The 2010 financial year has been one of significant strategic developments and a key milestone for ARYZTA AG (‘ARYZTA’). In June 2010, ARYZTA acquired two excellent complementary businesses in Fresh Start Bakeries and Great Kitchens, which substantially enhanced its strategic market position.

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 (QSR) segment. It operates 29 specialist production facilities across the USA, Canada, Germany, Poland, Sweden, Spain, Brazil, Australia and New Zealand, and has three joint ventures located in the USA, Chile and Guatemala. Pennant Foods is a leading provider of speciality bakery products and solutions to the North American QSR, foodservice and retail in-store bakery channels. Sweet Life is a leading innovator and manufacturer of sweet baked goods servicing the North American and Asian QSR channel.

Separately, Great Kitchens is a leading supplier of pizza and appetisers with a focus on the deli segment of the North America retail grocery channel. The combined revenue of these businesses is USD 1.03 billion, with associated EBITDA of USD 133 million. The combined consideration for these businesses was USD 1.08 billion.

During the course of the year, ARYZTA undertook a significant amount of funding activity which was used to finance the above-mentioned acquisitions. The funding activity involved the issue of a CHF 200 million Swiss bond, USD 620 million (two tranches; USD 200 million and USD 420 million) and EUR 25 million US private placements and established a new syndicated bank facility of CHF 600 million. The Group also placed 3,864,335 shares in June 2010 to complement the aforementioned debt funding in order to ensure a prudent debt-equity mix.

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 for consideration of CAD 475 million. ARYZTA also announced that its new US subsidiary, Fresh Start Bakeries, is in the process of completing an investment in three bakeries in Asia (located in Taiwan, Singapore and Malaysia) and will commence the construction of a new bakery in Brazil. These investments in Asia and Brazil are expected to total in the order of USD 48 million. To fund these investments, in addition to its existing facilities, it is planned that ARYZTA will issue a perpetual callable subordinated instrument in FY2011.

These strategic investments will enhance ARYZTA’s strategic market position of ‘developing customer partnership model with leading operators in every channel to consumers’.

As a result of these strategic initiatives, ARYZTA has more than doubled its manufactured volumes with assets now invested in its food businesses across five continents in North America, South America, Europe, Asia and Australia.

Results
ARYZTA’s financial year was a challenging one. Economic conditions remained very challenging for the consumer. Revenues declined in most channels and markets during the financial year. 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 the backdrop of a subdued macro-economic environment, the Group posted a resilient earnings performance for the financial year 2010, increasing underlying fully diluted earnings per share by 4.0% to 244.0 cents, which represents an underlying fully diluted net profit of EUR 193.9 million in the period.

**Dividend**

The Board recommends a final dividend of CHF 0.480 per share, to be paid on 1 February 2011, if approved at the General Meeting on 2 December 2010.

**Other development activity**

As part of the ARYZTA Technology Initiative (‘ATI’), the Group is implementing a global Enterprise Resource Planning (‘ERP’) system. The key objective of this initiative is the delivery of a group-wide platform that will enable all of ARYZTA’s businesses to operate shared common ‘best in class’ processes and procedures, the effective implementation of which will improve internal business efficiencies.

To date, Otis Spunkmeyer and La Brea Bakery have implemented the SAP Enterprise Resource Planning (‘ERP’) system. The phased roll-out of the implementation remains in line with initial budgeting and scheduling targets.

**Board membership**

There have been no changes to the Board membership during the course of the financial year 2010. The Board currently consists of 11 directors (three executive directors and eight non-executive directors). The Board operates under the Corporate Governance structure set out in this Annual Report on pages 24 to 40.

**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 would finally like to thank our financiers for facilitating the Group’s continued strategic development.

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

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Denis Lucey
Chairman, Board of Directors

Owen Killian
CEO, Member of the Board of Directors

23 September 2010

1 Based on pro forma TTM to May 2010
2 Underlying fully diluted EPS and underlying fully diluted net profit are stated here before non-SAP-related intangible amortisation, transaction costs and the impact of non-recurring items.
3 Based on EUR 0.3640 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. In order to allow both Swiss and non-Swiss shareholders 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 the 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.