Annual Report and Accounts 2021

Financial and Business Review

1 Underlying Income Statement and reconciliation to IFRS

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

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

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

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

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Reconciliation of Underlying EBITDA to IFRS result:

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

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

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

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

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

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2 Organic revenue

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

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

Quarterly organic revenue

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

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

Financial and Business Review (continued)

3 Segmental Underlying EBITDA

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

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

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

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

4 Our business

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

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

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

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

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

5 ARYZTA Europe

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

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

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

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

6 ARYZTA Rest of World

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

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

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

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

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

Financial and Business Review (continued)

7 ARYZTA North America - Discontinued Operations

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

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

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

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

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

Financial and Business Review (continued)

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

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

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

Impairment and disposal-related costs - continuing operations

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

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

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

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

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

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

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

Restructuring-related costs - continuing operations

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

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

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

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

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

COVID-19 related costs - continuing operations

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

Financial and Business Review (continued)

9 Cash generation

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

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

10 Net debt and investment activity

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

1 Other comprises primarily amortisation of upfront financing costs.

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

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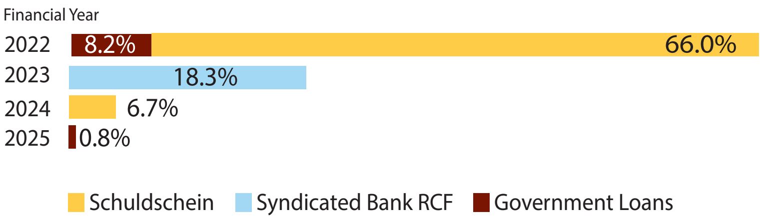
As of 31 July 2021, the Group's gross term debt financing facilities, related capitalised upfront borrowing costs, finance leases, net of overdrafts and cash balances were as follows:

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

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

Gross Term Debt Maturity Profile
FY 2021



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

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

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

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

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

The covenants are summarised in the table below:

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

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

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

1 Calculated as per Syndicated Bank Facilities Agreement terms.

11 Hybrid funding

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

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

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

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

Financial and Business Review (continued)

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

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

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

12 Foreign currency

The principal euro foreign exchange currency rates used by the Group for the preparation of these Financial Statements are as follows:

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

Financial and Business Review (continued)

13 Return on invested capital

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

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

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

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

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

14 Net assets, goodwill and intangibles

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

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

15 Dividend

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

Financial and Business Review (continued)

16 Post balance sheet events – after 31 July 2021

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

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

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

17 Principal risks and uncertainties

The Board and senior management have invested significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Board considers the risks and uncertainties disclosed on pages 75-76 to reflect the principal risks and uncertainties of the Group.

18 Forward looking statement

This document contains forward looking statements which reflect the Board of Directors' current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures, the effects of a pandemic or epidemic or a natural disaster, and regulatory developments. You are cautioned not to place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this document. The Company expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements other than as required by applicable laws.

19 Glossary of financial terms and references

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

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

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

Financial and Business Review (continued)

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

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

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

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

‘Underlying net (loss)/profit’ – presented as reported net (loss)/profit, adjusted to include the Hybrid instrument dividend as a finance cost; before non-ERP related intangible amortisation; and before impairment, disposal, restructuring and COVID-19 related costs, net of related income tax impacts. The Group utilises the Underlying net (loss)/profit measure to enable comparability of the results from period to period, without the impact of transactions that do not relate to the underlying business.

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

‘ROIC’ – Return On Invested Capital is calculated using a pro-forma trailing twelve month segmental Underlying EBITA (‘TTM EBITA’) reflecting the full twelve month contribution from acquisitions and full twelve month deductions from disposals, divided by the respective Segmental Net Assets, as of the end of each period.