risk control matrices and associated documentation to evidence controls operating effectively. Internal Control System and associated documentation are subject to review by both Internal and External Audit with results presented to the Audit Committee.

The ARYZTA Internal Audit function reports directly to the Audit Committee and to the Group CFO. Internal Audit may audit all Group activities and meets with the Group CEO and also with the other members of the Executive Management team at least twice annually. Internal Audit discusses audit plans with the Audit Committee on at least an annual basis, but may discuss them more frequently should circumstances require. The external auditors Ernst & Young AG,

Corporate Governance Report (continued)

Zurich (the external auditors of the ARYZTA Group consolidated financial statements and the company financial statements of ARYZTA AG), conduct their audits in compliance with the auditing standards referenced in their respective opinions. Ernst & Young AG were appointed as external auditors by the shareholders of the Company at the 2019 AGM.

4.1 Group Executive Management

As of August 1, 2020, Executive Management comprised as follows: Kevin Toland (Group CEO); Frederic Pflanz (Group CFO); Gregory Sklikas (CEO Europe); Tyson Yu (CEO North America); Claudio Gekker (COO Latin America); Chris Plüss (COO APMEA); John Heffernan (President and Chief Commercial Officer North America); Tony Murphy (Chief People Officer); and Rhona Shakespeare (nee O'Brien) (General Counsel and Company Secretary).

On 19 November 2020, ARYZTA announced that Kevin Toland ceased his role as CEO effective immediately. The Board appointed Urs Jordi (Chair), as Interim Group CEO.

The Board also appointed Jonathan Solesbury as interim CFO due to the previously announced departure of Frederic Pflanz on 30 November 2020. Jonathan Solesbury has extensive senior international finance experience, latest as Group CFO of C&C Group plc, and before as Director of Group Finance of SABMiller plc and previously as CFO for the Latin American and the Asian regions. Jonathan had recently retired from C&C Group plc, but agreed to support and advise ARYZTA pending the appointment of a permanent Chief Financial Officer, following the resignation of Frederic Pflanz.

On 1 December 2020, ARYZTA announced plans to restructure its business model into a multi-local, lean and agile structure. As part of these restructuring plans, ARYZTA announced that two members of the Executive Committee, Tony Murphy, Chief People Officer and John Heffernan, President and Chief Commercial Officer, ARYZTA North America, ceased their roles with immediate effect.

On 9 December 2020, ARYZTA announced that Gregory Sklikas, CEO Europe and a member of the Executive Committee, ceased his role with immediate effect. On 13 January 2021 the Company announced the appointment of Chris Plüss as Managing Director ARYZTA Germany commencing 1 March 2021.

On 4 May 2021, ARYZTA announced the completion of the disposal of its ARYZTA North American business. Tyson Yu remained as part of the disposed business and ceased his role with ARYZTA AG.

On 1 June 2021, the Board announced the appointment of Martin Huber as Group CFO, effective 1 August 2021. This appointment followed a rigorous process led by the Governance and Nomination Committee and advised by an international recruitment firm, to select and recruit a world-class CFO with the necessary blend of skills and expertise.

At the conclusion on FY 2021, in line with the new multi-local strategy focused on Europe and Asia Pacific region, Chris Plüss and Claudio Gecker both stepped down from the Executive Committee.

Full biographical details of former members of the Executive Committee (Kevin Toland, Frederic Pflanz, John Heffernan, Tony Murphy, Gregory Sklikas, Chris Plüss, Claudio Gecker

Corporate Governance Report (continued)

and Tyson Yu) are set out in the 2020 ARYZTA Corporate Governance Report available on the ARYZTA website at:
https://www.aryzta.com/wp-content/uploads/2020/10/Corporate-Governance-Report.pdf.

As of 1 August 2021, Executive Management comprised as follows: Urs Jordi (Interim Group CEO); Martin Huber (Group CFO); and Rhona Shakespeare (General Counsel and Company Secretary).

Urs Jordi (1965, Swiss)
Interim Chief Executive Officer
Business economist, NKS (Aarau, Baden)
Urs Jordi has more than 25 years of experience in various national and international food companies at management and board level. He held various management positions within the Hiestand and ARYZTA Group, most recently as CEO of the listed Hiestand Holding AG (from 2008 within ARYZTA AG), and from 2010 to 2013 as CEO ARYZTA Food Europe & Asia Pacific. Since 2014, Urs Jordi has been involved in various own investments. For this purpose, he serves on the boards of Schweizer Zucker AG and Unipektin Ingredients AG. Urs Jordi is a trained baker and confectioner. Urs became a member and Chair of the ARYZTA Board in September 2020.

Martin Huber (1970, Swiss)
Group Chief Financial Officer
Lic. Oec HSG in Business Administration, Finance and Accounting from University of St. Gallen
Martin Huber joins ARYZTA with a wealth of finance and controlling expertise and a strong track record in driving value creation in both turn around and growth business situations. Martin is a highly experienced multinational executive having lived and worked in Switzerland, Germany, Venezuela, Colombia, Mexico, and Brazil. Over the last 20 years at Nestlé, he has held senior finance and controlling positions as market CFO, Head of Group Control at Nestlé S.A. and since 2018, as the CFO for the globally managed business of Nespresso.

Rhona Shakespeare (nee O'Brien) (1974, Irish)
General Counsel and Company Secretary
Solicitor, Law Society of Ireland; Law (LLB Hons), Trinity College Dublin; Masters (LLM Hons) in Commercial Law from University College Dublin; Diploma in Notarial Law & Practice (Dip. Not.) (F.N.P.I.), Faculty of Notaries Public in Ireland
Rhona has served as a senior legal and regulatory advisor with over 20 years of legal and governance experience. Rhona joined ARYZTA on 11 September 2018 from DCC Vital Ltd (part of the DCC plc business) where she held the role of Senior Counsel, Legal & Compliance. Prior to joining DCC Vital, Rhona was Senior Director of Legal and Risk Management at Parexel International (IRL) Limited. Rhona was General Counsel and a member of the Executive Senior Management Team from 2013 to 2016 and Director of Regulation, Public Policy, Compliance and Equivalence from 2014 to 2016 at eir (formerly eircom). Rhona trained with Arthur Cox and is a qualified solicitor admitted in Ireland by the Law Society of Ireland and in England and Wales by the Law Society of England and Wales. Rhona is also a voluntary unpaid non-Executive Director on Dublin City Council Culture Connects Company Ltd.

Corporate Governance Report (continued)

4.2 Other activities and functions
Except for the above-mentioned assignments, members of Group Executive Management are currently not involved in other management or supervisory bodies. They are not active in managing or consulting functions with interest groups, nor do they hold public or political office. No member of the Group Executive Management holds management contracts for any company outside the ARYZTA Group.

4.3 Number of activities permitted outside the Group
Pursuant to Article 25 of the Articles of Association, the members of the Executive Management, subject to the approval by the Chair of the Board, may currently hold no more than the following number of additional mandates in the supreme executive bodies of companies and organisations outside of the Company:
- one in listed companies;
- up to two mandates in non-listed companies;
- up to four mandates upon instruction of the Company in companies that are not directly or indirectly controlled by the Company (such as in pension funds and joint-ventures); and
- up to four mandates in (i) charitable organisations, (ii) associations or foundations and (iii) other non-profit institutions.

For further details, refer to Article 25 of the Articles of Association, which is available on the ARYZTA website at www.aryzta.com/about-aryzta/corporate-governance.

4.4 Management contracts
There are no management contracts with third parties at ARYZTA Group.

5 Compensation, shareholdings and loans
Please refer to the Compensation Report on pages 56 to 72 for disclosures pertaining to compensation, as well as the content and method of determining the compensation and share-ownership programmes. Also, see Articles 20 and 21 of the Articles of Association (available on the ARYZTA website http://www.aryzta.com/about-aryzta/corporate-governance), which govern the responsibilities of the Remuneration Committee and Group Remuneration principles.

Non-executive Directors' and Executive Management's share interests
As at 31 July 2021 and 1 August 2020, 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.

Corporate Governance Report (continued)

Beneficial interests at 31 July 2021 and 1 August 2020 were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of ordinary shares 2021	No. of restricted shares (issued FY2020) 2021	No. of restricted shares (issued FY2021) 2021	Total 2021	Total 2020
Directors					
Current directors					
Urs Jordi[1]	107,000	–	159,526	**266,526**	–
Luisa Delgado[2]	–	38,281	72,700	**110,981**	38,281
Gordon Hardie[3]	–	–	51,364	**51,364**	–
Heiner Kamps	15,692,707	–	47,413	**15,740,120**	–
Jörg Riboni[3]	750,000	–	55,809	**805,809**	–
Hélène Weber-Dubi[3]	–	–	59,267	**59,267**	–
Alejandro Legarda Zaragüeta[4]	132,000	38,281	47,413	**217,694**	170,281
Former directors					
Gary McGann[5]	–	–	–	**–**	406,929
Mike Andres[6]	–	–	–	**–**	84,274
Greg Flack[6]	–	–	–	**–**	84,274
Dan Flinter[5]	–	–	–	**–**	98,398
Annette Flynn[5]	–	–	–	**–**	93,680
Jim Leighton[6, 8]	–	–	–	**–**	84,274
Tim Lodge[6]	–	–	–	**–**	72,885
Rolf Watter[5]	–	–	–	**–**	613,540
Andrew Morgan[7]	–	–	–	**–**	34,604
Armin Bieri[9]	–	–	–	**–**	–
Executive Management					
Current executives					
Claudio Gekker	-	-	-	**-**	-
Rhona Shakespeare (nee O'Brien)	-	-	-	**-**	-
Chris Plüss	176,000	-	-	**176,000**	76,863
Former executives					
Kevin Toland	-	-	-	**-**	572,240
John Heffernan	-	-	-	**-**	14,014
Anthony Murphy	-	-	-	**-**	-
Frederic Pflanz	-	-	-	**-**	100,000
Gregory Sklikas	-	-	-	**-**	-
Tyson Yu	-	-	-	**-**	-
Robert O'Boyle	-	-	-	**-**	111,397
Total	**16,857,707**	**76,562**	**493,492**	**17,427,761**	2,655,934

1 U. Jordi became a member and Chair of the ARYZTA Board on 16 September 2020 and was appointed by the ARYZTA Board as interim CEO on 19 November 2020.
2 L. Delgado became a member of the Board on 14 November 2019 (2019 AGM) and was appointed Senior Independent Director in November 2020.
3 G. Hardie, J. Riboni and H. Weber-Dubi were elected to the Board effective 15 December 2020 (2020 AGM).
4 A. Legarda Zaragüeta was elected to the Board effective 14 November 2019 (2019 AGM).
5 G. McGann, D. Flinter, A. Flynn and R. Watter retired from the Board with effect from the conclusion of the EGM on 16 September 2020.
6 M. Andres, G. Flack, J. Leighton and T. Lodge retired without seeking re-election at the ARYZTA 2020 AGM on 15 December 2020.
7 A. Morgan retired without seeking re-election on 14 November 2019 (2019 AGM).
8 The Beneficial holding of J. Leighton includes 40,011 of Restricted Stock Units.
9 A. Bieri stepped down from the Board 6 November 2020.

Corporate Governance Report (continued)

No loans or advances were made by the ARYZTA Group to members of the Board or to the Executive Management during the financial year, or were outstanding at 31 July 2021 (2020: Nil).

Further details regarding the benefits under the ARYZTA LTIP are set out in the Compensation Report on pages 66 to 68 of this Annual Report.

6 Shareholders' participation

6.1 Voting rights

Each ARYZTA share registered as a share conferring a voting right entitles the holder to one vote at a General Meeting. Only holders who are registered as shareholders with voting rights are entitled to exercise voting rights or the rights associated with them. The consent of the Company is required for registration in the share register as a shareholder with voting rights and such consent may be declined in the circumstances specified in Article 7 c), d) and e) of the Articles of Association (available on the ARYZTA website www.aryzta.com/about-aryzta/corporate-governance) as described in more detail in section 2.6.3 above.

Under Article 7 f) of the Articles of Association, the Company may approve exceptions to these restrictions in exceptional cases.

Proxies are entitled to attend General Meetings and exercise all rights of the represented shareholders at such meetings. Provisions regarding the appointment of proxies and the issuing of instructions to the independent proxy are contained in Article 13 of the Articles of Association. Available on the ARYZTA website https://www.aryzta.com/about-aryzta/corporate-governance/.

6.2 Statutory quorums

Pursuant to Article 15 of the Articles of Association, https://www.aryzta.com/about-aryzta/corporate-governance/., resolutions at the General Meeting calling for a quorum of at least two-thirds of the votes represented are required for:

- The cases listed in art. 704 para. 1 CO and in art. 18 and 64 Merger Act;
- The easement or abolition of the restriction of the transferability of registered shares;
- The conversion of bearer shares into registered shares; and
- Any change to the provisions of article 15 of the Articles of Association.

6.3 Convocation of General Meeting of the shareholders

General Meetings are convened by the Board and, if need be, by the Auditors. In addition, the Board must convene a General Meeting within two months if shareholders who jointly represent at least 10% of the share capital of the Company request in writing that a meeting be called and give details of the items to be discussed and the motions. Notice of the General Meeting is given by publication in the Swiss Official Gazette of Commerce and on the Group's homepage (www.aryzta.com) at least 20 days before the date of the meeting. The notice must state, inter alia, the day, time and place of the Meeting and the agenda.

Corporate Governance Report (continued)

6.4 Agenda
The Board compiles the agenda for the General Meetings. One or more registered shareholders with voting rights who jointly represent at least 3% of the share capital of the Company registered in the Commercial Register may request items to be included in the agenda. Such requests must be in writing, specifying the items and the proposals, and be submitted to the Chair at least 45 days before the date of the General Meeting.

6.5 Entry in the share register
The relevant date to determine the shareholders' right to participate in the General Meeting, on the basis of the registrations appearing in the share register, is set by the Board in the invitation to the General Meeting.

7 Change of control and defence measures

7.1 Obligation to make an offer
ARYZTA does not have a provision on opting out or opting up in its Articles of Association. Thus, the provisions regarding the legally prescribed threshold of 33 1/3% of the voting rights for making a public takeover offer set out in Article 135 of the FMIA are applicable.

7.2 Change of control clauses
Benefits under the ARYZTA LTIP vest upon a change of control unless the Board resolves otherwise. If the time at which a change of control has occurred cannot be ascertained precisely, the Board shall determine the time at which the change of control shall be deemed to have occurred. Otherwise, the agreements and plans benefiting the members of the Board or of the Executive Management team are unaffected by a change of control. Further details regarding the benefits under the ARYZTA LTIP are set out in the Compensation Report on pages 66 to 68 of this Annual Report.

8 Auditors

8.1 Duration of the mandate and term of office of the lead auditor
Following the conclusion of a formal tender process in 2019 overseen by the Audit Committee, and on recommendation by the Board, Ernst & Young AG, Zurich, was elected by shareholders at the 2019 AGM as the external statutory auditor and Group auditor for the 2020 financial year. Martin Gröli was the lead auditor for the 2020 financial period. The lead auditor is required to rotate every seven years in accordance with Swiss law. The decision of the Board to recommend a change of external statutory auditor for the 2020 financial period was made following a comprehensive external tender process and in light of European corporate governance best practice recommending that a change of external audit firm occur at least every ten years. While the restrictions on engaging external statutory auditors for a period in excess of ten years under EU Regulation 537/2014, which apply to EU-incorporated public interest entities, do not directly apply to ARYZTA as a Swiss-incorporated company, the Board determined that it was appropriate to adopt this approach on a voluntary basis given the Company's secondary listing on Euronext Dublin and emerging corporate governance best practice in this area. The secondary listing on Euronext Dublin was subsequently cancelled on 1 March 2021.

Corporate Governance Report (continued)

Prior to the 2020 financial period, PricewaterhouseCoopers AG, Zurich was elected as statutory auditor and Group auditor beginning in December 2009 and had been elected for a term of one year each year thereafter until the commencement of the 2020 financial period. Sandra Boehm Uglow was the lead auditor for the financial periods 2019, 2018 and 2017. Patrick Balkanyi was lead auditor from PricewaterhouseCoopers AG's appointment from 2009 to 2016.

8.2 Audit fees

The total audit and audit-related fees charged by the Group auditors in financial period 2021 amounted to €2.6m (2020: €2.5m).

8.3 Additional fees

The Group's policy is to manage its relationship with the external auditor to ensure their independence is maintained. In order to achieve this, the Board has determined limits on the type and scale of non-audit work that can be provided by the external auditor.

Contracts with the external auditor for other non-audit work are deemed to be pre-approved by the Audit Committee, up to an aggregate limit of 75% of the audit fee on average over a three year period. This is subject to the requirement that all contracts for specific pieces of non-audit work with fees exceeding €250,000 be awarded on the basis of competitive tendering. Where the awarding of a contract for non-audit work to the external auditor is to be made that is likely to increase total fees for non-audit work above this aggregate limit, the Group CFO consults the Chair of the Audit Committee in advance of such a contract being awarded. Fees for additional services rendered by the external auditors to the ARYZTA Group in financial period 2021 totalled €0.2m (2020: €0.1m).

Auditor's remuneration

	FY 2021 €m	FY 2020 €m
– Auditor's remuneration for audit and audit-related services	2.6	2.5
– Auditor's remuneration for tax compliance and related services	0.2	0.1
– Auditor's remuneration for tax consulting services	-	-
– Auditor's remuneration for advisory services	-	-
	2.8	2.6

– Total other fees / Audit and audit-related services	9%	4%
– Tax consulting or advisory services / Audit and audit-related services	0%	0%

8.4 Information pertaining to the external audit

EY AG has presented to the Audit Committee a detailed report on the results of the 2021 Group consolidated and Company financial statement audits, the findings on significant financial accounting and reporting issues, as well as the findings on the Group's internal control system ('ICS'). In the financial period 2021, both EY AG and the Group Head of Internal Audit participated in all regularly scheduled Audit Committee meetings. The Group CFO attended and participated in all Audit Committee meetings during their respective appointments. Other members of the Group Executive Management attended

Corporate Governance Report (continued)

the meetings as invited. During the period, the Audit Committee and the Chair of the Audit Committee met with EY AG without management present and vice versa. On an annual basis, the Board reviews the selection of the external auditors, in order to propose their appointment to the Annual General Meeting of ARYZTA. The Audit Committee assesses the effectiveness of the work of the auditors in accordance with Swiss law. The lead auditor rotates every seven years in accordance with Swiss law. During meetings of the Audit Committee, audit and non-audit-related fees to be charged by EY AG during the period, are reviewed to mitigate the risk of any potential impairment to EY AG's independence. EY AG monitors its independence throughout the period and confirms its independence to the Audit Committee annually.

9 Investor Communications Policy

Guiding principles

ARYZTA is committed to pursuing an open and consistent communication policy with shareholders, potential investors and other interested parties. ARYZTA gives equal treatment to all its shareholders. Any price-sensitive information is published in a timely fashion and the information is provided in a format that is as complete, simple, transparent and consistent as possible. All announcements, reports and webcasts are available on the ARYZTA website: https://www.aryzta.com/investor-centre/announcements-and-presentations/. An automatic alerting service is also provided through the website.

ARYZTA's Investor Relations programme for institutional investors is carried out in line with the quarterly announcement cycle. These investor communications focus either on recently announced financial results, recent corporate activity or the longer-term strategy of the Group. They do not serve the purpose of disclosing new information that might encourage an investment decision. During open periods, ARYZTA holds ad hoc dialogue with individual shareholders and the Chair meets with major investors as requested.

Investor relations contact details

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Quarterly announcement cycle

Announcement	News Release	Report	Conference Call	Webcast
First-quarter revenue update	x			
Half-Year results	x	x	x	x
Third-quarter revenue update	x			
Full-year results	x	x	x	x
Annual Report	x	x		

Corporate Governance Report (continued)

Key dates to October 2022

Annual General Meeting 2021	17 November 2021
First-quarter revenue update	29 November 2021
Announcement of half-year results 2022	14 March 2022
Third-quarter trading update	30 May 2022
Full-year results & 2022 Annual Report	3 October 2022

10 Trading Quiet periods

Dealing in securities of ARYZTA AG is regulated by the laws of Switzerland, including in particular the provisions of the FMIA and The Listing Rules of the SIX Stock Exchange. In line with best practice, ARYZTA prohibits dealings in Securities of the Company by Company directors, senior executives and persons connected during periods when they may be in possession of non-public, price sensitive information.

For the upcoming fiscal year, trading quiet period dates are:

– The period from 31 October 2021 up to the release of ARYZTA's Q1 2022 Revenue Update or 30 calendar days prior to the release of the Q1 Revenue Update (if greater).

– The period from 31 January 2022 up to the release of ARYZTA's 2022 Half Year Results for that financial year or 30 calendar days prior to the release of the Half Year Results (if greater).

– The period from 30 April 2022 up to the release of ARYZTA's Q3 Revenue Update (or 30 calendar days prior to the release of the Q3 Trading Update (if greater).

– The period from 31 July 2022 up to the release of ARYZTA's 2022 Annual Results for the prior financial year (or 30 calendar days prior to the release of the FY 2022 Annual Results (if greater).

Annual Report and Accounts 2021
Compensation Report

Letter from the Chair of the Remuneration Committee

Dear Shareholders,

On behalf of the Board of Directors and the Remuneration Committee, I am pleased to introduce ARYZTA's Compensation Report for the financial period 2021 ('FY 2021'), which was marked by continued disruption due to the COVID-19 pandemic.

Notably during FY 2021 the Group also saw the transition of leadership post last September's EGM and the subsequent exit of a number of members of the Executive Management. Despite this, and the volatility associated with the ongoing pandemic, the Remuneration Committee ('RemCo') continued to assess and review the overall compensation framework. The intent of our compensation strategy is to support the Company's turnaround ambitions and to align remuneration with the needs and expectations of shareholders.

At the upcoming AGM, we will ask you to approve, as last year, prospectively in a binding vote the maximum compensation of the Board for the period from this AGM until the next 2022 AGM, and the maximum aggregate compensation for the newly constituted Executive Management for FY 2023. Furthermore, you will have the opportunity to register your opinion on this Compensation Report in a consultative vote.

Looking ahead, we will continue refining our compensation framework in order to ensure that it continues to fulfil its purpose in the evolving context in which ARYZTA operates.

On behalf of ARYZTA and the RemCo, I would like to thank you for your support and valuable feedback.

Chair of the Remuneration Committee

Hélène Weber-Dubi,

4 October 2021

Compensation Report (continued)

Introduction to Compensation

ARYZTA's Compensation Report for FY 2021 has been prepared in accordance with Swiss laws and regulations, including the Ordinance against Excessive Compensation of Listed Stock Companies and the Directive on Information relating to Corporate Governance, issued by SIX Swiss Exchange. The report also takes into account the recommendations set out in the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

Compensation Governance

The compensation governance at ARYZTA is mainly comprised of three key bodies: The RemCo which advises the Board in compensation-related matters; the Board which ultimately decides on compensation-related matters; and the shareholders of ARYZTA at the AGM who approve the maximum aggregate amount of remuneration of the Board for the period until the next AGM and the Executive Management for the subsequent financial year. The Organizational Regulations, the Terms of Reference of the RemCo and the Articles of Association describe and define the roles and responsibilities of these three bodies. The Articles of Association contain the following relevant provisions on compensation:

- Compensation principles for the compensation of the Board and the Executive Management (Art. 21 and 22)
- Approval of compensation by the AGM (Art. 23a-d)
- Supplementary amounts available for members joining the Executive Management or being promoted within the Executive Management to CEO after the relevant approval of compensation by the AGM (Art. 23e-g)
- Retirement benefits and pensions (Art. 24)
- Duration and Termination of Employment Contracts (Art. 26)

The Articles of Association can be found on our website:
https://www.aryzta.com/wp-content/uploads/2019/11/AoA-English.pdf

Compensation Report (continued)

The general division of duties, responsibilities, and powers between the three key bodies of compensation governance (RemCo, Board and AGM) is shown in the table below.

	CEO	RemCo	Board	AGM
Compensation strategy and guidelines		P	A	
Compensation principles (Articles of Association)		P	A (subject to AGM approval)	A (binding vote, in case of changes)
Key terms of compensation plans for Board and Executive Management		P	A	
Total compensation for the Board		P	A (subject to AGM approval)	A (binding vote)
Total compensation for the Executive Management		P	A (subject to AGM approval)	A (binding vote)
Individual total compensation for the CEO		P	A	
Individual total compensation for other members of the Executive Management	P	R	A	
Employment and termination agreements for the CEO		P	A	
Employment and termination agreements for other members of the Executive Management	P	R	A	
Compensation Report		P	A	A (consultative vote)

A: Approve, P: Propose, R: Review

Role of the Shareholders regarding the AGM

The AGM approves the maximum aggregate amount of compensation of the Board for the period from AGM until the next AGM and the maximum aggregate amount of compensation for the Executive Management for the subsequent financial period (Art. 23a of the Articles of Association). Shareholders will be asked at the 2021 AGM, to be held on 17 November 2021, to approve the maximum aggregate amount of compensation of:

- The Board for the period from AGM until the next AGM (i.e. the period until the 2022 AGM); and
- The Executive Management for the following financial period (i.e. the financial period ending 31 July 2023.

In addition, as in prior periods, the Board will submit this Compensation Report to a separate advisory vote for the shareholders at the 2021 AGM in line with the Swiss Code of Best Practice for Corporate Governance.

At the 2020 AGM, the Board submitted three separate compensation-related resolutions, which were all approved by the shareholders:

- The maximum aggregate amount of compensation for the members of the Board for the period from the 2020 AGM until the 2021 AGM (binding vote): CHF 1,300,000.
- The maximum aggregate amount of compensation for the Executive Management for the FY 2022 (binding vote): CHF 18,000,000.
- The compensation report for FY 2020.

Compensation Report (continued)

In addition and without further approval, ARYZTA is authorised to use supplementary amounts of 40% of the approved maximum aggregate amount (in full and not pro rata) of the compensation for the Executive Management for the relevant financial periods for members joining the Executive Management and/or being promoted from a member of the Executive Management to CEO after the AGM has approved the relevant maximum aggregate amount (Art. 23e of the Articles of Association).

Role of the Remuneration Committee

The RemCo has the duties of supervision and governance of ARYZTA's compensation framework and philosophy as well as the purpose to assist the Board in fulfilling its responsibilities regarding the compensation of the members of the Board and the Executive Management of ARYZTA.

The RemCo consists of three to four independent non-executive members of the Board who are elected annually and individually by the AGM pursuant to Swiss law for a one-year period until the next AGM. The RemCo Chair is appointed by the Board (Art. 20a of the Articles of Association).

Post the AGM 2020, the RemCo consisted of three members: Hélène Weber-Dubi, Heiner Kamps and Gordon Hardie, with Hélène Weber-Dubi approved by the Board as Chair of RemCo. Please refer to the Corporate Governance Report section for further details on RemCo composition, duties, and election.

As in prior periods, in FY 2021 the RemCo acted within the limits of the relevant shareholder approvals, being responsible for (Art. 20b of the Articles of Association):

- Considering and determining all elements of the compensation of the members of the Board and the Executive Management.
- Approving the compensation of other members of the Executive Management, upon the recommendation of the CEO.
- Reviewing and recommending to the Board on an annual basis a proposal regarding the total compensation amount of the Board and the Executive Management for the following period.
- Preparing and recommending to the Board the Compensation Report for approval.

The RemCo reviews the level and structure of the compensation for the Executive Management on an annual basis to ensure that executives are remunerated in line with the level of their authority and responsibility within the Group and so as to ensure ARYZTA's capacity to recruit and retain a high calibre of professional managers (for details with regards to the conducted compensation benchmarking in FY 2021, see page 68).

After each RemCo meeting, the RemCo Chair reports to the Board at the following Board meeting, ensuring that the Board members are kept informed in a timely and appropriate manner of all material matters within the RemCo's area of responsibility. In addition, all RemCo papers (e.g. agenda, minutes, presentations, etc.) are available to all members of the Board. When the RemCo considers it appropriate to do so, it may directly ask members of the Executive Management or members of the Human Resources

Compensation Report (continued)

department to attend meetings as a guest. The RemCo regularly holds private sessions (i.e. without the presence of members of the Executive Management, members of the Human Resource department or third parties). Executives and the Chair of the Board do not participate during the sections of the meetings where their own performance and/or compensation are discussed. The RemCo is authorised to obtain appropriate external advice and to invite those persons to attend at meetings of the RemCo.

The RemCo Chair convenes meetings of the RemCo as often as the business affairs of ARYZTA requires. During FY 2021, the RemCo held nine meetings with an average duration of two hours each. All members of the Committee had full meeting attendance during the reporting period.

The agenda items covered by the RemCo during the nine meetings of FY 2021 are described in the table below.

	Agenda item	Sep 2020	Oct 2020[1]	Nov 2020	Jan 2021	Mar 2021	May 2021	June 2021
General Framework	Committee Terms of Reference				•			
	Annual Work Plan					•		
Executive Management compensation	Management Compensation Packages				•	•	•	
	Maximum aggregate compensation amount FY 2022		•					
	STIP							
	– Review of STIP FY 2022 design							•
	– Performance achievement FY 2020	•	•					
	– Target setting for STIP FY 2022							•
	LTIP							
	– Design LTIP grant FY 2021		•					
	– Target setting LTIP FY 2021		•					
	– Review of LTIP Regulations		•					
	Benchmarking					•	•	•
Board compensation	Maximum aggregate compensation amount from 2020 AGM until the 2021 AGM	•						
	Compensation for Lead Independent Director			•				
Reporting & Communication	– Compensation Report FY 2020	•	•					
	– Disclosure level FY 2022							•

1. In October there were two meetings of the RemCo

Compensation Principles

ARYZTA's compensation framework and principles are designed to attract and retain top talent, to underpin the implementation and support of the Group's strategic plans and to provide a balance between motivating and challenging the members of the Executive Management to deliver ARYZTA's near-term business priorities together with achieving sustainable, long-term success (Art. 21a of the Articles of Association). Furthermore, ARYZTA's compensation framework aims to be aligned with shareholders' interest and driving the creation of shareholder value. The RemCo gives careful and detailed consideration to the Board and Executive Management compensation. As one reference point, the RemCo regards market data on compensation to assess its competitiveness in the market environment.

Compensation Report (continued)

Compensation objectives and principles

- Retain and incentivise top talent to support delivery of the strategic plan.
- Provide balance between a motivating and a challenging environment to achieve near-term business goals and drive long-term success.
- Align compensation outcomes with shareholder interests in the context of rewarding management for creating shareholder value.
- Provide equal opportunities in recruitment, selection, promotion, employee development, succession planning, training, and compensation.

Compensation Framework for the Board of Directors

Compensation Approach for the Board of Directors

The total compensation of the Board consists of an annual base fee and an additional fee for individual assignments to Committees of the Board (Art. 21c of the Articles of Association).

In order to assure the independence of the members of the Board in executing their supervisory duties, the total compensation of the Board is fixed and does not include any performance-related, variable compensation component.

For FY 2021, non-executive Board members were paid a fixed annual base fee, reflecting the time commitment and responsibilities of the role, and additional compensation for non-executive directors for service on a Board Committees was paid (see table below).

The compensation structure and fee levels for the members of the Board remained unchanged compared to the previous term, however an additional fee for the role of Lead Independent Director was introduced.

Annual base fee for Board membership for non-executive directors, in CHF		Annual committee fees (AGM to AGM)					
		Audit Committee		Governance and Nomination Committee		Remuneration Committee	
		Chair	Member	Chair	Member	Chair	Member
Chair	323,000	Not entitled					
Lead Independent Director	123,000						
Other Board members	88,000	25,000	8,000	16,000	8,000	16,000	8,000

Since the 2020 AGM the individual sum of the fixed annual base fee and, where applicable, the fixed annual committee fee per member are compensated 60% in cash and 40% in the form of Restricted Shares or Restricted Share Units ('RSUs'), entitling the recipient to receive ARYZTA shares upon expiration of the three-year holding period for the Restricted Shares, or upon a three-year vesting period of the RSUs. This equity component further strengthens the long-term focus of the Board in performing its duties as well as the alignment of the Board's interests with those of ARYZTA's shareholders.

The compensation of the Board is subject to regular social security contributions and is not pensionable. On the cash component, ARYZTA pays the employer contribution of

Compensation Report (continued)

social security, on the share component, ARYZTA pays both contributions. No additional compensation components such as pension entitlements, lump-sum expenses or attendance fees are awarded to the members of the Board.

Compensation Awarded to the Board of Directors (audited)
The following table reflects the total compensation of the Board for FY 2021 including information of the prior financial period. The total compensation of the Board for FY 2021 amounted to CHF 1,188,000 which is within the maximum amount approved at the AGM 2020 of CHF 1,300,000.

in CHF'000	Board	Independent Director	Audit Committee	Governance and Nomination Committee	RemCo	Settled in cash	Settled in shares[1]	**Total compensation FY 2021**	Total compensation **FY 2020**
Current Board members									
Urs Jordi[2]	Chair					154	129	**283**	-
Luisa Delgado[3]	•	•	•	Chair		71	59	**130**	61
Gordon Hardie[4]	•		•		•	23	42	**65**	-
Heiner Kamps	•				•	52	38	**90**	-
Jörg Riboni[4]	•		Chair			26	45	**71**	-
Hélène Weber-Dubi[4]	•		•	•	Chair	27	48	**75**	-
Alejandro Legarda Zaragüeta[5]	•			•		62	38	**100**	61
Former Board members									
Gary McGann[6]						41	-	**41**	299
Mike Andres[7]						43	-	**43**	102
Greg Flack[7]						43	-	**43**	102
Dan Flinter[6]						14	-	**14**	104
Annette Flynn[6]						14	-	**14**	104
Jim Leighton[7]						41	-	**41**	102
Tim Lodge[7]						44	-	**44**	88
Rolf Watter[6]						14	-	**14**	104
Andrew Morgan[8]						-	-	**-**	28
Armin Bieri[9]						16	-	**16**	-
Total						**685**	**399**	**1,084**	1,155
Social security payments								104	50
Total including social security								**1,188**	1,205

1 Equity is awarded once a year at 40% of the total annual compensation with the number of shares based on the average closing price of the ARYZTA shares on the SIX over the five trading days immediately preceding the award date. The balance of the compensation for the financial year is settled in cash.

2 U. Jordi became a member and Chair of the ARYZTA Board on 16 September 2020 and was appointed by the ARYZTA Board as interim CEO on 19 November 2020.

3 L. Delgado became a member of the Board on 14 November 2019 (2019 AGM) and was appointed Lead Independent Director in November 2020.

4 G. Hardie, J. Riboni and H. Weber-Dubi were elected to the Board effective 15 December 2020 (2020 AGM).

5 A. Legarda Zaragüeta was elected to the Board effective 14 November 2019 (2019 AGM).

6 G. McGann, D. Flinter, A. Flynn and R. Watter retired from the Board with effect from the conclusion of the EGM on 16 September 2020.

7 M. Andres, G. Flack, J. Leighton and T. Lodge retired without seeking re-election at the ARYZTA 2020 AGM on 15 December 2020.

8 A. Morgan retired without seeking re-election on 14 November 2019 (2019 AGM).

9 A. Bieri stepped down from the Board 6 November 2020.

Compensation Report (continued)

The following table shows the shareholdings of the Board as of 31 July 2021 including information of the prior financial period. This table includes registered shares purchased privately as well as fully vested shares allocated in connection with compensation.

Furthermore, unvested RSUs and restricted shares are included. In total, the members of the Board held 16,681,707 shares or 1.70% of the share capital (FY 2020: 846,704 shares or 0.09% of the share capital).

Beneficial interests at 31 July 2021 and 1 August 2020 were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of ordinary shares 2021	No. of restricted shares (issued FY2020)	No. of restricted shares (issued FY2021)	Total	Total
	2021	2021	2021	2021	2020
Directors					
Current directors					
Urs Jordi[1]	107,000	–	159,526	**266,526**	–
Luisa Delgado[2]	–	38,281	72,700	**110,981**	38,281
Gordon Hardie[3]	–	–	51,364	**51,364**	
Heiner Kamps	15,692,707	–	47,413	**15,740,120**	–
Jörg Riboni[3]	750,000	–	55,809	**805,809**	–
Hélène Weber-Dubi[3]	–		59,267	**59,267**	–
Alejandro Legarda Zaragüeta[4]	132,000	38,281	47,413	**217,694**	170,281
Former directors					
Gary McGann[5]	–	–	–	**–**	406,929
Mike Andres[6]	–	–	–	**–**	84,274
Greg Flack[6]	–	–	–	**–**	84,274
Dan Flinter[5]	–	–	–	**–**	98,398
Annette Flynn[5]	–	–	–	**–**	93,680
Jim Leighton[6, 9]	–	–	–	**–**	84,274
Tim Lodge[6]	–	–	–	**–**	72,885
Andrew Morgan[7]	–	–	–	**–**	34,604
Rolf Watter[5]	–	–	–	**–**	613,540
Armin Bieri[8]	–	–	–	**–**	–
Total	**16,681,707**	**76,562**	**493,492**	**17,251,761**	1,781,420

1 U. Jordi became a member and Chair of the ARYZTA Board on 16 September 2020 and was appointed by the ARYZTA Board as interim CEO on 19 November 2020.

2 L. Delgado became a member of the Board on 14 November 2019 (2019 AGM) and was appointed Lead Independent Director in November 2020.

3 G. Hardie, J. Riboni and H. Weber-Dubi were elected to the Board effective 15 December 2020 (2020 AGM).

4 A. Legarda Zaragüeta was elected to the Board effective 14 November 2019 (2019 AGM).

5 G. McGann, D. Flinter, A. Flynn and R. Watter retired from the Board with effect from the conclusion of the EGM on 16 September 2020.

6 M. Andres, G. Flack, J. Leighton and T. Lodge retired without seeking re-election at the ARYZTA 2020 AGM on 15 December 2020.

7 A. Morgan retired from the Board without seeking re-election effective 14 November 2019 (2019 AGM).

8 A. Bieri stepped down from the Board 6 November 2020.

9 The Beneficial holding of J. Leighton includes 40,011 of Restricted Stock Units.

Compensation Report (continued)

Compensation Framework for the Executive Management

General compensation approach for the Executive Management
The compensation of the Executive Management consists of fixed and variable components. The fixed compensation consists of an annual base salary, additional fixed compensation in the form of pension and other benefits. The variable compensation includes short-term and a long-term incentive plans. These variable elements are dependent on the achievement of performance which include the financial performance of the Group and regional segments, performance relative to the market, and individual performance (Art. 21d and 22a of the Articles of Association). The overview of the compensation elements of the Executive Management are summarized in the following table:

	Base salary	**Pension and other benefits**	**Short-term incentive plan (STIP)**	**Long-term incentive plan (LTIP)**
Basis	Fixed	Fixed	Variable	Variable
Purpose	Attraction, retention, reward for scope and complexity of the function as well as level of responsibility	Participation in pension plans, insurance and health care plans in line with local market practice	Motivation, reward for achieving annual business objectives	Retention, alignment with shareholders, reward for delivering long-term performance
Performance period	-	-	One year	Three years
Performance measures	-	-	Group and (if relevant) regional measures, qualitative individual measures (except CEO and CFO)	Three equally weighted financial measures (Underlying EBITDA[1], ROIC, relativeTSR)
Payout range	-	-	0 to 150% of individual target award	0% to 200% of number of granted PSUs
Payment	Cash	Contributions to pension and insurance plans, other in-kind benefits	Cash	Shares

1 As disclosed in financial statements.

Annual base salary
The annual base salary is the main fixed compensation component paid to the members of the Executive Management. Typically, it is paid in cash in twelve equal monthly instalments unless local laws require otherwise. The annual base salary is contractually agreed in local currency. The level of base salary is determined considering the scope and complexity of the function, level of responsibility, and other relevant factors deemed appropriate. Furthermore, the compensation for the role in the location where ARYZTA competes for talent is considered. Fixed base salaries of the Executive Management members are reviewed every year based on the above mentioned factors and adjustments are made according to market developments.

Compensation Report (continued)

Pension and other benefits
ARYZTA may establish one or more independent pension fund for occupational pension benefits or may join such funds. Contributions to such pension funds on the part of the employer, but not contributions which are paid out by such pension funds, are deemed part of the compensation. Retirement benefits accumulated or paid directly by the employer based on country-specific regulations on occupational pension benefits are treated the same way as contributions to and benefits by pension funds (Art. 24a of the Articles of Association). Members of the Executive Management participate in the pension plans, which consist primarily of retirement, insurance and health care plans designed to provide an adequate level of protection for employees and their dependants in the event of retirement, sickness, disability or death. The plans vary according to legal conditions, but at least meet the legal requirements of the countries concerned. The members of the Executive Management are also granted certain benefits and benefits in-kind in accordance with competitive market practice, e.g. a car allowance.

Short-term incentive plan (STIP)
The short-term incentive plan ('STIP') is a variable compensation element designed to reward eligible participants for delivering strong short-term performance and contribution to ARYZTA's annual business objectives, whilst limiting the Group's exposure to downside risk in the case of financial underperformance, over a time horizon of one year. The STIP for the Executive Management drives alignment across the Group by a shared philosophy with common core measures.

In FY 2021 the STIP consisted of performance measures on Group and Regional level, as well as qualitative individual performance measures. The composition and weighting of the different levels of performance measures (as shown in the table below) are determined by taking into consideration the scope of influence of each role (e.g. global, regional). Regional targets are assigned to members with regional responsibilities, while other members' performance, including the performance of the CEO and CFO, are assessed at Group level only.

	CEO & CFO	Regional leaders	Functional leads
Group measures	**100%**	**10%**	**80%**
Group Underlying EBITDA	50%	10%	40%
Group Net Debt : Underlying EBITDA Ratio	50%	–	40%
Regional measures	–	**70%**	–
Regional Underlying EBITDA	–	35%	–
Regional Operating Free Cash Flow	–	35%	–
Qualitative individual targets	–	**20%**	**20%**

The Board or the RemCo determines performance metrics and target levels, and their achievement (Art. 22b of the Articles of Association). At the beginning of the financial period, STIP targets are set for each financial performance measure in a calibration process in accordance with the overall business plan and a robust budget of the respective year. Minimum and maximum performance achievement levels are defined considering, amongst other elements, the previous year's performance level. A rigorous approach is conducted in order to define the individual objectives for the respective members of the Executive Management. The individual objectives are specific for each member, taking into account their scope of influence and responsibilities as well as

Compensation Report (continued)

focusing on value-addition to the business. The STIP targets represent commercially sensitive information and are therefore not disclosed.

The individual target level for the STIP is expressed as a percentage of the annual base salary. Depending on achieved performance, this element of compensation may amount up to a pre-determined multiplier of target level.

For the STIP FY 2021, the individual STIP targets amount to 100% of the base salary for all members of the Executive Management. The STIP payout varies between 0% and a maximum of 150% of the individual target amount (i.e. of base salary).

For the financial performance measures, overachievement is driven by their respective performance. For the qualitative individual performance measure, overachievement is index linked to the aggregate performance of the financial measures.

For each performance measure, a minimum threshold performance, below which there is no payout, as well as a maximum performance, at which payout is capped at 150% of target (i.e. of base salary), applies. In case of termination of employment during the performance period, the STIP payout may be reduced or forfeited depending on country-specific forfeiture rules and subject to applicable law.

	Actual performance FY 2021	STIP Achievement factor in %
Group Underlying EBITDA	250.0	150%
Group Net Debt: Underlying EBITDA Ratio	0.58x	150%

During FY 2021, payments under the STIP were made to incumbent members of Executive Management according to the level of achievement of the defined short-term targets (Group and/or Regional EBITDA & Operating Free Cash Flow and Qualitative Individual Targets). Performance levels were achieved at different levels and resulted in an overall pay out range of 70% - 150% for the Executive Management. Departing Executive Management members' STIP entitlements were considered as part of their exit agreements.

Long-term incentive plan (LTIP)
ARYZTA's long-term incentive plan ('LTIP') has historically been designed to reward eligible participants for delivering long-term performance.

The purpose of the equity-based LTIP is to provide the participants with performance-driven future rewards for the accomplishment of the Group's long-term financial and strategic goals. The LTIP is intended to retain and motivate and to promote behaviour towards enhancing the value of ARYZTA for the benefit of its shareholders.

For each financial period until the FY 2020, an LTIP was granted in the form of Performance Share Units ('PSUs'), which represent an unsecured contingent right to receive ARYZTA shares at the end of the three-year performance period, subject to the achievement of certain pre-defined performance targets and subject to continuous employment.

Compensation Report (continued)

The number of granted PSUs depends on the individual LTIP grant, which were determined by the Board each year and the fair value of one PSU at the grant date. The individual target grant levels under the LTIP are expressed as a percentage of the annual base salary (Art. 22c of the Articles of Association) and cannot exceed the equivalent of 125% of participants' base salaries in any year.

In light of the challenges facing the business, the depth of the turnaround required and the significant level of change at a leadership level, the RemCo was not in a position to grant a LTIP in FY 2021. Nonetheless, the RemCo recognise the value of a LTIP as a tool in any revised remuneration framework and will seek to revisit this as part of a suite of incentives designed to align with improved Company performance and shareholder interests. More details can be found in the Compensation Booklet prepared for the AGM.

The vesting of granted PSUs depends on the achievement of the following equally weighted performance measures and is subject to continued service:

LTIP performance measure	Three-year average Underlying EBITDA[1]	Three-year average ROIC	Three-year relative TSR[2]
Weighting	1/3	1/3	1/3
Performance period	3-year performance period	3-year performance period	3-year award cycle
Vesting range	0.00 – 2.00 (of number of vested PSUs)		

1 As disclosed in financial statements.

2 Total shareholder return relative to iSTOXX® Europe Total Market Food Producers Capped 30-15 Index in percentage points.

The Underlying EBITDA (as disclosed in the financial statements) provides a focus on profitability. It is weighted at one third and is calculated as the three-year average in EUR. The Return on Invested Capital provides a focus on capital efficiency. It is at weighted one third and is calculated as the three-year average in %. The relative TSR measure adds a stock market perspective to ARYZTA's LTIP and is designed to reward management for outperformance as well as to create alignment with shareholder experience. It is weighted at one third and calculated as the percentage point difference over the three-year performance period between ARYZTA's TSR and the TSR of the iSTOXX® Europe Total Market Food Producers Capped 30-15 index. The TSR is the total shareholders' return, considering the variations of the share price and dividends distributed over the performance period, assuming the reinvestment of any dividends paid during the performance period into ARYZTA shares. The iSTOXX® Europe Total Market Food Producers Capped 30-15 Index includes 40 stocks (as of October 8, 2020) and is a capped version of the STOXX Europe Total Market Food Producers Index. STOXX is the service provider and administrator of the index, therefore responsible for quality standards and legal compliance of the index as well as maintenance in terms of rebalancing and handling of corporate events of index constituents. The index is rebalanced on a quarterly basis, whereas the largest component is capped at 30% and the second largest at 15%. The threshold for a payout of the rTSR measure is at – 20 percentage points, while the cap for a 2.00 vesting multiple is at + 20 percentage points. The payout curve provides for stretching and, at the same time, sets statistically reasonable performance corridors, and therewith supports symmetrical performance and payout situations below and above the target. In doing so, potential excessive risk-taking around the kink of payout curves is avoided.

Compensation Report (continued)

In the case of termination of employment or a change in control regarding ARYZTA before the end of the three-year performance period, modified vesting rules apply (Art. 22e of the Articles of Association).

In the case of death or disability, the number of unvested PSUs will be adjusted pro-rata and will vest immediately with an overall vesting multiple of 1.00. In the case of retirement or termination of employment by ARYZTA without cause, the number of unvested PSUs will be adjusted pro-rata and will vest at the ordinary vesting date according to the effective overall vesting multiple. Furthermore, in case of engagement in a competitive activity without prior consent of the Board, all unvested PSUs will lapse without any compensation. In all other cases (e.g. termination for cause), then effective on the date notice of termination is provided by either party, all unvested PSUs will lapse without any compensation.

In the event of change of control, the number of unvested PSUs will also be adjusted pro-rata.

Additionally, in the event of a serious breach of ARYZTA's Articles of Association, Organizational Regulations, any applicable policies, procedures or guidelines, the Board may recoup all or part of the vested shares or forfeit all or part of any unvested PSUs.

No LTIP vested during FY 2021 since the achievement of the associated measures (Operating Free Cash Flow and Return on Invested Capital) did not meet the minimum targets.

LTIP grant FY 2020	Minimum threshold (0.0 vesting multiple)	Target (1.0 vesting multiple)	Maximum (2.0 vesting multiple)
Three-year average Underlying EBITDA[1]	78.5% of target	100% target as set by the Board	121.5% of target
Three-year average ROIC	76.3% of target	100% target as set by the Board	136.8% of target
Three-year relative TSR	-20 p.p. of index	0 p.p.	+20 p.p. of index

1 As disclosed in financial statements.

Peer group and benchmarking

The RemCo reviewed the compensation of the Executive Management and Senior Management in FY 2021 with the support of the global organizational consulting firm Korn Ferry Hay Group as part of a peer compensation benchmarking analysis. The benchmarking serves as an additional external reference point to ARYZTA in order to remain competitive in its compensation arrangements.

The selection criteria for the peer group included comparability to ARYZTA with regards to business model, size (in terms of headcount, revenue, and market capitalization), respective roles and responsibilities, and relevant geographic presence. The composition of the peer group for benchmarking is reviewed on a periodical basis, every two to three years.

Compensation Report (continued)

Compensation awarded to the Executive Management (audited)
The following table summarises the total compensation for the current and former members of the Executive Management during the FY 2020 and FY 2021. The total compensation for the Executive Management amounted to CHF 14,244,000 which is within the maximum amount approved at the AGM 2019 of CHF 18,000,000.

In the case of termination of employment or a change in control regarding ARYZTA before the end of the three-year performance period, modified vesting rules apply (Art. 22e of the Articles of Association).

in CHF'000	**Total Executive Management incl. highest paid FY 2021[1,2]**	**Highest paid Executive Management member, Kevin Toland[2] FY 2021**	Total Executive Management incl. highest paid FY 2020[1,2]	Highest paid Executive Management member, Kevin Toland[2] FY 2020
Basic salaries[1]	**4,418**	**738**	4,118	847
Benefits in kind	**379**	**34**	438	43
Pension contributions	**672**	**148**	687	183
STIP (payout for respective FY)[1]	**2,937**	**-**	340	-
Exceptional retention payments[3]	**391**	**-**	-	-
Ex-gratia payments	**4,062**	**1,767**	-	-
North America disposal related bonus[4]	**1,385**	**-**	-	-
Renew Special Bonus Plan (RSBP)	**-**	**-**	336	-
Long-term incentives (LTIP)[5, 6]	**-**	**-**	4,995	1,062
Total compensation awarded to members of ARYZTA Executive Management	**14,244**	**2,687**	10,914	2,135

1 Urs Jordi receives a Base Salary in the amount of CHF468,000 for his role as Interim CEO. Additionally he received a discretionary bonus payment in the amount of CHF702,000.

2 On 19 November 2020, Kevin Toland ceased his role as CEO and the Board appointed Urs Jordi as interim CEO.

3 Given the significant changes at senior management and Board level during the financial year and the particular challenges facing ARYZTA during FY21 including the approach from Elliott Advisors UK, and the disposal of ARYZTA North America and Brazil, retention payments were made on an exceptional once off basis to ensure continuity and stability within the business. The Board does not envisage making similar payments again for the next financial year.

4 On 4 May 2021, ARYZTA completed the disposal of its ARYZTA North American business. Tyson Yu remained as part of the disposed business and ceased his role with ARYZTA AG. As recognition of his pivotal role in the transaction, Tyson Yu was awarded a bonus.

5 The number of PSUs is calculated by dividing the LTIP award amount by the allocation value per PSU. The allocation value at time of grant was CHF 0.98.

6 Represents the target value of the FY18 and FY19 LTIP awarded. The value may change depending on the achievement of operating performance measures at vesting. All awards were unvested as of 31 July 2021.

Compensation Report (continued)

The total remuneration for Executive management during FY 2021 is allocated between current and former Executive Management as follows:

in CHF'000	Current Executive Management 2021	Former Executive Management 2021	**Total Executive Management 2021**
Basic salaries	1,814	2,604	**4,418**
Benefits in kind	123	256	**379**
Pension contributions	236	436	**672**
STIP (payout for respective FY)	2,745	192	**2,937**
Exceptional retention payments	391	-	**391**
Ex-gratia payments	-	4,062	**4,062**
North America disposal related bonus	-	1,385	**1,385**
Total compensation awarded to members of ARYZTA Executive Management	5,309	8,935	**14,244**

The employment contracts of the Executive Management are in compliance with the Swiss Ordinance Against Excessive Compensation in Listed Stock Companies and other applicable laws and regulations (Art. 26a and 26b of the Articles of Association).

Shareholding Guidelines

As of FY 2020, Shareholding Guidelines for members of the Executive Management had been introduced to further strengthen the long-term focus and to additionally increase the alignment of the Executive Management's interests with those of ARYZTA's shareholders. The Shareholding Guidelines apply to the Executive Management starting from FY 2020. Each member of Executive Management is expected to build up an ownership of shares of ARYZTA worth the equivalent of 150% of their annual base salary or 300% in the case of the CEO.

As we refine our Remuneration Strategy and LTIP scheme we will revisit these Shareholding Guidelines ensuring the concept of Executive Management being aligned with shareholder interests and retaining a long-term focus.

Shareholdings of the Executive Management

The following table shows the shareholdings and interests in equity of the Executive Management as of 31 July 2021 and 1 August 2020. The number of shares held corresponds to the amount of directly or beneficially held ordinary registered shares of ARYZTA. The number of interests in equity held corresponds to the amount of PSUs and options granted through former LTIP awards. Both PSUs and options are disclosed at target. The vested number of PSUs and options will depend on performance achievement levels at vesting. In total, the members of the Executive Management held 283,000 shares or 0.03% of the share capital (FY 2020: 874,514 shares or 0.09% of the share capital).

Compensation Report (continued)

	No. of shares Closing position FY 2021	No. of RSUs Closing position FY 2021	No. of PSUs Closing position FY 2021[1,2,3]	No. of options Closing position FY 2021[3]	No. of shares Closing position FY 2020	No. of PSUs Closing position FY 2020[1,2,3]	No. of options Closing position FY 2020[3]
Urs Jordi	107,000	159,526	-	–	–	–	–
Jonathan Solesbury	–	–	-	–	–	–	–
Rhona Shakespeare	–	–	291,916	–	–	466,051	150,670
Claudio Gekker	–	–	290,684	–	–	617,232	515,951
Chris Pluss	176,000	–	252,804	–	76,863	494,556	381,973
Total current executive management	**283,000**	**159,526**	**835,404**	–	76,863	1,577,839	1,048,593
Kevin Toland[4]	–	–	637,043	–	572,240	2,418,721	1,936,777
John Heffernan[4]	–	–	184,894	–	14,014	639,670	397,324
Dave Johnson[4]	–	–	292,384	–	–	1,620,252	1,561,245
Anthony Murphy[4]	–	–	164,803	–	–	715,381	598,122
Robert O'Boyle	–	–	–	–	111,397	–	–
Frederic Pflanz	–	–	–	–	100,000	1,263,839	1,056,683
Gregory Sklikas	–	–	323,203	–	–	1,152,505	804,712
Tyson Yu[4]	–	–	147,276	–	–	570,842	452,867
Total former executive management	**–**	**–**	**1,749,603**	–	797,651	8,381,210	6,807,731
Total	**283,000**	**159,526**	**2,585,007**	–	874,514	9,959,048	7,856,324

1 PSU's are presented at target award. The number of PSU's vested may change depending on the achievement of operating performance measures at vesting.

2 The awards granted during financial period 2020 are unvested as at 31 July 2021.

3 As the performance conditions associated with the PSU and option awards granted during financial period 2019 were not met, these awards were forfeited during the period ended 31 July 2021.

4 Number of PSUs awarded to executives who departed during FY 2021 adjusted pro rata up to last contractual working day based on exit agreements.

Compensation Report (continued)

Further Information

Previous and Discontinued Compensation Plans

Option equivalent plan

Vesting of the awards under the Option Equivalent Plan issued during FY 2012 was conditional on compound annual growth in underlying diluted EPS (including the associated cost of any awards expected to vest) in three consecutive accounting periods exceeding the compound growth in the Euro-zone Core Consumer Price Index, plus 5%, on an annualized basis. The awards were also subject to additional conditions, including:

(a) the requirement to remain in service throughout the performance period;
(b) the requirement that ARYZTA's reported ROIC over the expected performance period is not less than 120% of its weighted average cost of capital; and
(c) the requirement that annual dividends to shareholders are at least 15% of underlying EPS during the performance period.

The vested Option Equivalent Plan awards still outstanding as of 31 July 2021 can be exercised no longer than ten years after grant date.

No Option Equivalent Awards under the Option Equivalent Plan were granted to the Executive Management during FY 2021 nor FY 2020.

	No. of options carried forward FY 2021	Forfeited during the year	No. of options Closing position FY 2021	No. of options of which Vesting criteria have been fulfilled[1]
Owen Killian	2,116,177	–	2,116,177	2,116,177
Patrick McEniff	1,692,941	–	1,692,941	1,692,941
Pat Morrissey	470,261	–	470,261	470,261
Dermot Murphy	235,131	–	235,131	235,131
Total former executive management	**4,514,510**	–	**4,514,510**	**4,514,510**

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 8.53.

Loans Granted to the Board of Directors or the Executive Management

No loans or advances were made by the ARYZTA Group to members of the Board or to Executive Management during FY 2021 or were outstanding at 31 July 2021 (2020: Nil).

Compensation to former Executive Management and members of the Board of Directors

During FY 2021 legacy settlements in the amount of CHF 7.3m relating to former executive management agreements from FY 2017 were fulfilled. For FY 2021, no compensation payments were made to former members of Executive Management or the Board of Directors who had left ARYZTA, or related parties.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the compensation report 2021

We have audited the compensation report of ARYZTA AG for the period ended 31 July 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled "audited" on pages 62 and 69 of the compensation report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the period ended 31 July 2021 of ARYZTA AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Martin Gröli	Jennifer Mathias
Licensed audit expert Auditor in charge	Certified public accountant

Zurich, 4 October 2021

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Group Risk Statement
Principal Risks and Uncertainties

The Board of Directors and Senior Management continue to invest significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk mitigation. The Group has a formal risk assessment process in place through which risks are identified that could prevent the Group from achieving its strategic objectives and associated mitigating controls are evaluated. The Board of Directors is ultimately responsible for risk management with the Audit Committee taking ownership for monitoring the risk assessment process.

All levels of management across the Group are engaged in the identification and assessment of significant ongoing and emerging risks facing their business. The outputs of these risk assessment processes are subject to various levels of review by Group Risk and Executive Management, who layer in strategic risks. Risks are consolidated into a Group Risk Map, denoting the potential frequency and severity of identified risks, which is reviewed and challenged by the Board of Directors on at least an annual basis.

In May the Group concluded the swift disposal of its North America business and assets, progressing as per the core strategic plan. The cornerstones of the strategy are the setting up of a multi-local business model with empowerment over decision making and costs, a de-layered simplified structure across the entire Group and the elimination of unnecessary costs.

It is now well over a year since the World Health Organisation declared COVID-19 as a pandemic and it continues to bring uncertainty, as economies recover and re-open after COVID-19 restrictions. The Group has considered its newly simplified organisational structure, the response to COVID-19 and the potential impact of future waves in the assessment of our principal risks and uncertainties. Risks identified, and associated mitigating controls, are also subject to audit as part of various operational, financial, food safety / quality and health and safety audit programmes.

COVID-19 ongoing challenges
The Group's risk planning / mitigation and crisis response have been tested in the past year with the Group responding rapidly to the challenges presented by the pandemic. ARYZTA activated its full business continuity plans to maintain service levels and to meet our customers' expectations. Our primary focus areas were protecting our people and supporting our customers, whilst providing the highest quality and product safety standards across all bakeries, in full compliance with reinforced COVID-19 protocols.

We continue to monitor the COVID-19 situation closely as economies re-open through the gradual easing of COVID-19 restrictions. Responding to the effects of COVID-19 has become part of ARYZTA's daily operations. Uncertainty remains regarding COVID-19 variants, the scale and pace of the vaccine roll-out and the potential impact of future waves on our people, operations and customers.

Inflation
Inflation is real and widespread as economies recover and re-open, which is driving increased demand through a supply chain severely disrupted by COVID-19. ARYZTA has a well-structured and professionally managed procurement process whose aim is to protect margins and ensure pricing recovery of input cost inflation. The combination of experience in the management of previous raw material inflation spikes and the Group's professional procurement de-risking strategy, together with recovery of raw material cost price inflation through pricing, should support the Group's efforts to manage the current severe spike in inflation across raw materials, labour and service providers. ARYZTA continues to

Group Risk Statement
Principal Risks and Uncertainties (continued)

proactively manage supply chain risk through targeting dual supply for all key materials & services and maintaining continued interaction with key suppliers and adequate safety stock levels. These measures have retained continuity of supply throughout the crisis to ensure customer service levels remain at the highest standards.

The key risks facing the Group include the following:[1]

- Commercial risks arising from loss of major customer or contract and/or non-recovery of raw material cost inflation through pricing, adversely impacting profitability.
- Ongoing COVID-19 related challenges, including changing shape of the market and consumer habits.
- Operational risks facing the Group include food safety & quality and health & safety.
- Risks to ongoing operations arising from a significant failure in critical systems or infrastructure, or security system failure, including a cyber-attack, impacting the ability of the Group to service customers' demands.
- People risks arising from loss of key management personnel and/or scarcity of bakery skills impacting operational performance.
- The loss of a significant manufacturing / operational site through natural catastrophe or act of vandalism.

1 These risks are not listed in order of importance.

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Annual Report and Accounts 2021

Group Consolidated and Company Financial Statements 2021

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Statement of Directors' Responsibilities
for the period ended 31 July 2021

Swiss company law requires the directors to prepare Group consolidated and Company financial statements for each financial period. The directors are required to prepare the Group consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') and the requirements of Swiss law and to prepare the Company financial statements in accordance with Swiss law and the Company's Articles of Association.

This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of the Group consolidated and Company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing each of the Group consolidated and Company financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgements and estimates that are reasonable and prudent; and
– prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper books of account that present, with reasonable accuracy at any time, the financial position of the Group and Company and enable them to ensure that its financial statements comply with IFRS, the requirements of Swiss law and the Company's Articles of Association.

They are also responsible for taking such steps as are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

On behalf of the Board

Urs Jordi
Chair, Board of Directors

Jörg Riboni
Chair, Audit Committee,
Member of the Board of Directors

4 October 2021

Group Consolidated Income Statement
for the period ended 31 July 2021

	Notes	2021[1] €m	Re-presented 2020[1] €m
Continuing Operations			
Revenue	2	**1,525.4**	1,669.0
Cost of sales		**(1,058.5)**	(1,149.0)
Distribution expenses		**(214.4)**	(226.7)
Gross profit		**252.5**	293.3
Selling expenses		**(86.8)**	(102.9)
Administration expenses		**(178.3)**	(177.3)
Net loss on disposal of businesses	3	–	(61.2)
Impairment of goodwill	17	–	(65.0)
Operating loss	2	**(12.6)**	(113.1)
Share of profit after interest and tax of joint ventures	18	–	16.1
Net loss on disposal of joint venture	18	–	(297.1)
Gain on equity instruments at fair value through profit or loss	18	**8.6**	–
Loss before financing income, financing costs and income tax		**(4.0)**	(394.1)
Financing income	6	**3.0**	4.5
Financing costs	6	**(35.8)**	(42.7)
Loss before income tax		**(36.8)**	(432.3)
Income tax expense	11	**(13.5)**	(10.5)
Loss for the period from continuing operations		**(50.3)**	(442.8)
Discontinued operations			
Loss after tax for the period from discontinued operations	5	**(185.5)**	(648.7)
Loss for the period attributable to equity shareholders		**(235.8)**	(1,091.5)

Basic loss per share	Notes	euro cent	euro cent
From continuing operations	13	**(9.7)**	(49.3)
From discontinued operations	13	**(18.7)**	(65.5)
		(28.4)	(114.8)

Diluted loss per share	Notes	euro cent	euro cent
From continuing operations	13	**(9.7)**	(49.3)
From discontinued operations	13	**(18.7)**	(65.5)
		(28.4)	(114.8)

1 Fiscal year 2021 ended on 31 July 2021 and fiscal year 2020 ended on 1 August 2020. Please refer to Note 1 page 90 for further detail.

In accordance with IFRS 5, the figures for the period ended 1 August 2020 have been re-presented to reflect the impacts of discontinued operations together as a single amount, separate from the impacts of continuing operations. For further information see note 1 on page 90.

The notes on pages 88 to 162 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Comprehensive Income
for the period ended 31 July 2021

	Notes	2021[1] €m	2020[1] €m
Loss for the period		**(235.8)**	(1,091.5)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation effects			
– Foreign exchange translation effects on net investments		**64.0**	(81.1)
– Taxation effect of foreign exchange translation movements	11	**–**	(4.4)
Cash flow hedges			
– Effective portion of changes in fair value of cash flow hedges		**(0.3)**	(0.6)
– Fair value of cash flow hedges transferred to income statement		**(0.3)**	0.7
– Deferred tax effect of cash flow hedges		**–**	–
Total of items that may be reclassified subsequently to profit or loss		**63.4**	(85.4)
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment on transfer to investment property	16	**–**	5.4
Defined benefit plans			
– Actuarial gain on defined benefit pension plans	26	**5.7**	1.0
– Deferred tax effect of actuarial gain	11	**(0.9)**	(0.1)
Total of items that will not be reclassified to profit or loss		**4.8**	6.3
Total other comprehensive income/(loss)		**68.2**	(79.1)
Total comprehensive loss for the period		**(167.6)**	(1,170.6)

1 Fiscal year 2021 ended on 31 July 2021 and fiscal year 2020 ended on 1 August 2020. Please refer to Note 1 page 90 for further detail.

The notes on pages 88 to 162 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet
as at 31 July 2021

	Notes	2021[1] €m	2020[1] €m
Assets			
Non-current assets			
Property, plant and equipment	14	**849.8**	1,323.4
Investment properties	16	**3.7**	6.4
Goodwill and intangible assets	17	**660.3**	1,143.1
Financial assets at fair value through income statement	18	**-**	16.8
Other receivables	20	**2.8**	16.3
Deferred income tax assets	25	**28.4**	48.8
Total non-current assets		**1,545.0**	2,554.8
Current assets			
Inventory	19	**91.5**	165.0
Trade and other receivables	20	**151.1**	206.7
Derivative financial instruments	23	**0.2**	0.5
Cash and cash equivalents		**170.9**	423.6
		413.7	795.8
Assets held-for-sale	4	**3.2**	-
Assets of disposal group held-for-sale	4	**101.8**	59.4
Total current assets		**518.7**	855.2
Total assets		**2,063.7**	3,410.0

1 Fiscal year 2021 ended on 31 July 2021 and fiscal year 2020 ended on 1 August 2020. Please refer to Note 1 page 90 for further detail.

The notes on pages 88 to 162 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet (continued) as at 31 July 2021

	Notes	2021[1] €m	2020[1] €m
Equity			
Called up share capital	27	**17.0**	17.0
Share premium		**1,531.2**	1,531.2
Retained deficit and other reserves		**(446.1)**	(280.3)
Total equity		**1,102.1**	1,267.9
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	22	**163.1**	1,337.6
Employee benefits	26	**4.0**	10.1
Deferred income from government grants	24	**4.1**	7.6
Other payables	21	**13.8**	35.6
Deferred income tax liabilities	25	**106.6**	147.7
Total non-current liabilities		**291.6**	1,538.6
Current liabilities			
Interest-bearing loans and borrowings	22	**210.2**	56.5
Trade and other payables	21	**336.7**	442.6
Income tax payable		**82.9**	63.5
Derivative financial instruments	23	**0.5**	0.7
		630.3	563.3
Liabilities of disposal groups held-for-sale	4	**39.7**	40.2
Total current liabilities		**670.0**	603.5
Total liabilities		**961.6**	2,142.1
Total equity and liabilities		**2,063.7**	3,410.0

1 Fiscal year 2021 ended on 31 July 2021 and fiscal year 2020 ended on 1 August 2020. Please refer to Note 1 page 90 for further detail.

The notes on pages 88 to 162 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity

for the period ended 31 July 2021

	Share capital €m	Share premium €m	Treasury shares €m	Other equity reserve €m	Cash flow hedge reserve €m	Share-based payment reserve €m	Foreign currency trans-lation reserve €m	Retained deficit €m	Total share-holders equity €m
At 1 August 2020[1]	**17.0**	**1,531.2**	**–**	**720.5**	**0.8**	**1.9**	**(138.8)**	**(864.7)**	**1,267.9**
Loss for the period	–	–	–	–	–	–	–	(235.8)	(235.8)
Other comprehensive (loss)/income	–	–	–	–	(0.6)	–	64.0	4.8	68.2
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(0.6)**	**–**	**64.0**	**(231.0)**	**(167.6)**
Share-based payments (note 10)	–	–	–	–	–	1.8	–	–	1.8
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**1.8**	**–**	**–**	**1.8**
At 31 July 2021[1]	**17.0**	**1,531.2**	**–**	**720.5**	**0.2**	**3.7**	**(74.8)**	**(1,095.7)**	**1,102.1**

1 Fiscal year 2021 ended on 31 July 2021 and fiscal year 2020 ended on 1 August 2020. Please refer to Note 1 page 90 for further detail.

The notes on pages 88 to 162 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity (continued)
for the period ended 31 July 2021

	Share capital €m	Share premium €m	Treasury shares €m	Other equity reserve €m	Cash flow hedge reserve €m	Revaluation reserve €m	Share-based payment reserve €m	Foreign currency translation reserve €m	Retained earnings/deficit €m	Total shareholders equity €m
At 28 July 2019	17.0	1,531.2	–	720.5	0.7	–	2.4	(53.3)	220.5	2,439.0
Loss for the period	–	–	–	–	–	–	–	–	(1,091.5)	(1,091.5)
Other comprehensive (loss)/income	–	–	–	–	0.1	5.4	–	(85.5)	0.9	(79.1)
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**0.1**	**5.4**	**–**	**(85.5)**	**(1,090.6)**	**(1,170.6)**
Transfer of revaluation reserve to retained deficit	–	–	–	–	–	(5.4)	–	–	5.4	–
Share-based payments (note 10)	–	–	–	–	–	–	(0.5)	–	–	(0.5)
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**(5.4)**	**(0.5)**	**–**	**5.4**	**(0.5)**
At 1 August 2020[1]	**17.0**	**1,531.2**	**–**	**720.5**	**0.8**	**–**	**1.9**	**(138.8)**	**(864.7)**	**1,267.9**

1 Fiscal year 2021 ended on 31 July 2021 and fiscal year 2020 ended on 1 August 2020. Please refer to Note 1 page 90 for further detail.

The notes on pages 88 to 162 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
for the period ended 31 July 2021

	Notes	2021[1] €m	2020[1] €m
Cash flows from operating activities			
Loss for the period - continuing operations		**(50.3)**	(442.8)
Loss for the period - discontinued operations		**(185.5)**	(648.7)
Loss for the period		**(235.8)**	(1,091.5)
Income tax expense/(credit)		**23.5**	(5.5)
Financing income		**(4.2)**	(7.3)
Financing costs		**39.8**	49.9
Share of profit after interest and tax of joint ventures	18	**-**	(16.1)
Net loss on disposal of joint venture	18	**-**	297.1
Gain on equity instruments at fair value through profit or loss	18	**(8.6)**	-
Impairment of goodwill	17	**-**	502.1
Impairment of intangibles	17	**-**	28.3
Net loss on disposal of businesses and impairment of disposal groups held for sale		**184.7**	164.6
Net loss/(gain) on sale and asset write-downs		**5.1**	(4.4)
Other restructuring-related and COVID-19 payments less than/(in excess of) current period costs		**7.3**	(4.3)
Depreciation of property, plant and equipment	14	**127.2**	168.6
Amortisation of intangible assets	17	**56.7**	139.1
Recognition of deferred income from government grants	24	**(3.3)**	(3.9)
Share-based payments	10	**1.8**	(0.5)
Other		**(0.8)**	2.4
Cash flows from operating activities before changes in working capital		**193.4**	218.6
(Increase)/decrease in inventory		**(10.5)**	55.1
Increase in trade and other receivables		**(103.0)**	(71.1)
Increase/(decrease)in trade and other payables		**53.6**	(159.4)
Cash generated from operating activities		**133.5**	43.2
Income tax paid		**(16.6)**	(18.9)
Net cash flows from operating activities		**116.9**	24.3

1 Fiscal year 2021 ended on 31 July 2021 and fiscal year 2020 ended on 1 August 2020. Please refer to Note 1 page 90 for further detail.

The notes on pages 88 to 162 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement (continued) for the period ended 31 July 2021

	Notes	**2021[1] €m**	2020[1] €m
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**5.2**	9.4
Proceeds from sale of investment property	16	**2.9**	17.4
Purchase of property, plant and equipment		**(84.0)**	(96.2)
Grants received	24	**-**	0.8
Purchase of intangible assets		**(4.0)**	(4.3)
Disposal of business, net of cash disposed	3	**677.7**	2.1
Disposal of joint venture	18	**-**	139.9
Disposal of financial assets at fair value through income statement	18	**24.3**	-
Dividends received from equity investment	18	**1.1**	-
Receipts from repayment of vendor loan note	18	**10.0**	-
Net cash flows from investing activities		**633.2**	69.1
Cash flows from financing activities			
Gross drawdown of loan principal	22	**20.0**	406.7
Gross repayment of loan principal	22	**(956.3)**	(349.6)
Interest paid		**(36.2)**	(44.9)
Interest received		**3.6**	7.3
Capital element of finance lease liabilities	22	**(39.7)**	(47.9)
Net cash flows from financing activities		**(1,008.6)**	(28.4)
Net (decrease)/increase in cash and cash equivalents	22	**(258.5)**	65.0
Translation adjustment	22	**5.8**	(19.3)
Cash and cash equivalents at start of period	22	**423.6**	377.9
Cash and cash equivalents at end of period	22	**170.9**	423.6

1 Fiscal year 2021 ended on 31 July 2021 and fiscal year 2020 ended on 1 August 2020. Please refer to Note 1 page 90 for further detail.

The notes on pages 88 to 162 are an integral part of these Group consolidated financial statements.

Notes to the Group Consolidated Financial Statements
for the period ended 31 July 2021

1 Accounting Policies

Organisation

ARYZTA AG (the 'Company') is domiciled and incorporated in Schlieren, Switzerland. The consolidated financial statements for the period ended 31 July 2021 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as the 'Group'), and show the Group's interest in joint ventures using the equity method of accounting. ARYZTA AG is the ultimate controlling party of the Group.

The Group consolidated financial statements and the ARYZTA AG Company financial statements were authorised for issue by the directors on 4 October 2021, subject to approval by the shareholders at the Annual General Meeting on 17 November 2021.

Statement of compliance

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and the requirements of Swiss law. These policies have been consistently applied to all years presented, unless otherwise stated.

The IFRS applied by the Group in preparation of these financial statements are those that were effective for accounting periods beginning on or before 2 August 2020. The following standards and interpretations, issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee, are effective for the first time in the current financial period and have been adopted by the Group:

- Amendment to IFRS 16 – Leases – COVID-19 related rent concessions
- Amendments to IFRS 3 - Definition of a business
- Amendments to IAS 1 and IAS 8 – Definition of material
- Amendments to the Conceptual Framework.

The above standards and interpretations modified certain presentation and disclosure requirements, these new requirements are not significantly different than information presented as part of the 1 August 2020 period-end financial statements and had no material impact on the consolidated results or financial position of the Group.

New standards, interpretations and framework

The following new standards, interpretations and amendments to framework, issued by the IASB or the IFRS Interpretations Committee, have not yet become effective. The Group has not applied early adoption in relation to any of them.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

Standard/Interpretation/Framework	Effective date	Planned implementation by ARYZTA (reporting period)
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021	2022
Amendments to IAS 37 - Onerous Contracts	1 January 2022	2023
Amendments to IFRS 3 – Business Combinations	1 January 2022	2023
Amendments to IAS 16 – Property, Plant and Equipment	1 January 2022	2023
Annual Improvements to IFRS Standards (2018–2020)	1 January 2022	2023
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2023	2024
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023	2024
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement	1 January 2023	2024
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023	2024
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	2024
IFRS 17 – Insurance Contracts	1 January 2023	2024

The Group has undertaken an initial assessment of the potential impacts of the new standards, amendments and improvements listed above that are effective for the Group. Based on this initial assessment, the Group does not currently believe the adoption of these standards, amendments and interpretations will have a significant impact on the consolidated results or financial position of the Group.

Basis of preparation

The Group consolidated financial statements are prepared on a historical cost basis, except that investment properties, disposal groups held-for-sale, derivative financial instruments and certain equity investments and financial liabilities are stated at fair value through profit or loss or other comprehensive income.

The Group consolidated financial statements are presented in millions of euro, rounded to the nearest €0.1 million (m), unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions in the application of the Group's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Further information on areas involving a higher degree of judgement and accounting estimates is set out in note 33.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

Financial period
The Company manages its operations and reports its financial performance on a 4–4–5 calendar, dividing the financial period into four quarters of 13 weeks grouped into two 4-week "months" and one 5-week "month". Under this method the Company's fiscal period is defined as the last Saturday in July or every six years the first Saturday in August. Accordingly the fiscal periods for 2021 and 2020 ended on 31 July 2021 and 1 August 2020, respectively. Fiscal period 2021 comprised of the 52 week period ended on 31 July 2021 and 2020 comprised of the 53 weeks ended 1 August 2020.

Income statement presentation
In accordance with IAS 1, 'Presentation of Financial Statements', the Group Consolidated Income Statement is presented by function of expense, with the exception of net loss on disposal of businesses, impairment of disposal groups held-for-sale, impairment of goodwill and gain on equity instruments at fair value through profit or loss. In accordance with IAS 1.85, net loss on disposal of businesses, impairment of disposal groups held-for-sale, impairment of goodwill and gain on equity instruments at fair value through profit or loss have been presented separately on the basis of materiality and to distinguish them from other elements of financial performance.

Management has also identified certain impairment, disposal and restructuring-related costs within each functional area that do not relate to the underlying business of the Group. Due to the relative size or nature of these items, in order to enable comparability of the Group's underlying results from period to period, these items have been presented as separate components of Underlying EBITDA, as defined in note 2, and have been excluded from the calculation of underlying net profit in note 13.

Additionally, to enable a more comprehensive understanding of the Group's financial performance, the Group Consolidated Income Statement by nature of cost, through operating profit, is set out in note 7.

Discontinued operations presentation
Certain comparative amounts in the Group Consolidated Income Statement have been reclassified or re-presented, to achieve a more appropriate presentation as required by IFRS 5: Non-current assets held for sale and discontinued operations. Following the classification of ARYZTA's North America businesses as held-for-sale in January 2021, the results of these businesses have been presented within loss from discontinued operations in the Group Consolidated Income Statement, with the prior period comparatives re-presented accordingly.

Going concern
Given the continued impact of COVID-19 on the macro-economic conditions in which the Group operates during FY 2021, the Directors have placed a particular focus on whether it is appropriate to adopt the going concern basis in preparing the financial statements for the period ended 31 July 2021. The Directors' analysis of whether the use of the going concern basis is appropriate covers at least 12 months from the date of the financial statements and is based on a number of factors, including financial performance, liquidity and compliance with the Group's financial covenants as defined under the terms of the Group's Syndicated Bank Facilities, as well as considering the Group's principal risks and uncertainties (see pages 75-76).

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

As announced on 19 August 2021, the Group entered into an underwritten agreement with three banks for a new €500m revolving credit facility which has replaced the €800m revolving credit facility that was due to mature in September 2022. The financial covenant ratios as defined under the terms of the new Group's Syndicated Bank Facilities Agreement are a Net Debt : EBITDA ratio being equal to or lower than 3.5x and a Net Interest cover ratio being equal to or above 2.0x in FY 2022. The Net Interest cover ratio must be equal to or above 3.0x after FY 2022, and equal to or above 3.5x after FY 2023.

The Directors have evaluated the appropriateness of adopting the going concern basis, including reviewing forecasts and assumptions relating to the financial performance and liquidity of the business. In addition to considering a base case scenario forecast, which included an estimate of the Group's continued recovery from the impact of COVID-19, the Directors considered what the impact of a negative change in the assumptions underlying the base case scenario would have on the extent and timing of the recovery of the business from the pandemic, and benchmarked the impact against the financial covenant tests for FY 2022 and throughout the going concern assessment period. In particular, the Directors assessed the impact of a downside scenario where the projected EBITDA generation run rate achieved in the second half of FY 2021 would show no improvement over the going concern assessment period and determined that the financial covenant tests during the period would still be met.

The Group has demonstrated strong liquidity management in response to the government restrictions imposed due to COVID-19, and will continue to use levers such as deferral of uncommitted capital expenditure and implementation of further cost reductions should the situation require it. Furthermore, the Group disposed of its North America business during FY 2021, and entered into a binding agreement to dispose of its Brazilian business, expected to complete by H1 2022. The gross proceeds of these two transactions exceed the upper end of the announced target range of €600m-€800m. Based on these considerations, together with available market information, the financial statements for the period ended 31 July 2021 have been prepared on a going concern basis.

Basis of consolidation

The Group consolidated financial statements reflect the consolidation of the results, the assets and the liabilities of the parent undertaking, and all of its subsidiaries, together with the Group's share of the profits/losses of joint ventures.

Subsidiary undertakings

Subsidiary undertakings are those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount,

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

plus proceeds received, recognised in profit or loss. The fair value of the retained interest is then utilised as the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Joint arrangements
Under IFRS 11, 'Joint Arrangements', investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method of accounting, with the Group's investment including goodwill identified on acquisition. The group's joint venture was disposed of and there are no joint venture investments as at 31 July 2021 and 1 August 2020.

Equity method
Under the equity method, investments are initially recognised at cost, with the carrying amount increased or decreased thereafter to recognise the Group's share of the profits or losses and movements in other comprehensive income after the date of the acquisition. When the Group's share of losses equals or exceeds its interest in the associate or joint venture, which includes any interests that, in substance, form part of the Group's net investment, the Group does not recognise further losses, unless it has incurred a legal or constructive obligation to do so.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the Group's financial statements, only to the extent of the unrelated investor's interests. Unrealised losses are eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

If the ownership interest is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss, where appropriate. Dilution gains and losses arising on investments in associates or joint ventures are recognised in the income statement.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture, based on the higher of value in use or fair value less costs to sell, and its carrying value, and recognises any impairment adjacent to share of profit after interest and tax of associates or joint ventures in the income statement. Where necessary, accounting policies of associates and joint ventures have been changed to ensure consistency with the policies adopted by the Group.

Transactions eliminated on consolidation
Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the Group consolidated financial statements. Unrealised gains and income and expenses arising from transactions with

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that they do not provide evidence of impairment.

Revenue recognition

Revenue represents the amount of consideration the Group expects to receive in exchange for the sale of goods and services supplied to third parties, after deducting trade discounts, allowances, and promotional and volume rebates, and is exclusive of sales tax/VAT. Revenue is recognised when control of the goods has passed to the buyer, which is usually upon shipment or delivery, depending on the specific terms agreed with individual customer. Revenue is recorded when there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

An estimate is made on the basis of historical sales returns and is recorded to allocate these returns to the same period as the original revenue is recorded. Rebates, allowances and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience, using the expected value method. Any unutilised accrual is released after assessment that the likelihood of such a claim being made is no longer highly probable.

Financing income is recognised on an accrual basis, taking into consideration the sums lent and the actual interest rate applied.

Segmental reporting

Management has determined the operating segments based on the reports regularly reviewed by the Group's Chief Operating Decision Maker ('CODM') in making strategic decisions, allocating resources and assessing performance.

The Group's Chief Operating Decision Maker ('CODM') was identified as the former Group CEO, Kevin Toland during the period until his departure from the Group on 19 November 2020. From this date, Urs Jordi, Chair of the Board and Interim CEO, has been identified as the CODM.

The Group has three operating and reporting segments, ARYZTA Europe, ARYZTA North America and ARYZTA Rest of World. Following the Group's decision to dispose of its North America businesses during the period, the ARYZTA North America operating segment is now classified as a discontinued operation. The ARYZTA Europe and ARYZTA Rest of World operating segments comprise the continuing operations of the Group.

ARYZTA Europe has leading market positions in the European convenience bakery market. In Europe, ARYZTA has a diversified customer base within the Foodservice, Large Retail and Convenience or independent Retail channels.

ARYZTA North America had leading positions in the frozen B2B bakery market in the United States and Canada prior to disposal. It had a diversified customer base within the QSR, Large Retail and other Foodservice channels.

ARYZTA Rest of World consists of businesses in Australia, Asia, New Zealand and South America, primarily partnering with international QSR and other Foodservice customers.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

Segment assets and liabilities consist of property, plant and equipment, goodwill and intangible assets and other assets and liabilities that can be reasonably allocated to the reported segment. Unallocated assets and liabilities principally include joint ventures, current and deferred income tax assets and liabilities, together with financial assets and liabilities. Share of results of joint ventures, net finance costs and income tax are managed on a centralised basis. Therefore, these items are not allocated between operating segments for the purpose of presenting information to the CODM.

Exceptional items

Exceptional items relate to significant income and/or expenses that are disclosed in a separate note to the financial statements. Where individual transactions are significantly material to the Group, these are disclosed on the face of the income statement due to their nature or amount to highlight the effect of such items within the Group Income Statement and results for the period and to better inform the user of their significance. Examples of such items may include but are not limited to:

- profits or losses on termination or disposal of operations;
- significant impairments of assets, including goodwill impairment;
- transaction, integration and related costs related to acquisition or disposal activity;
- litigation costs and settlements;
- significant restructuring programmes;
- costs arising due to the effect of natural disasters and national health emergencies (including pandemics and the related recovery periods, including any government-imposed restrictions impacting consumer demand and the production processes, net of directly related government support).

Management exercises judgement in assessing items which, by virtue of its scale or nature, should be highlighted and disclosed in the Group Income Statement and notes to the Group Financial Statements as exceptional items. Exceptional items are included within the Income Statement caption to which they relate and are separately disclosed in the notes to the Group Financial Statements.

Employee benefits

Pension obligations

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement, as the related employee service is received. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan, by estimating the amount of future benefit employees have earned in return for their service in the current and prior periods. The future benefit is discounted to determine the present value of the obligation and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

The defined benefit calculations are performed by a qualified actuary using the projected unit credit method on an annual basis. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in the Group Consolidated Statement of Comprehensive Income, net of related taxes. Current and past service costs are

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

recognised as employment costs in the income statement. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets, and is recognised in financing costs/income in the income statement.

Share-based compensation
As defined in IFRS 2, 'Share-based Payment', the cost of equity instruments is recognised at grant date fair value in the group income statement, with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the period during which the employees become unconditionally entitled to the equity instrument. The fair value of the equity instruments granted is measured using the Black-Scholes valuation model, taking into account the terms and conditions under which the equity instruments were granted. The Group's equity-settled share-based compensation plans are subject to a non-market vesting condition; therefore, the amount recognised is adjusted annually to reflect the current estimate of achieving these conditions and the number of equity instruments expected to eventually vest.

Termination benefits
The Group recognises termination benefits when it has a formal plan to terminate the employment of current employees, which has been approved at the appropriate levels of the organisation and when the entity is demonstrably committed to a termination through announcement of the plan to those affected. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Income taxes
Income tax expense on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case the related tax is also recognised directly in equity or in other comprehensive income, respectively. Current income tax is the expected tax payable on the taxable income for the period, using tax rates and laws that have been enacted or substantially enacted at the balance sheet date, in the respective countries where the Group and its subsidiaries operate and generate taxable income.

Deferred income tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. If the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, does not affect accounting or taxable profit or loss, it is not recognised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recovered. Deferred

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

income tax assets are reduced to the extent it is no longer probable the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Foreign currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the 'functional currency'). The consolidated financial statements are presented in euro, the Group's presentation currency.

Transactions in currencies other than the functional currency of each respective entity are converted to the relevant functional currency using the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to the relevant functional currency using the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on conversion into the local functional currency are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euro at the foreign exchange rates at the balance sheet date. Income and expenses of foreign operations are translated to euro at the average exchange rates for the period, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions. Foreign exchange differences arising on translation of the net assets of a foreign operation are recognised in other comprehensive income, as a change in the foreign currency translation reserve.

Exchange gains or losses on long-term intra-group loans and on foreign currency borrowings used to finance or provide a hedge against Group equity investments in non-euro denominated operations are included in other comprehensive income, as a change in the foreign currency translation reserve, to the extent they are neither planned nor expected to be repaid in the foreseeable future, or are expected to provide an effective hedge of the net investment. Any differences that have arisen since transition to IFRS are recognised in the foreign currency translation reserve and are recycled through the Group Consolidated Income Statement on the repayment of the intra-group loan, or on disposal of the related business.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

The principal euro foreign exchange currency rates used by the Group for the preparation of these consolidated financial statements are as follows:

Currency	Average FY 2021	Average FY 2020	% Change	Closing FY 2021	Closing FY 2020	% Change
CHF	1.0868	1.0776	(0.9)%	1.0773	1.0783	0.1%
USD	1.1947	1.1082	(7.8)%	1.1882	1.1894	0.1%
CAD	1.5403	1.4908	(3.3)%	1.4793	1.5957	7.3%
GBP	0.8820	0.8790	(0.3%)	0.8515	0.9054	6.0%
BRL	6.4316	5.0917	(26.3)%	6.0401	6.1072	1.1%

Dividends

Dividends are recognised in the period in which they are approved by the Company's shareholders.

Property, plant and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation and impairment losses. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditures, including repairs and maintenance costs, are recognised in the income statement as an expense as incurred.

Interest on specific and general borrowings used to finance construction costs of property, plant and equipment is capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Depreciation is calculated to write-off the cost, less estimated residual value, of property, plant and equipment, other than freehold land and assets under construction, on a straight-line basis, by reference to the following estimated useful lives:

Buildings	25 to 50	years
Plant and machinery	3 to 20	years
Motor vehicles	3 to 7.5	years

The residual value of assets, if significant, and the useful life of assets is reassessed annually. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals of property, plant and equipment are recognised on the completion of sale. Gains and losses on disposals are determined by comparing the proceeds received, net of related selling costs, with the carrying amount of the asset and are included in operating profit.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

Investment properties

Investment property, principally comprised of land and buildings, is held for capital appreciation and is stated at fair value. The fair value is based on market value, being the estimated amount for which a property could be exchanged in an arm's length transaction. Any gain or loss arising from a change in fair value is recognised in the Group Consolidated Income Statement. When property is transferred to investment property following a change in use, any difference arising at the date of transfer between the carrying amount of the property immediately prior to transfer and its fair value is recognised in equity if it is a gain. Upon disposal of the property, the gain would be transferred to retained earnings. Any loss arising in this manner, unless it represents the reversal of a previously recognised gain, would be recognised immediately in the Group Consolidated Income Statement.

Leases

Identifying a lease

Where a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration it is treated as a lease.

As Lessee

Where the Group acts as a lessee the Group recognises a right of use asset and lease liability at the lease commencement date, which is the date the underlying asset is available for our use.

The Group recognises right-of-use assets at the commencement date of the lease (the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right of use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right of use assets are subject to impairment under IAS 36 'Impairment of assets'. Right of use assets are presented within Property, Plant and Equipment in the Group Consolidated Balance Sheet.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. In the Group Consolidated Cash Flow Statement the payments made are separated into the principal portion, and interest (both presented in financing activities). It is remeasured if there is a change in future lease payments, a change in the lease term, or as appropriate, a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date or the interest rate implicit in the lease, if this is readily determinable. Incremental borrowing rates are calculated using a portfolio

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

approach, based on the risk profile of the entity holding the lease, the term and currency of the lease. Lease liabilities are presented within interest-bearing loans and borrowings except for those leases that are part of disposal groups held-for-sale, they are presented in liabilities of disposal groups held-for-sale.

Short-term, low-value and wholly variable leases
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets, short-term leases and wholly variable leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As Lessor
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. The cost of each acquisition is measured as the aggregate of the fair value of the consideration transferred, as at the acquisition date, and the fair value of any non-controlling interest in the acquiree.

The consideration transferred includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where any part of the consideration for a business combination is contingent, the fair value of that component is determined by discounting the estimated amounts payable to their present value at the acquisition date. The discount is unwound as a finance charge in the Group Consolidated Income Statement over the life of the obligation. Subsequent changes to the estimated amounts payable for contingent consideration are recognised as a gain or loss in the Group Consolidated Income Statement.

Where a business combination is achieved in stages, the Group's previously held interest in the acquiree is re-measured to fair value at the acquisition date and included within the consideration, with any gain or loss recognised in the Group Consolidated Income Statement.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

Goodwill is initially recognised at cost, being the difference between the cost of the acquisition over the fair value of the net identifiable assets and liabilities assumed. Following initial recognition, goodwill is stated at cost, less any accumulated impairment losses.

When the initial accounting for a business combination is only provisionally determined at the end of the financial period in which the combination occurs, any adjustments to the provisional values allocated to the identifiable assets and liabilities are made within a period of no more than one period from the acquisition date.

Acquisition costs arising in connection with a business combination are expensed as incurred.

Intangible assets

Intangible assets acquired as part of a business combination are initially recognised at fair value, being their deemed cost as at the date of acquisition. These generally include brand and customer-related intangible assets.

Computer software that is not an integral part of an item of computer hardware is also classified as an intangible asset. Where intangible assets are separately acquired, they are capitalised at cost. Cost comprises purchase price and other applicable directly attributable costs. Directly attributable costs that are capitalised as part of the ERP and computer-related intangibles include the employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalised, if the product or process is technically and commercially feasible, the attributable expenditure can be reliably measured, and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour or an appropriate proportion of overheads. Capitalised development expenditure is stated at cost, less accumulated amortisation and impairment losses. Other development expenditure is recognised in the income statement as an expense as incurred.

Intangible assets with finite lives are amortised over the period of their expected useful lives in equal annual instalments, generally as follows:

Customer relationships	10 to 15 years
Brands	10 to 15 years
Computer-related intangibles	3 to 5 years
ERP-related intangibles	6 to 12 years
Patents and other	8 to 12 years

Subsequent to initial recognition, the expected useful lives and related amortisation of finite life intangible assets are reviewed at least at each financial period end and, if

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

the expected economic benefits of the asset are different from previous estimates, amortisation is adjusted accordingly. Intangible assets are stated at cost, less accumulated amortisation and any impairment losses incurred.

There are no intangible assets with an indefinite useful life.

Impairment of non-financial assets

The carrying amounts of the Group's assets, other than inventories (which are carried at the lower of cost and net realisable value), deferred tax assets (which are recognised based on recoverability), are reviewed to determine whether there is an indication of impairment when an event or transaction indicates that there may be, and at least at each reporting date. If any such indication exists, an impairment test is carried out and, if necessary, the asset is written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and an asset's value-in-use. The Group tests goodwill for impairment annually, during the last quarter of the financial period, or more frequently if events or changes in circumstances indicate a potential impairment.

An impairment loss is recognised whenever the carrying amount of an asset, or its cash-generating unit, exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement as an expense. Goodwill is allocated to the various cash-generating units for the purposes of impairment testing. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. An impairment loss for goodwill is not subsequently reversed. An impairment loss for other assets may be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventory

Inventory is stated at the lower of cost, on a first-in, first-out basis, and net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing the products to their present location and condition. Net realisable value is the estimated selling price of inventory on hand, less all further costs to completion and all costs expected to be incurred in marketing, distribution and selling.

Cash and cash equivalents

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents in the balance sheet comprise cash at bank and on hand, call deposits and other short-term highly liquid investments with original maturities of three months or less. The group operates a multi-party cash pooling arrangement that is always in a net cash position.

Disposal groups held-for-sale

Disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

The assets of a disposal group classified as held-for-sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the balance sheet.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the disposal group is recognised at the date of derecognition. Non-current assets that are part of a disposal group are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

– Represents a separate major line of business or geographic area of operations;
– Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
– Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative period in the Group Consolidated Income Statement is re-presented as if the operation had been discontinued from the start of the comparative year.

Share capital

Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity, net of tax, as a deduction from the proceeds.

If any Group company purchases ARYZTA AG's equity share capital, those shares are accounted for as treasury shares in the consolidated financial statements of the Group. Consideration paid for treasury shares, including any directly attributable incremental cost, net of tax, is deducted from equity attributable to the shareholders of the Company, until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

Financial assets and liabilities

Financial assets and financial liabilities are recognised in or derecognised from the Group Consolidated Balance Sheet on trade-date basis, being the date on which the Group contractually commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

been transferred and the group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only when the Group's obligations are discharged, cancelled or expired.

At initial recognition, the group measures a financial asset or liability at its fair value plus directly attributable transaction costs, except in the case of a financial instrument through profit or loss (FVPL), which are initially recognised at fair value.

Financial Assets classifications
Financial assets are classified into one of the following categories depending on the Group's business model for managing the financial assets and the contractual terms of the cash flows:

Amortised cost
Trade and other receivables (excluding prepayments) and cash and cash equivalents are initially measured at fair value and are thereafter measured at amortised cost, using the effective interest method, less loss allowance.

Fair value through income statement (FVPL) or Other Comprehensive Income (FVOCI)
Derivative financial instruments are initially recorded at fair value on the date the contract is entered into and are subsequently re-measured to fair value, as of each reporting date, using quoted market values. The gain or loss arising on re-measurement is recognised in the income statement, except where the instrument is a designated cash flow hedging instrument in which case fair value changes in the effective portion of the derivative are recognised in OCI.

Debt instruments
Subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:
– Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in the Consolidated Income Statement. Impairment losses are presented in the Consolidated Income Statement.
– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group has no debt instruments measured at FVOCI.
– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. In addition, assets that are irrevocably designated as FVPL at origination to eliminate or significantly reduce an accounting mismatch are also measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the Consolidated Income Statement.

Equity investments
The Group subsequently measures all equity instrument investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the Group Consolidated Income Statement following the derecognition of the

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

investment. Dividends from such investments continue to be recognised in Consolidated Income Statement when the Group's right to receive payments is established.

Impairment of financial assets
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Trade and other receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Credit losses associated with trade and other receivables are recognised in administration expenses. Where risks associated with trade receivables are transferred out of the Group under receivables purchase arrangements, such receivables are derecognised from the balance sheet, except to the extent of the Group's continued involvement or exposure.

Trade and other payables
Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method. Trade and other payables are classified as current liabilities, if payment is due within one year or less, otherwise, they are presented as non-current liabilities.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the outflow can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Derivatives
Derivative financial instruments, including forward currency contracts, interest rate swaps and commodity futures contracts are used to manage the Group's exposure to foreign currency risk, interest rate risk and commodity price risk. These derivatives are generally designated as cash flow hedges. The Group does not use derivatives for speculative purposes.

Derivative financial instruments are initially recorded at fair value on the date the contract is entered into and are subsequently re-measured to fair value, as of each reporting date, using quoted market values. The gain or loss arising on re-measurement is recognised in the income statement, except where the instrument is a designated hedging instrument.

The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available a discounted cash flow analysis is used based on the applicable

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

yield curve adjusted for counterparty risk for the duration and currency of the instrument, which are observable:

- Foreign exchange forward contracts are measured using quoted forward exchange rates to match the maturities of these contracts; and
- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves adjusted for counterparty credit risk.

Cash flow hedges

Subject to the satisfaction of certain criteria relating to the documentation of the risk, objectives and strategy for the hedging transaction and the ongoing measurement of its effectiveness, cash flow hedges are accounted for under hedge accounting rules. At inception of a hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. In order to achieve and maintain cash flow hedge accounting, it is necessary for management to determine, at inception and on an ongoing basis, whether a forecast transaction is highly probable.

In such cases, any unrealised gain or loss arising on the effective portion of the derivative instrument is recognised in other comprehensive income, as part of the cash flow hedge reserve. Unrealised gains or losses on any ineffective portion are recognised in the income statement. When the hedged transaction occurs, the related gains or losses in the cash flow hedge reserve are transferred to the income statement. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that were reported in equity are immediately reclassified to profit or loss.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of or sold.

Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest rate method.
Fees paid on the establishment of loan facilities are capitalised as transaction costs of the loan, to the extent that it is probable that some or all of the facility will be drawn down, and are amortised over the period of the facility to which the fees relate.

For interest-bearing loans and borrowings with a contractual re-pricing date of less than six months, the nominal amount is considered to approximate fair value for disclosure purposes. For loans with a re-pricing date of greater than six months, the fair value is calculated based on the expected future principal and interest cash flows, discounted at appropriate current market interest rates.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

Other equity reserve
As the perpetual callable subordinated instruments ('Hybrid instruments') have no maturity date and repayment is at the option of ARYZTA, they are recognised within other equity reserves at historical cost, net of attributable transaction costs, until such time that management and the Board of Directors have approved settlement of the applicable instrument. Any difference between the amount paid upon settlement of these instruments and the historical cost is recognised directly within retained earnings.

Dividends on these Hybrid instruments accrue at the coupon rate applicable to each respective instrument on an ongoing basis; however, a contractual obligation to settle these dividends in cash only arises when a Compulsory Payment Event, such as payment of a cash dividend to equity shareholders, has occurred within the last twelve months.

Government grants
Grants that compensate the Group for the cost of an asset are shown as deferred income in the balance sheet and are recognised in the income statement in instalments on a basis consistent with the depreciation policy of the relevant assets. Other grants are credited to the income statement to offset the associated expenditure.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

2 Segment information

2.1 Analysis by business segment

Continuing operations I) Segment revenue and result	ARYZTA Europe 2021 €m	ARYZTA Europe Re-presented 2020 €m	ARYZTA Rest of World 2021 €m	ARYZTA Rest of World Re-presented 2020 €m	Total Continuing Operations 2021 €m	Total Continuing Operations Re-presented 2020 €m
Segment revenue[1]	**1,284.2**	1,418.3	**241.2**	250.7	**1,525.4**	1,669.0
Underlying EBITDA[2]	**140.5**	153.9	**32.9**	34.4	**173.4**	188.3
Depreciation	**(84.6)**	(86.3)	**(14.5)**	(15.6)	**(99.1)**	(101.9)
ERP amortisation	**(10.8)**	(10.8)	**-**	-	**(10.8)**	(10.8)
Underlying EBITA	**45.1**	56.8	**18.4**	18.8	**63.5**	75.6
Amortisation of non-ERP intangible assets	**(12.0)**	(42.0)	**(5.7)**	(6.0)	**(17.7)**	(48.0)
Net loss on disposal of businesses	**-**	(61.2)	**-**	-	**-**	(61.2)
Impairment of goodwill	**-**	(65.0)	**-**	-	**-**	(65.0)
Net (loss)/gain on fixed asset disposals and impairments	**(3.8)**	1.5	**(0.5)**	(0.5)	**(4.3)**	1.0
Disposal and restructuring-related costs	**(44.9)**	(1.4)	**(7.9)**	-	**(52.8)**	(1.4)
COVID-19 related costs	**(0.7)**	(12.4)	**(0.6)**	(1.7)	**(1.3)**	(14.1)
Operating (loss)/profit[3]	**(16.3)**	(123.7)	**3.7**	10.6	**(12.6)**	(113.1)
Share of profit after interest and tax of joint ventures[4]					**-**	16.1
Net loss on disposal of joint venture[4]					**-**	(297.1)
Gain on equity instruments at fair value through profit or loss[4]					**8.6**	-
Financing income[4]					**3.0**	4.5
Financing costs[4]					**(35.8)**	(42.7)
Loss before income tax as reported in Group Consolidated Income Statement					**(36.8)**	(432.3)

1 There were no significant intercompany revenues between business segments.

2 'Underlying EBITDA' - presented as earnings before interest, taxation, depreciation and amortisation; before impairment, disposal, restructuring and COVID-19 related costs and related tax credits. Underlying EBITDA from continuing operations includes central costs previously allocated to ARYZTA North America discontinued operations.

3 Certain central executive and support costs have been allocated against the operating results of each business segment. Underlying EBITDA from continuing operations includes central costs previously allocated to ARYZTA North America discontinued operations.

4 Joint ventures, finance income/(costs) and income tax expense are managed on a centralised basis. Therefore, these items are not allocated between business segments for the purposes of presenting information to the Chief Operating Decision Maker.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

A reconciliation of IFRS EBITDA to Underlying EBITDA from continuing operations is shown below:

	ARYZTA Europe		ARYZTA Rest of World		Total Continuing Operations	
	2021 €m	Re-presented 2020[1] €m	2021 €m	Re-presented 2020[1] €m	2021 €m	Re-presented 2020[1] €m
Operating (loss)/profit	**(16.3)**	(123.7)	**3.7**	10.6	**(12.6)**	(113.1)
Depreciation	**84.6**	86.3	**14.5**	15.6	**99.1**	101.9
ERP amortisation	**10.8**	10.8	**-**	-	**10.8**	10.8
Amortisation of non-ERP intangible assets	**12.0**	42.0	**5.7**	6.0	**17.7**	48.0
IFRS EBITDA	**91.1**	15.4	**23.9**	32.2	**115.0**	47.6
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**–**	61.2	**–**	–	**–**	61.2
Impairment of goodwill	**–**	65.0	**–**	–	**–**	65.0
Net loss/(gain) on fixed asset disposals and impairments	**3.8**	(1.5)	**0.5**	0.5	**4.3**	(1.0)
Disposal and restructuring-related costs	**44.9**	1.4	**7.9**	-	**52.8**	1.4
COVID-19 related costs	**0.7**	12.4	**0.6**	1.7	**1.3**	14.1
Underlying EBITDA	**140.5**	153.9	**32.9**	34.4	**173.4**	188.3

1 IFRS EBITDA and Underlying EBITDA from continuing operations includes central costs previously allocated to ARYZTA North America discontinued operations.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

II) Segment revenue by location	2021 €m Revenue	2021 % of Group Revenue	2020 €m Revenue	2020 % of Group Revenue
Switzerland (ARYZTA's country of domicile)	**194.2**	**12.7%**	214.6	12.9%
Germany	**457.4**	**30.0%**	512.1	30.7%
France	**170.5**	**11.2%**	200.4	12.0%
Other[1]	**462.1**	**30.3%**	491.2	29.4%
ARYZTA Europe segmental revenue	**1,284.2**	**84.2%**	1,418.3	85.0%
ARYZTA Rest of World segmental revenue[2]	**241.2**	**15.8%**	250.7	15.0%
ARYZTA Group continuing operations revenue[3]	**1,525.4**	**100.0%**	1,669.0	100.0%

1 Other includes foreign countries in the Europe segment which individually did not represent greater than 10% of ARYZTA Group continuing operations revenue in the current or prior financial period.

2 No country in the Rest of World segment represented greater than 10% of the ARYZTA Group continuing operations revenue in the current or prior financial period on an individual country basis.

3 For the purposes of this analysis, customer revenues are allocated based on geographic location of vendor.

One single external customer represented 17% of the ARYZTA Group continuing operations revenue in the current financial period (2020: 15%). No other customer represented more than 10% of the ARYZTA Group continuing operations revenue in the current and prior financial period. These revenues were earned across all of the Group's operating segments in the current and prior financial periods. There is no significant credit risk associated with receivables from this customer.

III) Segment revenue by product	ARYZTA Europe 2021 €m	ARYZTA Europe 2020 €m	ARYZTA Rest of World 2021 €m	ARYZTA Rest of World 2020 €m	Total Continuing Operations 2021 €m	Total Continuing Operations 2020 €m
Bread Rolls & Artisan Loaves	**594.7**	585.5	**177.0**	183.0	**771.7**	768.5
Sweet Baked & Morning Goods	**426.2**	458.8	**59.7**	63.6	**485.9**	522.4
Savoury & Other	**263.3**	374.0	**4.5**	4.1	**267.8**	378.1
Revenue	**1,284.2**	1,418.3	**241.2**	250.7	**1,525.4**	1,669.0

IV) Segment revenue by channel	ARYZTA Europe 2021 €m	ARYZTA Europe Re-presented 2020 €m[1]	ARYZTA Rest of World 2021 €m	ARYZTA Rest of World Re-presented 2020 €m[1]	Total Continuing Operations 2021 €m	Total Continuing Operations Re-presented 2020 €m[1]
QSR	**133.9**	134.9	**176.6**	177.9	**310.5**	312.8
Retail	**808.7**	840.3	**24.9**	25.8	**833.6**	866.1
Other Foodservice	**341.6**	443.1	**39.7**	47.0	**381.3**	490.1
Revenue	**1,284.2**	1,418.3	**241.2**	250.7	**1,525.4**	1,669.0

1 During FY 2021 the Group reviewed its channels from QSR, Convenience & Independent Retail, Large Retail and Other Foodservice in FY 2020 to being QSR, Retail and Other Foodservice. To allow comparability, the FY 2020 revenues have been allocated to the FY 2021 channels.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

V) Segment assets	ARYZTA Europe 2021 €m	ARYZTA Europe 2020 €m	ARYZTA Rest of World 2021 €m	ARYZTA Rest of World 2020 €m	Total Continuing Operations 2021 €m	Total Continuing Operations 2020 €m	Discontinued Operations 2021 €m	Discontinued Operations 2020 €m	ARYZTA Group 2021 €m	ARYZTA Group 2020 €m
Segment assets[1]	**1,618.3**	1,664.1	**245.9**	207.2	**1,864.2**	1,871.3	**-**	1,060.0	**1,864.2**	2,931.3

	2021 €m	2020 €m
Reconciliation to total assets as reported in Group Consolidated Balance Sheet		
Financial assets at fair value through income statement	**–**	16.8
Deferred income tax assets	**28.4**	37.8
Derivative financial instruments	**0.2**	0.5
Cash and cash equivalents	**170.9**	423.6
Total assets as reported in Group Consolidated Balance Sheet	**2,063.7**	3,410.0

VI) Segment liabilities	ARYZTA Europe 2021 €m	ARYZTA Europe 2020 €m	ARYZTA Rest of World 2021 €m	ARYZTA Rest of World 2020 €m	Total Continuing Operations 2021 €m	Total Continuing Operations 2020 €m	Discontinued Operations 2021 €m	Discontinued Operations 2020 €m	ARYZTA Group 2021 €m	ARYZTA Group 2020 €m
Segment liabilities[1]	**454.3**	409.0	**97.3**	61.3	**551.6**	470.3	**-**	342.2	**551.6**	812.5

	2021 €m	2020 €m
Reconciliation to total liabilities as reported in Group Consolidated Balance Sheet		
Interest-bearing loans and borrowings	**236.4**	1,165.8
Derivative financial instruments	**0.5**	0.7
Current and deferred income tax liabilities	**173.1**	163.1
Total liabilities as reported in Group Consolidated Balance Sheet	**961.6**	2,142.1

1 Deferred tax assets and liabilities associated with acquired goodwill and intangible assets are included within Segment assets and liabilities.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

VII) Other segment information	ARYZTA Europe 2021 €m	2020 €m	ARYZTA Rest of World 2021 €m	2020 €m	Total Continuing Operations 2021 €m	2020 €m	Discontinued Operations 2021 €m	2020 €m	ARYZTA Group 2021 €m	2020 €m
Capital expenditure										
– Property, plant and equipment	**65.8**	41.1	**44.9**	27.8	**110.7**	68.9	**20.5**	33.3	**131.2**	102.2
– Intangibles	**3.6**	1.9	**0.1**	0.9	**3.7**	2.8	**0.7**	1.5	**4.4**	4.3
Total capital expenditure	**69.4**	43.0	**45.0**	28.7	**114.4**	71.7	**21.2**	34.8	**135.6**	106.5

2.2 Segmental non-current assets

I) Segment non-current assets by segment	ARYZTA Europe 2021 €m	2020 €m	ARYZTA Rest of World 2021 €m	2020 €m	Total Continuing Operations 2021 €m	2020 €m	Discontinued Operations 2021 €m	2020 €m	ARYZTA Group 2021 €m	2020 €m
IFRS 8 non-current assets[1]	**1,404.2**	1,489.6	**112.4**	166.9	**1,516.6**	1,656.5	**-**	849.5	**1,516.6**	2,506.0

1 Non-current assets as reported under IFRS 8, Operating Segments, include all non-current assets as presented in the Group Consolidated Balance Sheet, with the exception of deferred taxes and derivative financial instruments.

II) Segment non-current assets by location	2021 Non-current assets €m	2021 % of Group non-current assets	2020 Non-current assets €m	2020 % of Group non-current assets
Switzerland (ARYZTA's country of domicile)	**322.9**	**21.3%**	330.1	13.2%
Germany	**396.6**	**26.2%**	414.9	16.6%
Ireland	**187.2**	**12.3%**	203.1	8.1%
Other[1]	**497.5**	**32.8%**	541.5	21.6%
ARYZTA Europe segmental non-current assets	**1,404.2**	**92.6%**	1,489.6	59.5%
ARYZTA Rest of World segmental non-current assets[2]	**112.4**	**7.4%**	166.9	6.6%
ARYZTA Group continuing operations segmental non-current assets	**1,516.6**	**100.0%**	1,656.5	66.1%
ARYZTA discontinued operations segmental non-current assets	**-**	**0.0%**	849.5	33.9%
ARYZTA Group non-current assets	**1,516.6**	**100.0%**	2,506.0	100.0%

1 Other includes foreign countries in the Europe segment which individually did not represent greater than 10% of ARYZTA Group non-current assets at the end of the current or prior financial year.

2 No country in the Rest of World segment represented greater than 10% of the ARYZTA Group non-current assets in the current or prior financial year on an individual country basis.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

3 Impairment, disposal, restructuring and COVID-19 related costs

In accordance with IAS 1, 'Presentation of Financial Statements', the Group Consolidated Income Statement is presented by function of expense.

Management has also identified certain impairment, disposal, restructuring and COVID-19 related costs within each functional area, which are presented separately within the Financial Business Review. In order to enable comparability of the Group's underlying results and performance from period to period, the following reconciliation between the IFRS income statement and the amounts presented within the Financial Business Review is provided.

Continuing operations	IFRS Income Statement 2021 €m	Impairment, disposal & restructuring related costs 2021 €m	Covid-19 related costs 2021 €m	Intangible amortisation 2021 €m	Financial Business Review 2021 €m	IFRS Income Statement 2020 €m	Impairment, disposal & restructuring related costs 2020 €m	Covid-19 related costs 2020 €m	Intangible amortisation 2020 €m	Financial Business Review 2020 €m
Revenue	**1,525.4**	–	–	–	**1,525.4**	**1,669.0**	–	–	–	**1,669.0**
Cost of sales	**(1,058.5)**	11.3	(0.2)	–	**(1,047.4)**	**(1,149.0)**	1.7	9.3	–	**(1,138.0)**
Distribution expenses	**(214.4)**	2.4	0.4	–	**(211.6)**	**(226.7)**	0.3	0.4	–	**(226.0)**
Gross profit	**252.5**	13.7	0.2	–	**266.4**	**293.3**	2.0	9.7	–	**305.0**
Selling expenses	**(86.8)**	2.4	0.3	–	**(84.1)**	**(102.9)**	0.2	0.8	–	**(101.9)**
Administration expenses	**(178.3)**	41.0	0.8	17.7	**(118.8)**	**(177.3)**	(1.8)	3.6	48.0	**(127.5)**
Net loss on disposal of businesses	**–**	–	–	–	**–**	**(61.2)**	61.2	–	–	**–**
Impairment of goodwill (note 17)	**–**	–	–	–	**–**	**(65.0)**	65.0	–	–	**–**
Operating (loss)/profit of continuing operations	**(12.6)**	57.1	1.3	17.7	**63.5**	**(113.1)**	126.6	14.1	48.0	**75.6**

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

During the period ended 31 July 2021, the Group incurred the following impairment, disposal, restructuring and COVID-19 related costs in respect of continuing operations, which are presented separately when providing information to the Chief Operating Decision Maker, as reflected within the presentation of segmental Underlying EBITDA within note 2. Furthermore, this metric forms the basis for the Trailing Twelve Month EBITDA utilised in calculating the Net Debt: EBITDA ratio for banking covenant compliance.

		ARYZTA Europe		ARYZTA Rest of World		Total Continuing Operations	
	Notes	2021 €m	2020 €m	2021 €m	2020 €m	2021 €m	2020 €m
Net loss on disposal of businesses	3.1	**–**	(61.2)	**–**	–	**–**	(61.2)
Impairment of goodwill	3.2	**–**	(65.0)	**–**	–	**–**	(65.0)
(Loss)/gain on sale and impairment of fixed assets	3.3	**(3.8)**	1.5	**(0.5)**	(0.5)	**(4.3)**	1.0
Total net loss on disposal of businesses and asset write-downs		**(3.8)**	(124.7)	**(0.5)**	(0.5)	**(4.3)**	(125.2)
						–	–
Legal & financial obligations related to takeover of Group, rejected by Board in December 2020		**(13.6)**	–	**(2.5)**	–	**(16.1)**	–
Severance and other staff-related costs		**(24.2)**	(1.2)	**(4.2)**	–	**(28.4)**	(1.2)
Other costs including advisory		**(7.1)**	(0.2)	**(1.2)**	–	**(8.3)**	(0.2)
Total restructuring-related costs	3.4	**(44.9)**	(1.4)	**(7.9)**	–	**(52.8)**	(1.4)
						–	–
COVID-19 related costs	3.5	**(0.7)**	(12.4)	**(0.6)**	(1.7)	**(1.3)**	(14.1)
						–	–
Total impairment, disposal and restructuring and COVID-19 related costs		**(49.4)**	(138.5)	**(9.0)**	(2.2)	**(58.4)**	(140.7)

3.1 Net loss on disposal of businesses - continuing operations

During the period ended 1 August 2020, the Group completed the disposal of its non-core UK Food Solutions business within the Europe operating segment. As the €7.0m net debt proceeds received, comprising €2.1m cash received and €4.9m lease liabilities disposed, net of associated transaction costs, was less than the €59.4m carrying value of the assets disposed, combined with a €8.8m cumulative foreign currency translation loss since the initial investment, a loss on disposal of €61.2m was recognised.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

3.2 Impairment of goodwill - continuing operations

There was no impairment of goodwill during FY 2021.

The North West Europe CGU comprises of businesses in Ireland, the Netherlands and Denmark. A significant part of the manufacturing business in Ireland hinges on exports to the UK market and the projections for this business were negatively impacted during the period ended 1 August 2020 by an increased likelihood of trade tariffs related to Brexit in the short and medium term. Furthermore, the challenging trading conditions in the Foodservice channel following the continued government restrictions on working from home and travel within Ireland resulted in a reduction in the cash flow projections for this CGU during the period ended 1 August 2020. In addition to these reduced projections, an increase in the discount rate of 70bps compared to the prior period further reduced the recoverable amount in FY 2020. As the recoverable amount of the CGU was lower than its carrying value, a goodwill impairment of €65.0m was recorded in the period ended 1 August 2020.

Further detail on this goodwill impairment is included in note 17 in the Group's consolidated financial statements on page 131.

3.3 (Loss)/gain on sale and impairment of fixed assets and investment property - continuing operations

During the period ended 31 July 2021, the Group realised a net loss on the disposal and impairment of various fixed assets and investment properties totalling €4.3m, primarily related to closure of a production facility in the ARYZTA Europe segment, resulting in the write-down of land and building assets to recoverable value (2020: net gain of €1.0m).

3.4 Restructuring-related costs - continuing operations

During the period ended 31 July 2021, the Group has recognised costs, including providing for amounts as required by IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', in the Group Consolidated Income Statement as follows:

Legal & financial obligations related to takeover of Group, rejected by Board in December 2020

During the period ended 31 July 2021, the Group incurred €16.1m (2020: nil) in committed financial and legal services prior to the rejection by the Board of the proposed takeover of the Group in December 2020.

Severance and other staff-related costs

During the period ended 31 July 2021, the Group incurred €28.4m (2020: €1.2m) in severance and other staff-related costs. These costs primarily relate to the termination of executive roles as a delayering of reporting structures was implemented across the two remaining regions of the Group and to employees whose services were discontinued following the removal of complex regional structures across the two remaining regions of the Group.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

Other costs including advisory

During the period ended 31 July 2021, the Group incurred €8.3m in advisory and other costs (2020: €0.2m) associated with the ongoing bakery rationalisation and disposal transactions in Europe and Rest of World.

3.5 COVID-19 related costs - continuing operations

COVID-19 related costs are costs arising due to the effect of the COVID-19 pandemic, including any government-imposed restrictions impacting consumer demand and the production processes. These costs have been identified as quantifiable, distinguishable and separable from normal operations. As a result, in order to improve the transparency and usefulness of the financial information presented and improve year-on-year comparability, the Group has presented €1.3m (2020: €14.1m) of COVID-19 related costs. These were primarily costs associated with incidental labour related costs, costs associated with implementing safety measures across the Group's bakery network, and incremental inventory write-offs arising from the impact of the COVID-19 and government-imposed restrictions.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

4 Disposal groups held-for-sale

As announced during period ended 31 July 2021, the Board of Directors confirmed its intention to dispose of businesses within the Group to reduce debt and in order to focus on the Group's Europe and APAC markets. As plans for the disposal of the business in Brazil in its entirety was approved by the Board of Directors and were were sufficiently progressed that they are considered highly probable to be completed within the next 12 months, the assets of these businesses have been accounted for as disposal group held-for-sale as of 31 July 2021.

As announced on 19 August 2021, the group the Group has successfully signed binding documentation concerning the disposal of its Brazil businesses to Grupo Bimbo SAB de CV. The transaction is expected to complete by the end of Q2 of ARYZTA's financial year 2022, and is subject to closing conditions customary for this type of transaction.

In accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', the net assets were measured at the lower of carrying amount and fair value less costs to sell at the period ended 31 July 2021 therefore no loss on remeasurement was recorded. The Brazil business is part of the 'Rest Of World' segment.

The assets and liabilities of the disposal groups held-for-sale are as follows:

	2021 €m
Property, plant and equipment	**71.6**
Goodwill and intangible assets	**14.3**
Inventory	**2.9**
Trade and other receivables	**12.3**
Deferred tax assets	**0.7**
Assets of disposal group held for sale	**101.8**
Trade and other payables	**(15.0)**
Corporation tax	**0.1**
Lease liabilities	**(17.7)**
Deferred tax liabilities	**(7.1)**
Liabilities of disposal group held for sale	**(39.7)**
Disposal groups held-for-sale at carrying amount	**62.1**
Presented in assets of disposal groups held-for-sale	**101.8**
Presented in liabilities of disposal groups held-for-sale	**(39.7)**
Disposal groups held-for-sale at carrying amount	**62.1**

The transactions are expected to complete within one year from the date of classification as held-for-sale on 31 July 2021. A cumulative €82m foreign currency translation loss on net investment, related to these disposal groups, has been recognised through other comprehensive income since initial investment, and remains in foreign currency translation reserve as of 31 July 2021. This amount will be recalculated upon eventual completion of the transaction and will be recycled from other comprehensive income into the income statement upon disposal.

During the period ended 1 August 2020, the group classified its assets and liabilities in its Pizza business in ARYZTA North America as held for sale and was presented separately from other assets in the Group Consolidated Balance Sheet. The group presented assets of €59.4m in disposal groups held for sale and liabilities of €40.2m in disposal groups held for sale.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

Assets held for sale
During the period ended 31 July 2021, the Group classified assets with a carrying value of €3.2m to assets held for sale, relating to land and buildings within the Aryzta Europe segment. The disposals of these assets are expected to complete within one year from the date of classification as held-for-sale on 31 July 2021.

The net assets of disposal groups held-for-sale and assets held for sale at 31 July 2021 were held at the lower of their carrying value and fair value less costs to sell. The fair value was the estimated recoverable value determined based on the status of the business sale processes and valuations of the underlying land and building assets within the disposal groups.

5 Discontinued operations

During the period ended 31 July 2021, the Board of Directors confirmed its intention to dispose of the Group's businesses in North America, in order to reduce debt levels, and in order to focus on the Group's Europe and APAC markets.

On 12 March 2021, the Group publicly announced the sale of its North American businesses in the USA and Canada to an affiliate of Lindsay Goldberg LLC for a cash consideration of US$850m, which completed on 3 May 2021. After adjustments for cash, debt and working capital, net proceeds of €659.1m were recorded in the Group Consolidated Cash Flow Statement at 31 July 2021. Transaction costs of €11.7m remain outstanding and are expected to be settled within the next 12 months, with net proceeds received for the transaction expected to be €647.4m.

In accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', as the ARYZTA North America business previously represented a significant component and separately reported segment of the Group, its results have been separately presented in the Group Consolidated Income Statement as Discontinued Operations, in both the current and prior periods.

Analysis of the profit / (loss) after tax for the period from discontinued operations, is as follows:

	2021 €m	2020 €m
Revenue	**794.3**	1,261.9
Cost of sales	**(603.6)**	(1,044.7)
Distribution expenses	**(82.6)**	(134.3)
Gross profit	**108.1**	82.9
Selling expenses	**(22.0)**	(38.5)
Administration expenses	**(74.1)**	(164.2)
Net gain/(loss) on disposal of businesses	**4.6**	(103.4)
Impairment of goodwill	**–**	(437.1)
Operating profit/(loss)	**16.6**	(660.3)
Finance income	**1.2**	2.8
Finance costs	**(4.0)**	(7.2)
Profit/(loss) before income tax	**13.8**	(664.7)
Income tax credit	**4.6**	16.0
Profit/(loss) after tax from discontinued operations	**18.4**	(648.7)
Loss on disposal of discontinued operations	**(189.3)**	–
Income tax on loss on disposal of discontinued operations	**(14.6)**	–
Loss after tax for the period from discontinued operations	**(185.5)**	(648.7)

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

The major classes of assets and liabilities of ARYZTA North America disposed, the consideration received and a calculation of the loss on disposal are as follows:

	2021 €m
Property, plant and equipment	**403.0**
Goodwill and intangible assets	**426.8**
Deferred income tax assets	**24.6**
Inventory	**79.8**
Trade and other receivables	**152.3**
Assets disposed	**1,086.5**
Leases	**(74.2)**
Deferred income tax liabilities	**(29.9)**
Trade and other payables	**(189.6)**
Liabilities disposed	**(293.7)**
Net assets disposed	**792.8**
Consideration	
Gross consideration, net of transaction costs	**649.3**
Net cash disposed	**(1.9)**
Total Consideration	**647.4**
Translation reserve classification to income statement on disposal	**(43.9)**
Net loss on disposal	**(189.3)**

A cumulative €43.9m foreign currency translation loss on net investment, related to this disposal group, has been recognised through other comprehensive income since initial investment, and transferred to the loss on disposal in the income statement at 31 July 2021.

The Underlying EBITDA of discontinued operations has been reconciled to the operating gain/(loss) as follows:

	2021 €m	2020 €m
Underlying EBITDA - discontinued operations	**76.6**	71.9
Depreciation	**(28.1)**	(66.7)
ERP Amortisation	**(2.5)**	(5.4)
Underlying EBITA	**46.0**	(0.2)
Amortisation of other intangible assets	**(25.7)**	(74.9)
Net gain/(loss) on disposal of businesses	**4.6**	(103.4)
Impairment of goodwill	**–**	(437.1)
Impairment of intangible assets	**–**	(28.3)
Loss on fixed asset disposals and impairments	**(0.8)**	3.4
Restructuring-related costs	**(2.8)**	(8.3)
COVID-19 related costs	**(4.7)**	(11.5)
Operating gain/(loss) - discontinued operations	**16.6**	(660.3)

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

Disposal, restructuring and COVID-19 related costs - discontinued operations
During the period ended 31 July 2021, the Group completed the disposal of its non-core Pizza businesses within North America, which had been classified as a disposal group held-for-sale as of 1 August 2020. These businesses historically generated approximately 11% of the annual revenues of the segment. As the €18.6m proceeds received, net of associated transaction costs, were in excess of the €18.5m carrying value of the net assets disposed, combined with a €4.5m cumulative foreign currency translation gain since the initial investment, a gain on disposal of €4.6m was recognised in the income statement. Including €39.6m of lease liabilities disposed, the net debt consideration was €58.2m.

During the period ended 31 July 2021, the ARYZTA North America business incurred €2.8m (2020: €8.3m) in restructuring-related costs, of which €1.5m (2020: €6.1m) related to severance and other staff-related costs. These costs primarily related to the employees whose services were discontinued following business rationalisation decisions as part of the restructuring of the business. The business also incurred €1.3m during the period (2020: €2.2m) in advisory and other costs related to the business rationalisation.

The business incurred €4.7m of costs as a result of COVID-19 restrictions during the period (2020: €11.5m), which mainly related to costs associated with incidental labour related costs and incremental inventory write-offs incurred due to further restrictions within the Foodservice sector in the period.

Cash flow statement - discontinued operations
The net cash flows incurred by ARYZTA North America discontinued operations are as follows:

	2021 €m	2020 €m
Operating	**34.3**	42.9
Investing	**654.0**	(40.7)
Financing	**(12.2)**	(20.1)
Net cash inflow/(outflow)	**676.1**	(17.9)

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

6 Financing income and costs

	2021 €m	2020 €m
Financing income - continuing operations		
Total financing income recognised in Group Consolidated Income Statement	**3.0**	4.5
Financing costs - continuing operations		
Interest cost on bank loans and overdrafts	**(31.6)**	(38.3)
Interest cost on lease liabilities	**(4.2)**	(4.4)
Total financing costs recognised in Group Consolidated Income Statement	**(35.8)**	(42.7)

7 Other information

Group Consolidated Income statement by nature of cost through to operating profit - continuing operations	2021 €m	2020 €m
Revenue	**1,525.4**	1,669.0
Raw materials and consumables used	**(677.2)**	(759.3)
Employment costs (note 9)	**(411.1)**	(418.8)
Storage and distribution costs	**(106.2)**	(114.2)
Amortisation of intangible assets (note 2)	**(28.5)**	(58.8)
Depreciation of property, plant and equipment (note 2)	**(99.1)**	(101.9)
Light, heat and power	**(47.1)**	(50.7)
Operating lease rentals	**(3.1)**	(1.7)
Repairs and maintenance	**(41.1)**	(40.3)
Advertising and marketing	**(7.3)**	(9.6)
Research and development	**(5.3)**	(5.6)
Net loss on disposal of businesses (note 3)	**-**	(61.2)
Impairment of goodwill (note 3)	**-**	(65.0)
Asset disposals and impairments (note 3)	**(4.3)**	1.0
Other legal and advisory restructuring-related costs (note 3)	**(24.4)**	(0.2)
COVID-19 related costs (note 3)	**(1.3)**	(14.1)
Government aid	**10.7**	10.8
Other direct and indirect costs	**(92.7)**	(92.5)
Operating loss from continuing operations	**(12.6)**	(113.1)

Group revenue categories

Group revenue relates primarily to sale of products.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

8 Directors' compensation

Please refer to the ARYZTA AG Compensation Report on pages 56 to 72 for details on the compensation process and compensation for the period of Directors and Group Executive Management. Also see compensation of key management disclosure as included in note 30.

9 Employment

Average number of persons employed by the Group during the year by function - continuing operations	2021	2020
Production	**5,981**	6,168
Sales and distribution	**2,300**	2,499
Management and administration	**970**	956
Average number of persons employed - continuing operations	**9,251**	9,624

Average number of persons employed by the Group during the year by region - continuing operations	2021	2020
Europe	**7,183**	7,566
Rest of World	**2,068**	2,058
Total Group - continuing operations	**9,251**	9,624

Employment costs of the Group - continuing operations	2021 €m	2020 €m
Wages and salaries	**325.4**	353.6
Social welfare costs	**47.8**	54.3
Severance and other staff-related costs (note 3)	**28.4**	1.2
Defined contribution plans (note 26)	**5.9**	6.6
Defined benefit plans - current service cost (note 26)	**3.6**	3.6
Defined benefit plans - past service cost (note 26)	**(1.8)**	-
Share-based payments (note 10)	**1.8**	(0.5)
Employment costs - continuing operations	**411.1**	418.8

10 Share-based payments

The Group has equity-based incentive awards outstanding under various ARYZTA Long-Term Incentive Plans ('LTIPs'). In addition, as detailed in the Compensation Report, since the November 2018 AGM, non-executive members of the Board of Directors have been compensated in the form of restricted shares or Restricted Stock Units ('RSUs') in respect of 40% of their fixed annual fees.

As the Group has no legal or constructive obligation to repurchase or settle the awards in cash, the equity instruments granted under these LTIPs are equity-settled share-based payments, as defined in IFRS 2 'Share-based Payment'.

During the period ended 1 August 2020, the Group granted additional options and Performance Share Units ('PSUs') to Group Executives and other members of senior management. Vesting of these awards is conditional on achievement of EBITDA and ROIC targets during the associated performance periods ending in 2021, 2022 and 2023, as well as continued employment throughout the respective performance periods. Further details are set out on pages 56 to 72 in the Compensation Report.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

The number of awards granted during the period, as included in the respective tables below, represents the target number of awards that could potentially vest. The actual vesting level will be determined based on the level of performance achieved during the applicable vesting period and applying the corresponding vesting multiple, ranging between 0 and 2.0, to the number of awards received by each participant.

The total cost reported in the Group Consolidated Income Statement in relation to equity-settled share-based payments is €1.8m (2020: credit of (€0.5m)). The analysis of movements within the LTIP plans is as follows:

10.1 Options and option equivalents

Option Equivalent Plan awards	**Weighted conversion price 2021 in CHF**	**Number of equity entitlements 2021**	Weighted conversion price 2020 in CHF	Number of equity entitlements 2020
Outstanding at beginning of the period	**2.62**	**22,610,768**	2.53	26,411,366
Granted during the period	**–**	**–**	1.06	464,067
Forfeited during the period	**1.08**	**(17,964,585)**	5.41	(4,264,665)
Outstanding at the end of the period	**8.57**	**4,646,183**	2.62	22,610,768
Vested at end of the period	**8.57**	**4,646,183**	8.57	4,646,183

Option Equivalent Plan awards outstanding by conversion price	Conversion price in CHF	**Number of equity entitlements**	**Actual remaining life (years)**
Issued during financial period 2012	8.50	**4,420,458**	**0.2**
Issued during financial period 2013	9.93	**225,725**	**1.3**
As of 31 July 2021	8.57	**4,646,183**	**0.2**

As the performance conditions associated with the option awards granted during financial period 2019 were not met, these awards were forfeited during the period ended 31 July 2021. The vested option awards still outstanding as of 31 July 2021 can be exercised no later than ten years after grant date.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

10.2 Performance Share Units and Restricted Stock Units

Restricted Stock Unit and Performance Share awards outstanding	Weighted conversion price 2021 in CHF	Number of equity entitlements 2021	Weighted conversion price 2020 in CHF	Number of equity entitlements 2020
Outstanding at beginning of the period	**0.00**	**26,688,388**	0.00	13,054,623
Granted during the period	-	-	0.00	15,299,880
Exercised during the period	**0.00**	**(167,902)**	0.00	(25,684)
Forfeited during the period	**0.00**	**(17,186,923)**	0.00	(1,640,431)
Outstanding at the end of the period	**0.00**	**9,333,563**	0.00	26,688,388
Vested at end of the period	**–**	**–**	–	–

Restricted Stock Unit and Performance Share awards outstanding by conversion price	Actual remaining life (years)	Conversion price in CHF	Number of equity entitlements
Issued during financial period 2020	8.1	0.00	**9,333,563**
As of 31 July 2021	8.1	0.00	**9,333,563**

There were no awards granted during the period ended 31 July 2021. During the period ended 31 July 2021, the performance conditions associated with 167,902 RSUs 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 0.46.

As the performance conditions associated with the PSUs awards granted during financial period 2019 were not met, these awards were forfeited during the period ended 31 July 2021. Awards relating to the PSUs granted during financial period 2020 were forfeited as certain employees exited the business before the vesting period ended.

During the period ended 1 August 2020, the performance conditions associated with 25,684 RSUs 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 0.80.

The weighted average fair value assigned to PSUs issued during the period ended 1 August 2020 was CHF 0.89, which represents the full value of an ordinary share on the grant date, as the exercise price associated with these awards is nil and the expected dividend yield was 0.0%.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

11 Income taxes

Income tax credit/(charge)	2021 €m	Represented 2020 €m
Current tax charge	**(23.2)**	(23.8)
Deferred tax credit (note 25)	**9.7**	13.3
Income tax charge - continuing operations	**(13.5)**	(10.5)

Reconciliation of average effective tax charge to applicable tax charge	2021 €m	Represented 2020 €m
Loss before income tax	**(36.8)**	(432.3)
Less share of profit after interest and tax of joint ventures	**-**	(16.1)
Loss before tax and before share of profit of joint ventures	**(36.8)**	(448.4)
Income tax on loss for the year at 20.83% (2020: 20.83%)[1]	**7.7**	93.4
Income/(expenses) not taxable/(deductible) for tax purposes	**(7.3)**	(92.0)
Income subject to other rates of tax	**(14.9)**	(10.1)
Excess deferred tax assets not recognised / derecognised	**(7.8)**	(3.9)
Impact of impairment in group subsidiaries	**7.7**	4.3
Change in estimates and other prior year adjustments:		
– Current tax	**0.4**	(0.4)
– Deferred tax	**0.7**	(1.8)
Income tax charge - continuing operations	**(13.5)**	(10.5)

Income tax recognised in other comprehensive income - continuing operations	2021 €m	2020 €m
Relating to foreign exchange translation effects	**-**	(4.4)
Relating to Group employee benefit plans actuarial gains/(losses) (note 26)	**(0.9)**	(0.1)
Tax recognised directly in other comprehensive income	**(0.9)**	(4.5)

1 20.83% is the standard rate of income tax applicable to trading profits in Zurich, Switzerland.

12 Proposed dividend

No dividend is planned to be proposed for the period ended 31 July 2021. No dividend was proposed or paid for the period ended 1 August 2020.

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for the period ended 31 July 2021

13 Earnings per share

	2021	2020
Basic loss per share	€m	€m
Loss attributable to equity shareholders - continuing operations	**(50.3)**	(442.8)
Loss attributable to equity shareholders - discontinued operations	**(185.5)**	(648.7)
Loss attributable to equity shareholders - total	**(235.8)**	(1,091.5)
Hybrid instrument dividend (note 27)	**(46.2)**	(46.1)
Loss used to determine basic EPS - continuing operations	**(96.5)**	(488.9)
Loss used to determine basic EPS - discontinued operations	**(185.5)**	(648.7)
Loss used to determine basic EPS - total	**(282.0)**	(1,137.6)

Weighted average number of ordinary shares	in Millions	in Millions
Ordinary shares outstanding at start of period[1]	**991.1**	990.6
Effect of exercise of equity instruments	**0.2**	-
Release of treasury shares as restricted shares	**0.2**	0.3
Weighted average ordinary shares used to determine basic EPS	**991.5**	990.9

Basic loss per share - continuing operations	**(9.7) cent**	(49.3) cent
Basic loss per share - discontinued operations	**(18.7) cent**	(65.5) cent
Basic loss per share	**(28.4) cent**	(114.8) cent

Diluted loss per share	€m	€m
Loss used to determine basic EPS - continuing operations	**(96.5)**	(488.9)
Loss used to determine basic EPS - discontinued operations	**(185.5)**	(648.7)
Loss used to determine basic EPS - total	**(282.0)**	(1,137.6)

Weighted average number of ordinary shares (diluted)	in Millions	in Millions
Weighted average ordinary shares used to determine basic EPS	**991.5**	990.9
Effect of equity-based incentives with a dilutive impact[2]	**-**	-
Weighted average ordinary shares used to determine diluted EPS	**991.5**	990.9

Diluted loss per share - continuing operations	**(9.7) cent**	(49.3) cent
Diluted loss per share - discontinued operations	**(18.7) cent**	(65.5) cent
Diluted loss per share	**(28.4) cent**	(114.8) cent

1 Issued share capital excludes treasury shares as detailed in note 27.

2 In accordance with IAS 33, potential ordinary shares are treated as dilutive only when their conversion would decrease profit per share or increase loss per share from continuing operations. As the impacts related to the conversion of equity-based incentives would decrease the loss per share for the periods ended 31 July 2021 and 1 August 2020, no dilutive effect was taken during these periods.

In addition to the basic and diluted earnings per share measures required by IAS 33, ‘Earnings Per Share’, as calculated above, the Group also presents an underlying diluted earnings per share measure, in accordance with IAS 33 paragraph 73. This additional measure enables comparability of the Group’s underlying results from period to period, without the impact of transactions that do not relate to the underlying business.

As shown below, for purposes of calculating this measure, the Group adjusts the loss used to determine basic EPS by the following items and their related tax impacts:

– excludes intangible amortisation, except ERP intangible amortisation; and
– excludes impairment, disposal, restructuring and COVID-19 related costs.

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Underlying diluted earnings per share	2021 €m	2020 €m
Loss used to determine basic EPS - continuing operations	**(96.5)**	(488.9)
Amortisation of non-ERP intangible assets (note 2)	**17.7**	48.0
Tax on amortisation of non-ERP intangible assets (note 25)	**(3.0)**	(11.0)
Share of JV intangible amortisation and restructuring costs, net of tax (note 18)	**-**	2.3
Net (Gain)/loss on disposal of businesses (note 3)	**-**	61.2
Impairment of goodwill (note 3)	**-**	65.0
Loss/(gain) of sale and impairment of fixed assets and investment property (note 3)	**4.3**	(1.0)
Restructuring-related costs (note 3)	**52.8**	1.4
COVID-19 related costs (note 3)	**1.3**	14.1
Net loss on disposal of joint venture (note 18)	**-**	297.1
Gain on equity instruments at fair value through profit or loss	**(8.6)**	-
Tax on net impairment, disposal, restructuring and Covid-related costs	**(10.2)**	(5.4)
Underlying net loss - continuing operations	**(42.2)**	(17.2)
Loss used to determine basic EPS - discontinued operations	**(185.5)**	(648.7)
Amortisation of non-ERP intangible assets (note 5)	**25.7**	74.9
Tax on amortisation of non-ERP intangible assets	**(5.9)**	(24.1)
Net (gain)/loss on disposal of businesses (note 5)	**(4.6)**	103.4
Impairment of goodwill (note 5)	**-**	437.1
Impairment of intangible assets (note 5)	**-**	28.3
Loss/(gain) of sale and impairment of fixed assets and investment property (note 5)	**0.8**	(3.4)
Restructuring-related costs (note 5)	**2.8**	8.3
COVID-19 related costs (note 5)	**4.7**	11.5
Tax on net impairment, disposal and restructuring-related costs	**20.1**	11.9
Loss on disposal of discontinued operations	**189.3**	-
Underlying net profit/(loss) - discontinued operations	**47.4**	(0.8)
Underlying net profit/(loss) - total	**5.2**	(18.0)
Weighted average ordinary shares used to determine basic EPS	**991.5**	990.9
Underlying basic earnings per share - continuing operations	**(4.3) cent**	(1.7) cent
Underlying basic earnings per share - discontinued operations	**4.8 cent**	(0.1) cent
Underlying basic earnings per share - total	**0.5 cent**	(1.8) cent
Weighted average ordinary shares used to determine basic EPS	**991.5**	990.9
Effect of equity-based incentives with a dilutive impact[1]	**–**	-
Weighted average ordinary shares used to determine underlying diluted EPS	**991.5**	990.9
Underlying diluted earnings per share - continuing operations	**(4.3) cent**	(1.7) cent
Underlying diluted earnings per share - discontinued operations	**4.8 cent**	(0.1) cent
Underlying diluted earnings per share - total	**0.5 cent**	(1.8) cent

1 In accordance with IAS 33, potential ordinary shares are treated as dilutive only when their conversion would decrease profit per share or increase loss per share from continuing operations. As the impacts related to the conversion of equity-based incentives would decrease the loss per share for the period 31 July 2021, no dilutive effect was taken during this period.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

14 Property, plant and equipment

	Land and buildings €m	Plant and Machinery €m	Motor Vehicles €m	Assets under construction €m	Right-of-use leased assets €m	Total €m
Net book value at 1 August 2020	**386.2**	**694.2**	**1.0**	**40.8**	**201.2**	**1,323.4**
Additions	4.5	25.1	-	63.0	38.6	131.2
Transfer from assets under construction	4.2	33.7	-	(37.9)	-	-
Disposals as part of business disposals	(69.1)	(256.8)	-	(22.4)	(54.7)	(403.0)
Transfer to disposal groups classified as held-for-sale	(12.3)	(13.5)	-	(28.4)	(17.4)	(71.6)
Transfer to assets held-for-sale (note 4)	(3.2)	-	-	-	-	(3.2)
Asset impairments (note 3)	(3.3)	(2.0)	-	-	(0.3)	(5.6)
Asset disposals	(2.1)	(1.9)	(0.2)	-	-	(4.2)
Depreciation charge for year	(13.1)	(77.6)	(0.4)	-	(36.1)	(127.2)
Translation adjustments	3.1	2.7	0.1	1.4	2.7	10.0
Net book value at 31 July 2021	**294.9**	**403.9**	**0.5**	**16.5**	**134.0**	**849.8**
At 1 August 2020						
Cost	362.3	802.3	1.8	16.5	187.2	1,370.1
Accumulated depreciation	(67.4)	(398.4)	(1.3)	-	(53.2)	(520.3)
Net book value at 31 July 2021	**294.9**	**403.9**	**0.5**	**16.5**	**134.0**	**849.8**

	Land and buildings €m	Plant and Machinery €m	Motor Vehicles €m	Assets under construction €m	Right-of-use leased assets €m	Total €m
Net book value at 28 July 2019	**424.9**	**770.3**	**2.0**	**51.6**	**-**	**1,248.8**
Recognition of right-of-use asset on initial application of IFRS 16	-	-	(0.4)	-	292.6	292.2
Adjusted balance at 28 July 2019	424.9	770.3	1.6	51.6	292.6	1,541.0
Additions	2.0	19.4	-	71.8	9.0	102.2
Transfer from assets under construction	7.2	69.6	0.1	(76.9)	-	-
Disposals as part of business disposals	-	(1.3)	-	(1.2)	(4.9)	(7.4)
Transfer to disposal groups classified as held-for-sale	(11.8)	(27.4)	-	-	(45.1)	(84.3)
Asset impairments	0.2	(0.7)	-	(0.5)	(1.2)	(2.2)
Asset disposals	(1.9)	(2.1)	(0.1)	(0.8)	-	(4.9)
Transfer to investment properties (note 16)	(6.4)	(0.6)	-	-	-	(7.0)
Depreciation charge for year	(15.4)	(107.0)	(0.5)	-	(45.7)	(168.6)
Reclassifications	(0.2)	0.2	-	-	-	-
Translation adjustments	(12.4)	(26.2)	(0.1)	(3.2)	(3.5)	(45.4)
Net book value at 1 August 2020	**386.2**	**694.2**	**1.0**	**40.8**	**201.2**	**1,323.4**
At 1 August 2020						
Cost	479.3	1,385.6	3.0	40.8	241.4	2,150.1
Accumulated depreciation	(93.1)	(691.4)	(2.0)	-	(40.2)	(826.7)
Net book value at 1 August 2020	**386.2**	**694.2**	**1.0**	**40.8**	**201.2**	**1,323.4**

Notes to the Group Consolidated Financial Statements (continued)
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15 Leases
The movement in the Group's right-of-use leased assets during the period is as follows:

	Land and Buildings €m	Plant and Machinery €m	Motor Vehicles €m	Total €m
At 1 August 2020, net carrying amount	**165.7**	**8.8**	**26.7**	**201.2**
Net additions	26.2	6.6	5.8	38.6
Arising on disposal of business, net carrying amount	(52.4)	(2.1)	(0.2)	(54.7)
Arising on disposal group held-for-sale	(16.9)	(0.2)	(0.3)	(17.4)
Depreciation charge for the period	(20.7)	(4.4)	(11.0)	(36.1)
Impairment of leased assets	(0.3)	–	–	(0.3)
Translation adjustment	2.5	0.2	–	2.7
At 31 July 2021, net carrying amount	**104.1**	**8.9**	**21.0**	**134.0**

	Land and Buildings €m	Plant and Machinery €m	Motor Vehicles €m	Total €m
At 27 July 2019, net carrying amount	**–**	**–**	**–**	**–**
Effect of adopting IFRS 16	239.5	15.2	37.9	292.6
Net additions	2.5	2.0	4.5	9.0
Arising on disposal of business, net carrying amount	(0.6)	(0.5)	(3.8)	(4.9)
Arising on disposal group held-for-sale	(42.8)	(2.3)	–	(45.1)
Depreciation charge for the period	(28.3)	(5.4)	(12.0)	(45.7)
Impairment of leased assets	(1.2)	–	–	(1.2)
Translation adjustment	(3.4)	(0.2)	0.1	(3.5)
At 1 August 2020, net carrying amount	**165.7**	**8.8**	**26.7**	**201.2**

Lease Liabilities
The movement in the Group's lease liabilities during the period is as follows:

	2021 €m	2020 €m
Balance at beginning of period	**268.5**	**0.3**
Effect of adopting IFRS 16	-	321.0
Net additions	38.6	9.0
Arising on disposal of business[1]	(113.8)	(4.9)
Payments	(47.6)	(59.5)
Discount unwinding	7.9	11.6
Translation adjustment and other	1.1	(9.0)
Balance at end of period	**154.6**	**268.5**
Presented in non-current interest bearing loans and borrowings (note22)	109.1	188.2
Presented in current interest bearing loans and borrowings (note 22)	27.8	40.1
Presented in liabilities of disposal groups held-for-sale (note 4)	17.7	40.2
Balance at end of period	**154.6**	**268.5**

1 Comprises €74.2m arising on disposal of North America business in May 2021, and €39.6m previously presented within disposal groups held-for-sale on completion of the disposal of the Pizza business (note 5).

Group

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Undiscounted lease liabilities
The table below shows analysis of the maturity profile of the undiscounted lease liabilities arising from the Group's leasing activities as at 31 July 2021. The projections are based on the foreign exchange rates applicable at the end of the relevant financial period:

	2021 €m	2020 €m
Within one year	33.5	53.2
Between one and two years	27.7	44.0
Between two and three years	21.5	36.1
Between three and four years	16.7	31.8
Between four and five years	14.5	27.9
Over 5 years	82.8	136.2
Total	**196.7**	**329.3**

Short term, low value and wholly variable leases
The Group avails of the exemption from capitalising lease costs for short-term leases and low-value assets where the relevant criteria are met. Wholly variable lease payments directly linked to sales or usage are also expensed as incurred. The following lease costs have been charged to the Income Statement as incurred:

	2021 €m	2020 €m
Short term leases	2.5	5.3
Leases of low value assets	0.7	0.7
Wholly variable lease payments	-	1.0
Total	**3.1**	**7.0**

Future possible cash outflows not included in the lease liability
Some leases contain break clauses or extension options to provide operational flexibility. Potential future undiscounted lease payments not included in the reasonably certain lease term, and therefore not included in lease liabilities, total €38.5m. Future increases or decreases in rentals linked to an index or rate are not included in the lease liability until the change in cash flows takes effect.

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16 Investment properties

	2021 €m	2020 €m
Balance at beginning of period	**6.4**	12.2
Transfer from property, plant and equipment (note 14)	**-**	7.0
Fair value adjustments	**-**	5.4
Disposals	**(2.7)**	(18.2)
Translation adjustment	**-**	-
Balance at end of period	**3.7**	6.4

Investment property is principally comprised of properties previously used in operations, which were transferred to investment property upon the determination that they would no longer be used in operations, but instead would be held as an investment for capital appreciation.

During the period ended 31 July 2021, a property in the ARYZTA Europe segment was disposed of for net cash consideration of €2.9m. As the proceeds received were greater than the €2.7m carrying value of the assets, this transaction resulted in a gain on disposal of €0.2m.

During the period ended 1 August 2020, land and building assets that were no longer in operational use were transferred to investment property. The property was located in the ARYZTA Europe segment, and had a carrying value of €7.0m at the date of transfer. A net gain of €5.4m on revaluation of these assets to estimated fair value on transfer to investment property was recognised through other comprehensive income within the revaluation reserve. The property was subsequently disposed of with net proceeds from disposal of €12.4m received during the period ended 1 August 2020.

The carrying value of investment properties at fair value has been determined based on the results of independent valuations. The valuations were arrived at by reference to location, market conditions and status of planned disposals, and were performed by independent valuation experts holding recognised and relevant qualifications. The fair values of investment properties are considered a Level 3 fair value measurement. Rental income and operating expenses recognised related to these properties is not significant.

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17 Goodwill and intangible assets

	Goodwill €m	Customer Relationships €m	Brands €m	Computer-related €m	ERP-related intangibles €m	Patents and other €m	Total €m
Net book value at 1 August 2020	**823.4**	**181.1**	**16.6**	**15.6**	**102.6**	**4.0**	**1,143.3**
Additions	–	–	–	2.7	1.7	–	4.4
Asset impairments	–	–	–	(0.1)	–	–	(0.1)
Disposals as part of business disposals (note 5)	(315.7)	(77.0)	(8.7)	(3.8)	(32.8)	(1.4)	(439.4)
Transfer to disposal groups classified as held-for-sale (note 4)	(9.2)	(5.1)	–	–	–	–	(14.3)
Amortisation charge for the year	–	(33.4)	(6.8)	(2.7)	(13.2)	(0.6)	(56.7)
Translation adjustments	21.6	2.2	(0.1)	(0.5)	(0.1)	–	23.1
Net book value at 31 July 2021	**520.1**	**67.8**	**1.0**	**11.2**	**58.2**	**2.0**	**660.3**
At 31 July 2021							
Cost	520.1	189.4	99.7	32.2	134.7	5.1	981.2
Accumulated amortisation	–	(121.6)	(98.7)	(21.0)	(76.5)	(3.1)	(320.9)
Net book value at 31 July 2021	**520.1**	**67.8**	**1.0**	**11.2**	**58.2**	**2.0**	**660.3**

	Goodwill €m	Customer Relationships €m	Brands €m	Computer-related €m	ERP-related intangibles €m	Patents and other €m	Total €m
Net book value at 28 July 2019	**1,458.1**	**312.6**	**42.2**	**15.7**	**128.6**	**7.1**	**1,964.3**
Additions	-	-	-	4.3	-	-	4.3
Impairment of goodwill (note 5)	(502.1)	-	-	-	-	-	(502.1)
Asset impairments	-	(28.3)	-	-	-	-	(28.3)
Disposals as part of business disposals	(45.4)	-	-	(0.2)	(5.4)	-	(51.0)
Transfer to disposal groups classified as held-for-sale	(65.0)	-	-	(0.1)	(3.4)	-	(68.5)
Amortisation charge for the year	-	(91.5)	(24.7)	(3.7)	(16.2)	(3.0)	(139.1)
Translation adjustments	(22.2)	(11.8)	(0.9)	(0.4)	(1.1)	(0.1)	(36.5)
Net book value at 1 August 2020	**823.4**	**181.0**	**16.6**	**15.6**	**102.5**	**4.0**	**1,143.1**
At 1 August 2020							
Cost	823.4	723.4	178.6	40.8	187.6	8.3	1,962.1
Accumulated amortisation	-	(542.4)	(162.0)	(25.2)	(85.1)	(4.3)	(819.0)
Net book value at 1 August 2020	**823.4**	**181.0**	**16.6**	**15.6**	**102.5**	**4.0**	**1,143.1**

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Goodwill Impairment testing

Goodwill acquired through business combinations is allocated at acquisition to the cash-generating units ('CGUs'), or groups of CGUs, that are expected to benefit from the synergies of the business combination.

The Group tests goodwill for impairment annually, during the last quarter of the financial period, or more frequently if changes in circumstances indicate a potential impairment.

The business units shown in the following table represent the lowest level at which goodwill is monitored for internal management purposes. Accordingly, this is also the level at which the 2021 goodwill impairment testing was performed. The carrying amount of goodwill allocated to the relevant CGUs, as well as the key assumptions used in the 2021 impairment testing, are summarised as follows:

	Pre-tax discount rate 2021	Pre-tax discount rate 2020	**Projection period 2021**	Projection period 2020	**Terminal growth rate 2021**	Terminal growth rate 2020	**Carrying Value 2021 €m**	Carrying Value 2020 €m
North West Europe	**7.3%**	8.7%	**5 years**	5 years	**1.9%**	1.8%	**63.2**	63.2
Germany and Other Europe	**8.1%**	9.3%	**5 years**	5 years	**2.1%**	2.1%	**88.2**	89.1
Switzerland	**6.1%**	7.1%	**5 years**	5 years	**0.7%**	0.7%	**246.3**	246.1
France	**7.6%**	9.0%	**5 years**	5 years	**1.5%**	1.8%	**85.4**	85.4
ARYZTA Europe							**483.1**	483.8
ARYZTA North America	**-**	8.6%	**-**	5 years	**-**	2.0%	**-**	294.1
ARYZTA Rest of World	**7.9%**	11.2%	**5 years**	5 years	**1.8%**	2.5%	**37.0**	45.5
							520.1	823.4

1 The North West Europe CGU comprises businesses in Ireland, Netherlands and Denmark.

The recoverable amounts of CGUs are based on value-in-use calculations. These calculations use pre-tax cash flow projections based on expected future operating results and related cash flows at the time the impairment test is performed. These projections are based on current operating results of the individual CGU and an assumption regarding future organic growth. For the purposes of the calculation of value-in-use, the cash flows are projected based on current financial budgets, with additional cash flows in subsequent periods calculated using a terminal value methodology and discounted using the relevant rate, as disclosed in the table above.

Impairment during the period ended 1 August 2020

As disclosed in the FY 2019 Annual Report, the recoverable amount of the ARYZTA North America CGU was sensitive to unfavourable changes in key assumptions, and as a result the Group was required to test the CGU for impairment at H1 2020. This test for impairment resulted in goodwill impairment charges of €437.1m being recorded in the Group Consolidated Income Statement as of January 2020. Profitability had been impacted by volume declines associated with challenges in the market, while operational margin was compressed due to costs associated with commissioning and optimisation of the bakery network. Given the difficult trading conditions experienced, mid-term projections were revised downwards as the optimisation of the North America bakery network and the return to revenue growth was expected to be at a slower pace than had originally been

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planned. While profitability was expected to improve going into FY 2021 and onwards, after considering goodwill and other assets within this location, as well as the respective future cash flow projections, management determined it was appropriate to record these goodwill impairment charges during the period ending 1 August 2020.

The North West Europe CGU comprises of businesses in Ireland, the Netherlands and Denmark. A significant part of the manufacturing business in Ireland hinges on exports to the UK market and the projections for this business were negatively impacted during the period ended 1 August 2020 by an increased likelihood of trade tariffs related to Brexit in the short and medium term. Furthermore, the challenging trading conditions in the Foodservice channel following the continued government restrictions on working from home and travel within Ireland resulted in a reduction in the cash flow projections for this CGU during the period ended 1 August 2020. In addition to these reduced projections, an increase in the discount rate of 70bps compared to the prior period further reduced the recoverable amount in FY 2020. As the recoverable amount of the CGU was lower than its carrying value, a goodwill impairment of €65.0m was recorded in the period ended 1 August 2020.

Goodwill sensitivity analysis
A significant adverse change in the expected future operational results and cash flows may result in the value-in-use being less than the carrying amount of a CGU, which would result in an impairment. Key assumptions include management's estimates of the terminal growth rate, the discount rate, future revenue and profitability.

The terminal growth rates used approximate relevant long-term inflation rates and industry growth trends within each CGU. The discount rates used are based on the relevant risk-free rates, adjusted to reflect the risk associated with the respective future cash flows of that CGU.

Based on the results of the impairment testing undertaken, sufficient headroom exists for the CGUs, such that any reasonably possible movement in any of the underlying assumptions, including a reduction in the terminal growth rate by 1.0%, or increasing the discount rate by 1.0%, would not give rise to an impairment charge.

Revenue is projected to grow over the plan period in line with industry growth projections, consistent with external market data, with further assumed improvements in annual underlying EBITDA as the business recovers from the impact of COVID-19. EBITDA improvement within the Germany & Other CGU also requires delivery of planned operating leverage and cost savings. A decrease of 1% in the revenue compound annual growth rate across the projection period, or a reduction in underlying EBITDA realised of 5% per annum across the projection period in each of the CGUs would not result in an impairment.

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Intangible asset movements
During the period ended 31 July 2021, €439.4m of goodwill and intangible assets were de-recognised in relation to the disposal of businesses in North America. These included €315.7m related to goodwill, €87.1m related to customer-related, brand and other intangibles and €36.6m related to software. In addition, €14.3m of goodwill and intangible assets were transferred to disposal group held-for-sale during the period ended 31 July 2021, comprising €9.2m of goodwill and €5.1m of customer-related intangible assets.

During the period ended 1 August 2020, €59.4m of net assets were de-recognised in relation to the disposal of a business in Europe. These included €51.0m of intangible assets, of which €45.4m related to goodwill, and €5.6m related to software. During the period ended 1 August 2020, €122.6m of assets related to a business in North America were transferred to disposal groups held-for-sale. These included €68.5m of intangible assets, of which €65.0 related to goodwill and €3.5m related to software.

As outlined above, during the period ended 1 August 2020, prior period profitability in the ARYZTA North America CGU was impacted by volume declines associated with challenges in the market, while operational margin was compressed due to costs associated with commissioning and optimisation of the bakery network. In addition, COVID-19 had a significant impact in the second half of the prior period on certain customers and channels within the North America business. Based on these reduced projections, the Group identified and reviewed certain customer relationship intangible assets in the Foodservice and Retail channels whose recoverable amounts were lower than the carrying value at period end 1 August 2020, and recognised an impairment of €28.3m on these assets in the period ended 1 August 2020, within administration expenses in the Group Consolidated Income Statement. The value-in-use models used to determine the recoverable amounts of these intangible assets were based on management's expectations of the respective future revenues from the acquired customer relationships and brands and applied a discount rate consistent with the rate used in the 2020 ARYZTA North America CGU goodwill impairment testing.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

18 Investment in Picard

As announced on 4 October 2019, the Group received a binding offer from Invest Group Zouari ('IGZ') to purchase 43% of its 48% holding in Picard for gross consideration of €155.9m, of which €145.9m was received during the period ended 1 August 2020. Proceeds net of transaction costs of €139.9m were recorded in the FY 2020 Group Consolidated Cash Flow Statement. The remaining €10.0m consideration was recorded as a Vendor Loan Note receivable as of 1 August 2020, which was due within six months of period-end. ARYZTA retained a 4.6% interest in Picard, recorded as a financial investment at fair value. As the total estimated proceeds net of transaction costs payable of €149.9m and the fair value of the remaining stake held of €16.8m, were less than the €463.8m carrying value of the investment in joint venture disposed of, the transaction resulted in a loss on disposal in the amount of €297.1m.

During the period ended 31 July 2021, €10.0m was received on repayment of the Vendor Loan Note and the Group also received a €1.1m dividend from the equity investment. In January 2021, ARYZTA completed the disposal of its remaining 4.6% shareholding in Picard for net proceeds of €24.3m. During the period ended 31 July 2021, a fair value gain through profit or loss of €8.6m was recorded in the Group Consolidated Income Statement in respect of this investment, comprising the gain on disposal of the investment and the dividend income received.

The share of revenues and results of joint ventures during the period ended 1 August 2020 (2021: Nil) are as follows:

	Picard 2020 €m	ARYZTA's 48% share thereof 2020
Revenue	822.6	
Underlying EBITDA	121.3	
Depreciation	(15.0)	
Underlying EBITA	106.3	
Finance costs, net	(28.6)	
Pre-tax profits	77.7	
Income tax	(39.3)	
Joint venture underlying net profit	**38.4**	**18.4**
Intangible amortisation	(3.5)	(1.7)
Tax on intangible amortisation and associated rate adjustments	1.7	0.8
Restructuring-related costs	(2.8)	(1.4)
Profit after tax	**33.8**	**16.1**
Total comprehensive income	**33.8**	**16.1**

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19 Inventory

	2021 €m	2020 €m
Raw materials	**16.2**	35.4
Finished goods	**70.7**	118.2
Packaging and other	**4.6**	11.4
Balance at end of period	**91.5**	165.0

During the period ended 31 July 2021, a total expense of €6.3m (2020: €10.7m) was recognised in the Group Consolidated Income Statement arising from write-down of inventory from continuing operations.

20 Trade and other receivables

	2021 €m	2020 €m
Non-current		
Other receivables	**2.8**	16.3
Balance at end of period	**2.8**	16.3
Current		
Trade receivables, net	**98.8**	122.4
VAT recoverable	**14.4**	18.0
Prepayments	**15.8**	29.7
Other receivables	**22.1**	26.6
Vendor loan note	**–**	10.0
Balance at end of period	**151.1**	206.7

21 Trade and other payables

	2021 €m	2020 €m
Non-current		
Other payables	**13.8**	35.6
Balance at end of period	**13.8**	35.6
Current		
Trade payables	**147.2**	169.0
Accruals and other payables[1]	**172.5**	243.7
Employee-related tax and social welfare	**11.6**	19.0
VAT payable	**5.4**	10.9
Balance at end of period	**336.7**	442.6

1 Accruals and other payables consist primarily of balances due for goods and services received not yet invoiced and for staff compensation.

Trade payables includes €19.4m (2020: €11.4m) due to suppliers that have signed up to a supply chain financing programme, under which the suppliers can elect on an invoice by invoice basis to receive a discounted early payment from the partner bank

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rather than being paid in line with the agreed payment terms. If the option is taken, the Group's liability is assigned by the supplier to be due to the partner bank rather than the supplier. The value of the liability payable by the Group remains unchanged. The Group assesses the arrangement against indicators to assess if debts which vendors have sold to the funder under the supplier financing scheme continue to meet the definition of trade payables or should be classified as borrowings. At 31 July 2021, these payables met the criteria of trade payables.

22 Interest-bearing loans and borrowings

Details of the Group's interest bearing loans and borrowings are outlined below.

	2021 €m	2020 €m
Included in non-current liabilities		
Loans	**54.0**	1,149.4
Leases	**109.1**	188.2
Non-current interest-bearing loans and borrowings	**163.1**	1,337.6
Included in current liabilities		
Loans	**182.4**	16.4
Leases	**27.8**	40.1
Current interest-bearing loans and borrowings	**210.2**	56.5
Lease liabilities presented within disposal groups held-for-sale (note 15)	**17.7**	40.2
Total loans	**236.4**	1,165.8
Total leases	**154.6**	268.5
Total interest-bearing loans and borrowings	**391.0**	1,434.3

An analysis of the movements in net debt during the periods ended 31 July 2021 and 1 August 2020, is shown below:

Analysis of net debt	1 August 2020 €m	Cash flows €m	Non-cash movements €m	Translation adjustment €m	31 July 2021 €m
Cash and cash equivalents	423.6	(258.5)	-	5.8	170.9
Loans	(1,165.8)	936.3	(7.3)	0.4	(236.4)
Leases (note 15)	(268.5)	39.7	75.3	(1.1)	(154.6)
Net debt	**(1,010.7)**	**717.5**	**68.0**	**5.1**	**(220.1)**

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FY 2020	28 July 2019 €m	Cash flows €m	Non-cash movements €m	Translation adjustment €m	1 August 2020 €m
Cash and cash equivalents	377.9	65.0	-	(19.3)	423.6
Loans	(1,110.9)	(57.1)	(7.7)	9.9	(1,165.8)
Leases (note 15)	(321.3)	47.9	(4.1)	9.0	(268.5)
Net debt	**(1,054.3)**	**55.8**	**(11.8)**	**(0.4)**	**(1,010.7)**

The terms of outstanding loans are as follows:

2021	Currency	Financial year of maturity	Nominal Value €m	Carrying amount €m
Syndicated Bank RCF	Various	2023	45.0	36.0
State-sponsored Covid-related loans	Various	Various	21.9	21.9
Schuldschein Variable	EUR	2022	119.5	119.4
Schuldschein Variable	EUR	2024	8.0	8.0
Schuldschein Fixed	EUR	2022	33.0	33.0
Schuldschein Fixed	USD	2022	9.7	9.7
Schuldschein Fixed	USD	2024	8.4	8.4
Total outstanding loans at 31 July 2021			**245.5**	**236.4**

1 All debt instruments above are unsecured.

2020	Currency	Financial year of maturity	Nominal Value €m	Carrying amount €m
Syndicated Bank RCF	Various	2023	790.8	779.0
Syndicated Bank Term Loan[1]	Various	2023	210.0	206.8
State-sponsored Covid-related loans	Various	Various	2.0	2.0
Schuldschein Variable	EUR	2022	119.5	119.1
Schuldschein Variable	EUR	2024	8.0	8.0
Schuldschein Fixed	EUR	2022	33.0	32.9
Schuldschein Fixed	USD	2022	9.7	9.6
Schuldschein Fixed	USD	2024	8.4	8.4
Total outstanding loans at 1 August 2020			**1,181.4**	**1,165.8**

The weighted average effective interest rate in respect of the Group's interest-bearing loans was as follows:

	2021	2020
Total bank loans	**1.7%**	1.6%

Repayment schedule – loans (nominal values)	2021 €m	2020 €m
Less than one year	**182.2**	16.6
Between one and five years	**63.3**	1,164.8
After five years	**-**	-
	245.5	1,181.4

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

23 Financial instruments and financial risk

The fair values of financial assets, financial liabilities together with the carrying amounts shown in the balance sheet, are as follows:

	Fair value hierarchy	Fair Value through income statement 2021 €m	Fair value through OCI 2021 €m	Amortised cost 2021 €m	Total carrying amount 2021 €m	Fair value 2021 €m
Trade and other receivables (excluding prepayments)		–	–	123.8	123.8	123.8
Cash and cash equivalents		–	–	170.9	170.9	170.9
Derivative financial assets	*Level 2*	–	0.2	–	0.2	0.2
Total financial assets		–	**0.2**	**294.7**	**294.9**	**294.9**
Trade and other payables (excluding non-financial liabilities)		–	–	(333.5)	(333.5)	(333.5)
Bank borrowings	*Level 2*	–	–	(236.4)	(236.4)	(245.5)
Lease liabilities		–	–	(136.9)	(136.9)	(136.9)
Derivative financial liabilities	*Level 2*	–	(0.5)	–	(0.5)	(0.5)
Total financial liabilities		–	**(0.5)**	**(706.8)**	**(707.3)**	**(716.4)**

	Fair value hierarchy	Fair Value through income statement 2020 €m	Fair value through OCI 2020 €m	Amortised cost 2020 €m	Total carrying amount 2020 €m	Fair value 2020 €m
Trade and other receivables (excluding prepayments)		–	–	175.3	175.3	175.3
Cash and cash equivalents		–	–	423.6	423.6	423.6
Derivative financial assets	*Level 2*	–	0.5	–	0.5	0.5
Financial assets at fair value through income statement	*Level 3*	16.8	–	–	16.8	16.8
Total financial assets		**16.8**	**0.5**	**598.9**	**616.2**	**616.2**
Trade and other payables (excluding non-financial liabilities)		–	–	(448.2)	(448.2)	(448.2)
Bank borrowings	*Level 2*	–	–	(1,165.8)	(1,165.8)	(1,181.4)
Lease liabilities		–	–	(228.3)	(228.3)	(228.3)
Derivative financial liabilities	*Level 2*	–	(0.7)	–	(0.7)	(0.7)
Total financial liabilities		–	**(0.7)**	**(1,842.3)**	**(1,843.0)**	**(1,858.6)**

Estimation of fair values

Set out below are the major methods and assumptions used in estimating the fair values of the financial assets and liabilities disclosed in the preceding tables.

Fair value hierarchy

The tables at the beginning of this note summarise the financial instruments carried at fair value, by valuation method. Fair value classification levels have been assigned to the Group's financial instruments carried at fair value. The different levels assigned are defined as follows:

Level 1: Prices quoted in active markets
Level 2: Valuation techniques based on observable market data
Level 3: Valuation techniques based on unobservable inputs

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Trade and other receivables/payables
Trade and other receivables are carried at amortised cost, less loss allowance. Trade and other payables are carried at amortised cost. For any trade and other receivables or payables with a remaining life of less than six months or demand balances, the carrying value, less impairment provision where appropriate, is deemed to approximate fair value.

Cash and cash equivalents, including short-term bank deposits
For short-term bank deposits and cash and cash equivalents, all of which have an original and remaining maturity of less than three months, the nominal amount is deemed to approximate fair value.

Derivatives (forward currency contracts and interest rate swaps)
Forward currency contracts are marked to market using quoted forward exchange rates at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Financial assets at fair value through income statement
As described in note 18, the group maintained a 4.6% equity investment following the disposal of the majority of ARYZTA's holding in Picard, held as a financial asset at fair value through income statement in the Group Consolidated Balance Sheet. The fair value has been measured using inputs not observable within the market, and is therefore within Level 3 of the fair value hierarchy. This investment was disposed of during the year ended 31 July 2021.

Interest-bearing loans and borrowings
For interest-bearing loans and borrowings with a contractual re-pricing date of less than six months, the nominal amount including accrued interest is considered to approximate fair value for disclosure purposes. For loans with a re-pricing date of greater than six months, the fair value is calculated based on the expected future principal and interest cash flows, discounted at appropriate current market interest rates.

Lease liabilities
Fair value is based on the present value of future cash flows discounted at market interest rates. In calculating the present value of future cashflows, the Group uses the incremental borrowing rate at the lease commencement date or the interest rate implicit in the lease, if this is readily determinable. Incremental borrowing rates are calculated using a portfolio approach, based on the risk profile of the entity holding the lease, the term and currency of the lease.

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Risk exposures

Group risk management

Risk management is a fundamental element of the Group's business practice at all levels and encompasses different types of risks. This overall Group risk management process includes the performance of a risk assessment that is described in more detail in note 32. Financial risk management specifically is described in further detail below.

Financial risk management

The Group's international operations expose it to different financial risks that include:
- credit risks;
- liquidity risks;
- foreign exchange rate risks;
- interest rate risks; and
- commodity price risks.

The Group has a risk management programme in place, which seeks to limit the impact of these risks on the financial performance of the Group. The Board has determined the policies for managing these risks. It is the policy of the Board to manage these risks in a non-speculative manner.

Credit risk

Exposure to credit risk

Credit risk arises from credit issued to customers on outstanding receivables and outstanding transactions, as well as cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions.

The Group has not pledged any financial assets as collateral for liabilities or contingent liabilities.

Default

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group.

Write off policy

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off.

Cash and short-term bank deposits

Cash and short-term bank deposits are invested with institutions with the highest short-term credit rating, with limits on amounts held with individual banks or institutions at any one time. Management does not expect any losses from non-performance by these counterparties.

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Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no significant concentration of credit risk by dependence on individual customers or geographies. The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables based on experience, customer's track record and historic default rates. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation and default in payments are considered to be indicators that the trade receivables is impaired. Individual risk limits are generally set by customer, and risk is only accepted above such limits in defined circumstances. The utilisation of credit limits is regularly monitored. Management does not expect any significant counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of each asset.

The Group applies the simplified approach to providing for expected credit losses ('ECL') permitted by IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit loss experience. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle receivables.

The Group also manages credit risk through the use of a receivables purchase arrangement with a financial institution. Under the terms of this non-recourse agreement, the Group has transferred substantially all credit risk and control of certain trade receivables, amounting to €85.4m (2020: €116.8m). The Group has continued to also recognise an asset within Trade and other receivables, of €7.2m (2020: €9.5m), representing the fair value and maximum extent of its continuing involvement or exposure. This maximum exposure was determined based on a Reserve Calculation Ratio (approximately 8%), as per the terms of the receivables purchase arrangement. Total expenses associated with this receivables purchase agreement during the period ended 31 July 2021 were €1.9m (2020: €3.5m).

The undiscounted cash outflows required to repurchase these derecognised financial assets would be equal to the receivables transferred, net of the Group's remaining continuing involvement asset. The estimated maturity of any such cash outflows would be expected to be less than 6 months, as the Group's trade and other receivables are also generally settled in less than 6 months. As the carrying value of the receivables transferred and the continuing involvement retained both equal fair value, no gain or loss has arisen, either at the date of transfer or in connection with the Group's continuing involvement in these assets.

The carrying amount of financial assets, net of loss allowances, represents the Group's maximum credit exposure. The maximum exposure to credit risk at year-end was as follows:

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	Carrying amount 2021 €m	Carrying amount 2020 €m
Cash and cash equivalents	**170.9**	423.6
Trade and other receivables	**123.7**	175.3
Derivative financial assets	**0.2**	0.5
	294.8	599.4

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	Carrying amount 2021 €m	Carrying amount 2020 €m
Europe	**77.4**	84.0
North America	**0.7**	17.7
Rest of World	**20.7**	20.7
	98.8	122.4

The aging of trade receivables at the reporting date was as follows:

	Gross 2021 €m	Loss allowances 2021 €m	Gross 2020 €m	Loss allowances 2020 €m
Not past due	**82.9**	**1.3**	101.4	1.6
Past due 0–30 days	**15.5**	**0.7**	19.5	1.8
Past due 31–120 days	**3.0**	**0.6**	5.4	1.5
Past due more than 121 days	**2.8**	**2.8**	6.3	5.3
	104.2	**5.4**	132.6	10.2

The analysis of movement in loss allowances in respect of trade receivables was as follows:

	2021 €m	2020 €m
Balance at beginning of period	**10.2**	9.8
Arising on disposal of subsidiaries	**-**	(0.5)
Utilised during the year	**(3.8)**	(3.6)
(Decrease) / Increase in loss allowance during the financial year	**(1.0)**	4.7
Translation adjustment	**-**	(0.2)
Balance at end of period	**5.4**	10.2

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Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's objective is to maintain a balance between flexibility and continuity of funding, so that not more than 40% of total bank borrowing facilities should mature in the next twelve-month period. At 31 July 2021, 74% of the Group's total bank borrowings will mature within the next 12 months. Subsequent to the end of the financial period, ARYZTA has entered into an underwritten agreement with three banks for a new €500m revolving credit facility, as noted on page 160.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

2021	Carrying amount €m	Contractual cash flows €m	6 mths or less €m	6 – 12 mths €m	1 – 2 years €m	2 – 5 years €m	More than 5 years €m
Non-derivative financial liabilities							
Fixed rate bank loans	(51.0)	(52.8)	(43.6)	(0.2)	(0.4)	(8.6)	-
Variable rate bank loans	(185.4)	(196.4)	(140.8)	(0.4)	(45.2)	(9.9)	-
Lease liabilities	(154.6)	(196.8)	(16.7)	(16.8)	(27.7)	(52.8)	(82.8)
Trade and other payables	(333.5)	(333.5)	(300.3)	(19.4)	(11.4)	(0.9)	(1.5)
Derivative financial instruments							
Currency forward contracts used for hedging							
– Inflows	103.7	103.7	102.6	1.1	-	-	-
– Outflows	(104.1)	(104.1)	(102.9)	(1.1)	-	-	-
	(724.9)	**(779.9)**	**(501.7)**	**(36.8)**	**(84.7)**	**(72.2)**	**(84.3)**

2020	Carrying amount €m	Contractual cash flows €m	6 mths or less €m	6 – 12 mths €m	1 – 2 years €m	2 – 5 years €m	More than 5 years €m
Non-derivative financial liabilities							
Fixed rate bank loans	(50.9)	(54.2)	(1.0)	(0.4)	(43.8)	(9.0)	-
Variable rate bank loans	(1,114.9)	(1,179.9)	(9.3)	(25.9)	(216.4)	(928.3)	-
Lease liabilities	(268.5)	(329.3)	(28.5)	(24.7)	(44.0)	(95.9)	(136.2)
Trade and other payables	(448.3)	(448.3)	(392.9)	(19.8)	(13.4)	(11.0)	(11.2)
Derivative financial instruments							
Currency forward contracts used for hedging							
– Inflows	-	85.3	85.3	-	-	-	-
– Outflows	(0.7)	(86.0)	(86.0)	-	-	-	-
	(1,883.3)	**(2,012.4)**	**(432.4)**	**(70.8)**	**(317.6)**	**(1,044.2)**	**(147.4)**

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

Accounting for derivatives and hedging activities

The fair value of derivative financial assets and liabilities at the balance sheet date is set out in the following table:

	Assets 2021 €m	Liabilities 2021 €m	Assets 2020 €m	Liabilities 2020 €m
Cash flow hedges				
Currency forward contracts	**0.2**	**(0.5)**	0.5	(0.7)
At end of period	**0.2**	**(0.5)**	0.5	(0.7)

Cash flow hedges

Cash flow hedges are hedges of highly probable forecasted future income or expenses. In order to qualify for hedge accounting, the Group is required to document the relationship between the item being hedged and the hedging instrument and demonstrate, at inception, that the hedge relationship will be highly effective on an ongoing basis. The hedge relationship must be tested for effectiveness on subsequent reporting dates. The impact on the statement of consolidated income is on page 84.

There is no significant difference between the timing of the cash flows and the income statement effect of cash flow hedges. The fair value included in the hedging reserve will primarily be released to the Consolidated Income Statement within 6 months (2020: 6 months) of the balance sheet date.

Market risk

Market risk is the risk that changes in market prices and indices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments.

Foreign exchange risk

In addition to the Group's operations carried out in eurozone economies, it has significant operations in the UK and Switzerland. As a result, the Group Consolidated Balance Sheet is exposed to currency fluctuations including, in particular, Sterling, US dollar, Canadian dollar and Swiss franc movements. The Group manages its balance sheet having regard to the currency exposures arising from its assets being denominated in a wide range of currencies.

Net investment hedges

As part of its approach towards mitigating its exposure to foreign currency risk, the Group will, when required, fund foreign currency investments in the currency of the related assets.

These relationships are typically designated by the Group as net investment hedges of foreign currency exposures on net investments in foreign operations using the borrowings as the hedging instrument. These hedge designations allow the Group to mitigate the risk of foreign currency exposures on the carrying amount of net assets in foreign operations in its Group consolidated financial statements.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

The borrowings designated in net investment hedge relationships are measured at amortised cost, with the effective portion of the change in value of the borrowings being recognised directly through other comprehensive income in the foreign currency translation reserve. Any ineffectiveness arising on such hedging relationships is recognised immediately in the income statement.

Foreign currency contracts
The Group also hedges a portion of its transactional currency exposure through the use of currency swaps. Transactional exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Group uses forward currency contracts to eliminate the currency exposures on certain foreign currency purchases. The forward currency contracts must be in the same currency and match the settlement terms of the hedged item.

The following table details the Group's exposure to transactional foreign currency risk at 31 July 2021:

2021 in Millions	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	10.7	0.3	-	6.4	16.0	1.4	34.8
Other receivables	-	-	-	-	-	-	-
Cash and cash equivalents	0.4	2.5	-	0.1	8.2	0.5	11.7
Trade payables	(2.0)	(0.4)	-	(0.3)	(17.2)	(2.2)	(22.1)
Other payables	(1.9)	(0.9)	-	-	(9.9)	(1.2)	(13.9)
Derivative financial instruments	-	-	-	-	0.1	-	0.1
At 31 July 2021	**7.2**	**1.5**	**-**	**6.2**	**(2.8)**	**(1.5)**	**10.6**

The following table details the Group's exposure to transactional foreign currency risk at 1 August 2020:

2020 in Millions	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	8.9	6.5	2.3	6.9	12.1	3.9	40.6
Other receivables	-	0.1	-	-	0.3	0.1	0.5
Cash and cash equivalents	0.6	2.4	0.5	0.4	10.9	1.1	15.9
Trade payables	(2.2)	(3.8)	(16.6)	(10.1)	(23.1)	(2.0)	(57.8)
Other payables	(0.8)	(4.1)	(2.1)	-	(8.0)	-	(15.0)
Derivative financial instruments	-	(0.4)	(0.2)	-	0.4	-	(0.2)
At 1 August 2020	**6.5**	**0.7**	**(16.1)**	**(2.8)**	**(7.4)**	**3.1**	**(16.0)**

Currency sensitivity analysis
A 10% strengthening or weakening of the euro against the foreign currencies below at 31 July 2021 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as in the prior year.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

2021	10% strengthening income statement €m	10% strengthening equity €m	10% weakening income statement €m	10% weakening equity €m
GBP	(0.7)	(0.4)	0.7	0.5
USD	(0.1)	(0.3)	0.2	0.3
CAD	–	–	–	–
CHF	(0.6)	–	0.6	–
At 31 July 2021	(1.4)	(0.7)	1.5	0.8

2020	10% strengthening income statement €m	10% strengthening equity €m	10% weakening income statement €m	10% weakening equity €m
GBP	(0.6)	(1.0)	0.7	1.1
USD	(0.1)	12.3	0.1	(13.6)
CAD	1.4	(4.2)	(1.6)	4.6
CHF	0.3	-	(0.3)	-
At 1 August 2020	1.0	7.1	(1.1)	(7.9)

The impact on equity from changing exchange rates results principally from foreign currency loans designated as net investment hedges. This impact would be offset by the revaluation of the hedged net assets, which would also be recorded in equity.

Interest rate risk
The Group's debt bears both variable and fixed rates of interest as per the original contracts. Fixed rate debt is achieved through the issuance of fixed rate debt or the use of interest rate swaps. At 31 July 2021, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Carrying amount 2021 €m	Carrying amount 2020 €m
Fixed rate instruments		
Bank borrowings	**(51.0)**	(50.9)
Lease liabilities	**(154.6)**	(268.5)
	(205.6)	(319.4)
Variable rate instruments		
Cash and cash equivalents	**170.9**	423.6
Bank borrowings	**(185.4)**	(1,114.9)
Total interest-bearing financial instruments	**(220.1)**	(1,010.7)

Cash flow sensitivity analysis for variable rate liabilities
A change of 50 bps in interest rates at the reporting date would have had the effect as shown below on the Group Consolidated Income Statement and equity. This analysis assumes that all other variables, in particular interest earned on cash and cash equivalents and foreign currency exchange rates, remain constant. The analysis is performed on the same basis as in the prior year.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

2021	Principal amount €m	Impact of 50 bp increase on income statement €m
Variable rate bank borrowings	(185.4)	(0.9)
Cash flow sensitivity, net	**(185.4)**	**(0.9)**

2020	Principal amount €m	Impact of 50 bp increase on income statement €m
Variable rate bank borrowings	(1,114.9)	(5.6)
Interest rate swaps	-	-
Cash flow sensitivity, net	**(1,114.9)**	**(5.6)**

Commodity price risk

The Group purchases and sells certain commodities for the purposes of receipt or delivery and uses derivative contracts to protect itself from movements in prices other than exchange differences. These contracts are classified as 'own use' contracts, as they were entered into and continue to be held for the purpose of the receipt or delivery of the non-financial item, in accordance with the business unit's expected purchase, sale or usage requirements. 'Own use' contracts are outside the scope of IFRS 9, 'Financial Instruments', and are accounted for on an accrual basis. Where a commodity contract is not entered into, or does not continue to be held, to meet the Group's own purchase, sale or usage requirements, it is treated as a derivative financial instrument, and the recognition and measurement requirements of IFRS 9 are applied.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

24 Deferred income from government grants

	2021 €m	2020 €m
At beginning of period	**7.6**	10.5
Received during the year	**-**	0.8
Arising on business disposals	**(0.2)**	-
Recognised in Group Consolidated Income Statement	**(3.3)**	(3.9)
Translation adjustment	**-**	0.2
At end of period	**4.1**	7.6

25 Deferred income tax

The deductible and taxable temporary differences at the balance sheet date, in respect of which deferred income tax has been recognised, are analysed as follows:

	2021 €m	2020 €m
Deferred income tax assets (deductible temporary differences)		
Property, plant and equipment and ERP	**4.6**	3.2
Goodwill	**-**	11.0
Employee compensation	**1.9**	6.4
Pension related	**4.2**	3.8
Financing related	**0.1**	0.1
Tax loss carry-forwards and tax credits	**13.4**	11.9
Other	**4.2**	12.4
	28.4	48.8
Deferred income tax liabilities (taxable temporary differences)		
Property, plant and equipment and ERP	**(69.1)**	(80.5)
Intangible assets	**(16.4)**	(48.1)
Employee compensation	**-**	-
Pension related	**(4.6)**	(3.1)
Financing related	**(9.2)**	(10.4)
Other	**(7.3)**	(5.6)
	(106.6)	(147.7)

Unrecognised deferred income taxes

The deductible temporary differences, as well as the unused tax losses and tax credits, for which no deferred tax assets are recognised expire as follows:

	2021 €m	2020 €m
Within one year	**–**	–
Between one and five years	**0.8**	0.8
After five years	**543.3**	538.4
Total unrecognised tax losses	**544.1**	539.2

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

Deferred income tax liabilities of €3.0m (2020: €5.2m) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as the timing of the reversal of these temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Movements in net deferred tax assets/(liabilities), during the period, were as follows:

2021	Intangible assets €m	Property, plant & equipment and ERP €m	Employee compensation €m	Pension related €m	Financing related €m	Tax losses and credits €m	Other €m	**Total Continuing Operations**	Discon-tinued Opera-tions	**Total**
At 1 August 2020 - restated	(21.1)	(69.9)	1.7	0.7	(10.3)	6.5	(0.7)	**(93.1)**	(5.8)	**(98.9)**
Recognised in Group Consolidated Income Statement	3.0	–	0.2	(0.2)	1.2	6.8	(1.3)	**9.7**	1.0	**10.7**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	–	(0.9)	–	–	–	**(0.9)**	–	**(0.9)**
Transferred to disposal groups held-for-sale (note 4)	1.7	5.4	–	–	–	–	(0.7)	**6.4**	–	**6.4**
Disposal as part of discontinued operations	–	–	–	–	–	–	–	**–**	5.3	**5.3**
Translation adjustments and other	–	–	–	–	–	0.1	(0.4)	**(0.3)**	(0.5)	**(0.8)**
At 31 July 2021	(16.4)	(64.5)	1.9	(0.4)	(9.1)	13.4	(3.1)	**(78.2)**	**–**	**(78.2)**

2020	Intangible assets €m	Property, plant & equipment and ERP €m	Employee compensation €m	Pension related €m	Financing related €m	Tax losses and credits €m	Other €m	**Total Continuing Operations**	Discon-tinued Opera-tions	**Total €m**
At 28 July 2019 - represented	(33.4)	(66.6)	1.8	0.7	(4.5)	4.1	(6.3)	**(104.2)**	(20.6)	**(124.8)**
Recognised in Group Consolidated Income Statement	11.0	(4.5)	(0.1)	0.1	(1.0)	2.5	5.3	**13.3**	14.1	**27.4**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	–	(0.1)	(4.7)	–	0.5	**(4.3)**	–	**(4.3)**
Translation adjustments and other	1.3	1.2	–	–	(0.1)	(0.1)	(0.2)	**2.1**	0.7	**2.8**
At 1 August 2020	(21.1)	(69.9)	1.7	0.7	(10.3)	6.5	(0.7)	**(93.1)**	**(5.8)**	**(98.9)**

26 Employee benefits

The Group operates a number of defined benefit and defined contribution pension plans in various jurisdictions. The Group operates five of the defined benefit plans in Switzerland, two in France and one in Germany. The majority of plans are externally funded with plan assets held in corresponding separate trustee-administered funds, governed by local regulations and practice in each country.

The trustees of the various pension funds are required by law to act in the best interests of the plan participants and are responsible for investment strategy and plan administration. The level of benefits available to members depends on length of service and either their

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

average salary over their period of employment, their salary in the final years leading up to retirement or in some cases historical salaries, depending on the rules of the individual plan.

Long-term employee benefits included in the Group Consolidated Balance Sheet comprises the following:

	2021 €m	2020 €m
Total deficit in defined benefit plans	**0.8**	7.4
Other[1]	**3.2**	2.7
Total	**4.0**	10.1

1 Other includes provisions to meet unfunded pension fund deficiencies in a variety of insignificant subsidiaries.

The valuations of the defined benefit schemes used for the purposes of the following disclosures are those of the most recent actuarial reviews carried out at 31 July 2021 by an independent, qualified actuary. The valuations have been performed using the projected unit method.

Employee benefit plan risks
The employee benefit plans expose the Group to a number of risks, the most significant of which are:

Asset volatility
The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The plans hold a significant proportion of equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk. The allocation to equities is monitored to ensure it remains appropriate given the long-term objectives of the plans.

Changes in bond yields
An increase in corporate bond yields will decrease the value placed on liabilities of the plans, although this will be partially offset by a decrease in the value of the bond holdings within the plans.

Life expectancy
In the event that members live longer than assumed, a further deficit will emerge.

The Group ensures that the investment positions are managed with an asset-liability matching ('ALM') framework that has been developed to achieve long-term investments that are in line with the obligations under the pension plans. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

Financial assumptions
The main assumptions used were determined based on management experience and expectations in each country, as well as actuarial advice based on published statistics.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

An average of these assumptions across all plans were as follows:

	2021	2020
Rate of increase in salaries	**2.0%**	2.0%
Discount rate on plan liabilities	**0.1%**	0.2%

The mortality assumptions imply the following life expectancies, in years, of an active member on retiring at age 65, 20 years from now:

	2021	2020
Male	**23.3**	22.9
Female	**25.0**	25.1

The mortality assumptions imply the following life expectancies, in years, of an active member, aged 65, retiring now:

	2021	2020
Male	**21.7**	21.5
Female	**23.5**	23.6

The weighted average duration of the defined benefit obligation were as follows:

	2021	2020	2019
Average duration of Defined benefit obligation (years)	**15.5**	**15.5**	**15.3**

The sensitivity of the defined benefit obligation to changes in the principal financial actuarial assumptions is set out below. The present value of the defined benefit obligation has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognised in the Group Consolidated Balance Sheet. The impact on the defined benefit obligation as at 31 July 2021 is on the basis that only one principal financial actuarial assumption is changed, with all other assumptions remaining unchanged.

The impact of a change in the assumption of life expectancy has been measured as at 31 July 2021 in the sensitivity analysis. The method in preparing the sensitivity analysis did not change compared to the previous period.

Assumption	**Change in Assumption**	Impact on plan liabilities
Discount rate	**Increase/decrease 0.5%**	Decrease by 4.2% /increase by 4.9%
Salary growth rate	**Increase/decrease 0.5%**	Increase by 0.9% /decrease by 0.8%
Life expectancy	**Increase/decrease 1 year**	Increase by 1.3% /decrease by 1.2%

Net pension liability	2021 €m	2020 €m
Total fair value of assets	**78.5**	69.5
Present value of plan liabilities	**(79.3)**	(76.9)
Deficit in the plans	**(0.8)**	(7.4)
Related deferred tax asset (note 25)	**(0.4)**	0.7
Net pension liability	**(1.2)**	(6.7)

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

Fair value of plan assets	Quoted €m	Non-quoted €m	**2021 €m**	2020 €m
Cash and cash equivalents	1.8	-	**1.8**	2.8
Equity instruments	28.0	-	**28.0**	21.8
Debt instruments	28.5	0.1	**28.6**	23.9
Property	20.0	-	**20.0**	19.5
Other	0.1	-	**0.1**	1.5
Total fair value of assets	78.4	0.1	**78.5**	69.5

Movement in the fair value of plan assets	**2021 €m**	2020 €m
Fair value of plan assets at the beginning of the period	**69.5**	62.7
Interest income	**0.2**	0.3
Employer contributions	**2.6**	2.6
Employee contributions	**2.3**	2.3
Benefit payments made	**(1.5)**	(3.5)
Actuarial return on plan assets (excluding interest income)	**5.9**	4.2
Translation adjustments	**(0.5)**	0.9
Fair value of plan assets at the end of the period	**78.5**	69.5

Movement in the present value of plan obligations	**2021 €m**	2020 €m
Present value of plan obligations at the beginning of the period	**(76.9)**	(70.0)
Current service cost	**(3.6)**	(3.6)
Past service cost	**1.8**	-
Interest expense on plan obligations	**(0.2)**	(0.3)
Employee contributions	**(2.3)**	(2.3)
Benefit payments made	**1.5**	3.5
Actuarial changes in demographic and financial assumptions	**1.5**	1.2
Actuarial experience adjustments	**(1.7)**	(4.4)
Translation adjustments	**0.6**	(1.0)
Present value of plan obligations at the end of the period	**(79.3)**	(76.9)

Movement in net liability recognised in the Group Consolidated Balance Sheet	**2021 €m**	2020 €m
Net liability in plans at the beginning of the period	**(7.4)**	(7.3)
Current service cost (note 9)	**(3.6)**	(3.6)
Past service cost (note 9)	**1.8**	-
Employer contributions	**2.6**	2.6
Net interest expense	**-**	-
Actuarial gain/(loss) on Group defined benefit pension plans	**5.7**	1.0
Translation adjustments	**0.1**	(0.1)
Net liability in plans at the end of the period	**(0.8)**	(7.4)

The estimated contributions expected to be paid during the period ending 30 July 2022 in respect of the Group's defined benefit plans are €2.6m.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

Analysis of defined benefit expense recognised in the Group Consolidated Income Statement	2021 €m	2020 €m
Current service cost (note 9)	**3.6**	3.6
Past service cost (note 9)	**(1.8)**	-
Non-financing expense	**1.8**	3.6
Expected return on Plan assets	**(0.2)**	(0.3)
Interest cost on Plan liabilities	**0.2**	0.3
Included in financing costs, net	**-**	-
Net charge to Group Consolidated Income Statement	**1.8**	3.6

Additionally, a charge of €5.9m (2020: €6.6m) was recorded in the Group Consolidated Income Statement - continuing operations in respect of the Group's defined contribution plans.

Defined benefit pension expense recognised in Group Consolidated Statement of Comprehensive Income	2021 €m	2020 €m
Return on plan assets (excluding interest income)	**5.9**	4.2
Experience losses on plan liabilities	**(1.7)**	(4.4)
Changes in demographic and financial assumptions	**1.5**	1.2
Actuarial gain	**5.7**	1.0
Deferred tax effect of actuarial (gain) (note 11)	**(0.9)**	(0.1)
Actuarial gain/loss recognised in Group Consolidated Statement of Comprehensive Income	**4.8**	0.9

History of experience gains and losses:	2021	2020
Difference between expected and actual return on plan assets:		
– Amount (in €m)	**5.9**	4.2
– % of Plan assets	**7.5%**	6.0%
Experience losses on plan obligations:		
– Amount (in €m)	**(1.7)**	(4.4)
– % of Plan obligations	**(2.1)%**	(5.7)%
Total actuarial gains recognised in Group Consolidated Statement of Comprehensive Income:		
– Amount (in €m)	**5.7**	1.0
– % of Plan obligations	**7.2%**	1.3%

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

27 Shareholders equity

Registered shares of CHF 0.02 each – authorised, issued and fully paid	2021 in Millions	2021 in EUR Millions	2020 in Millions	2020 in EUR Millions
At beginning and end of period	**993.1**	**17.0**	993.1	17.0

At the 2019 AGM, the shareholders voted in favour of the amendment of the Articles of Association, to introduce a new Article 4 to create conditional share capital for issuance of shares, options or subscription rights to employees. The registered share capital may be increased in an amount not to exceed CHF 993,105.72 by issuing up to 49,655,286 fully paid-up registered shares with a par value of CHF 0.02 each (representing 5% of the currently issued share capital) through the direct or indirect issuance of shares, options or related subscription granted to members of the Board of Directors in lieu of cash fees, members of the Executive Management and employees of the Company and its Group companies.

In accordance with Article 5 of the Articles of Association (Authorised capital for general purposes), the Board of Directors is authorised to increase the share capital of the Company at any time until 14 November 2021 by a maximum amount of CHF 1,986,211 by issuing of up to 99,310,572 fully paid up registered shares with a par value of CHF 0.02 each. A partial increase is permitted.

The Board of Directors is authorised to withdraw or limit the pre-emptive rights of the existing shareholders if the newly issued shares are used for the following purposes: (1) mergers, acquisitions (including take-overs) of companies, parts of companies or holdings, equity stakes (participation) or new investments planned by the Company, or the financing or re-financing of such transactions, (2) broadening the shareholder constituency, or (3) employee participations.

Treasury shares of CHF 0.02 each - authorised, called up and fully paid	2021 in '000s	2021 in EUR `000	2020 in '000s	2020 in EUR `000
At beginning of period	**1,982**	**32**	2,518	40
Release of treasury shares upon vesting and exercise of equity entitlements	**(168)**	**(3)**	(25)	(1)
Release of treasury shares as restricted shares	**(493)**	**(8)**	(511)	(7)
At end of period	**1,321**	**21**	1,982	32

During the period ended 31 July 2021, the performance conditions associated with 167,902 Restricted Stock Unit awards were fulfilled (2020: 25,684). 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 0.48 (2020: CHF 0.80).

In addition, during the period ended 31 July 2021 493,492 shares were issued out of treasury shares, in respect of restricted shares for non-executive directors (2020: 510,817 shares), as detailed on pages 56 to 72 of the Compensation Report.

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.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

Other equity reserve

	2021 €m	2020 €m
At beginning and end of period	**720.5**	720.5

In April 2013, the Group raised CHF 400,000,000 through the issuance of a Perpetual Callable Subordinated Instrument (‘Hybrid Instrument’), which was recognised at a carrying value of €319,442,000 within equity. This Hybrid Instrument has no maturity date, and as the first call option was not exercised by ARYZTA in April 2018, the coupon is now 6.045%, plus the 3-month CHF LIBOR.

In October 2014, the Group raised CHF 190,000,000 through the issuance of a Hybrid Instrument. This Hybrid Instrument offers a coupon of 3.5% and has no maturity date, with an initial call option date by ARYZTA in April 2020. In the event that the call option is not exercised, the coupon would be 4.213%, plus the 3-month CHF LIBOR.

In November 2014, the Group raised €250,000,000 through the issuance of an additional Hybrid Instrument. This Hybrid Instrument offers a coupon of 6.8% and has no maturity date, and as the first call option was not exercised by ARYZTA in March 2019, the coupon is now 6.77%, plus the 5 year euro swap rate.

The two Hybrid instruments issued during the year ended 31 July 2015 were recognised at a combined value of €401,014,000 within equity.

As the Hybrid instruments have no maturity date and payment is at the option of ARYZTA, they are recognised within other equity reserves at historical cost, net of attributable transaction costs, until such time that management and the Board of Directors have approved settlement of the applicable instrument. Any difference between the amount paid upon settlement of these instruments and the historical cost is recognised directly within retained earnings.

Dividends on these Hybrid instruments accrue at the coupon rate applicable to each respective instrument on an ongoing basis; however, a contractual obligation to settle these dividends in cash only arises when a Compulsory Payment Event, such as payment of a cash dividend to equity shareholders, has occurred within the last twelve months.

Because the Group has not paid a cash dividend to equity shareholders during the last 12 months, as of 31 July 2021 the Group is under no contractual obligation to settle the Hybrid instrument dividends in cash. Therefore, these deferred dividends have not been accrued as separate financial liabilities, but instead remain within equity, in accordance with IAS 32 ‘Financial Instruments’. Should a Compulsory Payment Event occur in the future, all Hybrid instrument deferred dividends will become due in cash.

Movements related to the Hybrid instrument dividends over the last two years were as follows:

	2021 €m	2020 €m
Balance at beginning of the period	(129.2)	(81.8)
Hybrid instrument deferred dividend	(46.2)	(46.1)
Translation adjustments	(0.3)	(1.3)
Balance at end of the period	**(175.7)**	**(129.2)**

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

Cash flow hedge reserve
The cash flow hedge reserve comprises of the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

Share-based payment reserve
This reserve comprises amounts credited to reserves in connection with equity awards, less the amount related to any such awards that become vested.

Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign exchange differences, since the date of the Group's transition to IFRS, arising from translation of the net assets of the Group's non-euro-denominated functional currency operations into euro, the Group's presentation currency.

Capital and net debt management
The capital managed by the Group as at 31 July 2021 consists of total equity of €1,101.1m (2020: €1,267.9m) and net debt of €220.1m at 31 July 2021 (2020: €1,010.7m). The Group has set the following goals for the management of its capital and net debt:

- To maintain prudent Net Debt: EBITDA[1] and interest cover (EBITDA: Net interest, including Hybrid dividend[1]) ratios to support a prudent capital base and ensure a long-term sustainable business.
- To achieve a return for investors in excess of the Group's weighted average cost of capital.
- To apply a dividend policy that takes into account the Group's financial performance and position, the Group's future outlook and other relevant factors including tax and other legal considerations.

In August 2021 ARYZTA announced that it had entered into an underwritten agreement with three banks for a new €500m revolving credit facility. The facility, which is expected to be utilised in Q1 2021 is underwritten by Credit Suisse, Rabobank and UBS and has replaced the current €800m revolving credit facility that was due to mature in September 2022.

As announced on 4 May 2020, in response to the COVID-19 pandemic, the Group received the requisite consent of the majority of its lenders for an amendment of its financial covenants relating to the annual financial statements for the period ended 1 August 2020 and the semi-annual statements for the period ended 31 January 2021. The financial covenants defined under this amendment are a leverage covenant being a maximum of 6.0x and an interest cover covenant being greater than 1.5x.

As announced on 28 September 2020, the Group received the requisite consent of the majority of its lenders for a further amendment of its financial covenants relating to the semi-annual period ending 31 January 2021 and the annual financial statements ending 31 July 2021. The financial covenants defined under this amendment are a leverage covenant being a maximum of 6.0x and interest cover covenant being greater than 1.0x.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

The covenants are summarised in the table below:

	Prior agreement			New agreement	
	FY 2020	**H1 FY 2021**	**FY 2021**	**H1 FY 2022**	**FY 2022**
Leverage covenant (maximum)	6.0x	6.0x	6.0x	3.5x	3.5x
Interest cover covenant (minimum)	1.5x	1.0x	1.0x	1.5x	2.0x

The Group's key financial ratios at 31 July 2021 were as follows:

	FY 2021	**FY 2020**
Leverage covenant (Net Debt: EBITDA)[1]	0.58x	3.68x
Interest cover covenant (EBITDA: Net interest, including Hybrid dividend)[1]	1.88x	2.63x

1 Calculated as per Syndicated Bank Facilities Agreement terms.

These ratios were complied with throughout the period ended 31 July 2021, and are reported to the Board of Directors at regular intervals through internal financial reporting.

No dividend is planned to be proposed for the period ended 31 July 2021.

28 Commitments

28.1 Capital commitments
Capital expenditure contracted for at the end of the period, but not yet incurred, is as follows:

	2021 €m	2020 €m
Property, plant and equipment	**10.1**	8.3
Intangible assets	**–**	0.1
Total - continuing operations	**10.1**	8.4

28.2 Other commitments
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.

29 Contingent liabilities
Letters of credit and guarantees

Letters of credit and guarantees amounting to €14.3 million are outstanding at 31 July 2021 (2020: €14.3 million). The Group does not expect any material loss to arise from these letters of credit or guarantees.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

Litigation
The Group is subject to litigation risks and legal claims that arise in the ordinary course of business, for which the outcomes are not yet known. These claims are not currently expected to give rise to any material significant future cost or contingencies.

30 Related party transactions

In the normal course of business, the Group undertakes transactions with its joint ventures and other related parties. A summary of transactions with these related parties is as follows:

	2021 €m	2020 €m
Provision of services	–	0.6

During the period ended 31 July 2021, there were no trading balances owing to the Group from related parties (2020: Nil) and there were no trading balances owing from the Group to these related parties (2020: Nil).

Compensation of key management
For the purposes of the disclosure requirements of IAS 24, 'Related Party Disclosures', the term 'key management personnel' (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group) comprises the Board of Directors and the Group Executive Management, which manage the business and affairs of the Group. A summary of the compensation to key management is as follows:

	2021 €m	2020 €m
Short-term employee benefits	**13.6**	6.0
Post-employment benefits	**-**	-
Other long-term benefits	**0.6**	0.6
Long-term incentives (LTIP)	**0.2**	0.3
Termination benefits	**-**	-
Total key management compensation	**14.4**	6.9

Amounts shown in the table above represent the ongoing wages, salaries and other compensation of Executive Management and the Board of Directors, including the entire €3.7m contractual obligations associated with the departure of former members of executive management. None of the non-executive members of the Board of Directors has fulfilled any operational management functions for companies of the ARYZTA Group in the three years immediately preceding the period.

Further detailed disclosure in relation to the compensation entitlements of the Board of Directors and Executive Management is provided in the Compensation Report on pages 56 to 72.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 31 July 2021

31 Post balance sheet events – after 31 July 2021
As announced on 19 August 2021, the Group has successfully signed binding documentation concerning the disposal of its Brazil businesses to Grupo Bimbo SAB de CV. The transaction is expected to complete by the end of Q2 of ARYZTA's financial year 2022, and is subject to closing conditions customary for this type of transaction.

As announced on 19 August 2021, ARYZTA has entered into an underwritten agreement with three banks for a new €500m revolving credit facility. The facility, which is expected to be utilised in Q1 2022 is underwritten by Credit Suisse, Rabobank and UBS and has replaced the current €800m revolving credit facility that was due to mature in September 2022.

In October 2021, the Group announced that it will pay all deferred and actual dividends on its CHF Hybrids and the deferred, actual and compound dividends on its Euro Hybrid in FY 2022, totalling approximately CHF 143m and €81m respectively.

32 Risk assessment
The Board and senior management continue to invest significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Group has formal risk assessment processes in place through which risks are identified and associated mitigating controls are evaluated. These processes are driven by local management, who are best placed to identify the significant ongoing and emerging risks facing the business. The outputs of these risk assessment processes are subject to various levels of review by Group management and Internal Audit, and a consolidated Risk Map denoting the potential frequency, severity and velocity of identified risks is reviewed by the Board of Directors on at least an annual basis. Risks identified, and associated mitigating controls, are also subject to audit as part of various operational, financial, health and safety audit programmes.

33 Accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Group consolidated financial statements are described below:

Note	Name
Note 1	Going concern
Note 17	Goodwill and intangible assets
Note 15	Leases
Note 26	Employee benefits
Notes 11 & 25	Income taxes and deferred income tax

Given the significant impact of COVID-19 on the macro-economic conditions in which the Group operates, the Directors have placed a particular focus on whether it is appropriate to adopt the going concern basis in preparing the financial statements for the period ended 31 July 2021. The Directors' analysis of whether use of the going concern basis is appropriate covers at least 12 months from the date of the financial statements, and

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

is based on management's estimates and judgements, in particular in relation to the projected financial performance and liquidity of the business. Further detail on the Directors' analysis of the going concern basis is disclosed in note 1, page 90.

The Group tests annually whether goodwill and intangible assets have suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGUs) have been determined based on value in use calculations. The value in use calculation is based on an estimate of future cash flows expected to arise from the CGUs and these are discounted to net present value using an appropriate discount rate. The tests are dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows, the expected long term growth rate of the applicable businesses and terminal values. Such estimates and judgements are subject to change as a result of changing economic conditions. Additional information in relation to impairment reviews, including headroom and sensitivity analysis is disclosed in note 17.

The Group applies estimation in determining the incremental borrowing rates for leases which has a significant impact on the lease liabilities and right-of-use assets recognised. Incremental borrowing rates are calculated using a portfolio approach, based on the risk profile of the entity holding the lease, the term and currency of the lease. The weighted average incremental borrowing rate applied to lease liabilities on the Group Consolidated Balance Sheet was 4.27% at 31 July 2021.

Judgement is involved in determining the lease term where there are extension or termination options. In determining the lease term, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal or termination of the lease. The Group assesses at lease commencement date whether it is reasonably certain to exercise these options for leases. The Group reassesses whether it is reasonably certain to exercise them if there is a significant event or change in circumstances within its control. Details of the leasing arrangements of the Group are disclosed in note 15.

The estimation of and accounting for employee benefits involves judgements made on a country by country basis, in conjunction with independent actuaries in relation to various assumptions. Estimates are required in respect of uncertain future events including mortality rates of members and increase in pension payments linked to certain obligations and discount rates used in estimating the present value of the schemes assets and liabilities. Details of the financial position of the employee benefit schemes are set out in note 26.

Judgement and estimation is required in determining the income tax charge as the Group operates in multiple jurisdictions and the tax treatment of many items is uncertain with tax legislation being open to different interpretation. In addition, the Group is subject to uncertainties involving tax audits which can involve complex issues that can require extended periods to conclude. The Group considers these uncertain tax positions in the recognition of its income tax/deferred tax assets or liabilities. The Group uses in-house tax experts, professional firms and previous experience when assessing tax risks and the tax uncertainties have been measured using a probability weighted expected value approach. Details around income taxes are set out in note 11, and deferred taxes are set out in note 25.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 31 July 2021

34 Significant subsidiaries and joint ventures

A list of all of the Group's significant subsidiary and joint venture undertakings, as at 31 July 2021 and 1 August 2020, are provided in the table below. For the purposes of this note a significant subsidiary is one that has third-party revenues equal to, or in excess of, 2% of total Group revenue and/or consolidated Group assets equal to, or in excess of, 2% of total Group assets. A significant joint venture is one in which the Group's share of profits after tax is equal to, or in excess of, 2% of total Group operating profit and/or the carrying value of the investment is equal to, or in excess of, 2% of total Group assets.

Name	Nature of business	Currency	Share capital millions	Group % share 2021	Group % share 2020	Registered office
(a) Significant subsidiaries – Europe						
ARYZTA Food Solutions Ireland UC	Food distribution	EUR	0.635	100	100	1
ARYZTA Bakeries Ireland UC	Food manufacturing and distribution	EUR	131.860	100	100	1
ARYZTA Technology Ireland UC	Asset management company	EUR	0.000	100	100	1
France Distribution SAS	Food distribution	EUR	0.108	100	100	2
ARYZTA France	Food distribution	EUR	28.750	100	100	2
ARYZTA Food Solutions Schweiz AG	Food distribution	CHF	3.500	100	100	3
ARYZTA Bakeries Deutschland GmbH	Food manufacturing and distribution	EUR	3.072	100	100	4
Hiestand Deutschland GmbH	Food manufacturing and distribution	EUR	0.512	100	100	5
ARYZTA Food Solutions GmbH	Food distribution	EUR	0.025	100	100	6
FSB Backwaren GmbH	Food manufacturing and distribution	EUR	0.614	100	100	7
Pré Pain B.V.	Food manufacturing and distribution	EUR	0.018	100	100	8
ARYZTA Polska Sp.z o.o.	Food manufacturing and distribution	PLN	69.174	100	100	9
Fornetti Kft	Food manufacturing and distribution	HUF	500.000	100	100	10
(b) Significant subsidiaries – North America						
ARYZTA LLC[1]	Food manufacturing and distribution	USD	N/A	N/A	100	N/A
ARYZTA Limited[1]	Food manufacturing and distribution	CAD	N/A	N/A	100	N/A
ARYZTA Canada Co.[1]	Food manufacturing and distribution	CAD	N/A	N/A	100	N/A
(c) Significant subsidiaries – Rest of World						
ARYZTA Australia Pty Limited	Food manufacturing and distribution	AUD	17.000	100	100	11
ARYZTA Do Brazil Alimentos Ltda	Food manufacturing and distribution	BRL	33.588	100	100	12

1 Correct for 2020 before disposal of businesses

Registered offices of subsidiaries consolidated as of 31 July 2021:

1. Grangecastle Business Park, New Nangor Road, Clondalkin, Dublin 22, Ireland.
2. ZAC de Bel Air, 14–16 Avenue Joseph Paxton, Ferrières en Brie, 77164, France.
3. Ifangstrasse 9, 8952 Schlieren-Zurich, Switzerland.
4. Industriestrasse 4, 06295 Lutherstadt Eisleben, Germany.
5. Albert-Einstein-Str. 1, 97447, Gerolzhofen, Germany.
6. Konrad Goldmann Strasse 5 b, 79100 Freiburg im Breisgau, Germany.
7. Hochstrasse 177, 47228 Duisburg, Germany.
8. Kleibultweg 94, Oldenzaal, 7575 BX, the Netherlands.
9. ul. Zachodnia 10, 05-825 Grodzisk Mazowiecki, Poland.
10. 6000 Kecskemét, Városföld 8683/104.hrsz. dulo 92, Hungary.
11. 14 Homepride Avenue, Liverpool, NSW 2170, Australia.
12. Av. Brigadeiro Faria Lima 1.336, 3° Andar 01451-001 São Paulo, Brazil.

The country of registration is also the principal location of activities in each case.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2021

Opinion

We have audited the Consolidated Financial Statements of ARYZTA AG and its subsidiaries (the Group), which comprise the Group Consolidated Income Statement and Group Consolidated Statement of Comprehensive Income for the period ended 31 July 2021, the Group Consolidated Balance Sheet as at 31 July 2021 and the Group Consolidated Statement of Changes in Equity and Group Consolidated Cash Flow Statement for the period then ended, and notes to the Group Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the Group Consolidated Financial Statements (pages 80 to 162) give a true and fair view of the consolidated financial position of the Group as at 31 July 2021, its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) and Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2021 (continued)

Valuation of goodwill

Area of focus

As at 31 July 2021, the carrying value of goodwill was EUR 520.1 million (2020: EUR 823.4 million) which represents 25% of total assets (2020: 24%) and 47% of total equity (2020: 65%). Goodwill is subject to impairment testing on an annual basis and at any time during the year, if an indicator of impairment exists. Goodwill acquired through business combination activity has been allocated to cash generating units (CGUs). The recoverable amount of the CGUs is determined based on a value-in-use computation.

Auditing management's annual goodwill impairment test is considered a risk area as it is complex and involves key judgements by management due to the significant estimation required in determining the value in use of each CGU.

In particular, judgemental aspects include assumptions of future profitability, revenue growth, margins and forecast cash flows, and the selection of appropriate discount rates, all of which may be subject to management override.

Key judgements for the impairment test and identified cash generating units are disclosed in the Notes (Note 17).

Our audit response

We obtained an understanding of the Group's goodwill impairment review process and the process for setting significant assumptions, including future profitability, revenue growth, margins and forecast cash flows, and the selection of appropriate discount rates, among others.

We assessed and evaluated the reasonableness of the Group's allocation of goodwill to CGUs taking into consideration internal management reporting and how the business is managed.

We obtained the Group's impairment analysis for each CGU and performed the following procedures, among others:

- We compared the significant assumptions used by management to external economic forecasts, the Group's historical results, and evaluated whether changes in the Group's business could affect the significant assumptions. In these circumstances we applied professional skepticism when assessing the judgements made by management.
- We tested the mathematical accuracy of the models and reconciled the projections to budgets which have been subject to approval by the Board of Directors.
- We assessed the historical accuracy of management's estimates and performed sensitivity analyses on significant assumptions to evaluate the impact on the estimated value in use of the CGUs for changes in these assumptions.
- We involved valuation specialists to assist in our evaluation of the valuation methodology and comparison of key inputs used by management in calculating discount rates to external market data (principally risk-free rates, country risk premia and inflation rates).
- We considered the adequacy of management's disclosures in respect of impairment testing and whether the disclosures appropriately communicate the underlying sensitivities.

Our audit procedures did not lead to any reservations regarding the valuation of goodwill.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2021 (continued)

Revenue recognition

Area of focus

Revenues for the period ended 31 July 2021 were EUR 1,525.4 million (2020: EUR 1,669.0 million) from continuing operations and EUR 794.3 million (2020: EUR 1,261.9 million) from discontinued operations.

Revenues are a key performance indicator for ARYZTA and are a focus of internal and external stakeholders. Due to the complexity and significant volumes of various trade discounts, allowances, promotional and volume rebates in customer arrangements throughout the Group, this matter was considered significant to our audit.

The accounting principles for revenue recognition are disclosed in Note 1, page 93.

Our audit response

We assessed the Group's revenue recognition accounting policies; in particular, those related to complex and non-standard customer contracts. For the purpose of our audit, we performed the following procedures, among others:

- We obtained key contractual arrangements, including in respect of rebate and discount arrangements. Where rebate and discount arrangements existed, we incorporated unpredictability in our selection of contracts to review and to perform a recalculation of the value of rebates and discounts.
- We considered post period-end settlement of rebates and discounts to assess the accuracy of the rebate accruals. We also performed a retrospective analysis of prior period rebate estimates to challenge the accuracy of the assumptions made, including assessing the estimates for evidence of potential management bias.
- We performed cut-off testing for a sample of revenue transactions around period end, to validate that revenue and associated rebates were recognised in the appropriate period.
- We assessed the completeness of disclosures against the requirements of IFRS 15 Revenue from contracts with customers, in particular in respect of the requirements to disclose rebate and discount arrangements.

Our audit procedures did not lead to any reservations regarding recognition of revenue.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2021 (continued)

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group Consolidated Financial Statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the Group Consolidated 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, ISAs 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 Group Consolidated Financial Statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the EXPERTsuisse website at: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2021 (continued)

Report on other legal and regulatory requirements

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

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Martin Gröli	Jennifer Mathias
Licensed audit expert Auditor in charge	Certified public accountant

Zurich, 4 October 2021

Company Income Statement
for the period ended 31 July 2021

in CHF m	2021	2020
Revenues from licences and management fees from Group companies	**5.5**	7.5
Dividend income from Group companies	**219.7**	106.8
Personnel expenses	**(6.5)**	(1.5)
Other operating expenses to Group companies	**(7.4)**	(11.7)
Other operating expenses	**(50.3)**	(12.4)
Depreciation and amortisation	**-**	-
Impairment of investment in Group Companies	**(372.1)**	(1,320.2)
Operating loss	**(211.1)**	(1,231.5)
Financial income from Group companies	**49.7**	64.8
Financial expenses	**(53.7)**	(62.2)
Loss before income tax	**(215.1)**	(1,228.9)
Income tax	**(1.2)**	(0.5)
Loss for the period	**(216.3)**	(1,229.4)

Company Balance Sheet
as at 31 July 2021

in CHF m	2021	2020
Assets		
Current assets		
Cash and cash equivalents	**18.7**	0.4
Other current receivables		
– from third parties	**5.7**	7.2
– from Group companies	**1.1**	0.3
Total current assets	**25.5**	7.9
Long-term assets		
Financial assets		
– loans to Group companies	**1,625.7**	2,697.4
Investments		
– investments in Group companies	**1,132.6**	1,304.6
Property, plant and equipment	**0.1**	0.1
Total long-term assets	**2,758.4**	4,002.1
Total assets	**2,783.9**	4,010.0

Company Balance Sheet (continued)
as at 31 July 2021

in CHF m	2021	2020
Liabilities		
Short-term liabilities		
Trade payable		
– to third parties	**0.3**	0.8
Short-term interest bearing liabilities		
– to third parties	**-**	207.3
Other short-term liabilities		
– to third parties	**69.7**	103.8
– to Group companies	**36.6**	45.1
Accrued expenses	**121.7**	93.6
Total short-term liabilities	**228.3**	450.6
Long-term liabilities		
Long-term interest-bearing liabilities		
– to third parties	**638.5**	1,651.3
Liabilities to Group companies	**804.9**	579.6
Total long-term liabilities	**1,443.4**	2,230.9
Total liabilities	**1,671.7**	2,681.5
Equity		
Share capital	**19.9**	19.9
Legal reserves from capital contribution	**827.2**	827.2
Legal reserves from foreign capital contribution	**26.2**	1,067.7
Legal reserve for own shares from foreign capital contribution	**52.4**	78.6
Free reserves from foreign capital contribution	**1,067.7**	-
Retained earnings	**(881.2)**	(664.9)
Total equity	**1,112.2**	1,328.5
Total equity and liabilities	**2,783.9**	4,010.0

Notes to the Company Financial Statements

1 Basis of presentation

The financial statements of ARYZTA AG, with a registered address of Ifangstrasse 9, 8952 Schlieren, have been prepared in accordance with the requirements of Swiss law.

The Company's accounting period is from 2 August 2020 to 31 July 2021.

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 are earned.

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 121 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 and bank loans, which are included within interest bearing loans and borrowings.

Bonds outstanding	Interest Rate	2021 in CHF m	2020 in CHF m	Maturity
Hybrid Instrument 2013	5.3%	**400.0**	400.0	No specified maturity date
Hybrid Instrument 2014	3.5%	**190.0**	190.0	No specified maturity date
Bank loans outstanding				**Financial period of maturity**
Syndicated Bank RCF		**48.5**	852.8	2023
Syndicated Bank Term Loan		**-**	226.4	2023

The average interest rate on the RCF facility is 1.4%.

As announced on 4 May 2020, in response to the COVID-19 pandemic, the Group received the requisite consent of the majority of its lenders for an amendment of its financial covenants relating to the annual financial statements for the period ended 1 August 2020 and the semi-annual statements for the period ended 31 January 2021. The financial covenants defined under this amendment are a leverage covenant being a maximum of 6.0x and an interest cover covenant being greater than 1.5x.

As announced on 28 September 2020, the Group received the requisite consent of the majority of its lenders for a further amendment of its financial covenants relating to the semi-annual period ending 31 January 2021 and the annual financial statements ending 31 July 2021. The financial covenants defined under this amendment are a leverage covenant being a maximum of 6.0x and interest cover covenant being greater than 1.0x Details of the Group's financing covenants are included in note 27 to the Group Financial Statements on pages 157 to 158.

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.

Notes to the Company Financial Statements
(continued)

5 Details of investments

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

Company (Domicile)		Share capital millions 2021	Share capital millions 2020	Percentage 2021	Percentage 2020
ARYZTA Holdings Asia Pacific BV (Amsterdam, NL)	EUR	**0.020**	0.020	**100**	100
ARYZTA Holdings Germany AG (Schlieren, 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 GmbH & Co. KG (Schweinfurt, DE)[1]	EUR	**0.026**	0.026	**100**	100
ARYZTA Food Europe AG (Schlieren, CH)	CHF	**6.450**	6.450	**100**	100
Summerbake GmbH (Klotze, DE)	EUR	**0.025**	0.025	**100**	100
ARYZTA Investments SAS (Ferrières-en-Brie, FR)	EUR	**40.100**	40.100	**100**	100

1 The amount disclosed represents limited liability capital.

A list of significant indirect investments in Group companies is disclosed in note 34 of the Group Financial Statements on page 162.

As a result of reductions in current and future expected profitability and cash flows, the Company recorded a total impairment of CHF 372.1m in respect of its investments in its wholly-owned Group companies during the period ended 31 July 2021.

As a result of reductions in current and future expected profitability and cash flows, combined with the impact on revenues and operations from COVID-19 and anticipated Brexit impacts, the Company recorded a total impairment of CHF 1,320.2m in respect of its investments in its wholly-owned Group companies during the period ended 1 August 2020.

6 Share capital

	Period ended 31 July 2021 Number of shares millions	Period ended 31 July 2021 in CHF m	Period ended 1 August 2020 Number of shares millions	Period ended 1 August 2020 in CHF m
Shares of CHF 0.02 each – authorised, issued and fully paid				
As at beginning and end of period	**993.1**	**19.9**	993.1	19.9

	Period ended 31 July 2021 Number of shares millions	Period ended 31 July 2021 in CHF m	Period ended 31 July 2020 Number of shares millions	Period ended 31 July 2020 in CHF m
Shares of CHF 0.02 each				
Conditional capital	**49.7**	**1.0**	49.7	1.0
Authorised capital	**99.3**	**2.0**	99.3	2.0

Notes to the Company Financial Statements
(continued)

At the 2019 AGM, the shareholders voted in favour of the amendment of the Articles of Association of the Company, to introduce a new Article 4 to create conditional share capital for issuance of shares, options or subscription rights to employees. The registered share capital may be increased in an amount not to exceed CHF 993,105.72 by issuing up to 49,655,286 fully paid-up registered shares with a par value of CHF 0.02 each (representing 5% of the currently issued share capital) through the direct or indirect issuance of shares, options or related subscription granted to members of the Board of Directors in lieu of cash fees, members of the Executive Management and employees of the Company and its Group companies.

In accordance with Article 5 of the Articles of Association (Authorised capital for general purposes), the Board of Directors is authorised to increase the share capital of the Company at any time until 14 November 2021 by a maximum amount of CHF 1,986,211 by issuing of up to 99,310,572 fully paid-up registered shares with a par value of CHF 0.02 each. A partial increase is permitted.

The Board of Directors is authorised to withdraw or limit the pre-emptive rights of the existing shareholders if the newly issued shares are used for the following purposes: (1) mergers, acquisitions (including take-overs) of companies, parts of companies or holdings, equity stakes (participation) or new investments planned by the Company, or the financing or re-financing of such transactions, (2) broadening the shareholder constituency, or (3) employee participations.

The registered share capital of the Company as at 31 July 2021, amounts to CHF 19,862,114.54, and is divided into 993,105,727 registered shares with a par value of CHF 0.02 per share, of which 991,785,217 are outstanding and 1,320,510 were 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.

As noted on page 179, at the 2020 Annual General Meeting held on 15 December 2020 the shareholders approved a re-appropriation of CHF 1,067.7m from Legal reserves from foreign capital contributions to Free reserves from foreign capital contributions.

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

	Period ended 31 July 2021 '000	**Period ended 31 July 2021** in CHF m	Period ended 1 August 2020 '000	Period ended 1 August 2020 in CHF m
As at beginning of period	**1,982**	**78.6**	2,518	99.9
Release of treasury shares upon exercise of LTIP shares	**(168)**	**(6.7)**	(25)	(1.0)
Release of treasury shares as restricted shares	**(493)**	**(19.5)**	(511)	(20.3)
As at end of period	**1,321**	**52.4**	1,982	78.6

During the period ended 31 July 2021, the performance conditions associated with 167,902 Restricted Stock Unit awards were fulfilled (2020: 25,684). Therefore, these awards were approved as vested by the Remuneration Committee and were subsequently

Notes to the Company Financial Statements (continued)

exercised by employees, in exchange for the same number of shares. The weighted average share price at the time of these exercises was CHF 0.48 (2020: CHF 0.80).

In addition, during the period ended 31 July 2021, 493,492 shares were issued out of treasury shares, in respect of restricted shares for non-executive directors (2020: 510,817).

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.

8 Participations

As at 31 July 2021, the Company has been notified of the following shareholdings or voting rights, which amount to 3% or more of the Company's issued ordinary share capital:

	Number of shares 2021	Number of shares % 2021
Francisco Garcia Parames and Maria Angeles Leon Lopez[1]	**93,332,990**	**9.40%**
Credit Suisse Funds AG	**30,703,083**	**3.09%**
Lodbrok Capital, LLP	**30,181,273**	**3.04%**

1 Francisco Garcia Parames and Maria Angeles Leon Lopez, Direct shareholder: Cobas Asset Management, SGIIC, S.A

Any significant shareholder notifications during the period, and since 31 July 2021, are available from the Group's website at:
and also on the SIX Exchange Regulation's website at: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

9 Pension fund liability

The pension fund liability was CHF 23,731 at 31 July 2021 (2020: CHF 21,610).

10 Non-executive Directors and Executive Management share interests

Please refer to the ARYZTA AG Compensation Report on pages 56 to 72 for details on the compensation process and compensation for the period 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.

Notes to the Company Financial Statements
(continued)

Beneficial interests at 31 July 2021 and 1 August 2020 were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of ordinary shares 2021	No. of restricted shares (issued FY2020) 2021	No. of restricted shares (issued FY2021) 2021	Total 2021	Total 2020
Directors					
Current directors					
Urs Jordi[1]	107,000	–	159,526	**266,526**	–
Luisa Delgado[2]	–	38,281	72,700	**110,981**	38,281
Gordon Hardie[3]	–	–	51,364	**51,364**	
Heiner Kamps	15,692,707	–	47,413	**15,740,120**	–
Jörg Riboni[3]	750,000	–	55,809	**805,809**	–
Hélène Weber-Dubi[3]	–		59,267	**59,267**	–
Alejandro Legarda Zaragüeta[4]	132,000	38,281	47,413	**217,694**	170,281
Former directors					
Gary McGann[5]	–	–	–	**–**	406,929
Mike Andres[6]	–	–	–	**–**	84,274
Greg Flack[6]	–	–	–	**–**	84,274
Dan Flinter[5]	–	–	–	**–**	98,398
Annette Flynn[5]	–	–	–	**–**	93,680
Jim Leighton[6, 9]	–	–	–	**–**	84,274
Tim Lodge[6]	–	–	–	**–**	72,885
Andrew Morgan[7]	–	–	–	**–**	34,604
Rolf Watter[5]	–	–	–	**–**	613,540
Armin Bieri[8]	–	–	–	**–**	–
Total	**16,681,707**	**76,562**	**493,492**	**17,251,761**	1,781,420

1 U. Jordi became a member and Chair of the ARYZTA Board on 16 September 2020 and was appointed by the ARYZTA Board as interim CEO on 19 November 2020.

2 L. Delgado became a member of the Board on 14 November 2019 (2019 AGM) and was appointed Senior Independent Director in November 2020.

3 G. Hardie, J. Riboni and H. Weber-Dubi were elected to the Board effective 15 December 2020 (2020 AGM).

4 A. Legarda Zaragüeta was elected to the Board effective 14 November 2019 (2019 AGM).

5 G. McGann, D. Flinter, A. Flynn and R. Watter retired from the Board with effect from the conclusion of the EGM on 16 September 2020.

6 M. Andres, G. Flack, J. Leighton and T. Lodge retired without seeking re-election at the ARYZTA 2020 AGM on 15 December 2020.

7 A. Morgan retired from the Board without seeking re-election effective 14 November 2019 (2019 AGM).

8 A. Bieri stepped down from the Board 6 November 2020.

9 The Beneficial holding of J. Leighton includes 40,011 of Restricted Stock Units.

Notes to the Company Financial Statements
(continued)

No loans or advances were made to members of the Board of Directors or to Executive Management during the financial period, or were outstanding at 31 July 2021 (2020: Nil).

Executive Management's interests in equity instruments

	No. of shares closing position FY 2021	No. of RSUs Closing position FY 2021	No. of PSUs Closing position FY 2021[1,2,3]	No. of options Closing position FY 2021[3]	No. of shares closing position FY 2020	No. of PSUs Closing position FY 2020[1,2,3]	No. of options Closing position FY 2020[3]
Urs Jordi	107,000	159,526	–	–	–	–	–
Jonathan Solesbury	–	–	–	–	–	–	–
Rhona Shakespeare	–	–	291,916	–	–	466,051	150,670
Claudio Gekker	–	–	290,684	–	–	617,232	515,951
Chris Pluss	176,000	–	252,804	–	76,863	494,556	381,973
Total current executive management	**283,000**	**159,526**	**835,404**	–	**76,863**	**1,577,839**	**1,048,593**
Kevin Toland[4]	–	–	637,043	–	572,240	2,418,721	1,936,777
John Heffernan[4]	–	–	184,894	–	14,014	639,670	397,324
Dave Johnson[4]	–	–	292,384	–	–	1,620,252	1,561,245
Anthony Murphy[4]	–	–	164,803	–	–	715,381	598,122
Robert O'Boyle	–	–	–	–	111,397	–	–
Frederic Pflanz	–	–	–	–	100,000	1,263,839	1,056,683
Gregory Sklikas	–	–	323,203	–	–	1,152,505	804,712
Tyson Yu[4]	–	–	147,276	–	–	570,842	452,867
Total former executive management	–	**–**	1,749,603	–	**797,651**	**8,381,210**	**6,807,731**
Total	**283,000**	**159,526**	**2,585,007**	–	**874,514**	**9,959,048**	**7,856,324**

1 PSU's are presented at target award. The number of PSU's vested may change depending on the achievement of operating performance measures at vesting.

2 The awards granted during financial period 2020 are unvested as at 31 July 2021.

3 As the performance conditions associated with the PSU and option awards granted during financial period 2019 were not met, these awards were forfeited during the period ended 31 July 2021.

4 Number of PSUs awarded to executives who departed during FY 2021 adjusted pro rata up to last contractual working day based on exit agreements.

Notes to the Company Financial Statements (continued)

Previous and discontinued compensation plans

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

	No. of options carried forward FY 2021	Forfeited during the year	No. of options Closing position FY 2021	No. of options of which Vesting criteria have been fulfilled[1]
Owen Killian	2,116,177	–	2,116,177	2,116,177
Patrick McEniff	1,692,941	–	1,692,941	1,692,941
Pat Morrissey	470,261	–	470,261	470,261
Dermot Murphy	235,131	–	235,131	235,131
Total former executive management	**4,514,510**	**–**	**4,514,510**	**4,514,510**

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 8.53.

11 Post balance sheet events - after 31 July 2021

As announced on 19 August 2021, the Group has successfully signed binding documentation concerning the disposal of its Brazil businesses to Grupo Bimbo SAB de CV. The transaction is expected to complete by the end of Q2 of ARYZTA's financial year 2022, and is subject to closing conditions customary for this type of transaction.

As announced on 19 August 2021, ARYZTA has entered into an underwritten agreement with three banks for a new €500m revolving credit facility. The facility which is expected to be utilised in Q1 2022 is underwritten by Credit Suisse, Rabobank and UBS has replaced the current €800m revolving credit facility that was due to mature in September 2022.

In October 2021, the Group announced that it will pay all deferred and actual dividends on its CHF Hybrids and the deferred, actual and compound dividends on its Euro Hybrid in FY 2022, totalling approximately CHF 143m and €81m respectively.

Company Appropriation of Available Earnings and Re-appropriation of Reserves

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	**2021**	2020
Balance of retained earnings carried forward	**(664,884)**	564,526
Net loss for the period	**(216,270)**	(1,229,410)
Closing balance of retained earnings	**(881,154)**	(664,884)
Dividend payment from retained earnings	**–**	–
Balance of retained earnings to be carried forward	**(881,154)**	(664,884)

Re-appropriation of reserves - 2021 Annual General Meeting

The Board of Directors will propose to the 2021 Annual General Meeting of Shareholders the following re-appropriation of reserves:

in CHF'000	2021
Legal reserves from capital contribution	827,160
Legal reserves from foreign capital contribution	26,244
Re-appropriation to free reserves from capital contribution	(823,187)
Re-appropriation to free reserves from foreign capital contribution	(26,244)
Legal reserves from capital contribution	3,973
Legal reserves from foreign capital contribution	-
Free reserves from capital contribution	823,187
Free reserves from foreign capital contribution	1,093,975

Re-appropriation of reserves - 2020 Annual General Meeting

Subsequent to the issuance of the 2020 Annual Report and Accounts, the Board of Directors proposed to the 2020 Annual General Meeting of Shareholders the following re-appropriation of reserves, which was approved on 15 December 2020:

in CHF'000	2020
Legal reserves from foreign capital contributions	1,067,731
Re-appropriation to free reserves from foreign capital contributions	(1,067,731)
Legal reserves from foreign capital contributions	-
Free reserves from foreign capital contributions	1,067,731

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2021

As statutory auditor, we have audited the accompanying financial statements of ARYZTA AG, which comprise the income statement, balance sheet and notes, for the period ended 31 July 2021.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements (pages 168 to 178) for the period ended 31 July 2021 comply with Swiss law and the company's articles of incorporation.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2021 (continued)

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 judgment, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibility section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of investments in Group companies

Area of focus

As at 31 July 2021 Aryzta AG holds direct and indirect investments in subsidiaries with a carrying amount of CHF 1'133 million (41% of total assets and 102% of total equity). When indicators of impairment are identified, Aryzta AG estimates the recoverable amount of its investments. An impairment charge of CHF 372 million was recognised during the period in respect to investments in subsidiaries.

Due to the significance of the carrying amount of the investments in subsidiaries, the impairment charge in the 2020/21 financial period and the judgment involved in the assessment of the valuation, this matter was considered significant to our audit.

We refer to Note 2 on page 171, Accounting policies and Note 5 on pages 173, Details of investments.

Our audit response

We obtained an understanding of management's process to identify indicators of impairment of investments and the process for estimating the recoverable amount of each investment.

We obtained the impairment analysis prepared by management and performed the following procedures, among others:

– We tested the analysis prepared by Management, which consisted of comparing the net assets and discounted cash-flow balances with the carrying amount of the investment.
– We tested the mathematical accuracy of the investment valuation model and also considered the results of the impairment test prepared in the context of the consolidated financial statements.

Our audit procedures did not lead to any reservation concerning the valuation of investments in Group companies.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2021 (continued)

Report on other legal requirements

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

In accordance with article 728a para. 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.

Ernst & Young Ltd

Martin Gröli	Jennifer Mathias
Licensed audit expert Auditor in charge	Certified public accountant

Zurich, 4 October 2021

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Quarterly announcement cycle

Announcement	News Release	Report	Conference Call	Webcast
First-quarter revenue update	x			
Half-Year results	x	x	x	x
Third-quarter revenue update	x			
Full-year results	x	x	x	x
Annual Report	x	x		

Key dates to October 2022

Annual General Meeting 2021	17 November 2021
First-quarter revenue update	29 November 2021
Announcement of half-year results 2022	14 March 2022
Third-quarter trading update	30 May 2022
Full-year results & 2022 Annual Report	3 October 2022

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