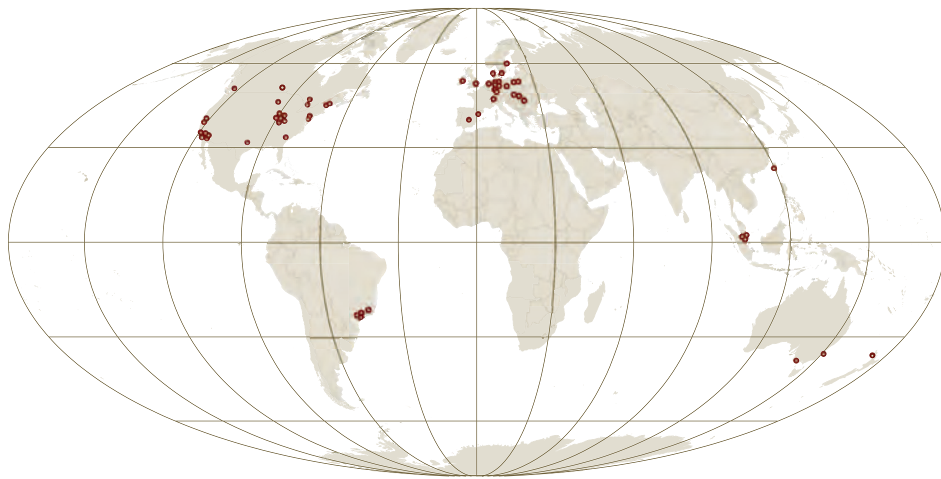
2019
Annual Report and Accounts

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

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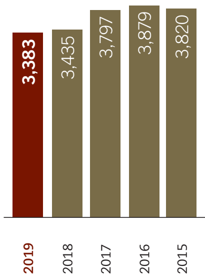
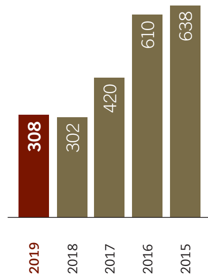
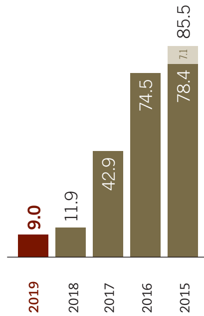
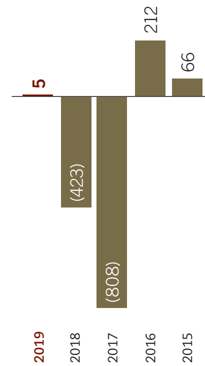
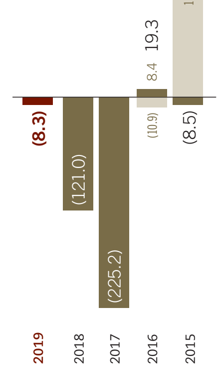










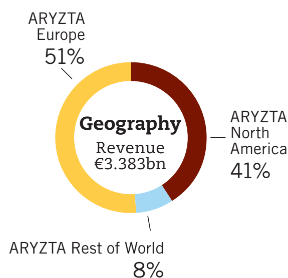
continuing operations / discontinued operations

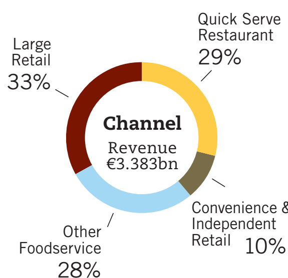
ARYZTA Group

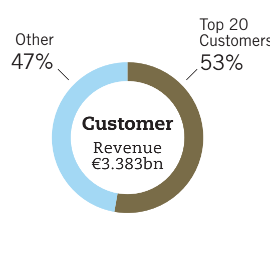
Revenue €3.383bn

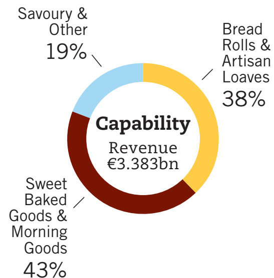
53 Bakeries

29 Countries









1 See glossary on page 21 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.

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Letter to Shareholders

Dear Shareholder,

Period in Review
While the financial performance in the 2019 financial year ('FY19') is not yet where we want or expect it to be, we have delivered overall organic revenue stability and improving performance against a series of measures. Revenue of €3.383bn shows a year-on-year decline of 1.5%, while organic revenue in the period was flat. Group Underlying EBITDA increased by 1.9% and EBITDA margin improved by 30 bps. All measures of Group profitability have improved within the period. Your Board believes that the steps we have taken, and continue to take, have put the business on a better defined path towards stability, performance and growth.

Focused on the Core
Consistent with our focus on our core frozen B2B bakery business, we continue to dispose of non-core or non-strategic assets. Our objective is to generate €450 million from this programme, with proceeds committed to continued net debt reduction. Last week, we announced the receipt of a binding offer to sell the majority of our interest in Picard for a total consideration of €156m. Including Picard, we would realise €380m net proceeds from our non-core asset disposal programme.

Project Renew
Project Renew forms a central part of our three year turnaround plan and is intended to improve ARYZTA's operating efficiency in order to enhance our competitive positioning. We expect this programme to deliver €200 million in savings over three years and €90 million of annual run rate savings by FY21. Project Renew is 12 months into a 36 month programme and we are now seeing its initial benefits.

Board Renewal
As part of our ongoing process of Board refreshment and renewal, we announced, subject to shareholder approval, the appointment of Luisa Delgado and Alejandro Legarda Zaragüeta to your Board. Luisa, a Swiss national, brings significant B2B experience across Continental Europe to the Board. Alejandro, a Spanish national, is a highly skilled senior executive with significant management and non-executive director experience within various sectors including in food related industries. Andrew Morgan will not be seeking re-election to the Board at this AGM after six years as a Board member. I would like to thank Andrew for his significant contribution to the Company. Following the 2019 AGM, subject to the election of all Directors, the ARYZTA Board will comprise 11 Directors (of which 10 are deemed as independent under The Swiss Code of Best Practice for Corporate Governance) with an average tenure of less than two years.

Culture & Behaviour
Your Board's objective is to foster an inclusive, performance-oriented culture through team-work, the pursuit of excellence and an ownership mindset. A broad-based, unifying culture, that permeates every level of our organisation, will positively contribute to ARYZTA and each of its stakeholders. Our values are consistent with and support our culture. Those values are: Integrity, by aligning our actions with our words and delivering on each of our commitments; Creativity, by continuously encouraging new ideas and constructive challenge; Care, embracing ARYZTA's passion for our people and our product; fostering a safe, diverse and inclusive work environment which allows

Letter to Shareholders (continued)

our people to realise their full potential; Ownership, which encourages and empowers individual performance while prioritising collaboration through teamwork; Customer Focus, including an unrelenting emphasis on operating excellence and the customer, which is at the heart of everything we do and committing resources to meet and to exceed their needs. Finally, we maintain an absolute priority on food safety & quality.

Capital Raise
In November 2018, we completed a necessary capital raise, with net proceeds of €739.5m to strengthen our balance sheet, to fund our liquidity and working capital requirements and to finance Project Renew. Our objective is to deploy the capital that you have entrusted us with as effectively as we can. We recognise that this was a difficult process and we very much appreciate the shareholders' support.

Shareholder Engagement
We have set shareholder engagement and, more broadly, stakeholder engagement as an important priority for ARYZTA. Our objective is to restore an open, trusted and transparent dialogue between ARYZTA and its shareholders. Following our 2018 AGM, we committed to consult with those shareholders who opposed or had reservations about the capital increase resolution. We have engaged with those shareholders and their concerns have been shared with your Board. We continue to build a constructive dialogue with all shareholders.

Outlook
In FY19, we have delivered a gradual yet consistent improvement against earnings measures. In a broader sense, FY19 is about establishing the foundations for performance. This includes enhanced operating efficiency and competitive positioning through Project Renew. It also includes the re-organisation of existing management structures to accelerate the pace of change. Operationally, it involves the optimisation of our existing bakery network, through capacity consolidation, and delivering on the first phase of our automation projects.

The steps we have taken have established stronger foundations on our path towards stability, performance and growth.

Gary McGann
Chair, Board of Directors
8 October 2019

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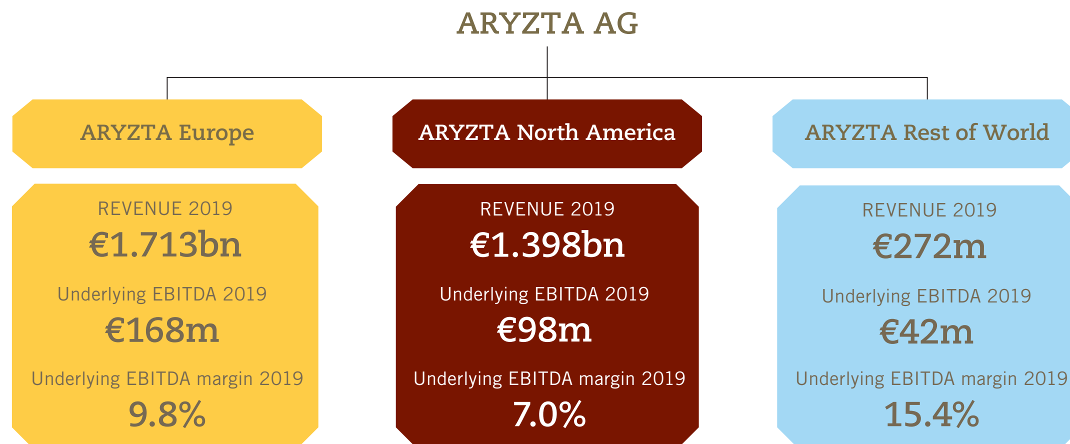
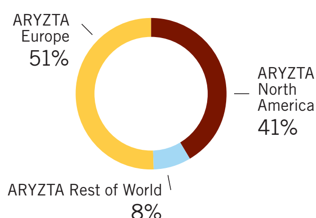
Business Overview

About ARYZTA

Reporting Segments

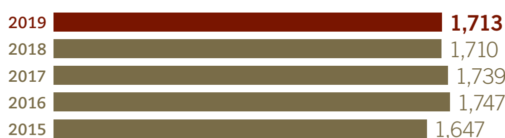


Segmental Revenue



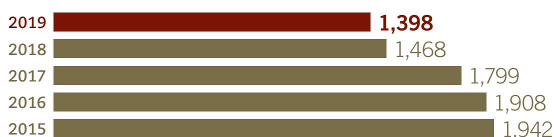
Revenue ARYZTA Europe

in EUR million



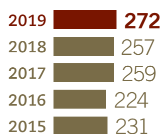
Revenue ARYZTA North America

in EUR million

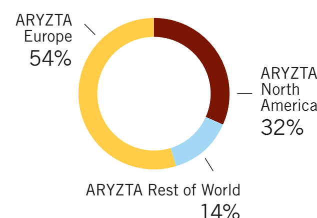


Revenue ARYZTA Rest of World

in EUR million

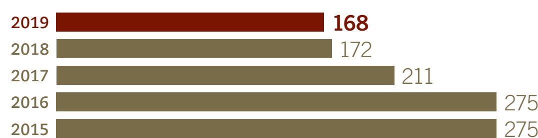


Segmental Underlying EBITDA



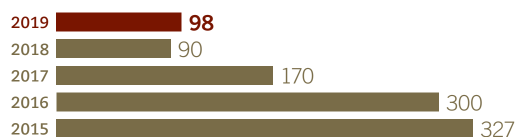
Underlying EBITDA ARYZTA Europe

in EUR million



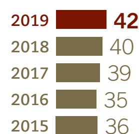
Underlying EBITDA ARYZTA North America

in EUR million



Underlying EBITDA ARYZTA Rest of World

in EUR million



Annual Report and Accounts 2019
Financial and Business Review

1 Underlying Income Statement and reconciliation to IFRS

in EUR `000	FY 2019	FY 2018	% Change
Group revenue	3,383,425	3,435,422	(1.5)%
Underlying EBITDA[1]	307,508	301,822	1.9%
Underlying EBITDA margin	9.1%	8.8%	30 bps
Depreciation	(137,584)	(136,886)	(0.5)%
Underlying EBITA[1]	169,924	164,936	3.0%
Joint ventures underlying profit, net of interest and tax	27,555	22,755	21.1%
Underlying EBITA including joint ventures	197,479	187,691	5.2%
Finance cost, net	(50,723)	(73,568)	31.1%
Hybrid instrument dividend	(38,902)	(32,057)	(21.4)%
Underlying pre-tax profits	107,854	82,066	31.4%
Income tax	(33,540)	(32,449)	(3.4)%
Underlying net profit[1]	**74,314**	**49,617**	**49.8%**
Underlying diluted EPS (cent)[2]	**9.0**	**11.9**	**(24.4)%**

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

2 The 31 July 2019 weighted average number of ordinary shares used to calculate underlying earnings per share is 822,720,246 (2018: 416,289,541). Comparatives have been restated to include the effect of the bonus issue of shares pursuant to the November 2018 rights issue.

in EUR `000	FY 2019	FY 2018
Underlying EBITDA	307,508	301,822
Depreciation	(120,758)	(119,850)
ERP amortisation	(16,826)	(17,036)
Underlying EBITA	169,924	164,936
Amortisation of other intangible assets	(135,872)	(155,642)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	(6,988)	(183,316)
Impairment of goodwill	–	(175,000)
Net loss on fixed asset disposals and impairments	(4,787)	(4,467)
Restructuring-related costs	(17,143)	(69,825)
IFRS operating profit/(loss)	5,134	(423,314)
Share of profit after interest and tax of joint ventures	27,629	15,156
Net gain on disposal of joint venture	–	1,468
Finance cost, net	(50,723)	(73,568)
RCF termination costs	–	(12,415)
Loss before income tax	(17,960)	(492,673)
Income tax (charge)/credit	(11,190)	22,697
IFRS loss for the year	**(29,150)**	**(469,976)**
Hybrid instrument dividend	(38,902)	(32,057)
Loss used to determine basic EPS	(68,052)	(502,033)
IFRS diluted loss per share (cent)[3]	**(8.3) cent**	**(121.0) cent**

3 The 31 July 2019 weighted average number of ordinary shares used to calculate IFRS diluted loss per share is 822,613,220 (2018: 415,040,772). Comparatives have been restated to include the effect of the bonus issue of shares pursuant to the November 2018 rights issue.

Financial and Business Review (continued)

2 Organic revenue

in EUR million	ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World	ARYZTA Group
Revenue	**1,713.3**	**1,397.9**	**272.2**	**3,383.4**
Organic movement	**1.9%**	**(3.8)%**	**8.9%**	**0.0%**
Disposals movement	(1.8)%	(4.8)%	–	(2.9)%
Currency movement	0.1%	3.8%	(2.9)%	1.4%
Total revenue movement	**0.2%**	**(4.8)%**	**6.0%**	**(1.5)%**

Quarterly organic revenue

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
ARYZTA Europe					
Volume %	(0.1)%	1.4%	0.7%	(3.3)%	(0.3)%
Price/Mix %	2.1%	0.5%	3.7%	2.7%	2.2%
Organic movement %	**2.0%**	**1.9%**	**4.4%**	**(0.6)%**	**1.9%**
ARYZTA North America					
Volume %	(2.1)%	(1.7)%	(4.9)%	(12.5)%	(5.1)%
Price/Mix %	(0.7)%	0.8%	1.1%	4.5%	1.3%
Organic movement %	**(2.8)%**	**(0.9)%**	**(3.8)%**	**(8.0)%**	**(3.8)%**
ARYZTA Rest of World					
Volume %	6.1%	2.0%	3.3%	6.0%	4.4%
Price/Mix %	1.6%	3.7%	5.6%	7.7%	4.5%
Organic movement %	**7.7%**	**5.7%**	**8.9%**	**13.7%**	**8.9%**
ARYZTA Group					
Volume %	(0.6)%	0.1%	(1.4)%	(6.3)%	(2.0)%
Price/Mix %	0.9%	0.9%	2.7%	3.8%	2.0%
Organic movement %	**0.3%**	**1.0%**	**1.3%**	**(2.5)%**	**0.0%**

Financial and Business Review (continued)

3 Segmental Underlying EBITDA

in EUR `000	FY 2019	FY 2018	% Change	Underlying EBITDA Margin FY 2019	Underlying EBITDA Margin FY 2018	Change
ARYZTA Europe	167,705	171,977	(2.5)%	9.8%	10.1%	(30) bps
ARYZTA North America	97,993	89,902	9.0%	7.0%	6.1%	90 bps
ARYZTA Rest of World	41,810	39,943	4.7%	15.4%	15.6%	(20) bps
ARYZTA Underlying EBITDA	**307,508**	**301,822**	**1.9%**	**9.1%**	**8.8%**	**30 bps**

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.

Total revenue decreased by (1.5)% to €3.4bn during the year ended 31 July 2019, due to disposals reducing revenue by (2.9)% and currency positively impacting revenue by 1.4%. Organic revenue was flat, with positive price/mix impact of 2.0% offsetting volume losses of (2.0)%.

ARYZTA North America organic revenue declined by (3.8)%, driven primarily by volume losses, while ARYZTA Europe experienced 1.9% organic revenue growth, driven by increases in price/mix, and ARYZTA Rest of World organic revenue grew by 8.9%, driven by both increases in price/mix and volume.

Group Underlying EBITDA for the year ended 31 July 2019 was €307.5m, which represents an increase of 1.9% compared to the prior year ended 31 July 2018, while EBITDA margins increased by 30 bps to 9.1%.

The results for the year ended 31 July 2019 were consistent with the Group's focus on revenue and earnings stability and represent a step towards delivery of a multi-year turnaround commitment. The business is developing a united cohesive group, with a singular focus on core strengths within a growing frozen B2B bakery market, through both Project Renew, intended to enhance operating efficiency and competitive positioning of ARYZTA, and with the re-organisation of existing management structures and the disposal of non-core assets.

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 increased by 0.2% to €1,713.3m during the year ended 31 July 2019. Organic revenue growth of 1.9% was a result of a 2.2% benefit from ongoing price/mix improvement, reflecting recovery of cost inflation and a focus on margin improvement, offset by (0.3)% decrease in volumes.

Financial and Business Review (continued)

There were positive revenue performances across Switzerland, France, Poland and Hungary, while trading was flat in Germany, despite the impact of insourcing. Favourable currency movements impacted revenue by 0.1%, while the disposal of businesses in Ireland during January 2018 and two bakeries during FY19 resulted in a (1.8)% revenue decline.

ARYZTA Europe Underlying EBITDA for the year ended 31 July 2019 was €167.7m, which represents a decrease of (2.5)% compared to the prior year ended 31 July 2018, while EBITDA margins decreased by (30) bps to 9.8%, primarily in connection with the decreased margins on partial pass through of increased raw materials and logistics costs, and lower operating leverage following customer insourcing. There was H2-19 EBITDA margin progression of 40 bps versus H1-19, due primarily to the initial benefits seen from Project Renew.

As detailed in Section 9 on page 14 and 15, during the year ARYZTA Europe recorded a loss on disposal of businesses of €5.0m, and a loss of €1.8m on impairment and disposal of fixed assets and investment properties. In addition, ARYZTA Europe incurred €10.2m of other restructuring-related costs, primarily severance and staff-related costs and advisory and other costs, incurred as a direct result of rationalisation and consolidation of management functions across the region as part of Project Renew.

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 (4.8)% to €1,397.9m during the year ended 31 July 2019. Organic revenue declined by (3.8)%, with positive price/mix of 1.3% partially offsetting volume declines of (5.1)%.

Trading during the year remained challenging across both the Retail and Other Foodservice channels, while revenues from the QSR channel were stable over the year. Favourable currency movements supported revenue by 3.8%, while the disposal of the Cloverhill Chicago and Cicero bakeries negatively impacted revenue by (4.8)%.

ARYZTA North America Underlying EBITDA for the year ended 31 July 2019 was €98.0m, which represents an increase of 9.0% compared to the prior year ended 31 July 2018, while EBITDA margins increased 90 bps to 7.0%. These movements were driven by early benefits from Project Renew, with a significant de-layering of management leading to significant SG&A savings, together with bakery-level efficiency gains, and a sustained focus on cost control. The business remains focused on stabilising performance through a clear focus on customer relationships, customer pipeline and improved operating efficiency.

As detailed in Section 9 on page 14 and 15, during the year ARYZTA North America recorded a loss on the finalisation of the disposal of the Cloverhill businesses of €2.0m, as well as €3.0m of other fixed asset impairments. In addition, ARYZTA North America incurred €6.9m of other restructuring-related costs, primarily related to severance and staff-related costs, and advisory and other costs, incurred as a direct result of

Financial and Business Review (continued)

consolidation of bakeries and rationalisation of management functions during the year as part of Project Renew.

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% of total Group revenue and 13.6% 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 increased by 6.0% to €272.2m during the year ended 31 July 2019. Organic revenue increased by 8.9%, as a result of strong 4.4% volume growth with global strategic customers, as well as others across the region, combined with positive price/mix of 4.5%. Unfavourable currency movements reduced revenue by (2.9)%.

ARYZTA Rest of World Underlying EBITDA for the year ended 31 July 2019 was €41.8m, which represents a 4.7% overall increase, while Underlying EBITDA margins decreased by 20 bps to 15.4%.

Financial and Business Review (continued)

8 Joint ventures

ARYZTA owns a 47.8% interest in Picard, which operates an asset-light B2C platform focused on premium speciality food. Picard is located primarily in France, is separately managed and has separately funded debt structures, which are non-recourse to ARYZTA.

While Picard is not considered part of ARYZTA's long-term strategy, disposal of the Group's investment is currently only possible with agreement of both joint venture partners. Therefore, for FY19 the Group's investment continues to be accounted on a historical cost basis using the equity method of accounting, rather than at recoverable value as an asset held-for-sale.

As announced on 4 October 2019, subsequent to the end of the financial year, the Group received a binding offer from Invest Group Zouari ('IGZ') to purchase 43.3% of its 47.8% holding in Picard for gross consideration of €156m. ARYZTA retains a 4.5% interest in Picard, to be recorded as a financial investment at fair value. The transaction is subject to customary regulatory approvals and a works council consultation process in France and is expected to close in the last quarter of calendar year 2019.

Picard had revenue of €1,422.8m during the year ended 31 July 2019 and delivered an underlying contribution to ARYZTA of €27.6m, after interest and tax. The retail environment in France is challenging, however Picard remains well positioned as the leading frozen food retailer in France.

During the prior year ended 31 July 2018, ARYZTA received dividends from Picard totalling €91.0m.

During March 2018, the Group sold its 50% interest in Signature Flatbreads for net proceeds of €34.9m, which resulted in a net gain on disposal of €1.5m, compared to the Group's carrying value of €32.8m, and associated cumulative foreign currency translation reserve losses of €0.6m since the initial investment. Signature Flatbreads is therefore no longer included within results from joint ventures for the year ended 31 July 2019.

in EUR `000	**Picard FY 2019**	Picard FY 2018	**Signature FY 2019**	Signature FY 2018	**Total FY 2019**	Total FY 2018
Revenue	**1,422,772**	1,449,671	–	83,844	**1,422,772**	1,533,515
Underlying EBITDA	**194,434**	207,272	–	11,689	**194,434**	218,961
Underlying EBITDA margin	**13.7%**	14.3%	–	13.9%	**13.7%**	14.3%
Depreciation	**(30,858)**	(31,201)	–	(3,299)	**(30,858)**	(34,500)
Underlying EBITA	**163,576**	176,071	–	8,390	**163,576**	184,461
Finance cost, net	**(57,415)**	(84,984)	–	(260)	**(57,415)**	(85,244)
Pre-tax profit	**106,161**	91,087	–	8,130	**106,161**	99,217
Income tax	**(48,479)**	(50,868)	–	(1,769)	**(48,479)**	(52,637)
Joint venture underlying net profit	**57,682**	40,219	–	6,361	**57,682**	46,580
ARYZTA's share of JV underlying net profit	**27,555**	19,575	–	3,180	**27,555**	22,755

Financial and Business Review (continued)

9 Impairment, disposal and restructuring

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.

During the year ended 31 July 2019, Project Renew has delivered €26m of benefits, with a run-rate of €40m of annualised savings, in-line with the level of savings expected during these initial stages of the programme. These benefits relate primarily to improvements in the operating model through European operating model headcount reductions, significant management de-layering in North America, as well as manufacturing efficiency gains within bakery operations, and procurement and supply chain optimisation across both segments.

During the year ended 31 July 2019, the Group incurred the following amounts related to impairment, disposal and restructuring:

in EUR `000	Impairment/ Disposal FY 2019	Restructuring FY 2019	Total FY 2019	Total FY 2018
Net loss on disposal of businesses and impairment of disposal groups held for sale	(6,988)	–	**(6,988)**	(183,316)
Impairment of goodwill	–	–	**–**	(175,000)
Impairment and disposal of fixed assets and investment property	(4,787)	–	**(4,787)**	(4,467)
Labour-related business interruption	–	–	**–**	(41,443)
Severance and other staff-related costs	–	(9,836)	**(9,836)**	(15,151)
Other costs including advisory	–	(7,307)	**(7,307)**	(13,231)
Net impairment, disposal and restructuring-related costs	**(11,775)**	**(17,143)**	**(28,918)**	**(432,608)**

Impairment and disposal-related costs

Net loss on disposal of businesses and impairment of disposal groups held for sale
During the year ended 31 July 2019, the Group disposed of two non-core businesses in Europe, which had been accounted for as part of disposal groups held-for sale at July 2018. As the €3.1m proceeds received, net of associated transaction costs, was 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 the year ended 31 July 2018, a €48.8m loss on impairment of disposal groups held-for-sale had been recognised in relation to these two non-core businesses. In addition, during January 2018, the Group disposed of a business in Europe, which resulted in a €1.4m gain on disposal.

During the year ended 31 July 2018, the Group agreed to dispose of the Cloverhill Chicago and Cicero facilities in North America. A loss on disposal of €135.9m was recognised

Financial and Business Review (continued)

during the year ended 31 July 2018 related to these facilities. During the year ended 31 July 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
There was no impairment of goodwill during the year ended 31 July 2019.

Following significant reductions in estimated profitability, the Group recorded a €175.0m goodwill impairment charge in Germany during the year ended 31 July 2018. Further detail on the prior year goodwill impairment is included in note 14 in the IFRS financial statements on pages 126 to 129.

Impairment and disposal of fixed assets and investment property
During the year ended 31 July 2019, the Group incurred a net loss on the disposal and impairment of various fixed assets and investment properties totalling €4.8m (2018: €4.5m).

Restructuring-related costs

Prior year labour-related business interruption costs
The €16.3m of labour-related business interruption costs experienced in the North America Cloverhill facilities during the last three months of the financial year ended 31 July 2017 continued into the financial year ended 31 July 2018, during which the group incurred €41.4m of further losses. As these businesses have since been disposed of, no such costs were incurred during the year ended 31 July 2019.

Severance and other staff-related costs
During the year ended 31 July 2019, the Group incurred €9.8m (2018: €15.2m) 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 year ended 31 July 2019, the Group incurred €7.3m in costs related to the design and implementation of Project Renew across Europe and North America.

During the year ended 31 July 2018, the Group incurred €13.2m in costs related to the reorganisation of the North America business and a group-wide strategic business review.

Financial and Business Review (continued)

10 Cash generation

in EUR `000	FY 2019	FY 2018
Underlying EBITDA	307,508	301,822
Working capital movement	(26,463)	(33,470)
Working capital movement from debtor securitisation[1]	(13,842)	(19,430)
Capital expenditure	(85,397)	(87,146)
Renew capital expenditure	(19,524)	–
Proceeds from sale of fixed assets and investment property	6,000	15,945
Restructuring-related cash flows	(24,746)	(69,884)
Operating free cash generation	**143,536**	**107,837**
Dividends received from joint venture	–	91,018
Hybrid instrument dividend paid	–	–
Interest and income tax	(85,704)	(82,354)
Recognition of deferred income from government grants	(3,937)	(3,871)
Other	(1,137)	(2,167)
Cash flow generated from activities	**52,758**	**110,463**

1 Total debtor balances securitised as of 31 July 2019 is €190m (2018: €199m).

11 Net debt and investment activity

in EUR `000	FY 2019	FY 2018
Opening net debt as at 1 August	**(1,510,264)**	**(1,733,870)**
Cash flow generated from activities	52,758	110,463
Disposal of businesses, net of cash and finance leases	3,129	101,599
Disposal of joint venture	–	34,948
RCF termination costs	–	(12,415)
Proceeds from issue of shares	739,505	–
Foreign exchange movement	(11,336)	(4,716)
Other[1]	(7,068)	(6,273)
Closing net debt as at 31 July	**(733,276)**	**(1,510,264)**

1 Other comprises primarily amortisation of upfront financing costs.

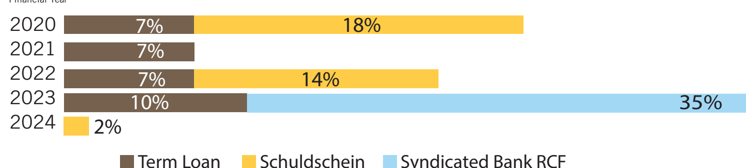
As of 31 July 2019, the Group's gross term debt financing facilities, related capitalised upfront borrowing costs, finance leases, net of overdrafts and cash balances were as follows:

in EUR '000	July 2019
Syndicated Bank RCF	(394,179)
Term loan facility	(353,368)
Schuldschein	(385,284)
Gross term debt	**(1,132,831)**
Upfront borrowing costs	21,966
Term debt, net of upfront borrowing costs	**(1,110,865)**
Finance leases	(291)
Cash and cash equivalents, net of overdrafts	377,880
Net debt	**(733,276)**

Financial and Business Review (continued)

As of 31 July 2019, the weighted average interest cost of the Group debt financing facilities is 1.7% (2018: 3.2%) and the weighted average maturity of the Group gross term debt is 2.2 years.

Gross Term Debt Maturity Profile
July 2019



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 are now as follows:

- Leverage covenant (Net Debt: EBITDA):
  - maximum 3.5x
- Interest cover covenant (EBITDA: Net interest, including Hybrid dividend):
  - minimum 2.0x until July 2019
  - minimum 3.0x thereafter

The Group’s key financial ratios were as follows:

	July 2019	July 2018
Net Debt: EBITDA[1]	2.43x	3.83x
EBITDA: Net interest, including Hybrid dividend[1]	3.45x	3.72x

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 the year ended 31 July 2019, of which €15.8m is recognised within share capital, and €723.7m within share premium.

Financial and Business Review (continued)

12 Hybrid funding

As of 31 July 2019, the Group has €866.3m of Hybrid funding principal outstanding, as reflected in the table below.

Perpetual Callable Subordinated Instruments		Coupon	Coupon rate if not called	in EUR '000
Not called	CHF 400m	5.3%	6.045% +3 Month Swiss Libor	(362,355)
Not called	EUR 250m	6.8%	6.77% +5 Year Euro Swap Rate	(250,000)
First call April 2020	CHF 190m	3.5%	4.213% +3 Month Swiss Libor	(172,119)
Hybrid funding principal outstanding at 31 July 2019 exchange rates				**(784,474)**
Hybrid instrument deferred dividends				(81,846)
Total hybrid funding outstanding at 31 July 2019 exchange rates				**(866,320)**

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 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 12 months, as of 31 July 2019 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:

in EUR `000	FY 2019	FY 2018
Balance at 1 August	(41,071)	(9,032)
Hybrid instrument deferred dividend	(38,902)	(32,057)
Translation adjustments	(1,873)	18
Balance at 31 July	**(81,846)**	**(41,071)**

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 2019	Average 2018	% Change	Closing 2019	Closing 2018	% Change
CHF	1.1310	1.1629	2.7%	1.1039	1.1578	4.7%
USD	1.1378	1.1951	4.8%	1.1149	1.1651	4.3%
CAD	1.5055	1.5210	1.0%	1.4672	1.5219	3.6%
GBP	0.8825	0.8863	0.4%	0.8955	0.8888	(0.8)%

Financial and Business Review (continued)

14 Return on invested capital

in EUR million	ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World	ARYZTA Group
2019				
Segmental net assets	1,315	1,341	175	2,831
TTM EBITA	101	41	31	173
ROIC[1,2]	7.7%	3.0%	17.8%	6.1%
2018				
Segmental net assets	1,354	1,331	177	2,862
TTM EBITA	102	34	30	166
ROIC[1,2]	7.6%	2.6%	17.0%	5.8%

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

2 Group WACC on a pre-tax basis is currently 8.5% (2018: 8.5%).

15 Net assets, goodwill and intangibles

in EUR `000	July 2019	July 2018
Property, plant and equipment	1,248,835	1,243,692
Investment properties	12,185	14,574
Goodwill and intangible assets	1,964,298	2,057,703
Deferred tax on goodwill and intangibles	(81,634)	(104,075)
Working capital	(246,838)	(285,830)
Other segmental liabilities	(66,170)	(71,047)
Assets of disposal groups held-for-sale	–	7,000
Segmental net assets	2,830,676	2,862,017
Investments in joint ventures	447,678	420,016
Net debt	(733,276)	(1,510,264)
Deferred tax, net excl. tax on goodwill and intangibles	(43,100)	(33,842)
Income tax payable	(65,528)	(65,506)
Derivative financial instruments	(303)	439
Net assets	**2,436,147**	**1,672,860**

16 Dividend

No dividend is planned to be proposed for the year ended 31 July 2019. No dividend was proposed or paid for the year ended 31 July 2018.

The dividend for the year ended 31 July 2017 was approved at the Annual General Meeting held on 7 December 2017, to be settled as a scrip dividend via newly issued share capital, based on a ratio of one new share for every 80 shares held. Accordingly, a total of 1,110,253 new shares, with a par value of CHF 0.02 per share, were issued to shareholders holding shares in ARYZTA AG on 29 January 2018, resulting in €33,962,000 being recognised within equity, based on the market price of the shares at the date of approval.

Financial and Business Review (continued)

17 Post balance sheet events – after 31 July 2019

As announced on 4 October 2019, the Group received a binding offer from Invest Group Zouari ('IGZ') to purchase 43.3% of its 47.8% holding in Picard for gross consideration of €156m. ARYZTA would retain a 4.5% interest in Picard, to be recorded as a financial investment at fair value. The transaction is subject to a works council consultation process in France and to customary regulatory approvals. Subject to ARYZTA's acceptance of the offer following completion of the works council consultation process, the transaction is expected to close in the last quarter of calendar year 2019. Upon completion, the proposed transaction is expected to generate a material one-off non-cash accounting loss, currently estimated to be c. €280m based on year end 2019 carrying value. This loss could change depending on the timing of when the proposed transaction closes, as the results for Picard would continue to be consolidated under the equity method of accounting until then.

During October 2019, the Group completed the disposal of its UK Food Solutions business within the Europe operating segment for gross consideration of €8m. The transaction is expected to result in a loss relating to derecognition of goodwill and recycle of cumulative foreign currency translation loss since the initial investment.

These disposals are consistent with ARYZTA's strategy to focus on its frozen B2B bakery operations and exit non-core businesses.

In Switzerland, changes to the Swiss federal and the canton of Zurich tax laws, which eliminated certain favourable tax regimes, were substantively enacted in May and September 2019 respectively. As substantive enactment at the Zurich cantonal level had not taken place until after the reporting date of 31 July 2019, no adjustments to ARYZTA's deferred tax position have been reported in the balance sheet.

If reflected, this would have led to an estimated €11m additional deferred tax expense and would have resulted in no change in current tax expense. Changes in the tax laws in other Swiss cantons in which the Group operates are still under discussion.

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 page 71 to continue to reflect the principal risks and uncertainties of the Group.

19 Forward looking statement

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

Financial and Business Review (continued)

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.

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

'Underlying EBITA' – presented as earnings before interest, taxation and non-ERP related intangible amortisation; before impairment, disposal and restructuring-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 non-recurring 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 profit' – presented as reported net profit, adjusted to include the Hybrid instrument dividend as a finance cost; before non-ERP related intangible amortisation; before RCF and private placement early redemption-related costs and before impairment, disposal and restructuring-related costs, net of related income tax impacts. The Group utilises the underlying net profit measure to enable comparability of the results from period to period, without the impact of transactions that do not relate to the underlying business.

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

'ROIC' – Return On Invested Capital is calculated using a pro-forma trailing twelve month segmental 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.

Annual Report and Accounts 2019

Corporate Governance Report

Performance and Strategy

While ARYZTA has made progress on a number of fronts, the financial performance during the financial year ended 31 July 2019 ('FY19') is not yet where we want or expect it to be. The Board of Directors ('Board') believes that the steps it has taken, and continues to take, are putting the business on a better defined path towards stability, performance and growth.

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. Following approval by the shareholders 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 net proceeds received upon completion of the rights issue resulted in an injection of €739.5m into the business, net of related transaction costs, which was recognised within equity during the period ended 31 January 2019. €15.8m of this is recognised within share capital, and €723.7m within share premium.

ARYZTA's strategy is to focus on managing, improving and growing our strong international base and our leading position in B2B Frozen Bakery and European bakery driven food solutions. Through a clear and relentless focus on customers and enhanced operating efficiency, the Board remains confident in the underlying strength of the business.

ARYZTA Board and Executive Management

At the ARYZTA 2018 Annual General Meeting ('AGM'), Chuck Adair retired without seeking re-election and Mike Andres, Greg Flack and Tim Lodge were elected to the Board. The Company owes a debt of gratitude to Chuck for his long service through very challenging times.

In addition, as part of a continued programme of Board refreshment, ARYZTA announced the nomination of two potential new independent non-executive directors to the Board. Subject to shareholder approval at the AGM on 14 November 2019, Luisa Delgado and Alejandro Legarda Zaragüeta will be elected to the Board. Full biographical details of Luisa and Alejandro will be included in the 2019 AGM invitation.

Luisa is an accomplished leader and director with almost 30 years of international experience across multiple industries including luxury optical, IT, retail and particularly fast moving consumer goods (FMCG). Luisa is currently a member of the supervisory board of INGKA Holding BV (the holding company of IKEA) and Zertus Group and is a board member of AO World plc and Barclays Bank Suisse SA. She will undoubtedly be a very valuable addition to the Board. We believe that ARYZTA increasingly 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.

Alejandro is a highly skilled 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

Corporate Governance Report (continued)

S.A. (CAF), a listed group which manufactures railway vehicles and signalling equipment and stayed on as a director of the board until 2019. Alejandro was an independent director of Viscofan S.A., a listed group and the world leader in the manufacturing and commercialization of casings for meat products, with commercial presence in over 100 countries around the world. He was an independent director for Pescanova and non-executive director of Nueva Pescanova, a multinational fishing, farming and processing group. Amongst the boards he served on, Alejandro was executive chairman of the board of Nortegas Energía y Distribución S.A., the second largest gas distributor in Spain and a director of Duro Felguera S.A., a listed group specializing in executing turnkey projects for the energy, industrial and oil & gas sectors.

Andrew Morgan will not seek re-election to the Board at the 2019 AGM. The Board would like to extend its sincere appreciation to Andrew for his services to ARYZTA over the past six years. He played a significant role on the Board and we are grateful for the commitment he has shown to the company during his tenure. We wish him every success for the future.

Since the commencement of Rhona O'Brien, General Counsel and Company Secretary, on 11 September 2018, the Executive Management team comprised: Kevin Toland, CEO; Frederic Pflanz, CFO; Gregory Sklikas, CEO Europe; Dave Johnson, CEO North America; Claudio Gekker, COO Latin America; Robert O'Boyle, COO APMEA; John Heffernan, Chief Strategy Officer; Tony Murphy, Chief People Officer; and Rhona O'Brien.

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. A number of updates to the Articles of Association will be proposed by the Board for shareholder approval at the upcoming AGM on 14 November 2019.

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 lead by example. Biographical details of the Directors are provided on pages 35 to 38. 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

At 31 July 2019, the Board of ARYZTA consisted of the Chair, one executive director and six non-executive directors. The Board's policy is that a majority of its membership consists of independent non-executive directors, as determined by the Swiss Code of Best Practice for Corporate Governance (the 'Swiss Code'). The Board confirms that it is, and was throughout FY19, fully compliant with the Swiss Code.

Corporate Governance Report (continued)

In June 2018, after careful consideration, the Company entered into a six-month consultancy arrangement with Jim Leighton pursuant to which Jim provided advisory services on the implementation of ARYZTA's three year €200m cost reduction plan, Project Renew. Over and above his normal Board fees, the compensation payable to Jim under the arrangement amounted to a total of US$150,000 over the six month period of the consultancy. The consultancy agreement expired on 30 November 2018, and Jim has been considered fully independent since that date.

In determining the arrangement with Jim Leighton, the Board was fully appraised of corporate governance best-practice and, as a result of this arrangement, Jim ceased to be regarded as an independent director and stood down from the Audit Committee during the period of the consultancy agreement. Notwithstanding this, the Board is firmly of the belief that Jim's established skills and experience, his knowledge of the ARYZTA business, and the importance of Project Renew to the Group's multi-year turnaround story meant such an arrangement was, on balance, in the best interests of the Group and our stakeholders.

All non-executive directors are considered by the Board to be independent in character and judgement within the meaning of the Swiss Code and none of the non-executive directors are party to relationships or circumstances with ARYZTA which, in the Board's opinion, are likely to affect their independence or judgement. Subject to the approval of all directors at the 2019 AGM, 10 out of the 11 Board members will be 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 40 to 42.

The Chair

The Chair is responsible for the effective leadership, operation and governance of the Board and its Committees. He 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

Corporate Governance Report (continued)

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

A unifying culture embraced by the entire organisation leads to success for the business and pride for our people. At ARYZTA we are proud of our rich baking heritage and seek to passionately fulfil the needs and ambitions of our customers and 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, which reflects an ongoing programme of refreshment and renewal and the Board's desire to broaden its skills and expertise. Board refreshment is a fundamental aspect of fostering and sharing diverse perspectives in the boardroom and generating new ideas and business strategies while maintaining an appropriate level of 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 FY19, 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 Mike Andres, Greg Flack and Tim Lodge as non-executive directors of the Company at the 2018 AGM. Andrew Morgan will not seek re-election to the Board at the 2019 AGM. The Board would like to extend its sincere appreciation to Andrew for his services to ARYZTA over the past six years. As previously announced, the Board intends to nominate Luisa Delgado and Alejandro Legarda Zaragüeta at the 2019 AGM as candidates to serve as independent non-executive directors of the Board, subject to election by ARYZTA shareholders.

Corporate Governance Report (continued)

The Board is satisfied that, subject to the election of the new directors at the 2019 AGM, its current composition includes an increasingly satisfactory balance of longer-serving and newly appointed directors who collectively have many of the critical skills and experience relevant to the challenges facing ARYZTA. The addition to the Board of persons of the calibre of Luisa Delgado and Alejandro Legarda Zaragüeta, if elected by shareholders at the 2019 AGM, will contribute positively to the effectiveness and balance of the Board.

The effectiveness of the Board is also impacted by the relationship between non-executive directors and management. Together with the Group CEO and Group CFO, the 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 2019, a particular focus for the Chair and the Board was 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.

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 2018 Annual General Meeting, shareholders ratified the 2018 Compensation Report through a separate 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 2019 AGM and for the Executive Management for the financial year ending 31 July 2020.

Corporate Governance Report (continued)

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 2019 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).

Corporate Governance Report (continued)

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 the Group Statement of Accounting Policies and Note 1 to the ARYZTA Group Consolidated Financial Statements on page 95 and pages 109 to 112, respectively, for further details regarding the Group's reporting segments.

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:	4 323 836
ISIN:	CH0043238366
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 31 July 2019
CHF 821,395,007 based on 990,587,322 registered shares outstanding (i.e. disregarding 2,518,405 treasury shares) and closing price of CHF 0.8292 per share.

Stock market capitalisation as of 31 July 2018:
CHF 1,259,521,174 based on 89,933,679 registered shares outstanding (i.e. disregarding 2,987,108 treasury shares) and closing price of CHF 14.005 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 32 of the 2019 ARYZTA Group consolidated financial statements on page 162.

Corporate Governance Report (continued)

1.2 Significant shareholders

As at 31 July 2019, 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 2019	Number of shares % 2019	Number of shares 2018	Number of shares % 2018
Cobas Asset Management	**99,310,573**	**10.00%**[1]	9,309,685	10.02%
JO Hambro	**58,093,539**	**5.85%**	–	–
Causeway Capital Management LLC	**49,655,286**	**5.00%**[1]	6,967,763	7.50%
CI Financial Corp.	**49,655,286**	**5.00%**[1]	4,673,420	5.03%
Black Creek Investment Management Inc.	**49,655,286**	**5.00%**[1]	4,660,950	5.01%
Credit Suisse	**31,590,045**	**3.18%**	–	–
Norges Bank	**29,832,029**	**3.00%**	–	–
Financière de l'Echiquier	**–**	**<3%**	4,636,210	4.99%
ARYZTA Treasury shares	**–**	**<3%**	2,987,108	3.21%
BlackRock Inc	**–**	**<3%**	2,809,135	3.02%

1 Shareholders with significant holdings before the November 2018 capital raise who have not notified the Group of a change in their holdings above or below a disclosure threshold are assumed to have offset the dilutive effect of the capital increase by participating with a number of shares which prevented them being required to disclose a crossing of a disclosure threshold.

Any significant shareholder notifications during the year, and since 31 July 2019, 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 31 July 2019, amounts to CHF 19,862,115 and is divided into 993,105,727 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

ARYZTA currently has no conditional share capital. At the AGM on 14 November 2019, the Board intends to recommend to ARYZTA shareholders 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.

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 161,416.00 through the issue of up to 8,070,800 registered shares to be paid up in full with a par value of CHF 0.02 per share. At the time that this

Corporate Governance Report (continued)

authorised share capital was approved by the shareholders at the AGM in December 2017, it represented 10% of the then issued share capital. Following the capital raise resolved at the 2018 AGM, this authorised capital now corresponds to 0.81% of the current issued share capital. Such authority of the Board expires on 9 December 2019.

At the AGM on 14 November 2019, the Board intends to recommend to ARYZTA shareholders the renewal of the authority of the Board to issue new shares from the authorised share capital, currently valid until 9 December 2019, by two years to 15 November 2021, and to increase the number of new shares authorised to be issued from the authorised share capital from currently 8,070,800 to 99,310,572 amounting to 10% of the current share capital.

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. 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 years are as follows:

	Nominal value CHF	Shares in issue	Shares outstanding	Treasury shares	Performance share unit and restricted stock unit award allocation	Option and option equivalent allocation	Unallocated Treasury shares
As of 31 July 2016	**0.02**	**91,810,534**	**88,758,527**	**3,052,007**	**–**	**4,883,500**	**(1,831,493)**
Granting of LTIP awards		–	–	–	182,807	–	(182,807)
Forfeitures of LTIP awards		–	–	–	(4,850)	(1,223,000)	1,227,850
As of 31 July 2017		**91,810,534**	**88,758,527**	**3,052,007**	**177,957**	**3,660,500**	**(786,450)**
Granting of LTIP awards		–	–	–	–	–	–
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
As of 31 July 2018		**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		–	–	–	20,248,575	29,589,431	(49,838,006)
Forfeitures of LTIP awards		–	–	–	(105,312)	(91,121)	196,433
As of 31 July 2019	**0.02**	**993,105,727**	**990,587,322**	**2,518,405**	**20,168,970**	**36,836,740**	**(54,487,305)**

Of the 993,105,727 registered shares, 990,587,322 are outstanding and 2,518,405 are classified as treasury shares.

2.4 Shares and participation certificates

ARYZTA's capital is composed of registered shares only. As at 31 July 2019, ARYZTA has 993,105,727 fully paid-up, registered shares (including 2,518,405 treasury shares) with a nominal value of CHF 0.02 each. Each share entered in the share register with voting rights entitles the holder to one vote at the General Meeting and all shares have equal dividend rights. ARYZTA has not issued any participation certificates[1].

2.5 Profit-sharing certificates

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

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

Corporate Governance Report (continued)

2.6 Restrictions on transferability and nominee registrations

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

2.6.1 Limitations on transferability

Pursuant to Article 7 b) of the Articles of Association, persons acquiring registered shares are, on application, entered in the share register without limitation as shareholders with voting power, provided they comply with the disclosure requirement stipulated by the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act) of 19 June 2015 ('FMIA') and expressly declare that they have acquired the shares in their own name and for their own account.

Pursuant to Article 7 f) of the Articles of Association, the Company may in special cases approve exceptions to the regulations described in section 2.6 above. The decision to grant exceptions is at the Board's discretion.

2.6.2 Exceptions granted in the year 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 year 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

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)

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.

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 31 July 2019, ARYZTA has not issued any convertible bonds or warrants.

As of 31 July 2019, a total of 20,168,970 Performance Share Unit and Restricted Stock Unit awards and 36,836,740 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 54 to 68 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

At 31 July 2019, the Board of ARYZTA consists of the Chair, an executive director 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.

At the ARYZTA 2018 Annual General Meeting ('AGM'), Chuck Adair retired without seeking re-election and Michael Andres, Greg Flack and Tim Lodge were elected to the Board. As noted on page 25 above, Jim Leighton ceased to be regarded as an independent director within the meaning of the Swiss Code during part of FY18. Jim has been considered as fully independent since 30 November 2018. Save as set out above in respect of Jim, all eight non-executive directors (including 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.

As at 31 July 2019, 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 (formerly Paddy Power Betfair plc). He is also a director of Green REIT 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 a member of the ARYZTA Board in December 2016.

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.

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 executive chair of Green Chile Foods company, a US frozen consumer foods company, a position he has held since 2014. He spent most of his previous career at Schwan Food Company, a frozen food company, where he served as CEO from 2008 until 2013. He led a team of 15,000 people at Schwan which he joined in 1987. During his tenure as Schwan CEO, he successfully led a turnaround strategy and business restructuring. Greg brings significant food industry expertise and a track record of business transformation to the Group. Greg became a member of the ARYZTA 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. He is Chair of the Board of VCIM. He is also a former Chair of the Governing Authority of Maynooth University and of the Centre For Effective Services. He became a member of the ARYZTA Board in December 2015.

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 has held 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 held senior positions with Kerry Group plc working in their Irish, UK and US operations. She is also a non-executive director of Dairygold Co-Operative Society Ltd where she chairs the Audit Committee. Until her recent resignation in 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. She is a Fellow of the Association of Chartered Certified Accountants and a Chartered Director accredited by the Institute of Directors UK. She became a member of the ARYZTA Board in December 2014.

Corporate Governance Report (continued)

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 Executive Director and CEO of Australia and New Zealand based poultry company Ingham's Group Ltd. since 2018. Jim served as President of 40 North Foods from 2016 to 2018, and is currently Chair of Getting FIT Enterprises, both entities that he founded. Between 2013 and 2016, Jim served as Chief Operating Officer and, subsequently, as Interim Chief Executive Officer of Boulder Brands Inc., one of the fastest growing Health and Wellness food companies in North America. Jim previously served as President of Perdue Foods, a large privately-held food and protein company from 2009 to 2013; and Senior Vice President operations and supply chain from 2006 to 2009. From 2002 to 2006, he served as the Senior Vice President of Operations ConAgra Foods, Inc., one of the largest publically traded food companies in the United States. He has also served on the publicly traded boards of Boulder Brands, Ingham's Group Ltd., Privately Held 1908 Brands. He 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 until 2017, where he helped combine two businesses into a global agribusiness with revenues of $34 billion. 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. 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.

Andrew Morgan (1956, English)
Non-executive member
BA from the University of Manchester
Andrew Morgan had more than 25 years with Diageo Plc including most recently seven years as President Diageo Europe. Diageo is the world's leading premium drinks business and a FTSE top 10 company. Andrew also spent eight years with the Gillette Company in a number of sales and marketing roles. He held a succession of marketing, strategy and general management positions with Diageo and has lived in London, Athens, Madrid and Barcelona, as well as managing emerging markets in Latin America, Asia and Africa. He is a member of Council at the University of Leicester and is investing Chair of two start-up companies in the consumer goods sector. He is a former President of AIM, the European Consumer Goods association and served two terms on the Global Advisory Board of British Airways. He became a member of the ARYZTA Board in December 2013. Andrew will not be seeking re-election to the ARYZTA Board at the upcoming AGM.

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.

Corporate Governance Report (continued)

3.2 Other activities and functions

None of the non-executive members of the Board has fulfilled any operational management functions for companies of the ARYZTA Group in the three years immediately preceding the period. Related-party transactions with any members of the Board or Executive Management did not exceed €100,000 in aggregate during the years ended 31 July 2019 and 2018.

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 three mandates in listed companies;
- up to three 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.

At the AGM on 14 November, 2019 the Board intends to recommend to shareholders the amendment of Article 25 lit. a) of the Articles of Association to allow members of the Board to hold i) up to four mandates in listed companies; ii) up to five mandates in non-listed companies. The Board believes that there is a benefit for the Group if members of the Board could hold more mandates with other listed or non-listed companies. Furthermore, the amendment would bring ARYZTA into line with Swiss best-practice standards and corporate governance principles.

3.4 Elections and terms of office

The General Meeting has the competence to appoint and remove the members of the Board. By virtue of the Ordinance against Excessive Compensation with respect to Listed Stock Corporations enacted by the Swiss Federal Council (the “Ordinance”), as from the ARYZTA 2014 AGM, 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.

Corporate Governance Report (continued)

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 and a Remuneration 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 31 July 2019, these Committees were comprised as follows:

	Governance and Nomination Committee	Audit Committee	Remuneration Committee
Gary McGann (Chair)	X		X
Mike Andres			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		

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

1 denotes the Board Member who chairs the applicable Committee.

Audit Committee

From 1 August 2018 until the Annual General Meeting on 1 November 2018, the Audit Committee was comprised of two non-executive directors, namely Annette Flynn (Chair) and Andrew Morgan and the Terms of Reference of the Audit Committee was amended to allow a quorum of two non-executive directors during that period. Owing to Jim Leighton's consultancy agreement with the Company, Jim stepped down from the Audit Committee during that time and did not seek re-election to the Audit Committee following the 2018 AGM. From 1 November 2018 to 31 July 2019, the Audit Committee was comprised of four non-executive Directors, namely Annette Flynn (Chair), Greg Flack, Andrew Morgan and Tim Lodge. In the 2019 financial year, the Audit Committee met five 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 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. He participated in all Audit Committee meetings during the 2019 financial year. The Head of Internal Audit has regular meetings with the Group CEO (formally at least twice annually) and other members of the Executive Committee. An evaluation of the performance of Internal Audit is performed annually.

In the financial year 2019 the Audit Committee, operating under its Terms of Reference, discharged its responsibilities by reviewing:

Corporate Governance Report (continued)

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

Remuneration Committee
From 1 August 2018 to 1 November 2018, the Remuneration Committee was comprised of three non-executive Directors, namely Chuck Adair (Chair), Gary McGann and Rolf Watter. From 1 November 2018 to 31 July 2019, the Remuneration Committee was comprised of four non-executive Directors, namely Rolf Watter (Chair), Mike Andres, Dan Flinter and Gary McGann. Each of these directors is considered by the Board to be independent in judgement and character. In the 2019 financial year, 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 54 to 68 of this Annual Report, in accordance with the Swiss Code of Obligations ("CO") and the SIX Directive on Information relating to Corporate Governance.

Governance and Nomination Committee
From 1 August 2018 to 1 November 2018, the Governance and Nomination Committee was comprised of three non-executive directors, namely Dan Flinter (Chair), Gary McGann and Rolf Watter. From 1 November 2018, the Governance and Nomination Committee was comprised of four non-executive directors, namely Dan Flinter (Chair), Jim Leighton, Gary McGann and Rolf Watter. With the exception of Jim, each of these directors is considered by the Board to be independent in judgement and character. Jim was considered by the Board to be Independent in judgement and character once his consultancy agreement with the Company concluded on 30 November 2018. In financial year 2019, the Governance and Nomination Committee met five times and the average duration of the meetings was approximately two hours.

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 year 2019 to identify and recommend for approval to the full Board, Luisa Delgado for election by shareholders as part of the Board renewal programme. This was announced by the Board on 4 June 2019. Following interviews held by the Governance and Nomination Committee, the Board announced on 7 October 2019 (post financial year 2019), its intention to nominate of Alejandro Legarda Zaragüeta for election as a director to the Board by shareholders at the next AGM.

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 year 2019 the Governance and Nomination Committee worked collaboratively with the Remuneration Committee on matters which were of common interest and relevance.

3.5.3 Work methods of the Board and its Committees

A total of seventeen Board meetings and general update calls were held during the financial year 2019. These included meetings held in person and by conference call. The increased volume of Board meetings and update calls held during financial year 2019 was directly related to the Capital Raise process. The average duration of the Board meetings held in person was approximately six hours and each director attended those meetings. 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.

Board of Directors

	Eligible to attend	Attended
Gary McGann (Chair)	17	17
Chuck Adair	8	8
Mike Andres	9	8
Greg Flack	9	9
Dan Flinter	17	15
Annette Flynn	17	17
Jim Leighton	17	15
Tim Lodge	9	9
Andrew Morgan	17	17
Kevin Toland	17	17
Rolf Watter	17	16

Corporate Governance Report (continued)

Audit Committee

	Eligible to attend	Attended
Annette Flynn (Chair)	5	5
Greg Flack	4	4
Jim Leighton	1	1
Tim Lodge	4	4
Andrew Morgan	5	5

Governance and Nomination Committee

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

Remuneration Committee

	Eligible to attend	Attended
Rolf Watter (Chair)	6	6
Chuck Adair	1	1
Mike Andres	5	5
Dan Flinter	6	6
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.

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;

Corporate Governance Report (continued)

- 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 Committee 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. 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 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, PricewaterhouseCoopers AG Zurich (the Auditors of the ARYZTA Group consolidated financial statements and the Company financial statements), conduct their audits in compliance with the auditing standards referenced in their respective opinions.

4.1 Group Executive Management

Since the commencement of Rhona O’Brien as General Counsel and Company Secretary on 11 September 2018, the Executive Committee, comprised as follows: Kevin Toland (Group CEO); Frederic Pflanz (Group CFO); Gregory Sklikas (CEO Europe); Dave Johnson (CEO North America); Claudio Gekker (COO Latin America); Robert O’Boyle (COO APMEA); John Heffernan (Chief Strategy Officer); Tony Murphy (Chief People Officer); and Rhona O’Brien.

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.

Corporate Governance Report (continued)

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 American activities. Before joining ARYZTA, Claudio had a long and distinguished career in Brazil and Latin America working for multinational companies such as Nabisco, Coca-Cola Company, McCann Erickson, Nestlé and Bimbo Group. In January 2018 he became Vice President and member of the Board of the Brazilian Food Service Institute.

John Heffernan (1970, Irish)

Chief Strategy Officer

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; ARI and daa International. 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.

Dave Johnson (1956, American)

CEO North America

Bachelor of Business Administration with a concentration in Finance and an MBA from the University of Wisconsin

Dave Johnson is a native of Wisconsin, USA and brings to ARYZTA an extensive background in the food industry. Most recently he served for nine years at Barry Callebaut as President and CEO Americas, retiring in August 2017. Prior to Barry Callebaut, Dave spent over 20 years with Kraft Foods Global, Inc serving in a number of senior positions and was a member of the Global Executive team. His positions included President of Kraft North America from 2003-2006 and President of Operations, Technology and Procurement from 2002-2003. Dave also served as Chief Operating Officer and then Chief Executive Officer and member of the Board, at Michael Foods from 2007-2009. Dave joined ARYZTA in 2018.

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, 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 has been a member of the Advisory Board (Beirat) of Stiftung Meridian since November 2017.

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 food. 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, COO, Consumer Products EMEA and serving as a 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 where he was Managing Director Algida Ice Cream Greece and Country Board Member based in Greece. He previously held roles in regional marketing, trade and customer management.

Corporate Governance Report (continued)

Robert O'Boyle (1975, Irish)
COO APMEA
Bachelor Degree of International Commerce (German) from University College Dublin, Ireland. Fellow of the Institute of Chartered Accountants in Ireland
From 1999 to 2008, Robert worked in Andersen and subsequently KPMG. Since 2008, Robert has fulfilled a number of senior management roles in ARYZTA. From 2013 to 2015 he held the role of European Trading Director, moving in 2016 to head of the Group's APMEA activities as regional COO.

Rhona 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 18 years of legal and governance experience. Rhona joined ARYZTA on 11 September 2018 from DCC Vital Ltd (part of the DCC plc business) where she held the role of Senior Counsel, Legal & Compliance. Prior to joining DCC Vital, Rhona was Senior Director of Legal and Risk Management at Parexel International (IRL) Limited. Rhona was General Counsel and a member of the Executive Senior Management Team from 2013 to 2016 and Director of Regulation, Public Policy, Compliance and Equivalence from 2014 to 2016 at eir (formerly eircom). Rhona trained with Arthur Cox and is a qualified solicitor admitted in Ireland by the Law Society of Ireland and in England and Wales by the Law Society of England and Wales. Rhona is also a voluntary unpaid non-Executive Director on Dublin City Council Culture Connects Company Ltd.

Corporate Governance Report (continued)

4.2 Other activities and functions

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

4.3 Number of activities permitted outside the Group

Pursuant to Article 25 of the Articles of Association, the members of the Executive Management, subject to the approval by the Chair of the Board, may currently hold no more than the following number of additional mandates in the supreme executive bodies of companies and organisations outside of the Company:

- one in listed companies;
- up to two mandates in non-listed companies;
- up to four mandates upon instruction of the Company in companies that are not directly or indirectly controlled by the Company (such as in pension funds and joint-ventures); and
- up to four mandates in (i) charitable organisations, (ii) associations or foundations and (iii) other non-profit institutions.

For further details, refer to Article 25 of the Articles of Association, which is available on the ARYZTA website at www.aryzta.com/about-aryzta/corporate-governance. The Board will not be seeking any changes to the mandates of the Executive Management at the 2019 AGM.

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 54 to 68 for disclosures pertaining to compensation, as well as the content and method of determining the compensation and share-ownership programmes. Also, see Articles 20 and 21 of the Articles of Association (available on the ARYZTA website http://www.aryzta.com/about-aryzta/corporate-governance), which govern the responsibilities of the Remuneration Committee and Group Remuneration principles.

Non-executive Directors' and Executive Management's share interests

As at 31 July 2019 and 31 July 2018, the Directors and Company Secretary had no interests, other than those shown below, in the ordinary shares in, or loan stock of, the Company or other Group undertakings.

Corporate Governance Report (continued)

Beneficial interests at 31 July 2019 and 31 July 2018 were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of ordinary shares 2019	No. of restricted shares/ unvested RSUs 2019	Total No. of ordinary shares 2019	No. of ordinary shares 2018
Directors				
Gary McGann	161,700	116,428	**278,128**	14,700
Chuck Adair[1]	N/A	N/A	**N/A**	5,062
Mike Andres[1]	–	40,011	**40,011**	N/A
Greg Flack[1]	–	40,011	**40,011**	N/A
Dan Flinter	13,365	40,371	**53,736**	1,215
Annette Flynn	11,132	37,488	**48,620**	1,012
Jim Leighton[2]	–	40,011	**40,011**	–
Tim Lodge[1]	–	34,604	**34,604**	N/A
Andrew Morgan	–	34,604	**34,604**	–
Rolf Watter	78,507	40,371	**118,878**	7,137
Executive Management				
Kevin Toland	97,240	–	**97,240**	8,840
Claudio Gekker	–	–	**–**	–
John Heffernan	14,014	–	**14,014**	1,274
Dave Johnson	–	–	**–**	–
Anthony Murphy	–	–	**–**	–
Robert O'Boyle	111,397	–	**111,397**	10,127
Rhona O'Brien	–	–	**–**	–
Frederic Pflanz	–	–	**–**	–
Gregory Sklikas	–	–	**–**	–
Total	**487,355**	**423,899**	**911,254**	49,367

1 Effective 1 November 2018, C. Adair retired from the Board and M. Andres, G. Flack and T. Lodge were elected to the Board.

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

No loans or advances were made by the ARYZTA Group to members of the Board or to the Executive Management during the financial year, or were outstanding at 31 July 2019 (2018: none).

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

Corporate Governance Report (continued)

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.

6.2 Statutory quorums

Pursuant to Article 15 of the Articles of Association, 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.

6.4 Agenda

The Board compiles the agenda for the Annual General Meeting. One or more registered shareholders with voting rights who jointly represent at least 10% 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. At the AGM on 14 November, 2019 the Board will recommend to ARYZTA shareholders an amendment to the ARYZTA Articles of Association to reduce the level of registered share capital of the Company required to request items for inclusion in the agenda from 10% to 3%. This will bring ARYZTA into line with best-practice standards and corporate governance principles in Switzerland.

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.

Corporate Governance Report (continued)

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 54 to 68 of this Annual Report.

8 Auditors

8.1 Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, was elected as statutory auditor and Group auditor beginning in December 2009 and has been elected for a term of one year each year thereafter. At the 2018 AGM, PricewaterhouseCoopers AG, was re-elected as statutory auditor and Group auditor for the 2019 financial year. Sandra Boehm Uglow was the lead auditor for the financial years 2019, 2018 and 2017. Patrick Balkanyi was lead auditor from PricewaterhouseCoopers AG's appointment in 2009 to 2016. The lead auditor rotates every seven years in accordance with Swiss law.

In accordance with good corporate governance, ARYZTA conducted a formal competitive tender process for the appointment of the external auditor for financial year 2020. This tender process was overseen by the Audit Committee. As of 31 July 2019, the tender process had concluded and the Board intends to recommend to the shareholders, the appointment of Ernst & Young AG, Zurich, as new external auditor, at the AGM on 14 November 2019.

8.2 Audit fees

The total audit and audit-related fees charged by the Group auditors in financial year 2019 amounted to €3,467,000 (2018: €2,450,000).

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

Corporate Governance Report (continued)

advance of such a contract being awarded. Fees for additional services rendered by the external auditors to the ARYZTA Group in financial year 2019 totalled €1,368,000 (2018: €1,138,000). A significant portion of these fees related to tax return preparation and/or review in over 20 countries, covering more than 100 legal entities.

Auditor's remuneration

in EUR `000	**2019**	2018
– Auditor's remuneration for audit and audit-related services	**3,467**	2,450
– Auditor's remuneration for tax compliance and related services	**798**	758
– Auditor's remuneration for tax consulting services	**570**	340
– Auditor's remuneration for advisory services	–	40
	4,835	3,588

– Total other fees / Audit and audit-related services	**39%**	46%
– Tax consulting or advisory services / Audit and audit-related services	**16%**	16%

8.4 Information pertaining to the external audit

PricewaterhouseCoopers AG has presented to the Audit Committee a detailed report on the results of the 2019 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 year 2019, both PricewaterhouseCoopers 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 year the Audit Committee and the Chair of the Audit Committee met with PricewaterhouseCoopers 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 PricewaterhouseCoopers AG during the year, are reviewed to mitigate the risk of any potential impairment to PricewaterhouseCoopers AG' independence. PricewaterhouseCoopers AG monitors its independence throughout the year and confirms its independence to the Audit Committee annually.

As of 31 July 2019, the tender process had concluded for the appointment of the external auditor for financial year 2020 and the Board intends to recommend the appointment of Ernst & Young AG, Zurich, as the new statutory auditor, to the shareholders at the AGM on 14 November 2019.

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: www.aryzta.com. 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

Gerard Van Buttingha Wichers
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 2020

Annual General Meeting 2019	14 November 2019
First-quarter trading update	22 November 2019
Announcement of half-year results 2020	10 March 2020
Third-quarter trading update	26 May 2020
Announcement of the 2020 annual results	6 October 2020

Annual Report and Accounts 2019
Compensation Report

Letter from the Chairman of the Remuneration Committee

Dear Shareholders,

On behalf of the Board of Directors ('Board') and the Remuneration Committee ('RemCo'), I am pleased to introduce ARYZTA AG's ('ARYZTA') Compensation Report for the financial year ended 31 July 2019 ('FY19').

Throughout 2019, the RemCo continued to assess and review the overall compensation framework with the main objective to support the company's business strategy, while aligning compensation with overall expectations of our shareholders. ARYZTA aims to continue to be an attractive employer offering transparent and performance-based compensation that anchors the strategic cornerstones of the company while promoting an inclusive, equitable, meritocratic culture. In this context and in line to the announcement at our 2018 Annual General Meeting ('AGM'), ARYZTA awarded two Long Term Incentive Plan ('LTIP') grants during FY19 which are both subject to performance conditions to clearly focus on the delivery of our multi-year turnaround and to further advance to acceptable levels of performance.

During FY19, the Board also decided to further promote the long-term performance by introducing shareholding ownership guidelines for the Executive Management, effective from FY20. Additionally, the Board has adjusted its own fee structure by introducing an equity element in the form of blocked shares over a three-year period. Further details of the changes as well as information on the activities of the RemCo can be found in this Compensation Report.

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 ending at our 2020 AGM, and the maximum aggregate compensation for the Executive Management for FY21. 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 strategy in order to ensure that ARYZTA's compensation framework continues to fulfil its purpose in the evolving context in which the company operates; for instance, we have already decided to add to the LTIP FY20 a relative total shareholder return measure.

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

Chairman of the Remuneration Committee
Rolf Watter, 8 October 2019

Compensation Report (continued)

Introduction to Compensation in 2019

ARYZTA's Compensation Report for FY19 has been prepared in accordance with Swiss laws and regulations, including the Ordinance against Excessive Compensation at 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. The Compensation Report contains the following information:

– Overview of the current compensation framework for the Board and the Executive Management including their various elements, and an explanation of specific changes implemented during FY19.
– Compensation of the members of the Board from the 2018 AGM until the 2019 AGM.
– Compensation of the Executive Management paid and/or granted during FY19.
– A brief overview on the future structure and design of ARYZTA's compensation approach.

Compensation Governance

The compensation system at ARYZTA is mainly determined by two key bodies: The RemCo which advises the Board 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 two bodies. These documents contain the principles for the compensation of the members of the Board and the Executive Management. In addition, the Articles of Association provide for a supplementary amount available for employees joining the Executive Management or being promoted within the Executive Management after the AGM approval of the maximum aggregate amount of compensation available for the Executive Management. The Articles of Association can be found on our homepage: www.aryzta.com/about-aryzta/corporate-governance.

Compensation Report (continued)

The general division of duties, responsibilities and powers between the Board, the RemCo and the AGM is shown in the table below.

	CEO	Committee	Board	AGM
Compensation strategy and guidelines		Review and proposal	Approval	
Compensation principles		Review and proposal	Approval	
Key terms of compensation plans for the Board and the Executive Management		Review and proposal	Approval	
Total compensation for the Board		Review and proposal	Proposal	Voting
Total compensation for the Executive Management		Review and proposal	Proposal	Voting
Individual total compensation of the CEO		Review and proposal	Approval	
Individual total compensation for other members of the Executive Management	Proposal	Review	Approval	
Employment and termination agreements for the CEO		Review and proposal	Approval	
Employment and termination agreements for members of the Executive Management	Proposal	Review	Approval	
Compensation Report		Proposal	Approval	Voting

Role of the Shareholders regarding the AGM – Shareholder Engagement

In compliance with ARYZTA's Articles of Association, shareholders will be asked at the 2019 AGM, to be held on 14 November 2019, to approve the maximum aggregate amount of compensation of:

- the Board for the period until the next AGM (i.e. the period until the 2020 AGM); and
- the Executive Management for the following financial year (i.e. the FY ending 31 July 2021).

In addition, as in prior years, the Board will submit this Compensation Report to a separate advisory vote for the shareholders at the 2019 AGM in line with the Swiss Code of Best Practice for Corporate Governance.

At the 2018 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 2018 AGM until the 2019 AGM (binding vote): CHF 1,500,000.
- The maximum aggregate amount of compensation for the Executive Management for the FY20 (binding vote): CHF 18,000,000.
- The compensation report for FY18.

Compensation Report (continued)

Remuneration Committee Activities during 2019
The RemCo is comprised of a minimum of three and a maximum of four independent non-executive Board members who are elected annually and individually by the AGM for a one-year period until the next AGM. The RemCo chairperson is appointed by the Board. At the 2018 AGM, Rolf Watter, Mike Andres, Dan Flinter, and Gary McGann were confirmed as members of the RemCo, and Rolf Watter was subsequently approved by the Board as Chair of RemCo. The purpose of the RemCo is to assist the Board in fulfilling its responsibilities regarding the compensation of the members of the Board and the Executive Management of ARYZTA. As in prior years, in FY19 the RemCo acted within the limits of the relevant shareholder approvals, being responsible for:

– assessing the overall compensation principles and compensation strategy of ARYZTA;
– 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 year;
– preparing and recommending to the Board the Compensation Report for approval.

The RemCo reviews the level and structure of compensation 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 the Company's capacity to recruit and retain a high calibre of professional managers. The RemCo reports to the Board at the Board meeting following each meeting of the RemCo, 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 HR department to attend meetings. The RemCo is authorised to obtain appropriate external advice and to invite those persons to attend the meetings of the RemCo. The RemCo regularly holds private sessions (i.e. without the presence of members of the Executive Management, members of the HR department or third parties). During FY19, the RemCo appointed HCM International Ltd. (HCM) as an external independent advisor on all compensation matters.

The RemCo chairman convenes meetings of the RemCo as often as the business affairs of ARYZTA require. During FY19, the RemCo held six meetings with an average duration of two hours each.

Compensation Report (continued)

The topics covered by the RemCo during the six meetings of FY19 are described in the table below.

	Agenda item	Sep 2018	Dec 2018	Jan 2019	Mar 2019	May 2019	July 2019
	FY18 - STIP outcome	•					
	LTIP Design considerations	•					
	LTIP Allocation and targets		•				
Executive Management compensation	Contract Review			•	•	•	
	LTIP eligibility for new hires					•	
	STIP & LTIP FY20					•	•
Board compensation	Share Proposal	•	•				
General framework	Shareholding Requirements				•	•	•
Communication	Compensation Report	•				•	•
RemCo	Terms of Reference	•					
	RemCo Charter review			•			

Compensation Principles

ARYZTA's compensation framework and principles are designed to attract and retain top talent, to underpin the implementation and support the company'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. Furthermore, the company'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. The aim of the RemCo in designing compensation arrangements is to be oriented towards best practice, have clear alignment with shareholders, incorporate an emphasis on performance, and promote the long-term success of the company.

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 (multi-year turnaround)
- Provide balance between motivating and challenging employees to deliver on near-term business priorities together with driving sustainable, long-term success
- Align with shareholder interests in the context of rewarding management for creating shareholder value
- Support short- and long-term alignment with market practices while maintaining shareholder support

Compensation Report (continued)

Compensation Framework for the Board of Directors

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

For FY19, consistent with the shareholder approval, non-executive Board members were paid a fixed annual base fee of CHF 88,000, reflecting the time commitment and responsibilities of the role. Additional compensation for non-executive directors for service on a Board Committee was CHF 8,000, CHF 25,000 for the Chair of the Audit Committee and CHF 16,000 for the Chairs of the other Committees. 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 in North America. The Chair of the Board's fee amounts to CHF 323,000 reflecting the requirements of the role. Non-executive Board members are not eligible for performance-related payments and therefore did not participate in the LTIP. The CEO received no additional compensation for his role as a Board member.

The following table provides an overview of membership in Board Committees for the members of the Board as of the end of FY19.

	Board of Directors	Audit Committee	Governance and Nomination Committee	Remuneration Committee
Gary McGann	Chair		•	•
Chuck Adair[1]				
Mike Andres[1]	•			•
Greg Flack[1]	•	•		
Dan Flinter	•		Chair	•
Annette Flynn	•	Chair		
Jim Leighton	•		•	
Tim Lodge[1]	•	•		
Andrew Morgan	•	•		
Kevin Toland	•			
Rolf Watter	•		•	Chair

1 Effective 1 November 2018, C. Adair retired from the Board and M. Andres, G. Flack and T. Lodge were elected to the Board.

Since the 2018 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 holding period for the Restricted Shares, or vesting of the RSUs. Non-executive Board members must elect to receive either Restricted Shares or RSUs, which are subject to either a three-year holding or vesting period respectively, ending on the third anniversary of each grant. 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.

Compensation Report (continued)

In June 2018, the Group entered into a six-month consultancy arrangement with Jim Leighton pursuant to which Mr. Leighton provided advice in relation to the implementation of ARYZTA's three-year €200m cost reduction, Project Renew. The compensation payable to Mr. Leighton under the arrangement only includes a cash element and amounts to $150,000 over the course of the consultancy and was fully paid out during FY19. The consultancy arrangement with Mr. Leighton ended on 30 November 2018.

Compensation Awarded to the Board of Directors (audited)
The following table reflects the payments received by Board members during FY18 and FY19. The total compensation for FY19 for the Board amounted to CHF 1,290,000 which is within the maximum amount approved at the AGM 2018 of CHF 1,500,000.

in CHF'000	Settled in cash	Settled in shares [1]	**Direct payments year ended 31 July 2019**	**Direct payments year ended 31 July 2018**
Gary McGann	194	129	323	323
Chuck Adair[2]	40	–	40	119
Mike Andres[2]	39	44	83	–
Gregory Flack[2]	39	44	83	–
Dan Flinter	65	45	110	104
Annette Flynn	71	42	113	104
Jim Leighton[3,4]	183	44	227	106
Tim Lodge[2]	34	38	72	–
Andrew Morgan	58	38	96	96
Rolf Watter	65	45	110	104
Wolfgang Werlé[4]	–	–	–	34
Total	**788**	**469**	**1,257**	**990**
Social security payments			33	20
Total payments including social security			**1,290**	**1,010**

1 Equity is awarded once a year at 40% of the total annual compensation. The balance of the compensation for the financial year is settled in cash.

2 Effective 1 November 2018, C. Adair retired from the Board and M. Andres, G. Flack and T. Lodge were elected to the Board.

3 The fee for J. Leighton includes a consultancy payment of CHF 116,000 for advice in relation to the implementation of ARYZTA's three-year €200m cost reduction, Project Renew.

4 The terms of office as Member of the Board of Directors of W. Werlé expired on 7 December 2017 and on that date J. Leighton was elected to the Board.

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, and 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)

Non-executive Directors' share interests
As at 31 July 2019 and 31 July 2018, 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.

Shares in ARYZTA at CHF 0.02 each	No. of ordinary shares 2019	No. of restricted shares/ unvested RSUs 2019	Total No. of ordinary shares 2019	No. of ordinary shares 2018
Directors				
Gary McGann	161,700	116,428	**278,128**	14,700
Chuck Adair[1]	N/A	N/A	**N/A**	5,062
Mike Andres[1]	–	40,011	**40,011**	N/A
Greg Flack[1]	–	40,011	**40,011**	N/A
Dan Flinter	13,365	40,371	**53,736**	1,215
Annette Flynn	11,132	37,488	**48,620**	1,012
Jim Leighton[2]	–	40,011	**40,011**	–
Tim Lodge[1]	–	34,604	**34,604**	N/A
Andrew Morgan	–	34,604	**34,604**	–
Rolf Watter	78,507	40,371	**118,878**	7,137
Total	**264,704**	**423,899**	**688,603**	29,126

1 Effective 1 November 2018, C. Adair retired from the Board and M. Andres, G. Flack and T. Lodge were elected to the Board.

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

Compensation Framework for the Executive Management

Compensation Approach for the Executive Management
The compensation package for the Executive Management is comprised of three different elements:

- Fixed compensation in the form of an annual base salary and additional benefits (including benefits-in-kind and pension contributions);
- Variable short-term incentive plan ('STIP');
- Variable long-term incentive plan ('LTIP').

Fixed Compensation

Annual base salary
The annual base salary is the main fixed compensation component paid to Executive Management members. Typically, it is paid in cash in twelve equal monthly instalments. The level of base salary is determined considering the scope and complexity of the function, level of responsibility, and other factors deemed appropriate. In addition, the compensation for the role in the location where the company 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 benefits
Members of the Executive Management participate in the company's pension plans, which consist primarily of retirement, insurance and health care plans designed to provide an adequate level of protection for employees and their dependents 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 incentive designed to reward eligible participants for delivering strong short-term performance and contribution to ARYZTA's annual business objectives, whilst limiting the company's exposure to downside risk in the case of financial underperformance, over a time horizon of one year. In order to drive alignment across the Group, the STIP design consists of group-focused (financial) measures to drive global thinking amongst key executives and regional performance measures to account for regional responsibilities.

STIP targets are based on a mix of targets set at a Group level as well as on a regional level, taking into consideration the scope of influence of each role (e.g. global, regional, business unit). Regional targets are assigned to members with regional responsibilities, while other members' performance, including the performance of the CEO and CFO, is assessed at Group level only. The STIP FY19 is based on the following primary financial measures:

– Underlying EBITDA
– Net Debt:EBITDA ratio
– Operating Free Cash Generation

The individual STIP target amounts to 100% of the base salary for all members of the Executive Management. Depending on achieved performance, the STIP target value may amount up to a pre-determined multiplier of the target value, but never exceeds 150% of base salary in the case of outperforming targets.

The STIP targets for the Executive Management are set by the Board in accordance with the overall business plan. To calibrate the target achievement curve for the following year, a target achievement level is identified based on a robust budget for the respective year. Minimum and maximum performance achievement levels are defined considering, amongst other metrics, the previous year's performance level. For both primary financial performance measures, the Board sets a minimum threshold level under which there is no payout. The maximum payout is capped at 150% of the target amount. Various country-specific forfeiture rules apply in case of termination of employment during the performance year.

Compensation Report (continued)

During FY19, STIP was paid to the members of Executive Management where the approved performance thresholds were exceeded according to the level of achievement of the defined short-term targets (Underlying EBITDA, Net Debt:EBITDA ratio, and Operating Free Cash Flow). For the assessment of the Net Debt:EBITDA ratio, the target was recalibrated in order to mitigate the effect of the capital raise, and the exceptional efforts to deliver the recapitalization of the company were considered. Performance targets were achieved at different levels and resulted in an overall payout range of 35% and 131% for the Executive Committee; for the CEO the overall achievement was 98%.

Renew Special Bonus Plan ('RSBP')
The Renew Special Bonus Plan ('RSBP') is an exceptional element of the compensation package of members of the Executive Management in the regions which are affected by the cumulative three-year €200 million cost reduction and efficiency plan, Project Renew. The purpose of the plan is to reward eligible participants for delivering on this plan. The RSBP was launched for FY19 and FY20 and aims to incentivize the implementation of Project Renew in the different regions.

This is a two-year bonus plan with two separate one-year performance targets per region. For the regional members of the Executive Management eligible under this plan, the target of the individual Renew Special Bonus amounts up to 35% of the base salary. It can range up to 45% of the base salary, depending on the level of over achievement of the performance targets. Payout in cash is accrued, based on the regional delivery per year, and deferred to the end of FY20. In addition, country-specific forfeiture rules apply in case of termination of employment during the two-year period.

Long-term incentive plan ('LTIP')
ARYZTA's long-term incentive plan ('LTIP') rewards eligible participants for delivering significant long-term performance. The purpose of the LTIP is to provide performance-driven equity-based future rewards to the participants for the accomplishment of the Group's long-term financial and strategic goals. The LTIP is intended to retain and motivate highly talented eligible participants and to promote behaviour towards enhancing the value of the company for the benefit of its shareholders. The structure of this incentive framework plays a central role in incentivising the delivery of ARYZTA's turnaround plan and the return of the company to acceptable levels of performance starting from a very difficult position.

In principle, for each financial year, an LTIP is granted for eligible participants which will be in the form of a certain number of options and Performance Share Units ('PSUs'). The option offers the LTIP participant the right to purchase a certain amount of ARYZTA shares subject to the achievement of certain performance targets at the end of the 3-year performance period. Options have a strike price equivalent to the market price of ARYZTA shares at the grant date and can be exercised no earlier than three years after the vesting date and no later than the ten-year expiration period. PSUs represent an unsecured contingent right to receive ARYZTA shares subject to the achievement of certain performance targets at the end of the performance period.

In light of the initial progress in stabilising the business, last year the RemCo granted two LTIP awards during FY19:

– FY18 Award – 2-year performance period (i.e. FY19 and FY20)
– FY19 Award – 3-year performance period (i.e. FY19, FY20 and FY21)

Compensation Report (continued)

When deciding on the FY18 award, the RemCo was aware of the norm that LTIP awards are generally subject to a three-year performance period. However, in light of the exceptional circumstances that the business faced during FY18 with ARYZTA going through a period of stabilization and change with the successful capital increase giving the go-ahead for Project Renew, the RemCo delayed the grant of the FY18 award to FY19, with a shortened two-year performance period and based on FY19 and FY20 performance. The RemCo believes that the shift of the FY18 award to a grant date in FY19 ensures that there is alignment of the LTIP with shareholder expectations of the future financial performance of the Group and supports the business by incentivizing the Executive Management to deliver our strategic goals, while also fulfilling the company's previous contractual commitments to members of the Executive Management. When taking its decision, the RemCo also considered the retention element that is built into the LTIP. The two awards granted in FY19, together with all other management compensation do not exceed the approved maximum amount of compensation for the Executive Management of CHF 21,000,000.

The payout under the LTIP is based on the achievement of pre-defined operating performance measures. Both LTIP awards, FY18 and FY19, vest subject to the achievement of the following conditions and subject to continuing service:

- Operating Free Cash Generation (50%)
- Return on Invested Capital (50%)
- Requirement to remain in service throughout the performance period

Both operating key performance measures have an overall vesting range of 0% to 200% of base salary for the CEO and 0% to 175% of base salary for other members of the Executive Management. Below threshold, the vesting multiple is 0%. At threshold, the vesting multiple is 50% base salary for the CEO and 43.75% base salary for other members of the Executive Management. The respective vesting multiple runs linear to the respective target vesting multiple of 125% of base salary for the CEO and 109% of base salary for other members of the Executive Management, up to a maximum vesting multiple of 200% and 175% respectively depending on the level of achievement of the operating performance measures. After the three-year performance period, PSUs will be settled in shares and options and can be exercised until the end of the exercise period, subject to forfeiture rules in the case of termination of employment before the end of the plan cycle. The FY18 LTIP vests 50% in shares and 50% in options, the FY19 vests in 75% in shares and 25% in options. It is intended that by FY20 LTIP will only comprise of shares (PSUs). The vested options can be exercised no later than ten years after the grant date and the exercise price is defined as the share price at grant date.

The number of granted options and PSUs depends on the individual LTIP grant, which is determined by the Board each year and whose value is expressed as a percentage of the annual base salary and the fair value of ARYZTA shares at grant. Depending on the achieved performance, the LTIP target value may amount to a pre-determined multiplier of the target value but can never exceed 160% of granted PSU for any member of the Executive Management, including the CEO.

Compensation Report (continued)

Compensation awarded to the Executive Management (audited)

The following table summarises the total compensation for the current and former members of the Executive Management during FY18 and FY19. The total compensation for the Executive Management amounted to CHF 19,113,000 which is within the maximum amount approved at the AGM 2017 of CHF 21,000,000.

in CHF'000	**Total Executive Management 2019[1]**	**Kevin Toland 2019**	**Total Executive Management 2018[2]**	Kevin Toland 2018	Owen Killian 2018[3]
Basic salaries	**5,102**	**961**	6,477	881	853
Benefits in kind	**458**	**45**	510	41	55
Pension contributions	**645**	**192**	786	176	128
Performance and contractual related bonus and retention	**3,842**	**941**	2,176	–	425
Long-term incentives ('LTIP')[4]	**9,066**	**2,393**	–	–	–
Total compensation paid to members of ARYZTA Executive Management	**19,113**	**4,532**	9,949	1,098	1,461
Average total compensation per member of ARYZTA Executive Management	**1,738**		995		

1 Executive Management compensation in FY19 includes remuneration for former Executive Management members Pat Morrissey and Dermot Murphy who resigned in FY18.

2 Executive Management compensation in FY18 includes remuneration for former Executive Management members.

3 The highest total compensation in FY18 was earned by Owen Killian who resigned from the Executive Management on 31 March 2017.

4 Represents the target value of the FY18 and FY19 LTIP awarded. The value may change depending on the achievement of operating performance measures at vesting. All awards are unvested as at 31 July 2019.

Compensation Report (continued)

Executive Management's interests in equity under the FY18 and FY19 LTIP awards

The following table shows the Executive Management's interests in equity instruments under the LTIP awards granted during FY19.

	Opening position 31 July 2018	No. of PSUs granted during the year[1]	No. of PSUs Closing position 31 July 2019[2]	No. of options granted during the year[1]	No. of options Closing position 31 July 2019[2]
Executive Management					
Kevin Toland	–	1,225,794	**1,225,794**	1,936,777	**1,936,777**
Claudio Gekker	–	326,547	**326,547**	515,951	**515,951**
John Heffernan	–	302,843	**302,843**	397,324	**397,324**
Dave Johnson	–	948,457	**948,457**	1,561,245	**1,561,245**
Anthony Murphy	–	378,554	**378,554**	598,122	**598,122**
Robert O'Boyle	–	324,731	**324,731**	513,080	**513,080**
Rhona O'Brien	–	174,135	**174,135**	150,670	**150,670**
Frederic Pflanz	–	668,779	**668,779**	1,056,683	**1,056,683**
Gregory Sklikas[3]	–	393,696	**393,696**	340,645	**340,645**
Total	–	**4,743,536**	**4,743,536**	**7,070,497**	**7,070,497**

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

2 All awards are unvested as at 31 July 2019.

3 By REMCO decision on 25 September 2019, G Sklikas will be granted an LTIP award equivalent to the value of two thirds of the FY18 LTIP. This will be granted at the next open period.

Employment conditions for the Executive Management

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. None of these contracts foresee severance or termination payments.

Previous and Discontinued Compensation Plans

Option equivalent plan

Vesting of the awards under the Option Equivalent Plan issued during FY16 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 annualised 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.

Compensation Report (continued)

As the above performance conditions were not met during FY19, the Option Equivalent Plan awards granted during FY16, for which no expense had been recognised, were forfeited during the current year. The vested Option Equivalent Plan awards still outstanding as of 31 July 2019 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 FY19.

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

	Options carried forward 1 August 2018	Modified during the year[1]	Closing position 31 July 2019	Of which Vesting criteria have been fulfilled[2]
Executive Management				
Kevin Toland	–	–	–	–
Frederic Pflanz	–	–	–	–
John Heffernan	–	–	–	–
Anthony Murphy	–	–	–	–
Rhona O'Brien	–	–	–	–
Dave Johnson	–	–	–	–
Gregory Sklikas	–	–	–	–
Robert O'Boyle	22,500	83,309	105,809	105,809
Claudio Gekker	–	–	–	–
Total current executive management	**22,500**	**83,309**	**105,809**	**105,809**
Owen Killian	750,000	2,776,961	3,526,961	3,526,961
Patrick McEniff	610,000	2,258,595	2,868,595	2,868,595
Pat Morrissey	100,000	370,261	470,261	470,261
Dermot Murphy	50,000	185,131	235,131	235,131
Total former executive management	**1,510,000**	**5,590,948**	**7,100,948**	**7,100,948**
Total current and former executive management	**1,532,500**	**5,674,257**	**7,206,757**	**7,206,757**

1 During the financial year ended 31 July 2019, in order to maintain the dilutive impact of the November 2018 capital increase at a consistent level for outstanding LTIP awards with the dilution experienced by shareholders who did not participate in the rights issue and instead sold their rights received, the Group adjusted all outstanding LTIP awards by dividing the previous exercise price of each outstanding LTIP award by the 4.64x Theoretical Ex-Rights Price ('TERP') and likewise by multiplying the previous number of outstanding LTIP awards by TERP. Additionally, in order to eliminate the impact of the Scrip Dividend issued in January 2018, the Group also adjusted all outstanding LTIP awards by dividing the exercise price by 81 and multiplying by 80 and likewise multiplying the number of LTIP awards outstanding by 81 and dividing by 80.

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 8.31.

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 FY19 or were outstanding at 31 July 2019 (2018: none).

Compensation Report (continued)

Future Considerations

As of FY20, Shareholding Guidelines for members of the Executive Management will be 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 will apply to the Executive Management starting from FY20. 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.

Furthermore, another grant of the LTIP is planned after the approval of the aggregate amount of compensation for the Executive Management at the AGM in November 2019. In line with the long-term focus, an unchanged three-year performance period is foreseen. For the upcoming LTIP FY20 grant, we will include a market-related performance measure expressed as relative Total Shareholder Return. We will keep a strong focus on operating measures that capture both profitability and capital efficiency. Furthermore, the new plan will only involve PSUs which will convert into shares; options will be abolished. In addition, ARYZTA will take an appropriate approach to target setting. Targets for the LTIP will be set by the Board following a thorough outside-in approach conducted by ARYZTA's external independent advisor on compensation matters, HCM.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the compensation report 2019

We have audited the remuneration report of ARYZTA AG for the year ended 31 July 2019. 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 60 and 65 of the remuneration report.

Board of Directors’ responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor’s responsibility

Our responsibility is to express an opinion on the accompanying remuneration 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 remuneration 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 remuneration 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 remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration 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 remuneration report of ARYZTA AG for the year ended 31 July 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Sandra Böhm Uglow
Audit expert
Auditor in charge

Carrie Rohner

Zurich, 8 October 2019

Group Risk Statement
Principal Risks and Uncertainties

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 and severity of identified risks is reviewed and challenged 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.

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

- Risk of adverse movements in foreign currency exchange rates.
- Business risks associated with cash, receivables and other financial instruments.
- Operational risks facing the Group include product contamination and general food scares, which could impact relevant products or production and distribution processes.
- Changing dietary trends and the increased emphasis on health and wellness among consumers present both opportunities and risks for the Group.
- 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.
- Risks to profitability arising from fluctuations in the availability, supply or price of energy, commodities, labour and other production inputs.
- Risk of a decrease in consumer spending.
- Risk of impairment of its goodwill, brands and intangibles.
- 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 failing to develop successful and innovative products or in keeping up with consumer preferences.
- Risks in protecting the Group's brands and reputation.
- Risks associated with the potential loss of key management personnel.
- 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.
- 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 proposed departure of the United Kingdom from the European Union.

1 These risks are not listed in order of importance.

Annual Report and Accounts 2019
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.

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.

Our Responsibility (continued)

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 2019. 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. All relevant internal food safety and quality systems are also certified by independent third-parties.

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 US Food and Drug Administration.

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 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;

Our Responsibility (continued)

- 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 recently updated Global Vendor Code of Conduct will be signed by our major suppliers as well as on-site staffing agencies or other service providers. Our goal is to have all vendors sign the Code of Conduct by the end of FY20. 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.

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 ARYTA'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.

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.

Our Responsibility (continued)

In FY20 we will conduct a full assessment of our Scope 1, 2 and 3 carbon emissions and establish a long-term target for carbon footprint reduction (which we intend to be science based), along with a set of actions and investments needed to achieve the targets.

The goals will include individual metrics to measure our progress related to electricity and gas consumption and intensity, incoming and waste water intensities, and overall carbon emissions. These metrics will not only be used to assess the efficiency of our individual bakeries and to identify potential cost savings opportunities, but are also included as the primary inputs in determining the Group's CO_2 emissions per metric tonne of food sold, which is the key environmental performance indicator used for measuring the success of our ARYZTA Cares initiatives.

This CO_2 metric is calculated based on various bakery and distribution activity inputs and utilizing the Greenhouse Gas Protocol ('GHG') to assess the estimated emissions directly related to ARYZTA's business. For the past two years, ARYZTA has submitted its Scope 1 and 2 global GHG emissions to the Carbon Disclosure Project, as a means of public reporting and continuous improvement.

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 Feeding America, a non-profit organisation working to reduce hunger through a network of local food banks. 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 2019

Group Consolidated and Company Financial Statements 2019

Page	**Group Consolidated Financial Statements, presented in euro and prepared in accordance with IFRS and the requirements of Swiss law**
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Statement of Directors' Responsibilities
for the year ended 31 July 2019

Swiss company law requires the directors to prepare Group consolidated and Company financial statements for each financial year. 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:

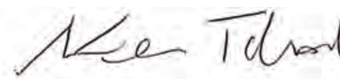
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

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



Gary McGann
Chair, Board of Directors

Kevin Toland
CEO, Member of the Board of Directors

8 October 2019

Group Consolidated Income Statement
for the year ended 31 July 2019

in EUR `000	Notes	2019	2018
Revenue	1	**3,383,425**	3,435,422
Cost of sales		**(2,462,351)**	(2,543,732)
Distribution expenses		**(404,150)**	(402,561)
Gross profit		**516,924**	489,129
Selling expenses		**(161,904)**	(181,635)
Administration expenses		**(342,898)**	(372,492)
Net loss on disposal of businesses and impairment of disposal groups held for sale	2	**(6,988)**	(183,316)
Impairment of goodwill	14	**–**	(175,000)
Operating profit/(loss)	1	**5,134**	(423,314)
Share of profit after interest and tax of joint ventures	15	**27,629**	15,156
Net gain on disposal of joint venture	15	**–**	1,468
Profit/(loss) before financing income, financing costs and income tax		**32,763**	(406,690)
Financing income	4	**4,524**	2,845
Financing costs	4	**(55,247)**	(76,413)
RCF termination costs	20	**–**	(12,415)
Loss before income tax		**(17,960)**	(492,673)
Income tax (charge)/credit	9	**(11,190)**	22,697
Loss for the year		**(29,150)**	(469,976)

Loss per share	Notes	2019 euro cent	2018 euro cent
Basic loss per share	11	**(8.3)**	(121.0)
Diluted loss per share	11	**(8.3)**	(121.0)

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

Group Consolidated Statement of Comprehensive Income
for the year ended 31 July 2019

in EUR `000	Notes	2019	2018
Loss for the year		**(29,150)**	(469,976)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation effects			
– Foreign exchange translation effects on net investments		**52,308**	(67,593)
– Taxation effect of foreign exchange translation movements	9	**(73)**	(1,301)
Cash flow hedges			
– Effective portion of changes in fair value of cash flow hedges		**(1,894)**	(1,299)
– Fair value of cash flow hedges transferred to income statement		**1,160**	(442)
– Deferred tax effect of cash flow hedges	9	**18**	310
Share of joint ventures' other comprehensive income	15	**33**	105
Total of items that may be reclassified subsequently to profit or loss		**51,552**	(70,220)
Items that will not be reclassified to profit or loss:			
Defined benefit plans			
– Actuarial (loss)/gain on Group defined benefit pension plans	24	**(1,315)**	1,124
– Deferred tax effect of actuarial loss/(gain)	9	**201**	(156)
Total of items that will not be reclassified to profit or loss		**(1,114)**	968
Total other comprehensive income/(loss)		**50,438**	(69,252)
Total comprehensive income/(loss) for the year		**21,288**	(539,228)

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

Group Consolidated Balance Sheet
as at 31 July 2019

in EUR `000	Notes	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	12	**1,248,835**	1,243,692
Investment properties	13	**12,185**	14,574
Goodwill and intangible assets	14	**1,964,298**	2,057,703
Investments in joint ventures	15	**447,678**	420,016
Deferred income tax assets	23	**66,851**	74,961
Total non-current assets		**3,739,847**	3,810,946
Current assets			
Inventory	16	**247,321**	244,535
Trade and other receivables	17	**154,362**	153,970
Derivative financial instruments	21	**202**	1,268
Cash and cash equivalents	19	**533,782**	517,854
		935,667	917,627
Assets of disposal groups held-for-sale	3	**–**	7,000
Total current assets		**935,667**	924,627
Total assets		**4,675,514**	4,735,573

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

Group Consolidated Balance Sheet (continued) as at 31 July 2019

in EUR `000	Notes	2019	2018
Equity			
Called up share capital	25	**16,973**	1,191
Share premium		**1,531,229**	807,512
Retained earnings and other reserves		**887,945**	864,157
Total equity		**2,436,147**	1,672,860
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	20	**826,456**	1,772,315
Employee benefits	24	**9,661**	6,975
Deferred income from government grants	22	**10,471**	14,408
Other payables	18	**46,038**	49,664
Deferred income tax liabilities	23	**191,585**	212,878
Total non-current liabilities		**1,084,211**	2,056,240
Current liabilities			
Interest-bearing loans and borrowings	20	**440,602**	255,803
Trade and other payables	18	**648,521**	684,335
Income tax payable		**65,528**	65,506
Derivative financial instruments	21	**505**	829
Total current liabilities		**1,155,156**	1,006,473
Total liabilities		**2,239,367**	3,062,713
Total equity and liabilities		**4,675,514**	4,735,573

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

Group Consolidated Statement of Changes in Equity
for the year ended 31 July 2019

31 July 2019 in EUR `000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Total
At 1 August 2018	**1,191**	**807,512**	**(46)**	**720,456**	**1,428**	**2,209**	**(105,511)**	**245,621**	**1,672,860**
Loss for the year	–	–	–	–	–	–	–	(29,150)	(29,150)
Other comprehensive (loss)/ income	–	–	–	–	(716)	–	52,235	(1,081)	50,438
Total comprehensive (loss)/ income	**–**	**–**	**–**	**–**	**(716)**	**–**	**52,235**	**(30,231)**	**21,288**
Proceeds from issue of shares, net of costs (note 25)	15,782	723,723	–	–	–	–	–	–	739,505
Release of treasury shares upon vesting of Restricted Stock Unit awards	–	(6)	6	–	–	–	–	–	–
Share-based payments (note 8)	–	–	–	–	–	2,494	–	–	2,494
Transfer of share-based payment reserve to retained earnings	–	–	–	–	–	(2,285)	–	2,285	–
Total transactions with owners recognised directly in equity	**15,782**	**723,717**	**6**	**–**	**–**	**209**	**–**	**2,285**	**741,999**
At 31 July 2019	**16,973**	**1,531,229**	**(40)**	**720,456**	**712**	**2,418**	**(53,276)**	**217,675**	**2,436,147**

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

Group Consolidated Statement of Changes in Equity (continued)
for the year ended 31 July 2019

31 July 2018 in EUR `000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Share-based payment reserve	Foreign currency trans-lation reserve	Retained earnings	Total
At 1 August 2017	**1,172**	**774,040**	**(47)**	**720,456**	**2,859**	**2,005**	**(36,617)**	**737,784**	**2,201,652**
Loss for the year	–	–	–	–	–	–	–	(469,976)	(469,976)
Other comprehensive (loss)/ income	–	–	–	–	(1,431)	–	(68,894)	1,073	(69,252)
Total comprehensive loss	**–**	**–**	**–**	**–**	**(1,431)**	**–**	**(68,894)**	**(468,903)**	**(539,228)**
Release of treasury shares upon vesting of Restricted Stock Unit awards (note 25)	–	(1)	1	–	–	–	–	–	–
Share-based payments (note 8)	–	–	–	–	–	2,005	–	–	2,005
Transfer of share-based payment reserve to retained earnings	–	–	–	–	–	(1,801)	–	1,801	–
Equity dividends (note 10)	19	33,473	–	–	–	–	–	(33,962)	(470)
Hybrid instrument deferred dividend	–	–	–	–	–	–	–	8,901	8,901
Total transactions with owners recognised directly in equity	**19**	**33,472**	**1**	**–**	**–**	**204**	**–**	**(23,260)**	**10,436**
At 31 July 2018	**1,191**	**807,512**	**(46)**	**720,456**	**1,428**	**2,209**	**(105,511)**	**245,621**	**1,672,860**

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

Group Consolidated Cash Flow Statement
for the year ended 31 July 2019

in EUR `000	Notes	2019	2018
Cash flows from operating activities			
Loss for the year		**(29,150)**	(469,976)
Income tax expense/(credit)	9	**11,190**	(22,697)
Financing income	4	**(4,524)**	(2,845)
Financing costs	4	**55,247**	76,413
RCF termination costs	20	**–**	12,415
Share of profit after interest and tax of joint ventures	15	**(27,629)**	(15,156)
Net gain on disposal of joint venture	15	**–**	(1,468)
Net loss on disposal of businesses and asset write-downs	2	**11,775**	362,783
Other restructuring-related payments in excess of current year costs		**(7,818)**	(2,064)
Depreciation of property, plant and equipment	1	**120,758**	119,850
Amortisation of intangible assets	1	**152,698**	172,678
Recognition of deferred income from government grants	22	**(3,937)**	(3,871)
Share-based payments	8	**2,494**	2,005
Other		**(3,416)**	(2,167)
Cash flows from operating activities before changes in working capital		**277,688**	225,900
Increase in inventory		**(2,609)**	(23,427)
Increase in trade and other receivables		**(4,897)**	(1,134)
Decrease in trade and other payables		**(32,799)**	(28,339)
Cash generated from operating activities		**237,383**	173,000
Income tax paid		**(25,781)**	(22,692)
Net cash flows from operating activities		**211,602**	150,308

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

Group Consolidated Cash Flow Statement
(continued)
for the year ended 31 July 2019

in EUR `000	Notes	2019	2018
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2,478**	8,348
Proceeds from sale of investment property	13	**3,522**	7,597
Purchase of property, plant and equipment		**(101,822)**	(81,680)
Purchase of intangible assets		**(3,099)**	(5,466)
Dividends received from joint venture	15	**–**	91,018
Disposal of businesses, net	2	**3,129**	101,599
Disposal of joint venture	15	**–**	34,948
Net cash flows from investing activities		**(95,792)**	156,364
Cash flows from financing activities			
Gross drawdown of loan capital	20	**–**	1,606,157
Gross repayment of loan capital	20	**(763,871)**	(1,919,180)
RCF termination costs	20	**–**	(501)
Interest paid		**(64,447)**	(62,507)
Interest received		**4,524**	2,845
Capital element of finance lease liabilities	20	**(335)**	(716)
Proceeds from issue of shares, net of costs paid	25	**739,505**	–
Equity dividend issuance costs		**–**	(470)
Net cash flows from financing activities		**(84,624)**	(374,372)
Net increase/(decrease) in cash and cash equivalents	20	**31,186**	(67,700)
Translation adjustment	20	**4,708**	(12,254)
Net cash and cash equivalents at start of year	20	**341,986**	421,940
Net cash and cash equivalents at end of year	20	**377,880**	341,986

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

Group Statement of Accounting Policies
for the year ended 31 July 2019

Organisation

ARYZTA AG (the 'Company') is domiciled and incorporated in Schlieren, Switzerland. The consolidated financial statements for the year ended 31 July 2019 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.

The Group consolidated financial statements and the ARYZTA AG Company financial statements were authorised for issue by the directors on 8 October 2019, subject to approval by the shareholders at the General Meeting on 14 November 2019.

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 1 August 2018. 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 year and have been adopted by the Group:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 40 – Transfers of Investment Property
- Improvements to IFRS Standards (2014–2016)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration

While 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 31 July 2018 year-end financial statements and had no material impact on the consolidated results or financial position of the Group. The most significant impact from these new standards related to the adoption of IFRS 9.

IFRS 9 'Financial Instruments' fully replaced IAS 39 'Financial instruments: Recognition and measurements' and was implemented by the Group effective 1 August 2018 using the modified retrospective method, which would have required any cumulative effect of initially applying IFRS 9 to be recognised within Retained Earnings, rather than restating prior years.

While impairments for bad debt as well as currency revaluations continue to be recognised in profit or loss, in accordance with IFRS 9, the Group now recognises impairment of financial assets based on the simplified Expected Credit Losses (ECL) model. Therefore, an allowance for expected losses is recognised as from the date receivables are initially recognised; however, as the Group does not have a history of significant bad debts, or anticipate significant changes to forward looking information, no material change to the allowance for doubtful accounts arose as a result of this change.

Group Statement of Accounting Policies
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The Group has also performed a review of the business model, contractually specified cash flows and other relevant factors corresponding to its financial assets and liabilities, as detailed in note 21, which resulted in the classifications below in accordance with IFRS 9:

			Classification and measurement as per 31 July 2018 (IAS 39)		
in EUR `000	**Fair Value through income statement 2018**	**Hedge instruments 2018**	**Loans and receivables at amortised cost 2018**	**Liabilities at amortised cost 2018**	**Total carrying amount 2018**
Trade and other receivables (excluding prepayments)	–	–	109,484	–	109,484
Derivative financial assets	–	1,268	–	–	1,268
Total financial assets	**–**	**1,268**	**109,484**	**–**	**110,752**
Trade and other payables (excluding non-financial liabilities)	–	–	–	(711,316)	(711,316)
Bank overdrafts	–	–	–	(175,868)	(175,868)
Bank borrowings	–	–	–	(1,851,593)	(1,851,593)
Finance lease liabilities	–	–	–	(657)	(657)
Derivative financial liabilities	–	(829)	–	–	(829)
Total financial liabilities	**–**	**(829)**	**–**	**(2,739,434)**	**(2,740,263)**

			Classification and measurement as per 1 August 2018 (IFRS 9)	
in EUR `000	**Fair Value through income statement 2018**	**Fair Value through OCI 2018**	**Amortised cost 2018**	**Total carrying amount 2018**
Trade and other receivables (excluding prepayments)	–	–	109,484	109,484
Derivative financial assets	–	1,268	–	1,268
Total financial assets	**–**	**1,268**	**109,484**	**110,752**
Trade and other payables (excluding non-financial liabilities)	–	–	(711,316)	(711,316)
Bank overdrafts	–	–	(175,868)	(175,868)
Bank borrowings	–	–	(1,851,593)	(1,851,593)
Finance lease liabilities	–	–	(657)	(657)
Derivative financial liabilities	–	(829)	–	(829)
Total financial liabilities	**–**	**(829)**	**(2,739,434)**	**(2,740,263)**

Group Statement of Accounting Policies (continued) for the year ended 31 July 2019

IFRS 15 'Revenue from contracts with customers' fully replaced IAS 11 'Construction Contracts', IAS 18 'Revenue' and was implemented by the Group effective 1 August 2018. The new standard defines a five-step model, which has to be used to assess the timing and amount of revenue recognised from customer contracts. The Group undertook a review of the main types of commercial arrangements with customers and determined that as Group revenues are transactional in nature, generally related to the shipment or delivery of goods to customers, net sales continue to be recognised at a point of time and not over a period. Therefore, there was no significant impact on the Group's financial position or performance from the adoption of this new standard.

In accordance with the requirements of IFRS 15, new disclosures outlining the disaggregation of revenue by significant geographic market, product category and customer channel are included in note 1 to the Consolidated Financial Statements.

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.

Standard/Interpretation/Framework	Effective date	Planned implementation by ARYZTA (reporting year to 31 July)
Amendments to IFRS 9 – Prepayment features with negative compensation	1 January 2019	2020
Amendments to IAS 28 – Long-term interests in associates and joint ventures	1 January 2019	2020
Amendments to IAS 19 – Plan amendment, curtailment or settlement	1 January 2019	2020
Improvements to IFRS Standards (2015–2017)	1 January 2019	2020
IFRIC 23 – Uncertainty over income tax	1 January 2019	2020
IFRS 16 – Leases	1 January 2019	2020
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 2021	2022

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 year ending 31 July 2020. 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, except as noted below:

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.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2019

The Group's effective date is financial year beginning 1 August 2019. At that date, the Group will calculate the lease commitments outstanding and apply appropriate discount rates to calculate the present value of the lease commitment which will be recognised as a liability and a right of use asset on the Group's Balance Sheet.

As detailed in note 26, the Group's future minimum rentals payable under non-cancellable operating leases at 31 July 2019 amounted to €327.5 million and the charge recognised in the Income Statement for the year ended 31 July 2019 amounted to €69.5 million. These amounts provide an indication of the scale of leases held at 31 July 2019 but exclude the impact of discounting, exemptions for short-term leases and low-value leased assets.

The Group will apply IFRS 16 from 1 August 2019 using the modified retrospective approach, whereby comparatives do not need to be restated. The Group will apply the recognition exemption for both short-term leases and low-value leased assets. The Group assessed each lease and will apply judgement for the determination of lease term where there are extension or termination options.

The Group's assessment of the impact of adopting IFRS 16 is at an advanced stage. The Group is implementing a dedicated software solution which will host a centralised set of lease data. Based on the work performed to date, the Group expects to recognise right of use assets of approximately €295 million, net investment in subleased assets of €22 million, lease liabilities of €319 million, an increase in opening retained earnings of €5m along with the derecognition of onerous lease provisions of approximately €2 million. The expected impact of IFRS 16 on finance costs is an increase of €12 million. The Group expects a positive impact on Underlying EBITDA in the range of €60 to €65 million. In addition, the Group expects a positive impact on ROIC in the range of 30 to 50bps. The actual adjustment on transition could differ to the estimated impact provided, due to changes in underlying assumptions, assessment of the expected term of leases (including renewal options) and foreign exchange.

Basis of preparation

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

The Group consolidated financial statements and the Company financial statements have been prepared on a going concern basis.

The Group consolidated financial statements are presented in euro, rounded to the nearest thousand, 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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2019

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 31.

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 1, and have been excluded from the calculation of underlying net profit in note 11.

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 5.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2019

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.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2019

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 fair value of 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.

Revenue policy applicable before 1 August 2018
Revenue represents the fair value of 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 the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually upon shipment or delivery, depending on the specific terms agreed with individual customers, when it is probable that the economic benefits will flow to the Group and

Group Statement of Accounting Policies (continued) for the year ended 31 July 2019

the amount of revenue can be measured reliably. Financing income is recognised on an accrual basis, taking into consideration the sums lent and the actual interest rate applied.

Revenue is recorded when the collection of the amount due is reasonably assured. 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. Any unutilised accrual is released after assessment that the likelihood of such a claim being made is no longer probable.

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.

Following the resignation of Owen Killian as Group CEO effective 31 March 2017, the CODM in the intervening period up until the appointment of Kevin Toland as Group CEO on 12 September 2017 was comprised of the Board of Directors. Effective 12 September 2017, the CODM has been identified as the Group CEO.

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.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2019

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.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2019

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

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

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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2019

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 thousand, 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 year, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions. Foreign exchange differences arising on translation of the net assets of a foreign operation are recognised in other comprehensive income, as a change in the foreign currency translation reserve.

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

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

Currency	Average 2019	Average 2018	% Change	Closing 2019	Closing 2018	% Change
CHF	1.1310	1.1629	2.7%	1.1039	1.1578	4.7%
USD	1.1378	1.1951	4.8%	1.1149	1.1651	4.3%
CAD	1.5055	1.5210	1.0%	1.4672	1.5219	3.6%
GBP	0.8825	0.8863	0.4%	0.8955	0.8888	(0.8)%

Group Statement of Accounting Policies (continued) for the year ended 31 July 2019

Dividends

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

Property, plant and equipment

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

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

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

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

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

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.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2019

Leased assets
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.

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 year 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 year from the acquisition date.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2019

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

Intangible assets

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

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

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

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

Customer relationships	10 to 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 year-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.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2019

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) and those financial instruments carried at fair value, 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 year, or more frequently if events or changes in circumstances indicate a potential impairment.

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

Inventory

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

Cash and cash equivalents

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

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of net cash and cash equivalents for the purpose of the Group Consolidated Cash Flow Statement.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2019

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, 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.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2019

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) or through OCI (FVOCI), which are initially recognised at fair value.

Financial Assets classifications applicable after 1 August 2018

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.
- 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.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2019

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.

Financial Assets classifications applicable before 1 August 2018
Financial assets were classified into one of the following categories:

Loans and receivables
Trade and other receivables (excluding prepayments) and cash and cash equivalents were initially measured at fair value and are thereafter measured at amortised cost, using the effective interest method, less any provision for impairment.

Hedge instruments
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.

Impairment of financial assets policy applicable after 1 August 2018
From 1 August 2018, 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.

Impairment of financial assets policy applicable before 1 August 2018
Before 1 August 2018, a provision for impairment of loans and receivables was recognised when there was objective evidence that the Group would not be able to collect all amounts due, according to the original terms of the financial asset.

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.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2019

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

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

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

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

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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2019

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

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

Interest-bearing loans and borrowings
Interest-bearing borrowings are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are capitalised as transaction costs of the loan, to the extent that it is probable that some or all of the facility will be drawn down, and are amortised over the period of the facility to which the fees relate.

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

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.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2019

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests, which do not result in a loss of control, as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired in the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is then the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, 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.

Notes to the Group Consolidated Financial Statements
for the year ended 31 July 2019

1 Segment information

1.1 Analysis by business segment

I) Segment revenue and result	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR `000	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Segment revenue	**1,713,337**	1,710,662	**1,397,944**	1,467,969	**272,144**	256,791	**3,383,425**	3,435,422
Underlying EBITDA[1]	**167,705**	171,977	**97,993**	89,902	**41,810**	39,943	**307,508**	301,822
Depreciation	**(58,600)**	(57,954)	**(51,574)**	(51,988)	**(10,584)**	(9,908)	**(120,758)**	(119,850)
ERP amortisation	**(11,247)**	(10,576)	**(5,549)**	(6,438)	**(30)**	(22)	**(16,826)**	(17,036)
Underlying EBITA	**97,858**	103,447	**40,870**	31,476	**31,196**	30,013	**169,924**	164,936
Amortisation of other intangible assets	**(48,281)**	(68,291)	**(81,319)**	(80,066)	**(6,272)**	(7,285)	**(135,872)**	(155,642)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**(4,996)**	(47,413)	**(1,992)**	(135,903)	**–**	–	**(6,988)**	(183,316)
Impairment of goodwill	**–**	(175,000)	**–**	–	**–**	–	**–**	(175,000)
Net loss on fixed asset disposals and impairments	**(1,798)**	(1,926)	**(2,989)**	(1,098)	**–**	(1,443)	**(4,787)**	(4,467)
Disposal and restructuring related costs	**(10,236)**	(6,058)	**(6,907)**	(63,441)	**–**	(326)	**(17,143)**	(69,825)
Operating profit/(loss)[2]	**32,547**	(195,241)	**(52,337)**	(249,032)	**24,924**	20,959	**5,134**	(423,314)
Share of profit after interest and tax of joint ventures[3]							**27,629**	15,156
Net gain on disposal of joint venture[3]							**–**	1,468
Financing income[3]							**4,524**	2,845
Financing costs[3]							**(55,247)**	(76,413)
RCF termination costs[3]							**–**	(12,415)
Loss before income tax as reported in Group Consolidated Income Statement							**(17,960)**	(492,673)

1 'Underlying EBITDA' – presented as earnings before interest, taxation, depreciation and amortisation; before impairment, disposal and restructuring-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 year ended 31 July 2019

II) Segment revenue by location

in EUR `000	2019 Revenue	2019 % of Group Revenue	2018 Revenue	2018 % of Group Revenue
Switzerland (ARYZTA's country of domicile)	**218,743**	**6.5%**	201,631	5.9%
Germany	**608,150**	**18.0%**	609,738	17.7%
France	**249,533**	**7.4%**	238,229	6.9%
Other[1]	**636,911**	**18.8%**	661,064	19.3%
ARYZTA Europe segmental revenue	**1,713,337**	**50.7%**	1,710,662	49.8%
USA	**1,086,614**	**32.1%**	1,154,561	33.6%
Canada	**311,330**	**9.2%**	313,408	9.1%
ARYZTA North America segmental revenue	**1,397,944**	**41.3%**	1,467,969	42.7%
ARYZTA Rest of World segmental revenue[2]	**272,144**	**8.0%**	256,791	7.5%
ARYZTA Group revenue[3]	**3,383,425**	**100.0%**	3,435,422	100.0%
ARYZTA Group revenue from major customer[4]	**402,693**	**11.9%**	383,886	11.2%

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 year.

2 No country in the Rest of World segment represented greater than 5% of the ARYZTA Group revenue in the current or prior financial year 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 year. These revenues were earned across all of the Group's operating segments in the current and prior financial years. There is no significant credit risk associated with receivables from this customer.

III) Segment revenue by product

in EUR `000	ARYZTA Europe 2019	ARYZTA Europe 2018	ARYZTA North America 2019	ARYZTA North America 2018	ARYZTA Rest of World 2019	ARYZTA Rest of World 2018	ARYZTA Group 2019	ARYZTA Group 2018
Bread Rolls & Artisan Loaves	**709,479**	705,725	**377,734**	412,898	**197,140**	189,565	**1,284,353**	1,308,188
Sweet Baked & Morning Goods	**526,665**	524,071	**845,102**	894,572	**67,451**	61,985	**1,439,218**	1,480,628
Savoury & Other	**477,193**	480,866	**175,108**	160,499	**7,553**	5,241	**659,854**	646,606
ARYZTA Group revenue	**1,713,337**	1,710,662	**1,397,944**	1,467,969	**272,144**	256,791	**3,383,425**	3,435,422

IV) Segment revenue by channel

in EUR `000	ARYZTA Europe 2019	ARYZTA Europe 2018	ARYZTA North America 2019	ARYZTA North America 2018	ARYZTA Rest of World 2019	ARYZTA Rest of World 2018	ARYZTA Group 2019	ARYZTA Group 2018
QSR	**152,976**	148,009	**634,011**	625,720	**190,987**	184,228	**977,974**	957,957
Convenience & Independent Retail	**307,834**	326,365	**28,244**	38,999	**10,312**	8,611	**346,390**	373,975
Large Retail	**701,543**	689,168	**389,678**	436,318	**7,291**	8,021	**1,098,512**	1,133,507
Other Foodservice	**550,984**	547,120	**346,011**	366,932	**63,554**	55,931	**960,549**	969,983
ARYZTA Group revenue	**1,713,337**	1,710,662	**1,397,944**	1,467,969	**272,144**	256,791	**3,383,425**	3,435,422

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

V) Segment assets	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR `000	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Segment assets[1]	**1,725,413**	1,810,766	**1,667,725**	1,680,415	**238,849**	236,552	**3,631,987**	3,727,733

Reconciliation to total assets as reported in the Group Consolidated Balance Sheet		
Investments in joint ventures and related financial assets	**447,678**	420,016
Deferred income tax assets[1]	**61,866**	68,702
Derivative financial instruments	**202**	1,268
Cash and cash equivalents	**533,782**	517,854
Total assets as reported in Group Consolidated Balance Sheet	**4,675,515**	4,735,573

VI) Segment liabilities	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR `000	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Segment liabilities[1]	**410,865**	456,604	**326,994**	349,641	**63,452**	59,471	**801,311**	865,716

Reconciliation to total liabilities as reported in Group Consolidated Balance Sheet		
Interest-bearing loans and borrowings	**1,267,058**	2,028,118
Derivative financial instruments	**505**	829
Current and deferred income tax liabilities[1]	**170,493**	168,050
Total liabilities as reported in Group Consolidated Balance Sheet	**2,239,367**	3,062,713

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

VII) Other segment information	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR `000	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Capital expenditure								
– Property, plant and equipment	**39,599**	42,500	**61,093**	25,014	**12,609**	9,817	**113,301**	77,331
– Intangibles	**1,269**	3,114	**1,794**	1,749	**36**	496	**3,099**	5,359
Total capital expenditure	**40,868**	45,614	**62,887**	26,763	**12,645**	10,313	**116,400**	82,690

1.2 Segmental non-current assets

I) Segment non-current assets by segment	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
in EUR `000	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
IFRS 8 non-current assets[1]	**2,009,622**	2,025,870	**1,475,611**	1,519,916	**187,763**	190,199	**3,672,996**	3,735,985

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	2019		2018	
in EUR `000	**Non-current assets**	**% of Group non-current assets**	Non-current assets	% of Group non-current assets
Switzerland (ARYZTA's country of domicile)	**291,682**	**7.9%**	287,511	7.7%
Germany	**404,119**	**11.0%**	492,262	13.2%
Other[1]	**1,313,821**	**35.8%**	1,246,097	33.3%
ARYZTA Europe segmental non-current assets	**2,009,622**	**54.7%**	2,025,870	54.2%
USA	**879,382**	**24.0%**	895,381	24.0%
Canada	**596,229**	**16.2%**	624,535	16.7%
ARYZTA North America segmental non-current assets	**1,475,611**	**40.2%**	1,519,916	40.7%
ARYZTA Rest of World segmental non-current assets[2]	**187,763**	**5.1%**	190,199	5.1%
ARYZTA Group non-current assets	**3,672,996**	**100.0%**	3,735,985	100.0%

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

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

2 Impairment, disposal and restructuring-related costs

During the year ended 31 July 2019, the Group incurred the following impairment, disposal and restructuring-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 1. Furthermore, this metric forms the basis for the Trailing Twelve Month EBITDA utilised in calculating the Net Debt: EBITDA ratio for banking covenant compliance.

in EUR `000	Notes	ARYZTA Europe 2019	ARYZTA Europe 2018	ARYZTA North America 2019	ARYZTA North America 2018	ARYZTA Rest of World 2019	ARYZTA Rest of World 2018	ARYZTA Group 2019	ARYZTA Group 2018
Net loss on disposal of businesses and impairment of disposal groups held for sale	2.1	**(4,996)**	(47,413)	**(1,992)**	(135,903)	–	–	**(6,988)**	(183,316)
Impairment of goodwill	2.2	–	(175,000)	–	–	–	–	–	(175,000)
Impairment and disposal of fixed assets and investment property	2.3	**(1,798)**	(1,926)	**(2,989)**	(1,098)	–	(1,443)	**(4,787)**	(4,467)
Total net loss on disposal of businesses and asset write-downs		**(6,794)**	(224,339)	**(4,981)**	(137,001)	–	(1,443)	**(11,775)**	(362,783)
Labour-related business interruption		–	–	–	(41,443)	–	–	–	(41,443)
Severance and other staff-related costs		**(5,336)**	(3,256)	**(4,500)**	(11,569)	–	(326)	**(9,836)**	(15,151)
Other costs including advisory		**(4,900)**	(2,802)	**(2,407)**	(10,429)	–	–	**(7,307)**	(13,231)
Total restructuring-related costs	2.4	**(10,236)**	(6,058)	**(6,907)**	(63,441)	–	(326)	**(17,143)**	(69,825)
Total impairment, disposal and restructuring-related costs		**(17,030)**	(230,397)	**(11,888)**	(200,442)	–	(1,769)	**(28,918)**	(432,608)

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

During the year ended 31 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 €7,106,000 carrying value of the assets disposed exceeded the €3,129,000 proceeds received, net of associated transaction costs, combined with a €1,019,000 cumulative foreign currency translation loss since the initial investment, a net loss on disposal of €4,996,000 was recognised, as detailed in note 3.

During the year ended 31 July 2018 a €48,762,000 loss on impairment of disposal groups held-for-sale had been recognised in relation to these two non-core businesses, as detailed in note 3. In addition, during January 2018, the Group disposed of a business in Europe, which resulted in a €1,349,000 gain on disposal.

During the year ended 31 July 2018, the Group disposed of the Cloverhill Chicago and Cicero facilities in North America. As the €54,818,000 proceeds received, net of associated transaction costs, were less than the €209,108,000 carrying value of the net assets prior to the disposal agreement, a loss of €135,903,000 was recognised during the year ended 31 July 2018, net of a €18,387,000 cumulative foreign currency translation gain since the initial investment. During the year ended 31 July 2019, the Group

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

recognised an additional €1,992,000 loss in North America, on the finalisation of the Cloverhill Chicago and Cicero disposals.

2.2 Impairment of goodwill

There was no impairment of goodwill during the year ended 31 July 2019.

Following significant reductions in estimated profitability, the Group recorded a €175,000,000 goodwill impairment charge in Germany during the year ended 31 July 2018. Further detail on the prior year goodwill impairment is included in note 14.

2.3 Impairment and disposal of fixed assets and investment property

During the year ended 31 July 2019, the Group incurred a net loss on the disposal and impairment of various fixed assets and investment properties totalling €4,787,000 (2018: €4,467,000)

2.4 Restructuring-related costs

During the year ended 31 July 2019, 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:

Labour related business interruption costs

The €16,349,000 of labour-related business interruption costs experienced in the North America Cloverhill facilities during the last three months of the financial year ended 31 July 2017 continued into the financial year ended 31 July 2018, during which the group incurred €41,443,000 of further losses. As these businesses have since been disposed, no such costs were incurred during the year ended 31 July 2019.

Severance and other staff-related costs

During the year ended 31 July 2019, the Group incurred a total of €9,836,000 (2018: €15,151,000) in severance and other staff-related costs arising from a number of production, distribution and administrative rationalisations across the Group as part of the implementation of Project Renew.

Other costs including advisory

During the year ended 31 July 2019, the Group incurred €7,307,000 in costs related to the design and implementation of Project Renew across Europe and North America.

During the year ended 31 July 2018, the Group incurred €13,231,000 in costs related to the reorganisation of the North America and a group-wide strategic business review.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

3 Disposal groups held-for-sale

During July 2018, the Group identified for disposal two non-core businesses in the ARYZTA Europe segment, which historically generated approximately €30,000,000 in annual revenues. As plans for these disposals were approved by the Board of Directors and are sufficiently progressed that they were considered highly probable to be completed within the next 12 months, the assets of these businesses were accounted for as disposal groups held-for-sale as of 31 July 2018.

As the fair value less costs to sell of these facilities of €7,000,000 was less than the €55,762,000 carrying value of the net assets, a loss on impairment of disposal groups held-for-sale of €48,762,000 was recognised in the income statement as of 31 July 2018.

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 were presented separately from other assets in the Group Consolidated Balance Sheet as at 31 July 2018.

The assets of the disposal groups held-for-sale at 31 July 2018 were as follows:

in EUR '000	**2019**	2018
Property, plant and equipment	–	4,208
Inventory	–	2,792
Disposal groups held-for-sale at fair value less costs to sell	–	7,000

The fair value was measured using inputs not observable within the market, and was therefore within level 3 of the fair value hierarchy.

During the year ended 31 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 €7,106,000 carrying value of the assets disposed exceeded the €3,129,000 proceeds received, net of associated transaction costs, combined with a €1,019,000 cumulative foreign currency translation loss since the initial investment, a net loss on disposal of €4,996,000 was recognised.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

4 Financing income and costs

in EUR `000	2019	2018
Financing income		
Total financing income recognised in Group Consolidated Income Statement	**4,524**	2,845
Financing costs		
Interest cost on bank loans and overdrafts	**(55,186)**	(76,316)
Interest cost under finance leases	**(10)**	(44)
Defined benefit plan: net interest cost on plan liabilities (note 24)	**(51)**	(53)
Total financing costs recognised in Group Consolidated Income Statement	**(55,247)**	(76,413)
RCF termination costs (note 20)	**–**	(12,415)
Recognised directly in other comprehensive income		
Effective portion of changes in fair value of interest rate swaps[1]	**(6)**	1,411
Fair value of interest rate swaps transferred to income statement	**401**	901
Total financing gain recognised directly in other comprehensive income	**395**	2,312

1 No unrealised gains or losses on any ineffective portion of derivatives have been recognised in the income statement.

5 Other information

Group Consolidated Income statement by nature of cost through to operating profit

in EUR `000	2019	2018
Revenue	**3,383,425**	3,435,422
Raw materials and consumables used	**(1,635,705)**	(1,670,222)
Employment costs (note 7)	**(779,401)**	(796,572)
Storage and distribution costs	**(248,423)**	(245,863)
Amortisation of intangible assets (note 1)	**(152,698)**	(172,678)
Depreciation of property, plant and equipment (note 1)	**(120,758)**	(119,850)
Light, heat and power	**(85,962)**	(83,644)
Operating lease rentals	**(69,545)**	(66,876)
Repairs and maintenance	**(55,809)**	(56,550)
Advertising and marketing	**(36,319)**	(43,076)
Research and development	**(12,255)**	(14,680)
Net loss on disposal of businesses and impairment of disposal groups held for sale (note 2)	**(6,988)**	(183,316)
Impairment of goodwill (note 2)	**–**	(175,000)
Asset disposals and impairments (note 2)	**(4,787)**	(4,467)
Labour related business interruption (note 2)	**–**	(41,443)
Other restructuring-related costs (note 2)	**(7,307)**	(13,231)
Other direct and indirect costs	**(162,334)**	(171,268)
Operating profit/(loss)	**5,134**	(423,314)

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

6 Directors' compensation

Please refer to the ARYZTA AG Compensation Report on pages 54 to 68 for details on the compensation process and compensation for the year of Directors and Group Executive Management. Also see compensation of key management disclosure as included in note 28.

7 Employment

Average number of persons employed by the Group during the year by function	2019	2018
Production	**12,846**	14,110
Sales and distribution	**3,157**	3,403
Management and administration	**1,266**	1,382
Average number of persons employed	**17,269**	18,895

Average number of persons employed by the Group during the year by region	2019	2018
Europe	**8,835**	8,926
North America	**6,256**	8,019
Rest of World	**2,178**	1,950
Total Group	**17,269**	18,895

Employment costs of the Group

in EUR `000	2019	2018
Wages and salaries	**676,344**	688,067
Social welfare costs	**73,950**	73,626
Severance and other staff-related costs (note 2)	**9,836**	15,151
Defined contribution plans (note 24)	**13,450**	13,767
Defined benefit plans - current service cost (note 24)	**3,327**	3,225
Defined benefit plans - past service cost (note 24)	–	731
Share-based payments (note 8)	**2,494**	2,005
Employment costs	**779,401**	796,572

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

8 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'.

As included in the tables for the respective plans below, during the year ended 31 July 2019, in order to maintain the dilutive impact of the November 2018 capital increase at a consistent level for outstanding LTIP awards with the dilution experienced by shareholders who did not participate in the rights issue and instead sold their rights received, the Group adjusted all outstanding LTIP awards by dividing the previous exercise price of each outstanding LTIP award by the 4.64x Theoretical Ex-Rights Price ('TERP') and likewise by multiplying the previous number of outstanding LTIP awards by the TERP. Additionally, in order to eliminate the impact of the Scrip Dividend issued in January 2018, the Group also adjusted all outstanding LTIP awards by dividing the exercise price by 81 and multiplying by 80 and likewise multiplying the number of LTIP awards outstanding by 81 and dividing by 80. No incremental value arose as a result of this modification, primarily because the weighted average exercise price of the awards following modification remains significantly above the CHF 1.57 share price on the date of modification.

During the period ended 31 July 2019, 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 segmental operating free cash generation and ROIC targets during the associated performance periods ending 31 July 2020 and 31 July 2021, as well as continued employment throughout the respective performance periods. Further details are set out on pages 63 to 64 in the Compensation Report.

The number of awards granted during the period, as included in the respective tables below, represents the maximum 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 1.6, 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 €2,494,000 (2018: €2,005,000). The analysis of movements within the LTIP plans is as follows:

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

8.1 Options and option equivalents

Option and Option Equivalent Plan awards	Weighted conversion price 2019 in CHF	Number of equity entitlements 2019	Weighted conversion price 2018 in CHF	Number of equity entitlements 2018
Outstanding at beginning of the year	**39.20**	**1,560,500**	42.30	3,660,500
Granted during the year	**1.08**	**29,589,431**	–	–
Modified during the year	**0.00**	**5,777,930**	–	–
Forfeited during the year	**1.08**	**(91,121)**	44.66	(2,100,000)
Outstanding at the end of the year	**2.53**	**36,836,740**	39.20	1,560,500
Vested at end of the year	**8.34**	**7,338,430**	39.20	1,560,500

Option and Option Equivalent Plan awards outstanding by conversion price	Conversion price in CHF	Number of equity entitlements	Actual remaining life (years)
Issued during financial year 2010	7.92	**2,586,438**	**0.1**
Issued during financial year 2012	8.50	**4,526,266**	**2.2**
Issued during financial year 2013	9.93	**225,726**	**3.3**
Issued during financial year 2019	1.08	**29,498,310**	**9.4**
As of 31 July 2019	2.53	**36,836,740**	**7.8**

The weighted average fair value associated with option and option equivalent awards issued during the year ended 31 July 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 year 2016 were not met, these awards were forfeited during the year ended 31 July 2018. The vested option awards still outstanding as of 31 July 2019 can be exercised no later than ten years after grant date.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

8.2 Performance Share Units and Restricted Stock Units

Performance Share Unit and Restricted Stock Unit awards outstanding	Weighted conversion price 2019 in CHF	Number of equity entitlements 2019	Weighted conversion price 2018 in CHF	Number of equity entitlements 2018
Outstanding at beginning of the year	**0.00**	**90,281**	0.00	177,957
Granted during the year	**0.00**	**20,248,575**	–	–
Modified during the period	**0.00**	**20,241**	–	–
Exercised during the year	**0.00**	**(84,815)**	0.00	(64,899)
Forfeited during the year	**0.00**	**(105,312)**	0.00	(22,777)
Outstanding at the end of the year	**0.00**	**20,168,970**	0.00	90,281
Vested at end of the year	**–**	**–**	–	–

Performance Share Unit and Restricted Stock Unit awards outstanding by conversion price	Actual remaining life (years)	Conversion price in CHF	Number of equity entitlements
Issued during financial year 2017	7.6	0.00	**25,707**
Issued during financial year 2019	9.4	0.00	**20,143,263**
As of 31 July 2019	9.4	0.00	**20,168,970**

During the year ended 31 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.

During the year ended 31 July 2018, the performance conditions associated with 64,899 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 28.69.

The performance conditions associated with the remaining 5,466 RSUs that were outstanding as of 31 July 2018, which were subsequently modified to be 25,707 RSUs, have not yet been fulfilled as of 31 July 2019.

The weighted average fair value assigned to PSUs issued during the period ended 31 July 2019 was CHF 1.08, 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 year ended 31 July 2019

9 Income taxes

Income tax credit

in EUR `000	2019	2018
Current tax charge	**(26,233)**	(27,071)
Deferred tax credit (note 23)	**15,043**	49,768
Income tax (charge)/credit	**(11,190)**	22,697

Reconciliation of average effective tax rate to applicable tax rate

in EUR `000	2019	2018
Loss before income tax	**(17,960)**	(492,673)
Less share of profit after interest and tax of joint ventures	**(27,629)**	(15,156)
Loss before tax and before share of profit of joint ventures	**(45,589)**	(507,829)
Income tax on loss for the year at 21.2% (2018: 21.2%)[1]	**9,665**	107,660
Income/(expenses) not taxable/(deductible) for tax purposes	**3,112**	(43,859)
Income subject to other rates of tax	**(3,888)**	31,470
Excess deferred tax assets not recognised / derecognised	**(20,789)**	(72,076)
Change in estimates and other prior year adjustments:		
– Current tax	**587**	(37)
– Deferred tax	**123**	(461)
Income tax (charge)/credit	**(11,190)**	22,697

Income tax recognised in other comprehensive income

in EUR `000	2019	2018
Relating to foreign exchange translation effects	**(73)**	(1,301)
Relating to cash flow hedges	**18**	310
Relating to Group employee benefit plans actuarial gains/(losses) (note 24)	**201**	(156)
Tax recognised directly in other comprehensive income	**146**	(1,147)

1 21.2% is the standard rate of income tax applicable to trading profits in Zurich, Switzerland.

10 Proposed dividend

No dividend is planned to be proposed for the year ended 31 July 2019. No dividend was proposed or paid for the year ended 31 July 2018.

The dividend for the year ended 31 July 2017 was approved at the Annual General Meeting held on 7 December 2017, to be settled as a scrip dividend via newly issued share capital, based on a ratio of one new share for every 80 shares held. Accordingly, a total of 1,110,253 new shares, with a par value of CHF 0.02 per share, were issued to shareholders holding shares in ARYZTA AG on 29 January 2018, resulting in €33,962,000 being recognised within equity, based on the market price of the shares at the date of approval.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

11 Earnings per share

Basic loss per share	2019 in EUR '000	2018 in EUR '000
Loss attributable to equity shareholders	**(29,150)**	(469,976)
Hybrid instrument dividend (note 25)	**(38,902)**	(32,057)
Loss used to determine basic EPS	**(68,052)**	(502,033)

Weighted average number of ordinary shares	'000	'000
Ordinary shares outstanding at 1 August[1]	**89,934**	88,759
Effect of shares issued as a scrip dividend	**–**	551
Effect of exercise of equity instruments	**70**	51
Release of treasury shares as restricted shares	**190**	–
Effect of bonus issue relating to rights issue[2]	**328,025**	325,680
Effect of paid-in shares issued relating to rights issue[2]	**404,394**	–
Weighted average ordinary shares used to determine basic EPS	**822,613**	415,041

Basic loss per share	**(8.3) cent**	(121.0) cent

Diluted loss per share	2019 in EUR '000	2018 in EUR '000
Loss used to determine basic EPS	**(68,052)**	(502,033)

Weighted average number of ordinary shares (diluted)	'000	'000
Weighted average ordinary shares used to determine basic EPS	**822,613**	415,041
Effect of shares issued as a scrip dividend with a dilutive impact[3]	**–**	–
Effect of equity-based incentives with a dilutive impact[3]	**–**	–
Weighted average ordinary shares used to determine diluted EPS	**822,613**	415,041

Diluted loss per share	**(8.3) cent**	(121.0) cent

1 Issued share capital excludes treasury shares as detailed in note 25.

2 2018 comparatives and current year 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 and shares issued as scrip dividend would decrease the loss per share for the years ended 31 July 2019 and 2018, no dilutive effect was taken during these years.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

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;
- excludes RCF termination costs; and
- excludes impairment, disposal and restructuring-related costs.

Underlying diluted earnings per share	2019 in EUR '000	2018 in EUR '000
Loss used to determine basic EPS	**(68,052)**	(502,033)
Amortisation of non-ERP intangible assets (note 1)	**135,872**	155,642
Tax on amortisation of non-ERP intangible assets	**(27,312)**	(54,886)
Share of JV intangible amortisation and restructuring costs, net of tax (note 15)	**(74)**	7,599
RCF termination costs (note 20)	**–**	12,415
Net gain on disposal of joint venture (note 15)	**–**	(1,468)
Net loss on disposal of businesses and impairment of disposal groups held for sale (note 2)	**6,988**	183,316
Impairment of goodwill (note 2)	**–**	175,000
Impairment and disposal of fixed assets and investment property (note 2)	**4,787**	4,467
Restructuring-related costs (note 2)	**17,143**	69,825
Tax on net impairment, disposal and restructuring-related costs	**4,962**	(260)
Underlying net profit	**74,314**	49,617
Weighted average ordinary shares used to determine basic EPS	**822,613**	415,041
Underlying basic earnings per share	**9.0 cent**	12.0 cent
Weighted average ordinary shares used to determine basic EPS	**822,613**	415,041
Effect of shares issued as a scrip dividend with a dilutive impact	**–**	170
Effect of equity-based incentives with a dilutive impact	**55**	99
Effect of bonus issue relating to rights issue	**52**	980
Weighted average ordinary shares used to determine underlying diluted EPS	**822,720**	416,290
Underlying diluted earnings per share	**9.0 cent**	11.9 cent

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

12 Property, plant and equipment

31 July 2019 in EUR '000	Land and buildings	Plant and Machinery	Motor Vehicles	Assets under construction	Total
Net Book Value At 1 August 2018	**439,076**	**768,033**	**3,073**	**33,510**	**1,243,692**
Additions	1,541	32,528	158	79,074	113,301
Transfer from assets under construction	6,975	55,296	171	(62,442)	–
Asset impairments (note 2)	(2,805)	(2,006)	–	(50)	(4,861)
Asset disposals	(36)	(1,525)	(359)	(83)	(2,003)
Depreciation charge for year	(16,557)	(103,275)	(926)	–	(120,758)
Reclassifications	(7,355)	7,355	–	–	–
Translation adjustments	4,108	13,839	(88)	1,605	19,464
Net Book Value At 31 July 2019	**424,947**	**770,245**	**2,029**	**51,614**	**1,248,835**
At 31 July 2019					
Cost	538,453	1,445,947	5,302	51,614	2,041,316
Accumulated depreciation	(113,506)	(675,702)	(3,273)	–	(792,481)
Net Book Value At 31 July 2019	**424,947**	**770,245**	**2,029**	**51,614**	**1,248,835**

31 July 2018 in EUR '000	Land and buildings	Plant and Machinery	Motor Vehicles	Assets under construction	Total
Net Book Value At 1 August 2017	**480,527**	**878,968**	**4,085**	**22,714**	**1,386,294**
Additions	2,195	17,940	280	56,916	77,331
Transfer from assets under construction	6,127	37,303	438	(43,868)	–
Disposals as part of business disposals	(13,004)	(33,239)	(283)	(1,952)	(48,478)
Transfer to disposal groups classified as held-for-sale	(10,659)	(16,242)	–	(308)	(27,209)
Asset impairments (note 2)	(2,151)	(2,470)	–	518	(4,103)
Asset disposals	(1,416)	(795)	(77)	(85)	(2,373)
Transfer to investment properties (note 13)	(1,168)	–	–	–	(1,168)
Depreciation charge for year	(15,335)	(103,320)	(1,195)	–	(119,850)
Translation adjustments	(6,040)	(10,112)	(175)	(425)	(16,752)
Net Book Value At 31 July 2018	**439,076**	**768,033**	**3,073**	**33,510**	**1,243,692**
At 31 July 2018					
Cost	525,027	1,341,505	7,432	33,510	1,907,474
Accumulated depreciation	(85,951)	(573,472)	(4,359)	–	(663,782)
Net Book Value At 31 July 2018	**439,076**	**768,033**	**3,073**	**33,510**	**1,243,692**

Assets held under finance leases

The net book value in respect of assets held under finance leases and accordingly capitalised in property, plant and equipment is as follows:

in EUR '000	Plant and Machinery	Motor Vehicles	Total
At 31 July 2019	**7**	**394**	**401**
At 31 July 2018	133	1,028	1,161

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

13 Investment properties

in EUR '000	2019	2018
Balance at 1 August	**14,574**	19,952
Transfer from property, plant and equipment (note 12)	–	1,168
Disposals	**(2,909)**	(7,375)
Fair value adjustments (note 3)	–	447
Translation adjustment	**520**	382
Balance at 31 July	**12,185**	14,574

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 year ended 31 July 2019, there were no land and building assets transferred to investment property. During the year ended 31 July 2018, 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 an estimated fair value of €1,168,000 at the date of transfer, which approximated its carrying value.

During the year, land in the ARYZTA Europe segment was disposed for net cash consideration of €3,522,000. As the proceeds received exceeded the €2,909,000 carrying value of the assets, this transaction resulted in a gain on disposal of €613,000.

During the prior year, a number of properties in the ARYZTA Europe and ARYZTA Rest of World segments were disposed for net cash consideration of €7,597,000. As the proceeds received exceeded the €7,375,000 carrying value of the assets, these transactions resulted in a gain on disposal of €222,000.

No fair value adjustments were recorded to investment properties during the year 31 July 2019. Rental income and operating expenses recognised related to these properties is not significant. During the year ended 31 July 2018, a net gain of €447,000 of fair value adjustments related to the carrying value of investment properties was recorded in the ARYZTA Europe and ARYZTA Rest of World segments, based on the results of independent valuations. The valuations were arrived at by reference to location, market conditions and status of planned disposals. The fair values of investment properties are considered a Level 3 fair value measurement.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

14 Goodwill and intangible assets

31 July 2019 in EUR '000	Goodwill	Customer Relationships	Brands	Computer-related	ERP-related intangibles	Patents and other	Total
Net Book Value At 1 August 2018	**1,414,009**	**404,812**	**69,160**	**16,533**	**144,117**	**9,072**	**2,057,703**
Additions	–	–	–	2,720	379	–	3,099
Asset impairments/disposals	–	–	–	(484)	(102)	–	(586)
Amortisation charge for the year	–	(100,895)	(29,234)	(3,618)	(16,826)	(2,125)	(152,698)
Translation adjustments	44,042	8,701	2,252	525	1,071	189	56,780
Net Book Value At 31 July 2019	**1,458,051**	**312,618**	**42,178**	**15,676**	**128,639**	**7,136**	**1,964,298**
At 31 July 2019							
Cost	1,458,051	1,002,088	233,225	42,586	199,800	15,622	2,951,372
Accumulated amortisation	–	(689,470)	(191,047)	(26,910)	(71,161)	(8,486)	(987,074)
Net Book Value At 31 July 2019	**1,458,051**	**312,618**	**42,178**	**15,676**	**128,639**	**7,136**	**1,964,298**

31 July 2018 in EUR '000	Goodwill	Customer Relationships	Brands	Computer–related	ERP–related intangibles	Patents and other	Total
Net Book Value At 1 August 2017	**1,775,000**	**556,293**	**108,453**	**18,721**	**170,996**	**22,474**	**2,651,937**
Additions	–	–	–	2,749	2,610	–	5,359
Impairment of goodwill (note 2)	(175,000)	–	–	–	–	–	(175,000)
Disposals as part of business disposals (note 2)	(142,924)	(21,270)	(5,351)	(101)	(7,748)	(3,334)	(180,728)
Transfer to disposal groups classified as held-for-sale (note 3)	(15,881)	(11,084)	–	(3)	(454)	–	(27,422)
Asset impairments/disposals	–	–	–	(1,038)	(4,244)	–	(5,282)
Amortisation charge for the year	–	(109,486)	(32,892)	(3,501)	(17,036)	(9,763)	(172,678)
Translation adjustments	(27,186)	(9,641)	(1,050)	(294)	(7)	(305)	(38,483)
Net Book Value At 31 July 2018	**1,414,009**	**404,812**	**69,160**	**16,533**	**144,117**	**9,072**	**2,057,703**
At 31 July 2018							
Cost	1,414,009	1,005,404	262,291	38,416	198,385	15,216	2,933,721
Accumulated amortisation	–	(600,592)	(193,131)	(21,883)	(54,268)	(6,144)	(876,018)
Net Book Value At 31 July 2018	**1,414,009**	**404,812**	**69,160**	**16,533**	**144,117**	**9,072**	**2,057,703**

Intangible asset movements

During the prior year ended 31 July 2018, €45,432,000 of net assets were de-recognised in relation to the disposal of a business in Europe, and €209,108,000 of net assets were de-recognised in relation to the disposal of the Cloverhill Chicago and Cicero facilities in North America. These included €180,728,000 of intangible assets, of which €142,924,000 related to goodwill, and €37,804,000 related to customer relationships, brands and trademarks, software and other intangibles.

As set out in note 3, during the year ended 31 July 2018, €55,762,000 of assets related to two non-core businesses in Europe were transferred to disposal groups held-for-sale. These included €27,422,000 of intangible assets, of which €15,881,000 related to goodwill and €11,541,000 related to customer relationships and software.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

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.

During the year ended 31 July 2019, management determined it appropriate to combine the previous Germany CGU with the Other Europe CGU for purposes of goodwill impairment testing, as these businesses increasingly operate as one within the overall Europe operating segment. At the time of this determination a goodwill impairment test was performed on the respective standalone CGUs, which did not indicate any impairment.

In making this determination it was considered that significant inter-group revenues exist, both from Germany into Other Europe and from Other Europe into Germany. Increasing this cross-selling continues to be a primary management focus in order to leverage the unique individual capabilities of each bakery and balance the overall European capacity and capital investment, while continuing to provide a larger product offering to customers. In addition, major customer relationships are managed across the Germany and Other Europe network, and it was noted that Germany and Poland, the largest country in terms of revenue and Underlying EBITDA within the Other Europe CGU, are directed under a single management team, with capital investment decisions and the matching of bakery capability to customer needs determined on a combined basis.

in EUR '000	Goodwill
Germany - July 2018	29,906
Other Europe - July 2018	60,329
Germany & Other Europe CGU - July 2018	**90,235**
Translation adjustments	37
Germany & Other Europe CGU - July 2019	**90,272**

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 2019 goodwill impairment testing was performed. The carrying amount of goodwill allocated to the relevant CGUs, as well as the key assumptions used in the 2019 impairment testing, are summarised as follows:

in EUR '000	Pre-tax discount rate 2019	Pre-tax discount rate 2018	Projection period 2019	Projection period 2018	Terminal growth rate 2019	Terminal growth rate 2018	Carrying Value 2019	Carrying Value 2018
North West Europe[1]	**8.0%**	8.0%	**3 years**	3 years	**2.0%**	2.0%	**173,426**	173,625
Germany and Other Europe	**8.3%**	8.4%	**3 years**	3 years	**2.1%**	1.9%	**90,272**	90,235
Switzerland	**6.7%**	7.5%	**3 years**	3 years	**1.0%**	1.0%	**240,449**	229,259
France	**8.4%**	9.0%	**3 years**	3 years	**1.9%**	1.9%	**85,354**	85,354
ARYZTA Europe							**589,501**	578,473
ARYZTA North America	**8.5%**	8.9%	**3 years**	3 years	**2.2%**	2.3%	**816,875**	784,479
ARYZTA Rest of World	**9.9%**	12.3%	**3 years**	3 years	**2.5%**	2.8%	**51,675**	51,057
							1,458,051	1,414,009

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

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

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 years calculated using a terminal value methodology and discounted using the relevant rate, as disclosed in the table above.

Impairment during the year ended 31 July 2018
Following reductions in estimated future profitability of the existing business, the Group recorded a €175,000,000 goodwill impairment charge in Germany during the year ended 31 July 2018. The recoverable amount of Germany goodwill after this charge was €29,906,000, as outlined in the table above.

Profitability in this business had been significantly impacted by the consolidation of bakery capacity into the Eisleben facility during prior years, which had been further compounded by customer volume insourcing and commodity prices during the year ended 31 July 2018, while the relatively new capacity at this bakery was also still being optimised.

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 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 and ARYZTA North America CGUs over the respective carrying amounts at 31 July 2019 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.

in EUR million	Headroom over carrying value	Pre-tax discount rate allowable movement	Terminal growth rate allowable movement
North West Europe	€40m	+0.7%	(0.7%)
ARYZTA North America	€50m	+0.2%	(0.2%)

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

An illustration of the sensitivities to reasonably possible changes in key assumptions at 31 July 2019, in isolation, are as follows:

	North West Europe		ARYZTA North America	
in EUR million	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Pre-tax discount rate	(55)	77	(200)	276
Terminal growth rate	86	(57)	330	(218)

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 110 bps in the revenue compound annual growth rate across the plan period within the ARYZTA North America CGU would reduce the headroom over carrying value to zero. EBITDA improvement hinges on delivery of Project Renew savings, in particular within the ARYZTA North America and North West Europe CGUs, which are sensitive to these savings being realised over the expected timeframe. A 7% shortfall in Project Renew savings relating to initiatives which are in progress in the ARYZTA North America CGU and a 31% shortfall in Project Renew savings relating to initiatives which are in progress in the North West Europe CGU would reduce the headroom in those CGUs to zero.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

15 Investments in joint ventures

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

in EUR '000	2019	2018
At 1 August	**420,016**	528,188
Share of joint ventures' underlying net profit	**27,555**	22,755
Group share of intangible amortisation	**(3,215)**	(2,669)
Group share of tax on intangible amortisation and associated rate adjustments	**6,376**	12,686
Group share of refinancing-related costs	–	(14,536)
Group share of restructuring-related costs	**(203)**	(3,080)
Loss on dilution of investment in joint venture	**(2,884)**	–
Disposal of investment in joint venture	–	(32,825)
Gains through other comprehensive income	**33**	105
Dividends	–	(91,018)
Translation adjustments	–	410
At 31 July	**447,678**	420,016

ARYZTA owns a 48% (2018: 49%) interest in Picard, which operates an asset-light B2C platform focused on premium speciality food. Picard is located primarily in France, is separately managed and has separately funded debt structures, which are non-recourse to ARYZTA. The Group also retains the right to exercise a call option to acquire the remaining outstanding interest in Picard between 15 September and 15 October 2018, between 15 September and 15 October 2019, or between 15 September and 15 October 2020. While ARYZTA holds only a minority shareholding and voting rights in Picard, the Group is entitled to jointly approve key business decisions, including approval of proposed members of Picard management and the annual operating budget, which determine the presentation of the Group's interest in Picard as a joint venture.

ARYZTA received no dividends from Picard during the year and the Group's investment carrying value in Picard is €447,678,000 as of 31 July 2019. During the year ended 31 July 2018, ARYZTA received cash dividends from Picard totalling €91,018,000, after which the Group's investment carrying value in Picard totalled €420,016,000 as of 31 July 2018. While Picard is not considered part of ARYZTA's long-term strategy, disposal of the Group's investment is currently only possible with agreement of both joint venture partners. Therefore, the Group's investment continues to be accounted on a historical cost basis using the equity method of accounting.

The Group share of restructuring-related costs included in the table above primarily relates to early redemption costs associated with the refinancing of Picard debt structures during FY 2018.

The Group also owned a 50% interest in Signature Flatbreads, a pioneering flatbread producer, producing an innovative range of authentic Indian breads, as well as high-quality international flatbreads, tortillas, pizza bases and pitas. During March 2018, consistent with ARYZTA's strategy to focus on its frozen B2B bakery operations and exit non-core businesses, the Group sold its 50% interest in Signature Flatbreads to its joint venture partners for net proceeds of €34,948,000. This resulted in a net gain on disposal of €1,468,000 compared to the Group's carrying value of €32,825,000, and associated cumulative foreign currency translation reserve losses of €655,000 since the initial

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

investment. Signature Flatbreads is not included within the results from joint ventures for the year ended 31 July 2019.

The amounts included in these Group consolidated financial statements in respect of the current year profits or losses of joint ventures are taken from their 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. The assets, liabilities and overall investments in joint ventures are as follows:

in EUR '000	Picard 2019	Picard 2018
Cash and cash equivalents	106,434	15,963
Other current assets	146,725	145,193
Total current assets	**253,159**	**161,156**
Total non-current assets	**1,895,776**	**1,898,787**
Trade and other payables	(221,896)	(240,542)
Other current liabilities	(6,367)	(11,070)
Total current liabilities	**(228,263)**	**(251,612)**
Total non-current liabilities	**(1,781,127)**	**(1,730,645)**
Balance at 31 July	**139,545**	**77,686**
ARYZTA's share in %	48%	49%
ARYZTA's share thereof	66,662	37,810
Goodwill	381,016	382,206
Investment in joint ventures	**447,678**	**420,016**

The share of revenues and results of joint ventures during the year ended 31 July 2019 are as follows:

31 July 2019 in EUR '000	Picard	ARYZTA's 48% share thereof
Revenue	1,422,772	
Underlying EBITDA	194,434	
Depreciation	(30,858)	
Underlying EBITA	163,576	
Finance costs, net	(57,415)	
Pre-tax profits	106,161	
Income tax	(48,479)	
Joint venture underlying net profit	57,682	27,555
Intangible amortisation	(6,729)	(3,215)
Tax on intangible amortisation and associated rate adjustments	13,348	6,376
Restructuring-related costs	(424)	(203)
Loss on dilution of investment in joint venture		(2,884)
Joint venture profit after tax	63,877	27,629
Gains through other comprehensive income	69	33
Total comprehensive income	63,946	27,662

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

The share of revenues and results of joint ventures during the year ended 31 July 2018 are as follows:

31 July 2018 in EUR '000	Picard	Signature	Total	ARYZTA's share thereof
Revenue	1,449,671	83,844	**1,533,515**	
Underlying EBITDA	207,272	11,689	**218,961**	
Depreciation	(31,201)	(3,299)	**(34,500)**	
Underlying EBITA	176,071	8,390	**184,461**	
Finance costs, net	(84,984)	(260)	**(85,244)**	
Pre-tax profits	91,087	8,130	**99,217**	
Income tax	(50,868)	(1,769)	**(52,637)**	
Underlying net profit	**40,219**	**6,361**	**46,580**	**22,755**
Intangible amortisation	(4,271)	(1,180)	**(5,451)**	**(2,669)**
Tax on intangible amortisation and associated rate adjustments	25,848	212	**26,060**	**12,686**
Refinancing-related costs	(29,867)	–	**(29,867)**	**(14,536)**
Restructuring-related costs	(6,327)	–	**(6,327)**	**(3,080)**
Joint venture profit after tax	**25,602**	**5,393**	**30,995**	**15,156**
Gains through other comprehensive income	217	–	**217**	**105**
Total comprehensive income	**25,819**	**5,393**	**31,212**	**15,261**
ARYZTA's share in %	49%	50%		
ARYZTA's share thereof	**12,565**	**2,696**		**15,261**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

16 Inventory

in EUR '000	2019	2018
Raw materials	**42,253**	47,375
Finished goods	**200,942**	193,193
Packaging and other	**4,126**	3,967
Balance at 31 July	**247,321**	244,535

During the year ended 31 July 2019, a total expense of €19,756,000 (2018: €29,979,000) was recognised in the Group Consolidated Income Statement arising from write-down of inventory.

17 Trade and other receivables

in EUR '000	2019	2018
Current		
Trade receivables, net	**67,843**	71,651
Amounts due from related parties (note 28)	**21**	135
VAT recoverable	**17,835**	15,670
Prepayments	**31,367**	28,816
Other receivables	**37,296**	37,698
Balance at 31 July	**154,362**	153,970

18 Trade and other payables

in EUR '000	2019	2018
Non-current		
Other payables	**46,038**	49,664
Balance at 31 July	**46,038**	49,664
Current		
Trade payables	**339,076**	356,877
Amounts due to related parties (note 28)	**225**	228
Accruals and other payables[1]	**283,529**	304,547
Employee-related tax and social welfare	**13,341**	12,210
VAT payable	**12,350**	10,473
Balance at 31 July	**648,521**	684,335

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)
for the year ended 31 July 2019

19 Cash and cash equivalents

In accordance with IAS 7, 'Statement of Cash Flows', cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments, which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are included within current interest-bearing loans and borrowings in the Group Consolidated Balance Sheet.

The cash and cash equivalents included in the Group Consolidated Cash Flow Statement are analysed as follows:

in EUR '000	**2019**	2018
Cash at bank and on hand	**533,782**	517,854
Bank overdrafts	**(155,902)**	(175,868)
Included in the Group Consolidated Cash Flow Statement	**377,880**	341,986

Cash at bank earns interest at floating rates based on daily deposit bank rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

20 Interest-bearing loans and borrowings

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

in EUR `000	**2019**	2018
Included in non-current liabilities		
Loans	**826,308**	1,772,062
Finance leases	**148**	253
Non-current interest-bearing loans and borrowings	**826,456**	1,772,315
Included in current liabilities		
Loans	**284,557**	79,531
Bank overdrafts (note 19)	**155,902**	175,868
Total bank loans and overdrafts	**440,459**	255,399
Finance leases	**143**	404
Current interest-bearing loans and borrowings	**440,602**	255,803
Total bank loans and overdrafts	**1,266,767**	2,027,461
Total finance leases	**291**	657
Total interest-bearing loans and borrowings	**1,267,058**	2,028,118

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

An analysis of the movements in net debt during the years ended 31 July 2019 and 2018, is shown below:

FY19 - analysis of net debt in EUR `000	1 August 2018	Cash flows	Non-cash movements	Translation adjustment	31 July 2019
Cash	517,854	9,420	–	6,508	533,782
Overdrafts	(175,868)	21,766	–	(1,800)	(155,902)
Cash and cash equivalents	**341,986**	**31,186**	**–**	**4,708**	**377,880**
Loans	(1,851,593)	763,871	(7,105)	(16,038)	(1,110,865)
Finance leases	(657)	335	37	(6)	(291)
Net debt	**(1,510,264)**	**795,392**	**(7,068)**	**(11,336)**	**(733,276)**

FY18 - analysis of net debt in EUR `000	1 August 2017	Cash flows	Non-cash movements	Translation adjustment	31 July 2018
Cash	535,570	(7,397)	–	(10,319)	517,854
Overdrafts	(113,630)	(60,303)	–	(1,935)	(175,868)
Cash and cash equivalents	**421,940**	**(67,700)**	**–**	**(12,254)**	**341,986**
Loans	(2,154,285)	313,023	(17,857)	7,526	(1,851,593)
Finance leases	(1,525)	716	140	12	(657)
Net debt	**(1,733,870)**	**246,039**	**(17,717)**	**(4,716)**	**(1,510,264)**

During July 2017, the Group agreed to the terms of a new five-year unsecured €1,800m refinancing of its Syndicated Bank RCF and term loan facility, comprising a €1,000m amortising term loan and a €800m revolving credit facility. On 22 September 2017, this financing was used to repay the existing revolving credit and term loan facilities outstanding at that time in full. In connection with this early repayment, the Group incurred €12.4m of costs, including the write-off of €11.9m of existing RCF and term loan capitalised borrowing costs, and other redemption-related cash costs of €0.5m.

Details on the Group's financial covenants are included in note 25 on pages 156 and 157.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

The terms of outstanding loans are as follows:

2019	Currency	Financial year of maturity	Nominal Value in EUR'000	Carrying amount in EUR'000
Syndicated Bank RCF	Various	2023	394,179	379,603
Syndicated Bank Term Loan[1]	Various	2023	353,368	346,929
Schuldschein Variable	EUR	2020	185,500	185,042
Schuldschein Variable	EUR	2022	119,500	119,205
Schuldschein Variable	EUR	2024	8,000	7,980
Schuldschein Fixed	EUR	2020	20,000	19,951
Schuldschein Fixed	EUR	2022	33,000	32,919
Schuldschein Fixed	USD	2022	10,315	10,289
Schuldschein Fixed	USD	2024	8,969	8,947
Total outstanding loans at 31 July 2019			**1,132,831**	**1,110,865**

1 The schedule of mandatory repayments by financial year on the amortising Syndicated Bank Term Loan is as follows: FY 2020 – €80m; FY 2021 – €80m; FY 2022 – €80m and FY 2023 – €113m.

2 All debt instruments above are unsecured.

2018	Currency	Financial year of maturity	Nominal Value in EUR'000	Carrying amount in EUR'000
Syndicated Bank RCF	Various	2023	611,815	601,205
Syndicated Bank Term Loan[1]	Various	2023	878,937	867,279
Schuldschein Variable	EUR	2020	185,500	184,852
Schuldschein Variable	EUR	2022	119,500	119,082
Schuldschein Variable	EUR	2024	8,000	7,972
Schuldschein Fixed	EUR	2020	20,000	19,930
Schuldschein Fixed	EUR	2022	33,000	32,885
Schuldschein Fixed	USD	2022	9,871	9,835
Schuldschein Fixed	USD	2024	8,583	8,553
Total outstanding loans at 31 July 2018			**1,875,206**	**1,851,593**

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

	2019	2018
Total bank loans	**1.7%**	3.2%

The pre-tax weighted average cost of capital associated with the Group's financing structures was 8.5% (2018: 8.5%).

Repayment schedule – loans and overdrafts (nominal values) in EUR `000	**2019**	2018
Less than one year	**441,402**	255,868
Between one and five years	**847,331**	1,778,623
After five years	–	16,583
	1,288,733	2,051,074

Notes to the Group Consolidated Financial Statements (continued)
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Repayment schedule – finance leases in EUR `000	Minimum lease payments 2019	Interest 2019	Present value of payments 2019	Minimum lease payments 2018	Interest 2018	Present value of payments 2018
Less than one year	**154**	**11**	**143**	424	20	404
Between one and five years	**157**	**9**	**148**	263	10	253
	311	**20**	**291**	687	30	657

21 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:

in EUR `000	Fair value hierarchy	Fair Value through income statement 2019	Fair value through OCI 2019	Amortised cost 2019	Total carrying amount 2019	Fair value 2019
Trade and other receivables (excluding prepayments)		–	–	105,160	105,160	105,160
Cash and cash equivalents		–	–	533,782	533,782	533,782
Derivative financial assets	*Level 2*	–	202	–	202	202
Investment properties	*Level 3*	12,185	–	–	12,185	12,185
Total financial assets		**12,185**	**202**	**638,942**	**651,329**	**651,329**
Trade and other payables (excluding non-financial liabilities)		–	–	(668,868)	(668,868)	(668,868)
Bank overdrafts		–	–	(155,902)	(155,902)	(155,902)
Bank borrowings		–	–	(1,110,865)	(1,110,865)	(1,121,259)
Finance lease liabilities		–	–	(291)	(291)	(291)
Derivative financial liabilities	*Level 2*	–	(505)	–	(505)	(505)
Total financial liabilities		**–**	**(505)**	**(1,935,926)**	**(1,936,431)**	**(1,946,825)**

in EUR `000	Fair value hierarchy	Fair Value through income statement 2018	Hedge instruments 2018	Loans and receivables at amortised cost 2018	Liabilities at amortised cost 2018	Total carrying amount 2018	Fair value 2018
Trade and other receivables (excluding prepayments)		–	–	109,484	–	109,484	109,484
Cash and cash equivalents		–	–	517,854	–	517,854	517,854
Derivative financial assets	*Level 2*	–	1,268	–	–	1,268	1,268
Investment properties	*Level 3*	14,574	–	–	–	14,574	14,574
Assets of disposal groups held-for-sale	*Level 3*	7,000	–	–	–	7,000	7,000
Total financial assets		**21,574**	**1,268**	**627,338**	–	**650,180**	**650,180**
Trade and other payables (excluding non-financial liabilities)		–	–	–	(711,316)	(711,316)	(711,316)
Bank overdrafts		–	–	–	(175,868)	(175,868)	(175,868)
Bank borrowings		–	–	–	(1,851,593)	(1,851,593)	(1,866,472)
Finance lease liabilities		–	–	–	(657)	(657)	(657)
Derivative financial liabilities	*Level 2*	–	(829)	–	–	(829)	(829)
Total financial liabilities		**–**	**(829)**	–	**(2,739,434)**	**(2,740,263)**	**(2,755,142)**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

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.

Disposal groups held-for-sale
The assets of disposal groups held-for-sale at 31 July 2018 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.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

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.

Finance lease liabilities
Fair value is based on the present value of future cash flows discounted at market interest rates.

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 30. Financial risk management specifically is described in further detail below.

Financial risk management
The Group's international operations expose it to different financial risks that include:
- credit risks;
- liquidity risks;
- foreign exchange rate risks;
- interest rate risks; and
- commodity price risks.

The Group has a risk management programme in place, which seeks to limit the impact of these risks on the financial performance of the Group. The Board has determined the policies for managing these risks. It is the policy of the Board to manage these risks in a non-speculative manner.

Credit risk

Exposure to credit risk
Credit risk arises from credit issued to customers on outstanding receivables and outstanding transactions, as well as cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions.

The Group has not pledged any financial assets as collateral for liabilities or contingent liabilities.

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.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

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 impact of adopting IFRS 9 on the consolidated financial statements was not material for the Group and there was no adjustment to retained earnings on application at 1 August 2018.

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 €208,296,000 (2018: €224,658,000). The Group has continued to also recognise an asset within Trade and other receivables, of €18,414,000 (2018: €25,518,000), 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 10%), as per the terms of the receivables purchase arrangement. Total expenses associated with this receivables purchase agreement during the year ended 31 July 2019 were €4,275,000 (2018: €3,033,000).

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.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

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:

in EUR `000	**Carrying amount 2019**	Carrying amount 2018
Cash and cash equivalents	**533,782**	517,854
Trade and other receivables	**105,160**	109,484
Derivative financial assets	**202**	1,268
	639,144	628,606

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

in EUR `000	**Carrying amount 2019**	Carrying amount 2018
Europe	**41,365**	43,144
North America	**2,773**	4,709
Rest of World	**23,705**	23,798
	67,843	71,651

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

in EUR `000	**Gross 2019**	**Loss allowances 2019**	Gross 2018	Loss allowances 2018
Not past due	**44,860**	**988**	44,031	472
Past due 0–30 days	**17,649**	**621**	21,159	294
Past due 31–120 days	**7,796**	**1,739**	7,214	1,144
Past due more than 121 days	**7,356**	**6,470**	7,119	5,962
	77,661	**9,818**	79,523	7,872

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

in EUR `000	**2019**	2018
Balance at 1 August	**7,872**	9,125
Utilised during the year	**(2,619)**	(2,736)
Increase in loss allowance during the financial year	**4,551**	1,722
Translation adjustment	**14**	(239)
Balance at 31 July	**9,818**	7,872

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's objective is to maintain a balance between flexibility and continuity of funding, so that not more than 40% of total bank borrowing facilities should mature in the next twelve-month period. At 31 July 2019, 25% of the Group's total bank borrowings will mature within the next 12 months.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

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

2019 in EUR `000	Carrying amount	Contractual cash flows	6 mths or less	6 – 12 mths	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities							
Fixed rate bank loans	(72,105)	(77,172)	(21,270)	(410)	(1,403)	(54,089)	–
Variable rate bank loans	(1,038,760)	(1,109,262)	(235,459)	(48,252)	(95,279)	(730,272)	–
Finance lease liabilities	(291)	(310)	(81)	(72)	(80)	(77)	–
Bank overdrafts	(155,902)	(155,902)	(155,902)	–	–	–	–
Trade and other payables	(668,868)	(668,868)	(595,589)	(27,241)	(16,095)	(16,889)	(13,054)
Derivative financial instruments							
Currency forward contracts used for hedging							
– Inflows	–	193,026	192,432	594	–	–	–
– Outflows	(505)	(193,531)	(192,921)	(610)	–	–	–
	(1,936,431)	**(2,012,019)**	**(1,008,790)**	**(75,991)**	**(112,857)**	**(801,327)**	**(13,054)**

2018 in EUR `000	Carrying amount	Contractual cash flows	6 mths or less	6 – 12 mths	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities							
Fixed rate bank loans	(71,203)	(77,862)	(1,252)	(393)	(21,647)	(45,792)	(8,778)
Variable rate bank loans	(1,780,390)	(1,984,487)	(65,416)	(64,785)	(311,920)	(1,534,293)	(8,073)
Finance lease liabilities	(657)	(687)	(276)	(148)	(177)	(86)	–
Bank overdrafts	(175,868)	(175,868)	(175,868)	–	–	–	–
Trade and other payables	(711,316)	(711,316)	(641,991)	(19,661)	(19,224)	(13,265)	(17,175)
Derivative financial instruments							
Currency forward contracts used for hedging							
– Inflows	–	111,678	104,906	6,772	–	–	–
– Outflows	(829)	(112,507)	(105,624)	(6,883)	–	–	–
	(2,740,263)	**(2,951,049)**	**(885,521)**	**(85,098)**	**(352,968)**	**(1,593,436)**	**(34,026)**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

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:

in EUR `000	Assets 2019	Liabilities 2019	Assets 2018	Liabilities 2018
Cash flow hedges				
Currency forward contracts	**202**	**(505)**	873	(829)
Interest rate swaps	**–**	**–**	395	–
At 31 July	**202**	**(505)**	1,268	(829)

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 81.

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 (2018: 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.

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

being recognised directly through other comprehensive income in the foreign currency translation reserve. Any ineffectiveness arising on such hedging relationships is recognised immediately in the income statement.

Foreign currency contracts
The Group also hedges a portion of its transactional currency exposure through the use of currency swaps. Transactional exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Group uses forward currency contracts to eliminate the currency exposures on certain foreign currency purchases. The forward currency contracts must be in the same currency and match the settlement terms of the hedged item.

The following table details the Group's exposure to transactional foreign currency risk at 31 July 2019:

2019 in EUR `000	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	8,068	5,574	2,074	6,240	17,855	3,285	43,096
Other receivables	223	203	–	–	644	16	1,086
Cash and cash equivalents	2,815	7,535	2	838	10,675	1,491	23,356
Trade payables	(7,764)	(12,905)	(14,614)	(298)	(29,603)	(2,262)	(67,446)
Other payables	(352)	(3,130)	–	(4,427)	(7,573)	(2,637)	(18,119)
Derivative financial instruments	(25)	(155)	(14)	–	(241)	(3)	(438)
At 31 July 2019	**2,965**	**(2,878)**	**(12,552)**	**2,353**	**(8,243)**	**(110)**	**(18,465)**

The following table details the Group's exposure to transactional foreign currency risk at 31 July 2018:

2018 in EUR `000	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	17,914	2,999	–	–	4,996	683	26,592
Other receivables	119	80	–	–	92	1	292
Cash and cash equivalents	1,651	8,444	44	187	7,608	281	18,215
Trade payables	(12,586)	(6,101)	(44)	(29)	(16,297)	(3,878)	(38,935)
Other payables	(8,401)	(2,345)	(776)	(4,165)	(2,515)	1,329	(16,873)
Derivative financial instruments	(5)	552	(46)	–	(137)	7	371
At 31 July 2018	**(1,308)**	**3,629**	**(822)**	**(4,007)**	**(6,253)**	**(1,577)**	**(10,338)**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

Currency sensitivity analysis

A 10% strengthening or weakening of the euro against the foreign currencies below at 31 July 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.

2019 in EUR `000	10% strengthening income statement	10% strengthening equity	10% weakening income statement	10% weakening equity
GBP	(272)	463	299	(510)
USD	248	15,393	(272)	(16,932)
CAD	1,140	2,884	(1,254)	(3,173)
CHF	(214)	–	235	–
At 31 July 2019	902	18,740	(992)	(20,615)

2018 in EUR `000	10% strengthening income statement	10% strengthening equity	10% weakening income statement	10% weakening equity
GBP	118	(519)	(130)	571
USD	(280)	52,889	308	(58,178)
CAD	71	3,524	(78)	(3,876)
CHF	364	–	(401)	–
At 31 July 2018	273	55,894	(301)	(61,483)

The impact on equity from changing exchange rates results principally from foreign currency loans designated as net investment hedges. This impact would be offset by the revaluation of the hedged net assets, which would also be recorded in equity.

Interest rate risk

The Group's debt bears both variable and fixed rates of interest as per the original contracts. Fixed rate debt is achieved through the issuance of fixed rate debt or the use of interest rate swaps. At 31 July, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

in EUR `000	Carrying amount 2019	Carrying amount 2018
Fixed rate instruments		
Bank borrowings	**(72,105)**	(71,203)
Finance lease liabilities	**(291)**	(657)
	(72,396)	(71,860)
Variable rate instruments		
Cash and cash equivalents	**533,782**	517,854
Bank overdrafts	**(155,902)**	(175,868)
Bank borrowings	**(1,038,760)**	(1,780,390)
Total interest-bearing financial instruments	**(733,276)**	(1,510,264)

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

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.

2019 in EUR `000	Principal amount	Impact of 50 bp increase on income statement	Impact of 50 bp increase on equity
Bank overdrafts	(155,902)	(780)	–
Variable rate bank borrowings	(1,038,760)	(5,194)	–
Cash flow sensitivity, net	**(1,194,662)**	**(5,974)**	**–**

2018 in EUR `000	Principal amount	Impact of 50 bp increase on income statement	Impact of 50 bp increase on equity
Bank overdrafts	(175,868)	(879)	–
Variable rate bank borrowings	(1,780,390)	(8,902)	–
Interest rate swaps	214,574	–	1,073
Cash flow sensitivity, net	**(1,741,684)**	**(9,781)**	**1,073**

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 year ended 31 July 2019

22 Deferred income from government grants

in EUR `000	2019	2018
At 1 August	**14,408**	18,280
Recognised in Group Consolidated Income Statement	**(3,937)**	(3,871)
Translation adjustment	–	(1)
At 31 July	**10,471**	14,408

23 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:

in EUR `000	2019	2018
Deferred income tax assets (deductible temporary differences)		
Property, plant and equipment and ERP	**383**	5,090
Goodwill	**4,985**	6,259
Employee compensation	**5,422**	5,322
Pension related	**3,096**	2,670
Financing related	**189**	1,475
Tax losses and tax credits	**42,302**	47,770
Other	**10,474**	6,375
	66,851	74,961
Deferred income tax liabilities (taxable temporary differences)		
Property, plant and equipment and ERP	**(87,891)**	(82,284)
Intangible assets	**(86,619)**	(110,334)
Employee compensation	**(7)**	(37)
Pension related	**(2,398)**	(2,434)
Financing related	**(4,670)**	(4,291)
Other	**(10,000)**	(13,498)
	(191,585)	(212,878)

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:

in EUR `000	2019	2018
Within one year	**15**	133
Between one and five years	**624**	1,711
After five years	**292,670**	248,248
Total unrecognised tax losses	**293,309**	250,092

Deferred income tax liabilities of €5,601,000 (2018: €5,634,000) 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 year ended 31 July 2019

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

2019 in EUR `000	Goodwill	Intangible assets	Property, plant & equipment and ERP	Employee compensation	Pension related	Financing related	Tax losses and credits	Other	Total
At 1 August 2018	6,259	(110,334)	(77,194)	5,285	236	(2,816)	47,770	(7,123)	**(137,917)**
Recognised in Group Consolidated Income Statement	(1,525)	27,312	(8,597)	3	246	(1,419)	(7,164)	6,187	**15,043**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	–	–	201	(78)	–	23	**146**
Translation adjustments and other	251	(3,597)	(1,717)	127	15	(168)	1,696	1,387	**(2,006)**
At 31 July 2019	4,985	(86,619)	(87,508)	5,415	698	(4,481)	42,302	474	**(124,734)**

2018 in EUR `000	Goodwill	Intangible assets	Property, plant & equipment and ERP	Employee compensation	Pension related	Financing related	Tax losses, credits and unremitted earnings	Other	Total
At 1 August 2017	88,722	(171,256)	(70,009)	4,656	2,271	(3,653)	(38,955)	(6,173)	**(194,397)**
Recognised in Group Consolidated Income Statement	(5,829)	54,886	(9,170)	648	(1,759)	(551)	7,847	3,696	**49,768**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	–	–	(156)	1,279	–	(2,270)	**(1,147)**
Transferred to disposal groups held-for-sale (note 3)	–	1,031	630	–	–	–	–	–	**1,661**
Arising on disposal of business (note 2)	(77,449)	2,233	(47)	–	–	5	77,449	(38)	**2,153**
Translation adjustments and other	815	2,772	1,402	(19)	(120)	104	1,429	(2,338)	**4,045**
At 31 July 2018	6,259	(110,334)	(77,194)	5,285	236	(2,816)	47,770	(7,123)	**(137,917)**

US Tax reform

On 22 December 2017, the US Tax Cuts and Jobs Act ('the Act') was enacted into law. As a result of the Act, the statutory rate of US federal corporate income tax was reduced from 35% to 21% with effect from 1 January 2018. The reduction in the US corporate income tax rate to 21% under the Act required revaluation of ARYZTA's US deferred tax assets and liabilities during the financial year ended 31 July 2018.

The disposal of Cloverhill during FY18 also resulted in a reduction in deferred tax attributes associated with these assets.

The Act also introduced a one-time mandatory deemed repatriation tax on historical earnings & profits of certain US owned foreign corporations and exempted from tax future dividends paid to the US. As a result, the FY17 unremitted earnings' deferred tax liability, which solely related to the US, was removed during FY18.

Swiss Tax Reform

In Switzerland, changes to the Swiss federal and the canton of Zurich tax laws, which eliminated certain favourable tax regimes, were substantively enacted in May and September 2019 respectively. As substantive enactment at the Zurich cantonal level had

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

not taken place until after the reporting date of 31 July 2019, no adjustments to ARYZTA's deferred tax position have been reported in the balance sheet.

If reflected, this would have led to an estimated €11m additional deferred tax expense and would have resulted in no change in current tax expense. Changes in the tax laws in other Swiss cantons in which the Group operates are still under discussion.

24 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, one in Germany and one in Japan. 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.

Long-term employee benefits included in the Group Consolidated Balance Sheet comprises the following:

in EUR `000	**2019**	2018
Total deficit in defined benefit plans	**7,267**	5,053
Other[1]	**2,394**	1,922
Total	**9,661**	6,975

1 Other includes provisions to meet unfunded pension fund deficiencies in a variety of insignificant subsidiaries.

The valuations of the defined benefit schemes used for the purposes of the following disclosures are those of the most recent actuarial reviews carried out at 31 July 2019 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.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

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.

An average of these assumptions across all plans were as follows:

	2019	2018
Rate of increase in salaries	**2.02%**	1.83%
Discount rate on plan liabilities	**0.43%**	0.98%

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

	2019	2018
Male	**24.4**	24.3
Female	**26.4**	26.4

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

	2019	2018
Male	**22.6**	22.5
Female	**24.7**	24.5

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

The sensitivity of the defined benefit obligation to changes in the principal financial actuarial assumptions is set out below. The present value of the defined benefit obligation has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognised in the Group Consolidated Balance Sheet. The impact on the defined benefit obligation as at 31 July 2019 is on the basis that only one principal financial actuarial assumption is changed, with all other assumptions remaining unchanged.

The impact of a change in the assumption of life expectancy has been measured as at 31 July 2019 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 0.50%**	Decrease by 5.3% /increase by 4.9%
Salary growth rate	**Increase/decrease 0.50%**	Increase by 0.9% /decrease by 0.9%
Life expectancy	**Increase/decrease 1 year**	Increase by 1.4% /decrease by 1.4%

Net pension liability

in EUR `000	2019	2018
Total fair value of assets	**62,659**	58,411
Present value of plan liabilities	**(69,926)**	(63,464)
Deficit in the plans	**(7,267)**	(5,053)
Related deferred tax asset (note 23)	**698**	236
Net pension liability	**(6,569)**	(4,817)

Fair value of plan assets

in EUR `000	Quoted	Non-quoted	2019	2018
Cash and cash equivalents	1,686	–	**1,686**	1,634
Equity instruments	19,760	–	**19,760**	19,559
Debt instruments	21,737	140	**21,877**	17,720
Property	6,571	11,418	**17,989**	17,262
Other	528	819	**1,347**	2,236
Total fair value of assets	50,282	12,377	**62,659**	58,411

Movement in the fair value of plan assets

in EUR `000	2019	2018
Fair value of plan assets at 1 August	**58,411**	59,225
Interest income	**589**	354
Employer contributions	**2,591**	2,558
Employee contributions	**2,282**	2,238
Benefit payments made	**(6,252)**	(2,364)
Plan settlements	**-**	(3,808)
Actuarial return on plan assets (excluding interest income)	**2,780**	2,087
Translation adjustments	**2,258**	(1,879)
Fair value of plan assets at 31 July	**62,659**	58,411

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

Movement in the present value of plan obligations
in EUR `000

	2019	2018
Present value of plan obligations at 1 August	**(63,464)**	(63,982)
Current service cost	**(3,327)**	(3,225)
Past service cost	**–**	(731)
Interest expense on plan obligations	**(640)**	(407)
Employee contributions	**(2,282)**	(2,238)
Benefit payments made	**6,252**	2,364
Plan settlements	**–**	3,808
Actuarial changes in financial assumptions	**(3,612)**	1,927
Actuarial experience adjustments	**(483)**	(2,890)
Translation adjustments	**(2,370)**	1,910
Present value of plan obligations at 31 July	**(69,926)**	(63,464)

Movement in net liability recognised in the Group Consolidated Balance Sheet
in EUR `000

	2019	2018
Net liability in plans at 1 August	**(5,053)**	(4,757)
Current service cost (note 7)	**(3,327)**	(3,225)
Past service cost (note 7)	**–**	(731)
Employer contributions	**2,591**	2,558
Net interest expense (note 4)	**(51)**	(53)
Actuarial (loss)/gain on Group defined benefit pension plans	**(1,315)**	1,124
Translation adjustments	**(112)**	31
Net liability in plans at 31 July	**(7,267)**	(5,053)

The estimated contributions expected to be paid during the year ending 31 July 2020 in respect of the Group's defined benefit plans are €2,587,000.

Analysis of defined benefit expense recognised in the Group Consolidated Income Statement
in EUR `000

	2019	2018
Current service cost (note 7)	**3,327**	3,225
Past service cost (note 7)	**–**	731
Non-financing expense	**3,327**	3,956
Included in financing costs, net	**51**	53
Net charge to Group Consolidated Income Statement	**3,378**	4,009

Additionally, a charge of €13,450,000 (2018: €13,767,000) was recorded in the Group Consolidated Income Statement in respect of the Group's defined contribution plans.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

Defined benefit pension expense recognised in Group Consolidated Statement of Comprehensive Income in EUR `000	2019	2018
Return on plan assets (excluding interest income)	**2,780**	2,087
Experience losses on plan liabilities	**(483)**	(2,890)
Changes in demographic and financial assumptions	**(3,612)**	1,927
Actuarial (loss)/gain	**(1,315)**	1,124
Deferred tax effect of actuarial loss/(gain) (note 9)	**201**	(156)
Actuarial loss/(gain) recognised in Group Consolidated Statement of Comprehensive Income	**(1,114)**	968

History of experience gains and losses:	2019	2018
Difference between expected and actual return on plan assets:		
– Amount (in €`000)	**2,780**	2,087
– % of Plan assets	**4.44%**	3.57%
Experience losses on plan obligations:		
– Amount (in €`000)	**(483)**	(2,890)
– % of Plan obligations	**(0.69)%**	4.55%
Total actuarial gains recognised in Group Consolidated Statement of Comprehensive Income:		
– Amount (in €`000)	**(1,315)**	1,124
– % of Plan obligations	**(1.88)%**	1.77%

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

25 Shareholders equity

Registered shares of CHF 0.02 each – authorised, issued and fully paid	**2019** \`000	**2019** in EUR \`000	2018 \`000	2018 in EUR \`000
At 1 August	**92,921**	**1,191**	91,811	1,172
Issue of registered shares (CHF 0.02)	**900,185**	**15,782**	–	–
Scrip dividend	**–**	**–**	1,110	19
At 31 July	**993,106**	**16,973**	92,921	1,191

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 €795,833,000. This resulted in €739,505,000, net of related transaction costs, which was recognised within equity during the year ended 31 July 2019, of which €15,782,000 is recognised within share capital, and €723,723,000 within share premium. At 31 July 2019, €739,505,000 has been recognised relating to proceeds from the rights issue within financing activities in the Group Cash Flow Statement.

The dividend for the year ended 31 July 2017 was proposed to be settled as a scrip dividend via newly issued share capital, based on a ratio of one new share for every 80 shares held, and was approved at the Annual General Meeting held on 7 December 2017. Accordingly, a total of 1,110,253 new shares were issued, with a par value of CHF 0.02 per share during the year ended 31 July 2018.

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 9 December 2019 by a maximum amount of CHF 161,416 by issuing of up to 8,070,800 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 year ended 31 July 2019

Treasury shares of CHF 0.02 each - authorised, called up and fully paid	2019 `000	2019 in EUR `000	2018 `000	2018 in EUR `000
At 1 August	**2,987**	**46**	3,052	47
Release of treasury shares upon vesting and exercise of equity entitlements	**(85)**	**(1)**	(65)	(1)
Release of treasury shares as restricted shares	**(384)**	**(5)**	–	–
At 31 July	**2,518**	**40**	2,987	46

During the year ended 31 July 2019, the performance conditions associated with 84,815 Restricted Stock Unit awards were fulfilled (2018: 64,899). 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 (2018: CHF 28.69).

In addition, during the year ended 31 July 2019, 383,888 shares were issued out of treasury shares, in respect of restricted shares for non-executive directors, as detailed on pages 54 to 68 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

in EUR `000	2019	2018
At 1 August and 31 July	**720,456**	720,456

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 4.5% and has no maturity date, and as the first call option was not exercised by ARYZTA in March 2019, the coupon is now 6.77%, plus the 5 year euro swap rate.

The two Hybrid instruments issued during the year ended 31 July 2015 were recognised at a combined value of €401,014,000 within equity.

As the Hybrid instruments have no maturity date and 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 year ended 31 July 2019

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

Because the Group has not paid a cash dividend to equity shareholders during the last 12 months, as of 31 July 2019 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:

in EUR `000	2019	2018
Balance at 1 August	(41,071)	(9,032)
Hybrid instrument deferred dividend	(38,902)	(32,057)
Translation adjustments	(1,873)	18
Balance at 31 July	**(81,846)**	**(41,071)**

Cash flow hedge reserve

The cash flow hedge reserve comprises of the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

Share-based payment reserve

This reserve comprises amounts credited to reserves in connection with equity awards, less the amount related to any such awards that become vested.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences, since the date of the Group's transition to IFRS, arising from translation of the net assets of the Group's non-euro-denominated functional currency operations into euro, the Group's presentation currency.

Capital and net debt management

The capital managed by the Group as at 31 July 2019 consists of total equity of €2,436,147,000 (2018: €1,672,860,000) and net debt of €733,276,000 at 31 July 2019 (2018: €1,510,264,000). 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.

The Group employs two ratio targets to monitor its financing covenants:

1 Calculated as per Syndicated Bank Facilities Agreement terms.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

– The Group's Net Debt: EBITDA ratio is below 3.5x – the ratio was 2.43x at 31 July 2019 (2018 3.83x).
– The Group's interest cover (EBITDA: Net interest, including Hybrid dividend) is above 2.0x – the ratio was 3.45x at 31 July 2019 (2018: 3.72x).

These ratios were complied with throughout the year ended 31 July 2019, and are reported to the Board of Directors at regular intervals through internal financial reporting.

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 are as follows:

- Leverage covenant (Net Debt: EBITDA):
  - maximum 3.5x thereafter
- Interest cover covenant (EBITDA: Net interest, including Hybrid dividend):
  - minimum 2.0x until July 2019
  - minimum 3.0x thereafter

No dividend is planned to be proposed for the year ended 31 July 2019.

26 Commitments

26.1 Commitments under operating leases

Non-cancellable operating lease rentals are payable as set out below. These amounts represent minimum future lease payments, in aggregate, that the Group is required to make under existing lease agreements.

in EUR `000	**2019**	2018
Within one year	**60,645**	57,121
In two to five years	**161,503**	163,960
After more than five years	**105,316**	107,625
Total	**327,464**	328,706

26.2 Capital commitments

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

in EUR `000	**2019**	2018
Property, plant and equipment	**20,354**	13,765
Intangible assets	**36**	–
Total	**20,390**	13,765

26.3 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.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

27 Contingent liabilities

Letters of credit and guarantees

Letters of credit and guarantees amounting to €14.5 million are outstanding at 31 July 2019 (2018: €12.2 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.

28 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:

in EUR `000	2019	2018
Purchase of goods	–	(141)
Provision of services	1,310	1,832

Purchase of goods and provision of services relate primarily to transactions with joint ventures during the year.

The trading balances owing to the Group from related parties were €21,000 (2018: €135,000) and the trading balances owing from the Group to these related parties were €225,000 (2018: €228,000).

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:

in EUR `000	2019	2018
Short-term employee benefits	8,395	5,515
Other long-term benefits	570	456
Long-term incentives (LTIP)	737	–
Total key management compensation	**9,702**	5,971

Jim Leighton was elected to the ARYZTA Board of Directors at the 2017 AGM. In June 2018, ARYZTA entered into a consultancy arrangement with him under which he would provide advisory services on the implementation of ARYZTA's three-year €200m cost reduction plan, Project Renew. The compensation payable to Mr. Leighton under the arrangement amounted to €133,000, over the period of the consultancy, of which €103,000 accrued during FY19 and is included in the amounts above.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

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 year ended 31 July 2019, other than the aforementioned consultancy fee paid to Jim Leighton.

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 54 to 68.

29 Post balance sheet events – after 31 July 2019

As announced on 4 October 2019, the Group received a binding offer from Invest Group Zouari ('IGZ') to purchase 43.3% of its 47.8% holding in Picard for gross consideration of €156m. ARYZTA would retain a 4.5% interest in Picard, to be recorded as a financial investment at fair value. The transaction is subject to a works council consultation process in France and to customary regulatory approvals. Subject to ARYZTA's acceptance of the offer following completion of the works council consultation process, the transaction is expected to close in the last quarter of calendar year 2019. Upon completion, the proposed transaction is expected to generate a material one-off non-cash accounting loss, currently estimated to be c. €280m based on year end 2019 carrying value. This loss could change depending on the timing of when the proposed transaction closes, as the results for Picard would continue to be consolidated under the equity method of accounting until then.

During October 2019, the Group completed the disposal of its UK Food Solutions business within the Europe operating segment for gross consideration of €8m. The transaction is expected to result in a loss relating to derecognition of goodwill and recycle of cumulative foreign currency translation loss since the initial investment.

These disposals are consistent with ARYZTA's strategy to focus on its frozen B2B bakery operations and exit non-core businesses.

In Switzerland, changes to the Swiss federal and the canton of Zurich tax laws, which eliminated certain favourable tax regimes, were substantively enacted in May and September 2019 respectively. As substantive enactment at the Zurich cantonal level had not taken place until after the reporting date of 31 July 2019, no adjustments to ARYZTA's deferred tax position have been reported in the balance sheet.

If reflected, this would have led to an estimated €11m additional deferred tax expense and would have resulted in no change in current tax expense. Changes in the tax laws in other Swiss cantons in which the Group operates are still under discussion.

30 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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2019

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.

31 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 14	Goodwill and intangible assets
Note 15	Joint ventures
Note 24	Employee benefits
Notes 9 & 23	Income taxes and deferred income tax

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 14.

As set out in note 15, joint ventures, while Picard is not considered part of ARYZTA's long-term strategy, and is therefore non-core to the group, disposal of the Group's investment as of 31 July 2019 was only possible with agreement of both joint venture partners. Therefore, the Group's investment continues to be accounted on a historical cost basis using the equity method of accounting. As at 31 July 2019 it was not likely that the Group would be in a position to sell its investment in Picard and it was management's judgement that it would recover its value through a continued interest in the joint venture. On that basis, the appropriate method to validate the carrying value was a value in use model.

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 24.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2019

Income taxes, as set out in note 9, and deferred taxes, as set out in note 23, 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 year ended 31 July 2019

32 Significant subsidiaries and joint ventures

A list of all of the Group's significant subsidiary and joint venture undertakings, as at 31 July 2019 and 2018, 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 2019	Group % share 2018	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	Food distribution	GBP	0.250	100	100	2
France Distribution SAS	Food distribution	EUR	0.108	100	100	3
ARYZTA Food Solutions Schweiz AG	Food distribution	CHF	3.500	100	100	4
ARYZTA Bakeries Deutschland GmbH	Food manufacturing and distribution	EUR	3.072	100	100	5
ARYZTA Food Solutions GmbH	Food distribution	EUR	0.025	100	100	6
Pré Pain B.V.	Food manufacturing and distribution	EUR	0.018	100	100	7
ARYZTA Polska Sp.z o.o.	Food manufacturing and distribution	PLN	61.000	100	100	8
Fornetti Kft	Food manufacturing and distribution	HUF	500.000	100	100	9
(b) Significant subsidiaries – North America						
ARYZTA LLC	Food manufacturing and distribution	USD	705.000	100	100	10
ARYZTA Limited	Food manufacturing and distribution	CAD	256.217	100	100	11
ARYZTA Canada Co.	Food manufacturing and distribution	CAD	113.400	100	100	12
(c) Significant subsidiaries – Rest of World						
ARYZTA Australia Pty Limited	Food manufacturing and distribution	AUD	17.000	100	100	13
ARYZTA Do Brazil Alimentos Ltda	Food manufacturing and distribution	BRL	33.588	100	100	14
(d) Significant joint venture						
Lion/Polaris Lux Holdco S.à r.l. (Picard)	Food distribution	EUR	0.100	48	49	15

Registered Offices:

1. Grangecastle Business Park, New Nangor Road, Clondalkin, Dublin 22, Ireland.
2. 149 Brent Road, Southall, Middlesex UB2 5LJ, England.
3. ZAC de Bel Air, 14–16 Avenue Joseph Paxton, Ferrières en Brie, 77164, France.
4. Ifangstrasse 9, 8952 Schlieren-Zurich, Switzerland.
5. Industriestraße 4, 06295 Lutherstadt Eisleben, Germany.
6. Konrad Goldmann Strasse 5 b, 79100 Freiburg im Breisgau, Germany.
7. Kleibultweg 94, Oldenzaal, 7575 BX, the Netherlands.
8. ul. Zachodnia 10, 05-825 Grodzisk Mazowiecki, Poland.
9. 6000 Kecskemét, Városföld 8683/104.hrsz. dulo 92, Hungary.
10. 350 N Orleans, Suite 3001N, Chicago, IL 60654, United States of America.
11. 58 Carluke Road West, Ancaster, Ontario L9G 3L1, Canada.
12. 1100-1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2, Canada.
13. 14 Homepride Avenue, Liverpool, NSW 2170, Australia.
14. Av. Brigadeiro Faria Lima 1.336, 3º Andar 01451-001 São Paulo, Brazil.
15. 7, Rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg.

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 2019

Opinion

We have audited the group consolidated financial statements of ARYZTA AG and its subsidiaries (the Group or Company), which comprise the group consolidated income statement and group consolidated statement of comprehensive income for the year ended 31 July 2019, the group consolidated balance sheet as at 31 July 2019 and the group consolidated statement of changes in equity and the group consolidated cash flow statement for the year then ended, and notes to the group consolidated financial statements, including the group statement of accounting policies.

In our opinion, the group consolidated financial statements (on pages 80 to 162) give a true and fair view of the consolidated financial position of the Group as at 31 July 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the 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 IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: EUR 6,750,000

We concluded full scope audit work at six reporting entities in five countries. Our audit scope addressed 66% of the Group's revenue. In addition, specified procedures were performed on a further five reporting entities in five countries representing a further 16% of the Group's revenue.

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

– Recoverability of Goodwill

Materiality

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

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2019 (continued)

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

Overall Group materiality	EUR 6,750,000
How we determined it	2.25% of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), as defined by the bank covenant, rounded
Rationale for the materiality benchmark applied	We chose EBITDA as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by the relevant users of the financial statements and because Loss before income tax is significantly impacted by depreciation and amortization.

We agreed with the Audit Committee that we would report to them misstatements above EUR 675,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons. Misstatements that only result in balance sheet reclassifications are reported to the Audit Committee if they are above EUR 4,800,000.

Audit scope

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

The Group financial statements are a consolidation of over 110 reporting entities, comprising the Group's operating businesses and centralised functions. We identified six reporting entities that, in our view, required a full scope audit, due to their size or risk profile. These six reporting entities are based in the United States of America, Germany, France, Switzerland and Ireland. Specific audit procedures on certain balances and transactions were performed at a further five reporting entities.

In order to fulfil our responsibilities for the direction, supervision and performance of the Group audit, we were involved in the work performed by reporting entity audit teams by performing selected site visits, participating in selected clearance meetings with management and having detailed discussions with the audit teams around audit approach and matters reported to us.

Audit procedures over the consolidation, significant Group functions such as treasury and tax and goodwill impairment were performed centrally. Overall, our audit scope, including specified audit procedures, accounted for 82% of Group revenues.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2019 (continued)

Recoverability of Goodwill

Key audit matter	How our audit addressed the key audit matter

As of 31 July 2019, the carrying value of goodwill was EUR 1.458 billion, which represents approximately 31% of total assets and approximately 60% of total equity. Goodwill is allocated to six groups of cash-generating units (CGUs).
 	
Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment.
 	
No impairment charge was recognised during the year in respect of goodwill.
 	
We focused on this area given the scale of the assets and because the Company's assessment of the carrying value of goodwill involves complex and subjective judgements in respect of the assumptions underpinning the value in use cash flow models used to determine the recoverable amount of each of the Company's CGUs. These relate to the projection of future business performance and profitability for a period of three years, estimation of terminal growth rates and determination of a discount rate for each CGU.
 	
Refer to page 100 (Group Statement of Accounting Policies, Business combinations and goodwill) and pages 126–129 (Note 14, Goodwill and intangible assets).
	– We assessed the Company's allocation of goodwill to the CGUs, and the change in allocation during the year, by assessing the reasonableness of the CGUs taking into consideration internal management reporting and how the business is managed within and across geographies.
	– We obtained the Company's impairment analysis for each CGU and performed the following procedures, among others:
	  – Tested the mathematical accuracy of the model and traced amounts to underlying financial statement and other information, as applicable.
	  – Reconciled the three year projections to the budget that was subject to scrutiny and approval by the Board of Directors and gained an understanding of the process undertaken to develop the projections. In addition, discussed the projections with the Company in order to obtain an understanding of various factors that were built into the assumptions.
	  – Compared short term and terminal growth rate assumptions to relevant market and economic forecasts.
	– With the support of internal valuation specialists, we assessed the discount rates applied by the Company, by performing an independent calculation of the weighted average cost of capital for each CGU (adjusted to reflect the risks associated with each CGU).
	– We obtained the Company's sensitivity analyses around key assumptions to ascertain the effect of changes to those assumptions on the value in use estimates and recalculated these sensitivities. In addition, we performed our own sensitivity analyses by changing various key assumptions to assess whether the headroom of the recoverable amounts over the respective carrying amounts might be sensitive to a reasonably possible movement in any of the underlying assumptions. ARYZTA North America and North West Europe were the CGUs requiring particular attention based on the level of headroom under our sensitivity analyses.
	– We reviewed and validated disclosures regarding key assumptions, headroom and sensitivity as presented in the Group Consolidated Financial Statements in Note 14.
	
	Based on the work performed, we found the judgement that the carrying amount of the goodwill of each CGU is recoverable, to be reasonable.

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 standalone financial statements and the remuneration report of ARYZTA AG 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.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2019 (continued)

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.

Responsibilities 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 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 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 consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2019 (continued)

obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Sandra Böhm Uglow
Audit expert
Auditor in charge

Carrie Rohner

Zurich, 8 October 2019

Company Income Statement
for the year ended 31 July 2019

in CHF `000	2019	2018
Revenues from licences and management fees from Group companies	**8,009**	10,974
Dividend income from Group companies	**73,000**	213,040
Personnel expenses	**(2,907)**	(3,425)
Other operating expenses to Group companies	**(8,972)**	(14,419)
Other operating expenses	**(8,530)**	(16,053)
Depreciation and amortisation	**(132)**	(274)
Impairment of investment in Group Companies	**–**	(110,000)
Operating profit	**60,468**	79,843
Financial income from Group companies	**75,151**	86,409
Financial expenses	**(84,833)**	(129,005)
Profit before income tax	**50,786**	37,247
Income tax	**(367)**	(293)
Profit for the year	**50,419**	36,954

Company Balance Sheet
as at 31 July 2019

in CHF `000	2019	2018
Assets		
Current assets		
Cash and cash equivalents	**711**	1,091
Other current receivables		
– from third parties	**11,824**	14,394
– from Group companies	**542**	427
Total current assets	**13,077**	15,912
Long-term assets		
Financial assets		
– loans to Group companies	**3,350,001**	3,449,240
Investments		
– investments in Group companies	**2,187,079**	2,004,581
Property, plant and equipment	**192**	124
Total long-term assets	**5,537,272**	5,453,945
Total assets	**5,550,349**	5,469,857

Company Balance Sheet (continued)
as at 31 July 2019

in CHF `000	2019	2018
Liabilities		
Short-term liabilities		
Trade payable		
– to third parties	**560**	1,470
Short-term interest bearing liabilities		
– to third parties	**987,228**	979,233
Other short-term liabilities		
– to third parties	**195,297**	197,783
– to Group companies	**44,925**	63,490
Accrued expenses	**67,505**	63,694
Total short-term liabilities	**1,295,515**	1,305,670
Long-term liabilities		
Long-term interest-bearing liabilities		
– to third parties	**1,326,898**	2,223,327
Liabilities to Group companies	**370,015**	278,522
Total long-term liabilities	**1,696,913**	2,501,849
Total liabilities	**2,992,428**	3,807,519
Equity		
Share capital	**19,862**	1,858
Legal reserves from capital contribution	**1,873,607**	1,030,684
Legal reserves for own shares from capital contribution	**99,926**	115,689
Retained earnings	**564,526**	514,107
Total equity	**2,557,921**	1,662,338
Total equity and liabilities	**5,550,349**	5,469,857

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 for the year is from 1 August 2018 to 31 July 2019.

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 117 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	2019 in CHF '000	2018 in CHF '000	Interest Rate	Maturity
Hybrid Instrument 2013	**400,000**	400,000	5.3%	No specified maturity date
Hybrid Instrument 2014	**190,000**	190,000	3.5%	No specified maturity date

Notes to the Company Financial Statements (continued)

Bank loans outstanding	2019 in CHF '000	2018 in CHF '000	Financial year of maturity
Syndicated Bank RCF	**435,130**	708,341	2023
Syndicated Bank Term Loan[1]	**390,079**	1,017,607	2023

1 The schedule of mandatory repayments by financial year on the amortising Syndicated Bank Term Loan is as follows: FY 2020 – €80m; FY 2021 – €80m; FY 2022 – €80m and FY 2023 – €113m.

The average interest rate on the combined RCF and Term Loan facilities is 1.74%.

During July 2017, the Group agreed to the terms of a new five-year unsecured €1,800m refinancing of its Syndicated Bank RCF and term loan facility, comprising a €1,000m amortising term loan and a €800m revolving credit facility. On 22 September 2017, this financing was used to repay the existing revolving credit and term loan facilities outstanding at that time in full.

In September 2018, the Group received the unanimous consent of its lenders to amend its existing Facilities Agreement to provide additional flexibility to pursue its new business strategy and implement a share capital increase as part of its deleveraging plan. Details of the capital increase are included in note 6 on page 173. Details of the Group's financing covenants are included in note 25 to the Group Financial Statements on pages 156 and 157.

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 2019	Share capital millions 2018	Percentage 2019	Percentage 2018
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

1 The amount disclosed represents limited liability capital.

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

Notes to the Company Financial Statements (continued)

6 Share capital

	Year ended 31 July 2019 Number of shares `000	Year ended 31 July 2019 in CHF`000	Year ended 31 July 2018 Number of shares `000	Year ended 31 July 2018 in CHF`000
Shares of CHF 0.02 each – authorised, issued and fully paid				
As at 1 August	**92,921**	**1,858**	91,811	1,836
Issued during the year	**900,185**	**18,004**	1,110	22
As at 31 July	**993,106**	**19,862**	92,921	1,858

	Year ended 31 July 2019 Number of shares `000	Year ended 31 July 2019 in CHF`000	Year ended 31 July 2018 Number of shares `000	Year ended 31 July 2018 in CHF`000
Shares of CHF 0.02 each				
Conditional capital	**–**	**–**	–	–
Authorised capital	**8,071**	**161**	8,071	161

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 18,003,699, and an increase in legal reserves from capital contribution of CHF 827,160,265 during the year ended 31 July 2019.

The dividend for the year ended 31 July 2017 was proposed to be settled as a scrip dividend via newly issued share capital, based on a ratio of one new share for every 80 shares held, and was approved at the Annual General Meeting held on 7 December 2017. Accordingly, a total of 1,110,253 new shares were issued, with a par value of CHF 0.02 per share during the year ended 31 July 2018.

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 9 December 2019 by a maximum amount of CHF 161,416 by issuing of up to 8,070,800 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 Company Financial Statements (continued)

The registered share capital of the Company as at 31 July 2019, 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 990,587,322 are outstanding and 2,518,405 are classified as treasury shares.

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

	Year ended 31 July 2019 Number of shares `000	**Year ended 31 July 2019** in CHF`000	Year ended 31 July 2018 Number of shares `000	Year ended 31 July 2018 in CHF`000
As at 1 August	**2,987**	**115,689**	3,052	117,871
Release of treasury shares upon exercise of LTIP shares	**(85)**	**(2,853)**	(65)	(2,182)
Release of treasury shares as restricted shares	**(384)**	**(12,910)**	–	–
As at 31 July	**2,518**	**99,926**	2,987	115,689

During the year ended 31 July 2019, the performance conditions associated with 84,815 Restricted Stock Unit awards were fulfilled (2018: 64,899). 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 (2018: CHF 28.69).

In addition, during the year ended 31 July 2019, 383,888 shares were issued out of treasury shares, is respect of restricted shares for non-executive directors, as detailed on pages 54 to 68 of the Compensation Report.

These shares were issued out of shares previously held in treasury by ARYZTA Grange Company UC, a wholly-owned subsidiary within the ARYZTA AG Group.

Notes to the Company Financial Statements (continued)

8 Participations

As at 31 July 2019 and 2018, 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 2019	**Number of shares % 2019**	Number of shares 2018	Number of shares % 2018
Cobas Asset Management	**99,310,573**	**10.00%**[1]	9,309,685	10.02%
JO Hambro	**58,093,539**	**5.85%**	–	–
Causeway Capital Management LLC	**49,655,286**	**5.00%**[1]	6,967,763	7.50%
CI Financial Corp.	**49,655,286**	**5.00%**[1]	4,673,420	5.03%
Black Creek Investment Management Inc.	**49,655,286**	**5.00%**[1]	4,660,950	5.01%
Credit Suisse	**31,590,045**	**3.18%**	–	–
Norges Bank	**29,832,029**	**3.00%**	–	–
Financière de l'Echiquier	–	**<3%**	4,636,210	4.99%
ARYZTA Treasury shares	–	**<3%**	2,987,108	3.21%
BlackRock Inc	–	**<3%**	2,809,135	3.02%

1 Shareholders with significant holdings before the November 2018 capital raise who have not notified the Group of a change in their holdings above or below a disclosure threshold are assumed to have offset the dilutive effect of the capital increase by participating with a number of shares which prevented them being required to disclose a crossing of a disclosure threshold.

Any significant shareholder notifications during the year, and since 31 July 2019, 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 53,744 at 31 July 2019 (2018: CHF 20,913).

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 54 to 68 for details on the compensation process and compensation for the year of Non-executive Directors and Group Executive Management.

Non-executive Directors' and Executive Management's share interests

The Directors and Company Secretary had no interests, other than those shown below, in the ordinary shares in, or loan stock of, the Company or other Group undertakings.

Beneficial interests at 31 July were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of ordinary shares 2019	No. of restricted shares/ unvested RSUs 2019	Total No. of ordinary shares 2019	No. of ordinary shares 2018
Directors				
Gary McGann	161,700	116,428	**278,128**	14,700
Chuck Adair[1]	N/A	N/A	**N/A**	5,062
Mike Andres[1]	–	40,011	**40,011**	N/A
Greg Flack[1]	–	40,011	**40,011**	N/A
Dan Flinter	13,365	40,371	**53,736**	1,215
Annette Flynn	11,132	37,488	**48,620**	1,012
Jim Leighton[2]	–	40,011	**40,011**	–
Tim Lodge[1]	–	34,604	**34,604**	N/A
Andrew Morgan	–	34,604	**34,604**	–
Rolf Watter	78,507	40,371	**118,878**	7,137
Executive Management				
Kevin Toland	97,240	–	**97,240**	8,840
Claudio Gekker	–	–	**–**	–
John Heffernan	14,014	–	**14,014**	1,274
Dave Johnson	–	–	**–**	–
Tony Murphy	–	–	**–**	–
Robert O'Boyle	111,397	–	**111,397**	10,127
Rhona O'Brien	–	–	**–**	–
Frederic Pflanz	–	–	**–**	–
Gregory Sklikas	–	–	**–**	–
Total	**487,355**	**423,899**	**911,254**	49,367

1 Effective 1 November 2018, C. Adair retired from the Board and M. Andres, G. Flack and T. Lodge were elected to the Board.

2 The Beneficial holding of J. Leighton 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 year, or were outstanding at 31 July 2019 (2018: none).

Notes to the Company Financial Statements (continued)

Executive Management's interests in equity instruments under the LTIP

	Opening position 31 July 2018	No. of PSUs granted during the year[1]	**No. of PSUs Closing position 31 July 2019[2]**	No. of options granted during the year[1]	**No. of options Closing position 31 July 2019[2]**
Executive Management					
Kevin Toland	–	1,225,794	**1,225,794**	1,936,777	**1,936,777**
Claudio Gekker	–	326,547	**326,547**	515,951	**515,951**
John Heffernan	–	302,843	**302,843**	397,324	**397,324**
Dave Johnson	–	948,457	**948,457**	1,561,245	**1,561,245**
Tony Murphy	–	378,554	**378,554**	598,122	**598,122**
Robert O'Boyle	–	324,731	**324,731**	513,080	**513,080**
Rhona O'Brien	–	174,135	**174,135**	150,670	**150,670**
Frederic Pflanz	–	668,779	**668,779**	1,056,683	**1,056,683**
Gregory Sklikas	–	393,696	**393,696**	340,645	**340,645**
Total	**–**	**4,743,536**	**4,743,536**	**7,070,497**	**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 All awards are unvested as at 31 July 2019.

Previous and discontinued compensation plans

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

	Options carried forward 1 August 2018	Modified during the year[1]	Closing position 31 July 2019	Of which Vesting criteria have been fulfilled[2]
Executive Management				
Kevin Toland	–	–	–	–
Frederic Pflanz	–	–	–	–
John Heffernan	–	–	–	–
Tony Murphy	–	–	–	–
Rhona O'Brien	–	–	–	–
Dave Johnson	–	–	–	–
Gregory Sklikas	–	–	–	–
Robert O'Boyle	22,500	83,309	105,809	105,809
Claudio Gekker	–	–	–	–
Total current executive management	**22,500**	**83,309**	**105,809**	**105,809**
Owen Killian	750,000	2,776,961	3,526,961	3,526,961
Patrick McEniff	610,000	2,258,595	2,868,595	2,868,595
Pat Morrissey	100,000	370,261	470,261	470,261
Dermot Murphy	50,000	185,131	235,131	235,131
Total former executive management	**1,510,000**	**5,590,948**	**7,100,948**	**7,100,948**
Total current and former executive management	**1,532,500**	**5,674,257**	**7,206,757**	**7,206,757**

1 During the financial year ended 31 July 2019, in order to maintain the dilutive impact of the November 2018 capital increase at a consistent level for outstanding LTIP awards with the dilution experienced by shareholders who did not participate in the rights issue and instead sold their rights received, the Group adjusted all outstanding LTIP awards by dividing the previous exercise price of each outstanding LTIP award by the 4.64x Theoretical Ex-Rights Price ('TERP') and likewise by multiplying the previous number of outstanding LTIP awards by TERP. Additionally, in order to eliminate the impact of the Scrip Dividend issued in January 2018, the Group also adjusted all outstanding LTIP awards by dividing the exercise price by 81 and multiplying by 80 and likewise multiplying the number of LTIP awards outstanding by 81 and dividing by 80.

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 8.31.

Notes to the Company Financial Statements
(continued)

11 Post balance sheet events – after 31 July 2019

As announced on 4 October 2019, the Group received a binding offer from Invest Group Zouari ('IGZ') to purchase 43.3% of its 47.8% holding in Picard for gross consideration of €156m. ARYZTA would retain a 4.5% interest in Picard, to be recorded as a financial investment at fair value. The transaction is subject to a works council consultation process in France and to customary regulatory approvals. Subject to ARYZTA's acceptance of the offer following completion of the works council consultation process, the transaction is expected to close in the last quarter of calendar year 2019. Upon completion, the proposed transaction is expected to generate a material one-off non-cash accounting loss, currently estimated to be c. €280m based on year end 2019 carrying value. This loss could change depending on the timing of when the proposed transaction closes, as the results for Picard would continue to be consolidated under the equity method of accounting until then.

During October 2019, the Group completed the disposal of its UK Food Solutions business within the Europe operating segment for gross consideration of €8m. The transaction is expected to result in a loss relating to derecognition of goodwill and recycle of cumulative foreign currency translation loss since the initial investment.

These disposals are consistent with ARYZTA's strategy to focus on its frozen B2B bakery operations and exit non-core businesses.

In Switzerland, changes to the Swiss federal and the canton of Zurich tax laws, which eliminated certain favourable tax regimes, were substantively enacted in May and September 2019 respectively. As substantive enactment at the Zurich cantonal level had not taken place until after the reporting date of 31 July 2019, no adjustments to ARYZTA AG's tax position have been reported in the Company balance sheet. If reflected, there is currently no impact on the current tax expense of the Company expected. Changes in the tax laws in other Swiss cantons in which the ARYZTA Group operates are still under discussion.

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	**2019**	2018
Balance of retained earnings carried forward	**514,107**	477,153
Net profit for the year	**50,419**	36,954
Closing balance of retained earnings	**564,526**	514,107
Dividend payment from retained earnings	**–**	–
Balance of retained earnings to be carried forward	**564,526**	514,107

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2019

Opinion

We have audited the financial statements of ARYZTA AG, which comprise the income statement for the year ended 31 July 2019, the balance sheet as at 31 July 2019 and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (on pages 168 to 178) as at 31 July 2019 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

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

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

Our audit approach

Overview

Overall materiality: CHF 27,750,000

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

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

– Valuation of investments in subsidiaries

Materiality

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

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

Overall materiality	CHF 27,750,000
How we determined it	0.5 % of total assets, rounded
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the benchmark that is most relevant for a holding company that mainly holds investments and is not profit oriented, and it is a generally accepted benchmark.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2019 (continued)

We agreed with the Board of Directors that we would report to them misstatements above CHF 2,750,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

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

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

Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
Investments in subsidiaries total CHF 2.2 billion (39.4% of total assets) as of 31 July 2019. Investments are carried at initial cost value and are subject to an annual impairment assessment. To identify indicators of impairment of investments, management compared the carrying value of the investments with the investee's net assets. For investments with indicators of impairment, management prepared an estimate of the recoverable amount using cash flow projections subject to scrutiny and approval by the Board of Directors of ARYZTA AG. In general discrete valuation is made for each single investment. Certain investments are subject to a group valuation approach due to their homogeneous nature. As a result of the current year assessment, no impairment was recorded. We consider the valuation of investments as a particularly significant area due to the size of the carrying value and judgement involved in assessing the recoverability of these assets. The valuation methods used involve considerable judgment with respect to assumptions about the future performance of the business. Refer to Note 2 Accounting policies and Note 5 Details of investments.	We evaluated and tested management's process to identify impairment indicators by reperforming the comparison for an appropriate sample of investments. We evaluated and challenged the reasonableness of the key assumptions applied by management in its determination of the recoverable amount, such as: – Cash flow projections in the forecast, by comparing them to the budgets rolled up into the strategic plan approved by the Board of Directors of Aryzta AG. – Discount rate used, by assessing the reasonableness of the model employed. Based on the work performed, we found that the assessments were based on reasonable assumptions.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2019 (continued)

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

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

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

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

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

Report of the statutory auditor to the General Meeting of ARYZTA AG on the financial statements 2019 (continued)

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

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

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

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Sandra Böhm Uglow — Audit expert, Auditor in charge

Carrie Rohner

Zurich, 8 October 2019

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Key dates to October 2020

Annual General Meeting 2019	14 November 2019
First-quarter revenue update	22 November 2019
Announcement of half-year results 2020	10 March 2020
Third-quarter revenue update	26 May 2020
Announcement of the 2020 annual results	6 October 2020

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