Annual Report and Accounts 2010

Financial and Business Review

1 Summary income statement for year ended 31 July

in Euro `000	Food Group 2010	Origin 2010	Total Group 2010	Total Group 2009	% Change
Group revenue	**1,679,417**	**1,330,309**[4]	**3,009,726**	3,212,270	(6.3%)
Group operating profit[1]	**207,119**	**65,854**	**272,973**	280,409	(2.7%)
Share of associates and JVs[2]	**20,041**	**11,572**	**31,613**	17,525	–
Operating profit, incl. associates and JVs[1]	**227,160**	**77,426**	**304,586**	297,934	2.2%
Finance cost, net	**(36,272)**	**(15,213)**	**(51,485)**	(50,652)	–
Pre-tax profits[1]	**190,888**	**62,213**	**253,101**	247,282	–
Income tax[1]	**(30,571)**	**(11,027)**	**(41,598)**	(45,085)	–
Non-controlling interests[3]	**(2,630)**	**–**	**(17,624)**	(17,649)	–
Underlying fully diluted net profit	**157,687**	**51,186**	**193,879**	184,548	5.0%
Underlying fully diluted EPS (cent)	**–**	**37.26**[5]	**244.0**[6]	234.7[6]	**4.0%**

Reported profit to underlying net profit reconciliation for year ended 31 July

in Euro `000	Food Group 2010	Origin 2010	Total Group 2010	Food Group 2009	Origin 2009	Total Group 2009
Reported net profit	**117,420**[7]	**48,039**	**151,729**	94,633	(56,825)	54,010
Amortisation of intangible assets[1]	46,816	3,914	50,730	42,983	3,294	46,277
Tax on amortisation	(11,192)	(767)	(11,959)	(10,800)	(380)	(11,180)
Property write-down	–	–	–	–	134,543	134,543
Tax on property write-down	–	–	–	–	(30,940)	(30,940)
Non-controlling interests adj. on property write-down	–	–	–	–	–	(29,609)
Acquisition and merger costs	4,643	–	4,643	22,738	–	22,738
Tax on merger costs	–	–	–	(218)	–	(218)
Underlying net profit	**157,687**	**51,186**	**195,143**	149,336	49,692	185,621
Dilutive impact of Origin management equity entitlements	–	–	(1,264)	–	–	(1,073)
Underlying fully diluted net profit	**157,687**	**51,186**	**193,879**	149,336	49,692	184,548
Underlying fully diluted EPS (cent)	**–**	**37.26**[5]	**244.0**[6]	–	36.16[5]	234.7[6]

1 Before the impact of non-SAP-related intangible amortisation, transaction costs, non-recurring items and related tax credits. SAP amortisation for the financial year 2010 is €634,000 (2009: €nil).
2 Associates and JVs profit net of tax and interest.
3 Presented after dilutive impact of Origin management equity entitlements, non-recurring items and related tax credits.
4 Origin revenue is presented after deducting intra group sales between Origin and Food Group.
5 Actual Origin 2010 underlying fully diluted EPS is calculated using the weighted average number of shares in issue of 137,376,888 (2009: 137,417,000).
6 Actual 2010 underlying fully diluted EPS is calculated using the weighted average number of shares in issue of 79,443,701 (2009: 78,626,718).
7 Food Group reported net profit excludes dividend income of €7,600,000 from Origin.

Financial and Business Review (continued)

2 Underlying revenue growth

in Euro million	Food Europe	Food North America	Food Rest of World	Total Food Group	Origin[1]	Total Group
Group revenue	1,072.0	571.6	35.8	1,679.4	1,330.3	3,009.7
Underlying growth	(8.2%)	(4.3%)	8.4%	(6.7%)	(10.8%)	(8.6%)
Acquisitions[3]	2.0%	8.4%	57.2%	4.8%	0.2%[2]	2.6%
Currency	0.5%	(1.1%)	9.9%	0.0%	(0.7%)	(0.3%)
Revenue growth	**(5.7%)**	**3.0%**	**75.5%**	**(1.9%)**	**(11.3%)**	**(6.3%)**

1 Origin revenue is presented after deducting intra-group sales between Origin and Food Group.
2 Includes the impact of Origin's disposal of its Marine Protein and Oils business in February 2009, which is now recognised as part of joint ventures.
3 Includes the impact of seven weeks' revenue from Great Kitchens and three weeks' revenue from Fresh Start Bakeries. It also reflects the transfer of business activity from Food Europe to Food Rest of World due to operational change.

3 Segmental operating profit performance[1]

in Euro `000	Food Europe	Food North America	Food Rest of World	Total Food Group	Origin	Total Group
Operating profit[1]	131,245	69,911	5,963	207,119	65,854	272,973
Growth	(2.9%)	3.6%	180.9%	1.2%	(13.0%)	(2.7%)
Operating margin	**12.2%**	**12.2%**	**16.6 %**	**12.3%**	**5.0%**	**9.1%**
Operating margin (FY ended 31 July, 2009)	11.9%	12.2%	10.4%	12.0%	5.0%	8.7%

1 The above figures exclude non-SAP intangible amortisation, transaction costs and non-recurring items, and include other income of €82,000. SAP amortisation for the financial year 2010 is €634,000 (2009: €nil). During the financial year 2010, the Food Group commenced the implementation of SAP ERP across its businesses. No further material investment is planned in its existing IT infrastructure. As a result of the substantial investment in SAP intangibles, SAP amortisation will no longer be added back to underlying profit.

4 Food Group business

ARYZTA's Food Group business is primarily focused on speciality baking, a niche segment of the overall bakery market. Speciality bakery consists of freshly prepared offerings giving the best value, variety, taste and convenience to consumers at the point of sale. ARYZTA's customer mix is an evenly balanced mix of convenience and independent retail, large retail, quick service restaurants and other foodservice categories.

Revenues declined during the period across most channels and markets. Convenience retail and foodservice on the island of Ireland and in the UK were the most severely impacted channels and markets. Continued pressure on the consumer in Europe and North America made for a challenging year. Operating profit remained stable, underlying ARYZTA's operating leverage. Cost curtailment and operating efficiency initiatives allowed the business to reduce its cost to serve its customers. As a result, ARYZTA's customers were facilitated to increase their value propositions to consumers.

5 Food Europe

Food Europe has leading market positions in the speciality bakery market in Switzerland, Germany, Poland, the UK, Ireland, France, Sweden and Spain. In Europe, ARYZTA has a mixture of business to business and consumer brands, including Hiestand, Cuisine de France, Delice de France, Coup de Pates and Fresh Start Bakeries. It has a diversified customer base, including convenience retail, gas stations, multiple retail, restaurants, catering and hotels, leisure and quick service restaurants.

Financial and Business Review (continued)

Food Europe continued to face tough trading conditions in the financial year 2010, with underlying revenue declining 8.2%. Food Europe's operating profit declined 2.9% to €131.2 million.

In Europe the decline in revenue has been mostly evident in the UK and Ireland. The consumer has endured stringent austerity measures, significantly impacting their disposable income. Support was provided to customers, which reduced costs to serve, particularly on the island of Ireland, facilitating operators to increase their value offerings. This was underpinned by ARYZTA's cost curtailment and operating efficiency initiatives during the period.

Continental Europe revenues remain stable, where continued investment in new field sales personnel and growth from new customers, with a particular focus on the independent segment (bakeries, boulangeries and independent restaurants), have aided performance.

The Irish and UK businesses were combined with the Hiestand business following year end. This will provide integrated solutions to their customers and improve cross-selling and skill transfer between businesses.

6 Food North America

Food North America is a leading player in the US bakery market. It has a diversified customer base, including multiple retail, restaurants, catering and hotels, leisure, hospitals, military, fundraising and quick service restaurants.

Otis Spunkmeyer and La Brea Bakery are two iconic brands which evoke emotional appeal with the consumer. Fresh Start Bakeries (incorporating Pennant Foods and Sweet Life) is a global supplier of speciality bakery products, with a leading position in the quick service restaurant segment, while Great Kitchens is a leading supplier of pizza and appetisers, with a focus on the deli segment of the retail grocery channel.

Food North America delivered revenues of €571.6 million which represented a decline of 4.3% in underlying revenue for the financial year 2010. Operating profit grew by 3.6% to €69.9 million.

In North America, conditions were weak and value propositions for consumers remain centre stage. Cost curtailment and operating efficiencies have compensated for weak revenues (following a high 2009 growth comparator) in the period.

7 Food Rest of World

ARYZTA has existing businesses in Japan, Malaysia and Australia. ARYZTA is continuing to understand the customer diversity and opportunity in this vast market. Through the acquisition of Fresh Start Bakeries (and its incorporated business of Sweet Life), ARYZTA now has new business operations in Brazil, Australia and New Zealand, as well as joint-venture production facilities in Chile and Guatemala.

Food Rest of World delivered revenues of €35.8 million which represented an increase of 8.4% in underlying revenue for the financial year 2010. Food Rest of World operating profits grew by 180.9% to €6.0 million for the financial year 2010.

Financial and Business Review (continued)

8 ARYZTA's Food Group business – Strategic market position

The current financial year acquisitions of Fresh Start Bakeries and Great Kitchens are milestones to deliver on ARYZTA's long-term strategic objectives. These acquisitions provide additional product expansion in North America, greater geographic expansion across Europe and Rest of World, increased access into retail and quick service restaurant channels and a substantially increased bakery capability and capacity.

As a Group, ARYZTA can now demonstrate leadership across product categories supplied from unmatched international manufacturing capabilities and delivered through a broad customer channel base. ARYZTA is strategically aligned with the key growth drivers of the industry including: declining in-home food, shortage of skilled labour and increasing demand for consistent quality at moderate cost.

Furthermore, significant benefits are expected to accrue to the Group from these new acquisitions through increased cross-selling, more efficient capital allocation, enhanced customer service and increased international customer partnerships.

These factors, together with the tremendous depth of management skills and industry knowledge across all ARYZTA businesses' executive teams, should contribute to the further growth prospects of the Group.

9 ARYZTA Technology Initiative

Adding to the implementation of the SAP Enterprise Resource Planning ('ERP') system in Otis Spunkmeyer in 2009, La Brea Bakery has now also been integrated. The implementation in both businesses was completed in line with budgeting and scheduling forecasts.

The continued phased implementation of a global ERP system is enabling the businesses to operate shared common 'best in class' processes and procedures.

10 Canadian joint venture

This joint venture has yielded a net contribution after interest and tax of €19.9 million in the financial year 2010 compared with a net contribution of €13.8 million after interest and tax in the financial year 2009.

Subsequent to the closing of the financial year 2010, ARYZTA's subsidiary IAWS Group Ltd ('IAWS') reached an agreement with Tim Hortons Inc. (its 50-50 partner under the Maidstone Bakery joint venture) to acquire the remaining 50% share of Maidstone Bakery. Completion of the Maidstone transaction is expected by end of calendar year 2010.

11 Financial position

ARYZTA's 71.4% subsidiary and separately listed company, Origin, has separate funding structures, which are financed without recourse to ARYZTA. Origin's net debt amounted to €111.9 million at 31 July 2010.

The consolidated net debt of the Group, excluding Origin's non-recourse debt, amounted to €1,115.6 million and relates to the food segments of the Food Group. This represented a net debt to EBITDA ratio of 2.96 times (based on banking facility covenant definition).

Financial and Business Review (continued)

Food Group cash generation

in Euro `000	July 2010	July 2009
EBIT	160,252	161,724
Amortisation	47,450	42,983
EBITA[1]	207,702	204,707
Depreciation	60,363	54,628
EBITDA	268,065	259,335
Working capital movement from debt factoring	21,554	–
Working capital movement	3,264	24,675
Dividends received[4]	24,158	18,830
Maintenance capital expenditure	(10,330)	(15,047)
Interest and tax	(54,224)	(53,562)
Other[2]	(1,469)	2,126
Cash flows generated from activities	**251,018**	**236,357**
Underlying net profit[3]	157,687	149,336
Depreciation	60,363	54,628
	218,050	203,964
Net underlying cash earnings conversion	**115.1%**	**115.9%**

1 Food Group EBITA is shown before other income of €51,000, contribution from joint ventures and deduction of SAP-related amortisation. SAP-related amortisation for financial year 2010 is €634,000 (2009: €nil).
2 “Other” comprises predominantly non-cash share-based charges and government grants amortisation.
3 Underlying net profit before non-SAP-related intangible amortisation, transaction costs, non-recurring items and related tax credits.
4 Includes dividend received from Origin of €7,600,000.

Food Group net debt and investment activity

in Euro `000	Food Group
Food Group opening net debt as at 31 July 2009	**(505,504)**
Cash flows generated from activities	251,018
Cost of acquisitions (incl. transaction costs and net debt acquired)	(860,313)
Share placement	115,001
Investment capital expenditure	(46,546)
Deferred consideration	(2,128)
Dividends paid	(30,599)
Foreign exchange movement[1]	(33,148)
Other	(3,404)
Food Group closing net debt 31 July 2010	**(1,115,623)**
Net Debt to EBITDA[2]	2.96x

1 Foreign exchange movement is primarily attributable to the fluctuation in the US dollar to euro rate between July 2009 (1.4252) and July 2010 (1.3079).
2 Food Group net debt to EBITDA ratio based on banking facility covenant definition (EBITDA including pro forma TTM contribution from Fresh Start Bakeries and Great Kitchens and dividend contribution from Canadian JV). Food Group net debt to EBITDA ratio based on private placement covenant definition (EBITDA including pro forma TTM contribution from Fresh Start Bakeries and Great Kitchens and EBITDA contribution from the Canadian JV, and excluding non-recurring items) is 2.84x.

Financial and Business Review (continued)

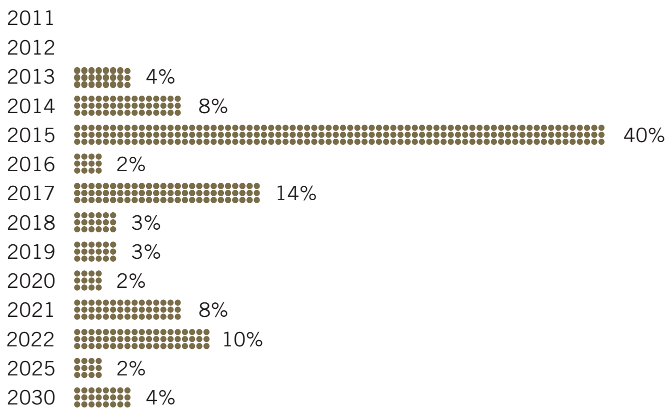
ARYZTA's funding facilities and key financial covenant (excluding Origin, which has separate ring-fenced structures, financed without recourse to ARYZTA) are as follows:

Description	Principal	Maturity
May 2010 – Syndicated Bank Loan	CHF 600m	Dec 2014
May 2010 – US Private Placement	USD 420m/EUR 25m	May 2013 – May 2022
Dec 2009 – US Private Placement	USD 200m	Dec 2021 – Dec 2029
Nov 2009 – Swiss Bond	CHF 200m	March 2015
Jun 2007 – US Private Placement	USD 450m	Jun 2014 – Jun 2019

Key Covenant	
Net debt: EBITDA (not greater than)	3.5 times

Weighted average interest cost of the Food Group is circa. 4.24%. The current weighted average maturity is 7.1 years.

Gross Term Debt Maturity Profile[1]



1 Profile of term debt maturity is set out based on the Group's financial year end. Food Group gross term debt at 31 July 2010 is €1.4bn (excluding overdrafts of €42.8m). Total Food Group net debt at 31 July 2010 is €1.1bn.

During the financial year 2010, ARYZTA negotiated a new syndicated bank loan of CHF 600 million maturing in December 2014. Credit Suisse and Zürcher Kantonalbank (ZKB) acted together with Bank of America, BNP Paribas, Rabobank and UBS as mandated lead arrangers. Ten Swiss cantonal banks participated in the syndicated bank facility[1]. ARYZTA also placed notes in the United States under private placements of USD 200 million in December 2009 and USD 420 million and EUR 25 million in May 2010 which had an average maturity of 9.2 years at issuance. The Group also completed a CHF 200 million Swiss bond issue in November 2009.

These funding initiatives enhanced operating funding facilities for the Group and replaced previous ARYZTA banking facilities due to expire in June 2013.

1 Cantonal banks - Aargauische Kantonalbank, Bank Cantonale Vaudoise, Bank Coop AG, Basler Kantonalbank, Basellandschaftliche Kantonalbank, Schaffhauser Kantonalbank, Luzerner Kantonalbank AG, Raiffeisen Schweiz Genossenschaft, Banca dello Stato del Cantone Ticino, Thurgauer Kantonalbank.

Financial and Business Review (continued)

12 Assets, goodwill and intangibles

Group Balance Sheet in Euro ´000	**Total Group 2010**	**Total Group 2009**
Property, plant and equipment	945,100	664,532
Investment properties	20,648	62,975
Goodwill and intangible assets	2,264,421	1,498,430
Associates and joint ventures	162,881	139,351
Working capital	(58,672)	(14,871)
Other segmental liabilities	(79,336)	(93,592)
Segmental net assets	3,255,042	2,256,825
Net debt	(1,227,512)	(659,256)
Deferred tax, net	(294,096)	(176,474)
Income tax	(53,209)	(40,650)
Derivative financial instruments	(6,375)	(12,477)
Net assets	**1,673,850**	**1,367,968**

Food Group Balance Sheet in Euro `000	**Food Group 2010**	**Food Group 2009**
Property, plant and equipment	815,918	577,772
Investment properties	4,646	3,761
Goodwill and intangible assets	2,149,826	1,382,431
Joint ventures	73,140	55,720
Investment in Origin	51,045	51,045
Working capital	(49,997)	(28,744)
Other segmental liabilities	(56,024)	(55,544)
Segmental net assets	2,988,554	1,986,441
Net debt	(1,115,623)	(505,504)
Deferred tax, net	(280,665)	(162,355)
Income tax	(47,437)	(38,116)
Derivative financial instruments	(1,778)	(5,432)
Net assets	**1,543,051**	**1,275,034**

The movement in the Food Group's fixed asset base reflects its strategic investment in its new businesses, Fresh Start Bakeries (incorporating Pennant Foods and Sweet Life) and Great Kitchens.

The newly recognised goodwill and intangibles reflect the strength of value contained within ARYZTA's businesses. This strength contributes to and supports the resilient operating profit growth in these challenging economic times.

Financial and Business Review (continued)

13 Return on investment

in Euro million	Food Europe	Food North America	Food Rest of World	Total Food Group	Origin	Total
2010						
Group share net assets[1]	1,427	1,281	230	2,938	382[4]	3,320
EBITA & associates/JVs cont.[2]	141	137	23	301	77	378
ROI	9.9%	10.7%[3]	10.0%	10.2%	20.3%	11.4%
2009						
Group share net assets[1]	1,292	638	4	1,934	387[4]	2,321
EBITA & associates/JVs cont.[2]	135	81	3	219	79	298
ROI	10.4%	12.7%	56.7%	11.3%	20.4%	12.8%

1 Net assets exclude all bank debt, cash and cash equivalents and tax-related balances.
2 Pro forma earnings before interest tax and non-SAP amortisation (EBITA) is presented before the impact of non-recurring items. The contribution from associates and JVs is net profit (i.e. presented after interest and tax). SAP amortisation for the financial year 2010 is €634,000 (2009: €nil).
3 Re-translating July 2010 pro forma EBITA and associates/JVs contribution for Food North America at the July 2010 closing rate of 1.3079 would result in an ROI of 11.3%.
4 Origin net assets adjusted for the fluctuation in its average quarterly working capital by €64,000,000.
5 The Group WACC on a pre-tax basis is currently 8.1% (2009: 9.4%). Group WACC on a post-tax basis is currently 6.5% (2009: 7.6%).

14 Proposed dividend

The Board recommends a final dividend of CHF 0.4802[1] to be paid on 1 February 2011, if approved by shareholders at the General Meeting to be held on 2 December 2010.

In order to allow both Swiss and non-Swiss shareholders to avail of the cash flow and administrative advantages from the introduction into Swiss tax legislation of a 0% withholding tax rate on dividend distributions made from “unrestricted contributed reserves” after 1 January 2011, the Group is proposing to delay the 2010 dividend distribution until 1 February 2011, being the most efficient date from a Group administrative perspective for the dividend distribution, after the Group’s interim close date of 31 January 2011.

1 Based on EUR 0.3660 per share converted at the foreign exchange rate of one euro to CHF 1.3121 on 23 September 2010, the date of approval of the ARYZTA financial statements.

15 Origin

Origin results for the period were robust and as a result, its return on investment was maintained at circa 20%. Outlook for the financial year 2011 has improved, arising from the current positive trend in agri-markets. Subsequent to the closing of the financial year 2010, Origin created an Irish food consolidation with CapVest that has sharpened its strategic focus on its agri-business. Origin’s strong balance sheet with a net debt to EBITDA ratio of 1.41x provides support for further strategic growth.

The Board of Origin has proposed a dividend per ordinary share of 9 cent for the period ended 31 July 2010. ARYZTA has a holding of 95 million shares in Origin Enterprises.

Origin’s separately published results are available at www.originenterprises.com.

Financial and Business Review (continued)

16 Outlook

ARYZTA will continue to focus on operating efficiencies, cost management, innovation and cash flow generation. ARYZTA's opportunity will be to unlock the full potential across its enlarged business base.

In recent times, there has been a re-emergence of commodity inflation, which underpins a long-term trend of higher food prices. ARYZTA's business model supports stable margins, and bakery offers a most compelling food value proposition for the consumer, providing resilience in an inflationary environment.

ARYZTA believes, through its newly acquired businesses, which have diversified its geographical scope, product expansion and channel access points, it is better equipped to deliver a robust and sustainable performance in the future through all economic cycles.

As previously guided in its Strategic Acquisitions Announcement of 8 June 2010, the Group expects an EPS uplift of 45.0 cent arising from acquisitions in the financial year 2011.

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.