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# Annual Report and Accounts 2011

## Letter to Shareholders

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The financial year 2011 was one of strong growth for the Group, with bakery output doubling on a 53.5% increase in Food Group revenue, largely as a result of the acquisitions completed just one year ago. These acquisitions (Fresh Start Bakeries, Great Kitchens and Maidstone Bakeries) significantly enhanced the diversification of our customer base, our market channels, our products and our geographic footprint. The combined acquisition investment was approximately €1.4 billion, which added 30 additional production locations in nine countries. These newly acquired businesses performed to expectation.

Our underlying Food business witnessed a return to modest positive revenue growth of 2.7%, while margins expanded in our Food business by 20bps to 12.5%. This was achieved in a very challenging trading environment of weak consumer spending, higher taxation and prices, and continuing volatility surrounding currency and commodities and credit availability. The 2011 outturn reflects the underlying strength of ARYZTA's diversified markets, customers and products. It also reflects the well developed financial disciplines in managing cash generation and debt levels which underpin the Group's ability to continue to invest behind the business, while maintaining investment grade status.

The enhanced diversification arising from these acquisitions represents an important milestone for our shareholders in delivering ARYZTA's target to 'double the earnings base within five years from June 2008'. Additionally it positions the Group to expand into emerging markets.

During the year, input costs persistently increased. While the extent of input price inflation was large and triggered price increases to protect margins, ARYZTA is working closely with its customers to mitigate the impact of pricing on the consumer through product innovation, product selection and service model efficiencies.

The year under review also marked the second phase of the ARYZTA Transformation Initiative ('ATI'). Over the past number of years, extensive preparation and planning has been completed to integrate the Group's global operations into a more cohesive entity, delivering improved performances and a more customer centric business. ATI remains a critical area of investment for ARYZTA in the years ahead, as well as a substantial enabler to the delivery of targets.

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### Results

ARYZTA's financial year was a challenging one. Trading conditions were difficult, with the onset of persistent input price inflation and the subdued consumer spending environment. However, the Group performed well, reporting modest underlying growth in most markets over the period. Pricing action preserved margins and ARYZTA continued to work hard with its retail and foodservice partners to provide freshly baked and conveniently prepared, high-quality baked goods at affordable prices.

Against this backdrop, the Group posted a strong earnings performance for the financial year 2011, increasing underlying fully diluted earnings per share by 27.1% to 310.1 cent, which represents an underlying fully diluted net profit of €260 million in the period.

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## Letter to Shareholders (continued)

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### Dividend

The Board recommends a final dividend of CHF 0.5679<sup>1</sup> per share, to be paid on 1 February 2012, if approved at the General Meeting on 1 December 2011.

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### Board membership

At the 2010 AGM, the term of office for Albert Abderhalden, Noreen Hynes, Hugo Kane and Owen Killian was due to expire. Albert, Noreen and Hugo, having served on the Board of Directors since 22 August 2008, did not seek re-election and we take the opportunity to thank them and pay tribute to their service to ARYZTA as members of the Board of Directors.

Owen Killian was re-elected to the Board at the 2010 AGM for a term of three years. A new Board member, Charles Adair, was elected to the Board of Directors for a three year term. Details of Charles's biography are available on page 32 in the Corporate Governance report.

The Board of ARYZTA AG now consists of two executive directors and seven non-executive directors. This number is in keeping with the intention to reduce the size of the Board, as outlined in the Company Prospectus of ARYZTA AG dated 11 July 2008.

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### Acknowledgement

On behalf of the Board, we would like to acknowledge the talent, hard work and commitment of ARYZTA's management and staff. This is an everyday business and our people are the inspiration to excellence every day. We would also like to thank our customers for their support and loyalty, and our suppliers for their reliability at all times.

We believe ARYZTA AG is well positioned to deliver long-term sustainable growth.



**Denis Lucey**  
Chairman, Board of Directors



**Owen Killian**  
CEO, Member of the Board of Directors

22 September 2011

<sup>1</sup> Based on EUR 0.4652 per share converted at the foreign exchange rate of one euro to CHF 1.22082 on 22 September 2011, the date of approval of the ARYZTA financial statements.