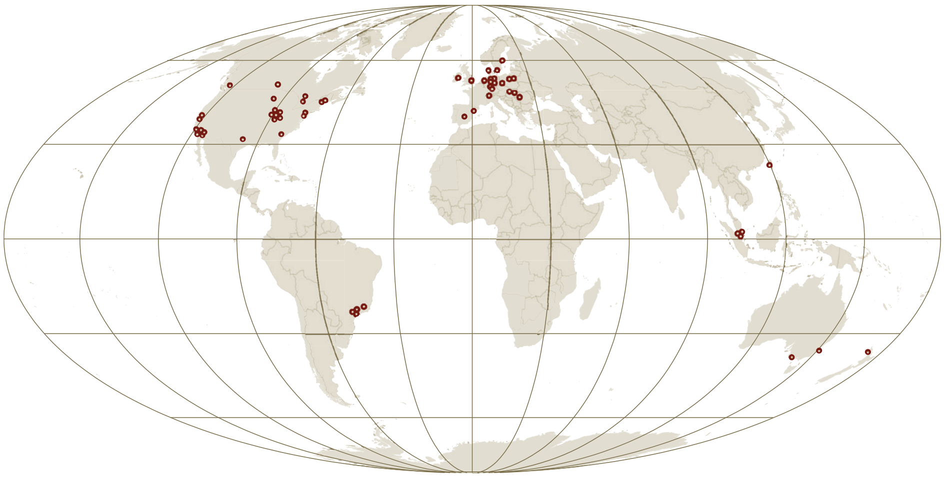
2020

Annual Report and Accounts

ARYZTA
Passion for good food



WELCOME TO ARYZTA AG

ARYZTA AG ('ARYZTA') is an international leader in frozen B2B bakery. ARYZTA is based in Schlieren, Switzerland, with operations in North America, Europe, Asia, Australia, New Zealand and South America. ARYZTA has a primary listing on the SIX Swiss Exchange and a secondary listing on the Euronext Dublin (ISE) (SIX: ARYN, ISE: YZA).

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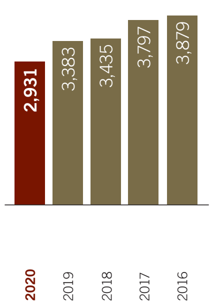
Financial Highlights

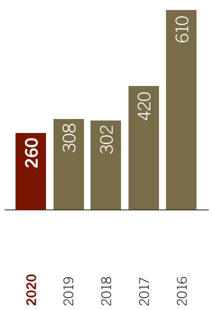
Group

Underlying

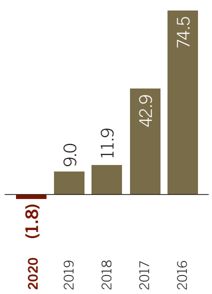
Revenue
in EUR million



Underlying EBITDA[1]
in EUR million

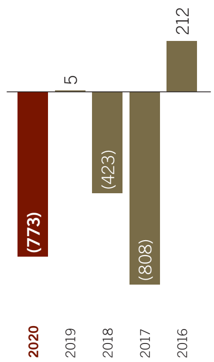


Underlying diluted EPS[2]
in EUR cent

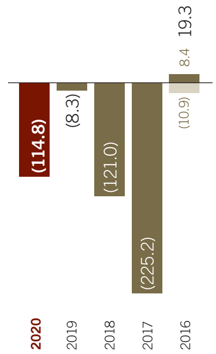


IFRS

Operating profit/(loss)
in EUR million



IFRS Diluted loss per share[2]
in EUR cent



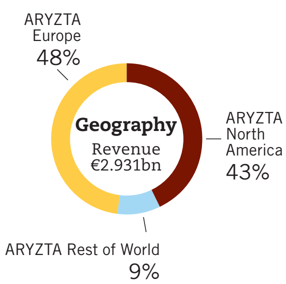
continuing operations *discontinued operations*

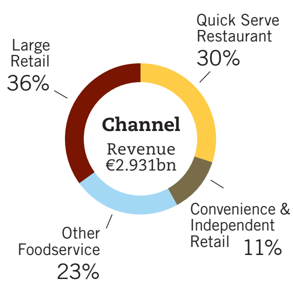
ARYZTA Group

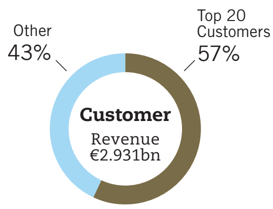
Revenue €2.931bn

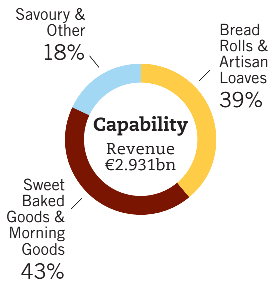
51 Bakeries

29 Countries









1 See glossary on page 22 for definitions of financial terms and references used in this document.
2 Comparatives have been restated to include the effect of the bonus issue of shares pursuant to the November 2018 rights issue and the January 2018 scrip dividend.

Annual Report and Accounts 2020
Letter to Shareholders

Dear Shareholder,

At the Extraordinary General Meeting on 16 September 2020, you, our valued shareholders, approved a change of direction for the Group by a very large majority. The entire board thank you for this trust and overwhelming support. I personally thank the entire new board for their full and unlimited support that we need for all challenges we face ahead. We remain convinced that ARYZTA has great potential and we will do our utmost to put our company back on the road to success. I believe that the financial outcome for the 2020 fiscal period highlights the urgent need for a new approach, one that is governed by a renewed Board and underpins the need for targeted action based on sound industry practices.

Overall, the period under review saw a decline in revenue of (13)% to €2,931m, while Underlying EBITDA declined by (15)% on a reported basis and (33)% on a like-for-like basis before IFRS 16. The results also include an impairment, disposal, restructuring and COVID-19 related costs charge of €(1,023)m, primarily stemming from ARYZTA North America. While the challenges of the COVID-19 pandemic are likely to persist into FY 2021, we have secured solid banking lines to see the company through the probable further disruption to our industry.

Transformation plan under development
Your Board has formed a new Committee tasked with reviewing ARYZTA and developing a detailed plan for the new journey ahead. This work will be unbiased and fulfill our fiduciary responsibility to examine all offers or expressions of interest to purchase all, or parts, of the company. The excessive level of debt will be gradually reduced. The renewed board of directors now includes extensive bakery expertise, industry contacts, financial know how and business experience which will significantly assist us on this journey.

We consider the current organisation to be overly complex, and we intend to move to a more simplified business model and organisation. However, we consider the solid customer base, the modern production facilities as well as the experienced employee base as significant positive factors. These provide a solid foundation on which ARYZTA can build, develop growth opportunities and strengthen its earning power.

We will communicate our analysis in detail in a timely manner. However, we believe it is prudent that we do not provide any financial guidance for the current financial period at this time.

Thanks
We, the board of ARYZTA, assure you that operating at the industry best practice level in terms of health and safety is a key priority for us and that we ensure our customers receive safe and nourishing food. We would like to thank all our employees for their high level of commitment in the past financial period and look forward to the new journey with them.

Urs Jordi
Chair, Board of Directors
6 October 2020

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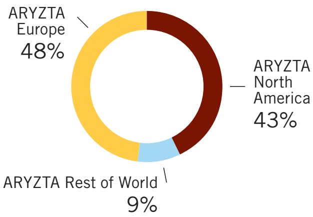
Business Overview
About ARYZTA

Reporting Segments

ARYZTA AG

ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World
REVENUE 2020	REVENUE 2020	REVENUE 2020
€1.418bn	€1.262bn	€251m
Underlying EBITDA 2020	Underlying EBITDA 2020	Underlying EBITDA 2020
€158m	€67m	€35m
Underlying EBITDA margin 2020	Underlying EBITDA margin 2020	Underlying EBITDA margin 2020
11.2%	5.3%	14.0%

Segmental Revenue

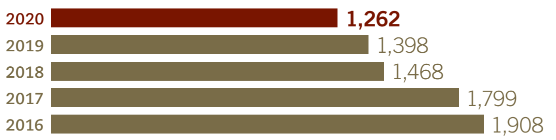


Revenue ARYZTA Europe

in EUR million

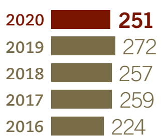
Revenue ARYZTA North America

in EUR million

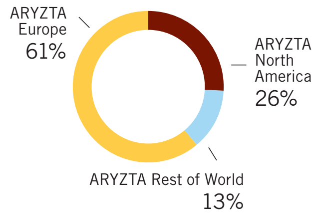


Revenue ARYZTA Rest of World

in EUR million

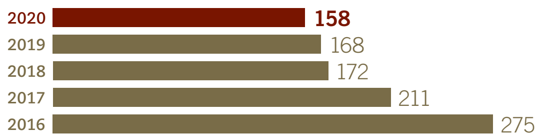


Segmental Underlying EBITDA



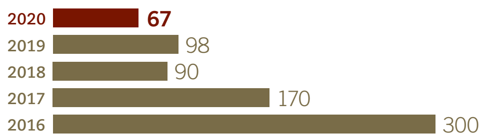
Underlying EBITDA ARYZTA Europe

in EUR million



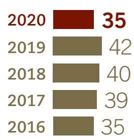
Underlying EBITDA ARYZTA North America

in EUR million



Underlying EBITDA ARYZTA Rest of World

in EUR million



Annual Report and Accounts 2020
Financial and Business Review

1 Underlying Income Statement and reconciliation to IFRS

	FY 2020 €m	FY 2019 €m	% Change	% Change before IFRS 16
Group revenue	2,930.9	3,383.4	(13.4)%	(13.4)%
Underlying EBITDA[1]	260.2	307.5	(15.4)%	(33.0)%
Underlying EBITDA margin	8.9%	9.1%	(20) bps	(210) bps
Depreciation and ERP amortisation	(184.8)	(137.6)	(34.3)%	(1.1)%
Underlying EBITA[1]	75.4	169.9	(55.6)%	(60.6)%
Joint ventures underlying profit, net of interest and tax	18.4	27.6	(33.3)%	(33.4)%
Underlying EBITA including joint ventures	93.8	197.5	(52.5)%	(56.8)%
Finance cost, net	(42.6)	(50.7)	16.0%	36.8%
Hybrid instrument dividend	(46.1)	(38.9)	(18.5)%	(18.6)%
Pre-tax profits	5.1	107.9	(95.3)%	(93.4)%
Income tax	(23.1)	(33.6)	31.3%	31.3%
Underlying net (loss)/profit[1]	**(18.0)**	**74.3**	**(124.2)%**	**(121.5)%**
Underlying diluted EPS (cent)[2]	**(1.8)**	**9.0**	**(120.0)%**	**(117.8)%**

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 20 for definitions of financial terms and references used in the financial and business review, including a reconciliation of Underlying EBITDA movements by segment before and after the impact from adoption of IFRS 16 – Leases.

2 The 1 August 2020 weighted average number of ordinary shares used to calculate underlying earnings per share is 990,860,563 (2019: 822,720,246).

	FY 2020 €m	FY 2019 €m
Underlying EBITDA	**260.2**	307.5
Depreciation	**(168.6)**	(120.8)
ERP amortisation	**(16.2)**	(16.8)
Underlying EBITA	**75.4**	169.9
Amortisation of other intangible assets	**(122.9)**	(135.9)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**(164.6)**	(7.0)
Impairment of goodwill	**(502.1)**	–
Impairment of intangible assets	**(28.3)**	–
Net gain/(loss) on fixed asset disposals and impairments	**4.4**	(4.8)
Restructuring-related costs	**(9.7)**	(17.1)
COVID-19 related costs	**(25.6)**	–
IFRS operating (loss)/profit	**(773.4)**	5.1
Share of profit after interest and tax of joint ventures	**16.1**	27.6
Net loss on disposal of joint venture	**(297.1)**	–
Finance cost, net	**(42.6)**	(50.7)
Loss before income tax	**(1,097.0)**	(18.0)
Income tax credit/(expense)	**5.5**	(11.2)
IFRS loss for the period	**(1,091.5)**	(29.2)
Hybrid instrument dividend	**(46.1)**	(38.9)
Loss used to determine basic EPS	**(1,137.6)**	(68.1)
IFRS diluted loss per share (cent)[3]	**(114.8) cent**	(8.3) cent

3 The 1 August 2020 weighted average number of ordinary shares used to calculate IFRS diluted loss per share is 990,860,563 (2019: 822,613,220).

Financial and Business Review (continued)

2 Organic revenue

	ARYZTA Europe €m	ARYZTA North America €m	ARYZTA Rest of World €m	ARYZTA Group €m
Revenue	**1,418.3**	**1,261.9**	**250.7**	**2,930.9**
Organic movement[1]	(12.7)%	(11.8)%	(3.5)%	(11.6)%
Disposals movement	(4.8)%	-	-	(2.4)%
Currency movement	0.3%	2.1%	(4.4)%	0.6%
Total revenue movement	**(17.2)%**	**(9.7)%**	**(7.9)%**	**(13.4)%**

1 Fiscal year 2020 comprised of the 53 week period ended 1 August 2020, and fiscal year 2019 comprised of the 52 week period ended 27 July 2019. Please refer to glossary in section 20 for further information.

Quarterly organic revenue

	Q1 2020	Q2 2020	Q3 2020	Q4 2020[1]	FY 2020
ARYZTA Europe					
Volume %	(2.0)%	(3.7)%	(22.2)%	(28.3)%	(12.5)%
Price/Mix %	1.1%	0.7%	(1.4)%	(1.0)%	(0.2)%
Organic movement %	**(0.9)%**	**(3.0)%**	**(23.6)%**	**(29.3)%**	**(12.7)%**
ARYZTA North America					
Volume %	(6.0)%	(6.0)%	(20.4)%	(18.7)%	(11.1)%
Price/Mix %	(0.1)%	1.5%	0.0%	(4.2)%	(0.7)%
Organic movement %	**(6.1)%**	**(4.5)%**	**(20.4)%**	**(22.9)%**	**(11.8)%**
ARYZTA Rest of World					
Volume %	2.0%	6.2%	(18.0)%	(26.0)%	(7.4)%
Price/Mix %	5.5%	3.5%	3.7%	3.1%	3.9%
Organic movement %	**7.5%**	**9.7%**	**(14.3)%**	**(22.9)%**	**(3.5)%**
ARYZTA Group					
Volume %	(3.4)%	(3.8)%	(21.1)%	(24.3)%	(11.5)%
Price/Mix %	0.9%	1.2%	(0.4)%	(1.9)%	(0.1)%
Organic movement %	**(2.5)%**	**(2.6)%**	**(21.5)%**	**(26.2)%**	**(11.6)%**

1 Fiscal year 2020 comprised of the 53 week period ended 1 August 2020 and 2019 comprised of the 52 weeks ended 27 July 2019. Q4 2020 organic growth is based on 13 weeks in 2020 vs. 13 weeks in 2019. Please refer to glossary in section 20 for further information.

Financial and Business Review (continued)

3 Segmental Underlying EBITDA

Underlying EBITDA	FY 2020 €m[1]	FY 2019 €m	% Change	% Change before effects of IFRS 16
ARYZTA Europe	158.3	167.7	(5.6)%	(24.3)%
ARYZTA North America	66.7	98.0	(31.9)%	(49.9)%
ARYZTA Rest of World	35.2	41.8	(15.8)%	(28.5)%
Total ARYZTA Group	**260.2**	**307.5**	**(15.4)%**	**(33.0)%**

Underlying EBITDA margin	FY 2020	FY 2019	Movement (bps)	Movement (bps) before effects of IFRS 16
ARYZTA Europe	11.2%	9.8%	140 bps	(80) bps
ARYZTA North America	5.3%	7.0%	(170) bps	(310) bps
ARYZTA Rest of World	14.0%	15.4%	(140) bps	(350) bps
Total ARYZTA Group	**8.9%**	**9.1%**	**(20) bps**	**(210) bps**

1 The current financial period includes the effects of the adoption of IFRS 16 Leases; the comparatives have not been restated in accordance with transitional guidelines. To enable analysis versus prior year the FY 2020 figures are presented before and after the effects of IFRS 16. See glossary in section 20 for further information.

2 See glossary in section 20 for definitions of financial terms and references used in the financial and business review, including a reconciliation of Underlying EBITDA movements by segment before and after the impact from adoption of IFRS 16 – Leases.

4 Our business

ARYZTA is the world's leading global, frozen B2B baking solutions provider, operating in the frozen bakery segment of the overall bakery market. ARYZTA's customer channels consist of a mix of Large Retail, Convenience and Independent Retail, Quick Service Restaurants ('QSR') and other Foodservice categories.

Across all of ARYZTA's markets, the effects of COVID-19 in the second half of the year materially impacted revenue. Total revenue decreased by (13.4)% to €2.9bn from FY 2019 to FY 2020. Organic revenue declined by (11.6)%, with volume losses of (11.5)% and a price/mix impact of (0.1)%. Disposals reduced revenue by (2.4)% and currency had a favourable impact of 0.6%.

Group Underlying EBITDA for FY 2020 was €260.2m, which represents a decrease of (15.4)% compared to FY 2019, while EBITDA margins decreased by (20) bps to 8.9%. Excluding the effects of IFRS 16, Underlying EBITDA decreased (33.0)%, with EBITDA margins decreasing by (210) bps compared to FY 2019. Please refer to the table in the glossary in section 20 providing a reconciliation of pre- and post-IFRS 16 EBITDA movements.

The COVID-19 crisis materially impacted the performance of the Group in all channels and geographies. This has had a particularly strong impact on our Foodservice and to a lesser extent, QSR channels. The Retail 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 sequential performance in the final months of the year.

Financial and Business Review (continued)

5 ARYZTA Europe

ARYZTA Europe has leading market positions in the frozen B2B 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 (17.2)% to €1,418.3m from FY 2019 to FY 2020. Organic revenue decline of (12.7)% was a result of a (12.5)% decline in volumes and a decline of (0.2)% in price/mix movements.

ARYZTA Europe Underlying EBITDA for FY 2020 was €158.3m, which represents a decrease of (5.6)% compared to FY 2019, while EBITDA margins increased by 140 bps to 11.2%. Excluding the effects of IFRS 16, Underlying EBITDA decreased (24.3)%, with EBITDA margins decreasing by (80) bps compared to the prior year.

All key markets in Europe were impacted by the COVID-19 crisis in the second half of the year, with countries with a large exposure to the Foodservice channel most severely impacted. Due to the pandemic and consequent lockdown restrictions imposed by European governments, the Foodservice channel was effectively shuttered for a six week window in the third quarter, followed by a very gradual phased re-opening across all markets. The QSR channel was also adversely impacted by the crisis, but the ability to offer drive-thru and take-out options and the phased re-opening of dine-in helped to boost performance. ARYZTA Europe's largest channel, the Retail channel, had a more robust performance, but revenue has been impacted by social distancing regulations, labour constraints and a change of consumer behaviour to more packaged goods and home baking.

Despite the challenges, the regional team operated to service its customers in this new COVID-19 environment. Through optimizing bakery capacity, furloughing headcount and availing of government incentives, performance in the region was stabilised, with sequential improvement in performance during the final quarter of the year.

6 ARYZTA North America

ARYZTA North America is a leading player in the frozen B2B bakery markets in the United States and Canada. It has a diversified customer base, including multiple retail, restaurants, catering, hotels, leisure, hospitals, military, fundraising and QSRs.

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

ARYZTA North America revenue declined by (9.7)% to €1,261.9m during FY 2020. Organic revenue declined by (11.8)%, driven by volume declines of (11.1)% and a negative price/mix of (0.7)%. Positive FX movement of 2.1% partially offset the organic decline.

ARYZTA North America Underlying EBITDA for FY 2020 was €66.7m, which represents a decrease of (31.9)% compared to the prior year, with a decrease in EBITDA margin by (170) bps to 5.3%. Excluding the effects of IFRS 16, Underlying EBITDA decreased (49.9)%, with EBITDA margins decreasing by (310) bps compared to FY 2019.

Financial and Business Review (continued)

ARYZTA North America endured a challenging year, with the COVID-19 crisis materially impacting both revenue and EBITDA. Similar to other markets, the Foodservice channel was the most severely impacted channel due to state and government restrictions in the USA and Canada, the impact of office workers working from home and higher unemployment levels. The QSR Channel also underperformed compared to the prior year, while the Retail Channel performed slightly better. Notwithstanding the difficult year, and the on-going COVID-19 crisis, management is confident that the current actions to stabilise the business will help to improve performance in the coming quarters.

7 ARYZTA Rest of World

ARYZTA's operations in the Rest of World primarily includes businesses in Brazil, Australia, Japan, Malaysia, Singapore, New Zealand and Taiwan. While representing only 8.6% of total Group revenue and 13.5% 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 (7.9)% to €250.7m in FY 2020. Organic revenue decreased by (3.5)% as a result of (7.4)% volume decline offset by positive price/mix of 3.9%. Unfavourable currency movements reduced revenue by (4.4)%.

ARYZTA Rest of World Underlying EBITDA for FY 2020 was €35.2m, which represents a (15.8)% overall decrease, while Underlying EBITDA margins decreased by (140) bps to 14.0%. Excluding the effects of IFRS 16, Underlying EBITDA decreased (28.5)%, with EBITDA margins decreasing by (350) bps compared to the prior year.

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, but performance has improved in the final quarter of the year.

Financial and Business Review (continued)

8 Joint ventures

On 23 January 2020, ARYZTA completed the disposal of the majority of its Picard stake to Invest Group Zouari ('IGZ') for gross consideration of €155.9m. ARYZTA retains a 4.6% shareholding in Picard, to be monetised at a later stage.

Picard had revenue of €822.6m during the year to the disposal date and delivered an underlying contribution to ARYZTA of €18.4m, after interest and tax.

	Picard FY 2020 €m	Picard FY 2019 €m
Revenue	**822.6**	1,422.8
Underlying EBITDA	**121.3**	194.4
Underlying EBITDA margin	**14.7%**	13.7%
Depreciation	**(15.0)**	(30.9)
Underlying EBITA	**106.3**	163.5
Finance cost, net	**(28.6)**	(57.4)
Pre-tax profit	**77.7**	106.1
Income tax	**(39.3)**	(48.5)
Joint venture underlying net profit	**38.4**	57.6
ARYZTA's share of JV underlying net profit	**18.4**	27.6

Financial and Business Review (continued)

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

During May 2018, the Group announced Project Renew, a three year cumulative €200m restructuring and cost reduction plan aimed at restoring financial flexibility and aligning our asset and cost base with current and expected business conditions.

In order to deliver these cost savings, the Group expects an overall investment of €150m, with approximately €100m of the investment dedicated to capital investment and the remaining €50m for restructuring-related costs.

Project Renew has delivered cumulative savings of €92m since launch and run rate savings at the period end were c. €65m. Project Renew was on track to reach the €70m 2020 savings target before the start of the COVID-19 pandemic but experienced delays due to regional lockdowns and the postponement of some projects to preserve liquidity. Automation benefits were severely impacted due to material volume declines linked to COVID-19 but have gathered momentum in line with the gradual improvement in revenue. In order to fully realise the potential of Project Renew our focus is to restart postponed projects as soon as is safe and practical to do so.

During FY 2020, the Group incurred the following amounts related to impairment, disposal, restructuring and COVID-19:

	Disposal of joint venture FY 2020 €m	ARYZTA Europe FY 2020 €m	ARYZTA North America FY 2020 €m	ARYZTA Rest of World FY 2020 €m	Total FY 2020 €m	Total FY 2019 €m
Net loss on disposal of businesses and impairment of disposal groups held for sale	–	**(61.2)**	**(103.4)**	–	**(164.6)**	(7.0)
Impairment of goodwill	–	**(65.0)**	**(437.1)**	–	**(502.1)**	–
Impairment of intangibles	–	–	**(28.3)**	–	**(28.3)**	–
Gain/(loss) on sale and impairment of fixed assets	–	**1.5**	**3.4**	**(0.5)**	**4.4**	(4.8)
Loss on disposal of joint venture	**(297.1)**	–	–	–	**(297.1)**	–
Total net loss on disposal of businesses and and asset write downs	**(297.1)**	**(124.7)**	**(565.4)**	**(0.5)**	**(987.7)**	(11.8)
Severance and other staff-related costs	–	**(1.2)**	**(6.1)**	–	**(7.3)**	(9.8)
Other costs including advisory	–	**(0.2)**	**(2.2)**	–	**(2.4)**	(7.3)
Total restructuring-related costs	–	**(1.4)**	**(8.3)**	–	**(9.7)**	(17.1)
COVID-19 related costs	–	**(12.4)**	**(11.5)**	**(1.7)**	**(25.6)**	–
Total impairment, disposal, restructuring and COVID-19 related costs	**(297.1)**	**(138.5)**	**(585.2)**	**(2.2)**	**(1,023.0)**	(28.9)

Impairment and disposal-related costs

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 FY 2020. Net of transaction costs

Financial and Business Review (continued)

settled, proceeds of €139.9m have been recorded in the Group Consolidated Cash Flow Statement. The remaining €10.0m consideration has been recorded as a Vendor Loan Note receivable at 1 August 2020, which was received in October 2020. ARYZTA retains a 4.6% interest in Picard, recorded as a financial investment at fair value. As the total proceeds net of transaction costs payable of €149.9m and the fair value of the remaining stake held of €16.8m are 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.

There was no loss on disposal of joint venture during FY 2019.

Net loss on disposal of businesses and impairment of disposal groups held for sale
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.

Certain property assets relating to this business were retained by the Group and classified as assets held-for-sale at fair value less costs to sell of €12.4m, resulting in a gain of €5.4m through other comprehensive income in the revaluation reserve at H1 2020. The property was subsequently disposed of with net proceeds from disposal of €12.4m received.

During FY 2019, the Group disposed of two non-core businesses in Europe. As the €3.1m proceeds received, net of associated transaction costs, were less than the €7.1m carrying value of the assets disposed, combined with a €1.0m cumulative foreign currency translation loss since the initial investment, a loss on disposal of €5.0m was recognised.

During FY 2020, the Group identified non-core businesses in North America, which historically generated approximately 11% of the annual revenues of the segment, for disposal. As plans for this disposal have been approved by the Board of Directors and are 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 groups held-for-sale as of 1 August 2020. As the €19.2m fair value less costs to sell of these businesses are less than the €122.6m carrying value of their combined net assets, a €103.4m loss on impairment of disposal groups held-for-sale has been recognised during FY 2020.

During FY 2019, the Group recognised an additional €2.0m loss in North America, on the finalisation of the Cloverhill Chicago and Cicero disposals.

Impairment of goodwill
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.

Financial and Business Review (continued)

Current year profitability has been impacted by volume declines associated with challenges in the market, while operational margin has been compressed due to costs associated with commissioning and optimisation of the bakery network. Given these difficult trading conditions, management feel it is appropriate to revise downwards its mid-term projections as the optimisation of the North America bakery network and the return to revenue growth is expected to be at a slower pace than had originally been planned. While profitability is expected to improve in the future, 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 current year.

The North West Europe CGU comprises of businesses in Ireland, the Netherlands and Denmark. As disclosed in the H1 2020 Interim Report and FY 2019 Annual Report, the recoverable amount of this CGU was sensitive to unfavourable changes in key assumptions such as future revenue, profitability, and an increase in the discount rate or a decrease in the terminal growth rate. A significant part of the manufacturing business in Ireland hinges on exports to the UK market and the projections for this business have been negatively impacted by an increasing 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 have resulted in a reduction in the cash flow projections for this CGU. In addition to these reduced projections, an increase in the discount rate of 70bps compared to the prior period has further reduced the recoverable amount in FY 2020. As the recoverable amount of the CGU is lower than its carrying value, a goodwill impairment of €65.0m has been recorded in the period ended 1 August 2020.

Further detail on this goodwill impairment is included in note 16 in the Group's consolidated financial statements on page 146.

There was no impairment of goodwill during FY 2019.

Impairment of intangibles
As outlined above, current period profitability in ARYZTA North America has been impacted by volume declines associated with challenges in the market, while operational margin has been compressed due to costs associated with commissioning and optimisation of the bakery network. In addition, COVID-19 has had a significant impact in the second half of the period on certain customers and channels within the North America business.

The Group has identified and reviewed certain customer relationship intangible assets in the Foodservice and Retail channels, whose recoverable amounts are lower than the carrying value at period end 1 August 2020, and has recognised an impairment of €28.3m on these assets in the period.

Impairment and disposal of fixed assets and investment property
During FY 2020, the Group realised a net gain on the disposal and impairment of various fixed assets and investment properties totalling €4.4m, primarily as a result of disposals in North America as part of the bakery rationalisation programme under Project Renew (2019: net loss of €4.8m).

Financial and Business Review (continued)

Restructuring-related costs

Severance and other staff-related costs
During FY 2020, the Group incurred €7.3m (2019: €9.8m) in severance and other staff-related costs. These costs primarily related to employees whose services were discontinued following certain rationalisation decisions across the various business locations of the Group as part of the implementation of Project Renew.

Other costs including advisory
During FY 2020, the Group incurred €2.4m in costs related to bakery rationalisation and disposal transactions.

During FY 2019, the Group incurred €7.3m in costs related to the design and implementation of Project Renew across Europe and North America.

COVID-19 related costs

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, net of any directly-related government support. 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 €25.6m of COVID-19 related costs as outlined below.

Employee related costs & safety costs
Costs associated with furloughing employees, unplanned redundancy costs and other incidental labour related costs totalling €5.7m were recognised in the period. Costs associated with implementing safety measures across the Group's bakery network in response to the pandemic totalling €1.8m were incurred in the period. These identified costs are considered to be a one-off cost to the business adapting to the sudden impact of the above over a short period.

Inventory write-offs and impairment of trade receivables
Costs include incremental inventory write-offs and provision for obsolescence arising from the impact of the COVID-19 and government-imposed restrictions. These are one off costs totalling €11.3m for packaging write-offs as a result of production pauses and finished good write-offs due to the short shelf life of certain products as the Group was required to reassess inventory levels.

Certain trade receivables which have been identified as no longer being recoverable due to the direct economic impact that the pandemic and related government restrictions have had on the counterparty, have been identified as exceptional costs totalling €3.5m. These specific trade receivables identified are considered to be incremental to the level of expected credit losses on trade receivables.

Other COVID-19 incremental costs
Other COVID-19 incremental costs totalling €3.3m includes penalties incurred on cancellation of commodity contracts due to lower volumes and non-refundable travel and conference costs.

Financial and Business Review (continued)

10 Cash generation

	FY 2020 €m	FY 2019 €m
Underlying EBITDA	260.2	307.5
Working capital movement	(106.1)	(26.5)
Working capital movement from debtor securitisation[1]	(69.3)	(13.8)
Capital expenditure	(99.7)	(104.9)
Net payments on lease contracts[2]	(56.8)	-
Proceeds from sale of fixed assets and investment property	26.8	6.0
Restructuring and COVID-19 related cash flows	(39.6)	(24.7)
Operating free cash generation	**(84.5)**	**143.6**
Interest and income tax	(46.0)	(85.7)
Recognition of deferred income from government grants	(3.9)	(3.9)
Other	0.2	(1.1)
Cash flow generated from activities	**(134.2)**	**52.9**

1 Total debtor balances securitised as of 1 August 2020 is €117m (2019: €190m).

2 Following the adoption of IFRS 16, Leases, "Segmental operating free cash generation" has been updated to include payments on leases, net of receipts on sub-leases, which ensures that the Group's reported Segmental operating free cash generation is consistent with those previously reported.

11 Net debt and investment activity

	FY 2020 €m	FY 2019 €m
Opening net debt	**(733.3)**	**(1,510.3)**
Impact of adoption of IFRS 16	(321.0)	-
Opening net debt - restated	**(1,054.3)**	**(1,510.3)**
Cash flow generated from activities	(134.2)	52.8
Net movements on lease liabilities	38.9	-
Disposal of businesses, net of cash and leases	7.0	3.1
Disposal of joint venture[1]	139.9	-
Proceeds from issue of shares[2]	-	739.5
Foreign exchange movement	(0.4)	(11.3)
Other[3]	(7.6)	(7.1)
Closing net debt[4]	**(1,010.7)**	**(733.3)**

1 Proceeds amounted to €139.9m net, after payment of outstanding fees. Additionally, €10m remains outstanding at period end as a vendor loan note receivable.

2 Proceeds from issue of shares amounted to nil (2019: €740m net, after payment of outstanding fees)

3 Other comprises primarily of amortisation of upfront financing costs.

4 Excluding the €268.5m net impact of adoption of IFRS 16, the Group net debt would be €742.2m at 1 August 2020.

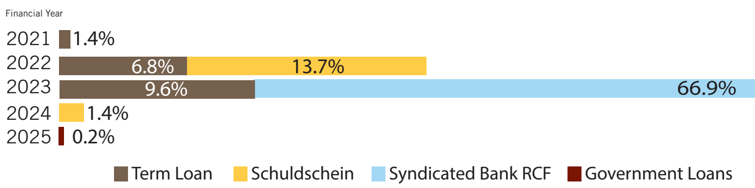
Financial and Business Review (continued)

As of 1 August 2020, the Group's gross term debt financing facilities, related capitalised upfront borrowing costs, finance leases, net of overdrafts and cash balances were as follows:

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

As of 1 August 2020, the weighted average interest cost of the Group debt financing facilities is 1.6% (2019: 1.7%) and the weighted average maturity of the Group gross term debt is 1.98 years.

Gross Term Debt Maturity Profile
1 August 2020



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:

	FY 2020	H1 FY 2021	FY 2021	Reset after FY 2021
Leverage covenant	maximum 6.0x	maximum 6.0x	maximum 6.0x	maximum 3.5x
Interest cover covenant	minimum 1.5x	minimum 1.0x	minimum 1.0x	minimum 3.0x

The Group's key financial ratios at 1 August 2020 were as follows:

	FY 2020	FY 2019
Leverage covenant (Net Debt: EBITDA)[1]	3.68x	2.43x
Interest cover covenant (EBITDA: Net interest, including Hybrid dividend)[1]	2.63x	3.45x

1 Calculated as per Syndicated Bank Facilities Agreement terms.

Capital raise

During November 2018, the Group completed a capital raise, by way of a rights issue, in order to strengthen the balance sheet, provide necessary liquidity and working capital funding and to enable delivery of ARYZTA's three year turnaround plan, Project Renew. Upon approval by the shareholders at the General Meeting on 1 November 2018, a total of 900,184,940 registered shares with a nominal value of CHF 0.02 each were offered to ARYZTA's existing shareholders on a 10 for 1 share basis, at a discounted offer price of CHF 1.00 per share.

The gross proceeds received upon completion of the rights issue were €795.8m. This resulted in €739.5m, net of transaction costs, which was recognised within equity during FY 2019, of which €15.8m is recognised within share capital, and €723.7m within share premium.

12 Hybrid funding

As of 1 August 2020, the Group has €926.4m of Hybrid funding principal outstanding, as reflected in the table below.

Perpetual Callable Subordinated Instruments		Coupon	Coupon rate if not called	FY 2020 €m
Not called	CHF 400m	5.3%	6.045% +3 Month Swiss Libor	(371.0)
Not called	EUR 250m	6.8%	6.82% +5 Year Euro Swap Rate	(250.0)
Not called	CHF 190m	3.5%	4.213% +3 Month Swiss Libor	(176.2)
Hybrid funding principal outstanding at 1 August 2020 exchange rates				**(797.2)**
Hybrid instrument deferred dividends				(129.2)
Total hybrid funding outstanding at 1 August 2020 exchange rates				**(926.4)**

As the instruments have no maturity date and repayment 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

Financial and Business Review (continued)

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.

Because the Group has not paid a cash dividend to equity shareholders during the last twelve months, as of 1 August 2020 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 2020 €m	FY 2019 €m
Balance at start of period	(81.8)	(41.1)
Hybrid instrument deferred dividend	(46.1)	(38.9)
Translation adjustments	(1.3)	(1.8)
Balance at end of period	**(129.2)**	**(81.8)**

13 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 2020	Average FY 2019	% Change	Closing FY 2020	Closing FY 2019	% Change
CHF	1.0776	1.1310	4.7%	1.0783	1.1039	2.3%
USD	1.1082	1.1378	2.6%	1.1894	1.1149	(6.7)%
CAD	1.4908	1.5055	1.0%	1.5957	1.4672	(8.8)%
GBP	0.8790	0.8825	0.4%	0.9054	0.8955	(1.1)%

Financial and Business Review (continued)

14 Return on invested capital

	ARYZTA Europe €m	ARYZTA North America €m	ARYZTA Rest of World €m	ARYZTA Group €m
FY 2020				
Segmental net assets	1,255.1	717.8	145.9	2,118.8
TTM EBITA	61.4	(5.4)	19.6	75.6
ROIC[1,2]	4.9%	(0.8)%	13.4%	3.6%
FY 2019				
Segmental net assets	1,314.5	1,340.7	175.2	2,830.6
TTM EBITA	101.4	40.9	31.2	173.5
ROIC[1,2]	7.7%	3.0%	17.8%	6.1%

1 See glossary in section 20 for definitions of financial terms and references used.

2 Group WACC on a pre-tax basis is currently 9.5% (2019: 8.5%).

15 Net assets, goodwill and intangibles

	FY 2020 €m	FY 2019 €m
Property, plant and equipment	1,323.4	1,248.8
Investment properties	6.4	12.2
Goodwill and intangible assets	1,143.1	1,964.3
Deferred tax on goodwill and intangibles	(37.1)	(81.7)
Working capital	(70.9)	(246.8)
Other segmental assets	16.3	–
Other segmental liabilities	(53.3)	(66.2)
Lease liabilities	(228.3)	–
Net assets of disposal group held-for-sale	19.2	–
Segmental net assets	2,118.8	2,830.6
Investments in joint ventures	–	447.7
Financial assets at fair value through income statement	16.8	–
Interest bearing loans, net of cash	(742.2)	(733.3)
Deferred tax, net	(61.8)	(43.1)
Income tax	(63.5)	(65.5)
Derivative financial instruments	(0.2)	(0.3)
Net assets	**1,267.9**	**2,436.1**

16 Dividend

No dividend is planned to be proposed for FY 2020. No dividend was proposed or paid for during FY 2019.

Financial and Business Review (continued)

17 Post balance sheet events – after 1 August 2020

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. See section 11 on pages 18 and 19 above for further details on the Group's financial covenants.

18 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 85-87 to reflect the principal risks and uncertainties of the Group

19 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.

20 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 2020 comprised of the 53 week period ended on 1 August 2020 and 2019 comprised of the 52 weeks ended 27 July 2019. Please refer to "Basis of Preparation" on page 106 for further information.

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

Financial and Business Review (continued)

An analysis of the impact of IFRS 16 – Leases on segmental Underlying EBITDA is shown here:

Underlying EBITDA in EUR million	Before IFRS 16 FY 2020	IFRS 16 FY 2020	After IFRS 16 FY 2020	FY 2019	% Change	% Change before effects of IFRS 16
ARYZTA Europe	**127.0**	31.3	**158.3**	167.7	(5.6)%	(24.3)%
ARYZTA North America	**49.1**	17.6	**66.7**	98.0	(31.9)%	(49.9)%
ARYZTA Rest of World	**29.9**	5.3	**35.2**	41.8	(15.8)%	(28.5)%
ARYZTA Group	**206.0**	54.2	**260.2**	**307.5**	**(15.4)%**	**(33.0)%**
Underlying EBITDA margin						
ARYZTA Europe	**9.0%**		**11.2%**	9.8%	140 bps	(80) bps
ARYZTA North America	**3.9%**		**5.3%**	7.0%	(170) bps	(310) bps
ARYZTA Rest of World	**11.9%**		**14.0%**	15.4%	(140) bps	(350) bps
ARYZTA Group	**7.0%**		**8.9%**	**9.1%**	**(20) bps**	**(210) bps**

‘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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Corporate Governance Report

ARYZTA Board and Executive Management

There have been a number of changes to the Board of Directors (the 'Board') and Executive Management since the end of the 2019 financial period, including the election of five new non-executive directors to the Board.

At the ARYZTA 2019 Annual General Meeting ('2019 AGM'), and as part of a continued programme of Board refreshment, Luisa Delgado and Alejandro Legarda Zaragüeta were elected as independent non-executive directors to the Board, on the Board's recommendation, and Andrew Morgan retired without seeking re-election to the Board.

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.

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. Full biographical details of Urs Jordi, Armin Bieiri and Heiner Kamps are set out on pages 37 to 39.

In addition, Kevin Toland (Group CEO) was not re-elected as a member of the Board at the EGM and will focus on his role as Group CEO.

With effect from the conclusion of the EGM on 16 September 2020, the Board of ARYZTA is 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. Full biographical details of each of the directors is set out on pages 37 to 44.

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-year 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 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).

Corporate Governance Report (continued)

On 14 January 2020, ARYZTA announced, as part of a planned organisational evolution, that Tyson Yu had been appointed as CEO of North America and a member of the Executive Management, effective 1 February 2020, and that John Heffernan had been appointed as President and Chief Commercial Officer North America. John Heffernan was previously Group Strategy Officer at ARYZTA. The Company also announced that Dave Johnson assumed the role of Non-Executive Chairman of ARYZTA North America with effective 1 February 2020.

On 2 March 2020, the Company announced the appointment of Chris Plüss as COO APMEA, commencing June 2020, and that Rob O'Boyle would be stepping down from his role as COO APMEA and leaving ARYZTA at the end of May 2020. On 13 May, the Company announced that, due to the ongoing COVID-19 pandemic, Rob O'Boyle had agreed to remain with ARYZTA until 31 July 2020 in order to allow for a seamless transition to Chris Plüss, who took up the role of COO APMEA and member of Executive Management on 1 July 2020.

On 5 August 2020, the Company announced that Frederic Pflanz will step down as Group CFO in early December 2020. A search process for a successor has been initiated by the Group. The Board would like to express its sincere thanks to Frederic for his significant contribution to the business throughout his service.

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 the multi-year turnaround programme.

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 37 to 44.

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

Corporate Governance Report (continued)

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.

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 46 to 49.

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 determined, challenged, justified and where appropriate, accepted.

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 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 three years have seen a number of appointments to ARYZTA's board, with five new non-executive directors elected in the past year, which reflects an ongoing programme of refreshment and renewal as well as the changes driven by the recent EGM. Board refreshment is a fundamental aspect of fostering and sharing diverse perspectives

Corporate Governance Report (continued)

in the boardroom and generating new ideas and business strategies while maintaining an appropriate level of experience and corporate memory.

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 2020 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.

As part of the process of renewal, the Board was delighted that the ARYZTA shareholders voted in favour of the Board's recommendation to elect Luisa Delgado and Alejandro Legarda Zaragüeta as non-executive directors of the Company at the 2019 AGM.

In addition, at the EGM held on 16 September 2020 at the requisition of the Shareholder Group, a number of resolutions concerning the composition of the Board were considered by shareholders. With effect from the conclusion of the EGM, (i) Gary McGann, Dan Flinter, Rolf Watter and Annette Flynn resigned as members of the Board, (ii) Urs Jordi, Armin Bieri and Heiner Kamps were elected as non-executive directors of the Board, Armin Bieri and Heiner Kamps were elected as members of the Remuneration Committee, and Urs Jordi was elected as Chair of the Board, and (iii) Kevin Toland was not re-elected as a member of the Board and will focus on his role as Group CEO.

The effectiveness of the Board is also impacted by the relationship between non-executive directors and management. During the 2020 financial period, together with the Group CEO and Group CFO, Gary McGann as Chair has spent time ensuring the flow of information between senior management and non-executive directors has been sufficient to further assist the Board to be effective in overseeing strategy and performance.

Given the level of recent Board refreshment in 2020, 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, the 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 2019 EGM, shareholders ratified the 2019 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 2020 AGM and for the Executive Management for the 2021 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 2020 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 North America and ARYZTA Rest of World. Please refer to the section 'Segmental Reporting' in note 2 to the ARYZTA Group Consolidated financial statements on pages 125 to 128, 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
Secondary listing:	Irish Stock Exchange Limited, trading as Euronext Dublin, Dublin, Ireland
SEDOL Code:	B39VJ74
Swiss Stock Exchange symbol:	ARYN
Irish Stock Exchange symbol:	YZA

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.

Stock market capitalisation as of 27 July 2019
CHF 841,008,636 based on 990,587,322 registered shares outstanding (i.e. disregarding 2,518,405 treasury shares) and closing price of CHF 0.8490 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 33 of the 2020 ARYZTA Group consolidated financial statements on page 180.

Corporate Governance Report (continued)

1.2 Significant shareholders

As at period end 2020, 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 2020	Number of shares % 2020
Shareholder Group[1]	198,693,965	20.01%
Black Creek Investment Management Inc.	49,357,355	4.97%
Norges Bank (the Central Bank of Norway)	49,344,613	4.97%
CI Financial Corp.[2]	46,734,200	4.71%
JO Hambro Investment Inc.[3]	39,996,116	4.03%
Deutsche Bank Aktiengesellschaft[4]	30,226,101	3.04%

1 The Shareholder Group comprises VERAISON SICAV - Engagement Fund; Francisco Garcia Parames and Maria Angeles Leon Lopez, Direct shareholder: Cobas Asset Management, SGIIC, S.A; KFRH Kamps Management GmbH; and Michaela Kamps.

2 As per an investment advisory agreement between CI and Black Creek, Black Creek is responsible for making discretionary investment decisions on behalf of the Funds and is authorized to exercise the voting rights for the securities held in the Funds at its own discretion.

3 JO Hambro Capital Management European Select Values Fund holds individually 3% or more voting rights.

4 DWS Investment GmbH has indirect participation.

Any significant shareholder notifications during the period, and since 1 August 2020, 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

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 2020, amounts to CHF 19,862,115 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

Corporate Governance Report (continued)

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[1]	Option and option equivalent allocation[1]	Unallocated Treasury shares
FY 2017		**91,810,534**	**88,758,527**	**3,052,007**	**177,957**	**3,660,500**	**(786,450)**
Scrip dividend issuance	0.02	1,110,253	1,110,253	–	–	–	–
Exercise of LTIP awards		–	64,899	(64,899)	(64,899)	–	–
Forfeitures of LTIP awards		–	–	–	(22,777)	(2,100,000)	2,122,777
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)**

1 The number of awards granted during 2019 were presented as the maximum number of awards that could potentially vest. This has been presented as the target number of awards that could potentially vest in the above table to maintain consistent presentation with the Compensation Report.

Of the 993,105,727 registered shares, 991,123,823 are outstanding and 1,981,904 are classified as treasury shares. For changes in the Company's authorised and conditional share capital, please refer to the ARYZTA Corporate Governance 2019 and 2018, page 32 and page 33, respectively. https://www.aryzta.com/investor-centre/results-and-reports/

2.4 Shares and participation certificates

ARYZTA's capital is composed of registered shares only. As at 1 August 2020, ARYZTA has 993,105,727 fully paid-up, registered shares (including 1,981,904 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[2].

2.5 Profit-sharing certificates

ARYZTA has not issued any profit-sharing certificates[2].

2 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.

To facilitate voting by CDI holders, the Company has entered into arrangements with Euroclear UK and Ireland to enable, by way of exception, registration of CREST International Nominees Limited ('CREST') in the share register as nominee with voting rights for the number of registered shares corresponding to the number of CDIs on the CDI register. There were no other exceptions to the provisions of section 2.6.1 above granted in the period under review. CDI holders who wish to be in a position to directly enforce or exercise their rights must have their interests entered in the share register in accordance with Article 7 of the Articles of Association and effectively hold their shares through a member of the Swiss SIS Settlement System.

In November 2018, the Swiss Federal Council passed an ordinance designed to remedy the expiry of the EU Commission's decision recognizing the equivalence of the Swiss legal and supervisory framework applicable to SIX Swiss Exchange. The implication of this Ordinance is that since 1 July 2019, non-Swiss trading venues may no longer trade equity securities of Swiss companies without FINMA recognition. There is an exemption from this requirement for equity securities which were listed or admitted to trading on non-Swiss trading venues with the consent of the issuer prior to 30 November 2018. The listing of ARYZTA shares on Euronext Dublin falls into this category and is "grandfathered" accordingly. ARYZTA will continue to monitor the implications of the Ordinance and any further developments between the Swiss and EU authorities.

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.

Corporate Governance Report (continued)

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.

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 1 August 2020, ARYZTA has not issued any convertible bonds or warrants.

As of 1 August 2020, a total of 10,143,286 Performance Share Unit and Restricted Stock Unit awards and 36,825,740 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 64 to 82 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 end of the 2019 financial period, with five new non-executive directors being elected to the Board. At the ARYZTA 2019 AGM, and as part of a programme of Board refreshment, Luisa Delgado and Alejandro Legarda Zaragüeta were elected as independent non-executive directors to the Board, and Andrew Morgan retired from the Board as a director without seeking re-election. Full biographical details of Luisa Delgado and Alejandro Legarda Zaragüeta are set out below. Full biographical details of Andrew Morgan are set out in the 2019 ARYZTA annual report available on the ARYZTA website at: https://www.aryzta.com/investor-centre/results-and-reports/.

On 16 September 2020, ARYZTA held an Extraordinary General Meeting ('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 further 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 also being elected as Chair of the Board.

In addition, Kevin Toland (Group CEO) was not re-elected as a member of the Board at the EGM and will focus on his role as Group CEO. With effect from the conclusion of the EGM on 16 September 2020, the Board consisted of the Chair and eight non-executive directors. 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. All eight non-executive directors and the Chair are considered by the Board to be 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 EGM, the Board of ARYZTA was comprised as follows:

Urs Jordi (1965, Swiss)
Chair (since the conclusion of the EGM), and non-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, bb Trading AG and the Belgian Vandemoortele Group (a declaration of resignation in the event of his election to the Board of Directors of the Company is available). Urs Jordi is a trained baker and confectioner. Urs became a member and Chair of the ARYZTA Board in September 2020.

Mike Andres (1958, American)
Non-executive member
Bachelor of Science in Business Administration from University of Tennessee, United States
Mike Andres spent the majority of his career with McDonald's Corporation having most recently served, up to 2017, as President of McDonald's USA, the largest global segment of McDonald's Corporation. He previously served in a range of senior positions at McDonald's, which he joined in 1982, including leading the turnaround and sale of the restaurant chain, Boston Market. Mike brings a deep understanding of consumer markets globally, and in North America in particular, to the Group. Mike became a member of the ARYZTA Board in November 2018.

Armin Bieri (1964, Swiss)
Non-executive member
Bachelor of Science in Economics from the University of St. Gallen
Armin Bieri has more than 30 years of management experience in the food and beverage industry. His functional areas of expertise are marketing, sales, logistics and finance. He has held management positions at Nestlé, Coca-Cola, Müller Milch and ARYZTA/Hiestand. From 2005 to 2012, he was CEO of Hiestand Switzerland and Head of Sales/Marketing of Hiestand Group (from 2008 within ARYZTA AG) and from 2012 to 2015, he was CEO ARYZTA Food Solution Asia Pacific. Since 2016, Armin Bieri is the owner of the consulting company 8P Consulting. His major consulting focus includes growth strategies & commercial efficiency. He has been a board member of ARGUS Data Insights Holding AG since 2003. Armin became a member of the Board with effect from the conclusion of the EGM on 16 September 2020.

Governance

Corporate Governance Report (continued)

Luisa Deplazes de Andrade Delgado (1966, Swiss)
Non-executive member
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. Initially holding 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 HoldingBV (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.

Greg Flack (1964, American)
Non-executive member
Bachelor of Science in Business Administration from Minnesota State University , Moorhead, United States
Greg Flack is a partner and executive chair of Green Chile Concepts, LLC, a US frozen food service and consumer foods company, a position he has held since 2014. He spent most of his food industry career at The Schwan Food Company, a multi-national frozen food company. Early in his career, he was instrumental in building an industry-leading food service business and held multiple leadership positions before being appointed CEO and an Executive Board member from 2008 until 2013. His responsibilities included participating as a member of the board of directors, setting the strategic direction for the company, and managing the operations of a shared services group as well as three operating divisions across the retail, foodservice, and direct to home markets. He joined Schwan in 1987 and led the multibillion dollar enterprise with a team of over 15,000 employees. During his tenure as Schwan CEO, he successfully led a turnaround strategy and restructuring of the business. Greg brings significant food industry expertise and a track record of innovation, business growth and transformation to the group. Greg became a member of the Board in November 2018.

Corporate Governance Report (continued)

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.

Jim Leighton (1956, American)
Non-executive member
Masters Business Administration, Keller Graduate School of Management; Bachelor of Arts, Business Administration & Industrial Relations, University of Iowa
Jim Leighton is Managing Director and Chief Executive Officer of Inghams Group, the leading poultry company in Australia and New Zealand, listed on the Australian Securities Exchange. He has more than 40 years' experience in fast-moving consumer goods. Jim was most recently the President and Founder of 40 North Foods, a start-up venture backed by global company Pilgrims Pride and JBS. His previous roles include Senior Vice President of Operations of ConAgra Foods, one of the largest publicly traded food companies in the United States; Interim Chief Executive Officer and Chief Operating Officer at Boulder Brands, one of the largest growing Health and Wellness food companies in North America; and President of Perdue Foods; the global multi-billion dollar Group company. Jim became a member of the ARYZTA Board in December 2017.

Tim Lodge (1964, English)
Non-executive member
MA from the University of Cambridge and Fellow of the Chartered Institute of Management Accountants
Tim Lodge is an experienced finance executive, who was CFO of COFCO International from 2016 to 2017, where he helped combine two businesses into a global agribusiness with revenues of $34 billion. He oversaw improvements in the internal control environment and the raising of both debt and equity capital. He spent most of his previous career at Tate & Lyle PLC, a UK- listed international food ingredients company, where he served as CFO from 2008 until 2014. During his tenure at Tate & Lyle, he oversaw a significant balance sheet reduction and business transformation programme. Tim is a non-executive director of Arco Ltd and chairs its Audit Committee. He was appointed as a non-executive director of SSP Group plc in October 2020. Tim brings significant financial expertise and a proven track record in the food and food ingredients business to the Company. Tim became a member of the Board in November 2018.

Corporate Governance Report (continued)

Alejandro Legarda (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.

Governance

As at 1 August 2020, the Board of ARYZTA was comprised as follows:

Gary McGann (1950, Irish)
Chair (since December 2016), and non-executive member
BA from University College Dublin; MScMgmt from IMI/Trinity College Dublin and a Fellow of the Association of Chartered Certified Accountants
Gary McGann is the Chair of Flutter Entertainment plc. He is the former Group Chief Executive Officer of the Smurfit Kappa Group plc, one of the leading providers of paper-based packaging solutions in the world. He is also former CEO of Aer Lingus Group, Gilbeys of Ireland and Grand Met Finance Ireland Ltd. Gary is also Chair of Sicon Ltd (Sisk Group) and Aon Ireland, and a former President of IBEC (Irish Business and Employers' Confederation) and CEPI (Confederation of European Paper Industries). In the 'not for profit sector', he is a director of Barnardos and The Ireland Funds. Gary became Chair and a member of the ARYZTA Board in December 2016.

Corporate Governance Report (continued)

Mike Andres (1958, American)
Non-executive member
Bachelor of Science in Business Administration from University of Tennessee, United States
Mike Andres spent the majority of his career with McDonald's Corporation having most recently served, up to 2017, as President of McDonald's USA, the largest global segment of McDonald's Corporation. He previously served in a range of senior positions at McDonald's, which he joined in 1982, including leading the turnaround and sale of the restaurant chain, Boston Market. Mike brings a deep understanding of consumer markets globally, and in North America in particular, to the Group. Mike became a member of the ARYZTA Board in November 2018.

Luisa Deplazes de Andrade Delgado (1966, Swiss)
Non-executive member
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. Initially holding 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 HoldingBV (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.

Corporate Governance Report (continued)

Greg Flack (1964, American)
Non-executive member
Bachelor of Science in Business Administration from Minnesota State University , Moorhead, United States
Greg Flack is a partner and executive chair of Green Chile Concepts, LLC, a US frozen food service and consumer foods company, a position he has held since 2014. He spent most of his food industry career at The Schwan Food Company, a multi-national frozen food company. Early in his career, he was instrumental in building an industry-leading food service business and held multiple leadership positions before being appointed CEO and an Executive Board member from 2008 until 2013. His responsibilities included participating as a member of the board of directors, setting the strategic direction for the company, and managing the operations of a shared services group as well as three operating divisions across the retail, foodservice, and direct to home markets. He joined Schwan in 1987 and led the multibillion dollar enterprise with a team of over 15,000 employees. During his tenure as Schwan CEO, he successfully led a turnaround strategy and restructuring of the business. Greg brings significant food industry expertise and a track record of innovation, business growth and transformation to the group. Greg became a member of the Board in November 2018.

Dan Flinter (1950, Irish)
Non-executive member
MA in Economics from University College Dublin, Ireland
Dan Flinter is a former CEO of Enterprise Ireland and a former Executive Director of IDA Ireland. He is Chair of the Boards of PM Group Holdings Ltd and The Irish Times Ltd. He is a board member of Dairygold Co-Operative and Chair of its Remuneration Committee. He is a member of the Board of the Institute of Directors, Ireland and joined the Board of the IEDR (Irish Exchange Domain Registry) in July 2017 and a Director of the National Gallery of Ireland joining in November 2019. He is Chair of the Board of VCIM. He became a member of the Board in December 2015. Dan became a member of the ARYZTA Board in December 2015.

Corporate Governance Report (continued)

Annette Flynn (1966, Irish)
Non-executive member
Bachelor of Commerce from University College Cork, Ireland; Fellow of the Association of Chartered Certified Accountants; and Chartered Director
Annette Flynn is a non-executive director of Dairygold Co- Operative Society Ltd where she chairs the Audit Committee. Up to September 2019, Annette was a non-executive director of Canada Life International Assurance Ireland DAC, where she chaired the Risk Committee and was also a member of the Audit Committee. She was formerly an executive and subsequently a non-executive Director of UDG Healthcare plc and a non-executive director of Grafton Group plc. Annette's executive career includes various senior roles in UDG Healthcare plc, including Managing Director of the Packaging & Specialty division and Head of Group Strategy. Prior to joining UDG Healthcare, Annette also held senior positions with Kerry Group plc working in their Irish, UK and US operations. Annette became a member of the ARYZTA Board in December 2014.

Jim Leighton (1956, American)
Non-executive member
Masters Business Administration, Keller Graduate School of Management; Bachelor of Arts, Business Administration & Industrial Relations, University of Iowa
Jim Leighton is Managing Director and Chief Executive Officer of Inghams Group, the leading poultry company in Australia and New Zealand, listed on the Australian Securities Exchange. He has more than 40 years' experience in fast-moving consumer goods. Jim was most recently the President and Founder of 40 North Foods, a start-up venture backed by global company Pilgrims Pride and JBS. His previous roles include Senior Vice President of Operations of ConAgra Foods, one of the largest publicly traded food companies in the United States; Interim Chief Executive Officer and Chief Operating Officer at Boulder Brands, one of the largest growing Health and Wellness food companies in North America; and President of Perdue Foods; the global multi-billion dollar Group company. Jim became a member of the ARYZTA Board in December 2017.

Tim Lodge (1964, English)
Non-executive member
MA from the University of Cambridge and Fellow of the Chartered Institute of Management Accountants
Tim Lodge is an experienced finance executive, who was CFO of COFCO International from 2016 to 2017, where he helped combine two businesses into a global agribusiness with revenues of $34 billion. He oversaw improvements in the internal control environment and the raising of both debt and equity capital. He spent most of his previous career at Tate & Lyle PLC, a UK- listed international food ingredients company, where he served as CFO from 2008 until 2014. During his tenure at Tate & Lyle, he oversaw a significant balance sheet reduction and business transformation programme. Tim is a non-executive director of Arco Ltd and chairs its Audit Committee. He was appointed as a non-executive director of SSP Group plc in October 2020. Tim brings significant financial expertise and a proven track record in the food and food ingredients business to the Company. Tim became a member of the ARYZTA Board in November 2018.

Corporate Governance Report (continued)

Kevin Toland (1965, Irish)
Executive member
Fellow of the Chartered Institute of Management Accountants; Diploma in Applied Finance from the Irish Management Institute
Kevin Toland is the Chief Executive Officer ('Group CEO') of ARYZTA. From 2013 to 2017 he was CEO of daa plc, which operates Dublin and Cork airports, ARI (a global retailer in travel retail) and daa International. He previously held the position of Chief Executive and President of Glanbia USA & Global Nutritionals, a division of Glanbia plc, based in Chicago, Illinois. He was a member of the Glanbia plc board of directors from 2003 to 2013; and, was based in the US from 2004 to 2012. Kevin is a director of Total Produce plc and IBEC (the Irish Business and Employers Confederation). Kevin became a member of the ARYZTA Board in December 2017.

Rolf Watter (1958, Swiss)
Non-executive member
Doctorate in Law from the University of Zurich, Master of Law degree from Georgetown University, Washington D.C., USA
Rolf Watter has been a partner at the Zurich law firm Bär & Karrer since 1994. He specialises in M&A and is an expert in corporate governance. He is currently Chair of PostFinance AG and vice-Chair of Ceva Logistics AG and serves as a director of A.W. Faber Castell (Holding) AG and AP Alternative Portfolio AG. He is also a board member in two charitable foundations, a member of the Regulatory Board of the SIX Swiss Exchange and a professor of law at the University of Zurich. He is a former Chair of Nobel Biocare Holding AG and Cablecom Holdings. In addition, he was a Board member of Zurich Insurance Group AG, Syngenta AG, Forbo Holding AG, and Centerpulse AG. He became a member of the ARYZTA Board in December 2016.

Alejandro Legarda (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. He was managing director of Construcciones y Auxiliar de Ferrocarriles S.A. ('CAF'), a listed group which manufactures railway vehicles and signalling equipment, from 1994 to 2004 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.

Corporate Governance Report (continued)

Retired Board Members (2015-2019)

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

J Brian Davy, Patrick McEniff and John Yamin retired from the Board without seeking re-election at the 2015 AGM. Their biographical details are available in the 2015 Corporate Governance Report: https://www.aryzta.com/wp-content/uploads/2016/04/corporate-governance-report-v2.pdf

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 1 August 2020 and 27 July 2019.

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.

Corporate Governance Report (continued)

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 newly formed Strategy Committee. 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.

As of 1 August 2020, these 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]	
Andrew Morgan		X	
Tim Lodge		X	
Rolf Watter	X		X[1]
Jim Leighton	X		
Alejandro Legarda Zaragüeta	X		

Governance

Corporate Governance Report (continued)

As of 6 October 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			X	
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**

X denotes that the Board Member is on the applicable Committee.
1 denotes the Board Member who chairs the applicable Committee.

Audit Committee
From 28 July 2019 until the Annual General Meeting on 14 November 2019, the Audit Committee was comprised of four non-executive directors, namely Annette Flynn (Chair), Greg Flack, Tim Lodge and Andrew Morgan. At the 2019 AGM, Andrew Morgan retired from the Board and ceased to be a member of the Audit Committee. In addition, Luisa Delgado was elected as an independent non-executive director of the Board and became a member of the Audit Committee. From 14 November 2019 to the EGM on 16 September 2020, the Audit Committee was comprised of four non-executive Directors, namely Annette Flynn (Chair), Luisa Delgado (from the date of her election), Greg Flack and Tim Lodge. Following the resignation of Annette Flynn from the Board with effect from 16 September 2020, the Audit Committee was comprised of three non-executive Directors, namely Tim Lodge (Chair), Luisa Delgado and Greg Flack. Each of these directors is considered by the Board to be independent in judgment and character. In the financial year ending on 1 August 2020, the Audit Committee met eight 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 2020 financial period and has regular meetings with the Group.

In the financial period 2020 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;

Corporate Governance Report (continued)

- 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 28 July 2019 to the EGM, the Remuneration Committee was comprised of four non-executive Directors, namely Rolf Watter (Chair), Mike Andres, Dan Flinter and Gary McGann. Following the resignations of Rolf Watter, Dan Flinter and Gary McGann from the Board with effect from the conclusion of the EGM, the Remuneration Committee was comprised of three non-executive Directors, namely Heiner Kamps (Chair), Mike Andres, and Armin Bieri.

Each of these directors is considered by the Board to be independent in judgement and character. In the 2020 financial period, the Remuneration Committee met six 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 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 64 to 82 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 28 July 2019 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, the Governance and Nomination Committee was comprised of three non-executive directors, namely Alejandro Legarda Zaragüeta (Chair), Jim Leighton and Urs Jordi. 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 five 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 2020 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.

Corporate Governance Report (continued)

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, Alejandro Legarda Zaragüeta for election by shareholders at the 2019 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 2020, 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 will focus on the plan to change ARYZTA. We will have more details on the work of the Committee and Board's strategic plans in due course. The Strategy Committee comprises Armin Bieri (Chair), Luisa Delgado, Urs Jordi, Heiner Kamps, and Alejandro Legarda Zaragüeta.

Ad hoc Committee
In addition, in the financial period 2020 the Board from time to time delegated authority to an ad hoc committee comprising the Chair, the Chair of the Audit Committee and the CEO 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 22 Board meetings and update calls were held during the 2020 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.

The increased volume of Board meetings and update calls held during the 2020 financial period was directly related to (i) the significant impact of COVID-19 on the business, and (ii) the strategic review initiated by the Board in April 2020 to be undertaken by Rothschild & Co. The Board met regularly to discuss and assess the impact of COVID-19 on the performance and operations of the business and to consider and discuss matters relating to the strategic review. 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 2020 financial period are set out on page 50:

Corporate Governance Report (continued)

Board of Directors[1]

	Eligible to attend	Attended
Gary McGann (Chair)	22	22
Mike Andres	22	22
Luisa Delgado	21	20
Greg Flack	22	22
Dan Flinter	22	22
Annette Flynn	22	22
Jim Leighton	22	22
Tim Lodge	22	22
Andrew Morgan	1	1
Kevin Toland	22	22
Rolf Watter	22	20
Alejandro Legarda Zaragüeta	21	21

1 There were 22 Board meetings up to 1 August, 2020, 7 of which were scheduled and 15 unscheduled.

Audit Committee[2]

	Eligible to attend	Attended
Annette Flynn (Chair)	8	8
Greg Flack	8	8
Luisa Delgado	7	5
Tim Lodge	8	8
Andrew Morgan	1	1

2. There were 8 Audit Committee meetings 6 of which were scheduled and 2 unscheduled

Governance and Nomination Committee

	Eligible to attend	Attended
Dan Flinter (Chair)	5	4
Gary McGann	5	5
Jim Leighton	5	5
Rolf Watter	5	5
Alejandro Legarda Zaragüeta	4	4

Remuneration Committee

	Eligible to attend	Attended
Rolf Watter (Chair)	6	6
Mike Andres	6	6
Dan Flinter	6	5
Gary McGann	6	6

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.

Corporate Governance Report (continued)

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;
- 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 85 to 87, 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

Corporate Governance Report (continued)

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, 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, 2019, 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 14 January 2020, ARYZTA announced, as part of a planned organisational evolution, that Tyson Yu had been appointed as CEO of North America and a member of Executive Management, effective 1 February 2020, and that John Heffernan had been appointed as President and Chief Commercial Officer North America. John Heffernan was previously Group Strategy Officer at ARYZTA. The Company also announced that Dave Johnson assumed the role of Non-Executive Chairman of ARYZTA North America with effect from effective 1 February 2020. Full biographical details of Dave Johnson are set out in the 2019 ARYZTA annual report available on the ARYZTA website at: https://www.aryzta.com/investor-centre/results-and-reports/.

On 2 March 2020, the Company announced the appointment of Chris Plüss as COO APMEA, commencing early June 2020, and that Rob O'Boyle would be stepping down from his role as COO APMEA and leaving ARYZTA at the end of May 2020. On 13 May, the Company announced that, due to the ongoing COVID-19 pandemic, Rob O'Boyle had agreed to remain with ARYZTA until 31 July 2020 in order to allow for a seamless transition to Chris Plüss, who took up the role of COO APMEA and member of Executive Management on 1 July 2020. Full biographical details of Rob O'Boyle are set out in the 2019 ARYZTA annual report available on the ARYZTA website at: https://www.aryzta.com/investor-centre/results-and-reports/.

On 5 August 2020, the Company announced that Frederic Pflanz had notified the Board that he would step down as Group CFO in early December 2020. A search process for a successor has been initiated by the Group. The notice period provides for continuity and orderly succession arrangements.

Corporate Governance Report (continued)

Kevin Toland (1965, Irish)
Chief Executive Officer ('Group CEO')
Fellow of the Chartered Institute of Management Accountants; Diploma in Applied Finance from the Irish Management Institute
Kevin Toland is the Chief Executive Officer of ARYZTA. From 2013 to 2017 he was CEO of daa plc, which operates Dublin and Cork airports, ARI (a global retailer in travel retail) and daa International. He previously held the position of Chief Executive and President of Glanbia USA & Global Nutritionals, a division of Glanbia plc, based in Chicago, Illinois. He was a member of the Glanbia plc board of directors from 2003 to 2013; and, was based in the US from 2004 to 2012. Kevin is a director of Total Produce plc and IBEC (the Irish Business and Employers Confederation). He became a member of the ARYZTA Board in December 2017.

Claudio Gekker (1965, Brazilian)
COO Latin America
Industrial engineering, Federal University of Rio de Janerio, Brazil; MBA from the COPPEAD Graduate School of Business with an extension in the ESSEC International Business School in France
Claudio joined ARYZTA in May 2014 as head of the Group's Latin America operations. His responsibilities included defining the Group's strategy in Latin America, management of the operation throughout its value chain, P&L and approval of the regional annual budget and capex. Before joining ARYZTA, Claudio worked for several leading companies in Latin America. His previous roles included Nabisco, in the roles of Trainee to Sales and Marketing Manager from January 1991 to November 1995; Coca-Cola Company, as Operations Manager from November 1995 to March 1997 and Coca Cola Group Brand Manager from March 1997 to February 2000; McCann Erickson as Strategic Planning Director in March 2000 and Business Unit Vice President in June 2006. From 2007 to 2010, was Business Unit Director for Nestlé's baked goods division. From May 2010 to October 2012, he was with Bimbo Group in the role of Sales and Marketing Director. In January 2018 he became Vice President and member of the Board of the Brazilian Food Service Institute renewing his mandate in the beginning of 2020 for two more years.

John Heffernan (1970, Irish)
President and Chief Commercial Officer, ARYZTA North America
Master of Business Administration, INSEAD; MSc, International Accounting and Finance, London School of Economics and Political Science; Bachelor of Commerce (B. Comm.), Banking and Finance, University College Dublin, Ireland
John joined ARYZTA as Chief Strategy Officer in February 2018, having previously held roles in daa plc and ARI and daal from 2014 to 2018. His responsibilities included Corporate Strategy, Construction and Property Development including Dublin Airport Central, construction of the New Runway and development of the Capital Investment Programme. John served the board of ARI (Aer Rianta International) between 2014 and 2018. John served as Chief Development Officer of daa plc from 2014 to 2018. From 2006 to 2014, John was the founder and CEO of a number of businesses in clean energy including Clearpower and Aer Ltd. From 2003 to 2006, he was Acquisitions and Development Director with Boundary Capital, a boutique Irish-based private equity investor and corporate finance advisory firm. Prior to this, he worked with McKinsey and Company from 1993 to 2003. This included a period working for Ranks Hovis McDougall in Trade Marketing and Category Management.

Corporate Governance Report (continued)

Tony Murphy (1963, English)
Chief People Officer
B.A., Industrial Economics, University of Nottingham
Tony joined ARYZTA as Chief People Officer in December 2017. Tony previously held a number of senior HR roles, including with Mondelez as Vice President of Human Resources for the North America Region from 2012 to 2017, with Kraft Foods as Vice President of Human Resources for the Snacks & Confectionary Business in the United States from 2010 to 2012 and with Cadbury as Executive VP for Human Resources in North America from 2008 to 2010. He was also Vice President for Human Resources for the United States and Canada from 2005 to 2008 and People Capability Director in the UK from 2004 to 2005. Tony also served in a number of senior HR roles with Diageo plc in the UK and North America from 1993 to 2004.

Frederic Pflanz (1968, French/German)
Chief Financial Officer ('Group CFO')
Diploma in European Business Administration, ESB Business School; Bachelor of Business Administration (BBA), International Finance & European Studies, NEOMA Business School
Frederic Pflanz joined ARYZTA in January 2018, having previously served as a member of the Executive Board of Maxingvest AG from 2015 to 2017 and as a member of the Supervisory Board of Beiersdorf AG from 2015 to 2018. In April, 2019 Frederic was re-elected to the Supervisory Board of Beiersdorf AG. Prior to this, Frederic held a number of roles in Remy-Cointreau Group from 2010 to 2014, including Group CFO and COO, heading the Group's Global Operations and Director of External Development. Between 1992 and 2010, Frederic held a number of senior positions at L'Oreal Group, the world's largest cosmetics company, where he worked extensively across Continental Europe and Asia. Most recently he served as Chief Financial Officer of the Global Consumer Products Division, the largest division in the L'Oreal Group. Frederic is a member of the Board of Directors (Verwaltungsrat) of Cambiata Schweiz AG, Switzerland since 2019 and a member of the Board of Directors of Cambiata Ltd., British Virgin Islands since 2020. Frederic has been a member of the Advisory Board (Beirat) of Stiftung Meridian in Germany since 2017. Frederic will step down from his role as Group CFO in early December 2020.

Corporate Governance Report (continued)

Chris Plüss (1968, Swiss)
COO APMEA
MBA from the University of Berne, Switzerland
Chris was appointed as COO APMEA upon the resignation of Rob O'Boyle in March 2020. Chris was previously ARYZTA's Regional Managing Director for Southern Europe (Switzerland, France and Hungary) . He joined ARYZTA in 2014 as MD of Switzerland and was promoted to MD for Southern Europe (Switzerland, France, Hungary) in March 2018. In addition to his significant commercial experience in bakery, Chris has deep food industry experience having worked in Unilever, Haco Group and Fressnapf/Maxizoo prior to joining ARYZTA.

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)

Gregory Sklikas (1964, Greek)
CEO Europe
MSc, Computing Science, Cardiff University; Bachelor Business Administration, Economics, Athens School of Economics
Gregory is a seasoned international business leader, who has spent the whole of his career in the food industry. Prior to joining ARYZTA in May 2018, Gregory spent 11 years at Royal Friesland Campina where he held a number of senior roles, including most recently Chief Operating Officer Consumer Products EMEA and member of the Executive Board. Gregory also served as Regional Director South East Europe between 2011 and 2012 and Managing Director Friesland Campina Hellas between 2006 and 2012. Between 1993 and 2006, Gregory spent 14 years at Unilever holding most recently General Management positions in Greece and prior to that regional commercial director positions in the Middle East stationed in KSA and UAE. He previously held roles in marketing, trade and customer management.

Tyson Yu (1983, American)
CEO North America
B.S. degree in Mathematics and Economics, Georgetown University
Tyson was appointed as CEO North America upon the resignation of Dave Johnson in February 2020. He was previously Chief Operations Officer at ARYZTA North America, where he oversaw all operations for ARYZTA's North American business including bakery manufacturing and supply chain, engineering, logistics, planning, customer service, FSQA and corporate development. Previously, he held numerous executive roles including President of ARYZTA's Canadian business unit, VP, Global Strategy. Prior to ARYZTA, Tyson led Global Strategy & Corporate Development at Fresh Start Bakeries. Prior to working in the food industry, Tyson worked at Lindsay Goldberg, a private equity investment fund and at Merrill Lynch in its Investment Banking Division focusing on food and beverage.

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 64 to 82 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 1 August 2020 and 27 July 2019, 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 1 August 2020 and 27 July 2019 were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of ordinary shares 2020	No. of restricted shares/ unvested RSUs 2020	Total 2020	Total 2019
Directors				
Gary McGann	**161,700**	**245,229**	**406,929**	278,128
Mike Andres	–	**84,274**	**84,274**	40,011
Luisa Delgado[1]	–	**38,281**	**38,281**	–
Greg Flack	–	**84,274**	**84,274**	40,011
Dan Flinter	**13,365**	**85,033**	**98,398**	53,736
Annette Flynn	**11,132**	**82,548**	**93,680**	48,620
Jim Leighton[2]	–	**84,274**	**84,274**	40,011
Tim Lodge	–	**72,885**	**72,885**	34,604
Andrew Morgan	–	**34,604**	**34,604**	34,604
Rolf Watter	**528,507**	**85,033**	**613,540**	118,878
Alejandro Zaragueta[1]	**132,000**	**38,281**	**170,281**	–
Executive Management				
Kevin Toland	**572,240**	–	**572,240**	97,240
Claudio Gekker	–	–	–	–
John Heffernan	**14,014**	–	**14,014**	14,014
Dave Johnson	–	–	–	–
Anthony Murphy	–	–	–	–
Robert O'Boyle	**111,397**	–	**111,397**	111,397
Rhona Shakespeare (nee O'Brien)	–	–	–	–
Frederic Pflanz	**100,000**	–	**100,000**	–
Chris Plüss	**76,863**	–	**76,863**	–
Gregory Sklikas	–	–	–	–
Tyson Yu	–	–	–	–
Total	**1,721,218**	**934,716**	**2,655,934**	911,254

1 Effective 14 November 2019, L. Delgado and A. Zaragueta were elected to the Board.

2 The Beneficial holding of J. Leighton in FY 2019 is held in the form of Restricted Stock Units.

As at 16 September 2020, the newly appointed directors of the Company, namely Urs Jordi, Armin Bieri and Heiner Kamps, had no interests in the ordinary shares in, or loan stock of the Company or other Group undertakings, save that Heiner Kamps has an interest in the ordinary shares in the Company as disclosed in Section 1.2 on page 31.

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 1 August 2020 (2019: none).

Further details regarding the benefits under the ARYZTA LTIP are set out in the Compensation Report on pages 64 to 82 of this Annual Report.

Corporate Governance Report (continued)

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. As indicated in section 2.6.2 above, ARYZTA has entered into arrangements with Euroclear UK and Ireland to enable investors whose interests in ARYZTA are represented by CDIs to exercise their voting rights. CDI holders who wish to be in a position to directly enforce or exercise their rights must have their interests entered in the share register in accordance with Article 7 of the Articles of Association and effectively hold their shares through a member of the Swiss SIS Settlement System.

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 64 to 82 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 new 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.

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 2020 amounted to €2.5m (2019: €3.5m).

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 2020 totalled €0.1m (2019: €1.4m).

Auditor's remuneration

	2020 €m	2019 €m
– Auditor's remuneration for audit and audit-related services	**2.5**	3.5
– Auditor's remuneration for tax compliance and related services	**0.1**	0.8
– Auditor's remuneration for tax consulting services	**-**	0.6
– Auditor's remuneration for advisory services	**-**	-
	2.6	4.9

– Total other fees / Audit and audit-related services	**5%**	39%
– Tax consulting or advisory services / Audit and audit-related services	**0%**	16%

Governance

Corporate Governance Report (continued)

8.4 Information pertaining to the external audit

EY AG has presented to the Audit Committee a detailed report on the results of the 2020 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 2020, 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 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' independence. EY AG monitors its independence throughout the period and confirms its independence to the Audit Committee annually.

Corporate Governance Report (continued)

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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Head of Investor Relations

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Quarterly announcement cycle

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

Key dates to October 2021

Annual General Meeting 2020	11 November 2020
First-quarter trading update	1 December 2020
Announcement of half-year results 2021	16 March 2021
Third-quarter trading update	1 June 2021
2021 Annual Report	5 October 2021

Annual Report and Accounts 2020
Compensation Report

Letter from the Chairman 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 2020 ('FY 2020'), which was marked by the COVID-19 pandemic.

Throughout FY 2020, COVID-19 has had a material impact on our business and Group performance. This was also reflected in temporary compensation measures for the Board of Directors ('Board') and the Executive Management. At the beginning of April, the Board agreed to a 30% reduction for a three-month share of their total compensation. The Executive Management agreed to a three-month 30% base salary reduction, while the broader leadership team agreed up to a 15% base salary reduction.

Despite these challenging times, the Remuneration Committee ('RemCo') focused on the on-going refinement of the compensation framework and the on-going engagement and dialogue with investors and stakeholders. As of FY 2020, Shareholding Guidelines for members of the Executive Management were 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. Furthermore, the Long-Term Incentive Plan ('LTIP') granted in FY 2020 includes a market-related performance measure expressed as a relative Total Shareholder Return. At the same time, a strong focus on operating measures that capture both profitability and capital efficiency was kept. Going forward, LTIP grants will only involve Performance Share Units which will convert into shares; options were abolished. In addition, ARYZTA takes a comprehensive approach to target setting. Targets for the LTIP were set by the Board following a thorough outside-in approach supported by ARYZTA's external independent advisor. As indicated after the Annual General Meeting ('AGM') in November 2019, the level of disclosure with regards to STIP and LTIP target achievement as well as multi-year realized compensation of the CEO was increased.

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 AGM until the next 2021 AGM, and the maximum aggregate compensation for the Executive Management for FY 2022. 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 fulfill 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 RemCo
Heiner Kamps, 6 October 2020

Compensation Report (continued)

Introduction to Compensation

ARYZTA's Compensation Report for FY 2020 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. 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)
– 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)
– Retirement benefits and pensions (Art. 24)
– Duration and Termination of Employment Contracts (Art. 26)

The Articles of Association can be found on our homepage: https://www.aryzta.com/wp-content/uploads/2018/02/Articles-of-Association-of-ARYZTA-AG-English_Updated.pdf.

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

Compensation Report (continued)

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). Conclusively, shareholders will be asked at the 2020 AGM, to be held on 11 November 2020, 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 2021 AGM); and
- the Executive Management for the following financial period (i.e. the financial period ending 31 July 2022).

In addition, as in prior periods, the Board will submit this Compensation Report to a separate advisory vote for the shareholders at the 2020 AGM in line with the Swiss Code of Best Practice for Corporate Governance.

At the 2019 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 2019 AGM until the 2020 AGM (binding vote): CHF 1,500,000.
- The maximum aggregate amount of compensation for the Executive Management for the FY 2021 (binding vote): CHF 18,000,000.
- The compensation report for the FY 2019

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).

Compensation Report (continued)

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). For FY 2020, the RemCo consisted of four members: Rolf Watter, Mike Andres, Dan Flinter, and Gary McGann, with Rolf Watter 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 2020 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 2020, see page 77).

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 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. During FY 2020, the RemCo consulted HCM International Ltd. (HCM) as an external independent advisor on compensation-related matters.

The RemCo Chair convenes meetings of the RemCo as often as the business affairs of ARYZTA requires. During FY 2020, the RemCo held seven meetings with an average duration of two hours each. All members of the Committee had full meeting attendance during the reporting period except one absence due to medical leave.

Compensation Report (continued)

The agenda items covered by the RemCo during the seven meetings of FY 2020 are described in the table below.

	Agenda item	Aug 2019	Sep 2019	Nov 2019	Jan 2020	Mar 2020	May 2020	July 2020
General Framework	Impact of COVID-19 on compensation						•	•
	Shareholding Requirements for Executive Management				•	•	•	
	Notice periods for Executive Management							•
Executive Management compensation	Maximum aggregate compensation amount FY 2021		•			•		
	STIP							
	– Review of STIP FY 2021 design				•	•	•	
	– Performance achievement FY 2019		•				•	
	– Target setting for STIP FY 2021				•		•	•
	LTIP							
	– Design LTIP grant FY 2020	•						
	– Target setting and award of LTIP grant FY 2020	•	•	•	•		•	
	– Review of LTIP Regulations						•	•
	Benchmarking				•	•	•	•
Board compensation	Maximum aggregate compensation amount from 2019 AGM until the 2020 AGM		•					
Communication	Shareholder engagement				•		•	•
	Compensation Report FY 2020					•	•	
	– Review FY 2019		•					
	– Disclosure level FY 2020				•		•	•

Compensation Principles

ARYZTA's compensation framework and principles are designed to attract and retain top talent, to underpin the implementation and support 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, driving the creation of shareholder value, as well as fostering entrepreneurial thinking.

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.

While ARYZTA's primary listing is in Switzerland, given the global scale of our business, the RemCo keeps apprised of key developments regarding corporate governance and compensation across the globe.

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 Report (continued)

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, an additional fee for individual assignments to Committees of the Board (Art. 21c of the Articles of Association) and travel expenses in case the member of the Board is based outside of Europe.
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 2020, 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). In addition, in recognition of the extra burden and time commitment associated with transatlantic travel, an additional allowance of CHF 15,000 per annum was given to Board members based outside of Europe. The CEO received no additional compensation for his role as a Board member. The compensation structure and fee levels for the members of the Board remained unchanged compared to the previous term.

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					
Other Board members	88,000	25,000	8,000	16,000	8,000	16,000	8,000

Since the 2019 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 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 Report (continued)

Compensation Awarded to the Board of Directors (audited)
The following table reflects the total compensation of the Board for FY 2020 including information of the prior financial period. The total compensation of the Board for FY 2020 amounted to CHF 1,205,000 which is within the maximum amount approved at the AGM 2019 of CHF 1,500,000. Due to the COVID-19 impact on the business and the Group performance, the Board agreed to a 30% reduction for a three-month share of their total compensation.

in CHF'000	Board	Audit Committee	Governance and Nomination Committee	RemCo	Settled in cash	Settled in shares[1]	**Total compensation FY 2020**	Total compensation FY 2019
Gary McGann	Chair		•	•	170	129	**299**	323
Michael Andres	•			•	58	44	**102**	83
Luisa Delgado[2]	•	•			23	38	**61**	-
Greg Flack	•	•			58	44	**102**	83
Dan Flinter	•		Chair	•	59	45	**104**	110
Annette Flynn	•	Chair			59	45	**104**	113
Alejandro Legarda[2]	•		•		23	38	**61**	-
Jim Leighton	•		•		58	44	**102**	227
Tim Lodge	•	•			50	38	**88**	72
Kevin Toland	•					Not entitled		-
Rolf Watter	•		•	Chair	59	45	**104**	110
Chuck Adair[3]					-	-	-	40
Andrew Morgan[4]					28	-	**28**	96
Total					**645**	**510**	**1,155**	**1,257**
Social security payments							50	33
Total including social security							**1,205**	**1,290**

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 period is settled in cash.

2 L. Delgado and A. Legarda were elected to the Board effective as of 14 November 2019 (2019 AGM).

3 C. Adair retired from the Board effective as of 1 November 2018.

4 A. Morgan was not standing for further re-election for the Board effective as of 14 November 2019 (2019 AGM).

Compensation Report (continued)

The following table shows the shareholdings of the Board as of 1 August 2020 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 846,704 shares or 0.09% of the share capital (FY19: 264,704 shares or 0.03% of the share capital).

Shares in ARYZTA at CHF 0.02 each	No. of ordinary shares 2020	No. of restricted shares/ unvested RSUs 2020	Total 2020	Total 2019
Directors				
Gary McGann	**161,700**	**245,229**	**406,929**	278,128
Mike Andres	–	**84,274**	**84,274**	40,011
Luisa Delgado[1]	–	**38,281**	**38,281**	–
Greg Flack	–	**84,274**	**84,274**	40,011
Dan Flinter	**13,365**	**85,033**	**98,398**	53,736
Annette Flynn	**11,132**	**82,548**	**93,680**	48,620
Jim Leighton[2]	–	**84,274**	**84,274**	40,011
Tim Lodge	–	**72,885**	**72,885**	34,604
Andrew Morgan[3]	–	**34,604**	**34,604**	34,604
Rolf Watter	**528,507**	**85,033**	**613,540**	118,878
Alejandro Zaragueta[1]	**132,000**	**38,281**	**170,281**	–
Total	**846,704**	**934,716**	**1,781,420**	688,603

1 Effective 14 November 2019, L. Delgado and A. Zaragueta were elected to the Board.

2 The Beneficial holding of J. Leighton in FY 2019 was held in the form of Restricted Stock Units.

3 A. Morgan was not standing for further re-election for the Board effective as of 14 November 2019 (2019 AGM).

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 the following elements, 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 abovementioned 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.

The STIP consists 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%	5%	40%
Group Operating Free Cash Flow	–	5%	–
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 focusing on value-addition

Compensation Report (continued)

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 2020, 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 each member of the Executive Management, their respective Underlying EBITDA measure (Group or Regional) serves as a primary measure, with a minimum performance threshold set by the Board which needs to be met before any STIP payout is triggered. Once the minimum performance threshold of the respective primary measure is met, all other performance measures are assessed. For the financial performance measures, overachievement is driven by their respective performance. For the qualitative individual performance measure, overachievement is fully driven by the respective primary measure. 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 2020	STIP Achievement factor in %
Group Underlying EBITDA[1]	EURm 206.0	0%
Group Operating Free Cash Flow	(EURm 84.5)	0%
Group Net Debt: Underlying EBITDA Ratio	3.68x	0%

1 Underlying EBITDA before impact of IFRS 16 as presented in glossary on page 22.

Performance thresholds for Group measures were not met in FY 2020. Performance thresholds for Regional measures were not met in FY 2020, except for Brazil, where an overall STIP payout of 111% of the target (i.e. of base salary) was reached. All other members of the Executive Management including the CEO had an overall payout of 0%. When determining the final overall payouts, no discretionary decisions were applied. This compares to an overall payout range of 35% to 131% of target (i.e. of base salary) for the Executive Management and an overall payout for the CEO of 98% of target (i.e. of base salary) in FY 2019.

Renew Special Bonus Plan (RSBP)
The Renew Special Bonus Plan (RSBP) has been an exceptional element of the compensation package of members of the Executive Management with exposure to the regions which are affected by the cumulative three-year €200 million cost reduction and efficiency plan, Project Renew. The purpose of the plan was to reward eligible participants for delivering on this plan. The RSBP had been launched for FY 2019 and FY 2020 and aimed to incentivize the implementation of Project Renew in the different regions as well as on Group level.

Compensation Report (continued)

The performance targets were determined by converting the three-year efficiency plan into a two-year bonus plan with two separate one-year performance targets per region. For the members of the Executive Management eligible to this plan, the target of the individual Renew Special Bonus amounts up to 35% of the base salary. The payout can range up to 45% of the base salary, depending on the level of overachievement of the performance targets. Payout in cash is accrued, based on the regional delivery per year, and deferred to the end of FY 2020. In addition, country-specific forfeiture rules apply in case of termination of employment during the two-year period.

Performance thresholds for the RSBP were met in Europe for FY 2020 and in the US for FY 2019 and FY 2020. As a result, three members of the Executive Management received a payout under this plan with an overall payout between 18% and 33% of base salary.

Long-term incentive plan (LTIP)
ARYZTA's long-term incentive plan (LTIP) rewards 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, an LTIP is 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.

The number of granted PSUs depends on the individual LTIP grant, which is 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.

For the LTIP grant FY 2020, the individual target grant amount for the CEO corresponds to 125% of his base salary and for other members of the Executive Management it represents 100% of their respective base salaries. The LTIP payout varies between 0% and a maximum of 200% of the individual target amount (i.e. a maximum of 250% of base salary for the CEO and a maximum of 200% of base salary for other members of the Executive Management).

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.

Governance

Compensation Report (continued)

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.

Targets for the LTIP grant FY 2020 were set by the Board upon recommendation of the RemCo (Art. 22c of the Articles of Association), which has been supported by an external, independent adviser. Following an outside-in approach, investors' return expectations on market value, stock risk profile, investment projections and current profitability levels were taken as a starting point and translated into Underlying EBITDA, ROIC and relative TSR targets, using multifactor valuation models and statistical analyses in order to establish an appropriate link between LTIP payouts and the value created for investors. The results of the outside-in approach were assessed against historical Group performance, as well as equity analysts' expectations and strategic plan as suggested by management, to reinforce the RemCo's and Board's confidence in the overall quality and robustness of the performance targets. The RemCo thoroughly discussed targets and the corresponding vesting curves for each performance measure and made a recommendation to the Board, which approved the respective vesting curves for the LTIP grant FY 2020.

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.

Governance

Compensation Report (continued)

For the LTIP grant FY 2020, all three LTIP performance measures have an overall vesting multiple of 0.00 to 2.00 of the granted PSUs. To determine the vesting multiple of the granted PSUs, each performance measure will be assessed individually in a range from 0.00 to 2.00 and then combined according to the assigned equal weightings. This means that a low performance in one performance measure can be balanced by a higher performance in another performance measure. Overall, the combined vesting multiple will never exceed 2.00. If the performance of each of the three performance measures lies below the respective minimum performance requirement, the resulting combined vesting multiple would be 0.00 and consequently no PSUs would vest.

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 2020 since no LTIP grant was awarded during FY 2017.

Peer group and benchmarking
The RemCo reviewed the compensation of the Executive Management in FY 2020 with the support of the global organizational consulting firm Korn Ferry 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.

Based on the outcomes of the benchmarking, no adjustments of the compensation of the Executive Management for FY 2020 were made.

Realized compensation for CEO
To support shareholders' understanding of the link between pay and performance, ARYZTA discloses the multi-year target compensation for the CEO compared to his realized compensation. Target compensation consists of the STIP value at target and the LTIP value at grant/target, therefore reflecting initially awarded compensation without any performance

Compensation Report (continued)

considerations for the variable components. Realized compensation consists of the STIP payout and the LTIP value at vesting at the end of their respective performance periods, therefore reflecting actual payouts based on performance.

in CHF'000	Base salary[9]	Other fixed compensation[2]	STIP target	LTIP grant value	**Total target compensation[3]**	STIP payout	LTIP vested value	**Total realized compensation as of 1 August 2020[4]**
FY 2020[1]	847	226	916	1,062	**3,051**	-	subject to performance[7]	**1,073**
FY 2019	961	237	961	2,393[6]	**4,552**	941	subject to performance[8]	**2,139**
FY 2018[5]	881	217	881	-[6]	**1,980**	-	n/a	**1,098**

1 Includes three month base salary reduction of 30% implemented in response to COVID-19.

2 Includes pension benefits and other benefits.

3 Includes base salary, other compensation, STIP value at target and the LTIP value at grant/target.

4 Includes base salary, other compensation, STIP payout and the LTIP value at vesting (if available) at the end of their respective performance periods.

5 Pro-rated to 11 months of employment during FY 2018.

6 In light of the exceptional circumstances that the business faced during FY 2018, the LTIP grant FY 2018 was postponed to FY 2019 with a shortened two-year performance period.

7 LTIP grant FY 2020 will vest in FY 2023 subject to performance.

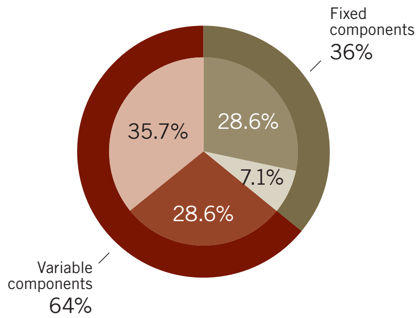
8 The LTIP value granted in FY 2019 consists of the LTIP grant FY 2018 and the LTIP grant FY 2019. The LTIP grant FY 2018 will vest in FY 2021 subject to performance, the LTIP grant FY 2019 will vest in FY 2022 subject to performance.

9 The base salary is denominated in Euro. Any variance in base salary over the 3 years is due to the CHF EUR exchange rate. FY 2018 compensation is pro-rated for 11 months of employment.

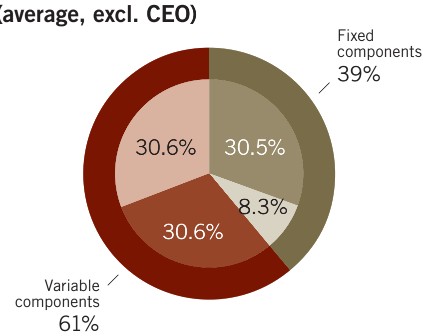
Total compensation mix

The following figure illustrates the total compensation mix for the CEO and the other members of the Executive Management at target level (i.e. STIP at target payout multiple of 1.00 and LTIP at grant value equalling a vesting multiple of 1.00). This compensation mix reflects ARYZTA's high-performance orientation and represents the strong emphasis on aligning the interests of the Executive Management and the shareholders to create long-term shareholder value and profitable growth, by making a substantial part of compensation dependent on the achievement of long-term goals.

Total target compensation mix for the CEO



Total target compensation mix for other members of the Executive Management (average, excl. CEO)



Base salary (excl. COVID-19 reduction) · *Other fixed compensation (as paid/contractually agreed)* · *STIP at target* · *LTIP at target*

Compensation Report (continued)

Since both STIP and LTIP targets amount to 100% of base salary for all other members of the Executive Management excluding the CEO, the fixed components (including annual base salary and pension benefits/other benefits) range around an average of 39% of the total target compensation and the variable components range around an average of 61% of the total target compensation.

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 2019 and FY 2020. The total compensation for the Executive Management amounted to CHF 10,914,000 which is within the maximum amount approved at the AGM 2019 of CHF 18,000,000. Due to the COVID-19 impact on the business and the Group performance, the Executive Management agreed to a three-month 30% base salary reduction.

in CHF'000	Total Executive Management incl. highest paid FY 2020[1,2]	Highest paid Executive Management member, Kevin Toland CEO FY 2020	Total Executive Management incl. highest paid FY 2019[2]	Highest paid Executive Management member, Kevin Toland CEO FY 2019
Annual base salaries	**4,118**	**847**	5,102	961
Benefits in kind	**438**	**43**	458	45
Pension contributions	**687**	**183**	645	192
STIP (payout for respective FY)	**340**	**-**	3,842	941
Renew Special Bonus Plan (RSBP)	**336**	**-**	-	-
Total compensation paid to members of Executive Management	**5,919**	**1,073**	10,047	2,139
LTIP awarded[3] (subject to performance)	**4,995**	**1,062**	9,066[4]	2,393
Total compensation awarded to members of ARYZTA Executive Management	**10,914**	**2,135**	19,113	4,532

1 On 1 February 2020 Dave Johnson resigned as CEO North America, with Tyson Yu replacing him. On 31 July 2020 Rob O'Boyle resigned as COO APMEA, with Chris Plüss replacing him.

2 Former Executive Management compensation in FY 2020 performance and contractual related payments to Dermot Murphy of CHF 20K who resigned in FY 2018. Executive Management compensation in FY 2019 includes salaries and contractual related payments to former Executive Management Pat Morrissey and Dermot Murphy who resigned in FY 2018.

3 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.

4 Represents the target value of the FY 2018 and FY 2019 LTIP awarded. The value may change depending on the achievement of operating performance measures at vesting. All awards are unvested as of 1 August 2020.

The employment contracts of the CEO and the other members of the Executive Management provide for notice periods of a maximum of 12 months and non-compete clauses of up to a further 12 months thereafter, 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). None of these contracts foresee severance or termination payments.

Compensation Report (continued)

Shareholding Guidelines

As of FY 2020, Shareholding Guidelines for members of the Executive Management have 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.

Shareholdings of the Executive Management

The following table shows the shareholdings and interests in equity of the Executive Management as of 1 August 2020 and 27 July 2019. 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 874,514 shares or 0.09% of the share capital (FY19: 222,651 shares or 0.02% of the share capital).

	No. of shares Closing position FY 2020	No. of PSUs Closing position FY 2020[1,2]	No. of options Closing position FY 2020[2]	No. of shares Closing position FY 2019	No. of PSUs Closing position FY 2019[1,2]	No. of options Closing position FY 2019[2]
Kevin Toland	572,240	2,418,721	1,936,777	97,240	1,225,794	1,936,777
Claudio Gekker	–	617,232	515,951	–	326,547	515,951
John Heffernan	14,014	639,670	397,324	14,014	302,843	397,324
Dave Johnson[3]	–	1,620,252	1,561,245	–	948,457	1,561,245
Anthony Murphy	–	715,381	598,122	–	378,554	598,122
Robert O'Boyle[3]	111,397	–	–	111,397	324,731	513,080
Rhona Shakespeare (nee O'Brien)	–	466,051	150,670	–	174,135	150,670
Frederic Pflanz	100,000	1,263,839	1,056,683	–	668,779	1,056,683
Gregory Sklikas[4]	–	1,152,505	804,712	–	393,696	340,645
Chris Plüss[3]	76,863	494,556	381,973	–	–	–
Tyson Yu[3]	–	570,843	452,867	–	–	–
Total	**874,514**	**9,959,049**	**7,856,324**	222,651	4,743,536	7,070,497

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

2 The FY 2019 and FY 2020 awards are unvested as at 1 August 2020.

3 On 1 February 2020 Dave Johnson resigned as CEO North America, with Tyson Yu replacing him. On 31 July 2020 Robert O'Boyle resigned as COO APMEA, with Chris Plüss replacing him.

4 By RemCo decision on 25 September 2019, G. Sklikas was granted an LTIP award equivalent to the value of two thirds of the FY 2018 LTIP.

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 2016 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 1 August 2020 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 2020 nor during FY 2019.

	Options carried forward FY2020	Forfeited during the year	Closing position FY 2020	Of which Vesting criteria have been fulfilled[2]
Executive Management				
Kevin Toland	–	–	–	–
Frederic Pflanz	–	–	–	–
John Heffernan	–	–	–	–
Anthony Murphy	–	–	–	–
Rhona Shakespeare (nee O'Brien)	–	–	–	–
Tyson Yu	–	–	–	–
Gregory Sklikas	–	–	–	–
Robert O'Boyle[1]	105,809	(105,809)	–	–
Claudio Gekker	–	–	–	–
Total current executive management	**105,809**	**(105,809)**	–	–
Owen Killian	3,526,961	(1,410,784)	2,116,177	2,116,177
Patrick McEniff	2,868,595	(1,175,654)	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	**7,100,948**	**(2,586,438)**	**4,514,510**	**4,514,510**
Total current and former executive management	**7,206,757**	**(2,692,247)**	**4,514,510**	**4,514,510**

1 On 31 July 2020 Robert O'Boyle resigned as COO APMEA.

2 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.

Compensation Report (continued)

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 of Directors or to the Executive Management during FY 2019 or were outstanding at 27 July 2019 (2018: none).

No loans or advances were made by the ARYZTA Group to members of the Board or to Executive Management during FY 2020 or were outstanding at 1 August 2020 (2019: none).

Compensation to former members of the Board of Directors
During FY 2020 no payments were made to former members of the Board or related parties.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the compensation report 2020

We have audited the compensation report of ARYZTA AG for the period ended 1 August 2020. 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 70 and 79 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 1 August 2020 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, 6 October 2020

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 minimisation. 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.

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 Regional Management and group risk. Regional and group specific risks are consolidated into a Group Risk Map denoting the potential frequency and severity of identified risks. This is reviewed by Executive Management who layers in strategic risks prior to the final version being issued and challenged by the Board of Directors on at least an annual basis. The Group has considered the impact of and response to COVID-19 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, health and safety audit programmes.

COVID-19

COVID-19 has impacted business operations in a number of locations. The fallout of COVID-19 had a material impact on the Group's financial performance in 2020. The Group activated its full business continuity plans to maintain service levels and to meet our customers' expectations. ARYZTA reacted rapidly to the challenges presented and to the changed consumer environment, our primary focus being 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.

Steps taken in recent years to proactively manage supply chain risk include 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.

Strong cash management processes and controls already implemented across the Group enabled management to take decisive actions to protect the business and focus on cash conservation, ensuring a strong liquidity position throughout. Actions taken include suspending capital expenditure and eliminating discretionary cost to the maximum extent possible. In addition, production was paused in bakeries to reduce capacity in line with demand, with associated furloughing of headcount, and government relief initiatives were availed of where applicable.

In September, the Group executed an amendment to its financial covenants, effective for two covenant tests relating to the interim Financial Statements as of January 2021 and to the annual Financial Statements of July 2021, providing the Group with increased headroom during the period (Net Debt: EBITDA Coverage Ratio shall be lower or equal to 6.0x and the Net Interest Coverage Ratio shall be greater than 1.0x).

Group Risk Statement
Principal Risks and Uncertainties (continued)

Further details on the impact of COVID-19 and steps taken to mitigate this can be found on page 132.

Associated risks as a result of COVID-19, expected to continue into 2021, include liquidity, cash flow constraints, credit quality of certain customers, changing shape & emergence of the market & consumer habits and accuracy of projections due to general economic uncertainty. COVID-19 has also increased the potential impact and likelihood of a number of other risks faced by the Group. The Group continues to reinforce financial performance through the contribution of sales generation, operations and bakery efficiency to EBITDA generation and liquidity. There are additional IT and cyber security risks arising from increased working from home, which may also adversely impact associated employees' wellbeing & engagement.

The key risks facing the Group include the following
- Failure to adapt to the changing shape and pace of emergence of the market and consumer habits during and after the COVID-19 crisis, including the increased emphasis on health and wellness among consumers adversely impacting revenue and liquidity.
- Accuracy of projections due to COVID-19 related challenges and the underlying economic uncertainty impacting management's ability to take appropriate decisions in a timely manner.
- Liquidity & cash flow constraints as the COVID-19 crisis continues.
- Increased risks associated with receivables due to COVID-19.
- Due to the current COVID-19 crisis, going concern is an ongoing risk for the Group. Further details of ARYZTA Management's going concern considerations can be found on page 109.
- Risks arising from increased working from home adversely impacting employee wellbeing and engagement.
- Risk of adverse movements in foreign currency exchange rates adversely impacting profitability.
- Operational risks facing the Group include product contamination and general food scares, which could impact relevant products or production and distribution processes resulting in reputational damage and/or adversely impacting customer relations.
- Failure to comply with increasing regulation and compliance requirements including in areas such as employment, health and safety, emissions and effluent control.
- The loss of a significant manufacturing / operational site through natural catastrophe or act of vandalism could have a material impact on the Group.
- A significant failure in the accounting, planning or internal financial controls and related systems could result in a material error or fraud.
- Risks to ongoing operations arising from a significant IT or security system failure, including a cyber-attack impacting the ability of the Group to service our customers' demands and/or reputational damage.
- Risks arising from fluctuations in the availability, supply or price of energy, commodities, labour and other production inputs adversely impacting profitability.
- Risk of a decrease in consumer spending adversely impacting revenue.
- Risk of impairment of its goodwill, brands and intangibles impacting profitability.

Group Risk Statement
Principal Risks and Uncertainties (continued)

- Risks and challenges associated with change management, reorganisation and business risks associated with the operation and execution of the Group's three year cost reduction plan and risks and challenges in implementing Project Renew in full or on time.
- Risks in protecting the Group's brands and reputation.
- Risks associated with the potential loss of key management personnel impacting operational efficiency and/or business performance.
- Were the Group to breach a financing covenant, it may be required to renegotiate its financing facilities at less favourable terms resulting in higher financing costs, and/or be unable to finance operations
- Risks arising from the loss of a significant supplier or material disruption to the Group's supply chain impacting ability to meet customers' demands.
- Risks to the profitability and revenue arising from the loss of a major customer or contract.
- General economic risk such as a fall in economic growth rates, reduced demand, effects of climate change on commodity prices, increased tariffs between countries and uncertainty caused by the upcoming departure of the United Kingdom from the European Union.

Annual Report and Accounts 2020
Our Responsibility

Our Commitment
ARYZTA is committed to operating as a financially successful and socially responsible business for the long-term. Our strategies are developed with careful attention of Environmental, Social and Governance (ESG) considerations. The Group has established the ARYZTA Cares initiative, aimed at promoting active employee, customer and supplier engagement in pursuit of our corporate responsibility goals. Our approach is based on our Corporate Values of Integrity, Ownership, Customer Focus, Creativity, and Care.

The key elements of this programme, as summarised below, include:

– People and Workplace
– Food and Marketplace
– Sustainable Sourcing
– Environmental Practices
– Community Engagement

Additional information on each of these areas is also available on our website at: http://www.aryzta.com/our-responsibilities

People and Workplace
We believe that each employee contributes directly to our growth and success. We are committed to creating a workplace and a value structure to attract and to retain a talented diverse workforce to support not only our business success, but also the health and well-being of our employees and their families.

We recognise that our continued success is dependent on the quality, commitment and responsible behaviour of our people. ARYZTA values diversity and treats all individuals with respect without regard to race, colour, gender, religion, age, natural origin, family status, military veteran status, sexual orientation, disability, or any other criterion prohibited by applicable federal, state, local, or international laws.

The health and safety of our people is of paramount importance to ARYZTA. We pursue comprehensive safety management procedures, including policy manuals, verification of regulatory compliance, risk assessments, individual site action plans, safety audits, training programmes, formal accident investigations and the provision of occupational health services. The recent COVID-19 pandemic has provided an opportunity for us to live our values, going to great lengths to protect our employees and maintain supply to our customers.

ARYZTA Food Europe created a Health, Safety and Environmental framework to facilitate a standardised approach to HSE management across the region. This incorporated the creation of a new role, a Head of Health, Safety and Environment (HSE), a European HSE working group, a safety vision, and a 3-year HSE Strategy and Roadmap to deliver on a newly created ARYZTA Europe Zero Harm Safety program. As part of this program improvements were made in incident reporting along with the launch of new Safety KPI's in the form of Lost Time Incident Rate (LTIR) and Recordable Incident Rate (RIR). As part of the ARYZTA Europe Zero Harm Program, 2020 will see the launch of the ARYZTA Europe 10 Life Saving Rules which are aimed at protecting not only our employees but anyone present and working on our sites.

Our Responsibility (continued)

In order to attract and retain the most talented workforce possible, ARYZTA provides equal opportunities in recruitment, selection, promotion, employee development, succession planning, training and compensation, solely on the basis of merit and business needs and does not discriminate on any grounds.

ARYZTA has implemented a Global Employee Code of Conduct, which establishes policies and expectations regarding employee behaviour, ethics, anti-bribery and corruption, political involvement and freedom of association. ARYZTA fully complies with applicable national and local laws and industry standards on working hours and the workplace environment.

In relation to matters of concern, we have established a 24 / 7 hotline with Expolink (0800 563823) where employees, customers and suppliers can confidentially communicate any concerns through an independent service.

Additionally, we have implemented 'My ARYZTA Connection', a human resources information system used for confidentially retaining and updating employee information, in order to streamline administration and enhance utilisation of employee data on a secure and confidential basis.

Our objective is to operate to best practice standards in terms of confidentiality of information (for example GDPR compliance or cyber security considerations).

Food and Marketplace

Today's consumers are increasingly focused on the ingredients and sourcing of the food they eat. At ARYZTA, our commitment is to provide choices to our customers, based on expanding our food platforms to meet current and emerging trends. Our approach to supply chain excellence includes strict vendor standards, comprehensive facility expectations and detailed adherence to customer specifications. Customer requirements are a central component of all of our baking operations. Each customer's specifications, expectations and requirements are documented to ensure compliance.

All of our bakeries will be Global Food Safety Initiative (GSFI) certified by the end of calendar year 2020 and ARYZTA's internal policies require compliance with all food safety laws and regulations, including clean labelling requirements.

ARYZTA's food processing facilities operate under comprehensive Hazard Analysis and Critical Control Point (HACCP) systems based on Codex Alimentarius Principles, Good Manufacturing Practice (GMP) and in compliance with applicable food laws and regulations.

ARYZTA is committed to our Food Safety, Quality Assurance and Responsible Marketing programmes and has partnered with iCiX to establish effective and efficient ways to manage these programmes. ARYZTA contributes to various voluntary initiatives on food and product safety by actively engaging with industry associations including the British Retail Consortium, International Featured Standards (IFS-Food and IFS-Logistics), American Institute of Baking (AIB) and the American Bakers Association.
Our products are produced to the exacting specifications of our major international food customers, as well as for the unique expectations of our independent local customers. Excellence within this wide array of supply chain expectations is achieved through

Our Responsibility (continued)

partnering with our customers, suppliers and partners and through detailed internal training programmes, to ensure quality control standards are adhered to throughout the entire supply chain process.

To ensure our food is produced with the highest level of food safety, ARYZTA's raw material vendors generally must:
– have a recognised GFSI accreditation;
– ensure raw materials are fully traceable back to suppliers;
– subject their operations to a risk assessment process in accordance with the ARYZTA Vendor Code of Conduct and Manufacturing Code of Practice; and
– submit their operations to annual ethical data exchange audits

Sustainable Sourcing

Our procurement teams partner with our key vendors to establish long-term goals for sustainable sources of raw materials that address the social, ethical, economic, safety, quality, and environmental aspects of product sourcing. As a key target area of our global strategy, ARYZTA is also addressing important human rights issues with our vendors around the world. Our updated Global Vendor Code of Conduct will be signed by our major suppliers as well as on-site staffing agencies or other on-site service providers. Our goal is to have all vendors globally sign the Code of Conduct by the end of FY 2021. ARYZTA will then begin a process of third-party auditing of our vendor network to assess the important areas of Supplier Workplace Accountability and to ensure vendor partners are compliant with workplace standards, business practices and all local laws and regulations.

Animal Welfare is another key component of our sustainability effort. ARYZTA has completed a Global Animal Welfare Policy that addresses any uses of proteins in our supply chain. Our initial targets address the important issue of cage-free eggs: we have established a goal of 100% cage-free for all customers by 2025.

In Europe, our procurement team partners with wheat farmers to encourage sustainable agricultural practices, including minimizing the amount of fertiliser and pesticides. We also strive to source Fairtrade ingredients and increase diversity-owned vendors in sourcing our products and services.

Conserving forests is a key focus of our 2025 goals. This target addresses two areas: palm oil sustainability and increasing the use of recycled content in our packaging. In order to support the long-term development of sustainable palm oil solutions, ARYZTA is a global member of the Roundtable on Sustainable Palm Oil (RSPO) and participates in three of the available certifications: Book and Claim, Mass Balance, and Segregated Supply. A number of ARYZTA's customers have asked us to help them meet commitments on certified sustainable palm oil. Our goals is to ensure that all customer and internal requirements for sustainability of palm oil are continuously met.

Relative to recycled content in packaging, our goal for one key customer is to achieve 70% or higher post-industrial and post-consumer content by 2025, working with our key packaging vendors.

Our Responsibility (continued)

Environmental Practices

At ARYZTA, we are committed to protecting our environment. In addition to ensuring compliance with all regulatory and industry environmental standards, we are constantly working towards reducing our energy and water use, minimizing our carbon footprint, and diverting as much waste as possible from landfill. ARYZTA is aware that the earth's ecosystems are fragile and that environmental conservation is critical to the continued well-being of the planet, its natural resources and its citizens.

In FY20 we conducted a full assessment of our Scope 1, 2 and 3 carbon emissions. In FY21 we will establish a 2030 science-based target for carbon footprint reduction along with a set of actions and investments needed to achieve the targets over time.

Our goals will include individual metrics to measure our progress related to electricity and gas consumption and intensity, incoming and waste water intensities, waste, and Scope 3 inputs and outputs to the business. These metrics will be used to assess the efficiency of our individual bakeries and to identify potential cost savings opportunities, as well as working with our supplier partners to reduce Scope 3-related emissions. We measure the Group's CO2 emissions per metric tonne of food sold.

ARYZTA follows the Greenhouse Gas Protocol. For the past three years, ARYZTA has submitted its Scope1 and 2 global GHG emissions to the Carbon Disclosure Project, as a means of public reporting and continuous improvement. This year's submission includes Scope 3 emissions for the first time and sets the baseline for our future reduction efforts.

Protecting water resources is a key target area. Our goal with one customer is to reduce our non-recipe water usage in bakeries relevant to them by 10% by 2025, from 2018 usage of 1.32 cubic meters of water per metric tonne of production. Since most of the water usage in our bakeries is for sanitation and food safety purposes we will be mindful of maintaining our strict standards as we explore ways to reduce water usage.

ARYZTA is also keenly focused on our waste stream and recycling as a method to reduce waste sent to landfills. For one customer, we are targeting achieving a 97% waste diversion from landfill by 2025, in conjunction with increasing our recycling rate to 64% for non-organics. Additionally, ARYZTA has recently partnered with another major European customer to develop methods to reduce waste all along the food lifecycle, in support of UN Sustainable Development Goal 12.3 which calls on all nations to halve food waste and reduce food loss by 2030.

Community Engagement

We are committed to being a responsible member of the communities in which we operate and encourage our business units to play an active role within them. In addition to providing employment opportunities, ARYZTA aims to make positive contributions to its community by building relationships and earning a positive reputation as a good employer, neighbour and corporate citizen. For example, in North America ARYZTA regularly donates food to several non-profit organizations representing diverse interests throughout the U.S. and Canada, . We encourage our bakery teams to engage with their local communities through volunteer activities and food donations. In addition, ARYZTA routinely supports philanthropic activities of our key customers.

Annual Report and Accounts 2020

Group Consolidated and Company Financial Statements 2020

Statement of Directors' Responsibilities
for the period ended 1 August 2020

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

Tim Lodge
Chair, Audit Committee,
Member of the Board of Directors

6 October 2020

Group Consolidated Income Statement
for the period ended 1 August 2020

	Notes	2020[1] €m	2019[1] €m
Revenue	2	**2,930.9**	3,383.4
Cost of sales		**(2,193.7)**	(2,462.4)
Distribution expenses		**(361.0)**	(404.1)
Gross profit		**376.2**	516.9
Selling expenses		**(141.4)**	(161.9)
Administration expenses		**(341.5)**	(342.9)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	3	**(164.6)**	(7.0)
Impairment of goodwill	16	**(502.1)**	–
Operating (loss)/profit	2	**(773.4)**	5.1
Share of profit after interest and tax of joint ventures	17	**16.1**	27.6
Net loss on disposal of joint venture	17	**(297.1)**	–
(Loss)/profit before financing income, financing costs and income tax		**(1,054.4)**	32.7
Financing income	5	**7.3**	4.5
Financing costs	5	**(49.9)**	(55.2)
Loss before income tax		**(1,097.0)**	(18.0)
Income tax credit/(expense)	10	**5.5**	(11.2)
Loss for the period attributable to equity shareholders		**(1,091.5)**	(29.2)

Loss per share	Notes	2020 euro cent	2019 euro cent
Basic loss per share	12	**(114.8)**	(8.3)
Diluted loss per share	12	**(114.8)**	(8.3)

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Comprehensive Income
for the period ended 1 August 2020

	Notes	**2020[1] €m**	2019[1] €m
Loss for the period		**(1,091.5)**	(29.2)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation effects			
– Foreign exchange translation effects on net investments		**(81.1)**	52.3
– Taxation effect of foreign exchange translation movements	10	**(4.4)**	(0.1)
Cash flow hedges			
– Effective portion of changes in fair value of cash flow hedges		**(0.6)**	(1.9)
– Fair value of cash flow hedges transferred to income statement		**0.7**	1.2
– Deferred tax effect of cash flow hedges	10	**–**	–
Total of items that may be reclassified subsequently to profit or loss		**(85.4)**	51.5
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment on transfer to investment property	15	**5.4**	–
Defined benefit plans			
– Actuarial gain/(loss) on Group defined benefit pension plans	25	**1.0**	(1.3)
– Deferred tax effect of actuarial (gain)/loss	10	**(0.1)**	0.2
Total of items that will not be reclassified to profit or loss		**6.3**	(1.1)
Total other comprehensive (loss)/income		**(79.1)**	50.4
Total comprehensive (loss)/income for the period		**(1,170.6)**	21.2

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet
as at 1 August 2020

	Notes	2020[1] €m	Restated 2019[1,2] €m
Assets			
Non-current assets			
Property, plant and equipment	13	**1,323.4**	1,248.8
Investment properties	15	**6.4**	12.2
Goodwill and intangible assets	16	**1,143.1**	1,964.3
Investments in joint ventures	17	**–**	447.7
Financial assets at fair value through income statement	22	**16.8**	–
Other receivables	19	**16.3**	–
Deferred income tax assets	24	**48.8**	66.8
Total non-current assets		**2,554.8**	3,739.8
Current assets			
Inventory	18	**165.0**	247.3
Trade and other receivables	19	**206.7**	154.4
Derivative financial instruments	22	**0.5**	0.2
Cash and cash equivalents		**423.6**	377.9
		795.8	779.8
Assets of disposal group held-for-sale	4	**59.4**	–
Total current assets		**855.2**	779.8
Total assets		**3,410.0**	4,519.6

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.

2 See note 1, page 107 for details regarding the classification restatement.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet (continued) as at 1 August 2020

	Notes	**2020[1] €m**	Restated 2019[1,2] €m
Equity			
Called up share capital	26	**17.0**	17.0
Share premium		**1,531.2**	1,531.2
Retained earnings and other reserves		**(280.3)**	887.9
Total equity		**1,267.9**	2,436.1
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	21	**1,337.6**	826.5
Employee benefits	25	**10.1**	9.7
Deferred income from government grants	23	**7.6**	10.5
Other payables	20	**35.6**	45.9
Deferred income tax liabilities	24	**147.7**	191.6
Total non-current liabilities		**1,538.6**	1,084.2
Current liabilities			
Interest-bearing loans and borrowings	21	**56.5**	284.7
Trade and other payables	20	**442.6**	648.6
Income tax payable		**63.5**	65.5
Derivative financial instruments	22	**0.7**	0.5
		563.3	999.3
Liabilities of disposal groups held-for-sale	4	**40.2**	–
Total current liabilities		**603.5**	999.3
Total liabilities		**2,142.1**	2,083.5
Total equity and liabilities		**3,410.0**	4,519.6

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.
2 See note 1, page 107 for details regarding the classification restatement.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity

for the period ended 1 August 2020

	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 €m	Total share-holders equity €m
At 28 July 2019[1]	**17.0**	**1,531.2**	**–**	**720.5**	**0.7**	**–**	**2.4**	**(53.3)**	**217.6**	**2,436.1**
IFRS 16 transition adjustment	–	–	–	–	–	–	–	–	(0.1)	(0.1)
IFRIC 23 transition adjustment	–	–	–	–	–	–	–	–	3.0	3.0
At 28 July 2019 (restated)	**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 earnings	–	–	–	–	–	(5.4)	–	–	5.4	–
Release of treasury shares upon vesting of Restricted Stock Unit awards	–	–	–	–	–	–	–	–	–	–
Share-based payments (note 9)	–	–	–	–	–	–	(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 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity (continued)
for the period ended 1 August 2020

	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 translation reserve €m	Retained earnings €m	Total €m
At 29 July 2018[1]	**1.2**	**807.5**	**–**	**720.5**	**1.4**	**2.2**	**(105.5)**	**245.6**	**1,672.9**
Loss for the period	–	–	–	–	–	–	–	(29.2)	(29.2)
Other comprehensive (loss)/ income	–	–	–	–	(0.7)	–	52.2	(1.1)	50.4
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(0.7)**	**–**	**52.2**	**(30.3)**	**21.2**
Proceeds from issue of shares, net of costs (note 26)	15.8	723.7	–	–	–	–	–	–	739.5
Release of treasury shares upon vesting of Restricted Stock Unit awards	–	–	–	–	–	–	–	–	–
Share-based payments (note 9)	–	–	–	–	–	2.5	–	–	2.5
Transfer of share-based payment reserve to retained earnings	–	–	–	–	–	(2.3)	–	2.3	–
Total transactions with owners recognised directly in equity	**15.8**	**723.7**	**–**	**–**	**–**	**0.2**	**–**	**2.3**	**742.0**
At 27 July 2019[1]	**17.0**	**1,531.2**	**–**	**720.5**	**0.7**	**2.4**	**(53.3)**	**217.6**	**2,436.1**

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
for the period ended 1 August 2020

	Notes	**2020[1] €m**	2019[1] €m
Cash flows from operating activities			
Loss for the period		**(1,091.5)**	(29.2)
Income tax (credit)/expense	10	**(5.5)**	11.2
Financing income	5	**(7.3)**	(4.5)
Financing costs	5	**49.9**	55.2
Share of profit after interest and tax of joint ventures	17	**(16.1)**	(27.6)
Net loss on disposal of joint venture	17	**297.1**	–
Impairment of goodwill	16	**502.1**	–
Net loss on disposal of businesses and impairment of disposal groups held for sale	3	**164.6**	–
Impairment of intangibles	3	**28.3**	–
Net (gain)/loss on sale and asset write-downs	3	**(4.4)**	11.8
Other restructuring and COVID-19 related payments in excess of current period costs		**(4.3)**	(7.8)
Depreciation of property, plant and equipment	2	**168.6**	120.8
Amortisation of intangible assets	2	**139.1**	152.7
Recognition of deferred income from government grants	23	**(3.9)**	(3.9)
Share-based payments	9	**(0.5)**	2.5
Other		**2.4**	(3.4)
Cash flows from operating activities before changes in working capital		**218.6**	277.8
Decrease/(increase) in inventory		**55.1**	(2.6)
Increase in trade and other receivables		**(71.1)**	(4.9)
Decrease in trade and other payables		**(159.4)**	(32.8)
Cash generated from operating activities		**43.2**	237.5
Income tax paid		**(18.9)**	(25.8)
Net cash flows from operating activities		**24.3**	211.7

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
(continued)
for the period ended 1 August 2020

	Notes	**2020[1] €m**	2019[1] €m
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**9.4**	2.5
Proceeds from sale of investment property	15	**17.4**	3.5
Purchase of property, plant and equipment		**(96.2)**	(101.8)
Grants received	23	**0.8**	–
Purchase of intangible assets		**(4.3)**	(3.1)
Disposal of businesses, net	3	**2.1**	3.1
Disposal of joint venture	17	**139.9**	–
Net cash flows from investing activities		**69.1**	(95.8)
Cash flows from financing activities			
Gross drawdown of loan capital	21	**406.7**	–
Gross repayment of loan capital	21	**(349.6)**	(763.9)
Interest paid		**(44.9)**	(64.4)
Interest received		**7.3**	4.5
Capital element of lease liabilities	21	**(47.9)**	(0.3)
Proceeds from issue of shares, net of costs paid	26	**-**	739.5
Net cash flows from financing activities		**(28.4)**	(84.6)
Net increase in cash and cash equivalents	21	**65.0**	31.2
Translation adjustment	21	**(19.3)**	4.7
Cash and cash equivalents at start of period	21	**377.9**	342.0
Cash and cash equivalents at end of period	21	**423.6**	377.9

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Notes to the Group Consolidated Financial Statements
for the period ended 1 August 2020

1 Accounting Policies

Organisation
ARYZTA AG (the 'Company') is domiciled and incorporated in Schlieren, Switzerland. The consolidated financial statements for the period ended 1 August 2020 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 6 October 2020, subject to approval by the shareholders at the General Meeting on 11 November 2020.

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 28 July 2019. 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:

– IFRS 16 – Leases
– Amendments to IFRS 9 – Prepayment features with negative compensation
– Amendments to IAS 28 – Long-term interests in associates and joint ventures
– Amendments to IAS 19 – Plan amendment, curtailment or settlement
– Improvements to IFRS Standards (2015–2017)
– IFRIC 23 – Uncertainty over income tax

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 27 July 2019 period-end financial statements and, with the exception of the implementation of IFRS 16, had no material impact on the consolidated results or financial position of the Group.

Leasing policy applicable before 28 July 2019
Annual rentals payables under operating leases are charged to the Consolidated Income Statement on a straight-line basis over the period of the lease.

IFRS 16 – Leases
IFRS 16, published in January 2016, replaces the existing guidance in IAS 17 – Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases. It introduces a single lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months and to recognise depreciation of lease assets separately from finance costs on lease liabilities in the income statement. Recognising a right-of-use asset represents the lessee's contractual right to use the leased asset for the lease term and recognising a lease liability reflects the lessee's obligation to make payments under the terms of the lease.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

The Group applied IFRS 16 from 28 July 2019 using the modified retrospective approach, whereby comparatives do not need to be restated. The Group applied the practical expedient for not making any adjustments on transition for low-value leased assets and relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review. The Group assessed each lease and applied judgement for the determination of lease term where there are extension or termination options.

At the date of transition, the Group calculated the lease commitments outstanding at that date and applied appropriate discount rates to calculate the present value of the lease commitment which was recognised as a lease liability and a right-of-use leased asset on the Group's Balance Sheet. The Group recognised right-of-use assets of €292.6 million and lease liabilities of €321.0 million. The difference related to sub leased assets recognised of €22.0m, onerous lease contracts of €1.8m and €4.5m in relation to accruals and prepaids. The Group recorded an adjustment to retained earnings of €0.1 million. Outstanding lease liabilities have been recognised at 28 July 2019, for leases previously classified as operating leases, at the present value of the future lease payments over their reasonably certain lease term. Right-of-use assets have been recognised equal to the net present value of the lease liabilities, adjusted for the amount of any prepaid or accrued lease payments, subleased assets, lease incentives and provisions for onerous leases. The weighted average incremental borrowing rate applied to lease liabilities on the consolidated balance sheet was 3.95% at 28 July 2019. See note 14 for a reconciliation of the right-of-use assets and finance liabilities recognised in the Group Consolidated Balance Sheet.

The lease liabilities as at 28 July 2019 can be reconciled to the operating lease commitments as at 27 July 2019 as follows:

	2020 €m
Operating lease commitments disclosed as at 27 July 2019	327.5
Add: Finance lease liabilities recognised under IAS 17 as at 27 July 2019	0.3
Less: low value and short term commitments at 27 July 2019	(1.5)
Add: adjustments as a result of extension and termination options	67.9
Total future lease payments	**394.2**
Effect of discounting	(73.2)
Lease liability recognised as at 28 July 2019	**321.0**

IFRIC 23 – Uncertainty over Income Tax Treatment
The Group applies IFRIC 23 as of 28 July 2019. IFRIC 23 clarifies the principles of recognition and measurement of tax assets and liabilities when there is uncertainty over income tax treatments. The Group has chosen to apply the partially retrospective transition method that allows the cumulative impact to be recognised in opening equity for the period in which the interpretation is applied for the first time. Upon adoption, the Group has recognised an increase in retained earnings, as presented in the Group Consolidated Statement of Changes in Equity on page 100, with a corresponding reduction to Income Tax Payable on the Group Consolidated Balance Sheet. The comparative information in the first year of application has not been restated.

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 1 August 2020

Standard/Interpretation/Framework	Effective date	Planned implementation by ARYZTA (reporting period)
Amendments to IFRS 3 – Definition of a business	1 January 2020	2021
Amendments to IAS 1 and IAS 8 – Definition of material	1 January 2020	2021
Amendments to the Conceptual framework	1 January 2020	2021
IFRS 17 – Insurance Contracts	1 January 2023	2024
Interest Rate Benchmark Reform - Amendments to IFRS9, IAS 39 and IFRS 7	1 January 2020	2021
Amendment to IFRS 16 – Leases - COVID-19 related rent concessions	1 June 2020	2021

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 for the period ending 31 July 2021. 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 32.

Correction of comparative 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 2020 and 2019 ended on 1 August 2020 and 27 July 2019, respectively. The 2019 Annual report and Accounts, as previously presented, erroneously described the reporting date as 31 July 2019 rather than 27 July 2019, which was the exact closing date. Fiscal period 2020 comprised of the 53 week period ended on 1 August 2020 and 2019 comprised of the 52 weeks ended 27 July 2019.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Prior period classification restatement

Following a review of the opening cash and cash equivalents and interest bearing loans and borrowings positions for period ended 1 August 2020, a classification error in the Group Consolidated Balance Sheets of prior periods was identified in the current period. In particular, the Group Consolidated Balance Sheet presented a bank overdraft of €155.9m at 27 July 2019, which formed part of a multi-party cash pooling arrangement that is always in a net cash position. Following a review of the related agreement and consideration of the practical operation of the cash pool, it was determined that both cash and overdraft balances maintained with the relevant financial institution are liable to mutual set-off and also that the Group intends to settle on a net basis. Based on IAS 32 Financial Instruments: Presentation, the net balance arising from the cash pool arrangement should have been presented in the Group Consolidated Balance Sheet.

The Group had previously concluded that bank overdraft balances arising from the cash pool arrangement were an integral part of the group cash management process, and accordingly formed a component of cash and cash equivalents in the Group Consolidated Cash Flow Statement.

The following corrections have been made to the comparative information for 2019 presented in the Group Consolidated Balance Sheet and related analysis of net debt disclosure:

	As reported at 2019 €m	Restated €m	Restated at 2019 €m
Assets			
Total non-current assets	**3,739.8**	**–**	**3,739.8**
Current assets			
Inventory	247.3	–	247.3
Trade and other receivables	154.4	–	154.4
Derivative financial instruments	0.2	–	0.2
Cash and cash equivalents	533.8	(155.9)	377.9
Total current assets	**935.7**	**(155.9)**	**779.8**
Total assets	**4,675.5**	**(155.9)**	**4,519.6**
Equity			
Total equity	**2,436.1**	**–**	**2,436.1**
Liabilities			
Total non-current liabilities	**1,084.2**	**–**	**1,084.2**
Current liabilities			
Interest-bearing loans and borrowings	440.6	(155.9)	284.7
Trade and other payables	648.6	–	648.6
Income tax payable	65.5	–	65.5
Derivative financial instruments	0.5	–	0.5
Total current liabilities	**1,155.2**	**(155.9)**	**999.3**
Total liabilities	**2,239.4**	**(155.9)**	**2,083.5**
Total equity and liabilities	**4,675.5**	**(155.9)**	**4,519.6**

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Analysis of net debt presented as at 27 July 2019:

2019	29 July 2018 €m	Cash flows €m	Non-cash movements €m	Translation adjustment €m	27 July 2019 €m
Cash	517.9	9.4	–	6.5	533.8
Overdrafts	(175.9)	21.8	–	(1.8)	(155.9)
Cash and cash equivalents, net	**342.0**	**31.2**	–	**4.7**	**377.9**
Loans	(1,851.6)	763.9	(7.1)	(16.1)	(1,110.9)
Finance leases	(0.7)	0.3	–	0.1	(0.3)
Net debt	**(1,510.3)**	**795.4**	**(7.1)**	**(11.3)**	**(733.3)**

Analysis of net debt restated as at 27 July 2019

2019	29 July 2018 €m	Cash flows €m	Non-cash movements €m	Translation adjustment €m	27 July 2019 €m
Cash and cash equivalents	342.0	31.2	–	4.7	377.9
Loans	(1,851.6)	763.9	(7.1)	(16.1)	(1,110.9)
Finance leases	(0.7)	0.3	–	0.1	(0.3)
Net debt	**(1,510.3)**	**795.4**	**(7.1)**	**(11.3)**	**(733.3)**

The above restatement has no impact on the Group Consolidated Income Statement, the Group Consolidated Statement of Comprehensive Income, the Group Consolidated Statement of Changes in Equity, the Group Consolidated Cash Flow Statement, net assets, net equity or net debt.

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 and impairment of disposal groups held-for-sale and impairment of goodwill. In accordance with IAS 1.85, net loss on disposal of businesses and impairment of disposal groups held-for-sale and impairment of goodwill 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 12.

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 6.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Going concern

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 1 August 2020. 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 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 page 85).

The financial covenant ratios as defined under the terms of the 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 lower than 3.0x. As announced on 4 May 2020, the Group received the requisite consent from its lenders for an amendment of its financial covenants in respect of the covenant tests applicable to the Group's financial statements for the period ended 1 August 2020. The financial covenants applicable following this amendment were a Net Debt : EBITDA ratio being equal to or lower than 6.0x and a Net Interest cover ratio being equal to or higher than 1.5x. As announced on 28 September 2020, the Group received consent for a further amendment of its financial covenants which applies to the Group's financial statements for the periods ended 30 January 2021 and 31 July 2021. The financial covenant tests applicable following this later amendment are a Net Debt : EBITDA ratio being equal to or lower than 6.0x and a Net Interest cover ratio being equal to or higher than 1.0x for each of these periods. The amendment of the financial covenants announced on 28 September for the period ended 30 January 2021 supersedes the amendment to the financial covenants for that period previously announced by the Group on 4 May 2020.

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, with particular focus on the financial covenants applicable for the periods ended 30 January 2021 and 31 July 2021. In addition to considering a base case scenario forecast, which included an estimate of the impact of COVID-19 on the Group, the Directors considered the impact 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 2021 and throughout the going concern assessment period. In particular, the Directors assessed the impact of a downside scenario where the EBITDA generation run rate achieved in the second half of FY 2020 would show no improvement during FY 2021, and determined that the financial covenant tests for the periods ended 30 January 2021 and 31 July 2021 would still be met in this scenario.

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. Based on these considerations, together with available market information, the financial statements for the period ended 1 August 2020 have been prepared on a going concern basis.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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, 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.

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.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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 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 CODM has been identified as the Group CEO, Kevin Toland.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

As reflected in those reports, the operations of the Group are primarily organised into three operating segments, ARYZTA Europe, ARYZTA North America and ARYZTA Rest of World. The Group's principal geographies are Europe, North America and Rest of World.

ARYZTA Europe has leading market positions in the European frozen B2B bakery market. In Europe, ARYZTA has a diversified customer base within the Foodservice, Large Retail and Convenience or independent Retail channels.

ARYZTA North America has leading positions in the frozen B2B bakery market in the United States and Canada. It has 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.

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.

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for the period ended 1 August 2020

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 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, 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

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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 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, rounded to the nearest €0.1 million, unless otherwise stated.

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

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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.

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 2020	Average FY 2019	% Change	Closing FY 2020	Closing FY 2019	% Change
CHF	1.0776	1.1310	4.7%	1.0783	1.1039	2.3%
USD	1.1082	1.1378	2.6%	1.1894	1.1149	(6.7)%
CAD	1.4908	1.5055	1.0%	1.5957	1.4672	(8.8)%
GBP	0.8790	0.8825	0.4%	0.9054	0.8955	(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

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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.

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

Lease accounting policy effective from 28 July 2019

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

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Consolidated Cash Flow Statement the payments made are separated into the principal portion (presented within financing activities), and interest (presented in operating 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 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.

Leases policy applicable before 28 July 2019
Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

The corresponding rental obligations, net of finance charges, are included in interest-bearing loans and borrowings. The interest element of the payments is charged to the income statement over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. For disclosure purposes, the fair value of finance leases is based on the present value of future cash flows, discounted at appropriate current market rates.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term.

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.

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

Notes to the Group Consolidated Financial Statements (continued)
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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 22 years
Brands	10 to 25 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 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

Notes to the Group Consolidated Financial Statements (continued)
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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.

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 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.

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,

Notes to the Group Consolidated Financial Statements (continued)
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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 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 OCI (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 through 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.

Notes to the Group Consolidated Financial Statements (continued)
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- 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 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

Notes to the Group Consolidated Financial Statements (continued)
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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 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.

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for the period ended 1 August 2020

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.

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 1 August 2020

2 Segment information

2.1 Analysis by business segment

I) Segment revenue and result	ARYZTA Europe 2020 €m	ARYZTA Europe 2019 €m	ARYZTA North America 2020 €m	ARYZTA North America 2019 €m	ARYZTA Rest of World 2020 €m	ARYZTA Rest of World 2019 €m	ARYZTA Group 2020 €m	ARYZTA Group 2019 €m
Segment revenue	**1,418.3**	1,713.3	**1,261.9**	1,397.9	**250.7**	272.2	**2,930.9**	3,383.4
Underlying EBITDA[1]	**158.3**	167.7	**66.7**	98.0	**35.2**	41.8	**260.2**	307.5
Depreciation	**(86.3)**	(58.6)	**(66.7)**	(51.6)	**(15.6)**	(10.6)	**(168.6)**	(120.8)
ERP amortisation	**(10.8)**	(11.2)	**(5.4)**	(5.6)	**-**	-	**(16.2)**	(16.8)
Underlying EBITA	**61.2**	97.9	**(5.4)**	40.8	**19.6**	31.2	**75.4**	169.9
Amortisation of non-ERP intangible assets	**(42.0)**	(48.3)	**(74.9)**	(81.3)	**(6.0)**	(6.3)	**(122.9)**	(135.9)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**(61.2)**	(5.0)	**(103.4)**	(2.0)	**-**	-	**(164.6)**	(7.0)
Impairment of goodwill	**(65.0)**	-	**(437.1)**	-	**-**	-	**(502.1)**	-
Impairment of intangible assets	**-**	-	**(28.3)**	-	**-**	-	**(28.3)**	-
Net gain/(loss) on fixed asset disposals and impairments	**1.5**	(1.8)	**3.4**	(3.0)	**(0.5)**	-	**4.4**	(4.8)
Disposal and restructuring-related costs	**(1.4)**	(10.2)	**(8.3)**	(6.9)	**-**	-	**(9.7)**	(17.1)
COVID-19 related costs	**(12.4)**	-	**(11.5)**	-	**(1.7)**	-	**(25.6)**	-
Operating (loss)/profit [2]	**(119.3)**	32.6	**(665.5)**	(52.4)	**11.4**	24.9	**(773.4)**	5.1
Share of profit after interest and tax of joint ventures[3]							**16.1**	27.6
Net loss on disposal of joint venture[3]							**(297.1)**	-
Financing income[3]							**7.3**	4.5
Financing costs[3]							**(49.9)**	(55.2)
Loss before income tax as reported in Group Consolidated Income Statement							**(1,097.0)**	(18.0)

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

2 Certain central executive and support costs have been allocated against the operating results of each business segment.

3 Joint ventures, finance income/(costs) and income tax 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 1 August 2020

II) Segment revenue by location	2020		2019	
	Revenue €m	% of Group Revenue	Revenue €m	% of Group Revenue
Switzerland (ARYZTA's country of domicile)	**214.6**	**7.3%**	218.7	6.5%
Germany	**512.1**	**17.5%**	608.2	18.0%
France	**200.4**	**6.8%**	249.5	7.4%
Other[1]	**491.2**	**16.8%**	636.9	18.8%
ARYZTA Europe segmental revenue	**1,418.3**	**48.4%**	1,713.3	50.7%
USA	**995.2**	**34.0%**	1,086.6	32.1%
Canada	**266.7**	**9.1%**	311.3	9.2%
ARYZTA North America segmental revenue	**1,261.9**	**43.1%**	1,397.9	41.3%
ARYZTA Rest of World segmental revenue[2]	**250.7**	**8.5%**	272.2	8.0%
ARYZTA Group revenue[3]	**2,930.9**	**100.0%**	3,383.4	100.0%
ARYZTA Group revenue from major customer[4]	**379.2**	**12.9%**	402.7	11.9%

1 Other includes foreign countries in the Europe segment which individually did not represent greater than 5% of ARYZTA Group revenue in the current or prior financial period.

2 No country in the Rest of World segment represented greater than 5% of the ARYZTA Group 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.

4 One single external customer represented greater than 10% of the ARYZTA Group 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		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Bread Rolls & Artisan Loaves	**585.5**	709.5	**367.9**	377.7	**183.0**	197.1	**1,136.4**	1,284.3
Sweet Baked & Morning Goods	**458.8**	526.6	**736.1**	845.1	**63.6**	67.5	**1,258.5**	1,439.2
Savoury & Other	**374.0**	477.2	**157.9**	175.1	**4.1**	7.6	**536.0**	659.9
Revenue	**1,418.3**	1,713.3	**1,261.9**	1,397.9	**250.7**	272.2	**2,930.9**	3,383.4

IV) Segment revenue by channel	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
QSR	**134.2**	153.0	**564.3**	634.0	**180.7**	191.0	**879.2**	978.0
Convenience & Independent Retail	**299.7**	307.8	**25.9**	28.2	**13.6**	10.3	**339.2**	346.4
Large Retail	**636.7**	701.5	**404.0**	389.7	**10.4**	7.3	**1,051.1**	1,098.5
Other Foodservice	**347.7**	551.0	**267.7**	346.0	**46.0**	63.6	**661.4**	960.5
Revenue	**1,418.3**	1,713.3	**1,261.9**	1,397.9	**250.7**	272.2	**2,930.9**	3,383.4

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

V) Segment assets	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	Restated 2019[1] €m
Segment assets[1]	**1,664.1**	1,725.4	**1,060.0**	1,667.7	**207.2**	238.8	**2,931.3**	3,631.9
Reconciliation to total assets as reported in Group Consolidated Balance Sheet								
Investments in joint ventures							–	447.7
Financial assets at fair value through income statement							**16.8**	–
Deferred income tax assets							**37.8**	61.9
Derivative financial instruments							**0.5**	0.2
Cash and cash equivalents							**423.6**	377.9
Total assets as reported in Group Consolidated Balance Sheet							**3,410.0**	4,519.6

VI) Segment liabilities	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	Restated 2019[1] €m
Segment liabilities[1]	**409.0**	410.9	**342.2**	327.0	**61.3**	63.4	**812.5**	801.3
Reconciliation to total liabilities as reported in Group Consolidated Balance Sheet								
Interest-bearing loans and borrowings							**1,165.8**	1,111.2
Derivative financial instruments							**0.7**	0.5
Current and deferred income tax liabilities							**163.1**	170.5
Total liabilities as reported in Group Consolidated Balance Sheet							**2,142.1**	2,083.5

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

2 See note 1, page 107 for details regarding the classification restatement.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

VII) Other segment information	ARYZTA Europe 2020 €m	ARYZTA Europe 2019 €m	ARYZTA North America 2020 €m	ARYZTA North America 2019 €m	ARYZTA Rest of World 2020 €m	ARYZTA Rest of World 2019 €m	ARYZTA Group 2020 €m	ARYZTA Group 2019 €m
Capital expenditure								
– Property, plant and equipment	**41.1**	39.6	**33.3**	61.1	**27.8**	12.6	**102.2**	113.3
– Intangibles	**1.9**	1.3	**1.5**	1.8	**0.9**	-	**4.3**	3.1
Total capital expenditure	**43.0**	40.9	**34.8**	62.9	**28.7**	12.6	**106.5**	116.4

2.2 Segmental non-current assets

I) Segment non-current assets by segment	ARYZTA Europe 2020 €m	ARYZTA Europe 2019 €m	ARYZTA North America 2020 €m	ARYZTA North America 2019 €m	ARYZTA Rest of World 2020 €m	ARYZTA Rest of World 2019 €m	ARYZTA Group 2020 €m	ARYZTA Group 2019 €m
IFRS 8 non-current assets[1]	**1,489.6**	2,009.6	**849.5**	1,475.6	**166.9**	187.8	**2,506.0**	3,673.0

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	2020 Non-current assets €m	2020 % of Group non-current assets	2019 Non-current assets €m	2019 % of Group non-current assets
Switzerland (ARYZTA's country of domicile)	**330.1**	**13.2%**	291.7	7.9%
Germany	**414.9**	**16.6%**	404.1	11.0%
Other[1]	**744.6**	**29.7%**	1,313.8	35.8%
ARYZTA Europe segmental non-current assets	**1,489.6**	**59.5%**	2,009.6	54.7%
USA	**410.8**	**16.4%**	879.4	24.0%
Canada	**438.7**	**17.5%**	596.2	16.2%
ARYZTA North America segmental non-current assets	**849.5**	**33.9%**	1,475.6	40.2%
ARYZTA Rest of World segmental non-current assets[2]	**166.9**	**6.6%**	187.8	5.1%
ARYZTA Group non-current assets	**2,506.0**	**100.0%**	3,673.0	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 period.

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 period on an individual country basis.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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.

	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**	**IFRS Income Statement 2019 €m**	**Impairment, disposal & restructuring related costs** 2019 €m	**Intangible amortisation** 2019 €m	**Financial Business Review 2019 €m**
Revenue	**2,930.9**	–	–	–	**2,930.9**	**3,383.4**	–	–	**3,383.4**
Cost of sales	**(2,193.7)**	2.9	18.9	–	**(2,171.9)**	**(2,462.4)**	9.0	–	**(2,453.4)**
Distribution expenses	**(361.0)**	0.4	1.3	–	**(359.3)**	**(404.1)**	0.5	–	**(403.6)**
Gross profit	**376.2**	3.3	20.2	–	**399.7**	**516.9**	9.5	–	**526.4**
Selling expenses	**(141.4)**	0.1	1.0	–	**(140.3)**	**(161.9)**	0.8	–	**(161.1)**
Administration expenses	**(341.5)**	30.2	4.4	122.9	**(184.0)**	**(342.9)**	11.6	135.9	**(195.4)**
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**(164.6)**	164.6	–	–	**–**	**(7.0)**	7.0	–	**–**
Impairment of goodwill (note 16)	**(502.1)**	502.1	–	–	**–**	**–**	–	–	**–**
Operating (loss)/profit	**(773.4)**	700.3	25.6	122.9	**75.4**	**5.1**	28.9	135.9	**169.9**

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

During the period ended 1 August 2020, the Group incurred the following impairment, disposal, restructuring and COVID-19 -related costs, 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 North America		ARYZTA Rest of World		ARYZTA Group	
	Notes	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Net loss on disposal of businesses and impairment of disposal groups held for sale	3.1	**(61.2)**	(5.0)	**(103.4)**	(2.0)	**–**	–	**(164.6)**	(7.0)
Impairment of goodwill	3.2	**(65.0)**	–	**(437.1)**	–	**–**	–	**(502.1)**	–
Impairment of intangibles	3.2	**–**	–	**(28.3)**	–	**–**	–	**(28.3)**	–
Gain/(loss) on sale and impairment of fixed assets	3.3	**1.5**	(1.8)	**3.4**	(3.0)	**(0.5)**	–	**4.4**	(4.8)
Total net loss on disposal of businesses and asset write-downs		**(124.7)**	(6.8)	**(565.4)**	(5.0)	**(0.5)**	–	**(690.6)**	(11.8)
Severance and other staff-related costs		**(1.2)**	(5.3)	**(6.1)**	(4.5)	**–**	–	**(7.3)**	(9.8)
Other costs including advisory		**(0.2)**	(4.9)	**(2.2)**	(2.4)	**–**		**(2.4)**	(7.3)
Total restructuring-related costs	3.4	**(1.4)**	(10.2)	**(8.3)**	(6.9)	**–**	–	**(9.7)**	(17.1)
COVID-19 related costs	3.5	**(12.4)**	–	**(11.5)**	–	**(1.7)**	–	**(25.6)**	–
Total impairment, disposal and restructuring and COVID-19 related costs		**(138.5)**	(17.0)	**(585.2)**	(11.9)	**(2.2)**	–	**(725.9)**	(28.9)

3.1 Net loss on disposal of businesses and impairment of disposal groups held for sale

During October 2019, the Group completed the disposal of its non-core UK Food Solutions business within the Europe operating segment. As the €7.0m 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.

Certain property assets relating to this business were retained by the Group and classified as assets held-for-sale at fair value less costs to sell of €12.4m, resulting in a gain of €5.4m through other comprehensive income in the revaluation reserve at H1 2020. The property was subsequently disposed of with net proceeds from disposal of €12.4m received.

During the period ended 27 July 2019, the Group disposed of non-core businesses in Europe, which had been accounted for as part of disposal groups held-for-sale at July 2018. As the €7.1m carrying value of the assets disposed exceeded the €3.1m proceeds received, net of associated transaction costs, combined with a €1m cumulative foreign

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

currency translation loss since the initial investment, a net loss on disposal of €5.0m was recognised, as detailed in note 4.

During the period ended 1 August 2020, a non-core business in North America was re-classified as a disposal group held-for-sale. A resulting impairment loss of €103.4m on re-measurement to fair value, less costs to sell, has been recognised, as detailed in note 4.

During the period ended 27 July 2019, the Group recognised an additional €2.0m loss in North America, on the finalisation of the Cloverhill Chicago and Cicero disposals.

3.2 Impairment of goodwill and intangible assets

During the period ended 1 August 2020, the Group recorded goodwill impairment charges of €437.1m in the ARYZTA North America cash generating unit and €65.0m in the North West Europe cash generating unit. In addition, impairment charges of €28.3m were re-corded in respect of customer-related intangible assets in North America.

Further detail on this goodwill impairment is included in note 16 on page 146.

3.3 Impairment and disposal of fixed assets and investment property

During the period ended 1 August 2020, the Group realised a net gain on the disposal and impairment of various fixed assets and investment properties totalling €4.4m, primarily as a result of disposals in North America as part of the bakery rationalisation programme under Project Renew (2019: net loss of €4.8m).

3.4 Restructuring-related costs

During the period ended 1 August 2020, 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:

Severance and other staff-related costs

During the period ended 1 August 2020, the Group incurred €7.3m (2019: €9.8m) in severance and other staff-related costs. These costs primarily related to employees whose services were discontinued following certain rationalisation decisions across the various business locations of the Group as part of the implementation of Project Renew.

Other costs including advisory

During the period ended 1 August 2020, the Group incurred €2.4m in costs related to bakery rationalisation and disposal transactions.

During the period ended 27 July 2019, the Group incurred €7.3m in costs related to the design and implementation of Project Renew across Europe and North America.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

3.5 COVID-19 related costs

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, net of any directly related government support. 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 €25.6m of COVID-19 related costs as outlined below.

Employee related costs & safety costs

Costs associated with furloughing employees, unplanned redundancy costs and other incidental labour related costs totalling €5.7m were recognised in the period. Costs associated with implementing safety measures across the Group's bakery network in response to the pandemic totalling €1.8m were incurred in the period. These identified costs are considered to be a one-off cost to the business adapting to the sudden impact of the above over a short period.

Inventory write offs and impairment of trade receivables

Costs include incremental inventory write offs and provisions for obsolescence arising from the impact of the COVID-19 and government-imposed restrictions. These are one off costs totalling €11.3m for packaging write offs as a result of production pauses and finished good write offs due to the short shelf life of certain products as the Group was required to reassess inventory levels.

Certain trade receivables which have been identified as no longer being recoverable due to the direct economic impact that the pandemic and related government restrictions have had on the counterparty have been identified as exceptional costs totalling €3.5m. These specific trade receivables identified are considered to be incremental to the level of expected credit losses on trade receivables.

Other COVID-19 incremental costs

Other COVID-19 incremental costs totalling €3.3m includes penalties incurred on cancellation of commodity contracts due to lower volumes and non-refundable travel and conference costs.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

4 Disposal groups held-for-sale

During the period ended 1 August 2020, the Group identified non-core businesses in North America, which historically generated approximately 11% of the annual revenues of the segment, for disposal. As plans for this disposal have been approved by the Board of Directors and are 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 25 January 2020.

As the €19.2m fair value less costs to sell of these businesses is less than the €122.6m carrying value of their combined net assets, a €103.4m loss on impairment of disposal groups held-for-sale has been recognised during the period ended 1 August 2020.

In accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', the assets of the disposal groups classified as held-for-sale are presented separately from other assets in the Group Consolidated Balance Sheet as at 1 August 2020. Analysis of the disposal groups held-for-sale, including the loss recognised on the re-measurement of the assets of the disposal group to fair value less costs to sell, is as follows:

	2020 €m
Carrying value of net assets transferred to disposal groups held-for-sale	122.6
Loss on impairment of disposal groups held-for-sale	(103.4)
Disposal groups held-for-sale at fair value less costs to sell	**19.2**

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

	2020 €m
Property, plant and equipment	43.9
Intangible assets	1.8
Inventory	13.7
Lease liabilities	(40.2)
Disposal groups held-for-sale at fair value less costs to sell	**19.2**
Presented in assets of disposal groups held-for-sale	59.4
Presented in liabilities of disposal groups held-for-sale	(40.2)
Disposal groups held-for-sale at fair value less costs to sell	**19.2**

The fair value has been measured using inputs not observable within the market, and is therefore within level 3 of the fair value hierarchy. The transactions are expected to complete within one year from the date of classification as held-for-sale on 25 January 2020. A cumulative €5m foreign currency translation gain 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 1 August 2020. 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 27 July 2019, the Group disposed of both businesses which had been accounted for as part of disposal groups held-for sale at July 2018. As the €7.1m carrying value of the assets disposed exceeded the €3.1m proceeds received, net of associated transaction costs, combined with a €1.0m cumulative foreign currency translation loss since the initial investment, a net loss on disposal of €5.0 was recognised.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

5 Financing income and costs

	2020 €m	2019 €m
Financing income		
Total financing income recognised in Group Consolidated Income Statement	**7.3**	4.5
Financing costs		
Interest cost on bank loans and overdrafts	**(38.3)**	(55.1)
Interest cost on lease liabilities	**(11.6)**	-
Defined benefit plan: net interest cost on plan liabilities (note 25)	**-**	(0.1)
Total financing costs recognised in Group Consolidated Income Statement	**(49.9)**	(55.2)
Recognised directly in other comprehensive income		
Fair value of interest rate swaps transferred to income statement	**-**	0.4
Total financing gain recognised directly in other comprehensive income	**-**	0.4

6 Other information

Group Consolidated Income statement by nature of cost through to operating profit	2020 €m	2019 €m
Revenue	**2,930.9**	3,383.4
Raw materials and consumables used	**(1,397.8)**	(1,635.7)
Employment costs (note 8)	**(722.5)**	(779.4)
Storage and distribution costs	**(228.0)**	(248.4)
Amortisation of intangible assets (note 2)	**(139.1)**	(152.7)
Depreciation of property, plant and equipment (note 2)	**(168.6)**	(120.8)
Light, heat and power	**(79.3)**	(86.0)
Operating lease rentals	**(7.0)**	(69.5)
Repairs and maintenance	**(56.5)**	(55.8)
Advertising and marketing	**(30.7)**	(36.3)
Research and development	**(10.7)**	(12.3)
Net loss on disposal of businesses and impairment of disposal groups held for sale (note 2)	**(164.6)**	(7.0)
Impairment of goodwill (note 3)	**(502.1)**	-
Impairment of intangibles (note 3)	**(28.3)**	-
Asset disposals and impairments (note 3)	**4.4**	(4.8)
Other restructuring-related costs (note 3)	**(2.4)**	(7.3)
COVID-19 related costs (note 3)	**(25.6)**	-
Other direct and indirect costs	**(145.5)**	(162.3)
Operating (loss)/profit	**(773.4)**	5.1

Group revenue categories
Group revenue relates primarily to sale of products.

Notes to the Group Consolidated Financial Statements (continued)
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7 Directors' compensation

Please refer to the ARYZTA AG Compensation Report on pages 64 to 82 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 29.

8 Employment

Average number of persons employed by the Group during the period by function	2020	2019
Production	**11,296**	12,846
Sales and distribution	**2,722**	3,157
Management and administration	**1,195**	1,266
Average number of persons employed	**15,213**	17,269

Average number of persons employed by the Group during the period by region	2020	2019
Europe	**7,566**	8,835
North America	**5,589**	6,256
Rest of World	**2,058**	2,178
Total Group	**15,213**	17,269

Employment costs of the Group	2020 €m	2019 €m
Wages and salaries	**627.0**	676.3
Social welfare costs	**72.2**	74.0
Severance and other staff-related costs (note 3)	**7.3**	9.8
Defined contribution plans (note 25)	**12.9**	13.5
Defined benefit plans - current service cost (note 25)	**3.6**	3.3
Share-based payments (note 9)	**(0.5)**	2.5
Employment costs	**722.5**	779.4

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

9 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 2020, 2021 and 2022, as well as continued employment throughout the respective performance periods. Further details are set out on pages 75 to 77 in the Compensation Report.

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 (€0.5m) (2019: €2.5m). Of this (€0.5m), €1.4m consists of a current period charge and a (€1.9m) relates to a prior period release relating to costs associated with vesting targets that were not met. The analysis of movements within the LTIP plans is as follows:

9.1 Options and option equivalents

Option Equivalent Plan awards	**Weighted conversion price 2020 in CHF**	**Number of equity entitlements 2020**	Weighted conversion price 2019 in CHF	Number of equity entitlements 2019[1]
Outstanding at beginning of the period	**2.53**	**26,411,366**	39.20	1,560,500
Granted during the period	**1.06**	**464,067**	1.08	19,133,076
Modified during the period	**-**	**-**	-	5,777,930
Forfeited during the period	**5.41**	**(4,264,665)**	1.08	(60,140)
Outstanding at the end of the period	**2.62**	**22,610,768**	2.53	26,411,366
Vested at end of the period	**8.57**	**4,646,183**	8.34	7,338,430

1 The number of awards granted during 2019 were presented as the maximum number of awards that could potentially vest. This has been presented as the target number of awards that could potentially vest in the above table to maintain consistent presentation with the Compensation Report.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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**	**1.2**
Issued during financial period 2013	9.93	**225,725**	**2.3**
Issued during financial period 2019 - Dec 2018	1.08	**17,500,518**	**8.4**
Issued during financial period 2020 - Nov 2019	1.06	**464,067**	**8.4**
As of 1 August 2020	2.62	**22,610,768**	**6.9**

As disclosed on page 66 of the 2019 Compensation Report, the Remuneration Committee approved the decision to award one member of Executive Management an LTIP award equivalent to the value of two thirds of the FY18 LTIP. The weighted average fair value associated with option and option equivalent awards issued was CHF 0.37 which was determined using the Black-Scholes valuation model. The significant inputs into the model were the CHF 1.06 share price as at the grant date and the equivalent exercise price, an expected option life of 2.8 years, an expected volatility of 55.4%, an expected dividend yield of 0.0% and a risk-free rate of (0.8)%. No other options were awarded during the period.

The weighted average fair value associated with option and option equivalent awards issued during FY 2019 was CHF 0.40 which was determined using the Black-Scholes valuation model. The significant inputs into the model were the CHF 1.08 share price as at the grant date and the equivalent exercise price, an expected option life of 4.2 years, an expected volatility of 49.6%, an expected dividend yield of 0.0% and a risk-free rate of (0.6)%.

As the performance conditions associated with the option awards granted during financial periods 2010 and 2011 were not met, these awards were forfeited during the period ended 1 August 2020. Awards relating to the FY 2018 and FY 2019 LTIP were forfeited as certain employees exited the business before the vesting period ended. The vested option awards still outstanding as of 1 August 2020 can be exercised no later than ten years after grant date.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

9.2 Performance Share Units and Restricted Stock Units

Restricted Stock Unit and Performance Share awards outstanding	Weighted conversion price 2020 in CHF	Number of equity entitlements 2020	Weighted conversion price 2019 in CHF	Number of equity entitlements 2019[1]
Outstanding at beginning of the period	**0.00**	**13,054,623**	0.00	90,281
Granted during the period	**0.00**	**15,299,880**	0.00	13,098,422
Modified during the period	–	–	0.00	20,241
Exercised during the period	**0.00**	**(25,684)**	0.00	(84,815)
Forfeited during the period	**0.00**	**(1,640,431)**	0.00	(69,506)
Outstanding at the end of the period	**0.00**	**26,688,388**	0.00	13,054,623
Vested at end of the period	–	–	–	–

1 The number of awards granted during 2019 were presented as the maximum number of awards that could potentially vest. This has been presented as the target number of awards that could potentially vest in the above table to maintain consistent presentation with the Compensation Report.

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 2019 - Dec 2018	8.4	-	**11,964,141**
Issued during financial period 2020 - Oct 2019	9.1	-	**14,420,411**
Issued during financial period 2020 - Nov 2019	8.4	-	**174,976**
Issued during financial period 2020 - Jan 2020	1.3	-	**128,860**
As of 1 August 2020	8.7	-	**26,688,388**

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.

During the period ended 27 July 2019, the performance conditions associated with 84,815 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 10.33.

As disclosed on page 66 of the 2019 Compensation Report, the Remuneration Committee approved the decision to award one member of Executive Management an LTIP award equivalent to the value of two thirds of the FY 2018 LTIP. The fair value assigned to the PSU issued to this executive was CHF 1.06 which represents the full value of an ordinary share on the grant date.

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 1 August 2020

10 Income taxes

Income tax credit/((charge)	2020 €m	2019 €m
Current tax charge	**(21.8)**	(26.2)
Deferred tax credit (note 24)	**27.3**	15.0
Income tax credit/(charge)	**5.5**	(11.2)

Reconciliation of average effective tax charge to applicable tax charge	2020 €m	2019 €m
Loss before income tax	**(1,097.0)**	(18.0)
Less share of profit after interest and tax of joint ventures	**(16.1)**	(27.6)
Loss before tax and before share of profit of joint ventures	**(1,113.1)**	(45.6)
Income tax on loss for the period at 20.83% (2019: 21.2%)[1]	**231.9**	9.7
Income/(expenses) not taxable/(deductible) for tax purposes	**(185.0)**	3.1
Income subject to other rates of tax	**(10.3)**	(3.9)
Excess deferred tax assets not recognised / derecognised	**(33.3)**	(20.8)
Impact of impairment in group subsidiaries	**4.3**	-
Change in estimates and other prior period adjustments:[2]		
– Current tax	**(0.3)**	0.6
– Deferred tax	**(1.8)**	0.1
Income tax credit /(charge)	**5.5**	(11.2)

Income tax recognised in other comprehensive income	2020 €m	2019 €m
Relating to foreign exchange translation effects	**(4.4)**	(0.1)
Relating to cash flow hedges	**-**	-
Relating to Group employee benefit plans actuarial (gains)/losses (note 25)	**(0.1)**	0.2
Tax recognised directly in other comprehensive income	**(4.5)**	0.1

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

2 including initial recognition of future tax on undistributed retained earnings of foreign subsidiaries

11 Proposed dividend

No dividend is planned to be proposed for the period ended 1 August 2020. No dividend was proposed or paid for the period ended 27 July 2019.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

12 Earnings per share

Basic loss per share	2020 €m	2019 €m
Loss attributable to equity shareholders	**(1,091.5)**	(29.2)
Hybrid instrument dividend (note 26)	**(46.1)**	(38.9)
Loss used to determine basic EPS	**(1,137.6)**	(68.1)

Weighted average number of ordinary shares	2020 in Millions	2019 in Millions
Ordinary shares outstanding at start of period[1]	**990.6**	89.9
Effect of exercise of equity instruments	**–**	0.1
Release of treasury shares as restricted shares	**0.3**	0.2
Effect of bonus issue relating to rights issue[2]	**–**	328.0
Effect of paid-in shares issued relating to rights issue[2]	**–**	404.4
Weighted average ordinary shares used to determine basic EPS	**990.9**	822.6
Basic loss per share	**(114.8) cent**	(8.3) cent

Diluted loss per share	2020 €m	2019 €m
Loss used to determine basic EPS	**(1,137.6)**	(68.1)

Weighted average number of ordinary shares (diluted)	2020 in Millions	2019 in Millions
Weighted average ordinary shares used to determine basic EPS	**990.9**	822.6
Effect of equity-based incentives with a dilutive impact[3]	**–**	–
Weighted average ordinary shares used to determine diluted EPS	**990.9**	822.6
Diluted loss per share	**(114.8) cent**	(8.3) cent

1 Issued share capital excludes treasury shares as detailed in note 26.

2 2019 comparative movements before the rights issue in November 2018 restated to include the effect of the bonus issue of shares incorporated in the rights issue.

3 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 1 August 2020 and 27 July 2019, no dilutive effect was taken during these periods.

Notes to the Group Consolidated Financial Statements (continued)
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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.

Underlying diluted earnings per share	2020 €m	2019 €m
Loss used to determine basic EPS	**(1,137.6)**	(68.1)
Amortisation of non-ERP intangible assets (note 2)	**122.9**	135.9
Tax on amortisation of non-ERP intangible assets (note 24)	**(35.1)**	(27.3)
Share of JV intangible amortisation and restructuring costs, net of tax (note 17)	**2.3**	(0.1)
Net loss on disposal of joint venture (note 17)	**297.1**	–
Net loss on disposal of businesses and impairment of disposal groups held for sale (note 3)	**164.6**	7.0
Impairment of goodwill (note 16)	**502.1**	–
Impairment of intangibles (note 16)	**28.3**	–
(Gain)/loss of sale and impairment of fixed assets and investment property (note 3)	**(4.4)**	4.8
Restructuring-related costs (note 3)	**9.7**	17.1
COVID-19 related costs (note 3)	**25.6**	–
Tax on net impairment, disposal, restructuring and COVID-19 related costs	**6.5**	5.0
Underlying net (loss)/profit	**(18.0)**	74.3
Weighted average ordinary shares used to determine basic EPS	**990.9**	822.6
Underlying basic earnings per share	**(1.8) cent**	9.0 cent
Weighted average ordinary shares used to determine basic EPS	**990.9**	822.6
Effect of equity-based incentives with a dilutive impact[1]	**–**	0.1
Weighted average ordinary shares used to determine underlying diluted EPS	**990.9**	822.7
Underlying diluted earnings per share	**(1.8) cent**	9.0 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 ended 1 August 2020, no dilutive effect was taken during this period.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

13 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 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 (note 3)	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 15)	(6.4)	(0.6)	-	-	-	(7.0)
Depreciation charge for period	(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**

	Land and buildings €m	Plant and Machinery €m	Motor Vehicles €m	Assets under construction €m	Total €m
Net book value at 29 July 2018	**439.1**	**768.0**	**3.1**	**33.5**	**1,243.7**
Additions	1.5	32.5	0.2	79.1	113.3
Transfer from assets under construction	7.0	55.3	0.2	(62.4)	0.1
Asset impairments (note 3)	(2.8)	(2.0)	-	(0.1)	(4.9)
Asset disposals	-	(1.5)	(0.4)	(0.1)	(2.0)
Transfer to investment properties (note 15)	-	-	-	-	-
Depreciation charge for period	(16.6)	(103.3)	(0.9)	-	(120.8)
Reclassifications	(7.4)	7.4	-	-	-
Translation adjustments	4.1	13.9	(0.2)	1.6	19.4
Net book value at 27 July 2019	**424.9**	**770.3**	**2.0**	**51.6**	**1,248.8**
At 27 July 2019					
Cost	538.5	1,445.9	5.3	51.6	2,041.3
Accumulated depreciation	(113.6)	(675.6)	(3.3)	-	(792.5)
Net book value at 27 July 2019	**424.9**	**770.3**	**2.0**	**51.6**	**1,248.8**

Notes to the Group Consolidated Financial Statements (continued)
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14 Leases

The Group adopted IFRS 16 Leases with effect from 28 July 2019. At the date of transition, the Group calculated the lease commitments outstanding at that date and applied appropriate discount rates to calculate the present value of the lease commitment which was recognised as a lease liability and a right-of-use leased asset on the Group's Balance Sheet. The Group recognised right-of-use assets of €292.6m and lease liabilities of €321.0m. The difference related to sub-leased assets of €22.0m, onerous lease provisions of €1.8m and accruals and prepaids of €4.4m which were adjusted against the right-of-use assets balance as of date of transition. The Group recorded an adjustment to retained earnings of €0.1m.

Outstanding lease liabilities have been recognised at 28 July 2019, for leases previously classified as operating leases, at the present value of the future lease payments over their reasonably certain lease term. Right-of-use assets have been recognised equal to the net present value of the lease liabilities, adjusted for the amount of any prepaid or accrued lease payments, subleased assets, lease incentives and provisions for onerous 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 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:

	2020 €m
At 27 July 2019	**0.3**
Effect of adopting IFRS 16	321.0
Net additions	9.0
Arising on disposal of business, net carrying amount	(4.9)
Payments	(59.5)
Discount unwinding	11.6
Translation adjustment and other	(9.0)
At 1 August 2020	**268.5**
Presented in non-current interest bearing loans and borrowings	188.2
Presented in current interest bearing loans and borrowings	40.1
Presented in liabilities of disposal groups held-for-sale (note 4)	40.2
At 1 August 2020	**268.5**

Notes to the Group Consolidated Financial Statements (continued)
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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 1 August 2020. The projections are based on the foreign exchange rates applicable at the end of the relevant financial period:

Undiscounted	2020 €m
Within one year	53.2
Between one and two years	44.0
Between two and three years	36.1
Between three and four years	31.8
Between four and five years	27.9
Over five years	136.2
Total	**329.2**

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:

Charge for the period	2020 €m
Short term leases	5.3
Leases of low value assets	0.7
Wholly variable lease payments	1.0
Total	**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 €239.8m. 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.

The Group is committed to payments totalling €23.5m in relation to leases that have been signed but not yet commenced.

Group as lessor
As of 1 August 2020, the Group has recognised €18.5m of receivables for the net investment in leases where the Group is the lessor on sub-leased land and buildings, and the leases have been accounted for as finance leases under IFRS 16. These are presented in other receivables in the Group Consolidated Balance Sheet. Of this total, €2.2m is due within one year, and €16.3m is due after more than one year.

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The table below shows analysis of the maturity profile of the undiscounted net investment in finance leases arising from the Group's leasing activities as at 1 August 2020. The projections are based on the foreign exchange rates applicable at the end of the relevant financial period:

Undiscounted	**€m**
Within one year	3.4
Between one and two years	2.7
Between two and three years	2.7
Between three and four years	2.8
Between four and five years	2.8
Over five years	12.7
Total	**27.1**

15 Investment properties

	2020 €m	2019 €m
Balance at beginning of period	**12.2**	14.6
Transfer from property, plant and equipment (note 13)	**7.0**	-
Fair value adjustments	**5.4**	-
Disposals	**(18.2)**	(2.9)
Translation adjustment	**-**	0.5
Balance at end of period	**6.4**	12.2

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 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.

During the period ended 1 August 2020, a number of properties in the ARYZTA Europe and ARYZTA Rest of World segments were disposed for net cash consideration of €17.4m. As the proceeds received were less than the €18.2m carrying value of the assets, these transactions resulted in a loss on disposal of €0.8m. On disposal of these assets, the €5.4m gain that had been recognised within the revaluation reserve within equity was transferred to retained earnings.

During the period ended 27 July 2019, land in the ARYZTA Europe segment was disposed for net cash consideration of €3.5m. As the proceeds received exceeded the €2.9m carrying value of the assets, this transaction resulted in a gain on disposal of €0.6m. No fair value adjustments were recorded to investment properties during the period 27 July 2019.

Notes to the Group Consolidated Financial Statements (continued)
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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.

16 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 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 3)	(502.1)	–	–	–	–	–	(502.1)
Asset impairments	–	(28.3)	–	–	–	–	(28.3)
Disposals as part of business disposals (note 3)	(45.4)	–	–	(0.2)	(5.4)	–	(51.0)
Disposal groups classified as held-for-sale (note 4)	(65.0)	–	–	(0.1)	(3.4)	–	(68.5)
Amortisation charge for the period	–	(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**

	Goodwill €m	Customer Relationships €m	Brands €m	Computer-related €m	ERP-related intangibles €m	Patents and other €m	Total €m
Net book value at 29 July 2018	**1,414.0**	**404.8**	**69.2**	**16.5**	**144.1**	**9.1**	**2,057.7**
Additions	-	-	-	2.7	0.4	-	3.1
Asset impairments/disposals	-	-	-	(0.5)	(0.1)	-	(0.6)
Amortisation charge for the period	-	(100.9)	(29.2)	(3.6)	(16.8)	(2.1)	(152.6)
Translation adjustments	44.1	8.7	2.2	0.6	1.0	0.1	56.7
Net book value at 27 July 2019	**1,458.1**	**312.6**	**42.2**	**15.7**	**128.6**	**7.1**	**1,964.3**
At 27 July 2019							
Cost	1,458.1	1,002.1	233.2	42.6	199.8	15.6	2,951.4
Accumulated amortisation	-	(689.5)	(191.0)	(26.9)	(71.2)	(8.5)	(987.1)
Net book value at 27 July 2019	**1,458.1**	**312.6**	**42.2**	**15.7**	**128.6**	**7.1**	**1,964.3**

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.

Notes to the Group Consolidated Financial Statements (continued)
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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 2020 goodwill impairment testing was performed. The carrying amount of goodwill allocated to the relevant CGUs, as well as the key assumptions used in the 2020 impairment testing, are summarised as follows:

	Pre-tax discount rate 2020	Pre-tax discount rate 2019	**Projection period 2020**	Projection period 2019	**Terminal growth rate 2020**	Terminal growth rate 2019	**Carrying Value 2020 €m**	Carrying Value 2019 €m
North West Europe[1]	**8.7%**	8.0%	**5 years**	3 years	**1.8%**	2.0%	**63.2**	173.4
Germany and Other Europe	**9.3%**	8.3%	**5 years**	3 years	**2.1%**	2.1%	**89.1**	90.3
Switzerland	**7.1%**	6.7%	**5 years**	3 years	**0.7%**	1.0%	**246.1**	240.4
France	**9.0%**	8.4%	**5 years**	3 years	**1.8%**	1.9%	**85.4**	85.4
ARYZTA Europe							**483.8**	589.5
ARYZTA North America	**8.6%**	8.5%	**5 years**	3 years	**2.0%**	2.2%	**294.1**	816.9
ARYZTA Rest of World	**11.2%**	9.9%	**5 years**	3 years	**2.5%**	2.5%	**45.5**	51.7
							823.4	1,458.1

1 The North West Europe CGU comprises businesses in Ireland, Netherlands and Denmark in the 2020 test, and previously included the UK until the disposal of the UK Food Solutions business during the period ended 1 August 2020.

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. Current period profitability has been impacted by volume declines associated with challenges in the market, while operational margin has been compressed due to costs associated with commissioning and optimisation of the bakery network. Given these difficult trading conditions, management feel it is appropriate to revise downwards its mid-term projections as the optimisation of the North America bakery network and the return to revenue growth is expected to be at a slower pace than had originally been planned. While profitability is expected to improve in the future, 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 current period.

The North West Europe CGU comprises businesses in Ireland, the Netherlands and Denmark. As disclosed in the H1 2020 Interim Report and FY 2019 Annual Report, the recoverable amount of this CGU was sensitive to unfavourable changes in key assumptions such as future revenue, profitability, and an increase in the discount rate or a

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

decrease in the terminal growth rate. A significant part of the manufacturing business in Ireland hinges on exports to the UK market and the projections for this business have been negatively impacted by an increasing 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 have resulted in a reduction in the cash flow projections for this CGU. In addition to these reduced projections, an increase in the discount rate of 70bps compared to the prior period has further reduced the recoverable amount in FY 2020. As the recoverable amount of the CGU is lower than its carrying value, a goodwill impairment of €65.0m has been 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, with the exception of the North West Europe, Germany and Other Europe, and ARYZTA North America CGUs, sufficient headroom exists for the other 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.

The headroom of the recoverable amounts of the North West Europe, Germany and Other Europe, and ARYZTA North America CGUs over the respective carrying amounts at 1 August 2020 is summarized in the table below, as well as the amounts by which the key assumptions would need to change, in isolation, such that the recoverable amounts would equal the carrying values of the CGUs. As the goodwill in the North West Europe CGU was written down to recoverable value at 1 August 2020, there is no headroom over carrying value of this CGU at period end, and the recoverable value of the CGU is sensitive to any unfavourable changes in the key assumptions used.

in EUR million	Headroom over carrying value	Pre-tax discount rate allowable movement	Terminal growth rate allowable movement
North West Europe	€0m	0.0%	(0.0%)
Germany and Other Europe	€90m	+1.0%	(1.1%)
ARYZTA North America	€71m	+0.7%	(0.7%)

An illustration of the sensitivities to reasonably possible changes in key assumptions at 1 August 2020, in isolation, are as follows:

	North West Europe		Germany and Other Europe		ARYZTA North America	
in EUR million	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Pre-tax discount rate	(36)	48	(91)	114	(102)	139
Terminal growth rate	49	(34)	119	(83)	146	(99)

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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 across the plan period. A decrease of 1% in the revenue compound annual growth rate across the projection period within the North West Europe CGU would result in a shortfall in the value-in-use model under carrying value of €22m. A reduction in Underlying EBITDA realised of 5% per annum across the projection period within the North West Europe CGU would result in a shortfall in the value-in-use model under carrying value of €24m.

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 within the Germany and Other Europe CGU would not result in an impairment.

A decrease of 1% per annum across the projection period within the ARYZTA North America CGU would not result in an impairment. A reduction in Underlying EBITDA realised of 5% per annum across the projection period within the ARYZTA North America CGU would result in a shortfall in the value-in-use model under carrying value of €3m.

Intangible asset movements
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.

As set out in note 4, 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, current period profitability in the ARYZTA North America CGU has been impacted by volume declines associated with challenges in the market, while operational margin has been compressed due to costs associated with commissioning and optimisation of the bakery network. In addition, COVID-19 has had a significant impact in the second half of the period on certain customers and channels within the North America business.

While overall trading conditions and profitability are expected to improve, given these difficult trading conditions, management feel it is appropriate to revise downwards its mid-term projections as the optimisation of the North America bakery network and the return to revenue growth is expected to be at a slower pace than had originally been planned. Based on these reduced projections, the Group has identified and reviewed certain customer relationship intangible assets in the Foodservice and Retail channels whose recoverable amounts are lower than the carrying value at period end 1 August 2020, and has recognised an impairment of €28.3m on these assets in the period, 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 1 August 2020

17 Investments in joint ventures

The Group share of joint ventures' net assets is as follows:

	2020 €m	2019 €m
At beginning of period	**447.7**	420.1
Share of joint ventures' underlying net profit	**18.4**	27.6
Group share of intangible amortisation	**(1.7)**	(3.2)
Group share of tax on intangible amortisation and associated rate adjustments	**0.8**	6.3
Group share of restructuring-related costs	**(1.4)**	(0.2)
Loss on dilution of investment in joint venture	**–**	(2.9)
Disposal of investment in joint venture	**(463.8)**	–
At end of period	**–**	447.7

ARYZTA owned a 47.8% interest in Picard, which operates an asset-light B2C platform focused on premium speciality food, located primarily in France. While ARYZTA held only a minority shareholding and voting rights in Picard, the Group was entitled to jointly approve key business decisions, including approval of proposed members of Picard management and the annual operating budget, which are considered relevant activities. Therefore, the Group's interest in Picard was presented as a 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. The Group ceased to have joint control during January 2020. Proceeds net of transaction costs of €139.9m have been recorded in the Group Consolidated Cash Flow Statement. The remaining €10.0m consideration has been recorded as a Vendor Loan Note receivable as of 1 August 2020, which was received in October 2020. ARYZTA retains 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, are 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.

The Group's remaining 4.6% equity investment is presented 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.

The amounts included in these Group consolidated financial statements in respect of the current year profits or losses of joint ventures are taken from the latest financial statements, prepared up to their respective year-ends, together with management accounts for the intervening periods to the Group's year-end or to the date of disposal. Picard has a year-end of 31 March.

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for the period ended 1 August 2020

The assets, liabilities and overall investments in joint ventures are as follows:

	Picard 2020 €m	Picard 2019 €m
Cash and cash equivalents	-	106.4
Other current assets	-	146.7
Total current assets	**-**	**253.1**
Total non-current assets	**-**	**1,895.8**
Trade and other payables	-	(221.9)
Other current liabilities	-	(6.4)
Total current liabilities	**-**	**(228.3)**
Total non-current liabilities	**-**	**(1,781.1)**
Balance at end of period	**-**	**139.5**
ARYZTA's share in %	-	47.8%
ARYZTA's share thereof	-	66.7
Goodwill	-	381.0
Investment in joint ventures	**-**	**447.7**

The share of revenues and results of joint ventures during the periods ended 1 August 2020 and 27 July 2019 are as follows:

	Picard 2020 €m	**ARYZTA's 48% share thereof 2020**	Picard 2019 €m	ARYZTA's 48% share thereof 2019
Revenue	**822.6**		1,422.8	
Underlying EBITDA	**121.3**		194.4	
Depreciation	**(15.0)**		(30.8)	
Underlying EBITA	**106.3**		163.6	
Finance costs, net	**(28.6)**		(57.4)	
Pre-tax profits	**77.7**		106.2	
Income tax	**(39.3)**		(48.5)	
Joint venture underlying net profit	**38.4**	**18.4**	57.7	27.6
Intangible amortisation	**(3.5)**	**(1.7)**	(6.7)	(3.2)
Tax on intangible amortisation and associated rate adjustments	**1.7**	**0.8**	13.3	6.3
Restructuring-related costs	**(2.8)**	**(1.4)**	(0.4)	(0.2)
Loss on dilution of investment in joint venture		**-**		(2.9)
Profit after tax	**33.8**	**16.1**	63.9	27.6
Gains through other comprehensive income	**-**	**-**	0.1	-
Total comprehensive income	**33.8**	**16.1**	64.0	27.6

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for the period ended 1 August 2020

18 Inventory

	2020 €m	2019 €m
Raw materials	**35.4**	42.3
Finished goods	**118.2**	200.9
Packaging and other	**11.4**	4.1
Balance at end of period	**165.0**	247.3

During the period ended 1 August 2020, a total expense of €20.9m (2019: €19.8m) was recognised in the Group Consolidated Income Statement arising from write-down of inventory.

19 Trade and other receivables

	2020 €m	2019 €m
Non-current		
Other receivables (note 14)	**16.3**	–
Balance at end of period	**16.3**	–
Current		
Trade receivables, net	**122.4**	67.9
VAT recoverable	**18.0**	17.8
Prepayments	**29.7**	31.4
Other receivables	**26.6**	37.3
Vendor loan note (note 17)	**10.0**	–
Balance at end of period	**206.7**	154.4

20 Trade and other payables

	2020 €m	2019 €m
Non-current		
Other payables	**35.6**	45.9
Balance at end of period	**35.6**	45.9
Current		
Trade payables	**169.0**	339.1
Amounts due to related parties (note 29)	**-**	0.2
Accruals and other payables[1]	**243.7**	283.6
Employee-related tax and social welfare	**19.0**	13.3
VAT payable	**10.9**	12.4
Balance at end of period	**442.6**	648.6

1 Accruals and other payables consist primarily of balances due for goods and services received not yet invoiced and for staff compensation.

Notes to the Group Consolidated Financial Statements (continued)
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Trade payables includes €11.4m (2019: Nil) 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 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 1 August 2020, these payables met the criteria of trade payables.

21 Interest-bearing loans and borrowings

Details of the Group's interest bearing loans and borrowings are outlined below.

	2020 €m	Restated 2019[1] €m
Included in non-current liabilities		
Loans	**1,149.4**	826.3
Leases	**188.2**	0.2
Non-current interest-bearing loans and borrowings	**1,337.6**	826.5
Included in current liabilities		
Loans	**16.4**	284.6
Leases	**40.1**	0.1
Current interest-bearing loans and borrowings	**56.5**	284.7
Lease liabilities presented within disposal groups held-for-sale (note 4)	**40.2**	–
Total loans	**1,165.8**	1,110.9
Total leases	**268.5**	0.3
Total interest-bearing loans and borrowings	**1,434.3**	1,111.2

1 See note 1 page 107 for details regarding the classification restatement.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

An analysis of the movements in net debt during the periods ended 1 August 2020 and 27 July 2019, is shown below:

FY 2020	Restated 28 July 2019[1] €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 14)	(321.3)	47.9	(4.1)	9.0	(268.5)
Net debt	**(1,054.3)**	**55.8**	**(11.8)**	**(0.4)**	**(1,010.7)**

FY 2019	Restated 29 July 2018[1] €m	Cash flows €m	Non-cash movements €m	Translation adjustment €m	Restated 27 July 2019[1] €m
Cash and cash equivalents	342.0	31.2	-	4.7	377.9
Loans	(1,851.6)	763.9	(7.1)	(16.1)	(1,110.9)
Finance leases	(0.7)	0.3	-	0.1	(0.3)
Net debt	**(1,510.3)**	**795.4**	**(7.1)**	**(11.3)**	**(733.3)**

1 See note 1 page 107 for details regarding the classification restatement.

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The terms of outstanding loans are as follows:

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-19 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**

1 The schedule of mandatory repayments by financial year on the amortising Syndicated Bank Term Loan is as follows: FY 2021 – €16.6m; FY 2022 – €80m and FY 2023 – €113.4m.

2 All debt instruments above are unsecured.

2019	Currency	Financial year of maturity	Nominal Value €m	Carrying amount €m
Syndicated Bank RCF	Various	2023	394.1	379.6
Syndicated Bank Term Loan	Various	2023	353.4	346.9
Schuldschein Variable	EUR	2020	185.5	185.0
Schuldschein Variable	EUR	2022	119.5	119.2
Schuldschein Variable	EUR	2024	8.0	8.0
Schuldschein Fixed	EUR	2020	20.0	20.0
Schuldschein Fixed	EUR	2022	33.0	32.9
Schuldschein Fixed	USD	2022	10.3	10.3
Schuldschein Fixed	USD	2024	9.0	9.0
Total outstanding loans at 27 July 2019			**1,132.8**	**1,110.9**

The weighted average effective interest rate in respect of the Group's interest-bearing loans was as follows:

	2020	2019
Total bank loans	**1.6%**	1.7%

Repayment schedule – loans (nominal values)	2020 €m	Restated 2019 €m
Less than one year	**16.6**	285.5
Between one and five years	**1,164.8**	847.3
After five years	**-**	-
	1,181.4	1,132.8

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22 Financial instruments and financial risk

The fair values of financial assets, financial liabilities, investment property and disposal groups held-for-sale together with the carrying amounts shown in the balance sheet, are as follows:

	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
Investment properties	*Level 3*	6.4	–	–	6.4	6.4
Financial assets at fair value through income statement	*Level 3*	16.8	–	–	16.8	16.8
Assets of disposal group held-for-sale	*Level 3*	59.4	–	–	59.4	59.4
Total financial assets		**82.6**	**0.5**	**598.9**	**682.0**	**682.0**
Trade and other payables (excluding non-financial liabilities)		–	–	(448.2)	(448.2)	(448.2)
Bank borrowings		–	–	(1,165.8)	(1,165.8)	(1,181.4)
Lease liabilities		–	–	(268.5)	(268.5)	(268.5)
Derivative financial liabilities	*Level 2*	–	(0.7)	–	(0.7)	(0.7)
Liabilities of disposal groups held-for-sale	*Level 3*	(40.2)	–	–	(40.2)	(40.2)
Total financial liabilities		**(40.2)**	**(0.7)**	**(1,882.5)**	**(1,923.4)**	**(1,939.0)**

	Fair value hierarchy	Fair Value through income statement 2019 €m	Fair value through OCI 2019 €m	Amortised Cost Restated 2019[1] €m	Total carrying amount Restated 2019[1] €m	Fair value Restated 2019[1] €m
Trade and other receivables (excluding prepayments)		–	–	105.2	105.2	105.2
Cash and cash equivalents		–	–	377.9	377.9	377.9
Derivative financial assets	*Level 2*	–	0.2	–	0.2	0.2
Investment properties	*Level 3*	12.2	–	–	12.2	12.2
Total financial assets		**12.2**	**0.2**	**483.1**	**495.5**	**495.5**
Trade and other payables (excluding non-financial liabilities)		–	–	(668.8)	(668.8)	(668.8)
Bank borrowings		–	–	(1,110.9)	(1,110.9)	(1,121.3)
Finance lease liabilities		–	–	(0.3)	(0.3)	(0.3)
Derivative financial liabilities	*Level 2*	–	(0.5)	–	(0.5)	(0.5)
Total financial liabilities		**–**	**(0.5)**	**(1,780.0)**	**(1,780.5)**	**(1,790.9)**

1 See note 1 page 107 for details regarding the classification restatement.

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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

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.

Investment property
Investment property, principally comprised of land and buildings, is held for capital appreciation. Investment property is stated at fair value through the income statement. 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, determined based on the results of independent valuations. The valuations were arrived at by reference to location, market conditions including the prices of transactions of similar properties, adjusted as appropriate, and status of planned disposals. As the fair value is based on inputs not observable within the market, it has been classified as a Level 3 asset.

Financial assets at fair value through income statement
As described in note 17, the group maintains 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.

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Disposal groups held-for-sale
The net assets of disposal groups held-for-sale at 1 August 2020 were held at 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. As the fair value was based on inputs not observable within the market, it was classified as a Level 3 asset and liability.

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.

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 31. 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.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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.

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.

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 €116.8m (2019: €208.3m). The Group has continued to also recognise an asset within Trade and other receivables, of €9.5m (2019: €18.4m), 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 1 August 2020 were €3.5m (2019: €4.3m).

Notes to the Group Consolidated Financial Statements (continued)
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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:

	Carrying amount 2020 €m	Carrying amount Restated 2019[1] €m
Cash and cash equivalents	**423.6**	377.9
Trade and other receivables	**175.3**	105.2
Derivative financial assets	**0.5**	0.2
	599.4	483.3

1 See note 1 page 107 for details regarding the classification restatement.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	Carrying amount 2020 €m	Carrying amount 2019 €m
Europe	**84.0**	41.4
North America	**17.7**	2.8
Rest of World	**20.7**	23.7
	122.4	67.9

The aging of trade receivables at the reporting date was as follows:

	Gross 2020 €m	**Loss allowances 2020 €m**	Gross 2019 €m	Loss allowances 2019 €m
Not past due	**101.4**	**1.6**	44.9	1.0
Past due 0–30 days	**19.5**	**1.8**	17.6	0.6
Past due 31–120 days	**5.4**	**1.5**	7.8	1.7
Past due more than 121 days	**6.3**	**5.3**	7.4	6.5
	132.6	**10.2**	77.7	9.8

The analysis of movement in loss allowances in respect of trade receivables was as follows:

	2020 €m	2019 €m
Balance at beginning of period	**9.8**	7.9
Arising on disposal of subsidiaries	**(0.5)**	-
Utilised during the year	**(3.6)**	(2.6)
Increase in loss allowance during the financial year	**4.7**	4.6
Translation adjustment	**(0.2)**	(0.1)
Balance at end of period	**10.2**	9.8

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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 1 August 2020, 1.4% of the Group's total bank borrowings will mature within the next 12 months.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

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)**

restated 2019	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	(72.1)	(77.2)	(21.3)	(0.4)	(1.4)	(54.1)	-
Variable rate bank loans	(1,038.8)	(1,109.3)	(235.5)	(48.3)	(95.3)	(730.2)	-
Finance lease liabilities	(0.3)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	-
Trade and other payables	(668.9)	(668.9)	(595.6)	(27.2)	(16.1)	(16.9)	(13.1)
Derivative financial instruments							
Currency forward contracts used for hedging							
– Inflows	-	193.0	192.4	0.6	-	-	-
– Outflows	(0.5)	(193.5)	(192.9)	(0.6)	-	-	-
	(1,780.6)	**(1,856.2)**	**(853.0)**	**(76.0)**	**(112.9)**	**(801.3)**	**(13.1)**

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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 2020 €m	**Liabilities 2020 €m**	Assets 2019 €m	Liabilities 2019 €m
Cash flow hedges				
Currency forward contracts	**0.5**	**(0.7)**	0.2	(0.5)
At end of period	**0.5**	**(0.7)**	0.2	(0.5)

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 97.

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 (2019: 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, Switzerland and North America. 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 1 August 2020

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 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)**

The following table details the Group's exposure to transactional foreign currency risk at 27 July 2019:

2019 in Millions	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	8.1	5.6	2.1	6.2	17.9	3.3	43.2
Other receivables	0.2	0.2	-	-	0.6	-	1.0
Cash and cash equivalents	2.8	7.6	-	0.8	10.7	1.5	23.4
Trade payables	(7.8)	(12.9)	(14.6)	(0.3)	(29.6)	(2.3)	(67.5)
Other payables	(0.4)	(3.1)	-	(4.4)	(7.6)	(2.6)	(18.1)
Derivative financial instruments	-	(0.2)	-	-	(0.2)	-	(0.4)
At 27 July 2019	**2.9**	**(2.8)**	**(12.5)**	**2.3**	**(8.2)**	**(0.1)**	**(18.4)**

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Currency sensitivity analysis
A 10% strengthening or weakening of the euro against the foreign currencies below at 1 August 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.

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)

2019	10% strengthening income statement €m	10% strengthening equity €m	10% weakening income statement €m	10% weakening equity €m
GBP	(0.3)	0.5	0.3	(0.5)
USD	0.2	15.4	(0.3)	(16.9)
CAD	1.1	2.9	(1.3)	(3.2)
CHF	(0.2)	-	0.2	-
At 27 July 2019	0.8	18.8	(1.1)	(20.6)

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 1 August 2020, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Carrying amount 2020 €m	Carrying amount Restated 2019[1] €m
Fixed rate instruments		
Bank borrowings	**(50.9)**	(72.1)
Lease liabilities	**(268.5)**	(0.3)
	(319.4)	(72.4)
Variable rate instruments		
Cash and cash equivalents	**423.6**	377.9
Bank borrowings	**(1,114.9)**	(1,038.8)
Total interest-bearing financial instruments	**(1,010.7)**	(733.3)

1 See note 1 page 107 for details regarding the classification restatement.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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.

2020	Principal amount €m	Impact of 50 bp increase on income statement €m
Variable rate bank borrowings	(1,114.9)	(5.6)
Cash flow sensitivity, net	**(1,114.9)**	**(5.6)**

Restated 2019	Principal amount €m	Impact of 50 bp increase on income statement €m
Variable rate bank borrowings	(1,038.8)	(5.2)
Cash flow sensitivity, net	**(1,038.8)**	**(5.2)**

1 See note 1 page 107 for details regarding the classification restatement.

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 1 August 2020

23 Deferred income from government grants

	2020 €m	2019 €m
At beginning of period	**10.5**	14.4
Received during the period	**0.8**	-
Recognised in Group Consolidated Income Statement	**(3.9)**	(3.9)
Translation adjustment	**0.2**	
At end of period	**7.6**	10.5

24 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:

	2020 €m	2019 €m
Deferred income tax assets (deductible temporary differences)		
Property, plant and equipment and ERP	**3.2**	0.4
Goodwill	**11.0**	5.0
Employee compensation	**6.4**	5.4
Pension related	**3.8**	3.1
Financing related	**0.1**	0.2
Tax loss carry-forwards and tax credits	**11.9**	42.3
Other	**12.4**	10.4
	48.8	66.8
Deferred income tax liabilities (taxable temporary differences)		
Property, plant and equipment and ERP	**(80.5)**	(87.9)
Intangible assets	**(48.1)**	(86.6)
Employee compensation	**-**	-
Pension related	**(3.1)**	(2.4)
Financing related	**(10.4)**	(4.7)
Other	**(5.6)**	(10.0)
	(147.7)	(191.6)

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:

	2020 €m	2019 €m
Within one year	**–**	–
Between one and five years	**0.8**	0.6
After five years	**538.4**	292.7
Total unrecognised tax losses	**539.2**	293.3

Deferred income tax liabilities of €5.2m (2019: €5.6m) 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.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Movements in net deferred tax assets/(liabilities), during the period, were as follows:

2020	Goodwill €m	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 €m**
At 28 July 2019	5.0	(86.6)	(87.5)	5.4	0.7	(4.5)	42.3	0.5	**(124.7)**
Recognised in Group Consolidated Income Statement	6.8	35.1	8.4	1.4	0.1	(1.0)	(30.0)	6.5	**27.3**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	–	–	(0.1)	(4.7)	–	0.4	**(4.4)**
Translation adjustments and other	(0.8)	3.4	1.8	(0.4)	–	(0.1)	(0.4)	(0.6)	**2.9**
At 1 August 2020	11.0	(48.1)	(77.3)	6.4	0.7	(10.3)	11.9	6.8	**(98.9)**

2019	Goodwill €m	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 €m**
At 29 July 2018	6.3	(110.3)	(77.2)	5.3	0.2	(2.8)	47.8	(7.1)	**(137.8)**
Recognised in Group Consolidated Income Statement	(1.5)	27.3	(8.6)	–	0.2	(1.4)	(7.2)	6.2	**15.0**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	–	–	0.2	(0.1)	–	–	**0.1**
Translation adjustments and other	0.2	(3.6)	(1.7)	0.1	0.1	(0.2)	1.7	1.4	**(2.0)**
At 27 July 2019	5.0	(86.6)	(87.5)	5.4	0.7	(4.5)	42.3	0.5	**(124.7)**

Swiss Tax Reform
The Federal Act on Tax Reform and AHV Financing was approved in Switzerland in 2019. The impact of this Act for ARYZTA, principally a change in the applicable tax rates, has been incorporated in the tax balances reflected above and in Note 10 to the Financial Statements, as appropriate.

25 Employee benefits
The Group operates a number of defined benefit and defined contribution pension plans in various jurisdictions. The Group operates four 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 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.

Notes to the Group Consolidated Financial Statements (continued)
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Long-term employee benefits included in the Group Consolidated Balance Sheet comprises the following:

	2020 €m	2019 €m
Total deficit in defined benefit plans	**7.4**	7.3
Other[1]	**2.7**	2.4
Total	**10.1**	9.7

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 1 August 2020 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)
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An average of these assumptions across all plans were as follows:

	2020	2019
Rate of increase in salaries	**2.0%**	2.0%
Discount rate on plan liabilities	**0.2%**	0.4%

The mortality assumptions imply the following life expectancies, in years, of an active member on retiring at age 65, 20 years from now:

	2020	2019
Male	**22.9**	24.4
Female	**25.1**	26.4

The mortality assumptions imply the following life expectancies, in years, of an active member, aged 65, retiring now:

	2020	2019
Male	**21.5**	22.6
Female	**23.6**	24.7

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 1 August 2020 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 1 August 2020 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 4.6% / increase by 7.5%
Salary growth rate	**Increase/ decrease 0.5%**	Increase by 1.0% / decrease by 0.6%
Life expectancy	**Increase/ decrease 1 year**	Increase by 1.3% / decrease by 1.4%

Net pension liability	2020 €m	2019 €m
Total fair value of assets	**69.5**	62.7
Present value of plan liabilities	**(76.9)**	(70.0)
Deficit in the plans	**(7.4)**	(7.3)
Related deferred tax asset (note 24)	**0.7**	0.7
Net pension liability	**(6.7)**	(6.6)

Notes to the Group Consolidated Financial Statements (continued)
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Fair value of plan assets	Quoted €m	Non-quoted €m	**2020 €m**	2019 €m
Cash and cash equivalents	2.8	-	**2.8**	1.7
Equity instruments	21.8	-	**21.8**	19.8
Debt instruments	23.8	0.1	**23.9**	21.9
Property	19.5	-	**19.5**	18.0
Other	1.5	-	**1.5**	1.3
Total fair value of assets	69.4	0.1	**69.5**	62.7

Movement in the fair value of plan assets	**2020 €m**	2019 €m
Fair value of plan assets at the beginning of the period	**62.7**	58.4
Interest income	**0.3**	0.6
Employer contributions	**2.6**	2.6
Employee contributions	**2.3**	2.3
Benefit payments made	**(3.5)**	(6.3)
Actuarial return on plan assets (excluding interest income)	**4.2**	2.8
Translation adjustments	**0.9**	2.3
Fair value of plan assets at the end of the period	**69.5**	62.7

Movement in the present value of plan obligations	**2020 €m**	2019 €m
Present value of plan obligations at the beginning of the period	**(70.0)**	(63.5)
Current service cost	**(3.6)**	(3.3)
Interest expense on plan obligations	**(0.3)**	(0.7)
Employee contributions	**(2.3)**	(2.3)
Benefit payments made	**3.5**	6.3
Actuarial changes in demographic and financial assumptions	**1.2**	(3.6)
Actuarial experience adjustments	**(4.4)**	(0.5)
Translation adjustments	**(1.0)**	(2.4)
Present value of plan obligations at the end of the period	**(76.9)**	(70.0)

Movement in net liability recognised in the Group Consolidated Balance Sheet	**2020 €m**	2019 €m
Net liability in plans at the beginning of the period	**(7.3)**	(5.1)
Current service cost (note 8)	**(3.6)**	(3.3)
Employer contributions	**2.6**	2.6
Net interest expense	**-**	(0.1)
Actuarial gain/(loss) on Group defined benefit pension plans	**1.0**	(1.3)
Translation adjustments	**(0.1)**	(0.1)
Net liability in plans at the end of the period	**(7.4)**	(7.3)

The estimated contributions expected to be paid during the period ending 31 July 2021 in respect of the Group's defined benefit plans are €2.7m.

Notes to the Group Consolidated Financial Statements (continued)
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Analysis of defined benefit expense recognised in the Group Consolidated Income Statement	2020 €m	2019 €m
Current service cost (note 8)	**3.6**	3.3
Non-financing expense	**3.6**	3.3
Expected return on Plan assets (note 5)	**(0.3)**	(0.6)
Interest cost on Plan liabilities (note 5)	**0.3**	0.7
Included in financing costs, net	**-**	0.1
Net charge to Group Consolidated Income Statement	**3.6**	3.4

Additionally, a charge of €12.9m (2019 €13.5m) was recorded in the Group Consolidated Income Statement in respect of the Group's defined contribution plans.

Defined benefit pension expense recognised in Group Consolidated Statement of Comprehensive Income	2020 €m	2019 €m
Return on plan assets (excluding interest income)	**4.2**	2.8
Experience losses on plan liabilities	**(4.4)**	(0.5)
Changes in demographic and financial assumptions	**1.2**	(3.6)
Actuarial gain/(loss)	**1.0**	(1.3)
Deferred tax effect of actuarial (gain)/loss (note 10)	**(0.1)**	0.2
Actuarial gain/loss recognised in Group Consolidated Statement of Comprehensive Income	**0.9**	(1.1)

History of experience gains and losses:	2020	2019
Difference between expected and actual return on plan assets:		
– Amount (in €m)	**4.2**	2.8
– % of Plan assets	**6.0%**	4.4%
Experience losses on plan obligations:		
– Amount (in €m)	**(4.4)**	(0.5)
– % of Plan obligations	**(5.7)%**	(0.7)%
Total actuarial gains recognised in Group Consolidated Statement of Comprehensive Income:		
– Amount (in €m)	**1.0**	(1.3)
– % of Plan obligations	**1.3%**	(1.9)%

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

26 Shareholders equity

Registered shares of CHF 0.02 each – authorised, issued and fully paid	2020 in Millions	2020 in EUR Millions	2019 in Millions	2019 in EUR Millions
At beginning of period	**993.1**	**17.0**	92.9	1.2
Issue of registered shares (CHF 0.02)	**-**	**-**	900.2	15.8
At end of period	**993.1**	**17.0**	993.1	17.0

During November 2018, the Group completed a capital raise, by way of a rights issue, in order to strengthen the balance sheet, provide necessary liquidity and working capital funding, and to enable delivery of ARYZTA's three year turnaround plan, Project Renew. At the Annual General Meeting on 1 November 2018, a total of 900,184,940 registered shares with a nominal value of CHF 0.02 each were offered to ARYZTA's existing shareholders on a 10 for 1 share basis, at a discounted offer price of CHF 1.00 per share.

The gross proceeds received upon completion of the rights issue were €795.8m. This resulted in €739.5m, net of related transaction costs, which was recognised within equity during the period ended 27 July 2019, of which €15.8m is recognised within share capital, and €723.7m within share premium. At 27 July 2019, €739.5m was recognised relating to proceeds from the rights issue within financing activities in the Group Consolidated Cash Flow Statement.

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.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Treasury shares of CHF 0.02 each - authorised, called up and fully paid	2020 in '000s	2020 in EUR `000	2019 in '000s	2019 in EUR `000
At beginning of period	**2,518**	**40**	2,987	46
Release of treasury shares upon vesting and exercise of equity entitlements	**(25)**	**(1)**	(85)	(1)
Release of treasury shares as restricted shares	**(511)**	**(7)**	(384)	(5)
At end of period	**1,982**	**32**	2,518	40

During the period ended 1 August 2020, the performance conditions associated with 25,684 Restricted Stock Unit awards were fulfilled (2019: 84,815). 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 (2019: CHF 10.33).

In addition, during the period ended 1 August 2020 510,817 shares were issued out of treasury shares, in respect of restricted shares for non-executive directors (2019: 383,888 shares), as detailed on pages 64 to 82 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.

Other equity reserve

	2020 €m	2019 €m
At 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 6.82%, 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 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.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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 1 August 2020 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:

	2020 €m	2019 €m
Balance at beginning of the period	(81.8)	(41.1)
Hybrid instrument deferred dividend	(46.1)	(38.9)
Translation adjustments	(1.3)	(1.8)
Balance at end of the period	**(129.2)**	**(81.8)**

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 1 August 2020 consists of total equity of €1,267.9m (2019: €2,436.2m) and net debt of €1,010.7m at 1 August 2020 (2019: €733.3m). 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.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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 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.

The covenants are summarised in the table below:

	FY 2020	H1 2021	FY 2021	Reset after FY 2021
Leverage covenant	maximum 6.0x	maximum 6.0x	maximum 6.0x	maximum 3.5x
Interest cover covenant	minimum 1.5x	minimum 1.0x	minimum 1.0x	minimum 3.0x

The Group's key financial ratios at 1 August 2020 were as follows:

	FY 2020	FY 2019
Leverage covenant (Net Debt: EBITDA)[1]	3.68x	2.43x
Interest cover covenant (EBITDA: Net interest, including Hybrid dividend)[1]	2.63x	3.45x

1 Calculated as per Syndicated Bank Facilities Agreement terms.

These ratios were complied with throughout the period ended 1 August 2020, 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 1 August 2020.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

27 Commitments

27.1 Commitments under leases
The Group is committed to payments totalling €23.5m in relation to leases that have been signed but not yet commenced.

27.2 Capital commitments
Capital expenditure contracted for at the end of the period, but not yet incurred, is as follows:

	2020 €m	2019 €m
Property, plant and equipment	**8.3**	20.4
Intangible assets	**0.1**	–
Total	**8.4**	20.4

27.3 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.

28 Contingent liabilities
Letters of credit and guarantees
Letters of credit and guarantees amounting to €14.3 million are outstanding at 1 August 2020 (2019: €14.5 million). The Group does not expect any material loss to arise from these letters of credit or guarantees.

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.

29 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:

	2020 €m	2019 €m
Provision of services	**0.6**	1.3

Provision of services relates primarily to transactions with joint ventures. During the period ended 1 August 2020, there were no trading balances owing to the Group from related parties (2019: €21,000) and there were no trading balances owing from the Group to these related parties (2019: €225,000).

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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:

	2020 €m	2019 €m
Short-term employee benefits	**6.0**	8.4
Post-employment benefits	**-**	-
Other long-term benefits	**0.6**	0.6
Long-term incentives (LTIP)	**0.3**	0.7
Termination benefits	**-**	-
Total key management compensation	**6.9**	9.7

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. Related-party transactions with any members of the Board of Directors or Executive Management did not exceed €100,000 in aggregate during the period ended 1 August 2020.

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 64 to 82.

30 Post balance sheet events – after 1 August 2020
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. See page 175 within note 26 above for further details on the Group's financial covenants.

31 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.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

32 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 16	Goodwill and intangible assets
Note 14	Leases
Note 25	Employee benefits
Notes 10 & 24	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 1 August 2020. 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 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 109.

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 16.

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 on transition was 3.95% at 28 July 2019.

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

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

control. Details of the leasing arrangements of the Group are disclosed in note 14, and details around the transition to IFRS 16 are set out in note 1.

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 25.

Income taxes, as set out in note 10, and deferred taxes, as set out in note 24, are subject to management estimate. The Group Consolidated Balance Sheet includes deferred taxes relating to temporary differences, which are based on forecasts of the corresponding entity's taxable income and reversal of these temporary differences, forecasted over a period of several years. As actual results may differ from these forecasts, these deferred taxes may need to be adjusted accordingly.

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.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

33 Significant subsidiaries and joint ventures

A list of all of the Group's significant subsidiary and joint venture undertakings, as at 1 August 2020 and 2019, 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 2020	Group % share 2019	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	1.016	100	100	1
ARYZTA Technology Ireland UC	Asset management company	EUR	0.000	100	100	1
Delice de France Limited[1]	Food distribution	GBP	N/A	N/A	100	N/A
France Distribution SAS	Food distribution	EUR	0.108	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
ARYZTA Food Solutions GmbH	Food distribution	EUR	0.025	100	100	5
Pré Pain B.V.	Food manufacturing and distribution	EUR	0.018	100	100	6
ARYZTA Polska Sp.z o.o.	Food manufacturing and distribution	PLN	69.174	100	100	7
Fornetti Kft	Food manufacturing and distribution	HUF	500.000	100	100	8
(b) Significant subsidiaries – North America						
ARYZTA LLC	Food manufacturing and distribution	USD	705.000	100	100	9
ARYZTA Limited	Food manufacturing and distribution	CAD	256.217	100	100	10
ARYZTA Canada Co.	Food manufacturing and distribution	CAD	113.500	100	100	11
(c) Significant subsidiaries – Rest of World						
ARYZTA Australia Pty Limited	Food manufacturing and distribution	AUD	17.000	100	100	12
ARYZTA Do Brazil Alimentos Ltda	Food manufacturing and distribution	BRL	33.588	100	100	13
(d) Significant joint venture						
Lion/Polaris Lux Holdco S.à r.l. (Picard)[1]	Food distribution	EUR	N/A	N/A	48	N/A

1 Correct for 2019 before disposal of subsidiary or joint venture interest

Registered offices of subsidiaries consolidated as of 1 August 2020:

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. Konrad Goldmann Strasse 5 b, 79100 Freiburg im Breisgau, Germany.
6. Kleibultweg 94, Oldenzaal, 7575 BX, the Netherlands.
7. ul. Zachodnia 10, 05-825 Grodzisk Mazowiecki, Poland.
8. 6000 Kecskemét, Városföld 8683/104.hrsz. dulo 92, Hungary.
9. 350 N Orleans, Suite 3001N, Chicago, IL 60654, United States of America.
10. 58 Carluke Road West, Ancaster, Ontario L9G 3L1, Canada.
11. 1100-1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2, Canada.
12. 14 Homepride Avenue, Liverpool, NSW 2170, Australia.
13. 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 2020

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 1 August 2020, the Group Consolidated Balance Sheet as at 1 August 2020 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.

In our opinion, the Group Consolidated Financial Statements (pages 96 to 180) give a true and fair view of the consolidated financial position of the Group as at 1 August 2020, and its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) and comply with 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 2020 (continued)

Valuation of Goodwill

Area of focus

As at 1 August 2020, the carrying value of goodwill was EUR 823.4 million (2019: EUR 1,458.1 million) which represents 24% of total assets (2019: 32%) and 65% of total equity (2019: 60%). Goodwill is subject to impairment testing on an annual basis and at any time during the year, if an indicator of impairment exists. An impairment charge of EUR 502.1 million was recognised during the period in respect to goodwill.

Due to the significance of the carrying value and impairment charge as well as the involvement of subjective judgements by management in performing the impairment test, this matter was considered significant to our audit.

Key judgements for the impairment test and identified cash generating units are disclosed in the Notes (Note 16).

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, terminal growth rates 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 the 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 fair value 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 2020 (continued)

Revenue recognition

Area of focus

Revenues for the period ended 1 August 2020 were EUR 2.9 billion (2019: EUR 3.4 billion).

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 111.

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 returns 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 2020 (continued)

Adherence to financial covenants

Area of focus

The Group has outstanding credit facilities that are subject to contractual financial covenants that are required to be met. The Board of Directors and management expect that there will not be a breach of covenants under the revised terms that would cause the financing institutions to renegotiate the terms of the credit facilities or to accelerate repayment of the current facilities during the 2020/21 financial period. The adherence of financial covenants is monitored on a biannual basis. The future compliance with these financial covenants is dependent on the achievement of forecasts which are based on assumptions and judgement around uncertainties, including those relating to the outbreak of COVID-19.

Due to the significant involvement of subjective judgements by management in the financial forecast and covenant compliance, this matter was considered significant to our audit.

We refer to the Note 1, page 109.

Our audit response

We analysed the Group's forecast for the Half-Year and Full-Year 2021 to gain an understanding of the likelihood of adhering to the financial covenants, and discussed with management the underlying assumptions used, the basis for their evaluation and sensitivities. Further, we gained an understanding of management's application of judgement related to uncertainties, including the expected impact of COVID-19.

As part of our assessment of the appropriateness of the underlying assumptions used in the forecasts for 2020/21, we performed the following procedures, amongst others:

- We gained an understanding of judgements related to uncertainties, including the impact of COVID-19 and challenged the reasonableness of key assumptions addressing revenue, expenses and overheads including reconciliation of forecast cash flows to budgets approved by the Board, as well as a comparison with recent actual results. We applied professional skepticism when assessing the key assumptions made by management.
- We assessed the consistency of the cash flow forecasts with audit evidence obtained in other areas of the audit, including the goodwill impairment assessment.
- We recalculated management's forecasted covenant ratio compliance calculations to assess for potential breaches for the interim and annual test for 2020/21 financial period.
- We obtained evidence of the agreements with lenders confirming waivers granted and covenant resets for the covenant test at the period end date and both the interim and annual test for 2020/21 financial period.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2020 (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 2020 (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, 6 October 2020

Company Income Statement
for the period ended 1 August 2020

in CHF m	2020	2019
Revenues from licences and management fees from Group companies	**7.5**	8.0
Dividend income from Group companies	**106.8**	73.0
Personnel expenses	**(1.5)**	(2.9)
Other operating expenses to Group companies	**(11.7)**	(9.0)
Other operating expenses	**(12.4)**	(8.5)
Depreciation and amortisation	**-**	(0.1)
Impairment of investment in Group companies	**(1,320.2)**	-
Operating (loss)/profit	**(1,231.5)**	60.5
Financial income from Group companies	**64.8**	75.2
Financial expenses	**(62.2)**	(84.8)
(Loss)/profit before income tax	**(1,228.9)**	50.9
Income tax	**(0.5)**	(0.4)
(Loss)/profit for the period	**(1,229.4)**	50.5

Company Balance Sheet
as at 1 August 2020 Company Balance Sheet

in CHF m	**2020**	2019
Assets		
Current assets		
Cash and cash equivalents	**0.4**	0.7
Other current receivables		
– from third parties	**7.2**	11.8
– from Group companies	**0.3**	0.5
Total current assets	**7.9**	13.0
Long-term assets		
Financial assets		
– loans to Group companies	**2,697.4**	3,350.0
Investments		
– investments in Group companies	**1,304.6**	2,187.1
Property, plant and equipment	**0.1**	0.2
Total long-term assets	**4,002.1**	5,537.3
Total assets	**4,010.0**	5,550.3

Company Balance Sheet (continued)
as at 1 August 2020 Company Balance Sheet

in CHF m	2020	2019
Liabilities		
Short-term liabilities		
Trade payable		
– to third parties	**0.8**	0.6
Short-term interest bearing liabilities		
– to third parties	**207.3**	987.2
Other short-term liabilities		
– to third parties	**103.8**	195.3
– to Group companies	**45.1**	44.9
Accrued expenses	**93.6**	67.5
Total short-term liabilities	**450.6**	1,295.5
Long-term liabilities		
Long-term interest-bearing liabilities		
– to third parties	**1,651.3**	1,326.9
Liabilities to Group companies	**579.6**	370.0
Total long-term liabilities	**2,230.9**	1,696.9
Total liabilities	**2,681.5**	2,992.4
Equity		
Share capital	**19.9**	19.9
Legal reserves from capital contribution	**827.2**	827.2
Legal reserves from foreign capital contribution	**1,067.7**	1,046.4
Legal reserve for own shares from foreign capital contribution	**78.6**	99.9
Retained earnings	**(664.9)**	564.5
Total equity	**1,328.5**	2,557.9
Total equity and liabilities	**4,010.0**	5,550.3

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 28 July 2019 to 1 August 2020.

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 135 of the Group Consolidated Financial Statements to view the Group's full-time equivalents.

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	2020 in CHF m	2019 in CHF m	Interest Rate	Maturity
Hybrid Instrument 2013	**400.0**	400.0	5.3%	No specified maturity date
Hybrid Instrument 2014	**190.0**	190.0	3.5%	No specified maturity date

Notes to the Company Financial Statements
(continued)

Bank loans outstanding	2020 in CHF '000	2019 in CHF '000	Financial period of maturity
Syndicated Bank RCF	**852.8**	435.1	2023
Syndicated Bank Term Loan[1]	**226.4**	390.1	2023

1 The schedule of mandatory repayments by financial period on the amortising Syndicated Bank Term Loan is as follows: FY 2021 - €16.6m; FY 2022 - €80.0m and FY 2023 - €113.4m .

The average interest rate on the combined RCF and Term Loan facilities is 1.6%.

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 26 to the Group Financial Statements on pages 174 and 175.

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

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

5 Details of investments

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

Company (Domicile)		Share capital millions 2020	Share capital millions 2019	Percentage 2020	Percentage 2019
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**	–	**100**	–

[1] The amount disclosed represents limited liability capital.

Notes to the Company Financial Statements
(continued)

A list of significant indirect investments in Group companies is disclosed in note 33 of the Group Financial Statements on page 180.

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 1 August 2020 Number of shares m	**Period ended 1 August 2020** in CHF m	Period ended 27 July 2019 Number of shares m	Period ended 27 July 2019 in CHF m
Shares of CHF 0.02 each – authorised, issued and fully paid				
As at beginning of period	**993.1**	**19.9**	92.9	1.9
Issued during the period	**-**	**-**	900.2	18.0
As at end of period	**993.1**	**19.9**	993.1	19.9

	Period ended 31 July 2020 Number of shares `000	**Period ended 31 July 2020** in CHF`000	Period ended 31 July 2019 Number of shares `000	Period ended 31 July 2019 in CHF`000
Shares of CHF 0.02 each				
Conditional capital	**49.7**	**1.0**	–	–
Authorised capital	**99.3**	**2.0**	8.1	0.2

During November 2018, the Group completed a capital raise, by way of a rights issue, in order to strengthen the balance sheet, provide necessary liquidity and working capital funding, and to enable delivery of ARYZTA's three year turnaround plan, Project Renew. At the Annual General Meeting on 1 November 2018, a total of 900,184,940 registered shares with a nominal value of CHF 0.02 each were offered to ARYZTA's existing shareholders on a 10 for 1 share basis.

The proceeds of the capital raise upon completion of the rights issue, net of related transaction costs, resulted in an increase in share capital of CHF 18.0m and an increase in legal reserves from capital contribution of CHF 827.2m during the period ended 27 July 2019.

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.

Notes to the Company Financial Statements (continued)

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 1 August 2020, 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 991,123,823 are outstanding and 1,981,904 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.

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

	Period ended 1 August 2020 '000	**Period ended 1 August 2020** in CHF m	Period ended 27 July 2019 '000	Period ended 27 July 2019 in CHF m
As at beginning of period	**2,518**	**99.9**	2,987	115.7
Release of treasury shares upon exercise of LTIP shares	**(25)**	**(1.0)**	(85)	(2.9)
Release of treasury shares as restricted shares	**(511)**	**(20.3)**	(384)	(12.9)
As at end of period	**1,982**	**78.6**	2,518	99.9

During the period ended 1 August 2020, the performance conditions associated with 25,684 Restricted Stock Unit awards were fulfilled (2019: 84,815). 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 (2019: CHF 10.33).

In addition, during the period ended 1 August 2020, 510,817 shares were issued out of treasury shares, in respect of restricted shares for non-executive directors (2019: 383,888).

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 Company Financial Statements (continued)

8 Participations

As at 1 August 2020, 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 2020	Number of shares % 2020
Shareholder Group[1]	**198,693,965**	**20.01%**
Black Creek Investment Management Inc.	**49,357,355**	**4.97%**
Norges Bank (the Central Bank of Norway)	**49,344,613**	**4.97%**
CI Financial Corp.[2]	**46,734,200**	**4.71%**
JO Hambro Investment Inc.[3]	**39,996,116**	**4.03%**
Deutsche Bank Aktiengesellschaft[4]	**30,226,101**	**3.04%**

1 The Shareholder Group comprises VERAISON SICAV - Engagement Fund; Francisco Garcia Parames and Maria Angeles Leon Lopez, Direct shareholder: Cobas Asset Management, SGIIC, S.A; KFRH Kamps Management GmbH; and Michaela Kamps.

2 As per an investment advisory agreement between CI and Black Creek, Black Creek is responsible for making discretionary investment decisions on behalf of the Funds and is authorized to exercise the voting rights for the securities held in the Funds at its own discretion.

3 JO Hambro Capital Management European Select Values Fund holds individually 3% or more voting rights.

4 DWS Investment GmbH has indirect participation.

Any significant shareholder notifications during the period, and since 1 August 2020, are available from the Group's website at: www.aryzta.com/investor-centre/shareholder-notifications.

9 Pension fund liability

The pension fund liability was CHF 21,610 at 1 August 2020 (2019: CHF 53,744).

Notes to the Company Financial Statements (continued)

10 Non-executive Directors and Executive Management share interests

Please refer to the ARYZTA AG Compensation Report on pages 64 to 82 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.

Beneficial interests at 1 August 2020 and 27 July 2019 were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of ordinary shares 2020	No. of restricted shares/ unvested RSUs 2020	Total 2020	Total 2019
Directors				
Gary McGann	**161,700**	**245,229**	**406,929**	278,128
Mike Andres	–	**84,274**	**84,274**	40,011
Luisa Delgado[1]	–	**38,281**	**38,281**	–
Greg Flack	–	**84,274**	**84,274**	40,011
Dan Flinter	**13,365**	**85,033**	**98,398**	53,736
Annette Flynn	**11,132**	**82,548**	**93,680**	48,620
Jim Leighton[2]	–	**84,274**	**84,274**	40,011
Tim Lodge	–	**72,885**	**72,885**	34,604
Andrew Morgan	–	**34,604**	**34,604**	34,604
Rolf Watter	**528,507**	**85,033**	**613,540**	118,878
Alejandro Zaragueta[1]	**132,000**	**38,281**	**170,281**	–
Executive Management				
Kevin Toland	**572,240**	–	**572,240**	97,240
Claudio Gekker	–	–	–	–
John Heffernan	**14,014**	–	**14,014**	14,014
Dave Johnson	–	–	–	–
Anthony Murphy	–	–	–	–
Robert O'Boyle	**111,397**	–	**111,397**	111,397
Rhona Shakespeare (nee O'Brien)	–	–	–	–
Frederic Pflanz	**100,000**	–	**100,000**	–
Chris Plüss	**76,863**	–	**76,863**	–
Gregory Sklikas	–	–	–	–
Tyson Yu	–	–	–	–
Total	**1,721,218**	**934,716**	**2,655,934**	911,254

1 Effective 14 November 2019, L. Delgado and A. Zaragueta were elected to the Board.
2 The Beneficial holding of J. Leighton in FY 2019 is held in the form of Restricted Stock Units.

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 1 August 2020 (2019: none).

Notes to the Company Financial Statements (continued)

Executive Management's interests in equity instruments under the LTIP

	Opening position FY 2020	No. of PSUs granted during the period[1]	No. of PSUs forfeited during the period[1]	No. of PSUs Closing position FY 2020[2]	Opening position FY 2020	No. of options granted during the period[1]	No. of options forfeited during the period[1]	No. of options Closing position FY 2020[2]
Executive Management								
Kevin Toland	**1,225,794**	1,192,927	–	**2,418,721**	1,936,777	–	–	**1,936,777**
Claudio Gekker	**326,547**	290,684	–	**617,231**	515,951	–	–	**515,951**
John Heffernan	**302,843**	336,827	–	**639,670**	397,324	–	–	**397,324**
Dave Johnson	**948,457**	671,795	–	**1,620,252**	1,561,245	–	–	**1,561,245**
Anthony Murphy	**378,554**	336,827	–	**715,381**	598,122	–	–	**598,122**
Robert O'Boyle	**324,731**	296,245	(620,976)	**–**	513,080	–	(513,080)	**–**
Rhona Shakespeare (nee O'Brien)	**174,135**	291,916	–	**466,051**	150,670	–	–	**150,670**
Frederic Pflanz	**668,779**	595,060	–	**1,263,839**	1,056,683	–	–	**1,056,683**
Gregory Sklikas[3]	**393,696**	758,809	–	**1,152,505**	340,645	464,067	–	**804,712**
Chris Plüss	**241,752**	252,804	–	**494,556**	381,973	–	–	**381,973**
Tyson Yu	**286,622**	284,221	–	**570,843**	452,867	–	–	**452,867**
Total	**5,271,910**	**5,308,115**	**(620,976)**	**9,959,049**	7,905,337	464,067	(513,080)	**7,856,324**

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

2 The FY19 and FY20 awards are unvested as at 1 August 2020.

3 By REMCO decision on 25 September 2019, G. Sklikas was granted an LTIP award equivalent to the value of two thirds of the FY18 LTIP.

Previous and discontinued compensation plans

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

	Options carried forward FY2020	Forfeited during the period FY 2020	Closing position FY 2020	Of which Vesting criteria have been fulfilled[2]
Executive Management				
Kevin Toland	–	–	–	–
Frederic Pflanz	–	–	–	–
John Heffernan	–	–	–	–
Anthony Murphy	–	–	–	–
Rhona Shakespeare (nee O'Brien)	–	–	–	–
Dave Johnson	–	–	–	–
Gregory Sklikas	–	–	–	–
Robert O'Boyle[1]	105,809	(105,809)	–	–
Claudio Gekker	–	–	–	–
Total current executive management	**105,809**	**(105,809)**	–	–
Owen Killian	3,526,961	(1,410,784)	2,116,177	2,116,177
Patrick McEniff	2,868,595	(1,175,654)	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	**7,100,948**	**(2,586,438)**	**4,514,510**	**4,514,510**
Total current and former executive management	**7,206,757**	**(2,692,247)**	**4,514,510**	**4,514,510**

1 On 31 July 2020 Robert O'Boyle resigned as COO APMEA.

2 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.

Notes to the Company Financial Statements (continued)

11 Post balance sheet events - after 1 August 2020

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. See page 175 within note 26 of the Group Consolidated Financial Statements above for further details on the Company's financial covenants.

Company Appropriation of Available Earnings

Appropriation of available earnings

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

in CHF '000	**2020**	2019
Balance of retained earnings carried forward	**564,526**	514,107
Net (loss)/profit for the period	**(1,229,410)**	50,419
Closing balance of retained earnings	**(664,884)**	564,526
Dividend payment from retained earnings	**–**	-
Balance of retained earnings to be carried forward	**(664,884)**	564,526

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2020

As statutory auditor, we have audited the accompanying financial statements of AG, which comprise the income statement, balance sheet and notes, for the period ended 1 August 2020.

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 187 to 197) for the period ended 1 August 2020 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 2020 (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 1 August 2020 ARYZTA AG holds direct and indirect investments in subsidiaries with a carrying amount of CHF 1'305 million (33% of total assets and 98% of total equity). When indicators of impairment are identified, ARYZTA AG estimates the recoverable amount of its investments. An impairment charge of CHF 1'320 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 2019/2020 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 190, Accounting policies, and note 5 on page 191 to 192, Details of investments.

Our audit response

We obtained an understanding of management's process to identify indicators of impairment of investments in subsidiaries and the process for estimating the recoverable amount of each investment.

- We tested the analysis prepared by management, which consisted of comparing the subsidiaries net-asset value resp. discounted cash-flow forecasts with the carrying amount of the investment.
- We tested the mathematical accuracy of the investment valuation model and also considered the results of the goodwill impairment testing 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 2020 (continued)

Adherence to financial covenants of the Group

Area of focus

The Group has outstanding credit facilities that are subject to contractual financial covenants that are required to be met. The Board of Directors and Management expect that there will not be a breach of covenants under the revised terms that would cause the financing institutions to renegotiate the terms of the credit facilities or to accelerate repayment of the current facilities during the 2020/21 financial period. The adherence of financial covenants is monitored on a biannual basis. The future compliance with these financial covenants is dependent on the achievement of forecasts and the accuracy of Management's assumptions and judgement around uncertainties including those relating to the outbreak of COVID-19.

Due to the significant involvement of subjective judgements by management in the financial forecast and covenant compliance, this matter was considered significant to our audit.

We refer to the Notes of the consolidated financial statements, note 1, page 109.

Our audit response

We analysed the Group's forecast for Half-Year and Financial Year 2021 to gain an understanding of the likelihood of adhering to the financial covenants, and discussed with Management the underlying assumptions used, the basis for their evaluation and sensitivities. Further, we gained an understanding of Management's application of judgement related to uncertainties, including the expected impact of COVID-19.

As part of our assessment of the appropriateness of the underlying assumptions used in the forecasts for 2020/21, we performed the following procedures amongst others:

- We gained an understanding of judgement related to uncertainties, including COVID-19 impact and challenged the reasonableness of key assumptions addressing revenue, expenses and overheads including reconciliation of forecast cash flows to budgets approved by the Board, as well as a comparison with recent actual results. We applied professional skepticism when assessing the key assumptions made by management.
- We assessed the consistency of the cash flow forecasts with audit evidence obtained in other areas of the audit, including the goodwill impairment assessment.
- We recalculated management's forecasted covenant ratio compliance calculations to assess for potential breaches for the annual and interim test for 2020/21 financial period.
- We obtained evidence of the agreements with lenders confirming waivers granted and covenant resets for the covenant test at the period end date and both the annual and interim test for 2020/21 financial period.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2020 (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, 6 October 2020

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Key dates to October 2021

Annual General Meeting 2020	11 November 2020
First-quarter revenue update	1 December 2020
Announcement of half-year results 2021	16 March 2021
Third-quarter revenue update	1 June 2021
Announcement of the 2021 annual results	5 October 2021

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