

Letter to Shareholders

ARYZTA AG

Dear Shareholder,

Capital Increase

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 your support.

Period in Review

While the financial performance in the 2019 financial year ('FY19') is not yet where we want or expect it to be, the management has delivered overall organic revenue stability and improving performance against a series of measures. Revenue of €3.4bn 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 key measures of Group profitability have improved within the period. The 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.

Focus on 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 has been undertaken to improve ARYZTA's operating efficiency, in order to enhance our competitive positioning. We expect this programme to deliver €200m in savings over three years and €90m 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. Further details on the progress in the past year and the changes made to the underlying business are set out in the FY19 Annual Report which we recently published.

Board Renewal

As part of our commitment to stabilise the business and return to performance and growth, there has been continuing change at Board level. The progressive refreshment and orderly succession of the Board was determined to be in the best interests of shareholders, as it serves to ensure diverse and fresh perspectives at the Board level while preserving continuity and the knowledge and understanding of ARYZTA's business as a whole. In particular, your Board has extensive geographic diversity. Board members are resident in the United States of America, Switzerland, England, Ireland, Australia and subject to your approval of Alejandro Legarda Zaragüeta at the AGM, Spain. In terms of gender diversity, we have engaged international recruitment companies to actively identify and include female candidates with the appropriate qualifications and experience in the food and particularly bakery industry, in the Board recruitment selection process. The Board's nomination of Luisa Delgado reflects our ongoing commitment towards gender diversity.

Following the 2019 AGM, subject to the election of all Directors by our shareholders, the ARYZTA Board will comprise 11 Directors (of which ten will qualify as independent under the Swiss Code of Best Practice for Corporate Governance) with an average tenure of two years. I want to thank Andrew Morgan for his significant contribution to the Board and welcome Luisa Delgado and Alejandro Legarda Zaragüeta to the Board, subject to you electing them at the AGM.

Shareholder Engagement

The capital raise was necessary to strengthen our balance sheet, to fund our liquidity and working capital requirements and to finance Project Renew. We very much appreciate the support for the capital raise with a subscription rate of 97.4% for the new shares. However, at our 2018 AGM, a significant minority of votes were received against the motion for the capital raise and linked to that motion, the re-election of Board members. We recognise the importance in establishing stakeholder engagement as a key priority for ARYZTA and following the 2018 AGM, we committed to an extensive process of 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. Since the 2018 AGM, between our CEO, Kevin Toland and I, we have consulted with the top 50% of our shareholders who either opposed or had reservations about the capital increase resolution. We have actively engaged with those shareholders and their concerns have been shared with the entire Board. We have communicated to our shareholders, the Board and executive team's commitment and focus on delivering on the three-year turnaround plan and deploying the capital that you have entrusted to us as effectively as possible. Since the capital raise and throughout FY19, our shareholder base has remained stable and we appreciate your continued support as we continue to work at building a constructive dialogue with all shareholders.

Culture & Values

The Board's objective is to foster an inclusive, performance-oriented culture through team-work, the pursuit of excellence and an ownership mind-set. 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 our people to realise their full potential; Ownership, which encourages and empowers individual performance while prioritising collaboration through teamwork; Customer Focus, including an unrelenting focus 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 and quality.

Outlook

In FY19, we have delivered a gradual yet consistent general improvement against earnings measures. In a broader sense, FY19 has been 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. We remain confident in the outlook for the frozen B2B bakery market, which is in steady growth, and in our ability, over time, to capture our fair share of that growth. In addition, an increasingly efficient asset base will enable us to deliver an improved financial performance in all market conditions. We have a strong customer base, a capable team, a proven ability to innovate and a unique bakery footprint around the world. As we continue to deliver on our turnaround plan, we will work to progressively restore value for you, our shareholders.

Sincerely,



Gary McGann
Chair